The HIPC Debt Relief Initiative and Ethiopia's Educational Sector Reforms: Does Debt Relief Work?

by Ahlam Abdillahi

An Honours essay submitted to
Carleton University in fulfillment
of the requirements for the course
ECON 4908, as credit toward
the degree of Bachelor of Arts with
Honours in Economics.

Department of Economics
Carleton University

Ottawa, Ontario

May 16, 2005

Table of Contents

List of Acronyms

AFDB	African Development Bank
EHESI	Ethiopian Higher Education Strategy Institution
ESAF	Enhanced Structural Adjustment Facility
ESDP	Educational Sector Development Program
ESRDF	Ethiopian Social Rehabilitation and Development Fund
FDRE	Federal Democratic Republic of Ethiopia
GER	Gross Enrolment Ratio
HICES	Household Income Consumption Expenditure Survey
HIPC	Heavily Indebted Poor Country (or Countries)
IDA	International Development Association
IDG	Institutional Development Grants
IMF	International Monetary Fund
MDG	Millennium Development Goals
NPRC	National Pedagogical Resource Center
ODA	Official Development Assistance
OPEC	OPEC Fund for International Development
PHRD	Policy and Human Resource Development
PRSP	Poverty Reduction Strategy Paper
QRAA	Quality and Relevance Assurance Agency
SDPRP	Sustainable Development and Poverty Reduction Strategy Program
TVET	Technical and Vocational Education and Training

1. Introduction

This study looks at the educational sector reforms introduced in Ethiopia during the early nineties, the primary particular interest of which is the manner that these reforms coincided with the launching of the 1996 World Bank (WB) and International Monetary Fund (IMF), Heavily Indebted Poor Countries (HIPC) Debt Initiative. Such a link between education and debt is important since an important characteristic of the HIPC initiative is its emphasis on poverty reduction and the reallocation of resources released from debt relief/debt forgiveness towards social sector spending. While there are continuities in the development of previous structural adjustment programs there is ample theoretical and empirical evidence that third world debt persists, imposing constraints on growth in developing countries[1]. Perkins (2004, xviii) stipulates that, "third world debt has grown to more than $2.5 trillion, and the cost of servicing it - over $375 billion per year as of 2004; - is more than all third world spending on health and education, which is twenty times what developing countries received annually in foreign aid".

Ethiopia is one of the countries that qualified for the HIPC initiative, and its economy continues to suffer from the effects of recurring, catastrophic droughts, which severely disturb agricultural production (the country's economic base). It is a nation which is constantly placed near the bottom of the UNDP's Human Development Index (for example, 170th out of 177 countries in 2004), with no sign of future improvements; it also carries an enormous amount of debt. In November 2001, the Executive boards of the International Development Association (IDA) of the World Bank and IMF agreed that Ethiopia had met the conditions for reaching the *decision point* under the enhanced HIPC

[1] For a survey of the literature on debt and growth, see Samy and Serieux (2001).

Initiative, and in April 2004, Ethiopia reached its *completion point* under the Enhanced HIPC Initiative[2].

From the start, importantly, the HIPC initiative proved to be removed from previous debt sustainability initiatives in Ethiopia in two distinct manners. First, sustainability of the debt (reducing it to manageable levels through debt cancellation and rescheduling) was emphasized. Second, the initiative was more comprehensive than the ones that came before it, that is to say that it made an important link between debt relief and poverty reduction. The HIPC Initiative included multilateral institutions, bilateral creditors, HIPC governments and civil society. More importantly the *original* HIPC Initiative was *enhanced* in 1999 to provide faster and deeper debt relief, since few countries were becoming eligible for the former.

This paper will critically assess the educational sector reforms implemented by Ethiopia during the HIPC *pre-decision* and *completion* points. As well, it will examine the extent to which the prospect of debt relief has allowed Ethiopia to conduct educational sector reforms, and how actual debt relief has released resources that can be spent on the education sector. This should enable one to ascertain whether Ethiopia will be able to afford the required spending in its educational sector, especially given the emphasis in the development community on achieving the Millennium Development Goals (MDGs). Even though progress has been made in the educational sector, this paper will demonstrate that a great deal still remains to be done. Clearly, debt relief on its own, without accompanying increases in aid flows, will not be enough to achieve the goals that Ethiopia has set for itself.

[2] Decision and completion points will be explained in section 3 of the paper.

The paper is structured as follows. Section 2 provides a brief overview of Ethiopia's current economic situation. Section 3 examines debt relief under the enhanced HIPC initiative in Ethiopia's case. It explains how Ethiopia qualified for the HIPC initiative and examines its Poverty Reduction Strategy Paper (PRSP). Section 4 examines the education sector in relation to Ethiopia's PRSP. Two educational sector projects are examined; one that was established prior to the launching of the HIPC initiative, and one after Ethiopia qualified for debt relief under the HIPC initiative. Section 5 makes recommendations for the advancement of more holistic educational reform strategies under HIPC and provides conclusions.

2. History and Current Economic Situation

The underdevelopment of Ethiopia has significantly been affected by the all too 'common' problems of African societies (for example, natural calamities, poor governance, corrupt rulers and civil wars). Like many other countries in Africa, Ethiopia continues to suffer from dramatic growth in infectious diseases such as malaria. The HIV/AIDS outbreak makes the situation even worse, and the direct results are shown in the country's low life expectancy and increased infant mortality and death rates. Additionally, the Ethiopian Government continues to be strongly challenged by ethnic tensions resulting from previous civil wars.

Located in the Horn of Africa, Ethiopia a nation with a rich and unique history has encountered revolutionary movements and overcome military dictatorship. At one time it was a nation befitting the title ***Negus Negast***, the "King of Kings." This ancient Ethiopian monarchy maintained its freedom from colonial rule (with the exception of the

Italian occupation of 1936-41). It should be noted that Ethiopia was one of only two African countries which managed to avoid being taken by a colonial power during the "Scramble for Africa," in the 19th century. The 1980s were marked by a state of crisis in the country. It was during this frenzied period that its catastrophic famine first hit the world news media. Droughts were only part of the reason for the devastation of the economic, political and social structure of the society, and the government that was in place during the time of this tragedy made the situation worse. The government was more concerned with purchasing military arms, rather than focusing on the country's economy. Moreover, nearly three decades of civil war and centrally planned economic mismanagement led to continuous ongoing economic decline.

It was later, in the 1990s that Ethiopia experienced the worst aftermath of the catastrophe. Economic policies and management under the command economic system, prolonged civil war with Eritrea, and recurrent droughts, left the economy in deep crisis. The country not only faced an economic crisis (for example, high unemployment rates) but also a social crisis involving millions of displaced persons, refugees and demobilised soldiers. It was against this background, that the then Transitional Government of Ethiopia (TGE) initiated a broad range of development measures to address both the immediate need of economic recovery and reconstruction to jump start the economy as a whole.

As a result, the Ethiopia Peoples' Revolutionary Democratic Front (EPRDF) Government inherited an economy impoverished by years of civil war and misguided policies, with per capita income lower than in 1960, shortly after it assumed office in 1991. It swiftly embarked on a broad ranging reform program that moved promptly

beyond stabilization to structural reforms, and thus putting greater focus on the agricultural sector and cautiously yielding economic space to the private sector. The reforms put in place during the first few years included initial steps towards removal of prohibitions and restrictions on the private sector, a large devaluation of the exchange rate, introduction of an auction market for foreign exchange, and liberalisation of most prices and trade. Taking advantage of peace and stability, the Government reorganized its spending on a massive scale, cutting back defence expenditures from over 10 percent of GDP in Fiscal Year 1989 to as low as 2 percent in Fiscal Year 1997[3], redirecting it towards the social sectors.

Despite the change in government and the transformation from a centrally planned to a more market oriented economy, the country is still faced with various economic and social problems (see Appendix 1 for some recent key facts and indicators for Ethiopia). Ethiopia's poverty-stricken economy is based on agriculture, which accounts for half of the country's GDP, 60% of exports, and makes up 80% of total employment (World Bank and IMF websites). The agricultural sector is the main economic driving force and it is also the sector that suffers the most mainly due to droughts and poor cultivation practices. The proportion of people in Ethiopia who are extremely poor (those whose total consumption expenditure was less than the total poverty line) during the year 1999/2000 was 44 %; today poverty indicators in Ethiopia continue to be among the highest in the world. Table 1 below illustrates the difference in poverty between rural and urban areas during two recent time periods. Even though rural poverty has decreased from 1995/96 to 1999/2000, urban poverty has increased by a larger amount than the latter.

---

ww.worldbank.org

Table 1: Trends in Poverty (%)

Location	1995/96	1999/2000	% Change
Rural	47.0	45.0	-4.2
Urban	33.3	37.0	11.1
Total	45.5	44.2	-2.9

Source: Ethiopia's PRSP (World Bank)

The vulnerability of Ethiopia to climate conditions was again exposed during the severe drought in 2002, which led to a fall in food production and an increase in food prices. In addition to all the problems mentioned above, terms of trade shocks are therefore a common occurrence, and the country continues to be heavily dependent on food aid. Hence, it is quite clear that major challenges lie ahead, namely containing the spread of infectious diseases such as HIV/AIDS, educating the citizens to allow for a productive workforce, diversifying an economy that relies heavily on agriculture, and building basic infrastructure among others. Essentially, the problem is one of resource availability, namely funds that can be invested wisely towards poverty reduction and for the enhancement of living standards. It is thus appropriate to take a closer look at debt relief mechanisms in Ethiopia's case, in order to have an idea of resources involved in servicing the debt and whether debt cancellation can release resources for poverty reduction.

