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# Message from the Vice President for Research & Community Services

Ethiopian Civil Service University (ECSU) was established to support the transformation drive of building capacity of the public sector both at federal and regional levels through providing specialized education, training, research and consultancy programs and services. The University has been organizing scientific forums such as workshops and conferences with the aim of disseminating scientific research outputs and enriching the same to maintain its quality at different times.

Against this backdrop, the 2022 conference was organized under the theme, 'The Seventh National Research Conference on Public Sector Transformation and Development.' A total of 135 abstracts were collected by the 7th National Research Conference Organizing Committee. Of these, 110 were collected from higher education and training institutions, while 25 were funded by ECSU in the 2013 E.C. (2020/2021) calendar year. A total of 53 full papers were further reviewed for conference presentation eligibility, of which 38 were approved, passing through a rigorous review process. Of these, 36 papers were successfully presented at the conference.

Vol. 1 of this proceeding contains 17 papers of the 36 that were successfully presented during the two-day conference and passed rigorous post-conference presentation revision process. The papers have been enriched through incorporation of comments and suggestions gained during the conference. The papers in this volume are categorized into the thematic areas of the Urban Governance & Development, Economy & Development and HRM, Leadership and Development.

Finally, the VPRCO presents this proceeding with a great pleasure and sense of honor to all relevant stakeholders.

Dr. Alemayehu Debebe

July 2022

# URBAN GOVERNANCE & DEVELOPMENT

## Adopting Multilingual Official Language Policy at Sub-National Level Government of Ethiopia: Integration Through Diversification

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# *Abstract*

*Language is not only the symbol of identity, but it is also a key tool of communication. In Ethiopia, is not only a diversified society at the national level, but also at the regional and local tiers of governments. However, almost all tiers of government adopted a mono-working language system. This paper aimed to examine the importance of adopting multilingualism at the regional and local level of government as one mechanism of strengthening unity in diversity. The paper employed a qualitative approach. The data were gathered from primary and secondary sources. The finding of the study reveals that the continuous human movement across generations created multicultural and multilingual society that speaks at least two and above languages in public and private affairs. Moreover, adoption of multilingualism is affiliated with realizing minority rights and ensuring the right of access to justice. To introduce multilingualism at regional and local levels, it is important to address the historical, legal, political and socio-economic implications. Wide popular participation, adequate resource allocation, identifying the mechanism of adopting multilingualism, and balancing interest of different regional states are key issues need to be addressed to adopt multilingualism. Overall, introducing multilingualism at sub-national tiers of government contributes to mutual recognition, mutual respect, and peaceful relation among locally diversified societies and helps to rectify unjust historical relations.*

**Key Words: -** Ethiopia, Multilingualism, Official Language, Subnational government

### Introduction

The world is made up of multiple diversities including ethnicity, language, and religion. Linguistic issues incorporate the elements of the right to speak, write, read, and so on. The purpose of language goes beyond facilitating effective communication. Language is an intrinsic element of the identity of a human person. Fishman said, “ethnic identity becomes impoverished without the linguistic dimension” (Daba, T, 2010). Globally, more than 7000 languages are spoken (Lissanework, A. W, 2017). Consequently, multilingualism is a principle, while monolingualism is an exception. The concept and understanding of multilingualism have no universally agreed definition. The European Commission, for example, defines multilingualism as "the ability of societies, institutions, groups, and individuals to engage, on a regular basis, with more than one language in their day-to-day lives” (Chibaka, 2018).

As language serves as a means to access resources, employment, and even public authority, in addition to being a means of preserving one's identity, multilingualism entitles one to enjoy using one's own language; preserving linguistic identity; learning in mother tongue language; communicate with the different public; and other institutions (Chibaka, 2018). Language given official status is generally used in the educational system, public media, courts, and public administration. In this regard, language policies of government may be promotive or tolerant (Záhořík & Wandimagegn, 2009). Promotive policies promote the usage of one or several languages. To do so, they guaranteed through constitutional, administrative, and legal measures. In contrast, tolerant policies encourage the usage of limited languages. Adopting either model may depend on historical, socio-cultural, political, and national identity factors.

Language policy may also be categorized into national, official, and working Languages. Sometimes those terms are interchangeably used in several states (Choudhry, S., & Houlihan, E, 2021). The term national language indicates language that has some connection with a people and national identity. In multilingual societies, introducing a single national language has a negative implication because it gives the impression that native speakers of the language are more important, loyal, and useful to the state than non-speakers. An official language refers to the language used within a national or sub-national government - its judiciary, legislature, and executives to deliver public services. The term working language refers to a language acquired special legal status in a given state, supranational company, society, or other body or organization as its primary means of communication.

Language policies adopted by multi-ethnic states are based on either personality or territoriality principles (Fessha, 2017). Personality principle refers to an individual's exercise of the right to use their language of choice irrespective of the region they reside, while the territoriality principle is where the right to exercise a given language is limited within the geographic boundaries of the group that owns the language. Both approaches have their own merit and demerits. For instance, the personality principle criticized on the ground of the policy perpetuates the dominant position of a historically dominant lingual group. The territoriality principle is also criticized on the ground of undermining minorities' language by promoting monolingualism at local levels (Lissanework, 2017).

Historically, conflict over official language causes deadly conflicts. For instance, in Sri Lanka, the government's imposition of the relative minority language of the Sinhalese language by neglecting Tamil language speakers causes civil war and lead to the formation of the Tamil Tigers armed group (Choudhry & Houlihan, 2021). In other instances, adopting language by consent of the peoples to ensures its legitimacy. For instance, England colonized India for nearly 200 years and imposed English as an official language. However, after independence, only 1% of the Indian population speaks English. Later, the negotiation and constitutional incorporation of the English language for the interest of non-Hindu speakers promote the legitimacy of language in the country. As a result, the number of fluent English speakers increased from 1% to 10% in seven decades (Choudhry, & Houlihan, 2021). This implies that as imposition causes undesirable negative results, consent of the people to adopt official language ensures legitimacy and popular acceptance.

Currently, due to intercultural exchange, globalization, and equality principles, multinational organizations and states adopted multilingual official languages. For instance, the UN has 6 official languages, while the European Union has recognized 24 official languages (Otero Fernánde, 2020). Domestically, several countries recognized multiple official languages such as Zimbabwe 16 and South Africa 16 and 11 official languages, respectively (Choudhry., & Houlihan, 2021). Adopting multilingualism is not without cost. It needs huge human, logistic and financial resources particularly for translation. For instance, the overall cost for delivering translation and interpretation services in the European union institutions is around 1 billion Euro per year, which is about 1 % of the EU budget or just over 2 Euro per citizen of 500 million population of the continent (Fernández, 2020)

In Ethiopia, more than 85 languages are spoken. The country has no clear language policy before Emperor Haile Sellasie's regime although *Amharic* serves as a defacto official language of the state. In 1952, the federated Eritrea with Ethiopia by UN decision adopted the bilingual working language of Tigrigna and Arabic under their federated constitution. Later, in 1956, the government forcefully replaced both Tigrigna and Arabic with *Amharic* in all official and school domains of Eritrea. This eventually a partial cause of Eritrea federation civil war against Ethiopian empire that ended up by secession in 1993. The Dergue regime adopted a more accommodative policy than the imperial regime. Magazine’s publication, and radio broadcasting started at least by five local languages, alphabetization of language of more than 10 languages, and national literacy campaigns by 15 languages were done by the regime. Ethiopia adopted ethno-linguistic federalism since 1991. The FDRE Constitution makes *Amharic* as official language of federal government and empowers members of the federation to determine their respective working language by law (FDRE constitution. 1995).

At the regional level, currently, there are three approaches towards working language. First, four states; SNNPRS, South West Ethiopia, Gambella, and Benishangul-Gumuz introduced *Amharic* as their working language. Second, several states have chosen the dominant language in their respective states as the working language of their governments: Afar, Amhara, Oromia, Somali, Sidama, and Tigray. Thirdly, Harari choose a bilingual approach; *Harari* and *Afaan Oromo* together as the working languages (Assefa, 2017). In SNNP, nationality zones and special Woreda’s authorized to adopt their working language at local levels. Currently more than 40 languages serve as medium of instruction to promote education in mother tongues (የሽዋስ በ. 2018).

Recently, the Ethiopian government adopted a separate language policy of the country in 2020 for the first time. The policy expressly provides five languages; Amharic, Afaan Oromo, Tigrigna, Somaligna and Afarigna to be the working language of the federal government. The policy further states other languages will be added based on conducting study and capacity. Regarding the working language of the regional states, the policy states the mandate of adopting working language and introducing multilingualism is left for each regional state. In doing so, state should conduct research and consider availability of capacity, compatibility with constitutional rights, transboundary languages, adequate supply of human resources…etc. (MOCT, 2020)

In practice, almost all Ethiopian government structures from local up to federal introduced a monolingualism approach in their respective tiers. In reality, there is no single Kebele/ District/Zone or region is made up of homogenous language speakers. The voluntary and involuntary continuous movement of people and urbanization contribute to spreading out of heterogeneous society. However, the existing ethnic federalism policy of ‘one language one locality’ principle is not accommodative for diversified society at the local and sub-national level of government. Sometimes this may lead to unequal treatment and segregation of minority ethno-lingual groups (Zergaw, 2015).

Apart from lack of giving official recognition for multilingualism they are directly or indirectly engaged in practicing by multilingualism in various ways. Among others, firstly, laws made by regional parliaments that are published in two or three languages: regional working language, federal working language, and English translation. Secondly, most regional and local state media operates in multi-languages. Each media further started to disseminate information by foreign languages such as English, Arabic, French, and Swahili. Thirdly, more than 40 mother tongue languages are employed as a medium of instruction at the primary school level (የሽዋስ በ (2018). Those languages need further empowerment through officially adopting a multilingual approach to address the interest of multicultural societies This paper examines the importance of officially adopting multilingualism at sub national and local levels. The paper interchangeably used the terms official and working language to refer to languages used to perform governmental activities and deliver public services. The Specific Objectives of the research are;1,To analyses the need and justifications of adopting multilingual working languages at the sub-national level government of Ethiopia;2,To investigate the key considerations in adopting multilingual working languages in the context of Ethiopian regional states.

### Methodology

#### Research Approach

The study employed a qualitative research approach to achieve the intended research objectives. The research is principally based on desktop research that depends on examining literatures, comparative foreign policies, and legal frameworks available both online and offline.

#### Data Type and Source

The study utilized both primary and secondary sources of data that are relevant to the study. The primary legal sources of data include face-to-face and telephone interviews, personal observations, and reviewing binding legal sources such as laws, regulations, policies, regional and international conventions, and guidelines that have been consulted. Observation and semi-structured interviews were collected in Adama, Addis Ababa, Dire Dawa, Harar, Gambella, Jigjiga, and Semera between 2018 and mid-2021. Cities were obviously made up of heterogenous society that spoke multilingual languages in public and private matters. The data were piloted from residents of the city, officials, university instructors based on their availability and consent. The author total conducted 21 interviews. Although researcher planned to cover Hawassa, Assosa, and Mekelle, he was unable to collect data due to financial constraints and security concerns. To fill such a gap, the researcher used other primary and secondary sources exhaustively. The point of exhaustion depends on analyzing state obligation and citizens’ rights towards adopting multilingual official languages.

The secondary sources of data consisted of research done on the area, articles, books, reports, and other relevant domestic and foreign materials and references. The author reviewed more than sixty literatures, legal and policy instruments, periodic reports written on national, international, and multinational organization language policies. Those references are selected through purposive sampling, which is based on considering their relevance to the issue at hand.

The archival data and legal instruments were corroborated with observations visual data of languages used to proclaim laws, languages used by state media to disseminate information, languages spoken to deliver public services to a customer in major cities, individual communication among partners and relatives, linking language between federal and regional governments orally and in written, languages used in conducting business, languages used in public media to disseminate information…. etc.

#### Data Validity, Analysis, and Interpretation

The validity of this research has been done through data triangulation, and methodological triangulation. In data triangulation, sources gathered from both primary (Interviews and Observations) and secondary sources (literatures) were corroborated. Multiple and credible sources are used as input and serve for triangulation. Methodologically, the data were analyzed and interpreted through a qualitative approach through employing a framework approach to elucidate the data thematically and contextually. Framework analysis organizes data into a series of a matrix, which of summaries of verbatim data maintain context, language, and meaning.

### Results

#### Justifications for Adopting Multilingualism at Sub-national Level in Ethiopia

#### ****Demography and Internal Mobility****

Population dynamic is one of the major factors to decide working language in one country or state. In Ethiopia, the voluntary and involuntary human movement creates a diversified society not only at the national level but also at the local levels.  Several interviewees said they moved from their place of birth to other region/city in search of better opportunity, and education. There are also conflicts, drought, poverty and other factors triggers to change their place of residence. Moreover, the last three decades creates a more multilingual society. One interviewee also said earlier generation is more fluent in speaking *Amharic*, while the younger generation is more accustomed to mother tongue languages including his own children. This indicates that government should update working languages to satisfy the interest of the living generation. Diversified societies need diversified interests including using by their own languages (Choudhry, S., & Houlihan, E, 2021).

##### ****Private Use of Languages****

Private use of languages refers to communication in the home and the family; in the community organizations, cultural activities; religious institutions, or for commerce, including the language of signage, customer service, and the workplace (Choudhry, S., & Houlihan, E, 2021). In Ethiopia, there is no clear regulation on the private use of language. As to authors observation, urban society in all study areas are heterogeneous. Although Amharic is commonly used as a medium of communication in hotels, banks, and commercial activities, individuals belong to the same linguistic group communicate by their own language including families. In cities such as Dire Dawa, it is common to get individuals spoke Amharic, Somali and Afaan Oromo, simultaneously. Similar trends were observed in Jigjiga and Gambella cities. Interviewees responded they became fluent in those languages through practicing, living together and creating mutual communication with different lingual society. Adopting multilingualism can officialize the existing reality.

##### ****Linking Official Language****

The Ethiopian federal system doesn’t regulate the horizontal and vertical linking language among different structures of government. In fact, *Amharic* serves as a linking language between the federal and regional government and among and within regional states works in *Amharic*. However, the linking language that enables effective communication between federal and regional states or between regional states adopting different working languages is undetermined. In Ethiopia, *Amharic* is a de facto link language between federal and regional states and among regional states. Adopting a multilingual approach can better serve effective communication both horizontally and vertically (Choudhry, S., & Houlihan, E, 2021).

##### ****Empowering Local Minorities****

Ethiopia is a land of minorities. No ethnic group constitutes a majority at the national level, in two federal cities, Gambella, Benishangul, SNNP, and the recently established South-western Ethiopia region. The 2007 population census data didn’t show the data of specific language speakers (CSA, 2008). However, each ethnic group is assumed to speak their respective language as their mother tongue. In regions (SNNP, Gambella, and Benishangul) and cities where all ethnic groups are the minority, the federal working language of *Amharic* was chosen as the working language of region and cities. Several interviewees in study area said they teaches their children, first their ethnic language and then, Amharic to balance identity pride and medium of communications. Adopting multilingual working language in those regional states and cities helps to empower relative minorities as a means for mutual recognition. This solution may also mitigate the multiple quests for establishing new statehood, particularly in SNNP.

##### ****Human Rights Approach****

Language has a direct impact on ensuring the right to a fair trial. Without effective communication between litigant parties and the court, it is difficult to realize the right of access to justice, efficiently. Human rights instruments guaranteed the right of the accused to be informed by language s/he understands and the right of getting free assistance of an interpreter in case the accused didn’t understand the working language of the court (FDRE Constitution, 1995). One interviewee responded most interpreters assigned by court are translating from working language to Amharic and ignores others language translation. Moreover, such service is mostly available only in criminal cases. As a result, litigant parties only present physically rather than defending their case. Above all, such right to interpretations are limited to a criminal case and do not fully realize the right of access to justice. Introducing a multilingual working language is a better approach to rectify such limitations. Besides, adopting multilingualism ensures equal opportunity for all ethnic groups to exercise and enjoy the right to promote and develop one’s own culture, language, and identity.

##### Key Considerations to Adopt Multilingualism at Sub-national level

In Ethiopia, language is one of sensitive issues subject to multiple contradictions and interpretation. This section highlights the legal, historical, political, socio-economic concerns that influences adoption of multilingualism in Ethiopia at regional and local levels.

1. **Legal and Political Issues-** The FDRE constitution empowers members of the Federation to determine their respective working languages. Currently, all regional states adopted their respective official languages by regional constitution. Recognizing additional working language at regional and local levels requires regional constitutional amendment that involves participation and approval by Regional, District and Kebele level law makers. Hence, the procedure requires rigid amendment procedure and wide popular participation. The existing ethnic structure also promotes ‘one locality, one language’ and hence, adopting multilingualism feared as it may lead to cultural diffusion by local economic migrants.
2. **Historical Concerns-** Ethiopia modern centralization process during reign of Emperor Tewodros in 1850s. Since then Amharic imposed as official language of the country by successive emperors. Imperial regimes vision of building ‘one language, one religion and one country’ through assimilation and marginalization policy creates a more divided society. The current generation understands language as symbolizes identity rather than a means of communication. Several interviewees respond that the question of adopting multilingualism at regional level is not about giving recognition for all society, rather it is a tool of indirectly imposing Amhara language on others as it is spoken secondary language in most part of the country. One informant says ‘multilingualism should start from the federal government before we are talking about local multilingualism. Quest for multilingualism at federal level is quest of equality, while claim for local multilingualism is quest for reviving of Amharic historical domination’.
3. **Socio-** **Economic Concerns-** Human movement for socio- economic reason is natural. Peoples leaves their vicinity and migrate to another place or country for definite or indefinite period for multiple of reasons such as for educational, search for job, marriage, commercial and other reasons. In doing so, language is key instrument of communication to lead their life and perform tasks. When they settle new domicile, they need to adopt themselves with socio-economic society including learning new languages. In effect, uninterrupted regular human movement facilitates the opportunity to learn new language and culture to live in diversified society. Urbanization, globalization, and modernization are influenced by social and economic reasons rather than identity driven. Diversified society need diversified interest including right to be served by his own language.

### Discussion

As we discussed in result section, there are multiple justifications to adopt multilingual working language. For effective adoption of multilingualism at sub-national and local level, it is also important to consider the socio-economic, political, and historical realities of the country. Those realities and justifications require to deal with the following critical issues.

Among others, firstly, getting popular consent and legitimacy from concerned community is important. This requires serious consultation and participation among concerned stakeholders including community. Historically, lack of popular consultation and participation in adopting official language causes deadly conflicts. In Ethiopia, for instance, the imposition of *the Amharic* language to replace Tigrigna and Arabic of the Eritrean federation in the 1950s was partially a reason for eruption of a civil war that end with the secession of Eritrea from Ethiopia in 1993. Moreover, government's attempt to introduce the blended language called Wogagoda in the 1990s by political decision in SNNP causes loss of human life and destruction of properties (Záhořík & Wandimagegn, 2009). This implies that as the consent of people to adopt official language ensures legitimacy and popular acceptance, forceful imposition causes undesirable negative results.

Secondly, official language can be adopted in different forms. Official language may be made separately for the executive, the legislature, and the judiciary. The number of speakers, goal/ purpose of adopting the language, spatial distribution of speakers, the language of public services, and internal working language of the public is key points taken into account to adopt multilingualism. Moreover, the recognition of language should be real, rather than symbolic. In Zimbabwe and South Africa, although more than 10 official languages are recognized, in reality, two or three languages are actively used as an official language. The remaining are symbolic and limited in areas where a majority of society is spoken due to financial and logistic constraints (Choudhry, & Houlihan, 2021). Consequently, the government should consider which language at what place should serve as an official language, the number of languages to be selected for working language, and forms of recognizing official language.

**Thirdly*,*** adopting a multilingual official working language has resource-intensive in terms of human, logistic, and financial resources. For example, under European Union (EU), the Commission´s Directorate-General for Translation have about 2,300 employees including supportive staff (Otero Fernández, 2020). For all 24 working languages, there are translators from one language into all other 23 languages. The overall cost for delivering translation and interpretation services in the EU institutions is around 1 billion Euro per year, which is about 1 % of the EU budget or just over 2 Euro per citizen of 500 million population of the continent (Otero Fernández, 2020). In Ethiopia also adopting multilingualism both at the national or sub-national tiers may face budgetary and human resources constraints. Adoption of multilingualism requires hiring qualified multi-lingual professionals in legislative, executive, judicial branches, and public administrations.

Fourthly, in adopting multilingualism it is important to take due care in balancing historically dominant language and emerging languages (Arzoz, 2007). It is important to rectify mistrust and unhealth competition among owners of different language groups. Historically, the imperial regime follows the policy of ‘one language, one religion, and one country’. The attempt to impose unity through uniformity creates a more divided society with conflicting interests. This creates mistrust among current generations. In contemporary Ethiopia, language usage is understood as a symbol of identity rather than serving as a tool of communication. One of informant said ‘everyone wants to live in the center and adjacent cities for safety and access to multiple opportunities. Hence, adopting Amharic or other additional language in Oromia will burden the region without quid pro quo’. To build mutual trust and recognition, it is recommendable for all states to recognize the working language of other more affiliated states. For instance, if Amhara and Oromia regional state recognizes one another official language, it has not only great implication on mutual recognition and interaction but also serves as a tool to share the burden of internal mobility among two states as well as builds a sense of state equality and reciprocity. The same works for other regions.

### ****Conclusion****

Ethiopia is a land of multiculturalism with multilingual practices. Most regional state also follows a similar trend of unilingual recognition within their locality. However, the defacto state practice and citizens usage, continuous human movements, and gaps within existing legal and policy frameworks necessitate the introduction of multilingualism, not only at a national level but also at regional and local levels. The reform for multilingualism will benefit both state and non-state actors including citizens.

To do so, serious continuous popular consultation and participation is important to get consent and legitimacy to adopt multilingualism at local levels. Moreover, as the adoption of official multilingualism is resource intensive, it is important to consider its budget, logistic and human resource implications. In doing so, privileging multilingual speakers during staff recruitment may reduce the challenges of financial constraints. Additionally, considering the nature and ways of recognizing official language, and states mutual recognition of one another official language may promote inter-ethnic cooperation and building a multicultural society. Above all, the federal government’s adoption of multilingualism is an important step to initiate the adoption of multilingualism at regional and local tiers of government.

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## Assessment of Public Trust in Public Institutions in Addis Ababa City Administration, Ethiopia

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## *Abstract*

*The purpose of the study was to examine the level of public trust in public institutions as the result of new reform leadership, which is implementing since 2018 in Ethiopia with reference to Addis Ababa City Administration. To achieve this purpose, the study employed a concurrent mixed methods research design where both quantitative and qualitative data were collected and used. The study covered five sub-cities randomly drawn from ten sub-cities of Addis Ababa city Administration. 835 sampled respondents were involved. Questionnaires, in-depth interviews, focus group discussions, and document analysis were used to obtain valuable information from participants. The findings of the study show that the overall perceived level of public trust in public institutions fall in medium interval, which indicates that most residents in the city were in distrust position in public institutions operating in Addis Ababa city Administration. Among the five principles of good governance, responsiveness is practiced at low level in public institutions; whereas the remaining four principles (transparency, accountability, participation, and equity and inclusiveness) have average level of implementation. Public institutions have a number of limitations mainly in relation to practicing good governance principles. Finally, the researchers suggest the need to build a good climate of trust between the public and government especially in the current situation of Ethiopia. In this regard, the Addis Ababa City Government and public institutions in all levels have to work seriously to improve the level of public trust, which in turn, helps for the effective realization of the new reform leadership.*

**Key words**: Public trust, good governance, transparency, accountability and responsiveness

### Introduction

In the contemporary world, one of the most important issues is the dynamic nature and role of government, and the process of governance (Farazmand, 2004). Without a doubt, citizens demand their government to uphold their democratic and human rights and serve their interests. The government requires making decisions by taking the interests of the majority into account to build public trust. Hence, public trust in government is one of the most important prerequisites to implement policies and strategies effectively (Taye & Kaur, 2019). Trust in government is crucial to voluntary compliance with government policy, and it can increase citizens’ tolerance of measures that seem invasive, annoying, or disruptive (Tsai & Morse, 2019).

In a representative democracy, where “the public’s power is entrusted to others”, maintaining the public’s trust and confidence is a fundamental responsibility of the public sector. The importance of maintaining the public’s trust and confidence is central to the purpose and outcomes of many public organizations. Trust in public sector institutions and their actors are essential for the functioning of government especially that it has become increasingly associated with governance (Alaaraj & Hassan, 2016). In this respect, public institutions must work with the highest standards of integrity and conduct to ensure the trust of the public.

Despite an immense amount of research, a generally accepted working definition of trust seems to lack (Bouckaert & Van de Walle, 2001). Although many consider trust as a desirable value in administration, they also find it elusive (Haning, Hasniati & Tahili, 2020). In a simplified way, trust means holding a positive perception about the actions of an individual or an organization. Trust in government represents the confidence of citizens in the actions of a “government to do what is right and perceived fair” (OECD, 2013). It depends on the congruence between citizens’ preferences – their interpretation of what is right and fair and what is unfair – and the perceived actual functioning of government (Bouckaert & van de Walle, 2003). Similarly, a State Services Commission working paper explains that trust in government is about the level of confidence citizens have in their government “to do the right thing’, to act appropriately and honestly on behalf of the public (Barnes and Gill, 2000). The meaning of ‘trust’ in government is also understood as “citizens’ expectations on the type, operation, and interaction of government with the citizenry and the behavior of political leaders, civil servants and citizens themselves” (Cheema 2010; Taye & Kaur, 2019: 339). Thomas (1998) on the contrary claims that trust is based on beliefs rather than expectations.

A paper prepared in 2015 for the Committee of Experts on Public Administration noted that the many definitions of trust in government included common characteristics such as the fostering of participatory relationships; perceptions of competence; meeting performance expectations; keeping promises; ‘doing what is right’; and, maintaining a law-abiding society (Committee of Experts on Public Administration, 2015). At a broad level, trust in government builds on two main components: social trust and political trust. Social trust represents citizens’ confidence in their social community while political trust is explained by citizens’ confidence in government and its institutions (OECD, 2013). Haning and his colleagues (2020) noted that public trust consisted of five aspects, namely; credible commitment, benevolence, honesty, competency, and fairness.

According to Thomas (1998), citizens’ trust in the state institution can be measured by the level to which the people have faith in the government system to work in the best welfares of community. In order to emerge the effectiveness of implementing public policies and government reforms, it is increasingly necessary to research public trust in government, so then one can know how public expectations change and manage government responses to those expectations (Haning *et al.,* 2020). The success of reforms depends on the level of trust in the government. Many reforms require broader social and political consensus to be effective and sustainable. In a high-trust environment, such reforms may not only be properly enacted and implemented but could be sustained long enough to bear their fruits. In a low-trust climate, citizens will prioritize immediate, appropriable and partial benefits, and will induce politicians to seek short-term and opportunistic gains through free-riding and populist attitudes. Trust in government could improve compliance with rules and regulations and reduce the cost of enforcement. In line with this, Caillier (2010) noted that “If individuals have trust in the state, they are likely to obey willingly with the commands and rules.”

There is a strong relationship between public trust and good governance practices in the public and political institutions of a country. Besides, trust in government is a key element of good governance and may be built up with the worthiness policies that can promote people’s safety and security (Yousaf, Ihsan & Ellahi, 2016). Governments have duties to build trust that can address citizen’s needs and establish a legal environment while setting up institutional services in terms of good governance and legitimacy (Haning *et al.,* 2020).

There are few empirical studies in Ethiopia on the issues of public trust and good governance. For instance, Gudeta (2019) studied “citizens’ trust in public and political institutions in Ethiopia” and concluded that “citizens’ popular trust in Ethiopia is a function of their expectation of the quality of the services offered, as well as their evaluations of government’s efforts to provide services in a fair and equitable manner.”

Similarly, Taye and Kaur (2019) conducted a study on “public trust in local government: explaining the role of good governance practices in Bahir Dar city administration”. These two researchers recognize the important contributions of practices of good governance in restoring public trust in local government; and finally, they recommend that all parties should work together to create a transparent, accountable and responsive local governance. Kpundeh and Khadiagala (2008)’s empirical research on information access, governance and service delivery in key sectors in Ethiopia and Kenya reports that “service delivery is hampered by social capital constraints conceptualized as the trust deficit, where there is a wide attitudinal gulf between service providers and recipients of the services”.

Jemal (2019), on the other hand, examined governance and leadership practices and challenges focusing on Dukem Town of Oromia Regional State. The researcher concluded that “lack of competence, inefficient and ineffective monitoring and evaluation system were major factors that contributed to the ineffectiveness of leadership practices of the town administration.”

All of the above studies do not clearly show the exiting level or status of public trust in public institutions as the result of new reform leadership in Addis Ababa City Administration. More specifically, it is not entirely clear how much trust the public has in public institutions through the practice of good governance principles and towards the new reform leadership in Addis Ababa City Administration. Further, the level of leaders’ competency and honesty; whether they give concern for the public interest; and able to keep their promises during the period of implementing the new reform leadership is little understood. This implies the need to undertake a new assessment on the issue to capture the recent developments or progress of the reform leadership *vis-a-vis* public trust.

In Ethiopia, the current government assumed power in 2018 and has been undertaking continuous reform since then. The reform leadership undertook radical reforms in the former ruling party EPRDF to establish an inclusive national party. The three former member parties and the five allied parties of EPRDF agreed to end their independent existence and merged together to form a new unified party called Prosperity Party (PP). As indicated in its program, the overall objective of PP is to make Ethiopia a prosperous country. Its values are the dignity of the people, justice, and multi-national unity.

However, the reform leadership has been facing several challenges, most of which are backlogs of the former ruling party and government that need to be addressed now. Most of the challenges are, in one way or another, associated with good governance issues. Although the government has been striving to deal with the problems of good governance and gaining acceptance, there are still problems in attaining reliable and sustaining public trust. Therefore, by way of looking at the perceived practices of good governance, this study assessed the relationship between and effect of good governance, and the level of public trust in public institutions, which are the main actors of the new reform leadership in the city administration. In this regard, the important question addressed in this research is “whether the new reform leadership is adequate enough for promoting trust in public institutions through practicing good governance principles including delivering quality services and meets the public demand.” In line with the above general objective, the study addressed the following specific objectives.

1. Examine the level of public trust in public institutions found in Addis Ababa City Administration.
2. Examine the extent of implementing good Governance principles in the study area.
3. To determine the relation between good governance and level of public trust in public institutions.

### Methodology

#### Research Design and Approaches

This study employed both explanatory and descriptive research designs. The study has also employed both quantitative and qualitative study approaches (mixed research approach).The study adopts positivism philosophical position based on the nature and purpose of the study which seeks to explain the causal relationships between study variables. Furthermore, the study used deductive approach to apply theories to a specific case and to guide the data collection and analysis. The deductive method works like a waterfall/top-down/ flow, from a theory to hypotheses.

#### Sample Size Determination and Method of Data Collection

The study followed a multistage sampling technique. First, the ten sub-cities of Addis Ababa city Administration are clustered into two: outer sub-cities and inner sub-cities. Then, 50 percent from each cluster, i.e., five sub-cities are selected through a simple random sampling technique particularly by lottery method. Accordingly, Gulele, Yeka and Akaki Kaliti sub-cities are selected from outer cities and Lideta and Arada sub-cities were chosen from inner sub-cities.

Third, household in the selected five sub-cities is considered as the unit of analysis of the study. 370,330households are residing in the selected sub-cities by considering the average number of persons in a house in urban areas as 4.2. So, by dividing 1,555,394 population size by 4.2, the total households in the aforementioned sub-cites are 370,330.

Fourth, the total sample size of the study was determined using Cochran’s formula for a finite population sample at a 95% confidence level in which n = 384 samples are computed to be the representative sample of this study.

Although the sample size is 384, to increase the representativeness of the sample to the population and based on the possibility of managing it, the researchers decided to add additional 416 households to participate in the study and distributed proportionally. Hence, the total sample size of the study was 800 households.

In addition to survey questionnaire participants, 10 persons (two from each sub-city) were participated in interviews. Similarly, five focus group discussions (one in each sub-city) were conducted by participating 25 persons. The data were collected through a structured questionnaire, semi-structured interview and focus group discussions.

#### Method of Data Processing and Analysis

The methods of data processing in this study were done through both manually and in a computerized system.

Inferential statistics allow inferring from the data through analysis, the relationship between two or more variable and how several independent variables might explain the variances in a dependent variable. In this study, the dependent variable is the level of public trust in public institutions due to the new reform leadership and the independent variables are the perceived practices of good governance principles or pillars, which include transparency, accountability, responsiveness, equity and inclusiveness; and public participation. An inferential statistics method, such as the Pearson product-moment correlation coefficient and regression analysis were employed for this study.

Correlation is a statistical measure that determines the co-relationship or association of two variables. In this study, Pearson’s Correlation Coefficient were used to determine whether there is a significant relationship between the perceptions of the public towards the practice of good governance principles in public institutions and their level of trust. According to Filed (2009), the correlation efficient (r) is as follows: ≤ 0.35 considered representing low or weak correlation; 0.36 – 0.67 is a moderate correlation; 0.68-0.89 is a strong or high correlation and a correlation with r coefficient ≥0.90 is a very high or a very strong correlation.

Moreover, the simultaneous influence of all explanatory metric variables on public trust was tested through multiple regressions. It serves to explain variations in the dependent variable from those of many independent variables assumed to be the cause of these variations.

#### Conceptual Framework of the Study

The current study is devoted to examine how public institutions are practicing the principles of good governance to measure the level of public trust in Addis Ababa city administration. Furthermore, other determinates of public trust, in particular public leaders’ competency, honesty, concern for others (people), and reliability or dependability of public leaders are also considered as indicators of public trust. The following conceptual framework shows the relationship among variables.

Figure 1: Conceptual Framework of the study

Good Governance Principles (Independent variables)

* Transparency
* Accountability
* Responsiveness
* PublicParticipation
* Equity & Inclusiveness

***Source*:** Developed by the researchersbased on a literature review, 2020

### Results and Discussion

#### Descriptive Analysis Results

##### Level of Public Trust in Public Institutions

The analysis of this study was done using descriptive statistics, such as mean, percentages, and standard deviation. The main reason of using this measurement was to demonstrate the average responses of respondents for each question that was included under each dimensions of the predictor variable and to reach the grand mean of each dimension.

The researchers used itemized rating scale to construct a range. This range was used to measure the perception level of the respondents towards each variable. The formula developed by Shrestha (2015) was applied to construct the range.

Itemized rating scale = *Max* - *Min*

5

= 5-1

5

= 0.80

The mean of each individual item ranging from 1- 5 falls within the following interval:

|  |  |
| --- | --- |
| Interval of Means | Perception |
| 1.00 – 1.80 | Very Low |
| 1.81 – 2.60 | Low |
| 2.61 – 3.40 | Medium |
| 3.41 – 4.20 | High |
| 4.21 – 5.00 | Very High |

Source: Shrestha (2015)

The mean score indicates the average perceived value of respondents towards the attributes and the standard deviation measure the dispersion of the individual observations from the mean.

As indicated in the conceptual framework of the study, the level of public trust in public institutions found in Addis Ababa City Administration is the dependent variable. This variable was measured using six item-indexes and the results of the analysis are presented as follows.

Table 3: Attributes of Public Trust Variable

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| S/n | Attributes | N | Mean | Std. Deviation |
| 1 | Public institutions leaders are competent to perform their work | 796 | 2.99 | 1.1313 |
| 2 | Public institutions leaders give concern for the public interest | 796 | 2.69 | 1.1577 |
| 3 | Public institutions leaders have integrity/honesty in serving the public | 796 | 2.62 | 1.1616 |
| 4 | Public institutions leaders keep their promises consistently | 796 | 2.67 | 1.8325 |
| 5 | Public institutions leaders are loyal to serve the people and to sustain the change | 796 | 2.95 | 1.1547 |
| 6 | Public institutions leaders are better in decision-making | 796 | 3.17 | 1.9154 |
|  | Overall Mean |  | 2.85 |  |

Source: Computed from survey data, 2021

As shown above, the overall perceived level of public trust mean is 2.85, which falls in medium interval. This indicates that most residents in the city were neither in trust nor in distrust position in public institutions. In other words, the level of public trust in public institutions in Addis Ababa is found not to the expected level. In line with the survey respondents, most of the FGD and interview participants have low level of trust in public institutions in the city administration.

