

UNIT

THE SERVICE SECTOR IN ETHIOPIA

4

Unit Objectives

At the end of this unit, you will be able to:

- ❑ distinguish the roles of the different service sectors in the Ethiopian economy;
- ❑ examine the policies and strategies of the Imperial, the Derg and the current government regarding the education, health, and communication sectors; and
- ❑ realize the effects of tourism on the Ethiopian economy.

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INTRODUCTION

This unit deals with the role of the different service sectors such as education, health, transport, communication, and tourism in Ethiopia. We will also examine the policies and strategies of the Imperial, Derg and EPRDF governments regarding the education, health, and communication sectors. Finally, we will study the performance, the major problems of, and possible remedies for the sectors.

4.1 INTRODUCTION

At the end of this section, you will be able to:

- define the service sector; and
- identify the sub-sectors of the service sector

Key Terms and Concepts

 Service sector

 GDP

During 2003/04 - 2007/08, the Ethiopian economy witnessed broad-based and sustainable growth, owing to large-scale efforts undertaken by the government in the areas of infrastructure, agriculture, rural development and poverty alleviation programs and investments, and also owing to favorable weather conditions that characterized those years. In line with this, an average real GDP growth rate of 11.9 percent was registered during the 2003/04-2007/08 period. For 2003/07, the real GDPs for the agriculture, service, and industrial sectors were 7.5%, 16.0%, and 10.1%, respectively.

Table 4.1: Growth Rate of GDP by major industrial classification at constant basic prices (%) 2002/03 - 2007/08

Sector	Percentage change (%)					
	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08
Agriculture	-10.5	16.9	13.5	10.9	9.4	7.5
Industry	6.5	11.6	9.4	10.2	9.5	10.1
Service	6.0	6.3	12.8	13.3	15.3	16.0
GDP	2.0	11.8	12.7	11.8	11.8	11.4

Source: Calculated from IMF Country Report No. 08/260, July 2008.

The service sector or the service industry is one of the three main economic sectors. The basic characteristic of this sector is the production of services (also known as ‘*intangible goods*’), and does not include the goods-producing sector.

This sector is composed of various sub-sectors. More specifically, the service sector includes: trade, hotels and restaurants, transport and communication, education, banking and insurance, public administration and defense, health, and other services.

According to the Ethiopian National Income Account classification, the first five sub-sectors are referred to as distributive services while the remaining are in the 'Other' service sector.

According to the 2009/10, MOFED Report the GDP share of the service sector increased from 41.1% in 2002/03 to 46% in 2009/10. This is mainly the result of the fast growth in the areas of real estate, hotel and restaurant, education, and health. In contrast, the share of agriculture fell from its level of 56.7% in 1995/06 to 42% in 2009/10.

Table 4.2 Percentage Distribution of GDP by Major sectoral Classification at a Constant Basic Prices (%).

Share as % of GDP	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10
Agriculture	44.9	47.0	47.0	47.0	46.0	44.6	43	42
Industry	14.0	14.0	13.0	13.0	13.0	13.0	13	13
Services	41.1	39.0	40.0	40.0	41.0	42.4	44	45
GDP	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: MOFED Annual Report 2009/10.

There are a number of ways to consider the service sector such as:

- *Its divisions,*
- *Its components, and*
- *The types of activities within the components.*

The service division includes a wide variety of industries, but they can be categorized into primarily consumer-oriented (providing a service directly to a consumer), primarily business-oriented (providing a service directly to another business) or mixed (providing services to both businesses and individual consumers).

Alternately, the activities of the services division can be described in reference to their economic activities as:

- *physical*, ○ *intellectual*, ○ *aesthetic*
- i **Physical activities:** involve working with objects; examples include repairing cars, hairdressing, and cooking.
- ii **Intellectual activities:** involve providing education or training at such levels as university and vocational school.
- iii **The aesthetic activities:** entail providing consumers with artistic experiences such as offered by museums, theater performances, art shows, and musical performances.

Activity 4.1



Mention some of the service-giving subsectors functioning in your locality.

Content Check 4.1



- 1 Distinguish the service sector from other sectors.
- 2 What is the difference between the physical and intellectual service divisions?

4.2 THE ROLE OF THE SERVICE SECTOR IN THE ETHIOPIAN ECONOMY

At the end of this section, you will be able to:

- identify the roles of the service sector and explain their contributions to the economy.

Key Terms and Concepts



- 🔑 Foreign exchange earning
- 🔑 Output
- 🔑 Employment

What do you think about the role of the service sector?

Discuss the significance of the service sector to the Ethiopia economy.

The service sector plays an important role in the country's economy. Its contribution can be seen from three angles, namely: output, employment, and foreign exchange contributions.

A *Output contribution*

The service sector has played a dominant role, next to the agriculture sector, in the Ethiopian economy. But in 2008/09 and 2009/10, the output contribution of the service sector in Ethiopia dominated the agriculture sector, contributing about 45% and 46% respectively.

This mainly the result of the fast growth of education, health, socio services, tourism, transport service, construction and related engineering services, wholesaler and retail trade, hotel and restaurant sub sectors. Moreover, relatively large investment expended on the sector.

Activity 4.2



Explain the output contribution of the service sector.

B *Employment contribution*

In Ethiopia, the service sector is the second largest sector, next to agriculture, in terms of absorbing a significant part of the labor force. About 1.4% of the total labor force is employed in the health and education sectors, while about 0.5% is employed in the communication and transport sectors.

In Ethiopia, a significant number of mostly permanent employment opportunities are being created because of the rapidly growing economy. In particular, employment opportunities are being created by:

- *Sustained government efforts to enhance private sector investments;*
- *The big push in infrastructure development;*
- *The expanding services industry; and*
- *The rapid growing horticulture sector*

C Foreign exchange contribution

The value of exports of services increased from \$261 million in 1980 to \$348 million in 1998, representing an average growth rate of 33%.

In 2008/09, foreign exchange income earned from service providers such as Ethiopian Airlines and Ethiopian Shipping Lines, as well as from various service sub-sectors such as tourism, communication, insurance and financial services, collectively reached nearly 2 billion dollars, when compared to just 1.5 billion dollars for the export of goods.

Activity 4.3



Your teacher will help the class form groups so that you can discuss the following.

- 1 Mention some of service giving organization.
- 2 Identify the service sector activities in your locality and explain their contribution in terms of output, employment, and foreign exchange earning _____.



4.3 THE EDUCATION SECTOR IN ETHIOPIA

At the end of this section, you will be able to:

- review the historical background of education in Ethiopia;
- examine the educational sector polices and strategies of the Monarchy, the Derg regime and the EPRDF;
- evaluate the performance of the education subsectors, comparing primary, secondary, and higher education; and
- assess the problems of and identify possible remedies for the education sector.

Key Terms and Concepts



-  Primary education
-  Secondary education
-  Higher education

In your opinion, what is the importance of education in a country?

4.3.1 Historical Background

Education is the basic component of human resource development, which is a means of:

- *raising political and social consciousness;*
- *increasing the number of skilled workers;*
- *raising the level of trained manpower, thereby facilitating creativity and innovation;*
- *increasing opportunities to individuals for better lives.*

The economic and social development of any country depends on the scope and level of the peoples education. Education in Ethiopia dates back to the 4th Century. For about 1,500 years, the church controlled most of the traditional educational institutions. However, education in Ethiopia has undergone tremendous changes since the 19th century as a result of government policies that have attempted to improve basic education.

Formal education began in 1908. However, the education system in Ethiopia suffered from shortcomings in quality, coverage, efficiency, and relevance, due to the following four key problems.

First, the education and training policies that were in place for many decades focused only on solving immediate problems, rather than tackling major long-term challenges at the national level.

Second, children – especially girls – were not encouraged to attend school.

Third, since there were no specific learning profiles set for students at different levels, neither the student nor the teacher had a clear vision of what and why they were learning or teaching.

Fourth, too many subjects were taught, both at primary and secondary levels (up to 15 in some cases), which resulted in lessons being too fragmented to develop necessary skills, attitudes, and behaviors.

Because of these and other constraints, the educational system was unable to contribute to solving the development problems of the country.

The same hypothesis holds true for institutions of higher education. Higher education started 50 years ago and was entrusted with the task of producing capable, problem-solving, responsible citizens. Nevertheless, the reality prevailing in higher institutions was far from encouraging. This was especially true during the Imperial Regime.

Due to the inappropriate education policy of the Military Regime, the coverage of education was, relatively, very narrow. And a number of schools were demolished by the war in different parts of the country. One of the characteristics of the Derg was its spending on defence rather than expanding the sector. Between 1987 and 1991, only 8.94% of the annual budget was allocated for education.