3. The HIPC Initiative: Ethiopia's Case

The HIPC initiative (launched in September 1996) represents a significant improvement from previous debt relief mechanisms, in so far as it acknowledges how earlier debt rescheduling initiatives have been insufficient to solving the debt problem of the developing world in its framework. As mentioned previously, the original HIPC

initiative was the first all-inclusive international debt relief system, incorporating multilateral, bilateral and private creditors under one umbrella. In order to enable poor nations to use more resources towards poverty reduction strategies (which would in turn reduce/relax the constraints to development), the principal objective of the HIPC initiative was to reduce poor countries' debt burdens to sustainable levels. That is to say that it was the hopes of the IMF and World Bank that the HIPC initiative would prevent countries from falling behind in the servicing of their debts.

In order for countries to become eligible for the HIPC initiative, they are required to meet three main criteria. First, the country has to be eligible only for concessional loans from the International Development Association (IDA)[4] of the World Bank and the Enhanced Structural Adjustment Facility (ESAF), which later became known as the Poverty Reduction and Growth Facility (PRGF). Second, they need to have a debt burden that is considered to be "unsustainable" (sustainable debt is defined by WB and IMF as a debt-to-export ratio of 200-250%)[5]. Third, they have to establish a track record of economic reforms under the World Bank and IMF and develop a Poverty Reduction Strategy Paper (PRSP) that involves civil society participation. The PRSP thus involved those that are affected directly by the outcome; this was a new concept in that the realization was made that implementing projects by higher management was not effective and that consultation with civil society was important. It is important, however, to recognize that more participation is not a magic formula for success; indeed, the PRSP process has been criticized because of timeliness and resource capabilities in particular,

[4] IDA was designed as a transitional instrument of concessional assistance and it is predominantly a lending institution.
[5] http://www.worldbank.org/hipc. One can easily argue that the numbers used are arbitrary and should be instead examined on a case-by-case basis. This point is further discussed later in the text.

but I will not pursue this discussion here since it is beyond the scope of the paper. The important point that tends to be omitted in policy circles is the fact that the consultative process is not without its problems.

The primary objective and a key condition for obtaining debt relief is that a country must sustain a strong economic performance of macroeconomic policies, together with structural and social reforms. In particular, for a country to be eligible for relief, it needs to make considerable progress towards poverty alleviation, through improvements in the social sectors, and to spend the savings from debt relief on the social sectors. The HIPC initiative thus established a stronger link between debt relief and poverty reduction through PRSPs (which is an important departure from traditional structural adjustment programs).

Under the original HIPC initiative, very few countries qualified and progress was very slow; criticism of it led to a revision of the plan and the introduction of the Enhanced HIPC Initiative (in the 1999 G-7 Summit in Cologne). With this Enhanced HIPC initiative, debt relief would open the door for more countries to be eligible by lowering the debt-to-exports ratio to 150%[6]. There are now 41 developing countries participating in the enhanced HIPC initiative, including 32 countries from Sub-Saharan Africa. About two-thirds of the HIPCs (27 countries) have reached their completion points, and are currently receiving debt relief from all sources of creditors which amounts to a total of more than US$51 billion[7], and an average net present value (NPV) stock-of-debt reduction of nearly two thirds. The *completion point* under the HIPC Initiative is when all creditors are required to provide debt relief permanently. The *decision point*,

[6] Ibid.

which precedes the completion point, is when debt relief is committed and begins on an interim basis**.** Funds freed up by debt-relief are directed to programs that improve the lives of poor people. Poverty-reducing expenditures in HIPCs, on average, have increased from 6.4 percent of GDP in 1999 to 7.9 percent of GDP in 2003[8], yet a level about three times higher than this is spent on servicing debt. The number of countries who reached their completion points has increased to 18 at the end of February 2005, which is a result of the improvements due to the Enhanced HIPC Initiative. The sustainability of debt is usually analysed on a case-by-case basis. Generally, however, it has been defined as being within the range of 200% to 250% for the debt-to-export ratio, whereas the ratio for debt service to exports is between 20-25%. While these are the standards set, often countries that fall short of the anticipated percentage ranges are examined on case-by-case bases and their eligibility is determined.

3.1 Ethiopia and the HIPC Initiative

The amounts of debts faced by Ethiopia are exceedingly massive, so much so that simply paying the interest on existing debt means that the government is unable to spend on basic infrastructure and the social sectors (health and education). Accordingly, after reaching a peak of US$10.4 billion in 1998, Ethiopia's total debt stock was estimated at US$6.5 billion in 2002 (see Appendix 2 for the evolution of Ethiopia's debt stocks), and most of this debt is long term. The reduction in total debt stock occurred as a result of partial debt forgiveness but is still substantial for a country that is one of the poorest in the world. While spending almost half of its export earnings servicing debt, total debt

service paid reached a peak of US$ 347 million in 1996 and was more than US$ 100 million annually for most of the 1990s (see Appendix 3).

Presently, most of Ethiopia's debt comes from multilateral creditors such as the World Bank, and bilateral creditors such as the United States and the former Soviet Union, while a small proportion is commercial credit. Even though a substantial part of Ethiopia's debt consists of concessional loans with relatively long grace periods, its debt-service ratios are still high[9]. It is therefore not surprising that Ethiopia, one of the poorest countries in the world that received mostly concessional assistance and had high debt ratios, became eligible for the HIPC initiative.

To date, the total debt relief which has been contributed under the enhanced HIPC Initiative from both bilateral and multilateral sources amount to approximately to US$3.3 billion in nominal terms in the case of Ethiopia. This assistance is equivalent to a reduction in net present value (NPV) terms of US$1.3 billion, which was agreed on at the decision point in November 2001. In addition an amount equivalent to US$0.7billion in NPV terms was approved at the completion point in April 2004. Additionally both boards (IMF and IDA) agreed to deliver interim debt relief until Ethiopia reached the completion point. Total interim HIPC Initiative assistance to Ethiopia amounted to US$50 million in 2001/022 and US$62 million in 2002/03. [10]

3.2 Ethiopia's PRSP and Education

In preparing its Sustainable Development and Poverty Reduction Strategy Program (SDPRP), which is its PRSP, the Government of Ethiopia conducted extensive

[9] In many cases, concessional loans from the World Bank's IDA section have a 10-year grace period. This increased the debt-service ratio in the late 1990s as grace periods from high level of lending in the 1980s ended. All of the numbers were obtained from the World Bank website at http://www.worldbank.org

reviews of its agricultural sector given its importance for the country. It also examined in detail the performance constraints in key sectors of the economy, with the health and education sectors receiving considerable attention. Following the end of the Eritrea-Ethiopia conflict there was an increased willingness on the part of the authorities to invest in human capacity by shifting military spending towards social spending. Studies were also done on the development and poverty linkage as well as governance, decentralization and the empowerment process. In addition, there was a clear indication of consultations undertaken by the government with civil society representatives in different parts of the country; furthermore, NGOs and donors were given the opportunity to share their views. Ethiopia's most recent PRSP was delivered to the World Bank on August 15, 2002. The strategy received the support of the Board of the IDA on September 19, 2002 and of the IMF Board on September 23, 2002. Ethiopia's PRSP aimed to expand access to the education services in relation with the quality of work being performed, providing adequate education materials, ensuring security for female students at the schools, increasing attendance, expanding non-formal education programs, and expanding vocational and technical training.

It is important at this juncture to point out the issue of resource flows, in particular the comparison of the amount of funds given in the form of aid and those obtained as debt relief. Over the years the amount of debt relief has been consistent overall with the highest amount of debt relief being given in 1999 with an estimated amount of $4321M. In contrast, aid flows have not been as steady as debt relief. During the 1990s, aid flows were relatively stable but in 1999, however, they began to slowly decline as the amount of overall aid relief from all aspects, as shown in Appendix 7. It is thus clear that unless

aid flows remain constant (or are increased) that debt relief will not have the desired effects on poverty reduction. This problem is compounded by the fact that in the absence of complete debt forgiveness, new aid money is very often recycled to service past debt. Thus, it is not surprising that aid is not reaching the poorest and is not having a major impact[11].

Ethiopia's public expenditure report on education (February 28, 2005) provides in depth analysis of the sector[12]. The report is directed as several audiences including Ethiopia's policymakers and those in education sector to better inform them of both the success and failures of past policy reforms. The government expenditure report brings forth two crucial points; the first is the improvements made by the current government, while the second is the issue of the amount of funds available to the government. During the time period 1990-1992, it was reported that the total revenues including both grants as a share of GDP fell to their lowest level. When the new government was put in place in 1991, there was an increase in revenues as a percentage of GDP rose and reached 24% by 2002. This increase was mainly due to the launching of the new education and training policy undertaken by the government in 1994. The second observation made by the report was issue of grants, and how dependent the country was on these grants to provide the services needed in the education sector. It is also reported that almost 20% of revenues come from external grants. Despite of this, the government still requires more funds to better achieve the goals it set for the education sector. A trend that has been going on throughout the 1980s and 1990s is that expenditures have been exceeding revenues. This

[11] This is a problem that affects most aid recipients and that needs to be addressed by donors through better coordination, especially if the objective is to make aid more effective to get countries out of the debt-aid cycle.
[12] A more detailed discussion is found in the World Bank's 2005 Ethiopia's Education Expenditure.

finding has the implications that the government release on borrowing and deficit financing to fund government spending.