##### The Extent of Good Governance Principles Implementation in Public Institutions

The major good governance principles discussed in this study are transparency, accountability, responsiveness, participation, equity and inclusiveness. Perception of respondents on each variable is presented in table 4 below. The grand mean of good governance principles is 2.650 in which the result reveals that the extent of good governance principles implementation perceived as medium level. The mean value of each variable is discussed as shown in the table 4 below.

As Table 4 reveals, the overall mean score of transparency index is 2.83 signifying that overall, respondents have a relatively average impression about transparency of public institutions working in the city. Moreover, the interview and FGD results conducted with key respondents, indicates that transparency in public institutions of Addis Abeba City administration is not satisfactory due the reason such as variation of services and information access across different institution (some institutions are relatively good in doing their operation transparently, but some others are not transparent).

Table 4: Attributes on Good Governance Variable

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| S/n | Attributes | N | Mean | Std. Deviation |
| 1 | Mean of attributes on transparency variables | 795 | 2.83 | 1.2712 |
| 2 | Mean of Attributes of Accountability variable | 797 | 2.739 | 1.120 |
| 3 | Mean of Attributes of responsiveness variable | 794 | 2.51 | 1.1341 |
| 4 | Mean of Attributes of Public Participation variable | 794 | 2.771 | 1.3241 |
|  | Mean of Equity and Inclusiveness | 795 | 2.398 | 1.1325 |
| 6 | Grand mean | 795 | 2.650 | 1.1964 |

Source:Computed from Survey Data, 2021

The table above indicated that the average mean score of the accountability principle is almost 2.74 implying that the variable value fall under medium level on scale and a number of respondents disagreed on the statements used to measure the same principle. The results of the analysis revealed that the principle is practiced at moderate level in public institutions in the study area. In line with the data obtained through survey questionnaire, the interview and FGD participants states that the accountability principle is not practiced in most public institutions in Addis Ababa City Administration ant it is not satisfactory especially they do not ensure that their budgets are used properly and public institutions are not notifying the public at the time of their failure.

The respondents’ perceived value of responsiveness was measured using a five-item index. The overall perceived mean score of responsiveness principle is 2.51. This shows that the extent of practicing the responsiveness principle in public institutions is at low level.  Similarly, interview and FGD participants indicate that lack of responsiveness to public needs is there due to the reasons such as leaders and employees have no sense of responsiveness even though there are few employees responsive to handle public complaints properly and timely; but most employees and leaders are not good in responding public inquiries and they are not efficient in providing quality solutions to the needs of the people.

The extent of public participation was measured using three-item indexes as indicated above. Table 4 above shows that the overall perceived mean score is 2.77. This is on the medium point on the scale implying that public institutions found in Addis Ababa city are moderately participating the public in planning process, decision making issues and laws affecting the public.

As shown above, the overall perceived mean score of equity and inclusiveness principle is almost 2.40, which is at low level. This implies that there is critical problem in public institutions in practicing the fairness and inclusiveness principle. This, in turn, affects the level of public trust in the government negatively. Supporting this argument, the qualitative data collected through interviews confirmed that public institutions are not treating all customers equally especially in providing job opportunity, working areas and giving solution to their problems.

##### The Relation Between Good Governance and Level of Public Trust in Public Institutions

##### Correlation Analysis

Correlation analysis enables a researcher to estimate the effect of one variable on the direction of the other. It is worth to point out that correlation does not imply causality, rather the direction of the change or movement. Correlation coefficient(r) varies between +1 and -1. While a coefficient of +1 indicates perfect positive correlation, -1 shows negative perfect correlation. A correlation coefficient of (1, 0.3] denotes positive correlation and (-1, -0.3] shows negative correlation while (0.3, -0.3) designates that there is no correlation between the variables (Iversen & Gergen, 1997).

The relationship between the five principles of good governance (transparency, accountability, responsiveness, participation and equity and inclusiveness) as independent variables and the level of public trust as dependent variable is presented in Table 5 as follows.

Table 5: Correlation Analysis of Dependent and Independent Variables

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  | Public Trust | Transparency | Accountability | Responsiveness | Participation | Equity & Inclusiveness |
| Public Trust | 1 |  | | | | |
| Transparency | .647\*\*  .000 | 1 |  | | | |
| Accountability | .680\*\*  .000 | .782\*\*  .000 | 1 |  | | |
| Responsiveness | .549\*\*  .000 | .663\*\*  .000 | .766\*\*  .000 | 1 |  | |
| Participation | .350\*\*  .000 | .499\*\*  .000 | .544\*\*  .000 | .563\*\*  .000 | 1 |  |
| Equity & Inclusiveness | .512\*\*  .000 | .568\*\*  .000 | .676\*\*  .000 | .708\*\*  .000 | .492\*\*  .000 | 1 |

*\*\* Significant at 1 percent Level*

*\* Significant at 5 percent Level*

***Source:*** *Computed from survey data, 2021*

The above table shows that perceived transparency practiced in public institutions working in Addis Ababa city and public trust have strong positive relationship with r = .647\*\*, and p = 0.000. This indicates that when favorable perception of transparency increases, the level of public trust will also increase. Similarly, there is strong positive relationship between perceived accountability of public institutions and level of public trust (r = .680\*\*, p = 0.000), which implies that when favorable perception of accountability increases, the level of public trust in public institutions will also be increased.

As shown in the above Table, the relationship between perceived responsiveness and public trust is also positive (r =.549\*\*, p =0.00). This shows that responsiveness and public trust have moderate positive correlation which indicates that when public institutions responsiveness to the public is increased, the level of public trust will also be increased. The same Table also indicates the positive but weak relationship between perceived participation and public trust in public institutions (r =.350\*\*, p =0.00). The final principle is equity and inclusiveness. The result of the correlation analysis portrays the moderate positive relationship between equity and inclusiveness and public trust with r = .512\*\* and p = 0.000. This implies that when favorable perception of equity and inclusiveness increases, public trust will also be increased.

In general, the correlation analysis of the study shows that the five principles of good governance stipulated above have a positive relationship with the level of public trust in public institutions with varied extent.

##### Regression Analysis

Section 4.4.1 shows the relationship between the independent variables and dependent variable of the study through correlation analysis. However, conducting correlation analysis only may not be adequate to show how strong one variable is in affecting the other. This idea is supported by Gujarati (2004). This author noted that “Although, the discussions on pair wise correlations give proof of the relationship between two variables, these measures do not allow us to identify cause and effect relationships between such variables”. Basically, correlation analysis results show the coefficient and the direction of relationship between two variables with the level of significance. In this respect, the current study examined the effect of independent variables on the dependent variable through regression analysis that overcomes the limitations of correlation analysis.

Table 6: Multiple Regression Result

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| Model | | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. |
| B | Std. Error | Beta |
|  | (Constant) | .551 | .091 |  | 6.052 | .000 |
| Transparency Index | .401 | .048 | .370 | 8.394\*\* | .000 |
| Accountability Index | .415 | .060 | .358 | 6.940\*\* | .000 |
| Responsiveness Index | -.008 | .048 | .008 | .166 | .869 |
| Participation Index | -.067 | .025 | .087 | 2.625\*\* | .009 |
| Equity & Inclusiveness Index | .114 | .036 | .123 | 3.135\*\* | .002 |
| a. Dependent Variable: Aggregated Public Trust Index | | | | | | |

Adju.R2=0.518 (51.8%), N= 800 \*\* Significant at 1 present Level \* Significant at 5 present Level

The overall significance of the model, when measured by (F=178, P-value=0.00) indicates that the model is well fitted at 1 present level of significance. This proves that there is a significant relationship between the explanatory variables (transparency, accountability, participation, and Equity & Inclusiveness) and public trust; and the t-statistics show that the explanatory variables are significant at one present level in determining public trust. The positive relationship reveals that the higher the perceived value of the variables, the higher public trust in public institutions as a result of the new reform leadership.

The coefficient on the regression table reveals that transparency has the maximum effect on public trust. The coefficient of this variable can be interpreted as by holding other determinant variables constant, a unit favourable perception in transparency results in a 37 percent probability that people will develop trust in public institutions. In brief, when public institutions practiced transparency principle, such as if they openly disclose their practices to the public, when the public can clearly see the successes of the institutions, and when public institutions provide adequate information to the public on their performance, the level of public trust most likely increased.

The second most important factor influencing public trust in public institutions is accountability. The analysis of regression indicates that a unit changes (increase) in accountability results in 36 percent probability change in public trust by holding other variables constant in the model. Specifically, when public institutions carried out their functions in accordance with laws and regulations, when public institutions are legally responsible for their actions, and when public institutions notify the public at the time of their failure, it affects the level of trust positively.

The third important variable influencing public trust is the perception of the public with equity and inclusiveness principle. The coefficient of this variable shows that a unit increase in favourable perception of the public towards the fairness of public institutions in service delivery, decision-making, and being honesty in addressing the residents’ needs, results in a 12 percent probability increase in the level of public trust in public institutions.

The P-value (.009) in the above Table indicates that public participation in public institutions has a positive and significant effect on the level of public trust. The analysis shows that a unit favourable perception in participation principle, results in almost nine percent probability increase in the level of public trust in public institutions.

The collected data show that public institutions are trying to pay attention to the public opinions and to help residents who are in need of support in the city. However, they have also a number of limitations especially in responding the public needs quickly and efficiently. The P-value (.869) on the regression table indicates that responsiveness has no statistical effect on public trust at 5 percent level of significance.Although past researches stated the effect of responsiveness on public trust, this study confirms the limited effect of the principle.

In general, the regression model shows that 51.8% of the dependent variable is explained by the four predictor variables (Transparency Index, Accountability Index, Participation Index and Equity & Inclusiveness Indexes).

### Conclusions and Recommendations

#### Conclusions and Implications

Based on the findings obtained from the study, the following conclusions are made.

##### The Level of Public Trust in Public Institutions

The overall perceived level of public trust in public institutions found in Addis Ababa City Administration as the result of the new reform leadership is at medium interval. This implies that the level of public trust in public institutions is not to the expected level although the people living in the city were indifferent regarding the trust in public institutions. From the findings, it is possible to deduce that public institutions’ leaders have limited capacity in making appropriate and timely decisions; they are not honest and loyal; have low interest to respond for public needs; could not keep their promises consistently; and they have limited competency to perform their functions. Public institutions have also limitations in effectively implementing good governance principles which has adverse effect on the level of public trust.

It is also possible to conclude that although the city government of Addis Ababa has been taking different measures to realize the new reform leadership, it could not satisfy the public needs. The situation of distrust in government has an implication in citizen disagreement or active resistance to government policies, programs, projects and reforms. Further, it can be expensive for the city government who has to invest resources in obtaining cooperation from the public.

Moreover, in a low-trust climate, citizens will prioritize immediate, appropriable and partial benefits, and will induce politicians to seek short-term and opportunistic gains through free-riding and populist attitudes. As a result, although the new reform leadership is enacted and implemented in the city, it could not be sustained long enough to bear its fruits. Finally, as trust in government declines, the capacity of public institutions to serve the public will effectively decrease.

##### The Implementation of Good Governance Principles in Public Institutions

Among the five principles of good governance, responsiveness is practiced at low levelin public institutions, whereas the remaining four principles have average level of implementation. Therefore, the study concluded that public institutions found in Addis Ababa City Government are not fully and adequately practicing five of the known eight principles of good governance. In particular, public institutions are not providing adequate information to the public on their performance and the public could not get easy access to information from public institutions. Moreover, public institutions could not respond to the public interests and satisfy their needs; and the public is not getting much opportunity to participate in the issues affecting it in public institutions.

The study also shows that all the five studied principles of good governance have a positive relationship with the level of public trust in public institutions with varied extent. The relationship between the perceived practices of transparency and accountability in public institutions and public trust is strong and positive, while responsiveness and equity and inclusiveness principles have moderate and positive correlation with public trust.

On the contrary, there is positive but weak relationship between perceived participation and public trust in public institutions. Moreover, the regression analysis confirms that perceived transparency, accountability, equity and inclusiveness, and public participation have a positive and significant effect on the level of public trust in public institutions, whereas responsiveness has no statistical effect on public trust.

Hence, it is possible to conclude that the failure of public institutions in fully practicing the good governance principles is affecting the public trust in the study area. From this one can deduce that unless appropriate and timely measures are taken, the failure of public institutions in fully practicing the indicated principles will continue in affecting the relationship between the people and city government of Addis Ababa. This, in turn, may have domino effect on public compliance of government plans, programs, projects and other initiatives.

#### Recommendations

Based on the above findings and conclusions of the study, the following recommendations are forwarded:

* Build a good climate of trust between the public and the government is without a doubt necessary especially in the current situation of Ethiopia. There are actual and potential challenges within and abroad (such as, Egypt and Sudan) that may adversely affect Ethiopia. Hence, it needs to building a strong bondage between the government and the public; and stand together to nation’s interest as a solution. In this regard, the Addis Ababa City Government and public institutions in all levels have to work seriously to improve the level of public trust, which in turn, helps for the effective realization of the new reform leadership. This can be possible through:
* Designing different systems within public institutions and effectively implementing the same. Crafting clear, workable, technically sound, technologically supported, effective and customers’ friendly systems in all levels of the city administration have paramount importance.
* Developing mechanisms and initiatives, such as making the people part of the new reform leadership help public institutions to get support from, and know the actual interest of the public. Through this, the public can build a sense of ownership of what is done from the government side.
* Creating strong leadership with which leaders are being honest, keep their promises, create harmony with the people on government plans, programs, projects and other initiatives and have concern for the public interest is also important to get positive perceptions and build good climate of trust with the public.
* Leaders and public servants’ competency is crucial to deliver on time and quality services to the public and to satisfy the needs of the people. In this sense, the City Government of Addis Ababa need to assign competent and dedicated leaders and recruit personnel based on their competency (knowledge, skill, attitude, qualifications & experience) to realize the new reform leadership. In short, practicing meritocracy in public institutions is very important which supports public institutions to practice professionalism and minimize the dominance of political elites in public affairs. Furthermore, developing leadership competency framework at national level is important in order to assign competent leaders at different hierarchy of public institutions. This will have contributions to put in place the reform agendas, reap the expected reform fruits and to make the change sustainable for assuring the development of the nation.
* Public institutions should effectively implement all the good governance principles. Based on the research findings, the new reform leadership is not supported by the full-scale implementation of the good governance principles, such as transparence, participation, accountability, responsiveness, equity and inclusiveness as the expected level. Hence, City Government of Addis Ababa and public institutions need to:
* Formulate and implement clear policies, procedures, rules, regulations, service delivery standards, complaints’ handling systems, and effective performance management system in all public institutions is necessary to resolve problems related to governance issues.
* Set clear mechanisms and systems to control public institutions regarding how they are serving the people. This is important to make public institutions and personnel responsible and accountable for their actions.
* Give opportunities to the public to participate on issues of their interest. Active public participation also makes public institutions more responsive and accountable to the public.
* Create transparent institutions, which is necessary to disclose information to the public. The City Government of Addis Ababa can properly disseminate up to date, reliable and accurate information through different mass Medias, web sites (internet), workshops meetings, panel discussions, conferences, brochures and information desks.

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## Provisions for and Application of Women’s Entitlement for Urban Residence in Addis Ababa

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***Abstract***

*The study aims at investigating provisions for and application of women’s entitlement for urban residence in Addis Ababa. To this end a questionnaire survey was carried out to collect primary data from sample population and key informants. Document investigation involved assessment of international and regional documents as well as national constitutions, proclamations and regulations. Besides the analysis employed descriptive statistical techniques and factor analysis to identify the underlying factors. The findings of the study identified that lack of a properly tailored policy or legal framework (constitutional provisions, laws and regulations), as a major gap. On the other hand, Policy, habitability, affordability, tenure security, cultural adequacy, location & vulnerability and gender equality respectively having Eigen value above 1 are the underlying factors that affect provisions for and application of women’s entitlement for housing. Both the qualitative analysis and low index score, signify very low performance (34.93 percent) proved the low level of commitment of the City’s administration in meeting its commitment in the realization of women’s right for urban housing. Finally, the study winds up by recommending the need for constitutional amendments, improving the performance of the city’s administration with respect to the seven component factors and raise its commitment in accordance to international agreements and norms.*

**Key words**: Women’s entitlement. Residence/Housing

### Introduction

The human right to adequate housing is the right of every woman, man, youth and child to gain and sustain a safe and secure home and community in which to live in peace and dignity (UN 2012, p, 5). In 2002, the United Nations Commission on Human Rights, in its resolution 2002/49, tasked the first Special Rapporteur on adequate housing, Mr. Miloon Kothari (India), with reporting on women and adequate housing, and decided to keep the issue of women’s equal ownership of, access to and control over land and the equal rights to own property and to adequate housing on its agenda (UN, 2012).

The UN-Habitat defines the right to adequate housing in relation to multiple aspects having different dimensions. The right to housing contains freedoms. These freedoms include: Protection against forced evictions and the arbitrary destruction and demolition of one’s home; The right to be free from arbitrary interference with one’s home, privacy and family; and the right to choose one’s residence, to determine where to live and to freedom of movement. The right to adequate housing contains entitlements. These entitlements include: Security of tenure; Housing, land and property restitution; Equal and non-discriminatory access to adequate housing and Participation in housing-related decision-making at the national and community levels. (UN-Habitat, 2009, Fact Sheet 21, p.3)

The seven elements defining “adequacy”—i.e., legal security of tenure; availability of services, materials, facilities and infrastructure; location; habitability; affordability; accessibility; and cultural adequacy—outline the criteria necessary for housing to be judged in compliance with the Covenant. (UNCESCR, 1991, p.14)

Common misconceptions regarding the right to adequate housing include the following: the right to adequate housing does NOT require the State to build housing for the entire population; does NOT prohibit development projects which could displace people; is NOT the same as the right to property; is NOT the same as the right to land and includes ensuring access to adequate services. (UN-Habitat, 2009, Fact Sheet No. 21, p. 6-8)

At the international level, Women’s entitlement for residential housing emanates from international norms. The right to housing has been recognized in numerous texts at the international, regional and national levels. The Universal Declaration of Human Rights (1948), the International Covenant on Economic, Social and Cultural Rights (1966), Conventions on the Elimination of all forms of discrimination against women (1979) and Commission on Human Rights (2005) altogether declared the necessity of the right of everyone (including women) to residential housing and elimination of gender-based discrimination particularly against women in accessing housing. *"Globally, more than 69 countries have adopted or amended national constitutions to include elements that address the right of women to adequate housing, many of which contain explicit guarantees to the right to adequate housing.” (UN-HABITAT (2002, p.16),* Regarding the recognition of the rights of women to residential housing national constitutions of Central and South American Countries take the lion’s share 33.3 percent, followed by Asia 27.5, European 24.6 and African countries 14.5 percent respectively.

At regional level, major regional treaties ratified by their respective member states are reviewed. The European Social Charter (1961, revised 1996). Article 31 of the European Social Charter, revised in 1996, explicitly protects the right to residential housing. 24 member states have ratified a binding charter to promote access to residential housing, prevent and reduce homelessness and make the price of housing affordable.

All member states of the African Union have accepted the African Charter of Human and Peoples’ Rights (Article 18, sub article 3, 1990) underlying the realization of right of their people to housing. Besides the member states ratified the Protocol of the African Charter of Human and Peoples’ Rights on the Rights of Women in Africa (Article 16, 2003), declaring the right of women to housing, and the right of widowed women to an equitable share in the inheritance of property. The implementation of the Protocol of the African Charter of Human and Peoples’ Rights on the Rights of Women in Africa is currently binding for the 21 states of the African Union that have ratified it.

Article 11, of the Protocol of San Salvador (ACHR, 1988) declares the recognition of the right of all persons in the Americas to adequate housing, live in healthy environment, and benefit from basic public services. The same Protocol explicitly shows integration among housing, environment and basic services.

At national level, compared to the total number of countries the percentage of countries that amended national constitutions to incorporate elements that address the right of women to housing is about 34.5 percent of the world total. The Constitutions of South Africa, (*UN-HABITAT 2002*), Argentina (*1994*), Brazil (*2010*) and Portugal (*1976*) provide yet another good example of how countries have constitutionally protected the provisions, applications and women’s entitlement to residential housing. They also exemplify how they delegate certain housing rights obligations to their domestic political organs. Additionally, these constitutional protections go one step further by ensuring that housing rights are addressed and protected at the local level by making these right the prerogative of regional and local programs. As such, the Constitutions of the above-mentioned countries allow for decentralization while allowing for federal oversight to ensure that regional and city administration authorities abide by minimum housing rights standards. This fact clearly denotes the effort to protect the right of women to housing in the great majority countries is not yet achieved. To sum up through the instrumentation of global and regional bodies the need for respecting and protecting the right of women to residential housing is growing despite the majority a of countries are found lacking clear policy and regulatory directions.

As explained in UN-HBITAT (2014) the level of urbanization in Ethiopia is around 17 per cent, although 55 per cent of GDP is generated in urban areas and the urban economy is growing very strongly. Consequently, the urban population is growing at approximately 3.6 per cent per annum and another 42 million people are expected to reside in urban areas by 2050. This is one of the largest absolute increases in Africa and makes it vital to prepare for large-scale urban population growth.

According to the World Bank estimate (2019), total population of the country was 109,224,559 of which females account for 49.98 percent against 50.02 percent of the male population. In 2017, (MUDHCo & ECSU 2015), the projected population size of Addis Ababa (the largest city) was 3,433, 999 and expected to be over 3,990,306.84 with a 5.4 percent rate of growth per year by 2020 of which females account for 50.61 percent and males 49.70 percent of the city’s population. Apart from this the balanced male and female population in both cases signifies the need to consider the social, economic and political role of females is quite significant. This situation by itself forces to investigate provisions for and application of women’s entitlement for urban residence in the City as a vital issue to be dealt with.

Thus based on Addis Ababa’s international and national experiences and proportion of female population from the total it is found essential to assess constitutions of different governments, proclamations and regulations whether they are tailored to meet the need of women particularly access to urban residence. Besides whether the City Administration is able to meet its obligations to respect, protect fulfill and identify factors that affect provisions for, application and women’s entitlement for urban residence remains a major problem that seeks solution. The study focuses on the following specific objectives.

1. Assess the policy or legal framework (constitutional provisions, laws and regulations) as to how it is tailored to meet the right of women to residential housing
2. Identify factors that affect the provisions, for and applications of women’s entitlement for urban residence in the City.
3. Evaluate the level of commitment of the City Administration to meet the obligations to respect, protect and fulfill women’s entitlement for urban residence.

### Methodology

#### Description of Study Area

This study covered Addis Ababa city administration and all public sector organs at the federal level. Based on the theme of the research the study population is exclusively includes only women employed at Addis Ababa city Administration and federal executive organs. The first reason is it is easy to get sample women respondents and second, despite differences in their level of education women working in the mentioned areas are educated and are believed to have a proper understanding of the issue and honestly respond to the questionnaires and interviews. Accordingly, data from both collected excluding the Ministry of Defense which is exceptional in its organizational setup and mission.

#### Study Approach/ Design

The study employed both qualitative and quantitative research techniques to explore the provisions, applications and women’s entitlements to residential housing in Addis Ababa.

##### Qualitative Design

The qualitative research method drew information from documents (constitutions, proclamations, regulations and City Charter) and key informants, who are working at the federal and Addis Ababa city levels. A total of 42 key individuals representing their respective offices were selected for key informant interviews. These key informants, among other qualifications, include high /mid-level officers. A broadly open-ended key informant interview checklist employed to generate data in this way.

##### Quantitative Design

The quantitative data collection tools and analysis such as survey questionnaire and descriptive statistical techniques as well as factor analysis are applied to identify and explore factors. The quantitative research method is employed to identify and define the major and significant factors affecting provisions, applications and women entitlement for residential housing in the City. In a nutshell, the quantitative research phase carried out in concomitant / parallel with qualitative research phase and finally a thorough triangulation of data and analysis made on the two sources of data –quantitative and qualitative. Thus, the study employed a mixed method research methodology of a concurrent triangulation design. In the concurrent mixed method design the qualitative and quantitative data are collected side by side (Creswell, 2009). This is best portrayed by the following diagrammatic representation.

#### Sample Size and Sampling Procedure

Pertinent to the subject under investigation, both purposive and random sampling techniques are used to draw representative samples. Accordingly, purposive sampling is employed as convenient to select officials for the key informant interview. On the other hand, random sampling technique employed to select sample respondents for the survey.

#### Methods of Data Collection

To generate quantitative data the study used survey design where sample respondents are drawn using appropriate scientific method. To achieve this standard questionnaire used. Based on this from the core public sector offices and Addis Ababa city administration pertinent information collected regarding the provisions for, applications of women’s entitlement for residential housing.

#### Sample Size:

For the quantitative part of the survey the sample size is determined using population proportion formula with 95% confidence interval, using the following assumptions and parameters: The estimate of proportion of adequacy of housing as 50%, with 5% margin of error. Hence, the following formula is applied to calculate the sample size. – (Cochran 1995)

Where:

n = required sample size

p = proportion of respondents with the population of interest, which is 50%

1-p = the proportion of the remaining population proportion 50%

Z = Confidence limit, which is usually at 95% level or 1.96

d = Margin of error level estimated as 5% or 0.05.

A total of 384 women are taken as sample population from Addis Ababa City Administration and Federal Executive Organs. Then the number of female employees is divided by the total female population and multiplied by the total sample size to identify the proportion of sample size from each executive organ. The distribution of sample size and key informants with respect to each executive organ is presented in Table - 1. Finally, a simple random and purposive sampling procedure employed to extract the desired sample population from their respective organs.

Table -1: Distribution of Sample Size in Federal Executive Organs including Addis Ababa.

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| No. | Federal Executive Organs | Female  pop. | Sample pop.  planned | Collected | KI |
| 1 | The Ministry of Peace | 141 | 10 | 10 | 2 |
| 2 | The Ministry of Foreign Affairs | 315 | 21 | 21 | 2 |
| 3 | The Ministry of Finance | 405 | 27 | 25 | 2 |
| 4 | The Attorney General | 520 | 34 | 34 | 2 |
| 5 | The Ministry of Agriculture | 390 | 26 | 25 | 2 |
| 6 | The Ministry of Trade and Industry | 394 | 25 | 25 | 2 |
| 7 | The Ministry of Innovation and Technology | 127 | 8 | 8 | 2 |
| 8 | The Ministry of Transport | 405 | 27 | 27 | 2 |
| 9 | The Ministry of Urban Development and Construction | 114 | 8 | 8 | 2 |
| 10 | The Ministry of Water, Irrigation and Energy | 319 | 21 | 21 | 2 |
| 11 | The Ministry of Mines and Petroleum | 149 | 10 | 10 | 2 |
| 12 | The Ministry of Education | 198 | 13 | 13 | 2 |
| 13 | The Ministry of Science and Higher Education | 97 | 7 | 7 | 2 |
| 14 | The Ministry of Health | 421 | 28 | 28 | 2 |
| 15 | The Ministry of Women, Children and Youth | 275 | 18 | 18 | 2 |
| 16 | The Ministry of Labor and Social Affairs | 175 | 12 | 12 | 2 |
| 17 | The Ministry of Culture and Tourism | 298 | 20 | 20 | 2 |
| 18 | The Ministry of Revenues | 405 | 27 | 27 | 2 |
| 19 | The Civil Service Commission | 182 | 12 | 12 | 2 |
| 20 | The Ethiopian Broadcasting Authority | 77 | 7 | 7 | 2 |
| 21 | Addis Ababa City Adm.. | 318 | 21 | 21 | 2 |
|  | Total | 5725 | 384 | 381 | 42 |

Source: Federal Civil Service Commission

KI: key Informant

#### Data Type and Sources

Both primary and secondary sources of data are utilized for conducting the study.

##### Primary Sources

***Questionnaire Surveys***: As indicated in Table-1 out of the planned 384 sample women 381(99.2 percent) women staff successfully responded. Thus, the assessment of factors influencing provisions for and applications of women’s entitlement for residential housing is based on the responses of these respondents.

***Key Informant Interviewers***: A total of 42 (100%) key staffs or women high ranking officials in their respective organizations were interviewed to collect detail information on the right of women in relation to national policy and the City’s Charter.

##### Secondary Sources

**Global sources**: include worldwide Declarations, Conventions, Covenants and treaties.

**Regional sources**: include Continental Charters, Protocols, Conventions and agreements.

**National sources*:*** *include Constitutions* and Proclamations of different countries.

**Domestic sources**: include assessment of Constitutions and Proclamations implemented under different regimes in Ethiopia.

#### Instrumentation, Data Processing and Data Analysis

The main theme of this research is to assess how provisions for and applications of women’s entitlement for residential housing is entertained in Addis Ababa. The data analysis is based on first; identifying pertinent articles contained in international and regional agreements or treaties, and constitutional provisions of countries regarding women’s entitlement for housing; second in the case of Addis Ababa too the analysis is also based on identifying articles stipulated in the constitutions, proclamations, regulations and the City Charter to assess the right of women to housing.

The data analysis technique employed comparison of countries that incorporate articles regarding the right of women to adequate housing in their respective constitutions. This is believed to evaluate the constitutions (Ethiopia), Charter and proclamations of Addis Ababa under different regimes. Similarly, the identified articles are compared to provisions obtained from international, regional and national documents to investigate the position of Addis Ababa in meeting its obligations to respect, protect and fulfill the provisions for and applications of women’s entitlement to residential housing.

Data collected using questionnaire survey first tested for its reliability before making any further analysis. The popular methods of checking reliability, such as Cronbach Alpha method are applied. Thus, the quantitative data analyzed using Statistical Package for Social Sciences (SPSS). The analysis involved descriptive statistics such as frequency, percentage mean values, and factor analysis that includes Index Score, Total Variance Explained (Eigen value & Scree Plot), Labeling Factor Scores Syntax based on mean score using table and radar graph obtained from a five point Likert scales.

### Results and Discussion

#### Socio-economic and Demographic Characteristics

The response rate for educational status indicates 73.5percent are first degree holders, 10 percent second degree holders and 15.7 percent are diploma holders. Regarding religious affiliation Orthodox Christians constitute the majority 75 percent followed by Protestant 15 percent, Muslim 7.1 percent, Catholic 1.5 percent and others 0.9 percent respectively. Besides, 82.9 percent of women employees have service year less than 10 years while 17.1 percent have service year above 10 years.

#### Constitutional and Legal Provisions for Women’s Access to Housing

Does the policy or legal framework (constitutional provisions, laws and regulations) tailored to meet women’s entitlement for urban residence?

In this part intra constitutional analysis of provisions and inter constitutional comparison regarding women’s access to housing in Addis Ababa are presented.

#### Constitution of the Imperial Government

Imperial Ethiopian Government Constitution of 1931; contains 55 articles but no provision regarding the right of women and other vulnerable social groups to social services, education, health and housing. The 1955 Revised Constitution contains 135 articles although improvements made on the content of the 1931 constitution regarding women’s access to housing no difference observed between the two. Both constitutions fail to incorporate provisions regarding the right of women to housing and other needs.

#### Constitution of the People’s Democratic Republic of Ethiopia (1987)

Article -36

1. In the people’s Democratic Republic of Ethiopia women and men have equal rights.

2. The state shall provide women with special support particularly in education, training and employment so that they may participate in political, economic, social and cultural affairs on an equal basis with men.

3. The state shall ensure that appropriate measures are progressively taken for women to be provided with health, services, suitable working conditions and adequate rest periods during pregnancy and maternity.

The constitution of the People’s Democratic Republic of Ethiopia is found better than that of the imperial one in considering the equality of women to men. But both sub - articles 2 & 3 miss the most important and inalienable element that is housing.

#### The Constitution of the Federal Democratic Republic of Ethiopia. 1995

#### Rights of Women (Article 35)

Sub-article 1, Women shall in the enjoyment of rights and protections provided for by this Constitution, have equal right with men.

Sub article-2, Women have equal rights with men in marriage as prescribed by this constitution.

Sub-article 4, the state shall enforce the right of women to eliminate the influences of harmful customs. Laws, customs and practices that oppress or cause bodily or mental harm to women are prohibited.

Sub-article 7, Women have the right to acquire, administer, control, use and transfer property. In particular, they have equal rights with men with respect to use, transfer, administration and control of land. They shall also enjoy equal treatment in the inheritance of property.

• Provisions in sub-articles 1 & 2 of the FDRE (1995) constitution are the same to that of sub-article 1 of the PDRE (1987) regarding equal right of women to men.

• Sub-article 4 of the FDRE constitution gives special attention to the elimination of harmful customs and practices that oppress or cause bodily or mental harm like domestic abuse against women which is not the case in the previous two constitutions of the Imperial and the PDRE regimes.

• Sub-article 7 stipulates that women have equal right with men regarding property and land. Although the article is clear regarding land the issue of housing is not clearly indicated. The term property is a generous term including a wide range of properties. On the other hand the country has separate land policy based on the lease system excluding housing.

• The same article provides a generalized explanation of equal treatment in the inheritance of property; but the explanations fail to define property explicitly particularly housing.

#### Constitutional/Legal provisions versus Freedoms and Entitlements

In this part the analysis explores freedoms and women’s entitlements to housing based on the current constitution of the country i.e. FDRE, 1995, and Proclamation No.1097/2018 that provides Definition of Powers and Duties of the Executive Organs of the Federal Democratic Republic of Ethiopia.

##### Freedoms:

• ***Protection against forced evictions and the arbitrary destruction and demolition of one’s home:*** no constitutional provision is made to protect the right of women from forced eviction and demolition of homes in Ethiopia.

• ***The right to be free from arbitrary interference*** ***with one’s home, privacy and family***: this issue is well addressed in Proclamation No.1097/2018 that defines powers and duties of the ministry of Women, Children and Youth as follows: … *in collaboration with the relevant regional government organs and other relevant bodies, design techniques necessary to implement the constitutional protection given to the family as the fundamental unit of society; follow up implementation of same.(FDRE,2018)*

##### Entitlements:

• ***Security of tenure:*** So far no explicitly stated provision regarding security of tenure but article 40, sub-article 8 of the FDRE Constitution (1995) stipulates that "*without prejudice to the right to private property, the government may expropriate private property for public purposes subject to payment in advance of compensation commensurate to the value of the property***.”**

• ***Housing, land and property restitution*:** No explicitly indicated provision regarding the restoration of real property to the rightful owners in the constitution of Ethiopia except Article 40, sub article-8, which explains about *compensation.*

**• *Equal and non-discriminatory******access to adequate******housing*:** Practically no explicit provision regarding women’s access to housing in the FDRE Constitution, of 1995.

**• *Participation in housing-related decision making******at the national and community levels*:** As indicated in Proclamation No.1097/2018 out of eighteen powers and duties provided none of them mention about women’s role in decision making regarding the application of women’s entitlement for housing.

#### Major Problems in the Provision for and Application of Women’s Entitlement for Housing

What are the factors that affect provision, for and applications of women’s entitlement for urban residence in the City?

Summary of the main problems arising from key informant’s interview are the following in relation to laws, socio-cultural factors, economy and lack of proper knowledge and awareness.

* **Lack of constitutional guarantee, policy and legal procedure**: constitutes for 64.3 percent that is essential to assure the Provision for and Application of Women’s Entitlement for housing is the major setback.
* **Socio-cultural Practices**: accounting for 95.2 percent. Religion based male dominance, back ward cultural practices, prohibiting the right to inheritance in some cultures, and limiting women to raising children only are some of the major socio-cultural problems adversely affecting women**.**
* **Economic dependency & lack of awareness**: largely the economic status of women in the city is low and made them vulnerable to all sorts of problems particularly housing. Lack of proper knowledge/awareness about provisions included regarding women’s entitlement for housing and failure to identify constitutional gaps accounts for 26.2 percent.

#### What Should Be Done?

Key informants were asked to give response on what should be done to enhance the provision for and application of women entitlement for housing in the city. The responses collected were themed and categorized. The most recommended strategy to enhance the provision for and application of women entitlement for housing is preferential treatment for women accounting for 83.3 percent of the respondents followed by improve women’s economic status & facilitate housing finance 50.0 percent, ensure women’s equality & implement comprehensive awareness creation 47.6 percent introduce pro women new policy, laws and regulations 42.9 percent, and enable women to leadership position & encourage their political participation 23.8 percent respectively.