But the allocation for education between 2003/04 and 2007/08 was 22.6% (according to *Education Statistics Annual Abstract, 2007-2008 pp-15*). According to *Education Statistics Annual Abstract 2007/08*, school construction at different levels in different regions of a country increased rapidly post-1990.

The population of school-age, both male and female, increased from 69,126,001 to 73,819,951 between 2003/04 and 2007/08 (*Education Statistics Annual Abstract, 2007-2008 pp-10*).

Activity 4.4



Compare the evolution of the education sector during the Derg and post-Derg periods.

4.3.2 Education Sector Policies and Strategies

- i **Pre-1974:** Generally speaking in this era the government didn't adopt strategies for the education sector. But in 1925, the government issued a plan to expand secular education. Ten years later there were only 8,000 students enrolled in 20 public schools. A few students also studied abroad on government scholarships. Schools closed during the Italian occupation of January 1936 - 1941. After the restoration of Ethiopian independence, schools reopened, but the system had shortages of teachers, textbooks and facilities. The government recruited foreign teachers for primary and secondary schools to off-set the teacher shortage.

The Imperial government initiated a comprehensive study of the education system. The education sector review (ESR) recommended attaining universal primary education, ruralizing the curricula through the inclusion of informal training, equalizing educational opportunities, and relating the entire system to the national development process. However, the ESR was not published until February 1974.

By contrast, the Derg invested relatively highly in education, in particular through the expansion of schools in rural areas and by launching an adult education program called the Literacy Campaign. These efforts had reduced the illiteracy rate to 38% by 1990. Although the drive for expanding primary education continued in the post-Derg period, the Literacy Campaign was stopped, and this explains the recent rise in the level of illiteracy.

Given these trends, it is not surprising to see that the positive contribution of education per worker in the period 1989-90 produced, relatively speaking, the period in which the literacy rate was highest.

- ii **Post-1974:** the Military Government dismantled the feudal socioeconomic structure through a series of reforms that also affected the educational sector. By the early 1975, the government closed Haile Selassie I University and all senior secondary schools and had deployed some 60,000 students and teachers to rural areas to participate in the government's Development through Cooperation Campaign (commonly referred to as zemecha). In 1975, the Derg Regime nationalized all private schools.

Education for socialist consciousness, education for production and education for science and research' became the objectives and directives set during the Military Government. The Military Government also worked towards a more even distribution of schools by concentrating its efforts on small towns and rural areas that had been neglected during the Imperial Regime.

Primary education enrollment increased over the years 1968 to 2003:

Enrolement	Year	
	1968 – 1973	1974 – 1990
	496,334 to 835,045	961,580 to 3,080,710

- iii **Post-1991:** The gross enrollment ratios for primary and secondary education have since showed an upward trend: 68.4% in 2003/04 for primary education and 22.1% for secondary education. The government of Ethiopia is now working towards achieving universal primary education by the year 2015 (MEDaC, 1999, MoE, 2005).

The Ethiopian government in 1993/94 introduced a National Education and Training Policy strategy to gradually overcome the aforementioned problems of quality, quantity, and efficiency. An education system is said to be efficient if maximum output is obtained from a given input, or if a given output is obtained with minimum possible input. In a more complete definition of output, the educational attainment of the pupils, the dropout rate, and the level of educational achievement of the graduates should be taken into account. Educational inputs comprise the buildings, teachers, books, teaching materials, etc., which may be aggregated financially in terms of expenditures per pupil-year.

In order to improve the critical situation of the education sector, the government launched the Education Sector Development Program (ESDP) in 1997.

The ESDP outlines long-term goals for the sector and the means to attain them by way of a series of phased, medium-term plans. The program has the following six components:

- **Primary Education:** *Activities under this component include: construction, expansion, and rehabilitation of primary schools; curriculum revision and development; upgrading of teachers' skills; and increasing the supply of textbooks.*
- **Secondary Education:** *Activities under this component include: expansion of school services; curriculum revision and development; and increases in the supply of educational equipment and material.*
- **Technical-Vocational Training:** *Under this component, there are plans to expand programs that train students in technical and vocational fields.*
- **Teacher Training:** *This component includes: the upgrading and expansion of training institutions; in-service (on-the-job) training of primary school teachers; curriculum revision and development; introduction of distance learning and alternative education methods; and the training of school directors or coordinators in school management.*

- **Tertiary Education:** Under this component, the goal is to meet growing demand for teachers, engineers, health specialists, public administrators, and others.
- **Institutional Capacity Building:** Activities under this component include upgrading the Ministry's and Regional Education Bureaus' skills in planning, financial management, implementation, monitoring and evaluation of policies and strategies.

4.3.3 Performance of the Education Sector

Primary Education (Grade 1 - 8)

As shown in Table 4.3, Table 4.4, and Table 4.5, primary education enrollment increased, over the years 1968-2003.

Table 4.3: Trends in Primary School Enrollment in Ethiopia pre-1974

Year	Primary (1-8)	Year	Primary (1-8)
1968	496,334	1972	796,064
1969	570,899	1973	853,045
1970	653,660	1974	961,580
1971	728,548		

Source: MOE, Annual Education Statistics, year.

Table 4.4: Trends in Primary School Enrollment in Ethiopia, Post-1974

Year	Primary (1-8)	Year	Primary (1-8)
1975	1,084,406	1983	2,789,107
1976	1,226,124	1984	2,800,695
1977	1,326,765	1985	2,728,253
1978	1,287,087	1986	2,811,910
1979	1,538,579	1987	3,160,563
1980	1,997,040	1988	3,345,049
1981	2,341,437	1989	3,302,593
1982	2,623,116	1990	3,080,710

Source: MOE, Annual Education Statistics, year.

Table 4.5: Trends in Primary School Enrollment in Ethiopia, Post-1991

Year	Primary(1-8)	Year	Primary(1-8)
1991	2,871,325	1998	5,090,670
1992	2,422,746	1999	5,702,233
1993	2,204,697	2000	6,462,503
1994	2,641,067	2001	7,401,473
1995	3,098,422	2002	8,144,337
1996	3,787,919	2003	8,743,265
1997	4,468,294		

Source: MOE, Annual Education Statistics, year.

Major Objectives of Primary Education

The major objectives of primary education are achieving functional literacy (1 – 4) and preparing students for further education (5 – 8).

Primary education is absolutely critical to a nation's development, providing on average, the highest public return on investment in education, and it is the critical under-pinning for later education and economic growth. In Ethiopia, primary education is defined as education in grades 1-8, in two cycles: first cycle (grade 1 – 4), and second cycle (grade 5 – 8).

Gross Enrollment Rate (GER) at Primary Level (1-8)

Gross Enrollment Rate (GER): is the percentage of total enrollment in primary schools, irrespective of age, out of the corresponding primary school age population, (7 – 14 years).

Table 4.6: GER at the primary level, 2003 - 2008

Year	Primary 1st cycle (1-4) %			Primary 2nd cycle (5-8) %		
	Boys	Girls	Total	Boys	Girls	Total
2003/04	95.2	78.3	86.5	57.0	36.9	47.1
2004/05	109.8	95.5	102.7	62.0	42.6	52.5
2005/06	123.9	111.2	117.6	67.4	49.8	58.8
2006/07	122.9	111.2	117.1	68.3	53.7	61.1
2007/08	133.0	122.5	127.8	64.8	55.5	60.2

Source: Ministry of Education, Education Statistics Annual Report, 2007/08.

There has been increased access to primary education in absolute numbers at all levels. The most significant progress is the Gross Enrolment Rate (GER) in primary schools. As a result of the expansion of schools in rural areas, and of improvements in awareness of the need for the education of girls at the community level, primary education, particularly the first cycle (1-4), enrollment has increased significantly. GER (1-8) was 22 percent for boys and 16 percent for girls in 1991, and as it is 98 percent for males and 85.1 percent for females in 2006/2007. However, there are wide regional variations in female enrolment rates. Some of the lowest rates for girls are in emerging regions and pastoralist areas. The national gender gap at the primary level was 20.2 percent in 1999/2000 and 12.9 percent in 2006/07. Despite such improvements, this gap is still a cause for concern.

Activity 4.5



Based on the above [Table 4.6](#), compare the Gross Enrollment Rate (GER) at primary Level (1-8) in each year.