To have the education sector function properly, more resources must be raised for the government both domestically and internationally. This will enable the government to have better access to properly finance the sector properly. The difficulty facing policymakers in Ethiopia is that of matching the goals of the country with the resources available to them. This issue the root of the challenge facing the nation, the country has many needs, however they face insufficient funds. As stated the PRSP, the education sector consists of three focal points; universal primary education, improvement in the quality of services, and production of skilled workforce. To achieve these goals, the government must have the required funds. Unfortunately, the problem facing Ethiopia's education sector is more complex than realized, to better tackle the obstacles facing them sufficient amount of funds must be released.

The combined policy reforms introduced by HIPC and PRSP have created extra incentive to invest in education. These two initiatives gave the government the support they needed to implement better programs that would display valuable results. The PRSP was a new notion that forced countries to show sound policy, and show direct link between poverty reduction and debt relief. Prior to these two initiatives countries were always falling in the tarp of constant rescheduling, and that was a method that was not working for all parties involved. Although the amount of funds issued to countries was being recorded, however they were not monitored as closely as they are presently. Without the addition of these policy's countries might not be as quick and eager in performing as they have.

4. Educational Programs

The importance of education to growth and development is well known and documented. Education is the process by which a community transmits its experiences, using the proper knowledge, skills, and ability to produce individuals that make all-around participants. It is a general public service, which through its implied consequences affects not only those who directly benefit by it, but also society as a whole. There is overwhelming evidence indicating that improvements in human capital are one of the keys to reducing poverty in any society (Michael P. Todaro, 2003). In particular, investing in the human capital of the poor is vital to the growth of the economy. It must be emphasized that in the early stages of a country's economic development, education is instrumental in increasing output and in creating a basis for continuing progress (UNDP, 1995). In the words of Nelson Mandela, the Noble peace price winner for 1993, *"Education can be the difference between life of grinding poverty and the potential for a full and secure one."*

Education sector analysis has come to play a critical role for policies aimed towards the development of Ethiopia. (Michael P. Todaro, 2003). The consistent pursuit of development in Ethiopia resides in the ability that its citizens will adapt and attain new skills and ideas to change and bring about changes in the conditions of their country. To understand Ethiopia's present education system, however, the history of the education system must first be understood. Numerous studies have been done signifying the importance in knowing your past to have a better understanding of your future. In the same way, to fully understand Ethiopia's situation, its history must first be known, which

would create a need to rehash issues from the past. Societies learn from past mistakes, and clearly without fully understanding how Ethiopia got to be where it is presently situated, the scope of the problem will not be solved. Retracing history is a useful method for assessing policy reforms. Thus, the following section briefly outlines Ethiopia's education system chronologically.

4.1 Brief Overview of Ethiopia's Education Sector

Education made its entrance in the history of the country in 1908. During this time, the only education available was in the form of mission schools, and the Ethiopian church had complete monopoly in the education system. There was a strategic motive behind this form of education. The Emperor of the time (Emporer Minilik) who ruled between 1889 to1913, placed a great stress in having foreign languages to be taught at schools. The first school to be established was (not surprisingly) the Minilik School. The importance of the strategy was that by perfecting foreign languages, it would lead to the maintenance of the country's independence. Having better understanding of other languages would lead to having better communication with the outside world. There was no age requirement, and the only prerequisite was having prior knowledge of Amharic (the main native language). The principal subjects taught in school were, English, French, Italian, and Arabic.

In 1925, a second government school was established by Regent Taffari Mekonnen, who later assumed the throne under the name of Emperor Haile Selassie. Similar to the Minilik School, the Taffari Mekonnen School functioned as a school of perfecting foreign languages. The main difference between the two schools was that the latter taught the Ethiopian religion. Emperor Haile Selassie made the following remarks

in differentiating the two schools and from his statement, the passion and aspiration he had for his country is clear:

> "In this school it is not only foreign languages that I have instituted, but there would also be study of our country's holy books and the Monophsite faith. One who proposes to devote himself to foreign languages when he has not properly mastered the language and literature of his own country is like a boat without a rower."[13]

In 1926, the beginning of a national education system was put into effect with the special education tax. Until, this point the two schools that existed were not funded by the government, but were funded by the founders of the schools. The government realized that investing in formal education for the country would contribute to development. In 1928, Emperor Haile Selassie expressed his strong views on the role that education would take in advancing the country:

> "*Although the greatness of Ethiopia and the history of all her achievements may be found fully recorded in the books of many learned men, I constantly revert in my speeches to this theme of her past history, to show how the dissensions that arose within the country in former times pulled her back and prevented her regular breathing; however now, through the education of her children, her voice is beginning to grow stronger and she is getting back her breath satisfactorily. Her History is being revealed in her deeds and glimmers of light may already be seen."*[14]

It is clear that from early on Ethiopia was a country determined to succeed by placing emphasis on education as being an important prerequisite for development. As history is witness, this was not the course of action taken by the country. Haile Selassie had very strong views of the role that education would have; he believed education held the key to development for the country. The brief Italian invasion of 1935 disrupted the

[13] Quoted in Richard Pankhurst, "The Foundations of Education", p.267
[14] Ibid., p.269

education system. Prior to the invasion, the country had eight primary schools as well as several missionary schools. The country's education was beginning to emerge to a satisfactory level, and several hundreds of students were sent abroad for further education on scholarships. The Italian invasion lasted from 1936 to 1941; although it was a very brief time in comparison to the rest of Africa, it seriously disrupted the education system. During this period students were unable to attend schools, the buildings were shut down and were used as military bases, and virtually all of those Ethiopians who had been exposed to some sort of modern education were killed, leaving the country with very little to salvage from its elites.

After receiving its independence in 1941, the government was forced to start from scratch, rebuild schools from the ground up, and lay down education foundations. It took the government thirteen years (1942-1955), to continuously work on the expansion of the education system. Until 1966, Haile Selassie held the portfolio of the Minister of Education. The government was more concerned with making up for lost time, and expanding the education system that very little care was given to methods that would deliver proper education. The school systems went without having any curriculum guidelines, relevant textbooks, and proper teachers. To realize the importance education holds in the success of development of the country is one thing, but to further make the proper analysis to reach the targeted goals is another factor. During this period, the government was in a state of crisis, trying to recover what it could to have the schools operating once again. There was very little time to fully comprehend the damage done to the system while trying to salvage what it could. According to Edward Jandy, an American education expert who served in Ethiopia in the mid-1940s, "*the second highest*

item in the national budget was education." He further added *"Emperor Haile Selassie, had no interest in any other functional unit of his government than the ministry of education."* (Edward C. Jandy, 1948). Education continued to expand rapidly without having a good grasp of realistic outcomes that would help the current situation of the country. Programs that did not benefit the average students were put in place in an attempt by the government to move swiftly, and come up with a strategy that would make up for the time lost during the Italian invasion.

In the 1940s, the funds for the education sector rose tremendously. During the mid 1940s, school enrolment rates increased as well. Some areas of the country had more challenges than others as they had very little teaching materials, with the exception of Eritrea[15] which had some teaching materials in Tigrinya. Teachers at the elementary level faced many problems, and were left to teach courses without having proper textbooks, and curriculum outline. In comparison, teachers in the secondary level had much less problems since the teaching system was similar to that of Great Britain, thus making it easier to locate teaching materials.

In July of 1943, the government established the first secondary school in Addis Ababa, which was named after the emperor Haile Sellassie with some assistance from the British Council. The initial enrolment of the school consisted of forty-students, all of them being boys. The school symbolized an important stage in the advancement of modern education in the country. At the inauguration of the first secondary school established in his name, the Emperor remarked:

> "Everyone who loves Ethiopia should concern himself with founding schools, to help scholars who are not his own children to ensure that his own children receive education…Everyone who says he is a friend of his country, Ethiopia, has the

[15] Later gained its independence and became a sovereign state on May 24, 1993.