#### Index Score, Total Variance Explained and Factor Score Analysis

The statistical analysis mainly employed index score, Total Variance Explained and FactorScoreAnalysis to identify the underlying factors that affect provisions for and applications of women’s entitlement for housing in the City.

##### Index Score

Literature on Provisions for and Application of Women’s Entitlement for Urban Residence suggest computing total index score by dividing the sum of all ‘strongly agree’ and ‘agree’ by the overall sum of ‘strongly agree to strongly disagree’ minus ‘neutral’ and multiply by 100. The researcher used SPSS ‘Count Values with Cases’ function to do this. The number of times for each value for each respondent for all the 32 items in the scale and then summing up the result as shown below:

Table 2 the number of counts of each scale,

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Likert Scale | | Responses | | Percent of Cases |
| N | Percent |
|  | Disagree | 4370 | 36.1% | 1147.0% |
| Strongly Disagree | 2951 | 24.4% | 774.5% |
| Neutral | 1817 | 15.0% | 476.9% |
| Agree | 2016 | 16.7% | 529.1% |
| Strongly Agree | 938 | 7.8% | 246.2% |
| Total | | 12092 | 100.0% | 3173.8% |

Index score for Provisions for and Application of Women’s Entitlement for Urban Residence =

(SA+ A)/ (SA+A+D+SD- N) \*100

=

= \*100

Index score = 34.93%

The UN-Habitat (2018) identifies four stages of housing rights index scores and their implications. They are 100% score – The ideal scenario: full realization, 70-80% - Progressive performance, 50-60%- Moderate performance and below 50%- Weak performance in the realization of the right to adequate housing. As perceived by the respondent women *Provisions for and Application of Women’s Entitlement for Urban Residence* in Addis Ababa is 34.93percent which is below 50 percent signifies very weak performance according to the UN-Habitat (2018) Housing Rights Index. Thus, it is likely that this city has severe bottlenecks for the provision and women’s entitlement for housing.

##### Total Variance Explained

With 32 input variables each component has a quality score called Eigen value. In this case only compounds with high Eigen value are likely representing a real underlying factor so what is a high Eigen value? A common rule of thumb is to select component whose Eigen value is at least 1. Applying this simple rule in the table below answers the second research question i.e. what are the factors that affect provision for and application of women’s entitlement for urban residence in Addis Ababa? The 32 variables seem to measure 7 underlying factors. This is because only components having an Eigen value of at least 1 are found strong. The other components having low quality scores are not assumed to represent real traits underlying the 32 questions. Such components are considered Scree as shown by the line chart below.

Table-3 total variance explained

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Total Variance Explained | | | | | | | | | |
| Component | Initial Eigen values | | | Extraction Sums of Squared Loadings | | | Rotation Sums of Squared Loadings | | |
| Total | % of V | Cumul. % | Total | % of Variance | Cumul. % | Total | % of V | Cumul. % |
| 1 | 10.935 | 34.170 | 34.170 | 10.935 | 34.170 | 34.170 | 6.826 | 21.332 | 21.332 |
| 2 | 1.892 | 5.912 | 40.083 | 1.892 | 5.912 | 40.083 | 2.772 | 8.664 | 29.996 |
| 3 | 1.611 | 5.033 | 45.116 | 1.611 | 5.033 | 45.116 | 2.483 | 7.760 | 37.756 |
| 4 | 1.349 | 4.216 | 49.331 | 1.349 | 4.216 | 49.331 | 2.287 | 7.146 | 44.902 |
| 5 | 1.160 | 3.624 | 52.956 | 1.160 | 3.624 | 52.956 | 1.846 | 5.770 | 50.672 |
| 6 | 1.123 | 3.508 | 56.464 | 1.123 | 3.508 | 56.464 | 1.534 | 4.794 | 55.466 |
| 7 | 1.001 | 3.127 | 59.591 | 1.001 | 3.127 | 59.591 | 1.320 | 4.125 | 59.591 |
| 8 | .936 | 2.926 | 62.518 |  |  |  |  |  |  |
| … |  |  |  |  |  |  |  |  |  |
| 32 | .215 | .673 | 100.000 |  |  |  |  |  |  |
| Extraction Method: Principal Component Analysis. | | | | | | | | | |

As indicated in the table above the ***policy*** component is the strongest of all components with 10.9 total and accounting for 34.17 percent of the total variance explained followed by *habitability,* *affordability, tenure security, cultural adequacy, location & vulnerability* and *gender equality* respectively having Eigen value above 1 in descending order. The Scree Plot visualized the Eigen values (quality scores) as shown below. The first 7 components have Eigen values over 1 and are considered “strong factors”. After that component 8 and onwards the Eigen values drop off dramatically. The sharp drop between component 1 – 7 and components 8 – 32 strongly suggests that 7 factors underlie the second research question (fig.2).

##### Computing and Labeling Factor Scores Syntax

As shown in the table below the 32 variables are regrouped and labeled. Following this factor scores are computed as means over variables measuring similar factors. Such means tend to correlate almost perfectly with real factor scores. In the light of this the variables indicated in table: 6 are labeled in to seven factor scores syntax as shown below.

Table:4 SPSS Factor Analysis, Rotation Method: Promax with Kaiser Normalization

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| Rotated Component Matrixa | | | | | | | |
|  | Component | | | | | | |
| 1=policy | 2=Habitability | 3=Affordability | 4= tenure security | 5=cultural adequacy | 6=location &  vulnerability | 7=Gender equality |
| 25 Policies and measures adopted to ensure/encourage women participation | .72 |  |  |  |  |  |  |
| 32 There are other innovative mechanisms such as self-help groups | .72 |  |  |  |  |  |  |
| 23 Laws and policies exist to facilitate access to information | .72 |  |  |  |  |  |  |
| 30 There are remedies and legal aid available for women | .68 |  |  |  |  |  |  |
| 29 Measures have been adopted to ensure physical and mental security | .68 |  |  |  |  |  |  |
| 27 Housing laws and policies expressly protect, promote and fulfill | .67 |  |  |  |  |  |  |
| 22 The State effectively safe guard the right of women | .66 |  |  |  |  |  |  |
| 26 Women are sufficiently represented in housing policies and planning process | .65 |  |  |  |  |  |  |
| 24 Women have regular access to such information and benefiting from them. | .64 |  |  |  |  |  |  |
| 31 There are measures adopted to ensure equal access of women to judicial | .62 |  |  |  |  |  |  |
| 21 The State effectively safe guard the right of women | .61 |  |  |  |  |  |  |
| 28 Special measures adopted in resettlement process | .59 |  |  |  |  |  |  |
| 15 Provide protection from natural elements, structural hazards |  | .72 |  |  |  |  |  |
| 14 Provide needed space to live in dignity and peace. |  | .65 |  |  |  |  |  |
| 13 Laws and policies have been adopted to regulate environmental degradation | . | .56 |  |  |  |  |  |
| 16 Measures and policies have been adopted to guarantee equality | . | .55 |  |  |  |  |  |
| 12 Laws and policies that regulate the habitability of housing |  | .48 |  |  |  |  |  |
| 6 Women and female-headed households enjoy equal access |  | .43 |  |  |  |  |  |
| 9 Policies and measures have been adopted by the State |  |  | .70 |  |  |  |  |
| 10 There Is a national definition of ?affordability? of housing |  |  | .70 |  |  |  |  |
| 8 Women enjoy equal access to housing finance. |  |  | .58 |  | . |  |  |
| 7 There are subsidies and/or different pricing mechanisms |  |  | .54 |  |  |  |  |
| 4 Measures have been adopted to give full protection against forced eviction, |  |  |  | .74 |  |  |  |
| 3 Government guarantees security of tenure to women? |  |  |  | .73 |  |  |  |
| 5 Policies and measures have been adopted |  |  |  | .48 |  |  |  |
| 20 Women have the right to self - determination in relation to housing. |  |  |  |  | .63 |  |  |
| 19 Women from all cultural, ethnic, religious or other background enabled |  |  |  |  | .53 |  |  |
| 17 Women face any particular constraints in accessing services and resources |  |  |  |  |  | .72 |  |
| 2 Lack of secure tenure contributed to situations of VAW? |  |  |  |  |  | .70 |  |
| 11 Un-affordability of housing contribute to women?s vulnerability to VAW |  |  |  |  |  | .55 |  |
| 1 women enjoy equal tenure and property rights regardless of their civil or other status |  |  |  |  |  |  | .63 |
| Extraction Method: Principal Component Analysis.  Rotation Method: Varimax with Kaiser Normalization. | | | | | | | |
| a. Rotation converged in 16 iterations. | | | | | | | |

Table-5 Main factors by Mean Scores

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Descriptive Statistics | | | | | |
|  | N | Minimum | Maximum | Mean | Std. Deviation |
| Policy | 381 | 1.00 | 5.00 | 2.18 | .87 |
| Habitability | 381 | 1.00 | 5.00 | 2.07 | .80 |
| Affordability | 381 | 1.00 | 5.00 | 2.15 | .89 |
| Tenure Security | 381 | 1.00 | 5.00 | 2.15 | .90 |
| Cultural\_Adequecy | 381 | 1.00 | 5.00 | 2.51 | 1.14 |
| Location & Vulnerability | 381 | 1.00 | 5.00 | 3.68 | .92 |
| Gender Equality | 372 | 1.00 | 5.00 | 2.11 | 1.17 |
| Valid N (listwise) | 372 |  |  |  |  |

The table above and the radar graph below show how the factors are interpreted. The mean values of all except location & vulnerability are below 3, generally low. The Radar Graph visualized the distribution of mean scores of the seven labeled factors. Because they are computed as means, they have the same 1 – 5 scales as input variables. This allows us to conclude that: ‘Location and Vulnerability’ is rated better (roughly 3.68 out of 5 points) and ‘Habitability’ is rated worst (roughly 2.07 out of 5 points).

Fig.3 Radar graph

#### What Is the Level of Commitment of the City Administration to Meet the Obligations to Respect, Protect and Fulfil the Right of Women to Residential Housing?

With respect to qualitative analysis no explicitly written provisions regarding women’s access to housing in the Imperial, the *Derg* and FDRE Constitutions, Proclamations and regulations; Protection against forced evictions and the arbitrary destruction and demolition of one’s home, Security of tenure and restoration of real property to the rightful owners in the constitution. On the other hand, the quantitative analysis also disclosed extremely low index score (34.93%) and mean scores below 4 of the seven factors. Both the qualitative and quantitative analysis presented in Part –IV signify very low performance to meet its commitment to respect, protect and full fill women’s entitlement for urban residence.

### Conclusion and Recommendations

#### Conclusion

The study evaluated constitutions of three regimes and analyzed data collected from key informants and sample women included in the field survey. Based on these the study produced the following findings**.**

The inter-constitutional comparison of provisions under the three successive regimes discloses no exclusive and explicit provision made in the constitutions indicating Provisions for and Application of Women’s Entitlement for Urban Residence. The assessment made based on constitutional provisions, laws, regulations, freedoms and entitlements all together proof that the City administration lacks a properly tailored policy or legal framework as to how to meet Provisions for and Application of Women’s Entitlement for Urban Residence.

As indicated in Table- 3 the policy component is the strongest of all components with 10.9 total and accounting for 34.17 percent of the total variance explained followed by habitability, affordability, tenure security, cultural adequacy, location & vulnerability and gender equality respectively having Eigen value above 1 in descending order. Therefore components 1 – 7 strongly suggest that the 7 factors are the underlying factors that affect provisions for and application of women’s entitlement for housing in the city. Besides the mean score analysis indicated in Table – 5 shows that mean values of all factors except location & vulnerability are below 3. Both the index score and mean scores of the seven factors together indicate the necessity to design and implement housing and urban policies that will improve performances with respect to the mentioned factors. Finally, both the qualitative and quantitative analysis particularly the low index score, signify very low performance (34.93 percent) on behalf of the city administration to meet the commitment to respect, protect and fulfill women’s entitlement for urban residence.

#### Recommendations

Based on the findings the study recommends the following.

* **Constitutional amendment**: Incorporate article/s in order to show explicitly the right of women to housing.
* **Improve performance**: the low index value and mean scores call for the necessity to design and implement housing and urban policies that will improve women’s access to housing and improve the performance of the city administration with respect to the seven factors.
* **Meet Commitment**: Addis Ababa is the capital city of Ethiopia and in turn Ethiopia is a founding member of the UNO, AU and signatory of many international agreements. Thus the City Administration is expected to meet its commitment to respect, protect and fulfill towards the full realization of the provision for and application of women’s entitlement for housing in accordance with international norms and agreements.

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## Appetite and Fear: The Analysis of Ethiopia and Egypt’s Diplomatic Impediment

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***Abstract***

*This article explores essential questions regarding Ethiopia and Egypt’s diplomatic difficulties. Based on the assumptions of cultural theory of international relations and order, the paper will analyze whether the diplomatic impediment was driven by economic interests, national standing, political affiliation or security considerations. To justify these questions, the four main drives of international relations and order; which are Appetite, Fear, Spirit and Reason primarily explained from the work of Richard Ned Lebow. The justification of these drive will clarify the concern of water share in relation to appetite and security factors in line with the motive fear. The article further scrutinizes drives, which are, most likely contributed for exacerbation issues in water diplomacy into political disagreement. International institutions are also affected by these drives while mediating both states. Hence, the study aimed to identify the underlying drives and motives behind Ethiopia and Egypt’s diplomatic challenges and how the ongoing difficulties is not rising the hard conflicts. To analyze these ideas, the paper used credible sources of data for comprehensive analysis. These data were collected from academic research and journals, foreign policy and government reports, various official reports from international organizations, including the United Nations and the African Union.*

**Keywords** Appetite, Fear, Nile, diplomacy, economic interest

### Introduction

Ethiopia and Egypt are ancient nation having close historical relationship. Although both states have no bordering geographical periphery, they have been struggling with adjacent diplomatic impediments. Religion and the Nile have brought peace and conflict at different time to the two countries. Religious institutions are already weakened in both states, whereas Nile has been a source of disagreement for centuries.

The disagreement relays on different historical and developmental motivation which immanent from policy. Despite the dependency of Egypt on Nile and Ethiopia’s appeal for development, the aspiration of both states is significantly affecting the mediation process. The aspiration has found difficult to reconcile along several negotiation Hence, the dispute between both states is strongly driven by different motive.

These motives caused the deterioration of relations between the states. The Nile Basin countries initiatives and the African Union have made efforts to reconcile the two countries. Egypt and Ethiopia have also held trilateral talks, including Sudan. Beyond that, however, the case has become a global political issue and repeatedly been the agenda of the Security Council.

Against this back drops the study stresses on question why and what constrain the diplomatic dialogue between the two countries? In order to answer this question, the paper relies on theoretical ground and scrutinize the drive of diplomatic obstacle of both states. Thus, mediating actors are also the subject of the study due to their impacts on the negotiation. Qualitative approach is applied to conduct this study. The data is also collected from secondary sources.

The Aspects of Cultural Theory of International Relations

The emphasis of Cultural theory of International Relations and order relies on four basic drives (Lebow, A Cultural Theory of International Relation, 2008b). The foundation of these drives was initiated firmly and linked to three motives originated from ancient Greek (Burton, 2010). However, Richard Ned Lebow framed them in line of international relations or international political order. Richard combines the facts of these drives with historical evidence (Ikenberry, 2009). It is widely cited as examples from the previous Peloponnesian war, the medieval Europe, the WWI and WWII, and the recent US-led war in Iraq (Burton, 2010).

These drives are Spirit, Appetite, and Reason and fourth is Fear (Lebow, A Cultural Theory of International Relation, 2008b). These four drives have strong ties to the state, the government and individuals. When it comes to individuals, it means those who are influential in states domestic, international politics and have different perspectives and motivations that contribute to both global order and the system.

The four drives then have their own goal and instruments. Spirit is a strong drive and has tools such as Self-esteem, Honor, and Standing (Finney, 2012). The Appetite has wealth and satiation (Lebow, Fear,Interst and Honour:Ooutline of a Theory of International Relations, 2006a) while Reason is always associated with cooperation. Fear is linked security and Power (I.F., 2010). Some of these are major goals. There are also basic premises to pursue these goals. In the world of Fear, for example, the main goal is to reduce or eliminate security threats, and the instrument is power. Nevertheless, fear is not always security. In some cases, security concerns may be more direct while it can also be indirect. However, states will only get involved in hard conflict if the threat is direct. When there is indirect interference, there is a tendency for miscommunication between countries to escalate and carry out diplomatic prosecutions.

Spirit played in the self –esteem of individuals and groups. Individuals vary in their role in international relations, politics, and order. As this role increases, it will have its own political impact. According to constructivist theory, foreign policy and the nature of government are, shaped by the common denominator of society and supported by norms, values ​​and expertise (Wendt, 1999). Indeed, culture, identity, and cultural structures can limit or influence a country's policy, including its foreign policy (Wiarda, 2014). This idea starts with individuals.

These individuals are leaders or political actors. Actors always see incidents with distinct perceptions (Mazarr, 1996). When Spirit comes out of the individual self-esteem, it has tools called Honor and Standing. Honor is associated with national dignity and recognition, and the standing is to look at the country's political, military, economic or diplomatic influence at the regional or global level. Diplomatic conflicts over Spirit have often been the focus of standing. On a personal level, however, it is a self-esteem centered demonstration.

For instance, during a telephone conversation with the former Sudanese administration over the Ethiopian Renaissance Dam, the former U.S. president suggested that Egypt could explode the Ethiopian Dam (allAfrica, 2020) . However, given the issue from the president, no data had shown the United States interest in setting up a direct war between Ethiopia and Egypt. Thus, this idea has nothing to do with U.S. honor or standing. It also degrades U.S. international standing. Hence the matter emanates from the individual ego.

Appetite is the other drive of international relations. The Appetite world is known for amassing wealth. Focuses on upgrading or updating resources, the state does not want to lose its wealth. This issue of wealth is closely connected to the national economy. At this stage, any source of wealth can be integrated into Appetite. Thus, when countries under the influence of this drive get into conflict, one of them could probably lose the Appetite. Therefore, the degree of getting in to conflict is lower than the other drives. If the level of conflict is low in the appetite world, then, what kind of conflict could nations confront with? To illustrate this, considering the situation in Ethiopia, Egypt, and Sudan is quite suitable as the three countries have struggled for changing and seeking diplomatic position to find support for their interest on the Nile (Verhoeven, 2011). In order to safeguard their appetite, the state could maximize its defense system, or make military cooperative agreement with several sate to indirectly isolate a particular state.

In the face of conflict, they are prepared to sacrifice for the sake of losing rather than increasing wealth. However, it does not imply the Appetite is free of conflict. Nevertheless, no matter how long it takes, conflict in this world is centered on diplomatic negotiation. This is because if one involves in conflict, its resources can easily be destroyed. Broad analysis of this drive is given under Ethiopia and Egypt case.

The last drive is reason and which is cooperative centered. Collaboration based on mutual interest. In this area of ​​cooperation, they can share their interests. They may also have a strong attachment to their needs. At the national level, the U.K.-U.S. alliance in Iraq, and at the institutional level, the Arab League and the European Union are operating under cooperative drive.

#### Appetite in Foreign policy

Egypt and Ethiopia have different policy directions. They are in a different geographical location in the first place and are not suitable for regional cooperation or competition. However, they did not give up trying to influence regional politics. The direction of foreign policy over the past decade has also been different.

Ethiopia views Egypt as an adversary in its foreign affairs and national security strategy, designed in 2002. However, Ethiopia has become a major player in East Africa and the Horn of Africa political landscape. Besides, the state has been important instrument of any foreign relation in the horn of Africa. Egypt’s foreign policy, on the other hand, focuses on strengthening ties with the North of Africa, the Arabian Peninsula, Israel and the West. However, the Nile issue has always been a hallmark of Egypt’s water policy.

Both countries have different views on using the Nile. This difference was noticeable at the policy level. Egypt has been working hard to ensure that the flow of the Nile does not stop and its water supply is not depleted. Ethiopia, on the other hand, claims that the right to use the river is a fundamental right and need no one’s decision. These two ideas became so entrenched that they became politically motivated. The policy deficit is focused solely on the use of the Nile. While Public diplomacy sought a better solution for Nile diplomacy, both countries did not use the traditional relation to promote public diplomacy. Countries have not used alternative diplomacy to address their shortcomings (Workneh, 2018).

Prior to the 1952 revolution, Egypt's policy regarding the Nile emphasized in controlling the Nile and influencing the case (Rasheedy, 2007). Successors in post revolution have also followed this idea. In addition, Egypt’s gradual friendship with major power has enhanced the opportunity to reinforce Egypt’s idea.

After Egypt signed the Camp David Accord in 1978, the state has been largely under U.S. influence (Felsberger, 2012). As a result, the foreign policy has fallen under the sphere of geography and major power balance. However, regime change in Egypt continued to be a major issue, in the aftermath of the Arab Spring, Egypt wanted the West to influence the idea of negotiations because of its strong ties with the West.

In addition, the policy view on the Nile is that Egypt is the major waterpower among the riparian countries (Hassan, 2017). Egypt reflects this view because Nile has been used for centuries, and since 1959, it has benefited more than Sudan. Although experts have come up with research hypotheses that will help reduce the risk associated with the Ethiopian project (El-Nashar WY, 2017), it has not been found to be a policy input.

Ethiopia’s policy on the Nile also prioritized national interests. Although the Nile crisis has persisted, there have been diplomatic tensions with Egypt over the development of the Nile since the 1970s. It should be noted here that the two countries have similar interests in development but not mutual which is a source of conflict.

According to Ethiopia’s foreign policy, Egypt's policy on water supply remains a problem for Ethiopia. Egypt's demand continued to be a challenge for riparian countries. In addition, the ongoing instability in the Horn of Africa does not encourage change in policy but preserve it. It is believed that the Horn of Africa has little development agenda as long as there is a security crisis. As a result, the policy does not blame Egypt for the crisis in the Horn of Africa but believes that has benefited from the conflict. Thus, Egypt is involved in a conspiracy to inflame indirect conflicts (Information, 2002).

After all, the 2002 and the new policy recognized three facts of Ethiopia’s stance which are the right to use natural resources in the Nile, mutual benefit and negotiation with other countries. However, difficulties to reconciled interest have been their source of conflict. Their national interest in the Nile is based on appetite, which is difficult for negotiations, as it has no mutual benefit and conflict due to a fear. Along with their individual criticisms and threats, their efforts to secure their national interests through diplomatic jurisdiction continue.

Unmitigated National Interest

Egypt and Ethiopia’s interest over the Nile has not been reconciled. Despite several mediation processes from NBI (Nile Basin Initiatives) to AU (African Union), their case has become more related to political economy than development. The political motivation has sometimes exacerbated the diplomatic process. The actor’s role also interrupted the mediation effort. However, this motivation has not been identified for several matters. The Nile holds several interests, which vary among the basin countries as well as global power.

In line of development, both states embrace different interests. Besides, western mediation effort also further intensifies these differences. Egypt’s claim revolves around monopolizing the resource while Ethiopia assert to use the resource for development owing natural right. Western state by default support Egypt’s privilege and their role currently represent maintain the statuesque of own interest in the middle east (Yeheys Nardos hawaz and chen xi, 2020) rather than reconciling both states.

The difficulty of this mediation centered on the similar drive, which has different goal. Appetite has been behind both states effort that each carefully considers mediation than conflict over the resource. As clearly stated above, Egypt demands protecting the historical share while Ethiopia claim the natural right of using own resource for development. The role of the Appetite here brought different goals that it put Egypt at dead end while new beginning for Ethiopia.

Table1. Appetite in Egypt and Ethiopia

|  |  |  |
| --- | --- | --- |
| State | Drive | Instrument |
| Egypt | Appetite | Assertion to defend the historical water share |
| Ethiopia | Appetite | Claim the right of using the Nile for development |

Source: Author’s completion based on finding

The interest of both states is completely different. Beside Sudan has also different motive. The states do not make common ground in making mediation easier. Thus, as much as Egypt strives to preserve this historic water share, Ethiopia will also continue to realize the right of using Nile. Relations between the two countries have soured since the start of the Renaissance Dam due to this different instrument. Negotiations and diplomacy on the Nile have also intensified since then (Crisis Group, 2019).

Ethiopia’s appetite initiated with public support while Egypt’s interest has been reinforced with political motivation of water Hegemone since dominating the Nile usage and wide variety of external actors alongside the public. On the contrary, Ethiopia holds neither political motivation nor external support. Due to these facts, Ethiopia stress in nationalizing the financial sources of the dam construction aiming to avoid aid and loan conditionality and political influence. The country has long said that the issue of Africans should be judged only by Africans and in Africa in order to free from influence. Unlike Egypt, Ethiopia has always considered the Nile as a national issue. For example, the people of the country have contributed to the construction of the dam for the past decade. Some went to work site and served. Investors have bought bonds to support the construction, while others have donated. In the government’s view, the status of the dam, rather than the beginning, is a reflection of what the public has to offer. At the same time, the failure of the dam construction or oppression is morally and economically costly for the people and the country rather than for politics. This is the strongest drive behind Ethiopia.

As a result, Ethiopia's security concern relies on protecting this public property, as it is associated with public moral value. The government is thus, at the forefront of efforts to prevent the above-mentioned moral and economic collapse. However, the threat is an indirect security concern. Egypt's role in provoking, exacerbating and fueling conflict in the country has been widely reported by the government. Although the Egyptian government has not confirmed such criticism, conflicts in Ethiopia continue. The concern is that care must be taken not to delay or interrupt the construction or operation of the dam in order to prevent conflicts. Internal conflicts are coincided in delaying the construction of the dam shifting the government attention.

Like Ethiopia, political conflict and opposition also characterize Egypt. Egypt generally in defined as civil unrest and terrorism (Strachan, 2017). Nevertheless, Egyptian government has never complained to Ethiopia about these issues. Conflicts are the product of internal politics. The security concern via Ethiopia is thus linked to reduction of water share as Egypt’s foreign policy, is a well-known stratifying any development taking Nile water impose security concern on national standing of the state (Abdulrahman, 2019).

Table 2. Fear in Egypt and Ethiopia

|  |  |  |
| --- | --- | --- |
| State | Goal | Instrument |
| Egypt | Any state who use Nile impose national security threat | * Internationalize the case to impose sanction * Strengthen military cooperation |
| Ethiopia | Indirect security threat | * Strength diplomatic effort to reduce interference * Enhance military power |

Source: Author completion based on analysis

The Institutional Mediation efforts

Renaissance Dam negotiators have had many problems since its inception. For instant, the Nile basin countries are plagued by capacity constraints and executive problems. This limitation made it impossible for them to put their conversations on negotiation and agreement (Yeheys Nardos hawaz and chen xi, 2020). At the same time, the riparian countries’ activities are financed by foreign funds and could not operate on their own. The development of African countries has always been hampered via aid conditionality.

Beyond the basin initiative, the role of the western state was also had significant impact on the mediating process. International organizations have restructured their support for Ethiopia in favor of Egypt (Bank, 2013, pp. 12-13). The Trump administration had become one of the main challenges in the negotiations, with a clear show of support for Egypt. Other European countries have also offered proposals siding to Egypt (Tobias von Lossow, 2020). These events have indirectly played a role in misleading the relationship between Egypt and Ethiopia rather than the mediation.

Due to Africa’s economic crisis, political instability, and even institutional challenges, Africa continues to be a test of power. But the important thing to consider is what the interests of the negotiators are. A party that intends to reconcile two negotiating parties will not be harmed unless it adds its own benefits. Thus, the first problem was that the mediators are not neutral.

The geopolitics of Egypt and Ethiopia has challenged the major powers and institutions neutral role. As the political process unfolds, Ethiopia has previously intervened in Somalia with the support of the United States to play a leading role in the Horn of Africa politics. However, Egypt is a good friend in the fight against terrorism in North Africa and the Middle East as well. If these two countries are in critical condition, major power will be forced to prioritize the state who served their interest best. Many countries, including the United States, have given priority to treating the political crisis in the Middle East, especially as the situation in the Middle East has deteriorated after 9/11 and in the wake of the US-led invasion of Iraq and Libya. The failed campaigns in Iraq and Libya have exacerbated the situation. In case , while the political instability in Ethiopia has also played a role deteriorating diplomatic ties between the west and Ethiopia , the geographical and strategic location of the Middle East received special attention (A.Stivachtis, 2018)for U.S. attraction toward Egypt (A.Stivachtis, 2018).

Under these circumstances, the mediators rushed to maintain their own balance of power. This stems from own national interests, not from the riparian countries. Better results could be obtained if absolute diplomatic sincerity and a spirit of cooperation motivated the negotiators. Leaders and policymakers to regain the U.S. lead standing, however, echoed this demand. Ethiopia is not the right state for that matter.

In order to regain national standing the role of Egypt is highly desirable. U.S. considers Egypt is one of the main actors in this effort. Egypt’s role in the Middle East is also significant; along with its popularity in the Arab league (Selim, 2020). Thus, in an effort to redefine American reputation and prestige, the United States is easily seen in Egypt, while indirectly seeking to assert own interest over Middle East and protect Egypt’s national interests.

Table 3. The drive between the U.S. and Egypt

|  |  |  |
| --- | --- | --- |
|  | Spirit | Appetite |
| U.S. | Regain national standing and honor in middle East |  |
| Egypt |  | get support for Protection of Egypt's water share |

Source: Author compilation based on analysis

Egypt diplomatic interest with Western state has been imbedded for long time. By 2010, Egypt already had 44 diplomatic and conciliar mission in Europe and 19 in North America (El‐Kamel, 2010). Egypt seems to be realizing this by building strong relation with the Western state. The state was trying to make the issue more international by ignoring the repeated tripartite meetings, the decisions of the riparian countries and the negotiations of the African Union. However, the line of diplomacy was different as it was motivated by completely different drive. In Spirit world, power full state always stresses to assert their interest. Thus, there is no balance in their cooperation. In order to get more support weak states, operate under the strong state’s interest. Nevertheless, such bilateral relation has no impact on the third party. For example, even if Egypt tries to help the United States at the desired level, negotiations with Ethiopia will depend on Ethiopia’s willingness, not on U.S. or other pressure. However, as long as the state fit to support the interest, the spirit will support to maintain the appetite. Yet, no permanent solution is drowning from this support rather than encouraging the demands.

In other side, while the efforts of institutions to address such shortcomings are crucial, some institutions were also skeptical (Mayton, 2012). The Arab League is 100% supportive of Egypt. These intuitions were basically use their effort to maintain Egypt’s appetite. However, their impacts were less effective on the other side. The other institution is the African Union, which had been neutral in its effort as it seems dominated by reason. If AU assumes continues the negotiations, the next outcome is expected. The AU has made some promising progress so far, but for various reasons it has not been able to continue.

### Conclusion

Based on the above assumptions, theoretical analysis and hypotheses, the diplomatic tensions between Egypt and Ethiopia will continue in the normal course of events. Both states also unlikely get in to hard conflict. However, the role of mediators is also a matter of caution.

The above analysis showed the conflict between Egypt and Ethiopia is still a diplomatic confrontation. However, there is a reason why their conflict is limited to diplomatic drawbacks. The countries’ interest in the Nile does not easily lead to direct conflict. During the construction of the dam for the past decade, there has been no possibility of direct war between these states. If, as shown in the theory section, countries are under the influence of spirit, conflict may arise. However, despite the influence of the Spirit on the leaders, it has been observed that both the Egyptian and Ethiopian leaders have been cautious about the Nile. Thus, they have controlled their esteem. This shows that the spirit of both countries has no effect.

Under the influence of economy and development, efforts are being made to add more input to both Egypt and Ethiopia’s appetite. Ethiopia wants to use the dam for hydroelectric power. Egypt, on the other hand, does not want its resources to be depleted. When conflict arises, these two opposing interests are at stake. However, despite the fact that it has been suspended for the past decades, the next round of talks seems to be aimed at protecting the two countries’ resources from the effects of the conflict. The theory suggests that there is a low probability of conflict in the appetite world.

Although there is a risk of panic in both countries, it is not so divisive. However, Fear is direct, strong, and capable of instigating war. Nevertheless, fear between Ethiopia and Egypt is as different as appetite. Despite Ethiopia’s security concerns, Egypt is being accused of conspiracy. On the other hand, there have been no reports of any direct or indirect threats to Egypt’s sovereignty from Ethiopia. No matter how much Egypt supports the opposition, the conflict in Ethiopia will also continue to be internal. Therefore, Egypt’s role cannot be directly mentioned but suspicious for supporting Ethiopia’s opposition. On the contrary, Egypt’s concern is with a reduction in water levels. The economy and overall existence depend on the Nile; hence, water level is always a concern. As a result, the state associates water resources with security.

Egypt does not seem to agree with equitable share due to this concern. Nevertheless, over the past decade though, the Cairo administration has not acted beyond negotiation. In fact, there was fear that a major conflict could erupt when Ethiopia filled the dam for the first time, but Egypt only protested even after Ethiopia successfully completed the second filling. Thus, Egypt did not give any indication that the water level had decreased following the two fillings. This suggests that the role of appetite is more important than the fear among them.

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# ECONOMY & DEVELOPMENT

## Gendering Benefits and Constraints Pertinent to Urban Agriculture in Addis Ababa

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***Abstract***

*Problematizing a generalized discussion, this study aimed to analyses benefits and constraints of urban agriculture from a gender perspective in Addis Ababa. The study employed a mixed methodology approach. Data was collected using survey, focus group discussion and key informant interviews. Quantitative descriptive analysis and thematic analysis of qualitative data were used to unpack the experiences of men and women urban agriculturalists in selected three sub-cities. The results showed that men and women respondents identified food supply for the family, alternative income source and environmental related benefits of urban agriculture. The finding revealed a significant gender-based differences where women had high regard for benefits of urban agriculture. In spite of this, urban agriculturalists especially women faced various constraints: land shortage and tenure insecurity, lack of agriculture knowledge and training, agricultural labour shortage, limited access to and high price of agriculture inputs and limited credit access. Although most of the constraints were reported by both male and female respondents, the findings showed a significant gender-based differences where women agriculturalists were severely affected. Beyond assessing the different experiences of men and women urban agriculturalists, this study looked deeper into identifying underlying gendered factors. In such regard, the pertinent gendered underlying factors included gender-based division of labour, gendered assumption of agriculture activities and women’s limited representation in meetings and other activities. Thus, the study suggests that to capitalize the benefits of urban agriculture, interventions need to recognise and address gender-based differences and underlying gendered factors. Subsequently, urban agriculture can be an instrument to empower women and gender responsive.*

**Key Words:** Benefits, Constraints, Gender, Urban Agriculture

### Introduction

Regardless of its long history and multiple benefits, urban agriculture (UA hereafter) was a marginal agenda in urban development discourses (Drescher et al. 2021; van Tuijl et.al, 2018). Nevertheless, in recent decades, it has recaptured the attention of academia and policymakers. Studies elevate UA as a source of food, nutritional health, alternative income source and environmental resilience (Feola et al., 2020; Gulyas and Edmondson, 2021; Malekela and Nyomora, 2018; Skar et al., 2020; Yalew, 2020). For instance, Malekela and Nyomora (2018) reported a positive contribution of urban and peri-urban agriculture to food security in their study in Dar es Salaam city, Tanzania. Furthermore, the contribution of UA to environmental sustainability has been highly regarded giving special focus on climate resilience (Gulyas and Edmondson, 2021; Skar et al. 2020).

Despite being a newcomer to the urbanized world, Ethiopia has registered a dramatic urbanization process. The projection indicates urban population growth of 3.8 per cent per year reaching 42.3 million in 2034, which is a triple growth from 15.2 million baseline data in 2012 (World Bank, 2015). The 2018 world urbanization prospect projected the urban population of the country to increase from 21 per cent in 2018 to 39 per cent in 2050 (UN, 2018). The capital city, Addis Ababa, is a fast-developing city in Ethiopia. The population of the city is expected to reach nearly 9 million people in 2035 with approximately 4 per cent average annual growth (ibid). The city is also the economic hub of the country generating 29% of Ethiopia’s urban GDP and 20% of national urban employment (UN-Habitat, 2017).