Secondary Education (Grade 9 – 12)

Objectives of Secondary Education

The major objectives of secondary education are enabling students to identify area of interest for further education and vocational training (9 – 10) and preparing them for higher education (11 – 12)

- *To provide basic education and integrated knowledge at various levels of vocational training.*
- *To satisfy the country's need for skilled manpower by providing training in various skills and at different levels.*

Secondary school in Ethiopia provides post-primary education in two cycles. The first is Grades 9-10 and the second is Grades 11 – 12. Secondary education expansion and construction has focus predominantly on the first cycle.

Secondary Gross Enrollment Rate (GER)

Secondary-school GERs compare those students, regardless of age, with the population of the appropriate age range. For Ethiopia, the ages for the first cycle (general secondary) is 15 – 16, and that for the second cycle is 17 – 18 years of

age.

Table 4.7 shows the secondary school-age enrollment composition, by cycle, gender and Gross Enrolment Rate for each year of 2003/04-2007/08.

Table 4.7 Secondary Enrollment by Cycle and Gender-Gap

Year	Secondary 1 st cycle						Secondary 2 nd cycle					
	Enrollment			GER%			Enrollment			GER%		
	Boys	Girls	Total	Boys	Girls	Total	Boys	Girls	Total	Boys	Girls	Total
2003/04	443,779	242,197	685,976	28.2	15.9	22.1	69,189	25,471	94,660	4.5	1.7	3.2
2004/05	553,914	306,820	860,734	34.6	19.8	27.3	67,413	25,070	92,483	4.3	1.7	3.0
2005/06	678,716	387,707	1,066,423	41.6	24.5	33.2	91,889	31,794	123,683	5.7	2.0	3.9
2006/07	760,674	462,988	1,223,662	45.7	28.6	37.3	117,000	58,219	175,219	7.3	3.7	5.5
2007/08	793,228	514,691	1,307,919	44.4	29.6	37.1	130,533	62,911	193,444	7.8	3.8	5.8
Average annual growth rate	15.6%	20.7%	17.5%				17.2%	25.4%				

Source: Ministry of Education, *Education Statistics Annual Report, 2007/08*.

As can be seen from Table 4.7, enrolment grew, but in the first cycle, the rates for boys and girls diverged, with boys predominating.

Challenges related to girls' education becomes greater as one moves up to secondary level and above. The gap increased from 6.7 percent in 2001/2002 to 14.8 percent during 2007/08 for the secondary school first cycle. This change is mainly attributable to the high dropout rates of girls from Grade eight on. Several factors explain this situation. A few of them are:

- *Girls reach the age of puberty between the ages of 14-16 and in most rural areas get married through family arrangement or by abduction;*
- *High schools might not be available close to a girl's neighborhood. Therefore, girls may need to walk far, to reach them but their families might fear for their safety, including dangers of rape;*
- *Furthermore, in cases where girls would need to reside in a different town in order to receive such education, their families might not be able to pay for housing, food, and related expenses.*

Higher Education

Higher education in Ethiopia includes institutions with three, four, and six-year undergraduate programs, as well as two-year master programs and three-year Ph.D. programs.

Table 4.8 shows that total enrollment in the higher education institutions in 2007-08, for 61 reporting government and non-government institutions, was 270,356 in all programs, including:

- Regular
- Evening
- Kiremt and distance.

As noted in Table 4.8, out of this, non-government institutions enroll approximately 48,802 students, which accounts for 18.1% of the total. Data for non-government institutions captures only those institutions that are accredited by the Ministry of Education (MoE). Additionally, over 97.2% of all enrollments are at the undergraduate-degree level.

Table 4.8 Enrollment in higher education institutions (2007-08)

Program	Enrollment									GER		
	Government			Non-Government			Government and non-government			Male	Female	Total
	Male	Female	Total	Male	Female	Total	Male	Female	Total			
Undergraduate Degree	164,868	49,331	214,199	34,816	13,986	48,802	199,684	63,317	263,001	7.0%	2.2%	9.2%
Postgraduate second degree	6,401	696	7,097	-	-	-	6,401	696	7,097			
Postgraduate PhD	251	7	258	-	-	-	251	7	258			
Total	171,520	50,034	221,554	34,816	13,986	48,802	206,336	64,020	270,356			

Source: Ministry of Education, education statistics annual report, 2007/08.

Pupil-Teacher Ratio (PTR)

Pupil-teacher ratio is one of the common indicators for efficiency and quality in education. However, there are two conflicting views about PTR:

- *The lower the PTR is, the better the opportunity for contact between the teacher and pupils and for the teacher to provide support to students individually, thereby improving the quality of education;*
- *On the other hand, a very low PTR may indicate inefficient use or underutilization of teachers, resulting in low efficiency.*

In Ethiopia, the standard set for the pupil-teacher ratio is 50 pupils per teacher for the primary level (1-8) and is 40 pupils per teacher for the secondary level.

4.3.4 Problems of and Possible Remedies for the Education Sector

Problems

According to MEDaC (1999), the education sector in Ethiopia is beset by a number of problems, such as

- *Great disparity between the relatively developed and undeveloped regions and between rural and urban areas;*
- *Enrollement of girls at every level of education is lower than that of boys;*
- *Inadequate facilities, insufficient training of teachers, overcrowded classes, and shortage of books and other teaching materials all indicate the low quality of the education provided;*
- *A high illiteracy rate is an overall problem of the society. Opportunities for high school education and technical and vocational training are limited to big towns. Higher education institutions are found only in cities. In addition, they are over-crowded and their research capacities are very low;*
- *It is known that our country's education has complex problems of relevance, quality, accessibility, and equity;*
- *Financial and resource constraints;*
- *Lack of alternatives in resource mobilization in addition to the public budget;*
- *Poor quality and commitment of the leadership of the sector at all levels.*
- *High drop-out and repetition rate*
- *Limited access to tertiary education level. Although the priority focus in the country is on expanding basic education, the capacity of tertiary level also requires improvement.*

Possible remedies. The available documents indicate that the budget allocated to the education sector has increased during the post-reform period. However, further increases in resources for the sector are required to:

- *Expand the participation of parents, teachers and communities in policy formulation.*
- *Provide adequate student textbooks, teaching materials and various school facilities.*
- *Narrow the gap or disparity among regions.*

- *Inspect the private education sector to ensure the minimum necessary quality, standard of certification, service fees, etc.*
- *Improve the quality of teachers, in terms of training and motivation.*

Activity 4.6



- 1 Discuss in group the performance of the education sector during the Derg and post-Derg periods and present the result to your class _____.
- 2 How do you measure the performance of the education sector?
- 3 Outline the major problems in the education sector in Ethiopia.

Content Check 4.2



- 1 How do you relate education to economic development?
- 2 Discuss the possible remedies for the education sector.
- 3 Identify the problems of your school and suggest some remedies _____.

4.4 THE HEALTH SECTOR IN ETHIOPIA

At the end of this section, you will be able to:

- review the historical background of the health sector;
- examine the health sector policies and strategies of the Monarchy, Derg, and EPRDF governments;
- evaluate the performance of the health sector;
- assess the problems of the health sector;
- identify possible remedies for the health sector; and
- analyze the impact of HIV/AIDS.

Key Terms and Concepts



- 🔑 HIV/AIDS
- 🔑 Mortality

- 🔑 Fertility
- 🔑 Morbidity

What do you know about the eight Millennium Development Goals (MDGs) set for attainment by 2015?

4.4.1 Historical Background of the Health Sector

The health status of many Ethiopians remains very poor, and the system is not yet large enough to meet demand. The major limitations of progress in the sector are:

- *High population growth;*
- *Low educational and income levels, especially among women;*
- *Lack of access to clean water and sanitation facilities;*
- *Nutritional disorders and insufficient access to health services.*

4.4.2 The Health Sector Policies and Strategies

Ethiopian National Health Policy

The Ethiopian health care delivery system has historically been unable to respond quantitatively and qualitatively to the health needs of the people.

Definite policies and strategies for the development of health service were not formulated until 1963. However, efforts were made to include the health sector into the development plans. After the 1974 revolution, Ethiopia embarked upon different approaches towards solving health-sector problems, through the declaration of primary health care in a ten-year development plan in 1978. In these approaches, priority was given to creative types of strategies. It was highly centralized and there was little collaboration between public and private providers.

The Ethiopian Transitional and Federal Government formulated the 1993 Health Policy and Strategy. Goals of the Federal Government and the regional administrations included reorganizing health services to make them more cost-effective and efficient so, that they can contribute more to the overall socio-economic development effort of the country.