> duty to show the token of his love by helping schools…by getting schools built so far as lies in his power, and by having his own children educated…To be able to say we have 100,000 children scholars, we must start with one, to say we have 20,000 schools, we must start with one."[16]

After making careful observation of the education system, Edward Jandy provided the following description about the typical school system in the capital city at that time

> "…The only text available was in the teacher's hand…Very little paper or no paper, few pencils… Teaching has mainly been based on an oral level with not much participation from pupils…The pupils had to learn foreign language (English) from foreign textbooks with illustrations material unknown to their own culture, and you get a dramatic picture of the crucial nature of the education process for both pupils and instructors" (Edward C. Jandy, 1948)

The school system was not functioning properly because the curriculum was based on foreign teaching systems, one which the students could not relate to. To read a book and follow curriculums written by foreigners was a very challenging task, a situation that would certainly frustrate any student. In 1958 Dr. Mulugeta Wodajo, in considering the post-war reform in the education system, pointed out four points that limited the system. He addressed the issues of inadequacy of the system, the irrelevance of the curriculum, the administrative and intellectual confusion created by the deliberate recruitment of teachers from many nations, and the issue of overcentralization. The author concluded his analysis by making the following remark,

> "If the schools are to preserve their identity, the Ethiopian national system of education must be both reflection of the past and guide to the future…Any system of education in Ethiopia that fails to satisfy these demands is bound to make the country a lost nation—a nation living in darkness whom the world will forget and ignore." (Mulugeta Wodajo, 1959).

The structure of the education system of the time was a combination of the British system, and those of neighbouring African countries such as Sudan and Kenya. Ethiopia, had a three level system (4+4+4): the first four years were designed as primary, the next four years as middle or intermediate, and the later four years as secondary. From the mid-1940s and throughout the 1950s students were expected to sit for General School Leaving Certificate Examination from Great Britain. By the mid-1960s, the Ethiopian school leaving Certificate had become the only valid diploma. In 1963, some enhancements were made to the three level education system, which consists till today of (6+2+4); six years of primary school, two years of junior secondary, and fours years of secondary program. During the 1975-89 period, enrolment increased but the country was still facing many problems such as shortage of textbooks, lack of skilled teachers, and inadequate funds. The many problems the country experienced were direct outcomes of having foreign teaching during the Post-Revolution period (1960-1974), which it was trying to correct. In an attempt to correct these issues, the notion of having education policy in a foreign curriculum was removed from the system, for the simple reason that it did not respond to the needs of the country. Although it was unanimously agreed that education held the key to the development of Ethiopia (Tekeste Negash, 1996), making this realization was an enormous leap for the nation. However, a new problem emerged, which was that of favouring some regions over others (urban versus rural). Despite the numerous efforts made by the government in raising the standards of education, it was reported that in 1974 that less than 10% of the total population was literate, (Tekeste Negash, 1996). The regional imbalance of the education system in Ethiopia will be

further discussed in the following section, because it is a problem that has continually haunted the country in the past, and a suitable solution is still yet to be found.

Old problems and new Challenges from 1990's to present

The beginning of the 1990's emerged as a time of hope but also brought new challenges with it. When the new government came into power in May 1991, the transitional Government of Ethiopia inherited a large amount of debt from all fronts. As mentioned in earlier chapters, the source of the large external debt is traced to the previous regime that took massive amounts of loans to finance its military operations, for defense purposes (the war with Eritrea). Another factor was the inappropriate macroeconomic policies, which did not serve the most disadvantaged of the society, and even further had insufficient returns to the economy. Although education was still recognized as the means of survival for the country, it took the backburner when it came to ways to fund the sector.

In 1994, when the government introduced new basic education reforms, only 20% of the eligible boys and girls were enrolled in the Ethiopian primary schools, with the enrolment of girls being lower than those of boys. From this group, fifty percent of the students who were enrolled in primary school dropped out before completing third grade, in contrast to the average dropout rate in sub-Saharan countries. The dropout rate was highest in rural areas often due to family situations (chores, and parents who didn't see the benefit of having their children attending school). In addition, the quality of the work being presented was not sufficient enough in addressing issues that concerned different regions of the country. As a result, the quality suffered because teachers and school administrators were largely inexperienced; the curriculum was too complex, lacked a

focus on basic literacy and numeracy, and was largely irrelevant to rural life (Ayele Meshesha, 1996). Education was also severely under-funded with almost no resources available for textbooks, or new or rehabilitated schools. The system lacked the analytical and planning capabilities needed to maximize results from limited resources.

In 1998, Ethiopia's primary gross enrolment rate was less than 30 percent, this being one of the lowest in the world. It was even trailing those of Sub-Saharan Africa which sat at 72%. Of the small percentage of students who attended school, the participation of females was far lower then those of the male population. This aspect was brought in greater light when studies were done in the rural regions; in addition, repetition and dropout rates were both high across the nation, more so in rural areas. In considering the problems facing Ethiopia's education system, a greater light should be placed on three areas: gender, urban-rural differences, and regional differences. While the previous problems facing Ethiopia up until the 1970s was that of foreign languages, the new challenges of the 1990s have been the above-mentioned factors. For Ethiopia to finally catch up with the rest of the world, it must quickly find solutions that will address issues that concern the above-mentioned groups of its society.

The problems Ethiopia is facing are neither new nor unique to this society. All the major developed and developing societies today have faced the same problems. If we look back to history, by constantly being in search of solutions that are unique to the problems facing each individual country, only then did these countries rise against all odds and emerge into flourishing societies. The greatest problem facing Ethiopia is that they are not learning from past mistakes, and instead of moving forward by using the experience gained over the years, they are facing the same challenges but in different eras

and forms. Every regime that is put into power continues from the negative legacy of the previous one, without isolating problems and tackling issues one at a time. The young generations of Ethiopia are yearning for knowledge, and they too (current government) realize that the future of their country depends on the education system.

Presently, there appears to be gender bias against girls in Ethiopia's educational system, particularly in urban areas (Daniel Desta, 1995). In 2000, the ratio of girls to boys in primary and secondary education was 68% (World Development Indicators). One could hardly speak of the imbalance between the two genders, without brining up the inequality that exists between the urban and the rural population. The enrolment ratio indicates a wide disparity between urban and rural population. The total primary gross enrolment in the early 1990s was 91% in urban areas and only 18% in rural areas, (Tekeste Negash, 1996). There is a wide gap in student enrolment across the regions; there are many factors that contribute to the underlining of this, the most significant factor of which is accessibility. Primary GERs vary across regions with Anfar and Somali regions having the lowest GERs, and Addis Ababa and Gambella having the highest at over 60%, (Tekeste Negash, 1996). The new government soon discovered the country's education system was still among the worst in the world and began to look at the problem from a fresh point of view, thinking about how to answer to the needs of the population, and creating curriculums that understand the aspirations of people. It seems that Ethiopia is now beginning to understand the root of the problem, and beginning to learn from the mistakes that have been accumulating since the 1940s when formal education first began.

The rest of this section will analyze two projects. The first project came into effect before Ethiopia became identified as a HIPC country, while the second project is a

more recent project (September 2004) concerned with the post-secondary education in response to the high number of students graduating from secondary school. While both projects address issues related to the education sector, however two different sub-sections of the education system are being examined. By analyzing these two distinct education reforms it is my hope that some answers might be found to the problems that have been haunting the education sector in Ethiopia. I stress this fact because I believe that Ethiopia will not move forward until it completely solves the repetitive tribulations that it continues to face decade after decade. The analysis in this report about the two projects will attempt to yield findings that are relevant for discussing the potential scope for improvement in the education sector. It is also important to make the connection between debt, debt relief and education sector reforms to see whether resources released from debt relief have been spent on the education sector.

4.2 Pre-HIPC Decision Point: Educational Sector Development Program (ESDP)

Due to the high rate of dropouts, an objective of the ESDPII is to increase access to elementary education for all citizens, along with improving the quality and significance to socio-economic development. In regards to primary enrolment**,** one of the program targets is to achieve a gross enrolment ratio (GER) of 65%[17] by the end of the program (2004/2005). To ensure that this target can be met, while ensuring that quality does not suffer, the enrolment increase will be accompanied by construction of facilities, training and deployment of new teachers for primary level. Also, development of syllabi and textbooks for primary schools, and the use of quality assessment mechanisms for education in primary schools are to be looked at.

Concerning secondary education**,** the intention is to expand in line with the high coverage observed at the primary level. The content of education at this level is to prepare students for various training programs and subsequent learning; extensive awareness will be given to the quality of education. The program's target is to achieve a GER of 16%[18] for the first cycle of secondary education and a GER of 8% for the second cycle by the end of the program period (2004/2005). Efforts are expected to be made in the construction of facilities, revision of syllabi, provision of textbooks, development of assessment mechanisms for the quality of education, and the training and deployment of new teachers in secondary schools. With regard to technical and vocational education and training (TVET)**,** the program target for TVET institutions is to enrol 130,000 students (or equivalently 55,000 annual intakes) by the end of the program period (2004/05), along with significant measures to enhance quality of education and management of TVET institutions.

The program targets for higher (tertiary) education are to expand the undergraduate intake capacity of all higher education institutions in the country to reach 30,000 per annum by the end of 2004/05, and expand the postgraduate intake capacity of higher education institutions to reach 6,000 by 2004/05. Efforts will be made to carry out construction of facilities, training, curricula reform, and quality assessment. Furthermore, included in the Government's requirements with regards to the education sector is the promotion of the expansion of non-formal education.

The education sector is currently characterized by low enrolment at all levels. About one out of three primary school age children attends primary school, the gross

enrollment ratio (GER) for fiscal year 1995/96 was 30% for Grades 1 to 8[19]. Only one in ten school age youth attend secondary school and tertiary education is open to a further smaller fraction of those completing secondary education. Regional inequalities are also widespread with urban areas having higher gross enrollment ratios (GER) than less developed regions. Excluding Addis Ababa, the capital city, gender gaps also exist with girls having significantly lower GERs than boys.