However, Addis Ababa has suffered from different problems, including unprecedented urban population growth, inadequate provision of public services, rampant unemployment, food insecurity, a growing number of urban poor and climate change-induced problems (Yalew, 2020). The need to address these problems creates an opportunity for UA to be one of the policy agendas both at the national and the Addis Ababa city administration level (ibid). For instance, the second periodic development plan of the country, called Growth and Transformation Plan II, established UA as one means to create job opportunities (FDRE, 2016). Following the covid-19 pandemic, UA has also gained momentum at the city administration level. Nevertheless, research on the areas is still in its infancy in Ethiopia (Yalew, 2020). Particularly, gender-based different experiences of urban agriculturalists tend to be overlooked. This study, therefore, aimed to reflect on the gendered dimensions of benefits and constraints of UA in Addis Ababa city.

The remaining part of the paper is organised as follows: the second section presents the research problem. Section three discusses both conceptual and empirical literature part. Then, the fourth part discusses methodology and materials followed by the result and discussion part. Finally, the conclusion part presents insights drawn from the analysis.

In Ethiopia, UA has substantial benefits to urban development and sustainability agenda. It has contributed to food security, especially for poor urban dwellers, provision of nutritional and dietary food sources, dietary diversity, alternative sources of income and employment and urban greening and ecological resilience (Debela and Mohammed, 2020; Gebremichael et al., 2014; Yalew, 2020; Yemane et al., 2016). On the other hand, studies explore constraints of practising UA ranging from absence of /limited institutional support (Gebremichael et al., 2014; Mpofu, 2013; Yalew, 2020) to operational issues including lack of/ limited access to extension services such as provision of agricultural inputs and supportive technology and environmental pollution and land degradation (Berhanu and Akola, 2014; Debela and Mohammed, 2020; Gebremichael et al., 2014; Mpofu, 2013; Yalew, 2020; Yemane et al., 2016).

However, although the benefits and constraints of UA can vary across different groups of urban agriculturalists, it is rarely analysed. Studies regarding gender base differences are particularly lacking in Ethiopia. Arising from this observation, therefore, the purpose of this study is to contribute to the debate by analysing the benefits and constraints pertinent to UA from a gender perspective taking the case of Addis Ababa.

Consideration of gender issues is pertinent for any analysis of benefits and constraints of agriculture because gender norms and relations have remained decisive factors in shaping the lived experiences of men and women (Drucza et al., 2020; Enyew and Mihrete, 2018). In Ethiopia, a male-centric gender asymmetric relation often puts women in a disadvantaged position and condition in social, economic and political arenas (ibid). Women’s disadvantaged position and conditions are manifested in terms of discrimination and inequalities (Owusu and Wrigley-Asante, 2020). Taking into account this, a failure to look into these different experiences would contribute to worsening women’s conditions. Moreover, experiences in various parts of Africa (Cadzow and Binns 2016; Gamhewage et al., 2015; Poštek et al., 2021) including Ethiopia (Gebremichael et al., 2014) indicate the predominance of women in UA. This, in turn, necessitates considering and addressing gender issues for capitalising on the benefits of UA. Therefore, given the relevance of gender issues in Ethiopia and the presence of limited study on the subject, this study was conducted to draw insights about gender base differences, form a basis for further study and inform a gender-responsive UA policy.

The main objective of the study was to analyse the benefits and constraints of UA from a gender perspective in Addis Ababa city. The specific objectives were to assess gender-based differences in benefits of UA, to identify constraints that male and female urban agriculturalists encounter and to investigate the underlying gendered factors. Doing so, this study intended to answer twofold questions: *what benefits and constraints do men and women urban agriculturalists experience, and how does gender relations shape different experiences of men and women urban agriculturalists*.

### Methodology

#### Study Design and Data Collection

Based on the research questions and objectives, the study adopted a descriptive and an exploratory research design. The descriptive dimension addressed the ‘what’ questions while an exploratory part aimed to answer the why question (Casula et al., 2021). It employed a concurrent mixed-method approach. Hence, a triangulation of qualitative and quantitative data was used to capture the complex lived experiences of men and women in the context. Data collection involved both primary and secondary data sources. The primary data was gathered from men and women urban agriculturalists, government officials at sub-city and woreda level and field experts. Instruments to collect data included questionnaires, key informant interviews (KII), focus group discussion (FGD) and personal observation. A structured questionnaire, administered to men and women respondents, consisted of closed and open-ended questions.

KII were held with sub-city and woreda level officials related to UA and field level experts. Interviews were conducted using semi-structured questions focusing on governance and service-related issues from gender perspectives. Emerging issues and new information were explored further during interviews. Some of the interviews were recorded; however, field notes were used for interviews not recorded due to lack of consent. FGDs used to generate further information about gender dimensions of main themes such as opportunities and constraints zooming in out on gender-based differences and timely emerging issues as well. Thus, four focus group discussions (two with women and two with men) were carried out. The researcher with the help of a rapporteur facilitated FGDs and most of the discussions were tape-recorded with consent from participants. FGD guiding questions were employed while emerging issues were discussed. Moreover, the researcher conducted field observation to witness the location of plots, crop/vegetable types and other features. It included transects walk and informal discussion with farmers. The secondary data was extracted from reports, policy and strategy documents.

#### Sampling Technique and Size

The study was carried out in Addis Ababa city. The city has eleven sub-cities, where UA has been practised across all sub-cities (Gebremichael et al. 2014). However, the study focused on three purposefully selected sub-cities, namely Yeka, Nifas-Silk Lafto and Akaki Kaliti. The selection considered the prevalence of UA and their geographical location- specifically being located around expansion areas of the city. Again, from each sub-cities, two *woredas* were selected considering the abovementioned reasons.

Men and women urban agriculturalists were the main research population. Additionally, experts and government officials at sub-city levels and woreda levels participated in the study. Both probability and non-probability sampling techniques were employed to select the sample population. As to non-probability sampling, focus group discussants and key-informant interviewees were selected purposefully. FGD discussants were chosen with the help of *Woreda* level experts considering experience, age and gender. Participating in a range of eight to twelve discussants, around 46 male and female discussants took part in four FGDs. Six key informant interviews were held with agriculture extension workers (2) and sub-city and woreda officials (4).

On the other hand, for survey respondents, sample size was determined using Yemane (1967). The sample size for survey respondents was calculated at a 95% confidence level and 0.05 margin of error. Total population was 6579 and the determined sample population was 377 plus 15 contigencyi.e. 392 in total the three sub-cities. 392 sample population was derived from Yeka 118 (59 male and 59 female), Akaki Kaliti 149 (74male and 74 female) and Nifas-silk lafto 126 (63 male and 63 female). Both men and women urban agriculturalists were given equal share as gender was the interest of the study. Out of 392 distributed questionnaires, 359 (181 male and 178 female) were returned.

#### Data Analysis

Survey data was coded and entered in the statistical software package Statistical package for social scientists (SPSS version 21.0).  Descriptive statistics were employed to summarize data about benefits and constraints of UA. Moreover, Chi-square was used to show an association between benefits and opportunities and gender. To analyse the quantitative data, Statistical Package for Social Scientists (SPSS) version 20 was used. Results were presented using graphs and tables. Qualitative data consisted of recordings, transcripts of those recordings and field notes and field observations were transcribed, coded and went through thematic analysis. Steps carried out involved coding – categorizing data to differentiate and understand the phenomenon under investigation and theme development involving, searching for a theme, reviewing the theme, and defining and naming themes (Burnard, 2006). Finally, the two analyses results were presented in an integrated manner to get a nuanced understanding of discussion themes. During data collection, the researcher obtained informed consent from survey respondents, interviewees and focus group discussants. All participants were informed about their right to refuse to participate in the study or to withdraw from the study at any time.

### Literature Review

This section presents both theoretical and empirical literature. First, unpacking the concept of gendering is done to situate the study in broader prospective followed by an attempt to link UA benefits and constraints with gender.

#### Gendering

Before going into a discussion about gendering, defining gender is pertinent. For this study, gender would mean a social construction that defines and differentiates men’s and women’s roles, rights and relations. Despite variation in different social contexts, by and large, gender relations privileges men over women. Gender influences not only men’s and women’s experiences of any policy and intervention in different way but also their decision to pull resource-bases and employ strategies either to capitalise opportunities or overcome constraints.

Gendering, on the other hand, is about introducing gender, as analytical category, into the theme of analysis (Goertz and Mazur, 2008). Gendering goes beyond making a differentiation between men’s and women’s experiences to uncovering the reason behind with the intension of bring out the hidden biases and assumptions (ibid). Thus, gendering is not about inserting gender as a variable; instead, it is centring a gender perspective in the analysis with the aim of identifying rooted factors. According to Kabeer and Subrahmanian (1996), individual gender inequalities are manifestations of rooted structural inequalities. To capture these underlying factors, they proposed three distinct but interrelated categories of gender disadvantages: gender specific constraint, gender intensified constraints and imposed gender constraints. This study adopted these categorizations in order to identify the underlying factors.

First, gender-specific constraints refer to norms, values and customs which apply to women and men by virtue of their sex. Gender order embedded upon these norms, values and customs in a given society defines expected roles, rights and abilities associated with women and men. For instance, division of labour defined by gender make women to suffer from time pressure and difficulties of combining domestic responsivities with productive responsibilities (ibid).

Second, gender-intensified constraints refer to factors that affect both men and women; but, women face severe problem because of their pre-existing disadvantages. For instance, lack of access to credit may be shared by both men and women; however, women suffer in a more intensified form because of their lower economic status due to limited access to labour market and secondary breadwinner role. This means gender intensified constraints arise from gender specific constraints (ibid).

Third, imposed-gender constraints refers to interventions and organizational systems that produce inequitable outcomes for women even when they appear gender-neutral. This is because formal institutions and actors un/intentionally reinforce specific gender relations through their policies, approaches and practices. For instance, programmes that fail to consider and address the influence of gender-based division of labour may end up marginalizing women or specific groups of women (ibid).

#### Gendering Benefits and Constraints of Urban Agriculture

Not only because of the predominance of women in UA but also the relevance of gender in the lives of men and women urban agriculturalists requires a gender enquiry. Yet, it is rarely addressed. Few studies that attempted to incorporate gender and/or women’s issues tend to take gender as categorical variable or only focus on women. In the subsequent discussion, an effort is made to shade light on how gender issue can be linked with benefits and constraints identified by literature.

##### Benefits of Urban Agriculture

Literature across developing and developed world has regarded UA as alternative solution to respond social, economic and environmental problems of urban areas (cf. Gulyas and Edmondson, 2021; Malekela and Nyomora, 2018; Skar et al., 2020; Van Tuijl, et al., 2018; Yalew, 2020). Attributed to the 2007 food crisis and increasing urban poverty, food insecurity in urban areas has remained a critical problem that most urban areas face especially in the developing countries. The role of UA in enhancing urban food security especially for urban poor at micro level is elevated in literature (Malekela and Nyomora, 2018; van Tuijl et al., 2018). In Ethiopia, despite lack of study that provides evidence on the contribution of UA to food supply, Gebremichael et al. (2014) state the prominent role specific to poultry and egg, dairy products and vegetable consumption of Addis Ababa. Food in/security agenda has strong linkage with gender. This is because of the presence of more poor women i.e. ‘feminisation’ of poverty (Chopra, 2020) and women’s traditional role in providing food for their family. According to Chopra (ibid), the lives of millions of urban poor women exist at the junction of unprecedented urbanisation and growing urban poverty. Consequently, analysis of food security related benefits of UA requires a gender perspective.

The benefits of UA, which has linkage with gender, is its potential to provide an alternative livelihood base and employment opportunities, particularly for urban poor. For example, in their study in Tanzania, Kinondoni Municipality, Victor et al. (2018) found out the role of UA initiatives in generating sufficient revenue to keep a household of six members above the monetary food poverty line. Moreover, Debela and Mohammed (2020) reported that farm households got significant additional income due to their engagement in UA in Addis Ababa. Women’s concentration in the informal sector (Chopra, 2020) including UA entails to conduct a gender analysis to understand how employment benefits are materialised.

Additionally, UA can make a valuable contribution to sustainability and resilience of urban areas (Feola et al., 2020; Gulyas and Edmondson, 2021; Skar et al. 2020). Ecological benefits, which are often discussed in the context of green urban infrastructure, consist of reducing city waste as UA reuses composted waste, pollution, urban heat island, improving urban biodiversity, land conservation and urban greening (Van Tuijl, et al., 2018). Women’s experiences are highly tied with environmental and ecological services owing to gender roles and responsibilities (Agarwal, 2021), which entails extending the discussion using a gender lens.

#### Constraints of Urban Agriculture

Constraints are factors that hinders or impede agriculturalists from effective engagement in UA. A review of both theoretical and empirical literature reveals a long list of constraints using different naming such as ‘barriers’ and ‘challenges. Since contexts matter to label an issue as a barrier or an enabler, a systematic summary focusing on major themes makes the discussion fruitful. Thus, the subsequent presentation identify four categories of constraints.

First, lack of institutional and policy backup is widely reported as major constraint (Feola et al., 2020; Lin et al., 2015; Yalew, 2020). This takes in the form of restricting or banning UA (Gebremichael et. al., 2014) and failure to consider and address it in urban policy and planning (Feola et al., 2020). Studies in Ethiopia also reported constraints associated with institutional and policy related issues including weak institutional arrangements, lack of support, overlapping mandates, failure to implement policies and legal frameworks (Gebremichael et al., 2014, p. 3; Mpofu, 2013; Yalew, 2020). Leave alone when they are incapable, institutional and policy arrangements have remained contested gender arenas. Evidences show institutions and policies are gendered (Thomson, 2018). The manifestations include absence of women’s substantive representation, embedded gendered biases and prejudices, and un/intentional discriminations (ibid). Consequently, using gender lens helps to have a nuanced understanding of the effect of such constraint.

The other pressing issue that constrain UA is tenure insecurity. In urban areas where land value is rocket rising and multiple sectors compete for land, acquiring land has been the most prominent problem either under private ownership or public spaces and vacant plots (Lin et al., 2015). This, in turn, results in utilization of marginal and fragile land. Moreover, Feola et al. (2020) reported that competition from other more privileged sectors makes acquiring safe and quality soil difficult, which pushes farming to brown and polluted soil. The role of gender in influencing resource ownership such as land is well established in gender literature.

The third category of constraints is limited/absence of extension services. Extension services play a pivotal role in agricultural development (Lemma, et al., 2020); yet, accessing them for urban agriculturalists was reported a key constraint (Gaye and Touré, 2009). Existing limited studies also reported the disproportionate effect on women. For instance, Hovorka and Lee-Smith (2006) report that accessing agricultural services such as credit, agriculture inputs and training are crucial problems for women farmers.

Last but not least is environmental constraints. Environmental contamination and pollution in the form of land degradation and pollution, soil pollution and water derived from other sectors pose a challenge to UA (Feola et al., 2020). For instance, Berhanu and Akola (2014) find out that 55.9% of the challenges of UA in Debre Markos town, (Ethiopia) are associated with environmental problems including waste dumping, soil loss and loss of biodiversity. Dumping household and industrial wastes into surface water also compromise the safety in Addis Ababa (Gebremichael et al., 2014). The threat of climate change poses additional challenge to UA. In Addis Ababa, the increasing threat of flooding due to upstream erosion and solid waste dumping were reported (ibid). This is particularly pertinent to urban women in developing countries where environmental problems are serious.

Therefore, as urban agriculturalists are not homogenous groups, gender inequality persists and women are more prevalent, all these entail gender analysis in recognising and addressing constraints of UA.

### Results and Discussion

As discussed in the previous part, the main data pertaining to this study is obtained by applying a mixed methodology i.e., both quantitative and qualitative data. This section presents the findings of the study.

#### Characteristics of Study Respondents

Out of 359 survey participants, male respondents constituted 50.4% while female respondents accounted for the remaining 49.6%. Table 1 reveals that the age category between 50 and 59 years old has a higher share followed by the age category between 40 and 49 years old, 27% and 26.5% respectively. This means younger years old for women seems to dominate the demography of respondents. An overwhelming number of male survey respondents (70.3%) were married while for female respondents the share was 42.6% followed by 28.4% divorcees.

Regarding schooling experiences, respondents with primary school experience were dominant ones for both men and women 41.7% and 46.2%, respectively. 37% of survey respondents reported that they have more than 15 years of experience in UA. As table 1 shows, most of this figure came from male respondents. For women, reported experiences between 6-10 years were by 34.3% respondents and less than 5 years were by 29.2% respondents.

Table 1: Background Information of Survey Respondents

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| Background of Respondents | | Male | | Female | | Total | |
| Count | Column N (%) | Count | Column N (%) | Count | Column N (%) |
| Age | 20 – 29 | 26 | 14.6 | 27 | 15.3 | 53 | 14.9 |
| 30 – 39 | 23 | 12.9 | 56 | 31.6 | 79 | 22.3 |
| 40 – 49 | 51 | 28.7 | 43 | 24.3 | 94 | 26.5 |
| 50 – 59 | 60 | 33.7 | 36 | 20.3 | 96 | 27.0 |
| 60+ | 18 | 10.1 | 15 | 8.5 | 33 | 9.3 |
|  | 178 | 100.0 | 177 | 100.0 | 355 | 100.0 |
| Marital Status | Single | 32 | 18.6 | 28 | 15.9 | 60 | 17.2 |
| Married | 121 | 70.3 | 75 | 42.6 | 189 | 54.3 |
| Divorced | 2 | 1.2 | 50 | 28.4 | 59 | 17.0 |
| Widow/er | 17 | 9.9 | 23 | 13.1 | 40 | 11.5 |
|  | 172 | 100.0 | 176 | 100 | 348 | 100.0 |
| Education Level | No schooling | 41 | 23.4 | 51 | 30.2 | 92 | 26.7 |
| Primary school | 73 | 41.7 | 78 | 46.2 | 151 | 43.9 |
| Secondary school | 49 | 28.0 | 32 | 18.9 | 81 | 23.5 |
| Tertiary | 12 | 6.9 | 8 | 4.7 | 20 | 5.8 |
| Total | 175 | 100 | 169 | 100 | 344 | 100.0 |
| Family Size | 1-5 | 71 | 40.8 | 61 | 37.0 | 132 | 38.9 |
| 6-10 | 85 | 48.9 | 87 | 52.7 | 172 | 50.7 |
| 11+ | 18 | 10.3 | 17 | 10.3 | 35 | 10.3 |
|  | 174 | 100 | 165 | 100.0 | 339 | 100.0 |
| Agriculture Experience | <5 years | 21 | 11.9 | 52 | 29.2 | 73 | 20.6 |
| 6- 10 years | 28 | 15.9 | 61 | 34.3 | 89 | 25.1 |
| 11-15 years | 32 | 18.2 | 29 | 16.3 | 61 | 17.2 |
| > 15 years | 95 | 54.0 | 36 | 20.2 | 131 | 37.0 |
|  | 176 | 100.0 | 178 | 100.0 | 354 | 100.0 |

Source: Survey Data (2021)

#### Benefits of Urban Agriculture

76.1% and 76.0% of respondents strongly agreed and agreed, respectively, that UA is contributing to family food supply and family diet diversification. Going beyond family-related benefits, participants were asked to rate the benefits of UA to food supply for urban dwellers. The result reveals that 37.7% and 29.6% of survey respondents agreed and strongly agreed that UA benefits to urban dweller.

Table 2: Benefits of UA Disaggregated by Gender

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Benefits | Scale | Female F (%) | Male F (%) | Total F (%) | X2 (P-Value) |
| Family Food Supply | Strongly Disagree | 1(0.6) | 0 | 1 (0.3) | 25.080  (0.000)\* |
| Disagree | 5(3) | 7(3.9) | 12(3.4) |
| Moderately Agree | 19(10.6) | 56(30.9) | 75(21.8) |
| Agree | 73(42) | 52(28.9) | 125 (46.5) |
| Strongly Agree | 78(43.8) | 66(36.2) | 144 (53.5) |
| Diversifying Family Diet | Strongly Disagree | 1(0.6) | 1(0.7) | 2 (0.6) | 2.568  (0.000)\* |
| Disagree | 3(1.8) | 6(3.3) | 9(2.5) |
| Moderately Agree | 20(11.2) | 37(31.6) | 77(21.5 |
| Agree | 76(42.6) | 58(32.2) | 134(37.4) |
| Strongly Agree | 78(43.8) | 58(32.2) | 136(38) |
| Food Supply To Urban Dwellers | Strongly Disagree | 1(0.6) | 11(5.9) | 12(3) | 1.650  (0.000)\* |
| Disagree | 21(11.8) | 30(16.4) | 51(14) |
| Moderately Agree | 20(11.2) | 37(20.4) | 57(16) |
| Agree | 59(33.1) | 46(25) | 105(29) |
| Strongly Agree | 77(43.2) | 57(31.6) | 134(37) |
| Alternative Source Of Income | Strongly Disagree | 2(1.2) | 11(5.9) | 13(3.6) | 2.928  (0.000)\* |
| Disagree | 11(6) | 30(16.4) | 41(11.4) |
| Moderately Agree | 25(13.8) | 44(24.3) | 69(19.2) |
| Agree | 66(37.1) | 43(23.7) | 109(30.4) |
| Strongly Agree | 75(41.9) | 52(28.7) | 127(35.4) |
| Alternative Job Opportunity To Family Members | Strongly Disagree | 2(1.2) | 1(0.7) | 3(0.8) | 2.134  (0.000)\* |
| Disagree | 3(1.8) | 12(6.6) | 15(4.2) |
| Moderately Agree | 20(11.4) | 43(23.7) | 63(17.5) |
| Agree | 59(32.9) | 64(35.5) | 123(34.3) |
| Strongly Agree | 94(52.7) | 61(33.6) | 155(43.2) |
| Conserving and Rehabilitating The Environment | Strongly Disagree | 0 | 2(1.3) | 2(0.6) | 3.386  (0.000)\* |
| Disagree | 2(1.2) | 8(4.6) | 10(2.8) |
| Moderately Agree | 13(7.1) | 50(27.6) | 63(17.6) |
| Agree | 70(39.3) | 52(28.9) | 122(34.1) |
| Strongly Agree | 93(52.4) | 68(37.5) | 161(45.0) |

Source: Survey Data (2021); \* Significant at 5%

Although both male and female urban agriculturalists reported benefits vis-à-vis food supply and diet diversity, looking deeper into the result disclosed that high proportion came from female respondents. For instance, for the case of family food supply, 85.8% of women agreed and strongly disagreed while the percentage for men became 65.1%. The same also for diversifying the family diet where 86.4% of female agriculturalists agreed and disagreed and 64.4% of male agriculturalists agreed and strongly agreed. This difference can be associated with gender specific ones. The gender specificity may be linked with how women prioritize the safety of their families (mothering role) and their assigned food provider role based on gendered division of labour.

Regarding economic benefits, 66.8% and 77.8% of survey respondents agreed and strongly agreed that UA benefits by providing alternative sources of income and job opportunities for family members. Figure one also established that 79.0% of female respondents in comparison to 53.3% of male respondents assert that. This variation could be due to the job opportunity options that men in other sectors.

Survey respondents regarded the role of UA for environmental conservation and rehabilitation, i.e.79.7% agree and strongly agree. 91.7% of female urban agriculturalists ranked environment benefits as agreed and strongly disagreed in comparison to 66.4% of male urban agriculturalists (Figure 1). As the chi-square p-value indicated, a significant gender difference was observed.

These benefits of UA have been also reported by other researchers (Debela and Mohammed, 2020; Malekela and Nyomora, 2018) despite lacking a gender analysis. Besides, to look deeper into the relationship between these benefits and gender, an independent sample t-test result revealed that female urban agriculturalists gave high regard to the benefits of UA at a 5% level of significance. This underscores the potential paybacks of investing in UA as one strategy to address gender inequality and empower women in urban areas.

#### Constraints of Urban Agriculture and Gender

##### Access to Land and Water

The finding of the study (figure 2) established shortage of land as a key problem reported by 67.2% of survey respondents. Of this, female respondents have a high share i.e. 75.9% in comparison to men i.e. 57.1%; yet, for men, the figure is still significant.

'The government gives us a temporary permission to utilize the land temporarily. The area was unproductive for a long time and served as a dumpsite for construction wastes, which makes us to invest more money, time and labour. We worry about what if the land is taken without returning our investment. Most of our members also quitted because of the high initial cost and uncertainty of land ownership.' (Retrieved from FGD discussant)

It is also evident from the above quote that not only the problem of acquiring agricultural land but also tenure insecurity is an impediment for urban agriculturalists. Women claimed that tenure insecurity restrained them from investing their time and money in agricultural practice as stated in the preceding quote. Land related problem has been reported by other studies (cf. Gebremichael et al., 2014). Limited access to land tenure insecurity fall under the category of gender intensified constraints.

Table 3: Land and Water related Constraints of UA

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Constraints | | Female F (%) | Male F (%) | Total F(%) | X2 (P-Value) |
| Agricultural Land Shortage | Not a problem | 16(8.8) | 7(4.1) | 23(6) | 28.0361 (0.000)\* |
| Minor problem | 8(4.7) | 27(15) | 36(10) |
| Moderate problem | 19(10.6) | 42(23.8) | 61(17) |
| Major problem | 135(75.9) | 103(57.1) | 238(67) |
| Soil and Land Pollution | Not a problem | 15(8.3) | 11(6.2) | 26(7) | 19.4111  (0.000)\* |
| Minor problem | 21(11.8) | 43(24) | 64(18) |
| Moderate problem | 41(23.1) | 61(33.6) | 102(28) |
| Major problem | 101(56.8) | 66(36.3) | 16(46) |
| Lack of Water Access | Not a problem | 5(2.9) | 9(4.8) | 14(4) | 14.6035  (0.002)\* |
| Minor problem | 16(8.8) | 27(15.1) | 43(12) |
| Moderate problem | 17(9.4) | 36(19.9) | 53(15) |
| Major problem | 140(78.9) | 109(60.3) | 250(70) |
| Water Pollution | Not a problem | 9(4.8) | 11(6.2) | 20(6) | 3.3188  (0.345)\* |
| Minor problem | 38(21.4) | 49(26.9) | 87(24) |
| Moderate problem | 49(28) | 54(29.7) | 103(29) |
| Major problem | 82(45.9) | 67(37.2) | 149(42) |

Source: Survey Data (2021); \* Significant at 5%

The study recognised tap water as the main source for agricultural practices (46%) followed by rainwater (35.5%) (Figure 4). Around 70.2% of total survey respondents and 78.9% of female respondents reported water shortage as a major problem (Figure 4). The quote below highlighted the volatility of relying on tap water.

‘Despite being essential, water access is the main problem that we face, especially at this time of the year when the climate is dry. We get tap water a few days a week; thus, having a large container to store water is necessary. Otherwise we will face serious problem.’  (Retrieved from female FGD).

Figure 1: Sources of Water for Agricultural Usage

Source: Survey Data (2021)

##### Land and Water pollution

Figure 3 revealed that 47.3% of survey respondents reported that land and soil pollution problem as major constraints for their agricultural practices. Yet, the share of women respondents seems highly considerate of the problem than men respondents with 56.8% and 36.3%, respectively. Regarding water pollution, 41.9% of respondents reported it as major problem. The same gender differentiated patter exists with 45.9% male and 37.2% women.

##### Agriculture Labour

Agriculture labour shortage was reported as a major problem by 39% of survey participants. The finding established significant gender-based difference as 61.4% of women indicted as a major problem in comparison to 16.9% of their men counterparts (Table 2). It is evident from the FGD discussants below that women needed to hire additional labour especially during peak harvesting time. However, they faced problem of high cost of wage labourers.

‘Most of the activities we perform are labours and demand getting help, especially during field preparation. Particularly, for us [women], getting additional help is essential because of our shortage of time.’ (Retrieved from female FGD participants)

‘Wage labourers prefer to engage in other activities such as working in construction sites, which makes hiring labours become a challenge. High wage is also another problem.’ (Retrieved from male FGD participants)

##### Agriculture Knowledge and Training

Table 2 reveals that lack of agricultural knowledge and training access were regarded as major problems by 37.6% and 46.8% of survey respondents, respectively. However, the two constraints were reported by the majority of female respondents (65.7% lack of knowledge and 63.5% lack of training). Further investigation of the case during FGDs discovered that gap of knowledge and skill, especially about the usage of new techniques and application of inputs was the concern of young men as pointed out as follow.

‘I have been engaging in raising dairy caws for more than ten years. I never get any training except being invited for some gatherings.’ (Female FGD participant).

*Indeed, after Covid19, agricultural extension workers provide professional support; however, what I think is that it would be nice if we get formal training about how to run our farm.' (Male FGD Discussant)*

Therefore, lack of agricultural knowledge combined with lack of access to skill training limit women’s involvement in UA, which can be associated with gender intensified constraints. This means offices did not fail to provide trainings only for women; yet, the already knowledge gap due to gender make women more disadvantaged in comparison to men.

Table 4: Agriculture labour and knowledge Related Constraints of UA

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Constraints | | Male | | Female | | Total | | X2  (P-value) |
| F | % | F | % | F | % |
| Labour Shortage | Not A Problem | 44 | 24.7 | 7 | 4 | 51 | 14.4 | 83.0633 (0.001)\* |
| Minor Problem | 51 | 28.7 | 25 | 14.2 | 76 | 21.5 |
| Moderate Problem | 53 | 29.8 | 36 | 20.5 | 89 | 25.1 |
| Major Problem | 30 | 16.9 | 108 | 61.4 | 138 | 39 |
| Lack of Agriculture Knowledge | Not A Problem | 25 | 17.2 | 11 | 6.5 | 36 | 10.1 | 47.2531 (0.000)\* |
| Minor Problem | 55 | 27.6 | 23 | 13.6 | 78 | 21.9 |
| Moderate Problem | 61 | 29.7 | 47 | 14.2 | 108 | 30.3 |
| Major Problem | 37 | 25.5 | 97 | 65.7 | 134 | 37.6 |
| Lack/limited Access to Training | Not A Problem | 23 | 12.7 | 11 | 6.2 | 34 | 9.5 | 41.2355 (0.003)\* |
| Minor Problem | 42 | 23.2 | 16 | 9 | 58 | 16.2 |
| Moderate Problem | 61 | 33.7 | 38 | 21.3 | 99 | 27.6 |
| Major Problem | 55 | 30.4 | 113 | 63.5 | 168 | 46.8 |

Source: Survey Data (2021); \* Significant at 5%

##### Access to and Price of Agriculture Inputs

Access problem to agriculture inputs (seed, pesticides and fertilizers) was considered a major problem by 46.1% of survey respondents. The gender-based difference was also pronounced as the number increased to 61.3% for women (Table 3). FGD participants also reported the lack of provision of seed and pesticides from the government offices as the main challenge they face. Discussants also reported that during the Covid-19 Pandemic time, there were distributions of different inputs at the woreda level; however, it ended up being a one-time event. This inconsistence make farmers to buy from the marker, which, in turn, exposes them to a higher cost of production. Table three illustrates more than half of the survey respondents reported high prices as a serious problem. The following quote also highlights how lack of access to inputs created a problem for farmers.

‘Before the change of government [prior 2008E.C.], the city administration did not recognize our [farmers] existence let alone providing inputs. As a result, I searched for a way to get from adjacent Oromia Zones. Since I was not officially registered, getting it legally was unthinkable and costs more money higher than the actual price.’ (Retrieved from male FGD discussants).

##### Access to Credit

Getting access to credit is seen as a major constraint by most respondents; yet, the finding established a significant gender-based difference. The majority of female urban agriculturalists i.e. 67.2% identified lack of credit access as a major problem against 23.7% of their male counterparts. Both male and female FGD participants expressed their financial challenges to purchase agricultural inputs. Women, specifically, claimed that they would desire to upgrade and specialise agriculture. However, their financial incapability blocks them from doing so. Information from woreda’s official confirmed the availability of the service despite its inconsistency. The observation of the official was also lack of interest to use credit service by women. A further probe of the case during FGD identified fear of taking risks and lack of information as the reason behind low participation of women. Lack of credit access, therefore, means that urban agriculturalists, specifically women, may unable to have the finance capacity required for expanding their practice.

Table 5: Financial Capital Related Constraints of Urban Agriculture

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Constraints | Scale | Female F (%) | Male F(%) | Total %) | X2 (P-Value) |
| Access to agriculture input | Not a problem | 13(7.2) | 22(11.9) | 35(9.7) | 36.8107 (0.005)\* |
| Minor problem | 18(10.1) | 47(26) | 65(18.1) |
| Moderate problem | 38(21.4) | 57(31.2) | 95(26.5) |
| Major problem | 109(61.3) | 55(30.9) | 164(45.7) |
| High Agriculture Input Price | Not a problem | 8(4.4) | 7(4) | 15(4.2) | 7.2766 (0.067)\* |
| Minor problem | 12(6.7) | 28(15.2) | 40(11.1) |
| Moderate problem | 49(27.3) | 96(27.7) | 99(27.6) |
| Major problem | 109(61.6) | 96(53.1) | 205(57.1) |
| Access to Credit | Not a problem | 6(3.3) | 22(12.1) | 28(7.8) | 71.9700 (0.000)\* |
| Minor problem | 14(7.6) | 50(27.8) | 64(17.8) |
| Moderate problem | 39(21.9) | 66(36.4) | 105(29.2) |
| Major problem | 119(67.2) | 43(23.7) | 162(45.1) |

Source: Survey Data (2021); \* Significant at 5%

All in all, despite its benefit, UA in the study area is impeded by various constraints. Both men and women faced abovementioned constraints; however, women tended to be seriously affected.

#### Underlying Gender Factors

The above-discussed experiences of male and female urban agriculturalists are emanated from and embedded up on underlying gendered factors. Thus, this part attempts to explore such underlying factors following the conceptual framings.

##### Gender-Specific Constraints

According to traditional gender norms, women and their roles have been domesticated by assigning their role within the household while men and their roles have been aligned with the public and productive responsibilities, which is called as gender based division of labour. Table 4 reveals an embedded gender norm that assign women in the domestic arena. An overwhelming majority of respondents i.e. 80.7% identified domestic chore as the responsibilities of women followed by caring for children i.e. 62.8% of respondents. On the other hand, farmland preparation and planting nursery and seeding are identified as men's role by 61.4% and 53.8 % of respondents, respectively. Other activities were reported as performed by both men and women (Table 4).

Table 6: Gender-Based Division of Roles and Responsibilities

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Division of Labour | Men % | Women % | Both % | Neither of them % |
| Preparing farmland | 61.4 | 2.2 | 34.3 | 2.2 |
| Planting nursery/seeding | 53.8 | 2.2 | 42.2 | 1.9 |
| Applying fertilizers | 47.4 | 3.4 | 47.4 | 1.9 |
| Carrying cattle/chickens | 21.6 | 5.6 | 70.2 | 2.5 |
| Weeding | 21.7 | 3.8 | 73.0 | 1.6 |
| Applying pesticides and medicating animals | 46.9 | 2.2 | 48.7 | 2.2 |
| Buying agricultural inputs | 40.8 | 3.4 | 54.8 | .9 |
| Collecting cultivations | 26.3 | 3.5 | 69.0 | 1.3 |
| Domestic chore (cooking, cleaning, dusting and others) | 1.6 | 80.7 | 16.1 | 1.6 |
| Caring for children | 1.3 | 62.8 | 34.1 | 1.9 |
| Engaging in alternative income sources other than agriculture | 18.4 | 4.1 | 75.3 | 2.2 |

Source: Survey Data (2021)

As the data shows, non-domestic responsibilities seems to involve both men and women while the domestic and caring responsibilities still monopolized by women. Time poverty is one of critical problem derived from gendered division of labour that impede women’s aspiration to expand their engagement in UA. Yet, it is hardly considered in organisational planning and implementation in UA. Time poverty has been crucial debate in gender and feminist literature (Agrawal, 2021).