Following the change of government in 1991, a number of political and socio-economic reform measures were put in place. Two of these were the development and introduction of a new National Health Policy in 1993 and the formulation of a comprehensive rolling 20-year Health Sector Development Plan (HSDP) in 1997. Both are the results of the critical assessment and analysis of the nature and causes of the country's health problems. The HSDP is now in its third phase (HSDP III). The major goals of the health policy are decentralization of the health

care system, development of preventive, facilitative, and curative components of health care, assurance of accessibility of health care for all segments of the population, and the promotion of private-sector and NGO participation in the health sector.

The national health policy focuses on a comprehensive health service delivery system to address:

- *Communicable diseases*
- *Malnutrition*
- *Improving maternal and child health.*

The health service delivery system is decentralized with the responsibility for implementation being largely devolved to the districts, which operate on the basis of block funding for the sector.

The policy emphasizes inter-sectoral collaboration, particularly in ensuring family planning for efficient family health and population planning, in formulating and implementing an appropriate food and nutritional policy, and in accelerating the provision of safe and adequate water for the urban and rural populations.

General Policy goals

The main policy goals of (the Health Sector Strategic Plan, HSDP-III, 2005/06-2009/10) are:

- 1 Democratization and decentralization of the health service system.
- 2 Development of the preventive and facilitative components of health care.
- 3 Development of an equitable and acceptable standard for the health service system that will enable it to reach all segments of the population within the limits of resources.
- 4 Promoting and strengthening inter-sectoral activities.
- 5 Promotion of attitudes and practices conducive to the strengthening of national self-reliance in health development by mobilizing and maximally utilizing internal and external resources.
- 6 Assurance of accessibility of health care for all segments of the population.
- 7 Working closely with neighboring countries and with regional and international organizations to share information and strengthen collaboration in all activities that contribute to health development, including the control of factors detrimental to health.
- 8 Development of appropriate capacity building, based on assessed needs.
- 9 Provision of health care for the population on a scheme of payment according to ability, with special assistance mechanisms for those who cannot afford to pay.

- 10 Promotion of the participation of the private sector and nongovernmental organizations in health care.

The health policy has also identified the priority intervention areas and strategies to be employed to achieve the health policy objectives.

Major components of the health care strategies are:

- Preventive and curative health service
- Curative and rehabilitative care
- Drugs and medical supplies
- Health information, documentation, and processing
- Organization and management of the health delivery system
- Human-resource development and management
- Research and development
- Financing the health care delivery system.

4.4.3 Performance of the Health Sector

Achievement of the Millennium Development Goals (MDGs) is one of the top priorities of global policies influencing the national development policies and strategies.

The eight Millennium Development Goals (MDGs) set to be reached by 2015 are relevant and directly linked to the health sector and are described below:

- 1 Eradicating extreme poverty and hunger
 - Target – reducing extreme poverty and hunger by half (50%) of the level in 2000 G.C.
- 2 Achieving universal primary education: target – 100% primary education.
- 3 Promoting gender equality and empowering women.
- 4 Reducing child mortality: target – reduce infant and under-five mortality rates by two thirds, between 1990 and 2015.
- 5 Improving maternal health: target – reduce maternal mortality ratios by three-quarters between 1990 and 2015.
- 6 Combating HIV/AIDS, malaria and other diseases.
 - Target – halt by 2015 and begin to reverse the spread of HIV/AIDS.

○ *Halt by 2015 and begin to reverse the incidence of malaria and other major diseases.*

- 7 Ensuring environmental sustainability.
- 8 Developing a global partnership for development.

4.4.4 Problems of and Possible Remedies for the Health Sector

Indicators

A combination of rapid population growth, poor economic performance and low educational levels have constrained Ethiopia's socio-economic development and impacted health status in particular.

According to MOH, infectious and communicable diseases are the major causes of health problems in Ethiopia. Most of these diseases are caused by:

- *over-crowded housing conditions;*
- *contaminated water supplies;*
- *substandard waste management systems;*
- *nutritional deficiency.*

Ethiopia's burden of disease is dominated by malaria, diarrhea, and AIDS. Although largely preventable, the most significant childhood and maternal illnesses and communicable diseases are:

- *HIV/AIDS*
- *Malaria*
- *Tuberculosis (TB)*

The major indicators of health status prevailing in Ethiopia are presented below:

- 1 ***Infant mortality rate (IMR)***: it indicates the number of deaths of babies under one year of age per 1,000 live births. The rate in a given region, therefore, is the total number of newborns dying under one year of age divided by the total number of live births during the year, with the result multiplied by 1,000. The infant mortality rate is also called the infant deathrate (per 1,000 live births).
- 2 ***Maternal Mortality Ratio (MMR)***: is the ratio of the number of maternal deaths per 100,000 live births. The MMR is used as a measure of the quality of a health care system.
- 3 ***Life Expectancy at Birth (LEB)***: is the probable number of years a person will live after a given age, as determined by mortality in a specific geographic area.

- 4 **Child mortality rate (CMR):** is the number of children dying between the first and the fifth birthday per 1000 live births.
- 5 **Access to safe water:** is measured by the number of people who have a reasonable means of getting an adequate amount of water that is safe for drinking, washing, and essential household activities. It reflects the health of a country's people and the country's capacity to collect, clean, and distribute water to consumers.

Performance

- According to the Ministry of Health, the maternal mortality rate in Ethiopia was reduced to 673/100,000 in 2005/06 from 871/100,000 in 2001/02.
- The infant mortality rate was reduced to 77/1000 live births in 2004/05 from 97/1000 in 2001/02 and to 123 /1000 in 1992/93.
- The child Mortality Rate per 1000 was reduced to 123/1000 in 2004/05 from 167/1000 in 2001/02 and to 180/1000 in 1992/93.
- Life expectancy at birth (measured in years) for each year of the 2005 – 2010 was, according to a UNICEF report, was 48.83, 49.03, 49.23, 54.99, 55.41, and 55.8 in that order.

The provision of safe and adequate water supplies for the population has far-reaching effects on:

- Health;
- Productivity;
- Quality of life, in particular for reducing poverty; and
- Sustainable socio-economic development.

Hence, the Ethiopian government, NGOs, the community, and the private sector have undertaken maximum efforts to improve the low level of water supply and sanitation of the country.

According to the Annual Progress Report (APR) on the second year of PASDEP (2006/07), access to clean water supply at national level increased from 19.1% in 1995/96 to 52.5% in 2006/07.

Problems

- Limited physical access of the population to health facilities.
- The available health care facilities are unevenly distributed across regions.

- *Inadequate budgetary allocation and low levels of management.*
- *The distance from, or the absence of, health care facilities.*
- *Low quality of the facilities.*
- *Maternal, infant, and child mortality rates are still high.*
- *The country has a low resource utilization capacity.*
- *Inadequate and poorly maintained infrastructure and equipment, shortage of trained health personnel, and the unavailability of drugs and pharmaceutical supplies.*

Possible Remedies

- *Strengthen and expand existing health programs.*
- *Provide family planning services at all levels of health service delivery stations.*
- *Strengthen reproductive health content in health education programs.*
- *Strengthen and expand training of health personnel in collaboration with relevant institutions.*
- *Set standards for the provision of family planning services.*

Impacts of HIV/AIDS

Through its impacts on the labor force, households, and enterprises, AIDS has played a more negative role in human development than any other single factor. One aspect of this impact has been the damage that the epidemic has done to the economy, which, in turn, has made it more difficult for the country to respond to the crisis.

One way in which AIDS affects the economy, in Ethiopia and other countries, is by reducing the labor supply through increased mortality and illness. Even among those who are able to work, productivity is likely to decline as a result of HIV-related illness. Government income also declines, as tax revenues fall and it is forced to increase its spending to deal with the spread of the HIV epidemic.

The abilities of African countries to diversify their industrial bases, expand exports and attract foreign investment are integral to economic progress in the region. By making labor more expensive and reducing profits, AIDS limits the ability of African countries to attract industries that depend on low-cost labor and makes investment in African businesses less desirable. HIV/AIDS therefore threaten the foundations of economic development in Africa.

The impact that AIDS has had on the economies of African countries is difficult to measure. The economies of the worst affected countries were already struggling with development challenges, debt, and declining trade before the epidemic started to affect the continent. AIDS has been huge addition to these factors further aggravating the situation. It is thought that the impact of AIDS on the gross domestic product (GDP) of the worst affected countries is a loss of around 1.5% per year. In other words, after 25 years the economy would be 31% smaller than it would otherwise have been.

Activity 4.7



Discuss the following:

- 1 Among the eight millennium development goals, which goals are directly linked with the health sector?
- 2 Explain the major health sector problems in Ethiopia.
- 3 Identify the possible solutions for the health sector problems.