It has been reported that about a third of the students enrolled in grade one drop out and close to one-fifth of the remaining students repeat. A number of schools in the country are in desperate need of major repairs, which explains poor performance in many cases. There is a tremendous difference between the numbers of participants from the urban areas when compared to the rural area. The curriculum does not put significant effort into taking account of regional, cultural and linguistic differences (there are over eighty languages spoken in Ethiopia). The curriculum often seems too academic, lacking the required practical material to prepare students to lead productive lives in their communities. Although Amharic is the national language of the country, it is not spoken by all those living in rural areas. This poses some problems in terms of education, because all the books are written in Amharic, so those who don't speak the language are not as motivated to attend schools. The government made some improvements in this area, but further improvement is required, if Ethiopia wants to reach the MDG by 2015.

To better tackle the issues mentioned above, the Government of Ethiopia embarked on a specific set of political, economic, and social reforms, and formulated a new Education and Training Policy Strategy in 1994 to address such issues. The

Government's main concern was to restructure and expand the education system from the grassroots, while in the process implementing more direct and relevant requirements that will have a more beneficial impact in the future of the economy. The Education Sector Development Program (ESDP) is a 20-year development program which was initiated by the Ethiopian Government during the fiscal year 1997/1998[20]. Considering the objectives of ESDP, the main objective of the first five-year phase of the program is concentrated on improving the overall educational attainment of Ethiopia's population. At the same time, achieving greater social equity was of greater interest in the short term. The IDA of the World Bank gave a credit of US$100 million to Ethiopia to finance the ESDP. The responsible agency is the Ministry of Education (MOE) and the Regional Education Bureaus. The implementing bodies of the project are Central Education Agencies, MOE, and Regional Education Bureaus. The loan has 40 years to maturity, and commitment fee of 0.5%, and service charge of 0.75%, while having a grace period of 10 years. The implementation period are five years starting in the fiscal period 1997/98 to 2001/2002. The two largest populations that this project attempts to target are the rural poor and the female population at large (and those of the rural population).

In spite of all the economic problems affecting the country, it managed to improve its education system, mainly due to the newly elected government in 1994. For example, the cumulative enrolment in grades 1-12 has risen by about 9% per year from 2001 to 2002. The non-agricultural TVET school enrolment also grew from being less than 3,000 students in 1995-96 to about 45,000 in 2002-2003. Further there has also been an increase in post-secondary education enrolment, which rose from approximately 18,000 in 1990/91 to 101,729 in 2002/03 in the public institutions

(including both residential and evening students combined). With all these increases, there are unfortunately no indications of whether individuals will complete their programs, which would have provided an even better measure of performance.

In 2001/2002, women accounted for 16% of degree enrolments in regular and evening programs of public institutions, but accounted for only 32% of diploma enrolments in these same programs. While 53% of private tertiary students are females, only 7% of the graduate students are women and furthermore, just 7% of academic staff in public institutions is women, thus showing a lack of proportionate share of males to females. In comparison to Sub-Saharan countries, the average for women participation in degree programs is almost 35% and the proportion of female academic staff are about 20%, which indicate that Ethiopia scores far less than its neighbours.

In analyzing any project, two fundamental questions must be addressed by policy makers - what the project intends to achieve, and whether past mistakes are avoided. The government of Ethiopia tried to incorporate as many issues that were directly or indirectly related to the education sector, in-order to learn from past mistakes. The first objective of this new project was to focus on balancing expansion of schools and teacher training with that of quality improvement. Previous projects intended to concentrate on increasing the number of schools and the number of teachers that have proper education training. ESDP put emphasis on the quality of the work achieved rather than the quantity. It makes more realistic goals to properly train 10 rather then 10,000 teachers.

In the Education Sector Development Program Document found on the World Bank's website, it is indicated that enrolment expansion has been complemented with quality improvements (for example, improving the quality of teachers, providing a more

relevant curriculum, increasing availability of books, improving school environment, improving internal efficiency, and examinations of which will provide feedback to schools to help improve classroom teaching). Moreover, the report indicates that monitoring indicators also cover the targets for quality enhancing activities. Often policy makers make the mistake of getting too involved in solving a problem that they forget the real issues at hand. Over the decades, the Ethiopian government although aware of the importance held in education to helping the country move forward, failed to assess the situation of quality of the work when implementing policy reforms. Another key aspect which has been brought to light in this project is getting the administrative staff and students involved in issues that directly concern them. When implementing reforms, it is crucial for all involved parties to assess the program after it goes through the probation period. Without having those involved evaluate the projects, the effectiveness of these programs will never be known.

Stakeholders must give the projects within their jurisdiction the official green light. In case these projects fail to address the specific issues they were intended to resolve, the stakeholders are responsible for making suggestions. If the projects are not catering to their specific needs, it is their responsibility in such circumstances to make suggestions of how the program can be improved. It is nearly impossible to find programs that are flawless and it is a given fact that such programs hardly exist. However, it is the lessons learned that are carried forward, and in turn by making improvements other programs will be improved indirectly. In the case of Ethiopia, by taking this step, it outlines the beginning of a new era in the country's history.

Throughout the history of Ethiopia there have been low enrolments in the rural regions. The problem began when funds were distributed to specific regions while ignoring others (such as rural regions Afar and Somali). The document indicated that a survey was done to grasp the scope of the problem. Factors such as the accessibility of schools to those coming from rural areas was considered; equity was addressed by locating most new schools in rural areas, and expanding classrooms only where congestion poses a serious problem in urban areas (Education Sector Development Program, 1998). Another factor discussed in the document is that of coordinating responsibilities. The country faced many problems related to implementation and supervision of projects, in particular the majority of the problems stem from a lack of clarification on the multi-task projects requiring the cooperation of many implementing agencies. When handling multidimensional projects, misunderstandings must be avoided at all cost. Each agency must be given more direct tasks, clearly defined roles and responsibility. In this project, rules were established to avoid past mistakes from lurking their way back; procedures were laid down and guidelines were set to have as few errors as possible.

Previous projects took unrealistic challenges without looking at the complete picture of whether the intended parties would be able to handle the requirements of certain projects. In the Education Sector Development Program, it is reported that in a previous education project disbursement scheduled was "*overly optimistic compared to Ethiopia's past performance in this sector*" (Educational Sector Development Program, 1998). It further adds that implementations scheduled appeared to be overly optimistic. When the ground work for this project was being established, donors have strongly

advised for the Government to make their implementation projections more realistic so that targets are set within reach, rather than setting up for disappointment from the start. This strategy again was fairly new to the government. Until very recently, policy makers neglected to assess the amount of work that can be handled by the general population. Another aspect of the project that relates to setting realistic goals is that of management having a continuous oversight of education. Concerns such as understaffing of project management should be avoided, in particular when dealing with the distribution of funds; proper and careful accounting regulations must be followed. Training must be given to staff for the tasks that are expected of them. It was suggested that regions which were seen as having weak capabilities in the past should be the major players in any future project intended to benefit those living in such areas. Once again the strategy of inquiring about ways to improve the project so that it can better serve the specific demands of those involved was important.

An issue that needs more attention is that of finding a common language of instruction. For the government of Ethiopia, finding a local language that can be used by all its citizens was more challenging then anticipated. There are over eighty major languages spoken in Ethiopia, and each has a distinct background. Of those eighty languages, the government had the task of narrowing those down to as a few as possible, while looking at many factors when determining which language it should preserve. Presently there are nineteen major languages used in classrooms. Having nineteen different languages poses some problems, the first and most important being that of cost. All major subjects had to be produced in these languages to please all those involved. For a country such as Ethiopia, the cost that is associated with having 19 languages of

instruction cannot be afforded. One reason for the government having this many languages was due to political strategy more than anything. The government blocked the ability to objectively and clearly factor in the cost implications of the policy for textbook provision, and more important the issue of training teachers was not considered in making the decision. Through practical experience, it was observed that teaching in foreign languages did not work. In the same token teaching in a foreign language (even if it is a domestic language), will create more problems and have the education system going backwards rather going forward. The World Bank in search of trying to find solutions to this problem, while being careful from a political point of view, decided to focus on more technical, financial and implementation aspects. It is indicated in the document that the Bank was sable to establish a dialogue on the issue of language. The Bank was able to make policy makers search for alternative ways to identify a few linguistically linked languages that serve many purposes.

Another problem facing Ethiopia was that of mismanagement of funds. To solve this problem, the Ministry of Finance (MOF) was given full responsibility for donor funds. The amount of funds distributed in each region was carefully monitored, setting up proper accounting reporting. Independent auditors were set up in conjunction with the office of the auditor general (OAG). This method in having several channels to better track the amount of funds being released is the best way to ensure that mismanagement of funds does not occur; also it is a much simpler way in detecting any errors in the system.