##### Gender-Intensified Constraints

Underlying factors that result in differentiation between men and women from a similar constraints are called gender intensified constraints. Thus, for the abovementioned constraints such as land tenure insecurity, lack of access to or high price of agricultural inputs and land and water pollution and labour shortage, framing agriculture as masculine domain identified as underlying factor. Participation in agriculture decision making is used as one of the manifestation for such framing. Traditionally, gendered norms and informal institutions define who decides on what issues often in favour of men. Consequently, women’s participation in decision making has been considered as determinant factor for their empowerment. Given changing gender norms in urban areas, one could expect a changing pattern in decision making. However, the study revealed that men’s role in decision making was significant as illustrated by figure 5. Survey respondents reported that decision on types of crop/vegetable to be cultivated (55.1%) and decision on raising animals (54.5%) are dominantly made by men.

Nevertheless, the difference between men-only and women-only decision making experience is very crucial as well as troubling especially associated with prevalence of women in UA. Decision making process particularly related with agricultural practice is influenced by the knowledge and information one has. Hence, women’s limited knowledge and lack of access to training about agriculture reported in the previous part may contribute to this outcome. Indeed, the knowledge gap of women could arise from gender socialisation; but, lack of access to training make the problem to persist.

Figure 2: Agriculture Related Decision Making

Source: Survey Data (2021)

Moreover, the conception of agriculture as men’s job and the nature of farming activities could make agriculture labour gendered and a determinant factor for most women agriculturalists. As indicated in the following quotes, women described their engagement in agriculture as stepping into men's domain.

‘I don’t want to limit myself to the domestic arena. When I start working, my husband discouraged me saying farming was not my thing. But my engagement, at least, helps me to provide fresh vegetables to my kids’ (Retrieved from Female FGD discussants)

##### Imposed Gender Constraints

These underlying gendered factors are associated with formal organisation and actors intentionally or unintentionally gendered biases and stereotypes that reinforce gender inequalities and discriminations. An attempt was made to understand the relationship between women and men with responsible government workers. Table 5 clearly illustrates women’s representation in public meetings and gatherings remains low in comparison to their men counterparts. Slightly higher than half of the respondents (56.6%) reported that men dominantly take part in meetings and gatherings. Representation of women and men while agendas are set and decisions are made becomes a crucial stage to ensure consideration of their different needs and priorities. The failure of involving women makes the sector of UA gender blind or biased. Discussion with extension workers and woreda and sub-city leaders and officials also reported as dominated by men i.e. 60.1% and 61.9% respectively.

Table 7: Meeting Representation and Discussion

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | Often Men Row % | Often Women Row % | Both  Row % | Neither of them Row % |
| Participation in Public Meetings and Gathering | 56.6 | 5.0 | 36.6 | 1.9 |
| Discussing with Extension Workers | 60.1 | 4.7 | 32.4 | 2.8 |
| Discussion with Woreda and Sub City leaders and officials | 61.9 | 4.0 | 31.0 | 3.1 |

Source: Survey Data (2021)

### Conclusion

The study problematized generalizing benefits and constraints of UA because urban agriculturalists are heterogeneous groups based on different social lines such as gender. Gender inequality has become a persistent problem, especially in the developing world. Ethiopia is no exception to this (Drucza et al., 2020; Enyew and Mihrete, 2018). Like any sector, UA cannot be gender-neutral. Yet, despite women’s high involvement, gender is rarely discussed in UA in Ethiopia. The main object of this study, thus, was to analyze the benefits and constraints of urban agriculture from a gender perspective in Addis Ababa. The study established various benefits of UA in the study including food supply to family and urban dwellers, alternative sources of income to the family and environmental conservation. Although both men and women reported benefits of UA, women claimed more benefits than their men counterparts. However, urban agriculturalists faced various constraints as the findings of the study showed. Constraints include land shortage and land tenure insecurity, shortage of agriculture labour, limited access to and the high price of agriculture input, and limited access to water, training and credit service. In most cases, these constraints were highly pronounced among women.

Following Kabeer and Subrahmanian (1996) proposal, the study attempted to identify underlying factors that shape men’s and women’s experiences. Regarding gender-specific constraints, the study analysed gender-based division of labour. The findings revealed not only the monopoly of women over caregiving and housekeeping roles but also the expansion of their role outside the home letting them suffer from time deprivation. The time poverty combined with economic incapability restricted women’s ability from taking advantage of urban agriculture benefits.

Another constraint falls under gender-imposed constraints is that the norm that defines urban agriculture as men-domain. To assess this, the participation of men and women in decision making was assessed and the results indicated men's monopoly in most cases. When the change happened, it is often directed to a joint decision-making process. Moreover, constraints that fall under this category involve land ownership, access to and high agricultural inputs, shortage of agriculture labour, lack of agriculture knowledge and land and water pollution. Both men and women may face these problems despite their difference; yet, the effect may disproportionately and deeply affect women because of these underlying assumptions.

The last one is imposed-gender constraints, which are associated with formal organisations, institutions and actors. Representation of men and women reflects gender norms regarding their participation and involvement in the public policy arena. Thus, the study looked at the representation of men and women to get an overview of the interaction between relevant organisations and actors with urban agriculturalists. The findings showed that participation in public meetings and discussions with extension workers and with woreda and sub-city leaders and officials were dominated by men.

Therefore, the study concluded that, despite having a high regard for the benefits of UA, women are disproportionally affected by the constraints of UA, even when some of the constraints were reported by men due to the underlying gendered factors. To use UA as a potential to instrumentalise women empowerment and gender equity interventions, due attention should be given to gender responsiveness of any interventions. This means interventions designed to overcome constraints should go beyond surface-level differences to address underlying gender factors. For instance, training need not only to be tailored made but also to take into consideration the practical and strategic gender needs of women such as their time deprivation and the challenge of their home.

In a broader context, the study suggests that gendering i.e. centring a gender perspective in the analysis is of crucial importance to have a nuanced understanding of the benefits and constraints of urban agriculture. Gendering urban agriculture in general and benefits and constraints, in particular, is not gender-based differentiation per se, it looks deeper into rooted factors that shape the experiences of men and women in urban agriculture. However, as gender is a socially bounded notion, the precise gendered nature of benefits and constraints needs a contextual analysis.

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## An Estimated DSGE Model of Fiscal and Monetary Policy Interactions in Ethiopia

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# *Abstract*

*Ethiopia has managed to maintain high economic growth and to lessen poverty but is still struggling with macroeconomic imbalance, inflation, and budget deficits. The challenges of Ethiopia's long-standing unconsolidated macroeconomic problems are the result of a lack of interaction among the country's fiscal and monetary policymakers. It is critical to investigate and simulate the effects and factors that policy shocks have on Ethiopia's macroeconomic process. The purpose of this study is to build a calibrated version of a Dynamic Stochastic General Equilibrium model for Ethiopia in order to investigate the effects of fiscal and monetary policy interactions on macroeconomic variables. The study will provide avenues for effective policy formulation and implementation. On quarterly data from 1990 to 2019, a small-scale open economy model and the Bayesian estimation approach were used for analysis. The study's results illustrate the interaction between fiscal and monetary policy, as well as the relationship between policies and macroeconomic variables. The findings are consistent with the existing literature, and the posterior distribution indicates that the data is informative. In combination with interest rates, government expansionary fiscal strategy tends to control debt accumulation in the economy. Productivity, world output, and government expenditure shocks have a positive impact on the economy's output level. Also, inflation in the economy is rising because of world output, cost-push, and government revenue shocks. Monetary authorities raise interest rates in response to a cost push shock to keep inflation under control. Overall, the decisions of the fiscal and monetary authorities interact each other as well as they have influence on macroeconomic variables. Hence, in Ethiopia, the synchronization and interaction of fiscal policy and monetary laws are critical in policy formulation.*

Keywords: Ethiopia, fiscal policy and monetary policy interactions, DSGE model

JEL Classification: E52, E62, E63, H3, O23

### Introduction

Ethiopia has maintained high economic growth with an average growth rate of 10.5% from 2004-2018 (WB, WDI, 2020). Substantial progress in reducing poverty and improving social indicators has also been noteworthy. Furthermore, real Gross Domestic Product (GDP) was growing by 9% in 2018/19, driven by manufacturing and service sectors. However, the export performance of goods remained weak and foreign exchange shortages persisted. Appropriately targeted public investment and debt containment policies have contributed to a further narrowing of the current account deficit to 4.5% of GDP in 2018/19 and a reduction of national debt to 56.8% of GDP in 2018/19. The rapid economic growth combined with increasing money supply due to fiscal deficits spiral inflation (Alemayehu and Kibrom, 2011; MoFED, 2000). Furthermore, inflation remained high, largely due to higher food prices. The uneven price increases also resulted in lower profitability, higher production costs and a low international competitiveness (WB, WDI, 2013). While revenues came in below target, cuts in expenditure contained the fiscal deficit to 2.5% of GDP in 2019 (IMF, 2020b).

In 2019, the government of Ethiopia announced a Homegrown Economic Reform Agenda[[1]](#footnote-1) consisting of a combination of macroeconomic, structural, and sectoral policies to address vulnerabilities and tackle structural bottlenecks that inhibit the activity of the private sector. In 2019/20, the macroeconomic policy measures envisaged under the Homegrown Economic Reform Agenda to address macroeconomic imbalances, debt vulnerabilities and inflation alter the slower real GDP growth of 6.2% in 2019/20. However, public expenditure restrictions and tighter monetary policy contributes to a gradual reduction in inflation. By the end of 2019/20, foreign exchange reserves improved to around US$ 4 billion, enough to cover two months of prospective imports due to higher external funding flows (IMF, 2020b).

Figures 3.1 and Figure 3.2 illustrate the Ethiopia's fiscal conditions over recent decades. Figure 3.1 shows that government spending has grown by an average of 22.4% and government revenue by 21.4% per annum from 2005 to 2020 (IMF, 2020a). Moreover, Figure 3.2 shows that in 2019, Ethiopia recorded a government budget deficit equal to 2.5% of the GDP of the country. Ethiopia's government budget deficit averaged 3.24% of GDP from 1990 to 2019. The budget reaches an all-time high surplus of 6.6% of GDP in 2003 and a record low deficit of 8.9% of GDP in 2000. Furthermore, Ethiopia's government budget deficit reaches 4% of GDP in 2020 (Trading Economics, 2020).

Source: IMF (2020a)

Figure .: Government expenditure and government revenue

In Figure 3.2, it is indicated that Ethiopia recorded 57% of the country's GDP in 2019 as government debt. Government GDP to debt ratio in Ethiopia amounted to an average of 35.3% between 1991 and 2019 and a record low of 24.7% in 1997, reaching an all-time high of 60% in 2018. Ethiopia could reach 63% of government debt to GDP by the end of 2020 (Trading Economics, 2020). Worse, the debt trajectory is rising, and without fiscal reforms, there is no room for stabilization. Ethiopia's inflation rate is rising from 1.7% in 2002 to 17.8% in 2003 and 44.4% in 2008, and has been averaging 15.3% from 2003 to 2016 (IMF, 2018). Following two years of single-digit inflation, in 2011 prices rose by 33.3%, which could be due to the devaluation of the Ethiopian Birr (ETB) in 2010

Source: Trading economics (2020)

Figure .: Gross debt, budget deficit, and inflation

In recent years, Ethiopia has faced worsening economic growth, inflation, and budget deficits. The long-lasting deteriorating and unconsolidated macroeconomic problems are the causes in Ethiopia's policies disagreement. The inconsistency among fiscal and monetary authorities over budget deficits, CB's borrowing, etc. are driving the debate on the extent of interactions[[2]](#footnote-2) between fiscal and monetary policy. According to Fragetta and Kirsanova (2010), if fiscal targets differ from monetary targets, it leads to a conflict between monetary and fiscal authorities, and the outcome of this conflict is heavily influenced by the leadership structure of the game between the two authorities. An appropriate choice of targets for the authorities can help to avoid or mitigate a fight.

Fiscal and monetary policy play an important role in influencing macroeconomic variables. Yet, government spending, revenue choices and frequent intervention by CBs may undermine the effectiveness of policies (Peter, Harald and Helmut, 2006; Edison, 1982). One of the priorities of economists and policymakers has always been the effects of fiscal and monetary policy shocks on macroeconomic variables. For a long time, policies have been used extensively to stabilize the economy and to promote more effective, fairer, and equitable societies, represented by different types of tax rates, public expenditures, money supply and interest rates. Economists and academia, however, have not yet reached consensus on the macroeconomic impacts of fiscal and monetary policy interactions (e.g., Afonso, Alves and Balhote, 2019).

Literature on the effect of fiscal and monetary policy interaction on macroeconomic operations in several cases assumes a perfect system of the market economy in their studies. In least developed countries like Ethiopia, however, the government sector plays an enormous role in influencing the economy through fiscal and monetary policies, and the policies are important tools for stabilizing the business cycle. Ethiopia's economy is a mixed and transition economy with a large public sector. It is critical to investigate the effects and factors that policy shocks have on Ethiopia's macroeconomic process. This study applies the Dynamic Stochastic General Equilibrium (DSGE) model on fiscal and monetary policies to simulate the impact of policy measures on key macroeconomic variables of the Ethiopian economy.

Although the DSGE model has had a rapid and noticeable success, its application for Ethiopia's fiscal and monetary policy assessments is still immature. The purpose of this research is to examine the effect of interactions between fiscal and monetary policy, on macroeconomic variables through a version of the DSGE model calibrated for Ethiopia. Even though the menu of choices of fiscal and monetary policy combinations are theoretically available, the empirical analysis in this study has a paramount importance to choose a beneficial policy option in the Ethiopian economy. This study also enables us to evaluate significant structural parameters and unobserved shocks, and it assists to understand the mechanisms of transmission. Furthermore, the goal of this study's use of the DSGE model for fiscal and monetary policy interactions in Ethiopia is to investigate avenues for effective policy formulation and implementation.

### Methodology

#### Data and Variables

The analysis is conducted based on a seasonally adjusted quarterly time series data acquired from the NBE, the World Bank’s World Development Indicators and the International Monetary Fund for different indicators of the economy from 1990: q1 to 2019:q4.

The DSGE model parameters are determined based on the data collected. The calibration method is additionally used to determine the value of parameters based on existing literature. Furthermore, the steady state of variables is calculated using the 1990:q1 to 2019:q4 time series data of the Ethiopian economy. Table 3.1 lists the variables in this study with their different units of measurement, and provides definitions according to Salvatore (2013), Mankiw (2013), Dornbusch, Fischer and Startz (2011), and Romer (2012):

Table : Description of Variables

|  |  |  |
| --- | --- | --- |
| Variable | Description | Measurement Unit |
| Real GDP () | The quantitative value of economic output | Currency[[3]](#footnote-3) |
| Inflation () | A sustainable increase in the general/average price level of goods and service over a period of time. | % |
| Interest rate () | The amount of [interest](https://en.wikipedia.org/wiki/Interest) due per period, as a proportion of the amount lent, deposited, or borrowed. | % |
| Government Expenditure to GDP ratio () | All government consumption, investment, and transfer payments to GDP | % |
| Government Tax Revenue to GDP ratio () | Money received by a [government](https://en.wikipedia.org/wiki/Government) from [tax](https://en.wikipedia.org/wiki/Taxation) [sources](https://en.wikipedia.org/wiki/Non-tax_revenue) to GDP. | % |
| Government Debt () | An amount of money owed by a person, firm or government (the borrower) to a lender. | Currency |
| Natural level of output () | The maximum output that can be sustained over a long period of time. | Currency |
| Natural level of interest rate () | The rate that promotes the economy to its highest production while maintaining constant inflation. | % |
| Debt to GDP ratio () | An amount of money owed by a person, firm or government (the borrower) to a lender to GDP. | % |

#### Model Specification

As presented in Table 3.2, the SOE model is used in this study has five agents’ decision, five observable variables, three unobservable variables and six exogenous disturbances that influence the system's stochastic behavior. The SOE DSGE model of this study is based on Gali and Monacelli (2005), Fragetta and Kirsanova (2010), Ortiz et al. (2009), Fialho and Portugal (2005).

Table : The SOE New Keynesian DSGE model of this study

|  |  |  |  |
| --- | --- | --- | --- |
| Decision of agents | Observable variables | Unobservable variables | Shocks |
| Forward-looking IS curve | Output | Domestic debt stocks | Total factor productivity (technology) |
| Hybrid Phillips’s curve | Inflation | Natural level of output | World (foreign) output |
| Monetary policy rules | Nominal interest rate | Natural level of interest rates | Mark-up (inflation) |
| Fiscal policy rules | Tax revenue to GDP ratio |  | Monetary policy (interest rate) |
| Government solvency constraint | Spending to GDP ratio |  | Tax/revenue |
|  |  |  | Spending/expenditure |

Source: Own Drawing

##### Households

We assume a representative HH with the aim to maximize the expected discounted value of lifetime utility:

Where, is the HH’s discount rate, σ denotes the inverse inter-temporal elasticity of substitution in consumption, is the inverse labor supply elasticity with respect to real wage, and is the relative weight on consumption of public goods. Private consumption, government expenditure, and labor supplied are the aggregate variables in the utility function , and , respectively (Fragetta and Kirsanova, 2010).

A log-linearized IS curve can be written as follows in terms of deviations from the steady state:

Where and . The parameter denotes the elasticity of substitution between domestic and foreign[[4]](#footnote-5) goods, measures the share of domestic consumption allocated to imported goods, reflects the elasticity of substitution between goods produced in different foreign countries, and represents the degree of smoothing. The definitions of endogenous variables are: output , where denotes the steady state value of , government spending , nominal interest rate and domestic inflation . This study substitutes domestic inflation for CPI inflation by removing the import component of CPI inflation using the risk sharing condition. The GDP deflator represents domestic price, , and denotes exogenous world output, which follows the AR(1)[[5]](#footnote-6) process.

##### Firms

The derive a log-linearized open economy hybrid Phillips curve in terms of deviations from steady state as follows:

##### Monetary Policy Rules

The monetary policy reaction function used in this study is adopted from Smets and Wouters (2003, 2007) which looks as follows:

(4)

The monetary authorities use a generalized Taylor rule to gradually adjust the policy-controlled interest rate () in response to inflation and the output gap, which is defined as the difference between actual and potential output (Taylor, 1993). The parameter in equation 4 represents the degree of smoothing of interest rates. There is also short-run feedback from the change in the output gap. Furthermore, it is assumed that monetary policy shocks () follow a AR(1) process with an Independent and Identically Distributed (IID)-Normal error term: .

##### Fiscal Policy Rules

A study by Muscatelli and Tirelli (2005) considers a backward-looking form of the fiscal policy reaction function that considers fiscal policy's lagged responses to economic activity. The fiscal rules for government spending and taxation are described as follows: and . Where, and denote government spending and taxation, denotes the output gap, and denotes debt. It assumed the smoothing of fiscal instruments, as proposed by Favero and Monacelli (2005) and Forni, Monteforte, and Sessa (2009).

(5)

(6)

Where and are the degree of fiscal smoothing, and are the sensitivities of government spending and tax to the past value of the output gap, and are feedback coefficients on unobservable debt stock, and and are IID government spending and tax shocks, which represent the non-systematic component of discretionary fiscal policy or discretionary exogenous deviation. The fiscal authority has two goals, according to the government spending and tax rules described above: output stabilization and debt stabilization. The magnitude of spending and tax responsiveness to debt and output gap varies with the degree of fiscal smoothing[[6]](#footnote-7).

The government solvency constraint of fiscal constraint concludes the DSGE modelling of this study. A constraint model as explained by Fragetta and Kirsanova (2010) and Gali and Monacelli (2005) is a log-linearized government (fiscal) solvency constraint:

(7)

Where , is nominal debt stock at the beginning of the period t. The steady-state debt-to-GDP ratio is, the steady-state consumption-to-GDP ratio is , is a constant income tax rate.

#### Method of Data Analysis – Econometric Technique

There are numerous methods for estimating and testing DSGE models in the literature. These techniques are summarized as calibration, Generalized Method of Moments (GMM), full-information likelihood dependent estimation, Bayesian estimation, and minimum distance estimation in An and Schorfheide (2007), Hamilton (1994), and Koop (2003).

Following an and Schorfheide (2007) and Mancini-Griffoli (2007), this study estimates a linearized DSGE model using the Bayesian estimation technique. The Bayesian approach has many benefits over competing techniques. For instance, firstly, Bayesian estimation allows for the use of a prior distribution, which provides additional details to the estimation process. Furthermore, as reported by Mancini-Griffoli (2007), using priors in the estimation process aids in defining model parameters. Second, while GMM estimation is based on a single equation, the Bayesian approach is system based, allowing us to benefit from the general equilibrium approach's advantages (Rabanal and Rubio-Ramirez, 2005). Third, the presence of the government solvency constraint serves as a significant identifying constraint in the model, and the need to account for it precludes the use of equation-based estimation. Fourth, in small samples, a Bayesian approach outperforms GMM and maximum probability, as shown by Rabanal and Rubio-Ramirez (2005).

The estimation method, which consists of several measures, is clearly explained in Koop (2003), An and Schorfheide (2007), and Mancini-Griffoli (2007). This analysis derives a state space representation of the model from the model's reduced form solution, in which unobserved state variables are mapped into observed data. The Kalman filter[[7]](#footnote-8) is then applied to the reduced form to compute the probability function of the observed data. The probability function multiplied by the prior is then numerically optimized to obtain posterior modes. Finally, the Metropolis Hastings algorithm[[8]](#footnote-9) was used to produce a sample and estimate posterior distributions.

Structural parameters test was performed to place nonlinear restrictions. Also, the data series were gone through stationarity test (Dickey and Fuller, 1979, 1981 and Phillips and Perron, 1988).

#### Choice of Prior

To estimate the DSGE model and make it computationally usable, the parameters must be assigned a value. The calibration values used in this analysis are standard calibration values in current DSGE literature. As shown in Table 3.3, this study specifies prior distributions for each parameter

Table 3: Prior Means, Standard Deviations and Distributions

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Parameters | Description | Density | Mean | SD |
|  | Degree of Price Stickiness | Beta | 0.24 | 0.1 |
|  | Inverse Elasticity of Labour Supply | Normal | 2.0 | 0.5 |
|  | Inverse Elasticity of Substitution in Consumption Supply | Normal | 3.0 | 0.75 |
|  | Degree of Interest Rate Smoothing | Beta | 0.5 | 0.2 |
|  | Taylor Rule Coefficient on Inflation | Gamma | 1.5 | 0.5 |
|  | Taylor Rule Coefficient on Output Gap | Gamma | 0.4 | 0.2 |
|  | Degree of Govt. Spending Smoothing | Beta | 0.5 | 0.15 |
|  | Spending Coefficient on Past Output Gap | Normal | 0.0 | 0.05 |
|  | Degree of Tax Smoothing | Beta | 0.5 | 0.15 |
|  | Tax Coefficient on Past Output Gap | Normal | 0.0 | 0.05 |
|  | Spending Coefficient on Debt | Normal | -0.03 | 0.02 |
|  | Tax Coefficient on Debt | Normal | 0.03 | 0.01 |
|  | Degree of Backwardness | Beta | 0.7 | 0.1 |
|  | AR Coefficient of Technology | Beta | 0.8 | 0.1 |
|  | AR Coefficient of World Output | Beta | 0.8 | 0.1 |
|  | SD of Technology Innovation | Inv. Gamma | 1.0 | 3.0 |
|  | SD of Inflation Innovation | Inv. Gamma | 0.6 | 3.0 |
|  | SD of World Consumption Innovation | Inv. Gamma | 5.0 | 3.0 |
|  | SD of Interest Rate Innovation | Inv. Gamma | 0.4 | 3.0 |
|  | SD of Govt. Spending Innovation | Inv. Gamma | 2.0 | 3.0 |
|  | SD of Tax Innovation | Inv. Gamma | 1.0 | 3.0 |

### Results and Discussion

#### Parameter estimates

Parameter estimation results contains Bayesian estimates of model parameters in the form of point estimates of posterior means with 90 percent confidence intervals computed on 100000 draws using the Metropolis-Hastings sampling algorithm. The results and estimation findings are consistent with the standard economics literature. All parameters are estimated to differ significantly from zero. And the data is informative since the means of prior and posterior are distinct from one another.

#### Impulse Response Analysis

Numerous shocks were established and understood by economic theories. These shocks have diverse effects on various macroeconomic variables. Some have an impact on aggregate supply (e.g., technological shock), and others have an influence on aggregate demand, others still affect both instantaneously. There are also shocks that impact the nominal characteristics of the economy. This study seeks to demonstrate the effects of impulse reactions to exogenous shocks and learn how monetary and fiscal policy interact with each shock in order to spark policy debate. The Figures 3.3 to 3.8 depict the outcomes of the impulse response analysis of this study in terms of mean response. Furthermore, the section follows discusses the various effects of shocks on macroeconomic variables.

##### A Total Factor Productivity (Technology) Shock Effect

A positive productivity shock raises the amount of natural level of output in the economy, as shown in Figure 3.3. The level of domestic output deviates from the constant state due to the technological shock. Domestic output is very persistent because it does not return for up to 25 quarters to its steady state. This impact is consistent with standard economic theory and existing literature, namely that technological advancement has a positive effect on the economy's output level.

The technology shock, on the other hand, lowers the natural level of interest rates. The interest rate remains below its steady state for an extended period of time. This implies that monetary policy is expansionary as a result of a positive technological shock. The fall in actual interest rates is caused by a decrease in natural interest rates. Lower nominal interest rates lead to lower real interest rates, which stimulates the economy and causes it to produce more.

Furthermore, the amount of debt accumulation in the economy decreases as nominal interest rates decline. Following the decline in debt accumulation, the government's expansionary fiscal strategy policy interventions announced immediately.



Figure : Impulse response analysis[[9]](#footnote-10) of the effects of technological shocks

The government's fiscal and monetary policy responses to technological shock have been positive. Government expenditure varies from and is above its level of stability for many years. This implies that government spending is linked to technological shocks. As a result of a total factor productivity shock, domestic output rises. And, when the country's economy expands, government revenue rises, consequently the spending on infrastructure and welfare activities also rises. Furthermore, government revenue and business activities are affected by technological shocks. As a result of the shock, the economy's income level rises, and as a result, tax revenues rise as well.

Technological progress in Ethiopia has influence on inflation through marginal costs. Inflation falls when there is a technological shock because fewer units of raw materials are required to produce the same output. Inflation falls sharply and remains well below its long-term average for an extended period.

##### A World (Foreign) Output Shock Effect

The shock that happens in terms of foreign output, as shown in Figure 3.4, causes the higher level of output in the economy. In today's globally interconnected world, no single country is isolated from the rest of the world. Higher levels of financial integration, as well as improved communications, expose economies to external shocks. In today's globalized world, the Ethiopian economy is vulnerable to external shocks as well.



Figure : Impulse response analysis of the world output shocks

Succeeding the foreign output shock, the natural level of nominal interest rates decreases. The low nominal interest rate reduces the debt stock. Furthermore, there has been an expansionary fiscal policy, i.e., in terms of increased government spending and reduced taxes following the positive world output shocks. The government's expansionary policy affects marginal cost and inflation. As a result of a positive global output shock, prices in the international market fall. The expansion of economic activity reduces the prices of various commodities. An increase in foreign output and a decrease in the price level lowers the marginal cost of factors of production, which eventually has a negative impact on domestic inflation.

##### A Cost-Push (Inflation) Shock Effect

Immediately after the cost-push shock was effective, the economy's output level declined and did not return to a steady state for 40 quarters. This persistence state of output alteration after the shock in Ethiopia implies that the decline in output in response to the cost-push shock is excessive and persists for a long time away from the steady state. The following transmission channels may help to explain how a cost-push shock leads to a lower level of output in the economy. First, an increase in the price level reduces consumers' wealth, which alters their spending behavior. A drop in consumer purchasing power reduces demand in the economy, resulting in a decline in output. Second, higher inflationary pressures in the economy compel the CB to pursue tight monetary policy, such as rising interest rates. The cost of production rises as capital becomes more expensive due to higher interest rates. This crowds out private investment spending and reduces the economy's overall output level. Third, higher prices increase the value of the home currency, which has a negative impact on exports of goods and services. Currency appreciation dampens economic activity and, as a result, output levels fall. Fourthly, people start expending their savings when there are inflationary pressures in the economy. Reduced savings also reduce investment in the country and prevent the accumulation of capital. Long-term productivity decreases and domestic output reduces as well. In general, a higher level of cost-push shocks raises the price level and deteriorates Ethiopia's macroeconomic performance.

In response to a cost-push shock, monetary authorities raise interest rates in order to keep inflation under control. For instance, the CB of Ethiopia responded positively by raising interest rates from 5% in 2017 to 7% in 2018 as of Trading Economics (2020) in order to keep inflationary pressures in the economy. Interest rates respond actively and remain above their steady state for up to 25 quarters before returning to their steady state. The purchasing power of money decreases as the economy's prices rise. So, shortly after the cost-push shock, the CB announces a contractionary monetary policy in the form of higher interest rates to control the decline in domestic currency purchasing power and to bring the country's price stability.

The higher interest rate is expected to increase debt levels; however, the debt stock decreases due to the higher inflation effect. To normalize the level of output and debt stock, the government authorizes an expansionary fiscal policy, which entails increases in government spending and decreases in taxes. Increasing government spending is caused by inflationary pressure in the economy. Higher prices, like they do for individual consumers, reduce the government's purchasing power. Following the cost push shock, tax revenue falls below the steady state. The cost of production rises with inflation, discouraging output. If economic inflation is high and volatile, the producer increases employee wages because workers often require higher wages. Higher prices imply a decrease in purchasing power that discourages consumer spending. For consumers, goods and services are now costlier. Consequently, the increase in prices lowers output and it limits economic activity and the government's tax revenue.



Figure : Impulse response analysis of the cost-push shocks

##### A Monetary Policy (Interest Rate) Shock Effect

Interest rates, by influencing investment and saving, can have a significant impact on the rate and pattern of economic growth (Lanyi and Saracoglu, 1983). The results of this study show that domestic output reacts negatively to monetary policy shocks. The Ethiopian CB's tight monetary policy, i.e., high interest rate, reduces domestic output. The high level of negative response of output to monetary shock suggests that nominal rigidity in Ethiopia is not persistent. If prices were sticky, output would not react as quickly to monetary shocks, which means that Ethiopia's price levels are flexible. One of the policy implications for flexible prices is the decline in policy role and efficiency in a more volatile price environment. The second policy involves changes in the behavior of the interest rate. The reform of monetary policy is critical because the Ethiopian CB's decision on interest rate has serious effects on investment, accumulation of capital and economic activities of the country.



Figure : Impulse response analysis of the monetary policy shocks

The discussion that follows demonstrates how inflation reacts to monetary policy shocks. Inflation, according to the impulse response function, falls significantly as a result of a monetary policy shock. When the economy is hit by a monetary policy shock, inflation falls and remains below its steady-state level for a sufficiently long period of time. Figure 3.6 shows that inflation never returns to its pre-crisis level for up to 25 quarters. This implies that the CB of Ethiopia's tight monetary policy is effective in controlling inflation in the country.

The higher the interest rate, the more debt is accumulated. To normalize and stabilize debt accumulation, the government pursues fiscal and monetary policy strategies. In order to control the excess expenditure of the government, the Ethiopian CB maintains a tight monetary policy with high interest rates. The analysis shows that CB policy works to some extent to limit government expenditure. Monetary policy has the greatest influence on aggregate demand, and government spending is well understood to be an important component of the aggregate equation for demand. Then, taxes respond to monetary policy shocks in a significant way. Contractionary monetary policy, be it reduced money or higher interest rates, increases business costs, and discourages economic activity by overwhelming private investment. The Ethiopian CB raises interest rates and reduces credit to combat inflationary pressures in the economy. Companies find it harder to get easy and low-cost loans to stop economic activity. The costs of business feelings are increasing and as a result, production and government revenues are decreasing. A higher interest rate encourages consumers to save. Eventually, slower economic activity reduces government tax revenues.

##### An Expenditure Shock Effect

In this section, we look at how domestic output reacts to government spending shocks. The government spends money on infrastructure development, making public investments and on goods and services. Aside from these expenses, the government spends money on transfer payments. Individuals' purchasing power and availability of funds are increased as a result of transfer payments. People spend more as they receive more money in the form of transfer payments. Expenditure by government stimulates economic activity and affects growth. Then domestic product expands and remains above its steady state level, in response to a government spending shock. According to Keynesian economics, increased government spending raises aggregate demand and consumption, resulting in increased output and a faster recovery from recessions. In contrast, increased government spending, according to Classical economists, exacerbates an economic contraction by shifting resources from the private to the public sectors (Tucker, 2012). To end, the crowding out of private investment may limit the economic growth generated by the initial increase in government spending (Mankiw, 2014). In order to finance less productive activity, the government uses resources from a more productive sector. At first, therefore, government expenditure optimizes output, but then decreases as a result of misallocation. This involves significant domestic output volatility due to fiscal shocks, both increased expenditure and increased taxes. The impact of the nominal changes on real variables and the impacts of political intervention are known to be reduced by volatility in the country.

This segment examines Ethiopia's inflationary response to a government spending shock. When the level of spending shock rises, the level of domestic inflation falls below its steady-state level. One possible explanation for price decline is the positive impact of government spending on output. The findings of this study also show that as government spending increases, so does output. With increased availability of goods and services, the economy's inflation rate falls.

Due to inflation, monetary authorities raise interest rates. As interest rates and government spending rise, so does the debt stock. A positive increase in government income would normalize the increased debt stock. The section follows discusses the negative reaction of tax revenues to government spending shock. Government spending in this case is accompanied by a high interest rate and a strict tax regime.

Furthermore, government spending raises the budget deficit and interest rates. As government spending increases, so does the government's debt. This raises interest rates, which in turn raises the cost of capital. With rising interest rates, investment is crowded out and, as a result, productivity activities decline. Slower economic activity reduces tax revenue as well. According to the findings of this study, the response of tax revenue to government spending shocks is significant.



Figure : Impulse Response Analysis of The Government Expenditure Shocks

##### A Tax Revenue Shock Effect

Because of the higher tax revenue shock, the level of output falls. Domestic output falls at first and remains below its steady state for a short time. After eight quarters, output returns to a steady state and rises for twelve quarters before dying out again. Tax revenue shocks affect output via a variety of transmission channels. The legitimate economic and business costs of higher taxation include like price rate is higher by higher taxes. Higher prices discourage production and leads to lower output. More taxes deter labor supply and the incentive for employees to work and earn more is lower. In addition, fiscal shocks distort price signals and force rational agents to replace low-taxed commodities. Increased taxes likewise dissuade producers from investing and accumulating capital. This implies that fiscal shocks are hampering economic growth and bringing down domestic output.

Interest rates rise and remain above their steady-state level for an extended period of time. Monetary policy's response is extremely persistent. In this case, in conjunction with higher tax rates, the Ethiopian CB raises interest rate. This means that fiscal and monetary authorities are pursuing contractionary policies and taking independent decisions which should not occur. If Ethiopian fiscal policymakers pursue a tight fiscal policy, the monetary policy must follow suit. Because higher interest rates and higher taxes both have an impact on the country's macroeconomic performance, fiscal and monetary policy coordination is possible.



Figure : Impulse Response Analysis of the Tax Revenue Shocks

Due to the positive changes in tax revenue shocks, marginal cost shift in a positive direction. As a result of the increase in marginal cost, inflation rises. Figure 3.7 depicts how tax revenue shocks cause the economy's price level to rise. Inflation strongly responds to fiscal shocks, remaining above the level of the steady state. The response is also very persistent, as long as there is a positive tax shock. An increase in taxes increases production cost, so that usually producer taxes are shifted to ultimate consumers through the inclusion of price charging and, in turn, the economic price level is pressured upwards. As a result, when a tax shock hits the economy, the price level rises.

Monetary authorities raise interest rates in reaction to inflation and tax revenue shocks. The rise in taxes and inflation both minimize the accumulation of debt in the economy by outweighing the effect of nominal interest rate on debt. What has been observed here are the synchronization effects of tight fiscal and monetary policy with in the economy. The following is the government's response to tax revenue shocks. Figure 3.8 shows that in response to a positive tax shock, the government increases public spending. As tax revenues rise, the government has more resources to make the financing of its projects and ongoing programs easier and more feasible. This implies the additional pressure to raise the government's tax income to increase public expenditure. It means that state expenditures are elastic and react to tax revenue changes.