Content Check 4.3



- 1 Which of the following conditions is the major cause of health problems in Ethiopia?
 - A Contaminated water supply
 - B Nutritional deficiency
 - C Over-crowded housing conditions
 - D all
- 2 List out the major health indicators.




4.5 THE TRANSPORT SECTOR

At the end of this section, you will be able to:

- examine the transport sector policies and strategies for road transport, railway, air transport and the Ethio-shipping line.

Key Terms and Concepts



- | | |
|---|---|
|  Road |  ESL |
|  Railway |  Air transport |

What do you know about modes of transport?

4.5.1 Policies and Strategies of the Transport Sector

Transportation can be defined as the movement of commodities, materials, people and animals from one place to another with a specified objective. Transportation is fundamental to civilization. The roles of transportation in socio-economic development are that it allows for:

- *Division of labor and labor specialization,*
- *Procurement of raw materials from various sources,*
- *Dispatch of goods to marketplaces, etc.*

In Ethiopia, the early means of transportation were foot and pack animals like donkeys, horses, and camels. These means of transportation are important even today, especially in rural areas. However, this set of transportation constrains the socio-economic development of the country because it is time-taking and tiresome.

During the Military Government, the transport sector was put under close state regulation and control. The entire commercial truck and passenger transport system was under strict control of the government through Proclamation No.107/1976.

The policy changes in the sector that occurred on May 8, 1992 heralded the deregulation of the freight transport industry. Major liberalization of the transport industry began with government Proclamation No. 14/1992. It emphasizes the promotion of efficiency and equitable distribution.

Following the 1992 Proclamation, many of the private commercial freight and passenger transport activities left the corporation and formed their own independent association. Some, however, continued as associates of government enterprises.

The other content of the new policy allows:

- *Free entry into existing associations,*
- *Obtaining licenses to form new associations.*

4.5.2 Performance of the Transport Sector

I Road Transport

The Ethiopian Road Transport Authority (RTA.) is a public authority responsible for the use of all roads within Ethiopia, vehicles using these roads, and all matters relating to road transport activities.

The Road Transport Administration was established in 1967 by Proclamation No 256/67 to administer the control and regulation of road travel and transport in 1976, after having undergone restructuring, it was reorganized as the Road and Transport Authority (RTA) by Proclamation No 107/76. The authority replaced and took over the rights and obligations of the former Roads Transport Administration. It was again road restructured and replaced by Proclamation No. 14/92.

Poverty reduction and addressing vulnerability have been and still are the overriding agenda of the government. It is well known that the success of development strategies heavily depends on the efficiency of the infrastructure sector in general and the road sub-sector in particular. Accordingly, substantial improvements have been achieved in the expansion of road infrastructure.

According to the 2006/07 Annual Progress Report (APR), in the second year of PASDEP implementation (MOFED, 2007), the stock of road network, proportion of road network in good condition, and road density per 1000 sq. km increased as follows:

- *By the end of 2006/07, the total length of road network (paved and unpaved) increased from 23,812 km in 1996/97 to 44,539 km, and road density increased from 22 km/1000 sq. km in 1996/97 to 40.3 km/ 1000 sq. km by the end of 2007/08;*
- *The proportion of roads in good condition increased from 18 percent in 1995/96 to 73 percent by the end of 2007/08. By the end of PASDEP (2009/10), the target was to increase road density to the Sub-Saharan Africa (SSA) average of 54 km/1000 square kilometers;*

- In 2006/07, 992 km of new rural roads were constructed and added into the network;
- In 2006/07, with community participation, 24,353 km of low-level rural roads were constructed in different regions of the country;
- The average time taken to reach all-weather roads reduced from about 7 hours in 2001/02 to 4.5 in 2006/07. For 2009/10, the target was to reduce the average time taken to reach the nearest all-weather road to 3.5 hours;
- The proportion of area farther than 5 km away from all-weather roads was reduced to 68 percent by the end of 2006/07 from 72 in 2004/5.

See the details in [Table 4.9](#) below.

Table 4.9: Recent Trends in Road Conditions in Ethiopia

Indicators	2004/05	2005/06	2006/07	2007/08
Stock of road network (km)	37,018	39,477	42,429	44,359
Road density (per 1000 square km)	34	30.8	38.6	40.3
Roads in good condition (%)	64	69	71	73
The proportion of area further than 5 km away from all-weather roads (%)	72	72	68	-
Average time taken to reach all-weather roads	5.7	5.3	4.5	4.2

Source: Ministry of Finance and Economic Development, 2007.

II Railways Transport

For more than a century, the Ethio-Djibouti Railway has been the nation's the only railway and one of the most important means of transportation and link to the outside world for Ethiopia. The railway company plays an important role in transporting import, export, and internal freight, and passengers (international and local). In contrast to air transport, Ethiopia has a limited railway service that stretches 781 km, linking Addis Ababa with the port of Djibouti via the eastern Ethiopian cities of Dire Dawa and Adama.

Table 4.10: Operations Of Ethio-Djibouti Railway

Cargo	Year	2005/06	2006/07	2007/08	2008/09
	Passenger		6,000	77,00	2,450
Freight		27,400	15,600	7,050	7,200
Others		2,600	3,000	9,700	23,600
Total Revenue					
Expenditure('000)		36,000	26,300	19,200	31,500
Personnel		21,700	25,200	33,200	29,000
Material and Others		19,300	1,8700	6,400	6,100
Total Operating Expenses		41,000	43,900	39,600	35,100
Provision for works and Renewal of Equipment		2,000	2,000	3,200	1,400
Interest		-	-	-	-
Total Expenditure		43,000	45,900	42,800	36,500

Source: *Ethio-Djibouti Railway Company, 2008/09.*

Financial operations of the company in the period 2005/06-2008/09 indicate that it gained more from freight than passengers and other sources combined. The data in Table 4.10 reveals that total operating expense the biggest share of income in 2006/07. However, company expenditures exceeded revenue in all of the years. As a result, the company experienced losses from 2005/06 to 2008/09.

III Air Transport

According to Ethiopian Airlines Annual Report 2008/09, Ethiopian Airlines was founded on December 29, 1945, by Emperor Haile Selassie I with assistance from Trans-Continental and Western Airlines (TWA). It commenced operations on April 8, 1946, with weekly service between Addis Ababa and Cairo with five Douglas DC-3 propeller-driven aircraft.

The airline started long-flight services to Frankfurt in 1958 and inaugurated its first jet service in January 1963 from Addis Ababa to Nairobi. In the early 1960s it provided some initial aviation support to the Ethio-United States Mapping Mission in its operation to provide topographic maps of Ethiopia. It is wholly owned by the government of Ethiopia and had 4,700 employees as of March 2007.

Although it relied on American pilots and technicians at the beginning, by its 25th anniversary in 1971, Ethiopian Airlines was managed and staffed by Ethiopian personnel. Ethiopian Airlines provided basic pilot and aviation maintenance training to trainees from African countries including Rwanda, Tanzania, Chad, Djibouti, Madagascar and the Sudan. Other training was given to employees of Kenyan Airways, Air Zimbabwe, Cape Verde Airlines and Air Madagascar.

Ethiopian Airlines has a very good reputation. In its 64 years of service, it has offered excellent passenger and cargo air transport. The airline and all its technical and training activities have provided an opportunity for building Addis Ababa as a regional hub for air transport.

Ethiopia had three international and 18 domestic airports. Its international flights link the country with over 45 cities in four continents: 26 in Africa, 12 in Asia, five in Europe and two in North America. It has been expanding its intercontinental services to realize its motto of being “Africa’s Link to the World.” In 2010, Ethiopian Airlines traveled to 59 international destinations, 39 of which were in Africa. According to Ethiopian Airlines Annual Report (2008/09), the operational aircraft of Ethiopia airline was 41.

Financial Performance of the Company

Revenue

The total revenue generated during the year 2008/09 grew by 33% compared to the revenue of the previous year.

A *Passenger Revenue*

The actual passenger revenue, including excess baggage, realized in 2008/09, was 29% higher than in the preceding year, mainly as a result of increased passengers.

B *Flight Revenue*

Freight revenue earned in the 2008/09 fiscal year was higher than that of the previous year by 49%. This was mainly because charter operations to and from Europe increased.

C *Operating Expenses*

The total operation expenses in 2008/09 increased 28% compared to the previous year. The major contributor for this was the increase of costs of aviation fuel, aircraft leases, and maintenance.