The main objective of ESDP was to broaden the overall human capital by increasing the access to education, and in the process improving both the quality and the quantity of the work being produced. In addition, ESDP attempts to achieve greater social

equity. The intention of the program is to achieve universal basic education by the years 2015. From the appraisal document it is indicated that the grade 8 pass rates have improved from 61.7% to 80.0%. According to a national learning assessment survey done by the government it was shown that the overall performances of students had improved overtime. Grade one dropout rates have dropped from 28.5% to 14.2%. Also enrolment rates in under-served areas (rural) have increased from 16% to 25%. Overall the share of girls increased from 38% to 45%, and the rural/urban enrolment rates have increased although specific numbers were not given in the report. More students have begun to attend school regularly and this increase was mainly due to the fact that parents have seen improvement in the quality of education at the schools. The numbers of schools built increased tremendously as a result of the increase in the number of dropouts and out-of-school students returning back to schools to take non-formal education programs.

The Education Sector Development Program (ESDP) brought together all education activities under one umbrella. It seemed as though the project was setting too many unrealistic goals. It was possible that the different sub-sectors of the government that are involved might get overwhelmed with the amount of work that needed to be done. All the groups that the project set out to help were all in need of assistance, although the issues concerning some groups were more urgent to solve than others. What separated this project apart from all others is the willingness of policy makers to step back and learn from past mistakes. A lot of ground was covered in the first five years of the project, and improvements have been seen in all attempted areas.

4.2 Post-Completion Point: Post Secondary Education Project

This project was approved on September 16, 2004 and represented a continuation of the previous one. For this project a total credit of $40m was given to the government to finance the project (all statistical numbers were obtained from the Post Secondary Education Project). The conditions that come with the credit are that Ethiopia must show proof that the money went to the education sector. Results have to be publicized and there must be an increase in the performance of the post-secondary education system (increase in completion rates). Even though overall access to basic education has improved notably (it grew over 5% net in the past four years), enrolment at the university level has only improved by 0.8% in comparison, and enrolment in non-agricultural TVET programs has improved by just 1.4%. The rise in primary enrolment has a direct impact on the secondary education system, and this translates to a direct effect on the post-secondary education. To accommodate this growth in secondary education, post secondary institutions must therefore produce a sufficient amount of teachers to respond to this demand. The government would like to enhance the education service in both university and TVET curriculum. This can be accomplished through performance and accountability measures and would therefore further advance faculty members and the quality of desirable education service. Due to the shortage of university teachers, this is causing a constraint to the quality and slowing down expansion. It is reported that only 15% of university staff have been trained at the PHD level[21]. Learning resource materials, such as books, equipment, and lab materials, are in extremely short supply, and the current existing space needs to be used more efficiently to keep the capital investment costs to manageable levels. Due to the fact that a small

percentage of managers received formal training in leadership, personnel administration, or financial planning, this further hinders this sector greatly.

The project is comprised of two main components. The first is to improve undergraduate programs in universities, and the second is to strengthen the TVET institution, put greater focus on course development and standards and accreditation. As mentioned earlier, to pursue a better and more effective way of eliminating poverty, the government of Ethiopia has embarked on a strategy of giving more emphasis to the agricultural development (as outlined in its PRSP). Currently the agricultural sector averages about 45-50% of the total GDP[22]. This growth is mainly driven by the large rural population of the country (about 85%), and this population is growing at a rate of 2.9% per annum. Through education, the government plans to improve the existing agriculture TVET staff from its current staff of 15,000 to 45,000, and it hopes to accomplish this by training about 30,000 students to become agriculture extension agents. Since 85% of the country's GDP is derived from the agriculture industry, it is only logical to improve on this sector and prepare the younger generation to better able themselves.

Ethiopia has made poverty reduction the centerpiece for development strategy; carrying forward lessons learnt from past experience, the government continues to advance the reform of governmental structure, functions, and finances. The government continues to be challenged in making necessary and sufficient resource allocations across sub-sectors within the limits of the education budget. While the previous project was an umbrella under which several programs have come underneath, this project is solely concentrating on one

sector of education. Post-secondary students have been the forgotten group for many years; this project targets the twenty some year old adults who were toddlers when famine shook the core of an already frail economy in the 1980s. The targeted group in this project has gone through some tragic times, and some of them had their lives hanging on the balance. They are the next generation of Ethiopia, those who carry all the hopes and dreams of their forefathers in seeing Ethiopia becoming a prosperous country. These students are expected to carry the torch, and to make full use of the opportunities given to them. However, there are still many hurdles that these young adults need to overcome before they can reach standards to compete first with the rest of Sub-Saharan African countries. Although work is still to be done in this sector, the achievements reached should be brought to light as well.

In the Post-Secondary document found from the World Bank website, it is reported that since 2000, overall public investment in education has risen as a share of GDP from 3.2% to 4.5%. The change is not a significant amount when compared to other developing countries. What needs to be recognized is that Ethiopia should be compared for its own merits. For all of Sub-Saharan Africa, the amount of funds invested in education is 3.9%, which is lower than that of Ethiopia. In addition, education expenditure has also increased as a proportion of the overall government budget from 9.5% to 16.8% (in most developing countries this ranges from 20% to 25%). This suggests that there still remains quite some work to be done to reach the levels of other developing countries. Policy makers can easily fall in the trap of getting overwhelmed with the amount of work that still remains; this is a fact that will always remain regardless of how developed or underdeveloped a country may be. This fact needs to be stressed, and things that are working should also be realized. For example, it is reported that the share of the education budget devoted to higher education

has risen from 14.9% to 23% over the period of ESDP II in response to the expansion of the post-secondary sector.

Research conducted for the World Banks' Public Expenditure Review and Country Status Report in 2003, brought forth several alarming issues suggesting that the education sector as a whole may be facing a significant financing gap if MDG and ESDP-I1 goals are to be achieved as planned (by 2015). Further, the annual expenditure plans for the entire education sector total to roughly 5 billion Birr per year, compared with the spending of 3.5 billion Birr in fiscal year 2002/2003. It is clear that the projected funding gap is an ample 40%. A deficit of this magnitude has a number of important implications in light of achieving both national and international goals for the sector. Ethiopia is faced with two broad targets: the first are the goals set by Ethiopia in improving its economic situation, and the second goal that they need to achieve is that of the MDG that needs to be reached by 2015. It is nearly impossible that the predicted growth within the education sector will be reached at the existing spending levels. A difficult choice facing the nation is that of dividing between competing needs for sectors, since each sector requires as much funds distributed to them as possible. An issue that directly affects the post-secondary education is the cost associated with the latter. Greater efforts are required to finding solutions to this problem. Currently, the cost of university education per student in Ethiopia with government subsidy is 7,457 Birr (US$ 860) whereas without government subsidy each student pays US$ 671. The amount of money that the government is able to contribute to the education of each student is insignificant. This is a direct result of the inadequate amount of funds available for the government to distribute to all the different sectors. To get a better grasp of the insufficient funds available to the Ethiopian government, a comparison must be done

with neighbouring countries and to Sub-Saharan Africa as a whole. In comparison to the rest of Sub-Saharan Africa the cost is (US$ 1,500); and to neighbouring countries such as Kenya (US$ 1,800), Tanzania (US$ 3,236) and Uganda (US$ 800). It can be seen that for the most part the funds available for these countries are far greater than those available to Ethiopia. To better assist Ethiopia with the goals and targets set by it in each of the sub-sectors of education, greater foreign assistance is required. The question that needs to be raised then is how Ethiopia is to handle this demand without the proper assistance from foreign aid. Often the solution of one problem leads to the creation of another; for the government to increase the funds in the education sector it must find ways to reduce spending elsewhere in its budget. In any other country facing the same dilemma, it may be a little less problematic to reduce spending elsewhere, except that Ethiopia is a country that cannot afford cutting funds from other sectors. If the daring vision contained is to be continued towards the new Higher Education Proclamation, and any possibility of success is to be attained, a powerful solution to this double challenge ought to be found in the financing strategy that governs and supports these reforms. Therefore to tackle both of these issues it is essential for donor contributions to increase.

Efficiency gains are created by national novelty systems in which post-secondary education institutions play a fundamental role. Theoretically, universities produce skilled workers, which will in turn increase the national productivity leading to greater country competitiveness at regional and global levels. Post-secondary education plays a fundamental role in the development of a country's progress. Post-secondary institutions are the producers of the future scientists, politicians, doctors, lawyers, human rights activists. Consequently these institutions must be supported, nurtured, since they are the

pillars holding the future of the country, and the formula for finding success. To reduce poverty, improvements must be made to the post-secondary institutions to expand the knowledge they transfer. They must learn how to operate effectively under severe resource constraints and adjust themselves to the increased demands of the knowledge economy and to the growing emphasis on national capacity development. Clearly, post-secondary education development will not by itself lead to poverty reduction, but it holds a tremendous amount of power in helping the country to steer it in the right direction. Having proper strategic development of the economy and labour force can further contribute to such things as; job creation and higher productivity, thus leading to the expansion of resources and opportunities for the poor.

The purpose of the post-secondary project in supporting the national development goals are indicated in the country's PRSP. However, the ultimate goal was to expand and strengthen the human capacity to lead the transition from an agrarian economy to a service and production oriented society. In response to the labour demanded by the market needs, new programs have been put in place. New courses have been introduced to the system due to the increase of graduate program enrolment. The university education system went through major changes in response to the job market. Often, students would graduate, and would not be able to have jobs available in their area of study. The government involved major stakeholders (students) to do surveys in order to match current job market demands with teachings at school. To better ensure the quality of the work being taught at the university the government created a new agency to oversee the quality and the relevance of the academic program and skills being taught at the university level.