### Conclusion and Policy Implications

Policies such as tax rates, public expenditures, money supply, and interest rates have been widely used to stabilize the economy and promote more effective, fairer, and equitable societies. However, economists and academics have yet to reach an agreement on the macroeconomic effects of fiscal and monetary policy interactions. The purpose of this study is to investigate the effect of interactions between fiscal and monetary policies using a DSGE model calibrated for Ethiopia. The aim of using the DSGE model for fiscal and monetary policy interactions in Ethiopia is to look for ways to enhance policy formulation and implementation. The study is based on seasonally adjusted quarterly secondary time series data for various economic indicators from 1990: q1 to 2019:q4. To position nonlinear constraints, structural parameters were tested. Furthermore, the data series were subjected to a stationarity inspection. The data is instructive since the means of prior and posterior are distinct from one another. All the results in this study are consistent with what the economic theory suggests. The government's expansionary fiscal strategy, combined with interest rates, tends to control the economy's debt accumulation. Furthermore, the relationships between fiscal and monetary policy decide the degree of output and inflation. The productivity, the world output and government expenditure shocks influence the output level in the Ethiopian economy positively.

On the other hand, the world output, cost-push, and government revenue shocks are increasing the level of inflation in the economy. In response to a cost-push shock, monetary authorities in Ethiopia raise interest rates in order to keep inflation under control. The higher interest rate is expected to increase debt levels; however, the debt stock is decreased due to the higher inflationary effect. Any efforts of the fiscal and monetary authorities have a joint impact on macroeconomic variables. The effect of fiscal policy actions on macroeconomic variables are essentially consolidated by monetary policy. Fiscal and monetary policy relations are notable for maintaining greater macroeconomic balance in the economy. For policy formulation and intervention, policymakers must consolidate, coordinate, and engage the fiscal and monetary policy instantaneously.

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## Asymmetric Power Relations Dominated by Global Capital and Labor Rights Abuses in Multinational Apparel Exporting Firms in Ethiopia

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***Abstract***

*In the current context of economic globalization, cost and speed of delivery have increasingly become the underlying maxims of the global apparel value chain. Accordingly, global apparel brands monopolize the decision-making process during price and lead time negotiations by putting price and time pressures over their supplier factories in late-industrializing countries of sub-Saharan Africa. Yet, scholarship on the implications of the hypercompetitive nature of the global apparel transaction on the labor rights of local industrial workers is rare. Hence, this article argues that global brand-motivated low prices and shortened time period for production and delivery of goods to high street retail stores have contributed to labor rights abuses in the late-industrializing countries such as Ethiopia. Using qualitative empirical data, the article attempts to address the research gap and contribute to the existing debate by examining why and how the predominantly flawed nature of corporate-led CSR initiatives of global apparel brands has hampered the growing global solidarity for compliance with labor standards. This study examined the purchasing practices of two leading global brands and three apparel exporting firms operating in Ethiopia and their impact on labour rights by taking a human rights approach. As the finding revealed, global brand buyers put downward price and time pressures against the apparel supplying firms under enquiry. These pressures, in turn, could squeeze each employing firms to negotiate the minimum labor standards of the local industrial workers. Besides, brands' poor plannings and delayed payments contributed to the persistent poverty wages, highly suppressive labour practices, denial of associational rights, violations of overtime and safety standards by the individual exporting firms. Unless there is an imperative towards a viable global economic governance, existing corporate-led labour compliance management mechanisms of both the global apparel brands and individual supplying factories will further deteriorate the country's fragile labour rights context.*

**Keywords:** Economic Globalization, Corporate Social Responsibility (CSR), Apparel Value Chain, labour abuse, Ethiopia

### Introduction

#### Economic Globalization: Systematic Disempowerment of Workers?

The implication of economic globalization on the labour compliance of multinational companies operating, particularly in the late-industrializing countries of the Global South such as Ethiopia, has increasingly been topical. Advocates of the law of market argument, such as the World Bank, IMF, and the WTO, emphasize that a deregulated and flexible labour policy is instrumental in improving labour efficiency and productivity and harmonizing industrial labour relations (Friedman 1982; Smith, 2014:873). As such, labour market flexibility is critical for developing countries to attract foreign direct investment, create jobs, transfer technology, and upgrade skills critical to industrial catch-up.

Indeed, as explained by Friedman (1982), it is impossible to overlook the instrumentality of globalization as a wake-up call for multinational companies, national governments, and individuals to facilitate skill and technological upgrading. This is an enabling policy imperative for the efficiency or productivity of multinational firms in an ever-competitive nature of the global economy (Evenett 1999; Osland 2003). Hence, as Osland (2003) and Evenett (1999) explained, economic globalization facilitates exchanging skills, technology, knowledge, and industrial culture. This, in turn, would help countries and firms to facilitate the technological capability and efficiency of their labour force. Nevertheless, these authors' argument overlooked the huge capacity limitations (ideological, policy, institutional, financial, and human resource management) of investment recipient countries of the Global South to exploit the above upgrading potentials of economic globalization effectively.

As cogently explained by Hahn and Narjoko (2013: Viii), the above upgrading opportunities of economic globalization could materialize if only if countries have an active industrial policy that facilitates the development of their human capital using various vocational skills training and skill upgrading mechanisms. Equally important to technology and skill upgrading, the quest for sound national social protection policy is indispensable to ensure the well-being of the society, particularly of the working poor (Hahn & Narjoko 2013: Viii). Nevertheless, the ideological and actual industrial policy contexts of most late-industrializing countries of Sub-Sahara Africa, such as Ethiopia, are weak. As a result, these supposed benefits from industrialization based on FDI have failed to materialize. Let alone exploiting the upgrading potentials of economic globalization, industrial and labour policymaking of the late-comer economies have failed to respond to the social upgrading challenges of economic globalization.

Advocates of the above market-led argument on industrialization could not comprehensively address the industrial development policy challenges. First of all, their reductionist conception of human labour as a commodity to be exchanged in the marketplace ignores the fact that humans beings are free, rational, and dignified actors with inalienable rights who should be treated with dignity (Kaufman 2005; Compa 2000). Second, their argument, that contractual agreements between employees and employers are conducted freely and without duress, disregarding the fact that the power relations between an employee and employer are unequal. Hence, the freedom of labour contract between the two could not guarantee the employee fair wages and other enabling working conditions (Mehari 2015:21).

As an alternative to the market-led explanations of economic globalization, there emerged a human development or the rights approach in labour relations in capitalist firms whose primary motivation is profit-making. The human well-being argument rests on the underlying claim that market competition is only an aspect of human relations. Hence, it could not sufficiently address human values and sustainable development (Smith 2014:873). The proponents of the human well-being argument emphasize promoting democracy, human rights, global solidarity, human-centred development, and global compliance to universal labour and environmental standards. These universal human-centred and sustainable development values are usually defended by human and labour rights organizations, consumer activisms, independent trade unions, and other relevant stakeholders. These initiatives towards universal labour, social and environmental standards are supported by the United Nations and its affiliated agencies. However, the UN and its affiliated agencies are weaker institutions than their neo-classical counterparts, such as WB, IMF, and the WTO. The following paragraphs Summarize the major premises of critical literature for an argument against the cold currents of economic globalization on the well-being of workers, particularly in countries of the Global South.

#### The Global Apparel Sector: Asymmetrical Power Relations and Labour Abuse

The global apparel supply chain is characterized by complex supply chains that often stretch across several countries. Multinational apparel-led brands emphasize costs and speed to maximize their profits in a highly competitive global economy. Headquartered in European and US capitals, the global apparel brands have a monopoly over their supplying firms concerning the decisions on the lead time, the designs, and the prices of the products. By reserving the powers of designing and marketing, they usually subcontract the actual production tasks to independent factories operating in the late-industrializing countries of Asia and Africa, where there is weak labour practice. Hence, the underlying motive behind their decision to shift their production sites from Europe and the US to countries of the Global South is to exploit the cheap and weak labour practices.

Since the global apparel-led brands (buyers) have the power monopoly over their supplying factories, they usually employ different mechanisms to put price and time pressures on them (Ross 2004; Arengo 2019). First, they usually put a very tight down-turn of price and pressure on their supplying factories by lowering the final purchasing price of each product. As a result, brands' tight price pressures against their supplying factories have strong impacts on, among others, wages, overtime payments, Occupiational Health and Safty (OHS) standards and other protections of workers (Anner, Blasi & Bair 2012). Second, global brands usually follow poor purchasing practices (poor forecasting and planning, last-minute changes in product designs, and delayed payments) against their supplying factories (Anner 2015). Similarly, these weak purchasing practices adversely affect the working conditions of local industrial workers (Arego 2019). For example, brands' tight schedules can put unprecedented time pressure against individual supplying factories. This, in turn, may also cause violations of overtime and OSH standards. From these premises, it seems plausible to infer that global brands' power monopoly creates unilateral economic downturn in cost and speed pressures against individual apparel supplying firms that ultimately affect the conditions of workers.

Additionally, multinational apparel brands and their conventional financial partners (WB, IMF, and WTO) usually translate their huge economic power into political leverage while dealing with investment recipient low-income countries of the Global South (Smith 2014:874). It has been clear that many of these investment recipients of low-income countries were emerging from colonial domination, underdevelopment, and debt. Besides, they want to mitigate their critical macroeconomic challenges, particularly high unemployment, and thereby pacify the existing socio-economic and political problems. Hence, they have been forced to accept the conditionality of the preceding neoclassical financial institutions and multinational investments to deregulate their economies to the global capitals. Thus, multinational corporations usually override the national sovereignty of investment recipient countries of the Global South. Accordingly, they have put various forms of labour market conditionality on the negotiation table.

As a result of their narrow policy leverage, low-income countries are forced to compete with one another by providing multinational companies with weak and flexible labour, human, and environmental standards. As such, they usually keep wages low, suppress associational rights, downsize OHS standards, and ignore environmental regulations. Furthermore, as Oya (2019) and Anner (2015) explained, investment recipients of late-industrializing countries expand Industrial Park (IPs) and export-processing zones where labour standards are exceptionally suppressed. These competitions have made these countries ignore labour and environmental standards as investment incentives that are usually a "race to the bottom". This, in turn, further consolidates the economic and political power of multinational companies even against national governments. As a result, national protective measures are abandoned so that the working conditions of local workers deteriorate (Anner 20015; Munk 2002).

Another principal feature of economic globalization in the apparel industry is the fragmentation of production in manufacturing industries into complex multiple sourcing arrangements. The formerly integrated workplaces or the production stages and vertically integrated activities have now increasingly disrupted and dispersed to factories located in the Global South (Smith 2014; Arego 2019). Such a precarious employment arrangement in the global apparel supply chain, in turn, weakened workers' bargaining power. In the same vein, these disrupted and dispersed workplace arrangements enable multinational companies to distance themselves from their responsibility for workers' risks and poor conditions in the factories where their products are made (Arego 2019). Thus, the fragmentation and complexity of production networks have affected the transparency of the industrial labour relations by obscuring the responsibility of brands to monitor labour standards at their supplying firms.

#### The Quest for Global Solidarity in Compliance with Labour Standards

As reiterated above, economic globalization on its own cannot meet the well-being of human society. Instead, it poses threats to the peaceful, inclusive, and sustainable development of national economies. Consequently, the question of alternative institutions and values that can better cure the market-induced vulnerabilities of workers has increasingly become a pressing agendum of global governance. In this connection, external, transnational, and internal or corporate-led Corprate Social Responsiblility (CSR) approaches are the three major mechanisms forwarded in the literature to mitigate the cold currents of market-led globalization against the well-being of workers (Smith 2014).

##### External Mechanisms of Compliance

External mechanisms refer to those codes of conduct developed by UN-affiliated institutions and other intergovernmental initiatives for multinational companies to observe human and labour rights standards (Compa 2008). In this regard, the United Nations is vocal in its criticism contending that economic globalization has hampered global values such as development, equality, and human rights (UNDP 2005). Beyond its conventional human rights regimes (UDHR, ICCPR, and ICESCR), the UN has endorsed what is usually called the UN Guiding Principles for Business and Human Rights (UNGPs). UNGPs urges states and the private sectors to ensure the basic human and labour rights of workers. Besides, in late 2004, the UN General Assembly resolution reminded political leaders to renew their commitment to global solidarity in the fight against inequalities, poverty, and exploitations across the world (Smith 2014; Aregon 2019). The OECD Guidelines for multinational enterprises and the ILO Tripartite Declaration of Principles concerning multinational enterprises are additional external intergovernmental mechanisms to compel national governments and multinational companies to observe universal labour and human rights standards.

However, these external initiatives by the UN and other inter-governmental initiatives have brought about little progress on corporate behaviour towards the human or labour rights standards. This is partly attributed to the structural limitations of the existing international system, which makes states remain the subjects of international law. Consequently, there is little possibility to hold multinational companies accountable for human or labour rights abuses (Compa 2008). Moreover, the global economic decision-making process is under the monopoly of few countries, conventional financial institutions, and multinational companies, which firmly stands for the impersonal operation of the labour market. As a result, the quest for an inclusive institutional mechanism to entertain voices of the marginalized sections of the society still has remained a challenge (Smith 2000:876).

##### Transnational Labour Activism

The dearth of economic globalization also generates the revival of global solidarity through transnational labour and human rights activism. Labour unions and human rights stakeholders across ideologies have been the leading actors in these transnational initiatives. The movements have been vocal to counter the predominantly market-led global economic governance for sound institutions, values, and ideas. For example, the participation of the American Federation of Labour and Congress of Industrial Organizations (AFL-CIO) in protest against the World Trade Organization and other neoclassical institutions has been a living historical precedence for fair and inclusive globalization (Taylor & Mathers 2003; Smith 2014). Similarly, the unprecedented US labour opposition to the war in Iraq signals the development of new forms of labour activism and social movements even across the neoclassical economies of the West. It also demonstrates the growing demands of such transnational solidarity towards a broader international peace, security, and human-centred development (Turner 2003).

Furthermore, there has been an ever-increasing trend of diversified transnational civil society networks toward articulating the underlying threat posed by authoritarian regimes. Besides, the initiatives have been keen to redefine the fundamentals of market-led globalization for a participatory, accountable, and transparent global governance. In this context, representing over 150 million of its members, the International Confederation of Free Trade Unions (ICFTU) has been the first truly transnational social movement, which emphasizes labour as a central player to bring important resources to the global civil society by bridging national and ideological differences (Smith 2014:878).

Since the early 1980s, a much wider process of transnational social movements has also been mobilized. The initiatives have mobilized diverse citizens working on various issues ranging from human rights to environmental protection and economic justice. For example, they have mobilized the United Nations conferences to advance new international legal commitments such as the International Land Mine Ban and the International Criminal Court (Glasius 2002). They have put pressure on national governments to integrate sound social agendas into their respective national development visions and make their national measures compatible with the international social, labour, and environmental standards.

Despite transnational labour and human rights initiatives towards standardization, the cold-current of economic globalization on human well-being has remained. The various forms of social movements and transnational labour activism for fair economic globalization have still been less coordinated and less-financed (Waterman 1998:235). Besides, they still have a long way to go in constructing their shared visions and identities so that they could sufficiently accommodate their diverse national and global contexts and demands (Smith 2014:879). Thus, the task of forging unity around a shared global agendum of social transformation has remained the underlying challenge of the transnational arrangements.

##### Internal or Corporate-led CSR Approaches

Corporate-led social responsibility (CSR) has been one of the three major imperatives of multinational companies to ensure compliance with universal labour and human rights standards. CSR initiatives scholarly and actual policy implications have been visible (Harrison & Scorse 2003). CSR connotes an internal mechanism of the multinational companies and global brands to formulate and enforce their codes of conduct to humanize market-led global economic governance. Hence, global brands usually have their labour and human rights codes for their supplier factories. The codes are usually crafted based on the fundamentals of UDHR, ILO conventions, and other international human or labour rights instruments to humanize the predominantly market-led global economic governance. Besides, they can establish independent monitoring mechanisms such as questionnaires, surprise visits by auditors, and reviews by company officials charged with enforcing the codes (Compa 2008:4). Historically, the intellectual and actual policy debate on CSR before and after the 1990s has been significantly different.

Before the 1990s, CSR had been at the periphery of the dominant neoclassical discourse and actual industrial labour relations. Before this historical period, human labour had been viewed as a passive dictate of capital. Similarly, multinational companies also viewed their codes of labour standards as mere public relations maneuvers to pacify their consumers. Consequently, multinational companies had failed to comply with their own CSR since their profits always outweighed their social concerns (Compa 2008). In this context, the Sullivan Principles of the 1970s and 80s had been a convincing demonstration. United States' companies accession to The Sullivan Principles was to fight the racist apartheid regime of South Africa by ensuring equity and fairness across multinational factories operating across the country. By acceding to these principles, the United States companies operating in South Africa succeeded in maintaining their global reputation and profits. Nevertheless, they did little to change South Africa's racist labour practice. The tough international economic sanctions brought down the racist apartheid system (Perez-Lopez 1993; Compa 2008:2).

Starting from the 1990s, however, numerous corporate-led initiatives and codes of conduct have been designed to address questions of labour standards, particularly in the late-industrializing countries of the Global South. Eventually, significant portions of the brands' corporate codes of conduct focused on prohibiting child labour but differed on whether they comprised provisions for associational rights. For instance, the 1998 ILO's report reiterated that out of 200 codes examined, only 15 per cent declared freedom of association (ILO 1998). Similarly, the major brands such as Gap, Nike, Levi's, and Walmart, which had been sourcing from the multilateral apparel factories operating in China, Central America, and Pakistan, mainly focused on tackling the exploitative labour conditions and child labour (Aregon 2019:14). Gradually, however, most of the leading global brands upgraded the fundamentals of their codes to the level of the ILO core labour standards and UN human rights instruments. Accordingly, the majority of the multinational brands have codes of conduct, which are compatible with those universal labour standards, which implies that they require their supplier factories to ensure universal labour and human rights standards. The standards include paying wages, complying with working hours, OSH, prohibition of child labour, forced labour, non-discrimination, and associational rights.

Apart from formulating their corporate-led promises, these multinational companies have shown significant improvements in their actual performances in enforcing labour human rights standards. For example, in 2001, Mexican workers at the Korean-owned KukDong sportswear factory were allowed to replace their co-opted trade union with a democratic and independent union. Similarly, since the 1990s, multinational apparel factories operating in Indonesia have shown progress in improving the wages of local employees (Harrison & Scorse 2003:1). Furthermore, in 2003, in Sri Lanka, leading brand buyers have implemented their codes of conduct with the local factory managers. As a result, as demonstrated at the Jaqalanka Ltd. sportswear factory, workers' associational rights have been respected (Compa 2008:2). Nevertheless, as explained in the forthcoming section, CSR mechanisms have still failed to address the persistent labour abuses by multinational companies operating in countries of the Global South.

#### Fatally Weak CSR Mechanisms and Labour Abuses

Despite global brands' growing corporate-led codes of conduct and monitoring mechanisms, labour abuses have increasingly become topical. The context has been exceptionally the worst, particularly in the late-industrializing countries of Asia and Sub-Saharan Africa. In this connection, emerging critical political economy and human rights literature, research, and policy imperatives point to brands' flawed CSR mechanisms as the major causes of labour abuses.

The underlying motive behind the brands' corporate-led initiatives towards enforcing labour standards has still been to just reduce their reputational risk by reports of human rights abuse in their supply chains. In other words, corporate-led codes have failed to transcend their conventional profit-motivated drives for an inclusive, fair, and sustainable global economic governance. They are simply in response to the growing pressures from the media, consumer movements, labour rights organizations, and activists in the US and Europe. Hence, corporations still serve more to uphold the image and interests of their business rather than to entertain the interests and rights of workers (Howard 2001; Cited in Arigon 2019:14). As a result, little progress has been made on the sides of the leading multinational brands to take responsibility for various forms of labour abuses in their supply chains. Besides, the gloomy working conditions of workers have remained the same, particularly in the majority of apparel supplying factories of the late-industrializing countries of Asia and Sub-Saharan Africa.

Similarly, the brands' auditing practices and mechanisms to monitor labour issues in their supplying firms have been ineffective because of a conflict of interest. First, factory owners pay for auditing so that auditors may not risk losing their auditing contracts. Second, as Compa (2008:4) metaphorically expressed, 'companies' monitoring and enforcing their codes of conduct are just like charges that the fox was monitoring the henhouse.' Furthermore, the existing practice related to the impact reported by the supply chain compliance initiatives is sporadic and weak (Nova & Wegemer 2016d; Walsh & Greenhouse 2012a & 2012b).

There is much empirical evidence explaining the miscarriages of brands' existing monitoring and impact reporting practices. A case in point is the massive factory collapse, and fires that broke out in South Asia in 2012 and 2013 showed that corporate-led monitoring and factory certifications to protect workers fail. For instance, the labour audits of the two factories in the Rana Plaza building in Bangladesh failed to detect the illegal construction of the building as the major cause of the collapse of the building on April 24, 2013. Similarly, the fire at the Ali Enterprises factory in Karachi in Pakistan on September 11, 2012, was a preventable garment industry disaster. Corporate-led monitoring and factory certifications failed to protect workers, although just six weeks before the fire, the factory had received an SA8000 certificate from RINA, and an SAI-accredited auditing firm (Aregon 2019:16). Thus, the quest for an independent monitoring and verification mechanism has remained a challenge.

Another limitation of the corporate-led social responsibility labour auditing practice is related to the problems of objectivity. Brands' monitoring mechanisms are usually based on the information gathered from co-opted labour union leaders, firm supervisors, and managers rather than independent organizations. As such, the auditing practices have not usually been based on the accounts of offsite anonymous and independent workers. Moreover, they have predominantly been relying on documentary evidence provided by the management of the firms. However, such evidence is usually based on cooked data to deliberately misinform auditors, particularly about employment contracts, overtime working hours cards, monthly pays, and punitive wage deductions (Aregon 2019:16). Furthermore, the low frequency and short duration of the existing labour auditing practices are insufficient to effectively assess factories' diverse labour and human rights statutes.

Another major limitation of the corporate-led auditing systems resonated from the commitment corporates makes to implement codes of conduct in compliance with their factories. Even when their labour audits effectively identify and report the real violations and abuses, brands are not obligated to correct them. They are not even made responsible for not taking corrective actions (O'Rourke 1997; Locke *et al*. 2007; Barrientos & Smith 2007). Moreover, it is customary that audit reports between the brand, the auditor, and the factory be confidential. Only a little avenue exists for national governments, workers, and third-party labour or human rights organizations to access the auditing reports of brands. Hence, the absence of stronger, participatory, and transparent labour auditing mechanisms has still been among the major challenges in this regard (Aregon 2019). In sum, although there has been a growing imperative towards CSR, the monitoring mechanisms and practices have still been flawed and unilateral. Accordingly, the quest for a genuine and inclusive labour management mechanism has remained a big challenge, particularly across many apparels exporting factories in the late-industrializing countries of the Global South.

The underlying task should start towards curbing the persistently weak CSR practices by challenging the predominantly Western initiative and institutional mechanisms of corporate-led CSR. As Compa (2008:5) argues, the principles, actors, and institutions of The Fair Labour Association, Worker Rights Consortium, and Social Accountability International shall not be monopolized by Washington and New York. Similarly, the decisions and actions of the Ethical Trading Initiative and the Clean Clothes Campaign should not be driven only from London and Amsterdam. Multinational lead companies are expected to involve national governments, local contexts, and institutions in their corporate decision-making processes. This, in turn, will address the persistent limitation of the brands' unilateral initiatives. Besides, it paves the way for corporates to formulate and enforce their codes of conduct independently.

Also, CSR shall not be enforced in replacement of the national labour legislation. Focusing on CSR as the only solution to workers' rights violations could undermine effective labour law enforcement by governmental authorities. It could also be exploited as an affirmative defence by powerful multinational companies to overlook national efforts and collective agreements for labour standards. Hence, as Compa (2008:7) explains, corporate-led codes of conduct should be seen not as an alternative but as a supplement to the national labour law enforcement and collective bargaining.

#### Overview of Global Apparel Brand Buyers' Involvement in Ethiopia

The apparel sector has increasingly become globalized since the 1970s. As a result, the global apparel value chain has become hyper-competitive. For example, it has experienced tough pricing systems and highly demanding requirements for just-in-time inventory and flexibility to meet the unpredictable global market under the monopoly of multinational lead brands (Anner 2015; Farole & Akinci 2011). Furthermore, there has been tough competition among apparel exporting firms towards facilitating economic upgrading to increase their productivity. As part of their business strategy for low production cost, the global apparel lead companies have decided to shift their production locations from Europe and the US to Asia and Sub-Saharan Africa. In this connection, Ethiopia is among those preferred destination countries of global apparel manufacturers because of the country's cheap and less protective labour practices (Arkebe 2019; Barrett and Pauly 2019).

After the lapse of the Multi-fibre Arrangement and the enforcement of the World Trade Organization's (WTO) Agreement on Textiles and Clothing (ATC) by 2005, multinational apparel firms had to restructure and adjust themselves to the new challenges of economic globalization (Mamo & Llobet 2017: 13). Nevertheless, the global apparel value chain has also recently been shaped by the development of unilateral and bilateral trade agreements and preferential arrangements. This was intended to support the competitiveness of exporters of low-income countries in the global market. For example, through its third-country fabric rule of origin (which allows least-developed AGOA beneficiaries to utilize yarn and fabric from any low-cost producing countries such as India and China), the United States African Growth and Opportunity Act (AGOA) has enabled many late-industrializing African countries including Ethiopia to upgrade their apparel sector. Although few countries such as Lesotho and Madagascar have relatively exploited the opportunities of AGOA, countries such as Ethiopia have still faced huge upgrading limitations with transforming the sector (Gereffi *et al*. 2011; Mamo & Llobet 2017:13).

The proceeding structural characteristics of economic globalization in the apparel sector have been accelerated by the relentless drives of multinational apparel led firms to find new production locations. This could offer the multinational apparel firms' tax relief, access to raw materials, and weak labour regulations. In this context, African countries have received much attention in the past five years. Also, the renewal of the AGOA, which provides 39 African countries with duty-free access to the United States, has contributed to this effect (Mamo & Llobet 2017:15). Besides, the significant literature and actual industrial policy track records of the East Asian countries sufficiently demonstrated that the low fixed cost and labor-intensive apparel sector could be instrumental for the drive of the late-industrializing countries such as Ethiopia to facilitate industrial catch-up.

In Ethiopia, the country's state-led industrialization shares the proceeding policy of rationalization that the garment and apparel industry is a priority sector and is a gateway to the country's structural transformation through rapid industrialization (Staritz & Whitfield2019; Barrett &Pauly 2019). Ethiopia's active industrial policy attracts multinational apparel manufacturers from the major apparel producing countries (Staritz, Cornelia, Plank, & Morris 2016:VI). According to Ethiopia's Growth and Transformation Plan II (2016-2020), the government planned to become a lower-middle-income country by 2025. The government also aims to transform the country into the next apparel manufacturing hub in Africa by 2025. Accordingly, GTP II outlined to manufacture USD 2.18 billion worth of production, to generate US$779 million in export revenue and to create 174,000 job opportunities by the end of the five-year plan (2020). Besides, this subsector was projected to create over 300,000 jobs by 2025 (NPC 2016:130).

Ethiopia's state-led industrialization has taken various national measures as investment incentives to achieve national visions by attracting FDI in this labor-intensive and export-oriented sector (Staritz, Plank & Morris 2016). The first investment incentive of late-industrializing Ethiopia for the incoming multinational apparel manufactures was its cheap and weak labour practice (Oya, Carlos and Florian Schaefer 2019). As part of its ideological and policy imperatives, Ethiopia's state-led industrialization prioritizes quantitative aspects of social upgrading (facilitating industrial job creations) over the qualitative aspects of social upgrading (decent work) (Hardy & Hauge 2019). For example, Ethiopia's investment policy explicitly promotes FDI claiming that the country is a source of cheap labour (Aregon 2019:17). In this regard, the global apparel lead manufacturers and brands such as PVH, H&M, and The Children's Place also openly acknowledge that cheap labour was the major factor driving their interest in Ethiopia (Mamo & Llobet 2017). Hence, Ethiopia's cheap and less-protected labour has been openly advertised to motivate the global apparel brands to invest in various IPs.

The second investment incentive is related to tax and the country's preferential access to the Western market. Accordingly, the Ethiopian government has offered multinational apparel manufacturers other generous incentives, such as favourable taxation and loan conditions for companies and expatriates and duty-free import of machinery. For example, as Mamo and Llobet (2017:23) demonstrated, 'income tax exemption from 8 to 10 years, exemption from duties and other taxes on imports of machinery equipment, construction materials, spare parts, raw materials and vehicles, and land lease up to 80 years with a zero charge for factories and residential quarters' have been among the main incentives given by the Ethiopian government to manufacturers operating across the country's IPs.

Under the third investment incentives, Ethiopia's preferential access to Western markets, its potential for cotton production, cheap power, and water facilities have also been impressive (Arkebe 2019). Multinational firms' growing interest in investing in the country has also been motivated by their preferential trade access to the US and the EU markets through the AGOA and EBA. In this connection, AGOA was renewed for another ten years in 2015 and has allowed multinational apparel suppliers operating in Ethiopia to the duty-free export of apparel and textile products into the US market. Similarly, the "Everything But Arms" program grants the incoming multinational firms duty and quota-free access to the EU market (Mamo & Llobet 2017). Furthermore, Ethiopia's active industrial policy provides foreign investors with its abundant uncultivated land suitable for local cotton or textile production and its relatively cheap power and water facilities as extra investment incentives.[[10]](#footnote-11)

The fifth investment incentive packages of Ethiopia's active industrial policy comprises its increasingly expanding railway infrastructures, IPs, shades and up-to-date modalities of ease of doing business in Ethiopia. As a land-locked country, Ethiopia is building Africa's first electric railway system as part of an investment in infrastructure to quicken the speed of delivery of finished goods from assembly locations to the nearest port in the neighbouring country, Djibouti. The railway is financed by the Ethiopian government and the US$2.49 billion loan from China's Exim Bank. Furthermore, Ethiopia has promoted its enabling Industrial Parks (IPs) infrastructures and shades to attract FDI in the garment and apparel sector (Nicolas 2017:4). The country has around seven government-built industrial parks (Bahir Dar, Bole Lemi 1, Hawassa, Mekelle, Jimma, Adama, and Kombolcha) and one private industrial zone, Eastern Industrial Zone (EIZ), that has been operational in Dukum town. Moreover, as the Ethiopian Investment Commission (EIC) testified, the country has recently implemented One-Stop Service (SOS) across various industrial parks towards ease of doing business, facilitating and coordinating all the basic services providers' offices through a one-window service.

The six investment incentives rest on the Ethiopian government's initiative towards creating enabling institutions. The government has been committed to transforming its manufacturing sector by promoting investment and strengthening its competitiveness (Arkebe 2018 & 2019). To this effect, the primary institution is the Ethiopian Investment Board to address the strategic policy and approval issues. The Prime Minister chairs the board, consisting of senior ministers and key supporting agencies with direct or indirect roles in investment decision making. The board grants incentives to investors to address policy and regulatory barriers to the investment, designates new Industrial parks, and opens new investment areas to FDI (Mamo & Llobet 2017).

The Ethiopian government's other institution established and strengthened has been the Ethiopian Investment Commission (EIC). EIC is directly accountable to the Prime Minister and acts as the one-stop shop for foreign investors. In addition to its regulatory and licensing responsibilities, EIC's underlying institutional standing is attracting foreign investors by promoting Ethiopia's comparative advantages (Arkebe 2019). The other institution is the Industrial Parks Development Corporation (IPDC). Emulating Singapore's experiment, IPDC is a state-owned profit-making enterprise that develops and operates industrial parks. It serves as a land bank and will make land available for potential private developers. The institution was established to expand IP infrastructures and other related shared facilities and create cost-effective and efficient industrial sites for manufacturers (Mamo & Llobet 2017:29&30).

As a result of the national measures of Ethiopia's active industrial policy, Ethiopia is emerging as a coveted destination for multinational apparel firms. Hence, Ethiopia's garment sector has been growing substantially. As reiterated by the general secretary of IndustriALL Global Union, both Asia-based leading manufacturers and Western brands like H&M, PVH, The Children's Place, JCPenney, and KiK, have all begun operating across the country's IP.[[11]](#footnote-12) As a result, in the last half a decade, the country's textile and apparel industry has been growing at an average annual rate of 51 per cent, with more than 65 textile investment projects licensed for foreign investment in this period. According to government data, it has also grown by 51 per cent between 2011 and 2017 (Lavergne 2016; Cited in Aregon 2019:15).

Concerning the sector's labour externalities, its contribution to industrial employment and skills development has been growing. The sector has also created a sizeable number of jobs through the specific goals set by GTP II that seem unlikely to be met. It has created industrial jobs for about 40,000 workers since October 2017. Similarly, figures from March 2018 show that the sector's export revenue amounted to US$68.5 million over the previous eight months of the Ethiopian fiscal year starting from July 8, 2017 (Walsh & Greenhouse 2016; Aregon 2019:17). An influx of the major Asian suppliers and Western brands have started to source from the country. As the ILO reginal office testified, this development demonstrates that the sector is poised to grow substantially in the coming years.[[12]](#footnote-13)

Nevertheless, the current peace and security concerns have increasingly become a growing threat to the motivation of multinational firms. In this connection, from early 2014 to the end of 2020, 400 investment organizations were damaged, of which only less than 1 per cent of them could recover and get back to work. This data does not include the devastation following the recent conflict in Tigray. This is attributed to the misguided attitudes of the community towards investment. Thus, it is increasingly difficult to regain the trust of potential investors.[[13]](#footnote-14)

Furthermore, the country's drive towards the global apparel value chain has been hampered by various economic upgrading (process and product) capacity limitations. Accordingly, problems of linkages and labour efficiency are the existing challenges in the sector (Staritz, Cornelia, Plank & Morris 2016:VI). Besides, the contributions of global apparel brands sourcing from Ethiopia to the social upgrading of the country's labour force has been highly contested. However, they usually claim that they are committed to their CSR to ensure labour standards (Worker Right Consortium 2018:1). Besides, they usually reject the persistent accusations of 'race to the bottom' and reiterated their contribution to a huge number of industrial employment and the country's export sector.[[14]](#footnote-15)

Nonetheless, global apparel industries operating across the country's IPs treated local workers with poverty wages, suppressive labour control practices, poor occupational safety and health (Staritz, Cornelia, Plank & Morris 2016: VI). In this regard, few research findings examine the contributions of global brands operating in Ethiopia to labour rights violations ( Worker Right Consortium 2018; HRW 2019; Barrett &Pauly 2019; ILO 2020 ). Hence, the chapter helps fill this gap by examining the working conditions of apparel workers in the country's IPs from the vantage points of brands' poor purchasing practices and their weak CSR mechanisms towards labour compliance.

### Methodology

The study employed an exploratory research design with a qualitative approach. The study sites were: Eastern Industrial Zone (EIZ) IP in Durum, Bole Lemi I IP in Addis Ababa, and Hawassa IP in Hawassa. These industrial sites are from the first generation of industrial sites. They generated thousands of employment opportunities by hosting several foreign garment firms. Only garment firms were selected because they are a priority sector of the Ethiopian government. This labourintensive sector is one in which serious violations of associational rights have often been committed across the world (Bangladesh, Vietnam, Mexico, Madagascar, Namibia, Kenya) (Oya and Schaefer 2019:389). Similarly, in Ethiopia, some reports demonstrate repeated labour rights violations, particularly in the garment sector (ILO 2017; Kidist 2019:29–52). For this study, three major foreign garment exporters from America, China and India, operating at Hawassa IP, EIZ IP and Bole Lemi 1 IP, respectively, were chosen to be sources of data.

The qualitative research method was appropriated to generate data that are both flexible and sensitive to the ideological context concerned. International, regional, national and industry level human or labour right norms, investment policies, and strategic national industrial development plans, International Labour Organisation (ILO) reports, and media contents which were relevant data resources were also examined. A main focus has been on industrial, labour, human rights and investment affiliated institutions. Relevant data have also been gathered from various stakeholders, such as the ILO regional office, the Investment Commission (IC), the Industrial Park Development Cooperation (IPDC), the Ministry of Labour and Social Affairs (MoLSA), the Bureaus of Labour and Social Affairs (BoLSA), the Confederation of Ethiopian Trade Unions (CETU), representatives of global brands (buyers) of selected firms, and firm managers of the selected firms.