D *Cash Position*

The airline generated a net cash inflow of ETB 1.4 billion from operating activities, raised ETB 15 million from financing activities, and spent ETB 1.1 billion for investments.

In 2008/2009, the airline transported 2.8 million passengers and generated 12.2 billion birr in revenue with a net profit of 1.345 billion birr (a 165% increase over the previous year). In the same period, Ethiopian Airlines hauled 101 thousand tons of cargo, a 38.4% increase over the previous year. These results were the best yet for the 64-year-old airline, and were attributed to an aggressive marketing campaign and major cost-cutting measures.



An Ethiopian Airlines aircraft

IV *Ethiopian Shipping Lines S.C.*

Ethiopian Shipping Lines (ESLSC) was established in March 10, 1964 under the agreement of the Imperial Ethiopian Government and Taurus Investment Inc., whose head office was in Washington DC, USA. According to the agreement signed, Ethiopian Shipping Lines Share Company was established in Ethiopia with an initial capital of 50,000 Ethiopian Birr, subsequently to be raised to 3,750,000 Ethiopian Birr. Taurus Investment Inc agreed to subscribe to 51% of the capital requirements and designated two directors of the company. The Ethiopian Government underwrote the remaining 49% of the capital required and designated two directors of the ESL.



An Ethiopian Shipping fines ship

After the agreement was signed, the first three vessels were ordered. The two cargo liners, the M.V. “Lion of Judah” and the M.V. “Queen of Sheba” and a 34,000 ton oil tanker m/t “Lalibela” were ceremoniously launched at Rotterdam in 1966. Since then, the Etho-Shipping Lines Share Company (ESLSC) has undertaken an extensive fleet expansion program to keep pace with the nation’s rising need for shipping services.

The ESLSC, which was again established, under the decree of Council of Ministers Regulation No. 196/1994, had authorized the company a capital of 122,000,000 Birr.

The main purpose of the establishment of the company has been to:

- *Render coastal and international marine transport service, and*
- *Engage in other related activities necessary for the attainment of its charter.*

Besides its former and current fleet, ESLSC has made slot charter arrangements agreements with a number of other shipping companies. This global practice enables ESLSC to give weekly service from any of its trading routes.

Ethiopian Shipping Lines Enterprise is a domestic company, which is mainly engaged in transporting commercial goods from country to country through its international routes.

Pertaining to the continuous growth of the country’s economy, in general, and foreign trade cargo, in particular, ESLSC’s performance registered steady growth during 1995, 1996, 1997, 1998, 1999, 2000, 2001, and 2002 (Ethiopian fiscal years), as indicated in [Table 4.11](#).

Table 4.11: Performance indicators of Ethiopian Shipping Lines.

Indicator	Measurement (Unit)	EFY 1995	EFY 1996	EFY 1997	EFY 1998	EFY 1999	EFY 2000	EFY 2001	EFY 2002
Cargo lifting's	'000 tons	699.8	903.3	1,154.7	1,453.7	1,484.8	2,224.6	21,71939	2,477,377
Revenue	Million Birr	756.7	849.6	1,147.0	1,571.9	1,903.2	2,393.2	2,660,730	3,692,121
Profit	Million Birr	97.8	102.9	180.4	260.0	287.7	426.8	392,334	641,363
Market Share (Dry Cargo)	%	30	35	38	41	38.6	48,3	36.2	28.4
Manpower	No's	536	554	570	560	643	597+53	687	716

Source: *Ethiopian Shipping Lines S.C. Report, 2010.*

The financial operation of the Ethiopian Shipping Line Enterprise for the years EFY 1995-2002 is presented in Table 4.11. Revenues and expenditures of the enterprise for that period were at their peak in 2002 EFY, and were at their lowest in 1995/96. The company gained a profit of Birr 64,1363 million in 2002 EFY.

Activity 4.8



- 1 How do you measure the performance of the railway transport sector?
- 2 Which mode of transportation is the fastest but most expensive in Ethiopia?
- 3 Which mode of transportation is the most common in Ethiopia?

Content Check 4.4






- 1 Explain the role of the transport sector in socio-economic development.
- 2 What are indicators of road condition in Ethiopia?
- 3 What are the performance indicators of Ethiopian Shipping Lines?

4.6 THE COMMUNICATION SECTOR

At the end of this section, you will be able to:

- review the historical background of the communication sector;
- examine the communication sector policies and strategies;
- evaluate the performance of the communication sector; and
- assess the problems of and identify remedies for the communication sector.

Key Terms and Concepts

-  Media
-  Ethiopia Telecommunication Corporation (ETC)
-  Postal service





What services does the Ethio Telecom provide?

What are the major problems of the communication sector in your locality?

4.6.1 Historical Review of the Communication Sector

Communication is one of the most fundamental elements necessary for the economic, social, and political development of any country. Communication services include telecommunication, postal and media services.

Upgrading and expanding the telecommunications network and services have been essential to modernizing the sector and bringing about national growth as well as greatly supporting the rural economy. For example, having basic telephone access in villages:

-  *allows farmers to get information on prices for their crops and livestock products;*
-  *improves the efficiency of local administration;*
-  *encourages the development of trade and small businesses;*
-  *facilitates the provision of social services such as health, education, and agricultural extension.*

The history of the communication service in Ethiopia dates back to 1894 when various innovations were introduced in Ethiopia during the time of Emperor Menelik II.

A telegraph line from Addis Abeba to Djibouti was installed parallel to the construction of the then Franco-Ethiopian Railway, which was commenced in 1898 and completed in 1917.

Until 1904, communication services were supervised by a foreign adviser but later, as telephone and telegraph lines were found to be vital for administrative and foreign-relation purposes and for the dissemination of news, communication

facilities began to be run by an office in the Imperial Palace and were accorded the direct attention and supervision of Emperor Menelik II himself, assisted by a foreign expert, M. Chefneux.

The first telecommunication and postal administration started in 1909 and was completed in 1911. It was the cornerstone of the establishment of the Ministry of Postal, Telegraph and Telephone (MOPTT).

After the establishment of MOPTT, Ethiopia became a member of the Universal Postal Union (UPU) and the International Telecommunication Union (ITU) in the years 1908 and 1932, respectively.

In the period from 1915 to 1932, there were only 200 telephone subscribers in Addis Abeba. The first telephone subscriber in Addis Abeba was the then Bank of Abyssinia.

Following the end of the Italian occupation of Ethiopia (in 1941), the first automatic telephone exchange system was installed in Addis Abeba and Asmera.

In 1981, the Board of Telecommunication was renamed as the Ethiopian Telecommunication Service Organization without much change in its functions. This name lasted for over 5 years and in 1981, the organization came to be known as the “Ethiopian Telecommunication Authority”.

As to postal services, Proclamation No. 240/1996 set the administrative infrastructure for the improvement, expansion, and modernization of the Ethiopian postal system. Under this Proclamation, the post office was organized as an independent department of the MOPTT.

As to the development of media service in Ethiopia, the press was the pioneer in this area. And it is one of the media used for relaying information to the public and to exchange news, views, ideas, etc.

As the data shows, the numbers of copies of Addis Zemen and the Ethiopian Herald sold were 4.4 million and 2.6 million in 1998/99, respectively, and it rose to 5.8 million copies of Addis Zemen and 3 million copies of the Ethiopian Herald in 2002/03, (Ministry of Information and Culture, 2002/03 EFY).

Television service was established in 1964. The service was confined to Addis Ababa. Additional TV stations were not installed until 1992. Television service

coverage had reached up to 35% of the total area of the country by the end of the Derg regime. After the downfall of the Derg, 39 additional towns got TV services. By the year 2006, the TV penetration rate in Ethiopia had reached up to 55% of the total area of the country.

4.6.2 Policy and Strategies in the Communication Sector

With regard to the communication sector, a number of reform measures have been undertaken consistent with overall economic policy. The new economic policy vis-à-vis communication emphasized the need for maintaining telecommunication and postal services under state ownership as essential public services with the possibility of subsequently exploring private-sector participation.

Table 4.12: Fixed-line Call Tariffs as of April 1, 2011

The new Revised Enterprise Tariff as of April 1, 2011.