To provide options for the increasing number of secondary school leavers, the Ministry of Education has recently embarked on a massive expansion of formal TVET, thereby giving options to those students who either are unable to attend university, or have no interest in such higher learning. Not only is this strategy effective, but it is also imperative that the issues important to these students are tackled. Also as indicated by the report IDA has been one of the few donors to fund higher education at a significant level over the past five years. These funds were used to expand university libraries, construct classrooms buildings, establish and expand teaching hospitals, and build laboratories for physical science faculties. The funds offered by IDA were not indicated in the report, which makes it difficult to indicate if enough funds were given to enable them to have far better equipment, and books than they previously did. However, the report indicates that investments have been insufficient to help Ethiopia to keep pace with the need for produce sufficient number of graduates that will contribute to society. Previously the government had placed a great effort in investing in their infrastructure; by investing a great deal in this sector of the economy other sectors have been neglected and as a result fewer funds have been contributed. For Ethiopia to succeed, more funds need to be released to the country, so that the government can spend the money in the necessary areas.

It can be said with confidence however that although Ethiopia is a long way from achieving all that it set out, small improvements are being observed from the time it reached its completion point. Although the most pressing issue is that of resource availability the government solves this by distributing their funds carefully across the sectors. While there is no quick solution to the complex struggles facing the nation, the

government is in constant search for more sound solutions to better prepare the country for the challenges that lie ahead.

5. Conclusion and Recommendation

Abyssinia (Ethiopia), a land once described as "Mythical Christian Kingdom," having the legacy of being the first Sub-Saharan African civilization. A country once known for its sophisticated ways in all of Sub-Saharan Africa is now ironically known as one of the most impoverished nation in the world. Unfortunately the remarkable history and accomplishments that once existed in the nation have not continued.

The goals of any society can be achieved through the proper application of human skills and effort. To develop human skills, education is essential to the success of this aspect. Each individual without being discriminated in the situation that they have been placed in by their nation has a right to be given a chance to develop his/her mind and skills, and society has the responsibility to make the best use of available human resources.

Since the end of the border conflict with Eritrea in the late nineties, the government has had time to place greater emphasis in the development of the education sector. Although tremendous challenges face the country in all sectors, it is refreshing to note that progress has already been made. The analysis from the two projects demonstrates that education finance in Ethiopia poses an immense challenge. All levels of education are growing rapidly and further they are also competing for the limited funds available from the government. Since 1993-94, the pattern of spending has advanced in favour of administrative overheads and postsecondary levels of education. Over the

past decade (marked by the transition of the new government since 1994) progress has been made in education finance. Public spending on education has increased over the years, for example, in 2001-2002 the federal government spending increased from 13 to 19 percent (Government of Ethiopia, 2005). The expenditure indicates that there has been very large increase in the spending on administration by both the federal and regional governments. Further, the government explicitly indicated that the amount rose almost "fourfold", from about 48 million Birr in 1993-94 to almost 180 million Birr in 2001-02.

As indicated by the two projects the government distributed the limited funds as evenly as possible across the sectors. Although accomplishments have been made for example with only $40M in the post-secondary project, a lot more could be achieved with relief since it will release resources that can be targeted towards the education sector. The HIPC initiative and the PRSP have moved the country a little closer to accomplishing some of their goals such as increase in government spending. However, its share of total recurrent spending remained very small in comparison to many developing countries in Sub-Saharan Africa.

For Ethiopia to reach its goals there are several concerns that still need improvements. To overcome problems of language and cultural barriers, the government must reduce even further the number of languages taught at schools. It is easier to tackle problems when a common factor exists; to attempt to solve issues in nineteen different languages is not only overwhelming for the government, but also extremely costly. If Ethiopia wants to have universal educational it desperately needs to address this issue, and have only one official language (Amharic since it is widely used already). Having one official language does not imply that the other languages will be lost. Rather it means

that the country will be able to achieve its educational goals. The other languages can be offered as electives for those who still want to preserve their langue.

Another recommendation for Ethiopia is that of addressing issues of regional and gender biases by forming better communications with those involved. Going to rural area regions, and getting involved in finding solutions might shed some light into the situation. In so doing, policymakers might learn a great deal by taking such actions. Often one can not envision what its like to be poor if they have never been poor, nor can they imagine the obstacles that these individuals face daily. By understanding the condition of living, policymakers will be better informed of the struggles these individuals face. This people-centred governance method is more participatory than the previous one of administering from higher authorities. This method advocated by the Enhanced HIPC Initiative.

The biggest problem facing rural population is that of the vicious cycle of illiteracy. Majority of the adults in rural areas do not have any formal education, therefore it most likely that parents will not send their children to school. All they know is taking care of their livestock and other things that are more relevant to their daily lives. Hence, policymakers must corporate with parents in enlightening them about the importance of education. This will help parent understand that proper education in life.

Over the years, Ethiopia has faced many challenges in managing the delivery of services in education and continues to face more challenges. Ethiopia's education system is on the edge as the country makes progress toward achieving the Millennium Development Goal in 2015 for universal primary school completion. If Ethiopia reaches its target by 2015, it is reported that if all the children aged 7 to 10 are enrolled—this will

increase the current enrolment from six to eleven million in grades one to four. Whether Ethiopia is ready for this gigantic leap is debatable.

Appendix 1

Ethiopia - Country Profile

Area: 1,127,127 sq. km

Border Countries: Djibouti, Eritrea, Kenya, Somalia, Sudan

Population: 67.8 million (2004)

Life Expectancy at Birth: 40.9 years (2004)

HIV/AIDS adult prevalence rate: 4.4% (2003)

HIV/AIDS: people living with HIV/AIDS: 1.5 million (2003)

HIV/AIDS Deaths: 120,000 (2003)

GDP Composition By Sector: Agriculture 46%, Industry 12.6%, Services 41.4% (2003)

Export Commodities: Coffee, qat, gold, leather products, live animals, oilseeds

GDP growth rate (real): -3.8% (2003)

Population Below Poverty Line: 50% (2003)

Current Account Balance: US$ -408 million (2003)

Appendix 2

Evolution of Ethiopia's Debt Stocks

Debt Stocks (US$ million)	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
Debt outstanding (LDOD), total long-term	8,479	8,843	9,003	9,287	9,567	9,774	9,484	9,425	9,614	5,362	5,327	5,561	6,307
Export credits	311	292	239	235	234	239	300	248	277	280	255	233	277
Interest arrears on LDOD	43	166	259	337	393	437	481	542	602	62	65	48	46
Interest arrears, official creditors	40	154	247	322	374	418	460	524	584	58	60	43	41
Interest arrears, private creditors	3	12	12	15	19	19	20	17	18	5	5	5	5
PNG, total private nonguaranteed (DOD)	0	0	0	0	0	0	0	0	0	0	0	0	0
PPG, total public and publicly guaranteed (DOD)	8,479	8,843	9,003	9,287	9,567	9,774	9,484	9,425	9,614	5,362	5,327	5,561	6,307
Principal arrears on LDOD	236	924	1,521	2,105	2,809	3,628	4,302	4,758	5,195	638	652	597	585
Principal arrears, official creditors	197	817	1,434	1,978	2,650	3,457	4,107	4,535	4,967	585	612	555	554
Principal arrears, private creditors	40	107	88	128	160	172	196	223	227	54	39	41	31
Short-term debt outstanding (DOD)	145	276	319	368	424	461	502	566	626	87	79	60	64
Total debt stocks (EDT) (DOD)	8,630	9,119	9,341	9,703	10,063	10,308	10,078	10,077	10,347	5,544	5,483	5,727	6,515
Use of IMF credit (DOD)	6	0	19	49	72	74	92	87	107	95	77	106	143

Source: Global Development Finance Database.