Various semi-structured interviews were conducted with industrial workers to properly explore their lived experiences, thoughts, expressions, and interpretations of their experience. A particular concern will be with experiences related to their associational rights. Besides, various focus group discussions (FGDs) were conducted with firm managers and employees. Moreover, secondary sources including relevant published research findings and literature were deliberately consulted. Finally, the data generated from the preceding instruments were analysed using the integration of narrative, thematic, content, and document analysis strategies

### Results and Discussion

#### Analyzing Apparel Brands' Purchasing Practices and Labour Abuses in Ethiopia's IPs

Multinational apparel brands, which have been operating in Ethiopia, could not employ exceptional purchasing practices in the global context. While sourcing from apparel exporting factories at Ethiopian IPs, the global apparel brand buyers have been persistently driven by cost and speed. They have employed poor purchasing practices as their strategies while doing business with their supplying firms operating in Ethiopia's IPs. This has been partly in response to the desperate price and time competition of economic globalization. However, brands' poor purchasing practices comprise poor planning, poor criteria to select supplying factories, and delayed payment for suppliers (HRW 2019:1; ACT 2020:5). Hence, in Ethiopia, the various forms of brands' price and time pressures against multinational apparel supplying firms squeezed the suppliers to negotiate the minimum labour standards of industrial workers at those multinational apparel exporting firms in the country's IPs.

This study analyzed the major labour rights violations from the vantage point of the brand unilateral purchasing practices and poor compliance records. To this effect, other than the various semi-structured interviews with workers of the three firms, a series of key informant interviews were conducted with, among others, supervisors and managers of the firms under enquiry, social compliance and sustainability managers of the two leading Western brand buyers sourcing from the firms under investigation, experts from IC, BoLSA, CETU, employers’ associations and ILO. Similarly, FGDs were conducted with managers of the firms, sustainability managers of brands, and CETU. Ultimately, as demonstrated in the following sub-sections, the findings revealed that the brands' poor purchasing practices and their extremely flawed CSR have led to persistent poverty wages, highly suppressive labour practices against associational rights, and poor OSH conditions of local workers at those multinational apparel manufacturers operating in the country's IPs. Before this, the table hereunder captures the numbers and identity of individuals who participated in the key and FGDs, their responses to various topics concerning the nexus between the purchasing practices and CSR of brand buyers and various forms of violations of labour standards.

|  |  |  |  |
| --- | --- | --- | --- |
| Number and identity of individuals involved in the interviews and FGDS | | List of brands' poor purchasing and CSR practices which led to various forms of labour rights violations as identified by the interviewees and discussants | |
| Interviews | FGDs | The brand's downward price pressures against their supplying firms | Imposing unilateral target price against supplier firms (direct employers) |
| Fourty Four workers were involved in semi-structured interviews. | Forteen FGDs were conducted with workers, officials, and experts from ILO, CETU, BoLSA, three supplier firms, and the two global apparel brand buyers,etc. |
| Reluctance to consider the cost breakdowns of supplier firms |
| Delaying the payments of supplier firms |
| Thirty-five key informant interviews were conducted with firm managers, compliance managers of the two global apparel brand buyers, officials and experts from CETU, BoLSA, IC, ILO's regional office and etc. | Brands' time/speed pressures against supplying firm | Setting extremely tight delivery time limits or schedules against supplier firms |
| Brands' poor forecasting and planning business practices |
| Brands' flawed CSR practices towards compliance | Brands' weak labour auditing results or assessments which are based on the data obtained from firm managers and supervisors |
| Brands' extremely low frequency and duration of labour auditing practices |
| Conflict of interest between the labour auditor and the firms threatens the integrity of the auditing practice |
| Confidentiality clause between brands and labour auditor concerning the disclosure of the outcome of labour audits |

Source: Author's computation, June 2020

#### Brand's Unilateral Price Negotiations and Labour Abuses at Ethiopia's IPs

As highlighted in the above table, the underlying reason for multinational lead apparel brands for lowering the purchasing price was to improve profitability. Nevertheless, such a downturn in price pressure against apparel manufacturers by brand buyers has been among the main factors for labour rights abuses at factory levels.[[15]](#footnote-16)In this regard, the 2016 ILO report reiterated that price remained the main factor that brands used when placing orders (ILO 2016; Cited in HRW 2019:15). In a similar vein, a study conducted by the Better Buying Purchasing Practices in 2018 revealed suppliers' complaints about brands' extremely tightened price negotiating strategies (Better Buying 2018; Cited in HRW 2019:15). Thus, many brands forced their supplier firms to negotiate labour standards by imposing lower purchasing prices.

Recapping the above traditions, the managers of the two firms from Bole Lemi 1 and EIZ as informants[[16]](#footnote-17) (the firm's experience at the HIP was different as it was operating both as a supplier and a buyer at a time) unanimously voiced against buyers' continuously frightening negotiating tactics. For example, as testified by managers of the firms at Bole Lemi I and EIZ, during price negotiations with supplying firms, the brands usually pointed at plenty of alternative suppliers willing to supply them with a lower price.[[17]](#footnote-18) Besides, they expressed their discontent against the reluctance of their buyers to consider their cost breakdowns. This is one of the parts that brands use as strategies to block suppliers' potential demands to increase the purchasing prices in case of increasing production costs.[[18]](#footnote-19) Furthermore, firm managers disclosed that their buyers went through to the extent of being unwilling to share even the cut-and-make costs, purely workers' wage bills. Experts from ILO[[19]](#footnote-20) and ACT[[20]](#footnote-21) further demonstrated such allegations of the labour rights externalities brands' unilateral tight price negotiating tactics global brand buyers.

Furthermore, it was revealed that to be dictated by the unilateral target price of brands has been a predominant business practice for supplying firms operating at Ethiopia's IPs (Barrett &Pauly 2019; ILO 2020). In this connection, the manager of a supplying firm at Bole Lemi 1 IP reiterated that he was usually forced to unconditionally accept a target price set by his leading western buyers. Accordingly, he said, 'if you insist on the idealism of fair price negotiation with your buyer, which is, of course, critical to ensure compliance with labour standards, you will lose all of them as they could resort to their many alternative suppliers.'[[21]](#footnote-22) From this account, it is plausible to conclude that the brands' unilateral price negotiation practices posed serious downturn price pressure against their supplying firms. Since the brands' tight price pressures ultimately squeeze the minimum protections of workers, their practice violated their reputational premises to comply with labour standards.[[22]](#footnote-23)

As an extension of the above argument, brands' delayed payments have also been usually complicated by cash flow problems of apparel suppliers’ firms operating at Ethiopia's IPs. This has been a common challenge across Asia's major apparel exporting countries and the emerging destinations of sub-Saharan Africa. In this regard, the 2018 study by Better Buying Purchasing Practices Index 2018 also reiterated that buyers were in poor performance of their contract of payment terms (Better Buying Practice 2018:10; HRW 2019:30; ILO 2020). Besides, buyers usually took 21 to 100 extra days from the agreed-upon due date (Better Buying Practice 2018:11). In this connection, the factory manager at EIZ reiterated that one of his brands had claimed a time scale of 80 days from the date of shipment to pay him.[[23]](#footnote-24) The manager of the supplying firm at Bole Lemi 1 IP also expressed that: "our buyers usually give us an advance of 40 per cent of the payment before production starts and then the remaining when I finish the goods".[[24]](#footnote-25) Thus, as demonstrated by the from ILO and CETU, such a prolonged and delayed payment scheme has imposed an unfair burden on suppliers and ultimately on workers.[[25]](#footnote-26)

Following the above downward pressures by the leading apparel brand buyers against their respective supplying firms in Ethiopian industrial parks, they forced the firms to minimize their labour costs.[[26]](#footnote-27) As a result, individual apparel exporting firms under investigation overlooked living wages, associational rights and OSH of workers. Hence, the quest for living wages and rights-respecting conditions in the firms that produce their wages remained a pressing challenge for major apparel exporting firms' workers under inquiry. Accordingly, the following labour rights violations were commonly observed in the firms under investigation.

1. **Poverty Wages:** Low buying prices set by buyers drive factories to reduce costs, especially in wages. In effect, the firms under investigation squeezed their workers by paying the least basic monthly salary in the world in any standard. It ranges from 22 to 34 US$, which forced local workers to struggle to cover their basic living costs.[[27]](#footnote-28)
2. **Punitive Wage Deductions**: As part of their cost-minimizing instrument, the firms under enquiry usually enforced unilateral punitive wage deductions of payments from the basic salaries of workers in the pretext of disciplinary measures. As tested by the BoLSA office, a firm in Bole Lemi IP worker testified that managers and supervisors usually punished employees who arrived late by deducting their salaries from their payments ranging from 2 USD to 4 USD. [[28]](#footnote-29)
3. **Overtime-related Violations**: Almost all of the workers interviewed testified that the problems ranged from delays of overtime payment through unlawful calculations of overtime payment up to deliberate reductions of the number of hours that the workers spent for overtime work done. BoLSA informants across the three sights also reiterated this.[[29]](#footnote-30)Besides, firms unilaterally increased each worker's daily or hourly production targets to avoid paying overtime wages.[[30]](#footnote-31)Furthermore, workers also disclosed firms' mechanisms to avoid overtime payments by compelling them to use their paid leave during their low production seasons. Moreover, to cut overtime costs, supplying firms under investigation usually pressured them to work faster and tried to extract more workers using fractions of minutes by putting pressure on them to work without breaks.[[31]](#footnote-32) In this regard, interviewed workers unanimously expressed their discontent against employing firms squeezing their health breaks; their meal breaks to extract production time unlawfully.
4. **Suppressive Practices against Associational Rights:** Where unions are independent and organized freely by workers themselves, they can take steps to collectively influence employing firms to improve wages and non-wage conditions of workers' benefits. Hence, to suppress the collective bargaining power of workers, apparel exporting factories in Ethiopia's IPs did often not allow workers to form unions freely
5. **OSH Violations:** The proceeding downward price pressures of brands against individual factories impacted the financial capacity of the latter to sufficiently discharge their duty to address the occupational health and safety challenges of their workers. Because of their financial constraints, firms' managers under investigation demonstrated their poor performance as they could not fulfil OSH standards (poor sanitation facilities, insufficient cooling mechanisms and other PPE to their employees).[[32]](#footnote-33)Consequently, workers testified that the challenging circumstances under which they work hinted at the cost-cutting methods used by factories. For example, workers described the factories' unbearable heat and light levels with inadequate air circulation and eyeglasses as critical PPE.[[33]](#footnote-34)
6. **Unhygienic Cafeteria and Junk Food**: Brands' price pressures against employing firms also put the latter to negotiate on the standard of the meal service to workers.[[34]](#footnote-35) In this connection, all the workers interviewed raised serious complaints about the hygiene related to the preparation of food in the factories' cafeterias and their nutritional content.
7. **The Prolonged and Delayed Payment:** The delayed paymentscheme of the brands has also contributed a lot to the violations of workers' rights to wage and other allowance services on the due date.[[35]](#footnote-36) Hence, the employing firms under investigation delayed salary payments, overtime and other allowances of the workers in Ethiopia's IPs.

#### Brands' Time Pressures and Labour Abuses in Ethiopia's IPs

In addition to the cost (low purchasing price), speed has also been the underlying reason for the profitability of multinational lead apparel brands.[[36]](#footnote-37) Accordingly, brands usually gave a very short lead time to their supplying firms to produce their goods.[[37]](#footnote-38) In essence, the term lead time usually refers to the date an order is confirmed to the date the products are prepared for delivery at the firm (Anner 2017). Global brands usually impose time pressures against their suppliers to shrink the lead times.[[38]](#footnote-39)

Furthermore, the extremely tight brand-motivated time scales (short delivery time limits) are often backed by the threat of penalty against the supplying firms' failure to meet the deadline.[[39]](#footnote-40) Brands' increasingly tightening schedules have been the major sources of discontents for many appeal exporting firms of the world, particularly in countries of the Global South. In this connection, the 2016 ILO study of suppliers in the apparel industry revealed that they faced penalties from buyers for not meeting deadlines (ILO 2016:6; Cited in HRW 2019:25). A similar finding also demonstrated that most leading buyers were not flexible about deadlines even when they were responsible for the delays (Better Buying Purchasing Practices Index Spring 2018:26-7; Cited in HRW 2019:25).

In a similar vein, the management of the two firms from Bole Lemi 1 IP and EIZ unanimously complained that their buyers usually demanded discounts on the invoiced prices.[[40]](#footnote-41)Consequently, such a unilateral time pressure of brands against their supplying firms ultimately contributed to labour abuses.[[41]](#footnote-42) Here, it is not to counter the predominant trend of the fast fashion industry in the GVC towards reducing lead times.[[42]](#footnote-43) Speed, automation and digitization have increasingly become key drivers of brands' competitive advantage.[[43]](#footnote-44) Instead, the exporting firms under investigation contested the brands' poor forecasting and their unpredictable decisions concerning the specifications, designs, approvals, and final demand over the volumes of the product.[[44]](#footnote-45)

Brands' poor forecasting and planning practices have been pressing challenges for multinational apparel firms across the major and emerging apparel producing countries.[[45]](#footnote-46) In this connection, the 2016 ILO survey of the responses of 1,454 suppliers across different sectors revealed that only 17 per cent of the respondents had enough lead time to produce goods. Similarly, the Better Buying Purchasing Practices Index for 2018, anonymous supplier surveys conducted by a third-party index, revealed that only about 16 per cent of the buyers met all agreed-upon schedules in the product development and pre-production stages (Better Buying Purchasing Practices Index Spring 2018:26; HRW 2019:24).

In the context of Ethiopia's IPs, the brands' delays and poor forecasting have also been among the major sources of discontent of multinational apparel exporting firms under inquiry.[[46]](#footnote-47)Accordingly, global lead buyers did not even observe their unilaterally imposed pre-and post-production schedules, thinking their supplying firms had little leverage to contest the practice.[[47]](#footnote-48)This, in turn, impacted the firms' ability to start wholesale production without accommodating delivery dates. Furthermore, the brands' arbitrary purchasing practices went to the extent of suddenly modifying orders by disregarding the production capacity of factories and the conditions of workers.[[48]](#footnote-49)Some brands sourcing from Ethiopia went to the extent of cancelling their orders, stating the unprecedented decrease of the global demands in the fast fashion industry in the context of COVID-19.[[49]](#footnote-50) They also alleged to unreasonably cancel orders altogether by arbitrarily citing the production delays and defects.[[50]](#footnote-51) All these arbitrary decisions of the brands posed significant price and time pressures against their supplying firms. As a result, individual firms were forced to negotiate minimum labour standards for their workers.

1. Shorter lead times and their respective penalty clauses created work intensification in the apparel exporting firms under investigation. Factory managers unilaterally increased their workers' hourly production targets and imposed overtime works upon them so that they were not allowed to refute it.[[51]](#footnote-52)This violates the country's labour proclamation that prescribes the voluntary nature of overtime work and obliges employers to give prior notice to this effect.[[52]](#footnote-53)
2. To meet brands' production demands and their tightened time scales, the management of individual supplying firms restricted workers' health breaks, meals, drinking water and other rest breaks; their meal breaks (Barrett & Baumann-Pauly 2019). Workers testified that taking the rest breaks would result in the production backlogs for which they might have been subject to disciplinary wage deductions. As workers of Bole Lemi 1 and Eastern Industrial Zone revealed, the management of their firms usually waived their commitment for workers during peak production seasons.[[53]](#footnote-54) Hence, most workers reported that they were regularly required to forgo rest breaks and most of their meal periods to meet management's production demands.[[54]](#footnote-55)
3. The primary responsibility to create and maintain safe working premises rests with factory owners.[[55]](#footnote-56)The brands' sourcing and purchasing practices are critical in occupational health and safety because of the significant financial investments often needed to improve factory conditions.[[56]](#footnote-57)As such, the capacity of supplier firms to ensure OSH is affected by the brand's poor purchasing practices. In response to the brands' quest for speed and an uninterrupted apparel supply chain, the employing firms employed highly suppressive and disciplined labour practices free from industrial action or labour strikes, disrupting the production process flow (Oya & Schaefer, 2019). This violates the collective labour rights of the local industrial workers in Ethiopia's IPs.

#### Fatally Flawed Corporate Social Responsibility of Brands

The leading global apparel brands have been visible in Ethiopia following the influx of the major Asian and Western suppliers into the country's IPs. In the context of this study, all three exporting firms are under inquiry supply for one leading US brand. However, in Hawassa IP, this US brand operates exceptionally as a supplier and a buyer and follows a fully integrated vertical supply chain. The two factories from Bole Lemi I IP and EIZ simultaneously supply for another leading European brand. These two leading US and European brand buyers from the three firms under investigation have been committed to protecting workers' rights in their factories as a matter of CSR.[[57]](#footnote-58) As a result, both of them have formulated their corporate codes of conduct, which are entirely based on the fundamentals of ILO, to comply with the national law and the universal labour rights standards for local industrial workers employed in their respective supplying factories.[[58]](#footnote-59)

Despite the underlying promise of global apparel brand buyers under investigation to discharge their CSR to ensure labour and human rights, industrial workers of those apparel factories, which they are doing business, were exposed to various forms of labour rights abuses. These include persistent poverty wages, suppressive labour practices against the collective labour rights, diverse OSH problems. In this connection, brands' fatally flawed CSR practice has been the overarching factor for the violations.[[59]](#footnote-60)Brands usually employ their internal mechanism to formulate and enforce their code of conduct or auditing programs. Nevertheless, this is an exception to global apparel brand buyers operating in Ethiopia since most of them directly audit or monitor their supplying firms concerning their compliance to labour and human rights standards (Locke *et al.,* 2007; Barrientos & Smith 2007). Nevertheless, such a widely practiced self-monitoring approach employed by the brands to audit labour compliance has failed to prevent workers who suffered from various forms of labour and human rights violations of the supplying firms.[[60]](#footnote-61) Given this, the finding of this study revealed that brands' failure to ensure the labour effectively and human rights standards in the study sites could be explained from the vantage points of both the technical and structural limitations of the existing labour auditing system.

The first category of limitations of corporate-led monitoring was predominantly technical. According to the discussants,[[61]](#footnote-62)the information gathered during the labour compliance audits comes mainly from the personal accounts of supervisors and managers of the supplying firms. Moreover, the voices of workers were not sufficiently entertained by auditors throughout the auditing process. Instead, members of the co-opted 'workers' councils' were often summoned by the managers to conduct interviews with the labour auditors.[[62]](#footnote-63) Besides, labour auditors did not attempt to conduct offsite anonymous interviews with the workers in confidential settings to secure new accounts concerning their working conditions freely.[[63]](#footnote-64) Moreover, the finding revealed that the labour auditors did not want to communicate with the government's labour inspecting officers and experts from BoLSA, CETU, and ILO regional offices to assess the labour and human rights violations by firms comprehensively.

As an additional technical limitation, labour auditors predominantly relied on documentary evidence provided by the managers of the firms. Nevertheless, given the evasion of the monitoring of labour auditors, the firms under investigation usually maintained double documents and books.[[64]](#footnote-65) In this connection, the employing firms usually fabricated documents stating, among others, about employment contracts, excessive (overtime) working hours cards, monthly payments, and punitive wage deductions (Aregon 2019:15). Hence, the real terms of employment relations, the exact amount of actual wages, the amounts of punitive wage deductions, and the non-payment of guaranteed overtime benefits are also overlooked due to the false documentation presented by management.[[65]](#footnote-66) Individual firms were unwilling to give their workers their employment contract and their payments stub informing them of their hours, payment, and deductions.[[66]](#footnote-67) Despite the proceeding manipulating mechanisms of the supplying firms, the auditing mechanisms of the brands have predominantly rested on the proceeding documents.

Furthermore, the timescale of the labour auditing practices was another technical limitation. First, the frequency of the auditing practice was conducted only once or twice a year. Second, auditors usually finish their audits within only one- or two-days visits to the factories, which is a disproportionately condensed schedule to conduct a credible assessment concerning the labour compliance of the firms. As a result, auditors have hardly comprehensively assessed firms' actual performances and the major causes of labour standards violations. This includes living wages, associational rights, and OSH. According to the discussants, auditors rarely pursued why there was no union or collective bargaining in a factory or failed to grasp how organizing efforts could be thwarted.[[67]](#footnote-68) In this connection, the labour inspecting officer of BoLSA at Bole Lemi 1 IP plausibly refuted the extremely tightened seclusion of labour audits of brands as:

How on earth can a person or two as labour auditors sufficiently assess the major violations and the underlying of freedom of association and the collective bargaining of a firm that administers 6000 employees within two days? How could he capture those sophisticated violations related to wages and overtime hours, and how could it be possible to detect and explain those OHS hazards of the auditor experiences in a firm? The existing labour auditing practice is nominal and could not serve global apparel brands' publications to maintain their global reputation.*[[68]](#footnote-69)*

The second category of limitations of corporate-led monitoring at the study sites was structural weaknesses resonating from auditing agreements and procedures. In this connection, the basic conflict of interest was inherent in auditor contracting. Because factory owners paid most audits, they could attract business auditors that were too rigorous to risk losing their auditing contract.[[69]](#footnote-70) Besides, audit reports and complaint resolutions were rarely reported to workers so that they could have usually been confidential between the brand, the auditor, and the factory.[[70]](#footnote-71) Moreover, even though the brands' auditing were essentially required to fill the gaps of the government towards labour standards, the brands did not want to share their audit findings with government inspectors and any other third party human or labour right organizations.[[71]](#footnote-72)

There is also a great deal of empirical evidence that dramatically illustrates the failures of global apparel brand buyers' existing monitoring and impact reporting practices at the global stage.[[72]](#footnote-73) In a similar vein, the brands' lofty claims were believed to be observed in the actual working conditions in Ethiopia's IPs. In 2018, one of the leading global brands under investigation received an "Award for Corporate Excellence" from the US Secretary of State Mike Pompeo, in recognition of what the State Department acknowledged it for its "sustainable" operations in Hawassa Industrial Park (ILO 2016:6; Cited in HRW 2019:23). Upon receiving this award, the CEO of this leading brand said:

Today, we realize our vision has come to life at the Hawassa Industrial Park. We have focused on protecting the local environment using sustainable energy and ensuring sufficient supplies of clean water. Creating a safe and inclusive workplace was also a priority, which provided real opportunities for the surrounding area residents.*[[73]](#footnote-74)*

Similarly, the other brand under inquiry was being praised for its success in the living wages, the right to collective bargaining, and other protections of the local industrial workers throughout its supplying firms (WRC 2018:10). Nevertheless, their predominantly paper value codes of conduct did not prevent industrial workers' suffering from extremely low wages, categorical denial of associational rights, OSH, and other violations by their supplying firms.

#### Are Supplying Firms in Ethiopia Immune to Labour Abuses?

The primary responsibility for ensuring the well-being of workers rests with factory owners as direct employers (UNGPs 2011; OECD GLs 2017). Hence, in the global apparel supply chain, individual apparel supplying firms are equally responsible with their respective global brand buyers to comply with the minimum labour standards. Nevertheless, the practical commitment of multinational apparel exporting firms operating across Ethiopia's IPs has been poor in ensuring labour standards. Similarly, under investigation, multinational apparel exporting firms employed various repressive measures against their workers who were initiating the formation of independent labour unions to protect members better. As a result, firm managers went to the extent of establishing co-opted and artificial 'workers' councils'.[[74]](#footnote-75) Besides, they employed various forms of administrative and punitive measures to subdue the collective voices of their workers.[[75]](#footnote-76)As a result, workers across the country's IPs have been deprived of their associational rights.

In Ethiopian IPs, the suppressive labour practices of multinational apparel employing firms against the voices of local industrial workers have been the worst, particularly concerning wages (Barrett & Baumann-Pauly 2019; Oya and Schaefer 2019). While they were not welcoming to associational rights, the three firms under enquiry have still been operating in Asian countries such as Bangladesh and India with strict compliance.[[76]](#footnote-77)They deprived their workers' rights across the collectively agreed upon better protections (particularly of the payment of minimum wages) in Ethiopia, where the government has also failed to enforce its minimum wage legislation (22 to 34 USD monthly wage). Thus, the context of labour abuse in Ethiopia could be understood as a double suppression as the weak protections of the government has deteriorated the company's suppressive labour practice.[[77]](#footnote-78)However, the government's reluctance is in a sharp contradiction with the improving trend across the leading apparel manufacturers operating across the major exporting countries of Asia.[[78]](#footnote-79)

Irrespective of the global buyers-induced downward price and time pressures against individual apparel manufacturers, the latter are ethically bound to exploit their maximum leverage to ensure the well-being of their workers. Contrary to this evidence, apparel supplier manufacturers under investigation complained about the rise in production costs, particularly of the local labour cost in terms of an ever-increasing wage.[[79]](#footnote-80) As such, firm managers under investigation claimed as if there were an increasing wage of workers in the Ethiopian IPs over the past three years. For example, the manager of the suppling firm at Bole Lemi 1 IP stated the situation as:

Multinational apparel manufacturers operating across Ethiopia's IP face a contradiction, which may ultimately force them to leave the country. On the one hand, our global brand buyers have been persistently lowering the prices of each item for about the last three years. On the contrary, we have been facing an ever-increasing production cost here in Ethiopia, particularly labour cost (rising wages of local employees).*[[80]](#footnote-81)*

Nevertheless, the above claim of apparel exporting firms in Ethiopia's IPs concerning an increasing labour cost could not be substantiated by empirical evidence. Unlike their discontent for the rise of wages, the actual wages of local industrial workers in the country's IPs have remained the same throughout the past decade. As testified by the discussants,[[81]](#footnote-82)no single apparel industry across the country's IPs has improved the existing wages through collective agreement because of the absence of any functioning trade unions.

Although Ethiopia formulated new labour legislation outlining the minimum wage in 2019, there has not been any tangible change to this effect even after three years of its formulation.[[82]](#footnote-83) As a result, the discontent of apparel supplying firms against their brand buyers from the vantage point of an increasing local labour cost has mere externalizations of their responsibilities and failures to the global brand buyers.[[83]](#footnote-84)Unlike the context of apparel exporting firms in Ethiopian IPs, the increasing labour cost (wages) works could be an affirmative defence for multinational apparel manufacturers operating in Asian countries. However, unlike the context of Ethiopia, there are improvements in major apparel exporting firms of Asia concerning the payment of poverty wages (Barrett & Baumann-Pauly, 2019: 9).

Employing exporting firms in Ethiopian IPs usually attributed the labour rights violations to the Ethiopian government since it has failed to ensure a protective labour policy.[[84]](#footnote-85) For example, they justified paying low wages by emphasizing the Ethiopian government's failure to enforce the minimum wage floor. Indeed, the Ethiopian government's investment and industrial policy that commercializes and incentivizes the local labour for FDI has been considered the underlying drive for labour abuses in Ethiopia.[[85]](#footnote-86)Nevertheless, as Compa (2008:7) explained, apparel exporting firms failed to discharge their CSR by getting through the limitations of the government's weak minimum wage setting mechanisms.

As an extension of the above argument, multinational employing firms in Ethiopian IPs claimed cheap labour and poor OSH standards were the only investment incentives in Ethiopia. This is their simple cover-up claims to justify their practices in the payments of poverty wages, their suppressive practices to silence workers' collective voices, their poor OSH standards, and other downgrading treatments against the local industrial workers.[[86]](#footnote-87) Unlike employing firms' weak explanations, Ethiopia's preferential trade access to Western markets through AGOA and EBA, its abundant uncultivated land suitable for local cotton production, its relatively cheap power facilities, and special tax holidays were extra-incentive packages to the multinational apparel exporting firms operating across the country's IPs (ACT 2020). Even more, an-ever expanding railway infrastructures, IPs, shades and up-to-date modalities of ease of doing business practices through OSS across the country's IPs were additional incentives.[[87]](#footnote-88)

In a similar vein, the latest labour legislation (proclamation no. 1156/2019) does contain key pro-investment or employers' imperatives. For example, the probation period is extended from forty-five consecutive days to sixty working days (Art 67(2)). Besides, it allows employers to terminate the contract of employment without notice (Article 27 (1) (a) (b)). It increases overtime hours to four days and twelve days per week (Art 67(2)). Since the government have not had any policy determination yet to set the minimum wage in the country, it is still using the cheap, abundant labour force and the absence of minimum wage to attract investment. The establishment of the minimum wage is also helpful for factories and workers because it reduces the repeated work strikes and brings a predictable working environment and efficiency (Kidis Abayneh Abebe 2019:58).

Furthermore, COVID-19 has also been presented as a defense by employing firms to overlook their CSR concerning labour protections. Yes, there has been a significant decrease in global demands for apparel products.[[88]](#footnote-89) Nevertheless, a series of national measures have been taken by MOFED and other relevant authorities to minimize the financial burden of investors involved, particularly in the export sector. The national measures include directives to cancel and reduce taxes, logistics, and transport costs to and from the coast of Djibouti.[[89]](#footnote-90)Besides, they have been entitled to domestic markets to relieve the decrease of global demands.

Nonetheless, they have still projected the national and global challenges for their mistreatments of the local labour force. Finally, apparel manufacturers' categorical allegations of their brands can easily be disapproved by taking the context of Hawassa IP. The company at Hawassa IP follows an integrated business model because both the manufacturer and the global brand have been the same. However, the violations at HIP have remained the same regardless of the same ownership structure of the investment.

#### Is Brands' Flawed Corporate Behaviour an Exceptional Labour Challenge in Ethiopia?

Concerning the underlying maxims of the global economy in the apparel sector, cost and speed are universal drives behind multinational apparel lead brands operating across countries of the Global South, including Ethiopia. These underlying factors of economic globalization have forced multinational apparel manufacturers and brands to shift their production sites to countries such as Ethiopia, where the cost of apparel production is low (Anner 2015; Mamo & Gabriela 2017).

In a similar vein, the cold currents of economic globalization on the well-being of workers are common global labour rights and development challenges (Wade 2003; Gereffi & Frederick 2010; Staritz, Plank & Morris 2016; ILO 2017). Ethiopia cannot be an exception concerning the implication of the brands' bad purchasing practices and countries' flawed CSR to comply with labour standards.[[90]](#footnote-91)Hence, similar to the context of most apparel exporting countries of Asia and Sub-Saharan Africa, the status of labour abuse in Ethiopia's IPs are predictable externalities of brands' time and cost pressures against employing factories.[[91]](#footnote-92)

Based on the above explanations, it is fair to argue that the brands' downward price pressure against the apparel manufacturers has been the major factor for labour rights abuses. This has been the sector's common experience from Bangladesh to India and from Madagascar to Ethiopia. Besides, the 2018 study by Better Buying Purchasing Practices Index revealed that the brands' delayed payment had forced apparel supplying firms to negotiate labour standards in Asia and sub-Saharan Africa (Better Buying Purchasing Practices Index 2018:11; Cited in HRW 2019:30). Similarly, the various forms of labour abuses because of the brands' tight time pressure were not peculiar to Ethiopia as they were shared concerns of the sector in other apparel exporting firms such as Cambodia, Bangladesh, India, Myanmar, and Pakistan and Mauritius and Madagascar. Finally, the quest for an independent monitoring and verification mechanism (CSR) has been an exceptional appeal against the global apparel brands sourcing only from Ethiopia.

Despite the above commonalities with other emerging apparel countries concerning global brands-induced labour rights violations, the context of labour challenges in late-industrializing Ethiopia has been the worst. First, the brands' downward pressures on apparel supplying firms accompanied the country's less-protective national labour policy context (Barrett & Baumann-Pauly, 2019). Besides, the existing poverty wages across the country's IPs did not progress in the past decade.[[92]](#footnote-93) This was also a notable trend to other major apparel exporting countries of Asia and even Sub-Saharan Africa, where the sector's minimum wages have continuously increased.

Unlike the experience of the majority of Asian apparel exporting countries, which enforce either statutory or collectively bargained minimum wage limits, Ethiopia's labour policy context before 2019 did not practice either of these two minimum wages setting mechanisms. This was because the country's labour policy did not have any statutory minimum wage mechanism. Besides, although associational rights have been sufficiently recognized by both the previous and the current labour legislation, the country's IPs have been exceptionally exempted in enforcing it.[[93]](#footnote-94) Hence, the practice of setting collectively agreed minimum levels of payment has been impossible because of the absence of independent labour unions (WRC 2018). Besides, although the country has included the minimum wage setting mechanism in its latest labour legislation, there have not been any practical measures to enforce it. Hence, Ethiopia's labour policy limitations in ensuring the minimum wage have become an affirmative defense of both the supplying firms and their brand buyers for the existing poverty wages that have squeezed local workers exceptionally to the worst wages in the world.[[94]](#footnote-95)

Furthermore, the brands' speed-motivated (tight time scales) labour abuses are the worst in Ethiopia's IPs for apparel exporting firms. Here, apparel exporting firms have significant limitations in competing in an ever-tightening global apparel value chain schedule. The sector requires automation, digitization, and other upgrading processes (Staritz, Plank& Morris 2016). In this regard, the burden predominantly goes to the capacity limitations of Ethiopia's state-led industrialization to address the above key upgrading challenges (Barrett & Baumann-Pauly 2019). Accordingly, the country has failed to repeat the successful track records of most Asian apparel exporting countries in terms of technological upgrading. This is critical to the country's competence in the global market sector and is instrumental to improving social upgrading or labour standards (Staritz & Whitfield 2019). Nevertheless, the sector's significant upgrading limitations have exceptionally fuelled the existing brand-motivated time or speed pressures on the apparel exporting firms and their workers in Ethiopia.[[95]](#footnote-96)

### Conclusion

The global apparel supply chain is characterized by massive and complex supply chains that often stretch across several countries. Multinational apparel firms and brands emphasize costs and speed to maximize their profits in a highly competitive GVC. In this regard, the underlying motive behind their decision to shift their production sites is to exploit countries' cheap and weak labour practices in the Global South. Furthermore, the global apparel brand buyers usually monopolize the decision-making process over their individual supplying factories. As such, they usually impose their decisions on individual firms on the lead time, the designs, and the prices of each product. They create downward price and time pressures on individual apparel supplying firms throughout price and lead time negotiations.

Nevertheless, the development of the proceeding cost and speed-motivated trends of the global apparel supply chain constantly challenge the minimum working conditions of workers. To remedy this, Corporate Social Responsibility (CSR) has increasingly become an alternative norm for fair and inclusive economic globalization. CSR is about a corporate-led internal initiative of multinational apparel companies not to violate the fundamental values of decent work. Hence, the ideals of CSR rest on the commitment and self-regulation practices of multinational apparel companies to ensure social justice, social protection, and universal labour and human rights standards. Since the 1990s, CSR has increasingly become relevant both in the scholarly and actual industrial policy debates. Hence, it has been widely recognized as a viable solution to multinational apparel companies' various forms of labour and human rights violations.

However, low production costs and a speedy global supply chain have been underlying the leading multinational or global apparel brands. Intrinsically, they still prioritize the cost and speed of the supply chain over its quality or compliance with labour standards. In this connection, their corporate-led CSR practice's predominantly flawed nature and poor purchasing practices have remained. As a result, the quest for global solidarity to comply with universal labour standards has been a daunting task in the global apparel supply chain.

Ethiopia is one of those preferred destination countries of the global apparel manufactures and brands. Ethiopia's state-led industrialization has prioritized the garment and apparel sector as a gateway to the country's structural transformation through facilitating industrial catch-up. The government has taken various national measures to achieve this national vision by attracting FDI in this labor-intensive and export-oriented sector. For example, the country's cheap and less protective labour practices have been part of the government's national measures as investment incentives. Such a weak and flexible labour policy, in turn, contributed to the influx of multinational apparel companies. This has helped Ethiopia to be one of those preferred destination countries of global apparel manufacturers and brands. As a result, the sector currently has generated around 90,000 manufacturing jobs across the country's IPs.