New Tariff for Mobile-to-Mobile, Mobile-to-Fixed and Fixed-to-Mobile local calling rate:

Peak hrs	Off Peak hrs
0.72	0.30

N.B: - No tariff zones (flat tariff rate)
- 15% VAT is added to charges

International Calls:

International Calls	Peak hour charge/min	Off-peak hour charge/min
International (except Djibouti)	10.72	10.72
Djibouti	7.72	7.72

N.B: 15% VAT is added to charges

SMS	
Usage charge Rate (Birr/SMS)	
Local SMS	0.30 cents
International SMS	5.30
Djibouti	3.80

Fixed line:

Types of Fee	Fee	Total amount including VAT
Subscription fee	242	283.30
Monthly rate	17.00	19.55

Table 4.13: Mobile Tariff as of December 2009

Call tariff	Price
Mobile-to-Mobile local peak	Birr 0.83 (US\$ 0.06) per minute
Mobile-to-Mobile local off-peak	Birr 0.345 (\$ 0.03) per minute
Mobile-to-fixed line within a tariff zone	0.83 Birr/minute (US\$ 0.06 /minute)
Mobile-to-fixed line between different tariff zones	1.50 Birr/minute (\$ 0.20/minute)
International	Birr 11.5 (\$ 0.9) per minute

Source: ETC, *Annual Statistical Bulletin, 2008/2009*.

For postal service, the revised tariff had the following price structure for postal boxes:

- *Tariff for small boxes: Birr 48*
- *Tariff for medium private boxes: Birr 85*
- *Tariff for large private boxes: Birr 96*
- *Tariff rate for large enterprise boxes: Birr 340*

4.6.3 The Performance of the Communication Sector

A Telecommunication

In today's world, the telecommunication infrastructure of a country is one of the most important factors affecting development. It is therefore important to evaluate a country's national telecommunication infrastructure prior to embarking on a major national development program.

Telecommunication plays a major role in the exchange of views and in information dissemination among various socio-cultural and economic groups. The Ethiopia Telecommunication Corporation (ETC) has been expanding its network within the country and to the rest of the world.

A modern communication system, especially telecommunication, is one of the conditions for attracting foreign capital and encouraging competition in the world market. The Ethiopia telecommunication (ETC) is making continuous efforts to

extend its services throughout the country. However, in 2010, for the first time in history, the Ethiopian government outsourced a department of its state monopoly telecommunication service provider to an outside institution – France Telecom Company.

This company, Ethio Telecom, which is totally owned by the Ethiopian government, will handle all the business activities of the former ETC — Ethiopia Telecommunication Corporation.

According to the agreement, France Telecom will strive to improve and modernize Ethio Telecom’s over-all business aspect by implementing a new organizational structure and better work processes. For these activities, the Ethiopian government has agreed to pay 30 million Euro (€30 million) to France Telecom Company for the two years 2011/2012.

The following table shows the performance of ETC from 2005 to 2008/09.

Table 4.14: The numbers of different types of subscribers to ETC from 2005 to 2008/0

Capacity	2005/06	2006/07	2007/08	2008/09
Fixed Telephone Line	725,046	880,088	897,287	915,058
Digital Line	723,023	878,967	896,036	914,264
Mobile Subscribers	866,700	1,208,498	1,954,527	4,051,703
Internet Subscribers	25,724	31,400	34,100	71,059

Source: *Ethiopian Telecommunication Corporation, 2008/09.*

The numbers of digital-line subscribers, mobile subscribers, and internet subscribers showed remarkable changes over these period.

B Postal Service

Postal services are important for expanding communication infrastructures. The Ethiopian Postal Service was introduced in 1886 E.C. Even though the service has been in place for a long time, its services are limited to only parts of in the country.

Postal service has been expanding since 1991/92, with increasing volumes of both domestic and international postal traffic. The volume of letters, numbers of parcels, and EMS handled increased in 2008/09. The performance of the postal service is shown in [Table 4.15](#).

Table 4.15: Performance indicators of the postal service

Letters('000)	2006/07	2007/08	2008/09
Domestic	11,785.3	9,262.9	12,582.4
International			
In	6,441.9	5,463.4	5,150.1
Out	5,206.1	4,111.1	4,511.1
Total	23,433.3	18,837.4	22,243.6
Parcels('000)			
Domestic	22.9	33.3	38.6
International			
In	23.8	28.3	30.8
Out	13.1	15.0	18.3
Total	59.8	76.6	87.7
E.M.S('000)			
Domestic	75.0	120.4	118.2
International			
In	19.6	17.8	20.4
Out	20.5	36.4	43.3
Total	115.1	174.6	181.9

Source: Ethiopian Postal Service, 2008/09.

Financial operations data of the postal authority for the period 2000/01-2002/03 indicates that the authority gained more from sales of postage stamps, carton envelopes, and meter machines than from other sources. In 2002/03, both revenue and expenditure of the authority decreased, by 12.8% and 18.8%, respectively, compared to the levels of 2001/02. However, the authority made a profit of Birr 10,334,700 in 2002/03.

C Broadcasting and Press

Broadcasting plays a vital role in reaching the masses living in remote areas. Although owning of a radio and TV is not affordable for many Ethiopians, broadcasting definitely has a much bigger audience than press, as illiteracy and physical inaccessibility do not seriously affect it.

4.7 THE TOURISM SECTOR

At the end of this section, you will be able to:

- review the historical background of the tourism sector;
- evaluate the performance of the tourism sector; and
- assess the problems of and identify remedies for the tourism sector.

Key Terms and Concepts



- 🔑 Tourism
- 🔑 Business tourist
- 🔑 Vacation tourist
- 🔑 Transit tourist

What do you think about the contribution of the tourism sector to the Ethiopian economy? Suggest mechanisms to promote the tourism sector in Ethiopia.

4.7.1 Historical Development of Ethiopian Tourism

According to the Ethiopian National Income Account classification, tourism is one of the components of the service sector.

Tourism deals with the movement of people away from their normal residence for:

- *Business,*
- *Conference,*
- *Vacation,*
- *Transit,*
- *Visiting relatives,*
- *Other purposes.*

Tourism is the activity of providing services for these people, and it is also an important source of foreign currency and employment for citizens of many countries.

Ethiopia has great tourism potential. It was the recognition of this great potential that encouraged Ethiopia in the 1960's to start a tourism industry. After an initial period of rapid growth, the industry underwent a fast decline and stagnation for many years due to the political and economic problems that prevailed for a long time in the history of the country.

During the Derg government (from 1974 to 1991), Ethiopia's tourism industry suffered from the adverse effects of a prolonged civil war, recurrent drought and famine, strained government relations with tourist-generating countries, and restrictions on the entry and movements of tourists. However, tourism is now operating in a more conducive climate for growth and development, as evidenced by statistics compiled by the Ethiopian Tourism Commission.

Because Ethiopia has so many historical and natural sites and diverse cultural-tourism attractions, tourism should have been one of the country's largest industries, but unfortunately the country has been unable to realize the economic benefits it deserves from the sector. Nonetheless, in recent years, due to the

development of infrastructures, like roads and hotels, and to the crucial role of the government in marketing and changing the image of the country through its embassies, tourism has shown significant growth despite the economic crisis in the world. But still there is a long way ahead before we will fully exploit the benefits of the tourism sector efficiently and secure its appropriate position in the economic sectors.

4.7.2 The Role of Tourism

Tourism in Ethiopia contributes to the national economy in:

- *GDP*
- *Employment*
- *Foreign exchange earnings*
- *Development of new infrastructure in ways that complement or help to full fill local needs (for example, water, transport, and electricity)*
- *Improving living standards and reducing poverty.*

4.7.3 Performance of the Tourism Sector

Tourism in Ethiopia accounted for 5.5% of the country's gross domestic product (GDP) in 2006, having increased by only 2% over the previous year (2005). The government is committed to developing tourism through a number of initiatives. Tourism is a featured component of Ethiopia's Poverty Reduction Strategy Paper (PRSP), which aims to combat poverty and encourage economic development.

Developed in the 1960s, tourism declined greatly in the late 1970s and the 1980s under the Military Government. Its recovery began in the 1990s, but growth has been constrained by lack of suitable hotels and other infrastructure, (despite a boom in the construction of small-and medium-sized hotels and restaurants) and by the effects of drought and political instability.

One encouraging aspect is the growing popularity of eco-tourism, which has significant potential for growth in Ethiopia. Travel retail sales are expected to continue to grow. They posted an increase of 7% in 2006.

In 2007, a total of 357,841 tourists came to Ethiopia. Among them, about 311,943 came via Addis Ababa Bole International Airport, while the rest, an estimated 45,898, entered through other entry ports of the country, namely Dire Dawa, by air, and Moyale, Galafi and Metema, by road.