Appendix 3

Evolution of Ethiopia's Debt Flows

Debt Flows (US$ million)	**1990**	**1991**	**1992**	**1993**	**1994**	**1995**	**1996**	**1997**	**1998**	**1999**	**2000**	**2001**	**2002**
Debt service (LTDS), total long-term	201	124	104	90	107	152	346	98	113	144	123	169	73
Disbursements, long-term + IMF	374	443	346	409	256	232	315	179	162	231	185	576	672
Disbursements, total long-term	374	443	326	379	236	232	294	179	142	231	185	532	627
IMF charges	2	0	0	0	0	0	0	0	1	1	0	1	1
IMF purchases	0	0	20	30	20	0	21	0	20	0	0	44	44
IMF repurchases	25	6	0	0	0	0	0	0	4	10	13	12	11
IMF repurchases and charges	27	6	0	0	0	0	0	0	5	10	14	12	12
Interest payments (INT), total	59	45	47	29	44	63	55	47	50	57	53	63	37
Interest payments (LINT), total long-term	49	38	42	24	40	61	54	46	48	55	52	61	36
Net flows on debt, total	204	358	233	314	188	133	21	130	93	134	90	454	629
Net transfers on debt, total	145	313	186	285	144	70	-34	82	43	77	37	392	593
Principal repayments, long-term + IMF	177	92	62	66	68	91	292	52	68	98	84	120	48
Principal repayments, total long-term	152	86	62	66	68	91	292	52	65	88	71	108	37
Short-term debt net flows	7	7	-50	-29	0	-8	-2	3	-1	2	-11	-2	6
Short-term interest payments	8	7	5	5	4	1	1	1	1	2	1	1	1
Total debt service paid (TDS)	236	138	109	95	112	154	347	100	119	155	138	182	85

Appendix 4

Financing for Project	**Amount (US$ million)**	**Share (%)**
Total Financing Required	$ 1,814.90	100.00%
Available Financing		
Domestic Funding	$ 1,315.10	72.50%
External Funding	$ 278.60	15.40%
Total available funding	$ 1,593.70	88%
Funding gap	$ 221.20	12.20%

Appendix 5

Allocation of Credit

Expenditure Category	Amount in USD million	Financing percentage
Goods * University TVET	3.00. (1.60) (1.40)	100% of foreign expenditures and 90% of local expenditures
Consultant Services University TVET	5.00 (2.32) (2.68)	100% of foreign expenditures and 85% of loca: expenditures
Institutional Development Grants	16.00	100% of amount disbursed
DIF Sub-projects	15.00	100% of amount disbursed
Unallocated	1.00	
Total	**40.00**	

* Higher Educ. (projected) = 40% goods; 60% services (of USD 4 m). WET (as submitted) = 33% goods; 67% services (of USD 4 m).

Source: Provided by the World bank, Project Appraisal for the Post Secondary Project, which could be found in

Appendix 6

Project Costs Summary of IDA Funding Support by Project Category

Project Cost By Component andor Activity	Local * USD million	Foreign USD million	Total USD million
1. University Component	**.20**	**35.0**	**35.2**
a. Institutional Development Grant Support		(16.0)	(16.0)
b. Systems Support Units:	(0.2)	(4.0)	(4.2)
i. EHESI	(0.05)	(1.0)	(1.05)
ii. QUA	(0.02)	(0.75)	(0.77)
iii. PRC	(0.03)	(0.75)	(0.78)
iv. Central Ministry	(0.1)	(1.5)	(1.6)
c. Development Innovation Fund		(15.0)	(15.0)
i. Window 1		(7.5)	(7.5)
ii. Window 2		(4.5)	(4.5)
iii. Window 3		(3.0)	(3.0)
2. TVET Component	**0.3**	4.0	4.3
a. Capacity Development	(0.2)	(3.3)	(3.5)
b. New Program Development	(0.0)	(0.425)	(0.425)
c. Monitoring, Evaluation & Research	(0.1)	(0.275)	(0.375)
3. Unallocated		1.0	1.0
Total Baseline Cost	0.5	40.0	40.5
Physical Contingencies		0.0	0.0
Price Contingencies		0.0	0.0
Total Project Costs	0.5	40.0	40.5
Interest during construction		0.0	0.0
Front-end Fee		0.0	0.0
Total Financing Required	0.5	40.0	40.5

Source: Provided by the World bank, Project Appraisal for the Post Secondary Project, which could be found in the World Bank website

Bibliography

Amin, Samir. *On the Origins of the Economic Catastrophe in Africa*. The Underdeveloped of Development, London: Sage Publications.

Araia, Ghelawdewos. *Ethiopia: The Political Economy of Transition*. Maryland: University Press of America, 1995

Aredo, Dejene. Development Aid and Agriculture Development Policies in Ethiopia, 1957-1987." Africa Development. Volume 17 #3 1992. pp. 209-237

Balaam, David N. and Michael Veseth. Introduction to International Political Economy. 2nd edition, Prentic hall: New Jersey 2001

Baykadgu, Gabzahiwot. *The State and Economy in the Early 20th Century Ethiopia.* Translated By: Tenkir Bonger. London: Karnak House 1995.

Birdsall N., Williamson J., & Deese, B. (2002) *Delevering on Debt Relief from IMF Gold to a New Aid Architure*. Washington, D.C: Centre for Global Development Institution for International Economics.

Cliffe, Lionel. *Feudalism, Capitalism and Famine in Ethiopai.* Review of African Political Economy. #1 August-November 1974.

Degefe, Befekadu. *Ethiopia's External Debt: The Impact and the Way Forward. Canadian Journal of Developmnet Studies,* Ottawa: North South Institution, 2001, No.22 pg 377-413

Edited by Gordon, April A and Donlad L. Gorden. Understanding Contemprary Africa 3rd edition, Bouldore Lynee Rienner Publishers.

Fitzpatrick, J. and Storey A. *Calculating Food Aid Cost Effectiveness: Evidence from Ethiopia.* Developmnet in Practice. Volume 1 #3 1992. pp. 196-203

Govt. of Ethiopia. 2002a. Poverty Reduction Strategy Paper. Addis Ababa: Welfare Monitoring Unit, Ministry of Finance and Economic Development, August.

Govt. of Ethiopia. 2002b. Poverty Profile in Ethiopia. Analysis Based on the 1999/00 HICE and WM Survey Results. Addis Ababa: Welfare Monitoring Unit, Ministry of Finance and Economic Development, March.

Jayne, Thomas S. and Strauss, John and Yamano, Takashi and Molla Daniel. *Targetting of Food aid in Rural Ethiopia*: cHronic Need or Inertia?" Journal of Development Economics. Volume 68 #2 August, 2002. pp. 247-288

Kedir, Abbi M. Modeling Poverty and its Determinants I Addis Ababa: A focus on Multinomial Logit Selection Model. Ethiopian Journal of Economics. Volume 6, 1997. pp. 1-36.

Kissi, Edward. *The Politics of famine in U.S. Relations with Ethiopia*,1950-1970. International Journal of African Historical Studies. Volume 33 #1 2000 pp. 113-131.

Lemma, Hailu. The Politics of Famine in Ethiopia. Review of African Political Economy. #33 August, 1985. pp. 44-58.

Leys, Colin. *The Rise and Fall of Development Theory*. Indiana University Press, 1996

Love, Roy. *The Ethiopia Coffee Filiere & its Institutions: Cui bono?* Review of African Political Economy, New Jersey: ROAPE Publications Ltd., 2001. No.88 pg. 225-240.

Love, Roy. Funding the Ethiopian State: Who Pays? Review of African Political Economy. #44 1989. pp.18-26.

Negash, Tekeste, Rethinking Education in Ethiopia, Sweden, Reprocentrales HSC, Uppsale 1996.

Prendergast, John. *The Political Economy of Famine in Sudan and Horn of Africa*. Issue Volume 19 #2 Summer, 1991. pp. 49-55.

Taddesse, Esheye. *The State and Performance of Public Enterprises in Ethiopia.* Ethiopian Journal of Economics. Volume 4 #1 April, 1995. pp. 1-38

Tekle, Amare. *International Relations in the Horn of Africa*, 1991-1996. Review of African Political Economy. Volume 23 #70 December, 1996. pp. 499-509

Samy, Yiagadeesen., & Serieus John., *The debt service burden and growth: evidence from low income countries*, Wider Conference on Debt Relief, 2001.

Samy, Yiagadeesen., & Serieus John. (editors), Debt Relief for the Poorest Countries: Ethiopia's External Debt: The Impact and the Way Forward, Transaction Publication, New Jersey, 2003.

What is Human Development http://hrd.undp.org/hd/default.cfm United Nations Development report, 2003.

World Bank (1990) *Education and development.* Evidence for new priorities. Washington D.C.: World Bank discussion paper 95.

World Bank (1995) *Ethiopia Public Expenditure Review. Issues on Public Expenditure*, vol 2. Addis Ababa: World Bank.

World Bank 1998. Program Appraisal Document, Report N° 17739-ET. Washington DC: The World Bank. Washington D.C.

World Bank 1998. Project Appraisal Document, Report N° P000755. *Education Sector Development Project*, Washington DC: The World Bank. Washington D.C.

World Bank (1998) *Ethiopia Social Sector Report*, Addis Ababa: World Bank

World Bank. 2004a. *World Development Report on Making Services Work for Poor People.* Washington D.C.: World Bank.

World Bank. 2004b. *Higher Education Development for Ethiopia: Pursuing the Vision*, Africa Region Human Development Working Paper 65, World Bank, Africa Region Human Development Department, Washington D.C.

World Bank. 2004c. "Well-Being and Poverty in Ethiopia—The Role of Agriculture, Aid and Agency," Poverty Reduction and Economic Management 2, World Bank, Africa Region, Washington, D.C., June 18, draft.

World Bank 2004. Project Appraisal Document, Report N° P078692. *Post-Secondary Education Project*, Washington DC: The World Bank. Washington D.C.

World Bank 2005, Education in Ethiopia: Strengthening the foundation for Sustainable Progress Report.

World Bank www.worldbank.org, main page

United Nations Development Programme (UNDP), Human Development Report, 2000, New York, Oxford, Oxford University Press

Todaro, Micheal, Economic Development, New York, 2003.

Transitional Government of Ethiopia (TGE), Education Sector Strategy, 1994, Addis Ababa.

Young, John. Ethnicity and Power in Ethiopia. Review of African Political Economy. Volume 23 #70 December, 1996. pp. 531-542.