In terms of world regions that are Ethiopia's sources of tourists, the proportions of tourist arrivals that came through Bole International Airport in 2007 were: Africa 30.3%, Europe 26.3%, America 21.9%, the Middle East 10%, Asia 10.3% and Oceania 1.2%. Therefore, Africa, Europe and America were the main tourist-generating countries for the year under review. Africa was the first, due to tourists coming for business and transit, while from Europe and America most tourists came dominantly to vacation. When the year's performance is compared with the those of the preceding two years, the rate of growth for tourist arrivals was lower, compared with the 2005 and 2006 achievements.

Activity 4.9



Discuss the following questions in your group.

- 1 Metnion the performance indicators of postal services?
- 2 How do you measure the performance of Ethio Telecom?

Table 4.16: Inbound tourists, by region of residence and purpose of visit, indicating 2007

Region of Residence	Business	Conference	Vacation	Transit	Visiting Relatives	Not Stated	Total	%
Africa	11,281	5,293	14,614	44,542	5,226	13,455	94,411	30.3
Europe	9,412	4,883	46,172	4,994	7,515	9,149	82,125	26.3
America	6,171	3,884	41,546	3,975	7,200	5,513	68,289	21.9
Middle East	4,355	1,501	14,460	2,513	4,507	4,001	31,337	10.0
Asia	11,813	2,067	9,941	2,698	1,284	4,176	31,979	10.3
Oceania	423	254	1,800	194	605	526	3,802	1.2
Total	43,455	17,882	12,8533	58,916	26,337	36,820	311,943	100.0

Source: Ministry of Culture and Tourism Annual Report, 2008/09.

The 2008 tourist-arrival figure was 383,399, increases of 68.6%, 16.2%, and 7.1%, compared to the 2005, 2006, and 2007 achievements, respectively.

In spite of the economic crises in the world, Ethiopia has achieved growth in the sector. In 2008, the best performance was 9% of the arrivals of the year, registered in the month of July.

The year 2008 witnessed a significant drop in tourists coming for vacations, compared with 2007. The reason could be the world economic crisis.

As indicated in Table 4.16 the years of 2005/04, 2006/05, 2007/06 showed double-digit growth rates for vacation tourists. On the other hand, as seen in Table 4.17, vacation tourists for 2008 decreased by 22.7%, which is a significant slowdown, compared with the 2007 accomplishment.

Table 4.17: Increase/decrease in vacation tourist arrivals in Ethiopia

Year	Vacation	Yearly Increase/ Decrease (percent) compared with previous year
2001	41,083	-
2002	49,339	20.1
2003	53,315	8.1
2004	56,790	6.5
2005	63,246	11.4
2006	80,184	26.8
2007	128,533	60.3
2008	99,394	-22.7

Source: Ministry of Culture and Tourism Annual Report, 2008/09.

Although the Americas are one of the major tourist-generating countries for Ethiopia, their performances of 2008 declined by 3.4% and 13.3%, compared with those of 2006 and 2007. This could be attributed to the slowdown in the Americas economy in the year under review.

According to the World Tourism Organization (UNWTO, November 2008/09), despite the decline in the world economy, tourist arrivals in Ethiopia in 2008 showed growth, as mentioned above, demonstrating an exception to the growth for most other countries in the world.

As a proportion of Ethiopia's gross domestic product (GDP), tourism declined from 1.09% in 2007 to 0.77% in 2008. Growth in tourism consumption was driven by increases in the number of tourist arrivals, especially increases in the number of vacation tourists.

In 2008, the growth rate in tourism receipts dropped by 4.2%, unlike the continuous growth from 1998 to 2007, reflecting the slowdown in the world economy.

Table 4.18: Growth rate of tourism and its income

Year	Receipts		%
	Birr	Us\$	Growth
1997	279,000,000	43,000,000	–
1998	225,000,000	32,700,000	-24
1999	252,000,000	33,600,000	2.8
2000	577,800,000	68,000,000	102.4
2001	631,800,000	73,808,411	8.5
2002	676,100,000	77,100,000	4.5
2003	778,000,000	89,946,355	16.7
2004	994,408,062	114,627,850	27.4
2005	1,202,368,339	138,599,940	20.9
2006	1,494,811,899	169,975,086	22.6
2007	1,987,241,388	213,936,063	26.9
2008	1,979,539,071	204,855,489	-4.2

Source: *Ministry of Culture and Tourism Annual Report, 2008/09.*

Not all of Ethiopia's attractions are widely known, but some are quite famous. Indeed, eight national attractions have been recognized by UNESCO as world heritage sites: Axum's obelisks, Gondar's castles, the island monasteries on Lake Tana, Hadar (where Lucy was discovered), Tia's carved standing stones, the walls of Harer, the Semien National Park and rock hewen Lalibela Church.

Ethiopia's policy welcomes all tourists, regardless of their national origin, creed or belief, color or economic standing. However, in light of the tourist facilities available at present and the probable carrying capacities of some of the well-known attractions, much promotion is aimed at the moment at the rather affluent market. Future developments and promotions will include a wider spectrum of the international market.

4.7.4 Major Obstacles to and Possible Remedies for the Development of Ethiopian Tourism

Challenges

- *The present constraints on the growth of the tourism sector are largely the shortage of tourist facilities, limited promotion, and lack of professional and skilled personnel.*

Remedies

With regard to possible remedies, the following measures and activities should be implemented to enhance the quality of the sector:

- *Improve transportation facilities*
- *Allocate an adequate government budget*
- *Improve management to enhance the quality of the sector*
- *Provide manpower training*
- *Promote the country's tourism resources*

Activity 4.10



- 1 What are the major problems of the tourism sector in Ethiopia.
- 2 Outline the performance indicators of the tourism sector in Ethiopia.

Content Check 4.5



- 1 What are the role of the tourism sector to national economy?
- 2 What is tourism?
- 3 List some of the tourist facilities required to enhance the activity of the sector.
- 4 Mention some of the historical heritagesites of Ethiopia.

UNIT REVIEW

UNIT SUMMARY

- ❑ The service sector consists of trade, transport and communications, banking, insurance and real estate, public administration and defense, education, health and domestic and other services.
- ❑ The service sector became the dominant sector, passing the agriculture sector, and its contribution to GDP was about 45% and 46.1% in the years 2008/09 and 2009/10, respectively.
- ❑ With regard to the role of the service sector, it contributes output, employment, and foreign exchange to the country's economy.
- ❑ The service sectors are constrained by a number of problems in Ethiopia.
 - *Some of the education sector problems are inadequate inequality, accessibility, equity, facilities, training of teachers. The sector is also characterized by overcrowded classes and the shortage of books and other teaching materials. All these indicate the low quality of education provided.*
 - *The health care subsector is constrained by many problems. For example, health facilities are unevenly distributed across regions, maternal, infant, and child mortality rates are high, the quality of the facilities is poor, and there is the problem of low resource utilization capacity.*
 - *With regard to the transport sector, the transport facilities are underdeveloped and most rural areas are inaccessible by commercial transport.*
 - *The communication sector is also not well-developed in the country.*
 - *The tourism sector faces the lack of tourist facilities and limited promotional work.*



REVIEW EXERCISE FOR UNIT 4

I Choose the best answer from the given alternatives.

- 1 Which sector is the second largest sector in the Ethiopian economy?

A Agriculture	C Industry
B Service	D None of the above
- 2 The communication sector in Ethiopia includes:

A Media service	C Postal service
B Telecommunication	D All of the above

- 3 Which of the following is included in the service sector?
- A Mining
B Construction
C Agriculture
D Transportation
E None of the above
- 4 Which of the following are major problems of the health sector?
- A The quality of the facilities
B Low resource utilization capacity
C inadequate management performance
D All of the above
- 5 Which one is different from the rest?
- A Infant Mortality Rate (IMR)
B Child Mortality Rate (CMR)
C Maternal Mortality Rate (MMR)
D Pupil-Teacher Ratio (PTR)
E None of the above
- 6 Which of the following is categorized under the service sector?
- A Education
B Health care
C Mining
D Communication
E All except 'C'
- 7 Which sector is the least important sector?
- A Agriculture
B Industry
C Service sector
D None of the above
- 8 Which sector is the second largest sector, in terms of contribution to GDP?
- A Service
B Agriculture
C Industry
D None of the above

II Answer the following briefly.

- 9 List at least three major problems of the health sector in Ethiopia.
- 10 How do you measure the performance of the health sector?
- 11 What are the general health sector strategies of the current government?
- 12 What are the major focuses of the health sector policies of Ethiopia?
- 13 What are the possible remedies for the health sector's problems?
- 14 How do you measure the performance of the education sector in Ethiopia?
- 15 What remedial measures are possible to improve the educational sector in Ethiopia?