Nevertheless, apparel exporting firms operating across the various IPs of the country pay an average monthly salary of 26 USD, which is the least in the world. Such a poverty wage could not cover the expense required for the basic needs of local workers. Besides, it is impossible to find a single independent labour union across the country's IPs. In this regard, such a categorical denial of associational rights of workers in the country's IPs has been exceptional to the experiences of workers outside the IPs. Besides, there have been violations of OSH rules and guidelines by the firms. As the finding revealed, various brands were downward price and time pressures against the apparel supplying firms operating in Ethiopia's IPs. These pressures, in turn, could squeeze each factory to negotiate the minimum labour standards of the local industrial workers. The brands' poor plannings and delayed payments contributed to the persistent poverty wages, highly suppressive labour practices, denial of associational rights, violations of overtime and safety standards by the individual exporting firms. Although individual exporting firms in Ethiopia have been operating in an exceptionally less-protective national labour policy context, they have shown little commitment to improving the working conditions of their workers. Instead, they categorically projected the causes of all labour rights violations to their respective brands or buyers, which was found to be significantly fallacious. Thus, the context of labour abuses across apparel supplying factories in Ethiopia's IPs is exceptionally the worst. The corporate-led labour compliance management mechanisms of both the global apparel brands and individual supplying factories further deteriorated the country's fragile labour policy.

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## The Effect of Tourism on current account deficit in Ethiopia

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# Abstract

*Ethiopia is one of the countries that experience a persistent current account deficit, despite it has recently realized a steady double-digit economic growth. International tourism can serve as a good alternate to minimize current account deficit through generating foreign currency to the economy. Therefore, this paper investigated the effect of tourism on current account deficit in Ethiopia. Besides, causality between tourism and current account balance is tested. Further, this study has tried to identify the main challenges of tourism development sector in Ethiopia. ARDL methods of co-integration and Granger causality test was used to explore the relationship and causality between the variables, respectively. The result from the econometric analysis confirmed that tourism industry positively and significantly affects current account balance, implying it is a good alternate to minimize current account deficit through generating f**oreign currency to the economy. The pair wise Granger-causality test also confirmed the existence of unidirectional causality that runs from tourism receipt to current account balance. However, the trend analysis and qualitative analysis clearly showed that the tourism sector has been challenged by many factors. Lack of infrastructures development, poor and inadequate tourist facility (quality and adequacy); lack of qualified man power; lack of peace and security; lack of stakeholder’s collaboration; inadequate promotional or marketing works and lack of awareness and low participation of the community are among the major challenges mentioned by the respondents. Hence, public intervention aimed at further developing tourism sector is necessary to fully utilize the constructive role of tourism industry in minimizing the persistent current account in Ethiopia.*

**Keyword**s: Tourism, Current account deficit, Challenges, ARDL, Ethiopia.

### Introduction

In the twenty-first century, tourism sector is considered as the most imperative economic sectors in the world and it is contributing more to income, employment and export (Hall & Seyfi, 2021 and Hafidh & Rashid, 2021). According to the 2019 World Travel and Tourism Council report it is contributing closely 10% to world gross domestic product (GDP), considering it’s direct, indirect and induced impacts. It is also an engine of employment creation, generating 319 million jobs, or 10% of total employment in 2018. One in every ten jobs worldwide is directly or indirectly linked to tourism sector (World Travel and Tourism Council, 2019.

It can also ameliorate the current account balance through generating foreign currency. International tourism is acknowledged as a significant foreign exchange earner contributing to capital goods that can be used in the production process (Matthew et.al, 2021). It is part of the current account balance (Balance of Payments) under the category’s ‘travel’ and ‘passenger transport’ (UNWTO, 2015). Spending by international tourists is considered as exports for the destination country and as imports for the country of residence of the visitor. In current account balance, receipts from international tourism are recorded as credit and expenditure on international tourism is recorded as debit under the services balance (Thano, 2015 & UNWTO, 2015).

Developing countries are often characterized by persistent current account deficit (Orhangazi & Yeldan, 2021). Their value of import of goods and services is usually much higher than the value of exports of goods and services. As a result, they face problems in finding the necessary funds to import capital goods and secure services which are necessary for their sustainable economic development (Thano, 2015). Ethiopia is one of the countries that experience a higher current account deficit despite it has recently realized a steady double-digit economic growth. According to several WDI and NBE annual reports the value of Ethiopia’s export was much lower than the value of its imports for the last half century. For instance, the 2019 WDI data shows that, on average, Ethiopia’s current account deficit as a percentage of GDP was about 5% for the year 1981-1990. In the next decade (1991-200), it was widened further to 7.6%. Further, the country has experienced a very high current account deficit during the year 2001-2010 with an average value of 18.5%. On average, this figure has slightly improved and reached to 17.8% during the year 2011-2019. Discouraging performance and unpredictability in export earnings, and ever-increasing demand for imports have led to worsening in current account balance of Ethiopia (Tesfalem, 2017).

International tourism is a good alternate to minimize current account deficit through generating foreign currency to the economy. “It is a typical source of foreign exchange, which is helpful to import various goods and services that increase the productive capacity of the economy such as capital goods, and to maintaining the balance of payments of a country” (MoCT, 2009). It can improve the current account balance as international tourism denotes consumption of goods and services outside of the origin of the tourists. It directly affects the balance of payments of the host country as it appears on the balance of payments account under the entry of international services (Orhangazi & Yeldan, 2021). As a result, many developing countries including Ethiopia have encouraged and supported the development of tourism industry in order to transform their economies from mainly traditional agricultural economies to industries ones and thus set in motion the process of development (World Travel & Tourism Council, 2019).

Ethiopia has a lot of tourist attraction areas and mainly almost all types of primary tourist products. It is home to numerous historical, cultural, religious and natural attractions (Asmare, 2016 and Belete, 2020). Until now, thirteen tourist attraction namely Axum’s obelisks, the Rock-Hewn Churches of Lalibela, Gondar's Castles, the Omo lower valley, Awash lower valley, Konso Cultural Land scape, Tia's carved standing Stones, Semien National Park, Harar Jugol wall, *Meskel* festival, ***Timket* (Ethiopian Epiphany),** *Fichee-Chambalaalla,* and*Geda*-system are acknowledged by UNESCO as world heritage.

In order to develop tourism industry and to permit the sector successfully contribute to the country’s current effort of eliminating poverty, Ethiopia has designed different policies and strategies. For instance, during the imperial regime (1930–1974) legal support was provided for the development of the tourism by establishing the Ethiopian Tourism Organization (ETO) instituted by Order No. 36 in 1964. This can be considered as a milestone in the effort to develop modern tourism sector as an imperative sector of economic development. After the overthrow of the Emperor Haile Sellasie, the military regime also tried to recognize the tourism sector, but much emphasis was given to domestic tourism. During the EPRDF (Since 1991), significant institutional developments have been in place in Ethiopia to develop the country’s tourism sector. These policy measures include the establishment of an independent tourism offices in each regional state by Proclamation No. 41/1993, the establishment of the Ministry of Culture and Tourism (MoCT) in 2005, the preparation of the National Tourism Development Policy in 2009, and the establishment of the Tourism Transformation Council (TTC). Possibly, these are an indication of higher prioritization given by the recent government to tourism industry. One of the objectives of the recent National Tourism Development Policy is to“build a tourism industry that makes important contributions in earning and conserving foreign exchange, and integrates into the economic growth of the country” (MoCT, 2009 p.11).

Though higher institutional priority is given to tourism industry development, still the sector is facing different challenges (MoCT, 2009 and UNWT, 2017). For instance, absence of textual information on tourist destinations; lack of promotion; poor sanitation standards and conditions in smaller hotels and restaurants; chronic begging and ‘tourist baiting’ on streets and tourist sites; mismanagement and/or neglect of existing tourist destinations and resources; lack of trained manpower in the tourist corridor; lack of physical infrastructure (road, transportation system, network facility, availability of hotel accommodations especially tourist site), lack of strict control and regulation of tourist related infrastructures and services; negligence on important cultural sites and facilities and misperceptions on the images of Ethiopia are among the different constraints of tourism sector development in Ethiopia (Kidanemariam, 2019; Kidane, 2017; Sintayehu,2017; Woreta & Meskele,2018; & Belete,2020,).

The effect of tourism on current account deficit has theoretically understood and there are also extensive bodies of theoretical literature on the issue. So far, scholars such as Haile & Megerssa (2020), Kidanemariam (2019), and Reda (2021) conducted research to evaluate the effect of tourism on economic growth. But as to my knowledge, there is no any time series analysis done on the effect of tourism on current account in Ethiopia. Hence, this study tries to narrow this research gap by primarily examining the effect of tourism on current account deficit in Ethiopia over the period 1981 to 2019. Besides, this paper identifies the main constraints of the tourism sector development in Ethiopia through qualitative approach (KII). Specifically, the study aims at addressing the following objectives.

1. To show the trends of tourism industry (in terms of tourist number and tourism receipt) between the years 1981 to 2019.
2. To evaluate the short run and long- run effect of tourism industry on current account balance.
3. To identify the main constraints of tourism industry in Ethiopia

### Methodology

#### Research Design

To address the objectives of the study, mixed research design approach combining both quantitative and qualitative method is used. To analyze the effect of tourism industry on current account deficit, quantitative research design (explanatory research design) is applied. In addition, in order to identify the main challenges of tourism industry in Ethiopia, qualitative design is used.

#### Model specification

To test whether there is a long run equilibrium relationship between the variables; bounds test for co-integrationis carried out as proposed by Pesaran, et.al (2001). The detail specification of cointegration mode is shown as follows.

……………………………………………………………….(1)

Where: CABt = Current account balance to GDP ratio at time t.

LTOURt = Logarithm of tourism receipt as a % of GDP at time t.

LOPNt = Logarithm of openness (sum of export and import as a % of GDP) at time t.

LAGRI *t* = Logarithm of agriculture sector share at time *t.*

LSERV t = Logarithm of service sector share at time t.

LREER t = Logarithm of real effective exchange rate at time t.

LTOT t = Logarithm of terms of trade at time t.

D1999 = Year dummy for 1999 spike(break)

D2005 = Year dummy for 2005 spike (break)

D2015 = Year dummy for 2015 spike (break)

T = Time trend 

ut = error term

 = constant term

1, 2, 3, , 3, ,, and ****are elasticity coefficients.

#### Long run and short run models

Once co-integrating relationship is ascertained, the long run model estimates of the ARDL model are estimated as follows.

……………………………(2)

Before the selected model is estimated by ordinary least squares, the orders of the lags in the ARDL model are selected by the Schwarz Bayesian criterion (SBC). From this, a maximum of 2 lag length is selected. Because for annual data, Pesaran and Shin (2001) recommend choosing a maximum of 2 lags.

In the existence of cointegration, short-run elasticities are estimated by constructing an error correction model of the following form:

…………………………………………………………..(3)

where is the first difference operator and ECT (-1) is the error correction term which measures the speed of adjustment. It measures how quickly the series can come back to its long-run equilibrium. The sign of the coefficient must be negative and significant.

Further, **pairwise Granger causality test** is applied to determine whether there is uni-directional causality or bi-directional causality between tourism and current account balance. To check the causality between the two variables, the following model is specified.

The null hypothesis (H0) and the alternative hypothesis (H1) state that at least one of them is not zero. If the null hypothesis is rejected for equation (4), it can be said that there is a unidirectional causality from LTOUR to CAB. On the other hand, if the null hypothesis is rejected for equation (5) it can be said that there is a unidirectional causality from CAB to LTOUR. If the null hypothesis is rejected for both equations, it can be said that there is bidirectional causality between CAB and LTOUR.

#### Data Sources and Description of the Variables

To get adequate information for the study, this researcher has used both primary and secondary sources of data. With regard to the secondary data, thirty-nine years annual time series data from 1981-2019 is used from different sources. Specifically, it is obtained from ministry of culture and tourism (MoCT, National bank of Ethiopia (NBE), World Development Indicators (WDI), United Nations Conference on Trade and Development (UNCTAD) and IMF database. Primary data was also collected through in-depth interview (KII). Twenty key informants were purposively selected based on their unique experience and information that they have. To do so, an interview guide was prepared. The interviewees were selected from Ministry of Culture and Tourism (MoCT) and other stakeholders (Ethiopian Tour Operator Association, Ethiopian Chamber of Commerce, Ethiopian Tourism organization, Ethiopian hotel owner’s association, Ethiopian Heritage Conservation Association and Authority for Research and Conservation of Cultural Heritage).

All of the explanatory variables (except dummy variables) are transformed in to logarithm while the dependent variable is as it is. As the values of the dependent variable (current account balance as a percentage of GDP) is negative and cannot be transformed in to natural logarithm. Therefore, the model is specified in level-log form and the interpretation of the coefficients is a little bit different from the usual elasticity interpretation. The descriptions and measurements of the dependent and the explanatory variables that are included in the model are explained in Table-1 as follows:

Table-1: Description of the Variables and Source

|  |  |  |
| --- | --- | --- |
| Variables | Descriptions | Sources |
| Current account balance (%GDP) | Current account balance is the sum of net exports of goods, services, net income and net current transfers as a share of gross domestic product | IMF |
| Tourism receipt (%GDP) | Expenditure of international inbound visitors including their payments to national carriers for international transport as a share of gross domestic product. | MoCT |
| Trade openness | Trade openness is the sum of exports and imports measured as a share of gross domestic product. | UNCTAD |
| Share of Agriculture value added | The value added in the agriculture sector, including forestry, hunting and fishing, and cultivation of crops and livestock production, after adding up all outputs and subtracting intermediate inputs as a share of gross domestic product. | WDI |
| Share of Service sector value added | The value added in wholesale, retail trade, hotels and restaurants, transport, and government, financial, professional, and personal services such as education, health care, and real estate services as a share of gross domestic product. | WDI |
| Real effective exchange rate | The value of country's currency against a weighted average of several foreign currencies divided by a price deflator. | National bank of Ethiopia (NBE) |
| Terms of trade | The ratio of a country's export prices to its import prices. It is the ratio between the index of export prices and the index of import prices. | UNCTAD |

#### Method of data analysis

The methodology used to examine the contribution of tourism in minimizing current deficit in Ethiopia followed three procedures. First, to ensure that variables are at most I (0) or I(1), I carried out unit root tests using the most commonly used Augmented, Dickey-Fuller (Dickey and Fuller, 1979) unit root test and Phillips-Perron (1988). The next step is to inspect the existence of a long run relationship between tourism receipt (LTOUR), current account balance (CAB) and other control variables using the bounds test. Lastly, the long-run and short run model is derived from the ARDL model through a simple linear combination, which integrates both short-run adjustments with long-run information. As compared to other multivariate cointegration techniques, the ARDL approach is more appropriate given its considerable advantages ((Pesaran et al., 2001)). For instance, it is mostly well applicable for small sample size. It overcomes the problems of bias and inefficiency caused by the use of relatively small sample set. It is also applicable irrespective of whether the underlying regressors are purely I (0), purely I (1) or fractionally integrated. In addition, the model uses a sufficient number of lags to capture the data-generating process to the specific modeling framework. Further, endogeneity and serial correlation problems are corrected through appropriate lag selection. (Umoh and Effiong, 2013).

To determine whether there is uni-directional causality or bi-directional causality between tourism industry (TOUR) and current account balance (CAB), pairwise Granger causality test is applied. After estimating the long run and short run models, normality test, serial correlation test, heteroscedasticity test and Ramsey Reset test of model specification test is undertaken to check the robustness of the model. In order to estimate the models and to perform the pre-estimation and post estimation diagnostic tests, Eviews-10 statistical package is used. Finally, the qualitative data obtained from interview was transcribed & the transcribed data is analyzed manually using thematic content analysis.

### Literature Review

#### Theoretical literature

A large body of literature has been dedicated to the link between tourism sector and current account balance/balance of payment. The Tourism-led growth hypothesis (TLGH) argued that international tourism is an engine of economic growth for many countries by generating foreign exchange revenues for government, encouraging investments in infrastructure that ultimately improves the living standard of the citizens of a country (Balaguer & Cantavella-J, 2002 ; and UNWTO, 2017). It has also been theoretically argued that tourism sector contributes positively to foreign exchange generation which helps to minimize current account deficit (Matthew et.al, 2021). It is recognized that tourism helps to generate hard currency necessary for bridging or reducing whatever deficit there is in the balance of payments, and thus fosters the development of the national economy (Salah et.al, 1997). It is a good alternate to minimize current account deficit through generating foreign currency to the economy (Thano, 2015). Hall & Seyfi (2021) also argued that international tourism is an alternative form of export which generates foreign exchange to a given economy.

#### Empirical Literature

##### The Effect of Tourism on Current Account Balance

There are several studies available for different countries that examine the relationship between tourism industry and current account deficit. Rubina et.al, (2019) examined the long-run relationship between BOPs deficit and tourism in Pakistan for the period of 1976–2015 using the autoregressive distributed lag (ARDL) model. Their findings proved a relationship between tourism and BOP deficit in the context of Pakistan economy. Another empirical work was conducted in Barbados by Lorde et al. (2013) supported the above finding. They used an inter-temporal budget approach and their result showed that attention on tourism industry has a great impact on the reduction of current account deficit. Bacovic et.al (2020) investigated the short-run and long-run relationship between export of travel services and current account balance equilibrium in twelve in Mediterranean countries by applying a VAR and Panel OLS model. Their result confirmed the strong relevance of export of travel services in achieving current account balance equilibrium.

Çelik, et.al (2013) conducted research to examine the primary effect of tourism revenues on the balance of payments between 1984 and 2012 in Turkey. Their empirical findings suggest that rise in tourism revenues over has a favorable effect in closing the gap in foreign trade and the balance of payments. Rafiq et.al (2021) also conducted research in Pakistan so as to determine the asymmetric impact of tourism on the deficit in the balance of payments (BOPs). They applied a ARDL model to investigate the asymmetric impact of tourism on BOPs deficit using from 1995 to 2019. Their finding indicated that the existence of co-integration between tourism and BOPs deficit and a favorable effect of tourism on BOPs.

#### Challenges of Tourism Sector in Ethiopia

Different researchers showed that Ethiopia’s tourism industry development has been constrained by many internal and external factors. For instance, Belete (2020) identified lack of skilled human resources, shortage of tourist facilities, weak marketing and promotion, political uncertainty and conflict as the major factors that adversely affects tourism development in Ethiopia. Another researcher Asmare (2016) also argued that political unrest, outbreak of war, famine, unfavorable economic policies and poor infrastructure development are among the major reasons deterring tourism sector development in Ethiopia. Sintayehu (2016) also confirmed the findings of Belete (2020) and Asmare (2016). The result of his study confirmed that lack of promotion, lack of physical infrastructure (road, transportation system, network facility, availability of hotel accommodations especially around tourist site), wrong images about Ethiopia, shortage of trained man power are the main challenges of Ethiopian tourism industry. Low levels of community participation, lack of good governance, lack of stakeholders collaboration, tourism resources degradation, low/lack incentive to tourism investment, and weak policy implementation are also another that affect the progress of tourism sector in Ethiopia (Meskele , 2018). Further Kidane (2017) conducted a research to identify the socio-economic impacts of tourism. His finding argues that even though the sector has its own contribution, it is subject to many challenges such as poor infrastructure and accommodation, social-related problems such as begging & theft, high entrance fee, poor service provision, lack of awareness and promotional works, lack of coordination between stakeholders, and geographical location are among the main factors responsible for underdevelopment of the tourism sector.

### Result and Discussion

#### Descriptive Analysis

##### Trends In Total Number of International Tourists Arrived and Revenue Generated In Ethiopia

The trend of total number and growth of international tourists arrived in Ethiopia from 1981–2019 is shown in Fig-4.1, panel A and panel B. On the other hands, the value of international tourism receipt (in USD) is presented in Fig-4.2. The data used to produce the graphs was obtained from MoCT tourism statistical data.

Based on Fig 1 panel A, in 1981 the total number of international tourists arrived in Ethiopia was about 45963. In the next three years it has continuously increase and reached to 64240 in 1983. Similarly, the total tourism receipt has increased from 6.23 million USD in 1980 to 8.25 million USD in 1983, as depicted in Fig 2. However, the smooth flow of tourist arrivals and the revenue generated from international tourism in Ethiopia appears to have significantly declined between 1984 -1986. This was mainly attributed to the outbreak of famine during 1984-1986 and political turmoil during the military regime. In the next 4 years, the flow of international tourists and revenue generated has slightly increased to 79346 and 25.26 million USD respectively. Despite the frequent outbreak of civil war and conflict, the military era was still relevant in the development of tourism in Ethiopia, though it was in its early stages (Amare, 2016).

In 1991, the military regime was replaced by the Ethiopian People’s Revolutionary Democratic Front (EPRDF). During this year the tourism receipt was declined to 18.8 million USD, though the number of tourists was slightly increased to 81581. This clearly shows that the transition period was not a suitable time for the progress of the tourism sector (Amare, 2016). During the transition period, the destruction of parks built by the Derg regime as a reflection of community antagonism to the old regime was seen. The community who settled around parks cleared forests and parks, converting them to agricultural land and settlements” (Amare, 2016). This may decrease the average length of days that tourists stay in the tourist cites which decrease the revenue generated from international tourists. In the next 6 years, international tourism continued to recover. During this period, the flow of international tourists increased by nearly two-fold, from 83213 in 1992 to 138856 in 1997. Similarly, the revenue generated from this sector has increased by more than two-fold, from 20.6 million USD in 1987 to 43 million USD in 1997. This recovery could be due to the new economic policy measures taken by the transitional government immediately following the transition period. In 1992, a new economic policy under Proclamation No. 15/1992 was declared. This free market economic reform encouraged the establishment of private banks and insurance companies, the building of new hotels, and the establishment of tour operators, and travel agencies. Then tourist accommodations became the central point of commerce, business, and administration in the country (Ayalew, 2009; & Amare, 2016, Kidane, 2017).

During 1998 &1999, the Ethiopia’s tourism industry was challenged again by the Ethio-Eritrean border conflict. As reported in the Fig 1 Panel A and B, the number of tourists who visited Ethiopia showed a decline for years 1998 & 1999. During this period, the number of international tourist arrivals sharply dropped from 138856 in 1997 to 115,000 in 1999. The revenue was also declined from 43 million USD in 1997 to 33.6 million USD in 1999 (Fig-4.2).

After the Ethio-Eritrean war, the Ethiopia tourism industry started to recover & expand for the next 18 years. During this period, the government of Ethiopia gained different support from international organizations such as the World Bank and IMF, which offered the government an opportunity to strengthen its efforts to develop the socioeconomic sector (Amare, 2016). This laid the foundation for the postwar extraordinary expansion of tourist travel and revenue generation. During 1999-2017 period, the number of tourist arrivals in Ethiopia has also increased by more than six-fold, from 135,954 in 2000 to 933344 in 2017.The revenue generated from the sector has also shown a remarkable rise (except in 2008) from 73.8 million USD to 4.5 billion USD. But this remarkable performance could not sustain in the next two years. The number of international tourists and receipt has again declined to 884354 and 3.3 billion USD in 2019, respectively. This is due to the post reform political violence and conflict which restricted the free movement of tourist and damaged different infrastructures and social overheads such as lodges, hotels and other facilities.

From the above trend analysis, it can be concluded that political instability (during the military regime, Ethio-Eritrean war and the current post reform political violence & conflict) detrimentally affected tourism sector development as it deteriorates the confidence of tourists, potential investors and social overheads and infrastructures.



Figure 1: Total number and growth of international tourists arrived in Ethiopia (1981-2019)

Source: MoCT tourism statistical bulletin



Figure 4.2: Trends in international tourism receipts in USD (1981-2019)

Source: Own computation based on MoCT updated parameter.

#### Econometric Analysis

##### Stationarity test

The integrating properties of the variables (stationarity of the series) included in the model was tested in terms of *Augmented Dickey–Fuller* (ADF) and *Phillips–Perron* (PP) approach. Trend and intercepts were included in the tests. The test results of ADF and PP unit root test presented in Table 2 clearly shows that most of the variables such as ratio of tourism receipt to GDP (LTOUR), trade openness (LOPEN), share of agriculture value added (LAGRI), share of service sector value added (LSERV), terms of trade (LTOT) and real effective exchange rate (LREER) are not stationary at level. However, the first differences of these series were stationary at level at 1% level of significance, implying that they were integrated of degree one I (1). On the other hands, current account balance (CAB) is stationary at level at 5% level of significance.

Table 2: Unit Root Analysis

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| Variables | ADF Unit Root Test | | | PP Unit Root Test | | |
| T-statistic | Prob.Values | Decision | T-statistic | Prob.Values | Decision |
| CAB | -3.757933 | 0.0303 | Stationary | -3.757933 | 0.0303 | Stationary |
| LTOUR | -0.759638 | 0.9606 | Non-stationary | -0.616511 | 0.9721 | Non-stationary |
| LOPN | -1.731445 | 0.7174 | Non-Stationary | -1.584556 | 0.7804 | Non-stationary |
| LAGRI | -5.243423 | 0.0011 | Stationary | -2.259356 | 0.4448 | Non-Stationary |
| LSERV | -2.595992 | 0.2842 | Non-Stationary | -2.645066 | 0.2639 | Non-Stationary |
| LTOT | -2.698043 | 0.2431 | Non-Stationary | -2.742046 | 0.2266 | Non-Stationary |
| LREER | -1.532836 | 0.8002 | Non-Stationary | -1.532836 | 0.8002 | Non-Stationary |
| ΔCAB | -6.130053 | 0.0001 | Stationary | -7.448719 | 0.0000 | Stationary |
| ΔLTOUR | -4.806851 | 0.0023 | Stationary | -5.189049 | 0.0008 | Stationary |
| ΔLOPN | -7.604830 | 0.0000 | Stationary | -7.572337 | 0.0000 | Stationary |
| ΔLAGRI | -4.430661 | 0.0061 | Stationary | -5.025392 | 0.0012 | Stationary |
| ΔLSERV | -5.485644 | 0.0004 | Stationary | -10.75506 | 0.0000 | Stationary |
| ΔLTOT | -5.934498 | 0.0001 | Stationary | -6.668675 | 0.0000 | Stationary |
| ΔLREER | -6.106105 | 0.0001 | Stationary | -6.340068 | 0.0000 | Stationary |

Source: Author computation, 2019

Note: Significance at 1% and 5% is shown by \*and \*\*respectively.

That means the integrating order of the variables was a mixture of I (1) and I (0). This underpins the tenability of ARDL bounds tests approach as the order of integration is mixed and none of the variables were found to be I (2) or above.

##### ARDL Bounds Tests for Cointegration

Once the stationarity of the variables is checked, the bounds test of cointegration is conducted to examine the long-run relationship among the variables in the model. Since the observations are annual, we choose 2 as the maximum order of lags in the ARDL and conduct the bound test. Table 3 depicts the calculated F-statistics and critical values for bound test. As reported in the table the calculated F-statistic (6.385252) is greater than the upper bound critical value of 4.9 provided by Pesaran et al. (2001) at the 1% level of significance. Consequently, the null hypothesis of no long-run relationship exists is rejected, implying there is a strong evidence for the existence of cointegration or a long-run relationship among current account deficit (CAD), LTOUR, and the other control variable included in the model. The existence of this cointegrating equation implies that the variables have tendencies to move together and maintain a long run equilibrium relationship.

|  |  |  |
| --- | --- | --- |
| Table 3: ARDL Bounds Test | | |
| Sample (adjusted): 1983-2019 | | |
| Included observations: 37 | | |
| Null Hypothesis: No long-run relationship exists | | |
| Test Statistic | Value | k |
| F-statistic | 6.385252 | 6 |
| Critical Value Bounds | | |
| Significance | I0 Bound | I1 Bound |
| 10% | 2.53 | 3.59 |
| 5% | 2.87 | 4 |
| 2.5% | 3.19 | 4.38 |
| 1% | 3.6 | 4.9 |

Source: Author computation, 2019

##### The Long Run and Short Run Effect of Tourism on Current Account Balance

Having confirmed the existence of a long-run relationship between current account balance (CAB), tourism receipt (LTOUR) and other control variables in the model, the long-run and short run equations are estimated. Table-4 presents the long-run estimates of the model. The result depicts that the coefficients of all of the explanatory variables included in the model (except LTOT and LREER) are statistically significant. Tourism receipt to GDP ratio (LTOUR), share of agriculture value added (LAGRI), share of service sector value added (LSERV) positively and significantly affects current account balance (LCAB) at 5%, 1% and 5% respectively while trade openness (LOPN) and the year dummy variables (D1999, D2005 and D2015) negatively affects current account balance. As the model is specified as level-log form, the interpretation of the coefficients is a little bit different from the usual elasticity interpretation. The coefficient of my variable of interest, tourism receipt (LTOUR), is about 6.74, suggesting that as the ratio of tourism receipt to GDP ratio increases by one percent, current account balance will increase by about 0.0674 percent per year. This result is consistent with the argument of tourism-led growth hypothesis (TLGH) which argued that international tourism minimizes current account deficit by generation foreign exchange revenues. This finding is also similar with the findings of such as Rubina et.al, (2019), Bacovic et.al (2020), Lorde et al. (2013), and Rafiq et.al (2021) who argues that tourism is a good alternate to minimize current account deficit through generating foreign currency to the economy.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Table 4: Long Run Coefficients | | | | |
| Selected Model: ARDL (1, 0, 0, 2, 0, 0, 0)  Sample: 1981- 2019  Included observations: 39 | | | | |
|  | Dependent Variable: CAB | | | |
| Variable | Coefficient | Std. Error | t-Statistic | Prob. |
| LTOUR | 6.740294 | 3.086321 | 2.183925 | 0.0394 |
| LOPN | -6.813142 | 1.718724 | -3.964069 | 0.0006 |
| LAGRI | 21.054683 | 5.300510 | 3.972199 | 0.0006 |
| LSERV | 12.584950 | 5.933512 | 2.120995 | 0.0449 |
| LTOT | -3.485848 | 3.867341 | -0.901355 | 0.3767 |
| LREER | -3.899363 | 2.665119 | -1.463110 | 0.1570 |
| D1999 | -5.230978 | 0.816578 | -6.405975 | 0.0000 |
| D2005 | -5.604776 | 1.333651 | -4.202579 | 0.0003 |
| D2015 | -9.050314 | 1.426382 | -6.344944 | 0.0000 |
| C | -120.04478 | 44.38038 | -2.704906 | 0.0126 |
| T | 0.048149 | 0.091448 | 0.526522 | 0.6036 |

Source: Author computation, 2019

Once the long-run coefficients of the model are estimated, the short-run ECT model is estimated. The estimated error Correction model which helps to formulate the dynamic of the system is presented in Table-5. The result obviously shows that the ECT coefficient is correctly signed (negative as expected). The ECT coefficient is also highly significant as evident by its probability which is even less than 1% conventional level for significance. Such highly significant Error correction term is another proof for the existence of a stable long run relationship among the variables (Banerjee, et al., 2003). The coefficient of the error correction coefficient is about -0.73988 implying that about 73.4% of the disequilibrium could be corrected in each one year. In other words, approximately 73.4 percent of the disequilibrium from the previous year’s shock converges back to the long-run equilibrium in the current year. Similar to the long run effect, the short run estimates presented in Table-5 reveal that tourism sector has a positive and significant effect on the current account balance in the short run. That means tourism sector is a good alternate to minimize current account deficit through generating foreign currency to the Ethiopian economy both in the short run and in the long run.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Table 5: Error Correction Representation | | | | |
| Selected Model: ARDL (1, 0, 0, 2, 0, 0, 0)  Sample: 1981 2019  Included observations: 37 | | | | |
| Dependent Variable: D(CAB) | | | | |
| Variable | Coefficient | Std. Error | t-Statistic | Prob. |
| D(LTOUR) | 4.987017 | 2.351809 | 2.120502 | 0.0450 |
| D(LOPN) | -5.040916 | 1.158854 | -4.349914 | 0.0002 |
| D(LAGRI) | 3.280941 | 3.116927 | 1.052621 | 0.3034 |
| D(LAGRI (-1)) | 19.546590 | 5.320001 | 3.674170 | 0.0013 |
| D(LSERV) | 9.311369 | 4.448191 | 2.093294 | 0.0475 |
| D(LTOT) | -2.579114 | 2.713523 | -0.950467 | 0.3518 |
| D(LREER) | 2.885066 | 1.929247 | 1.495436 | 0.1484 |
| D1999 | -3.870303 | 0.724674 | -5.340751 | 0.0000 |
| D2005 | -4.146869 | 0.936674 | -4.427230 | 0.0002 |
| D2015 | -6.696158 | 0.819922 | -8.166825 | 0.0000 |
| T | 0.035625 | 0.066006 | 0.539718 | 0.5946 |
| ECT (-1) | -0.739881 | 0.103833 | -7.125690 | 0.0000 |
| ECT (-1) = CAB + 6.7403\*LTOUR - 6.8131\*LOPN +21.0547\*LAGRI +12.5849\*LSERV-3.4858\*LTOT + 3.8994 \*LREER -5.2310\*D1999 -5.6048\*D2005 - 9.0503\*D2015 -120.0448 + 0.0481\*T | | | | |

Source: Author computation, 2019

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##### Pairwise Granger causality results

In order to identify the direction of causality between current account deficit and international tourism receipt in Ethiopia, pair wise Granger-causality test was conducted. The test result confirmed that causality runs from tourism receipt to current account balance. At a lag length of one and two there is a uni-directional Granger causal relationship from tourism receipt to current account balance.

|  |  |  |  |
| --- | --- | --- | --- |
| Table 6: Pairwise Granger Causality Tests | | | |
| Sample: 1981- 2019 | | | |
| Lags: 1 | | | |
| Null Hypothesis: | Observation | F-Statistic | Prob. |
| LTOUR does not Granger Cause CAB | 38 | 2.95742 | 0.0439 |
| CAB does not Granger Cause LTOUR | | 0.34137 | 0.5628 |
| Lags: 2 | |  |  |
| Null Hypothesis: | |  |  |
| LTOUR does not Granger Cause CAB | 37 | 4.07720 | 0.0265 |
| CAB does not Granger Cause LTOUR | | 1.74610 | 0.1907 |

Source: Author computation, 2019

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##### Diagnostic Tests

To check the robustness of the estimated model, different diagnostic tests are conducted. These tests include Lagrange multiplier test of residual serial correlation; Ramsey’s RESET test; Jarque-Bera Normality test, Breusch-Pagan heteroscedasticity test and CUSUM and CUSUM stability tests. The test results are reported in Annex Table-A, Table-B and Annex Figure-A. All of these tests indicate that the disturbance terms are normally distributed, serially uncorrelated with homoscedasticity of residuals thus confirming the models have correct functional forms. Besides, the CUSUM and CUSUM of Squares plot confirmed that the parameters of the models are relatively stable over time.

#### **Challenges of Tourism Sector Development in Ethiopia**.

Ethiopia is a home to numerous historical, cultural, religious and natural attraction (Asmare, 2016 and Belete,2020). The man made and natural attractions make the country one of the top tourist destinations in the world. But, despite its tourism potential, Ethiopia is receiving less number international tourists and foreign revenue from the sector. In this research, a key informant’s interview was conducted so as to identify the main constraints of tourism sector development in Ethiopia. Accordingly, the result obtained from the qualitative analysis (interview analysis), revealed that there are many factors that challenge the sector. These challenges can be categorized into seven major factors, namely, underdeveloped infrastructure, poor or inadequacy tourist facility, lack of skilled manpower, political instability, lack of coordination between stakeholders, lack of promotional works, and lack of awareness and low community participation. The detail description of each challenge mentioned by the respondents is given below.

**Underdeveloped infrastructure.** Tourism industry by its nature requires adequate, reliable, and quality infrastructure such as electric power, communication service, water supply, accessible road, and sanitation around the hotels and tourist sites. In this regard, the interviewee from MoCT and ETOA said that lack of infrastructure is the main constraint that hinder the development of tourism sector in Ethiopia. According to them, those tourist attraction areas which are far from urban areas are not easily accessible to tourists due to lack of road transport or due to uncomfortable road infrastructures. These sites are also subject to unavailable or limited electric power, communication service, water supply, and sanitation facilities. The international tourism competitiveness index also confirms this fact. According to the travel and tourism competitiveness index (TTCI), Ethiopia’s tourism sector performance is much lower than many east African countries such as Mauritius, Seychelles, Kenya, Tanzania, Rwanda, and Uganda in 2019. It lags behind Eastern Africa’s average on the majority of the 14 TTCI pillars, especially due to an underdeveloped overall T&T infrastructure (128th out of 140 countries) which comprises Tourist Service Infrastructure index (138th out of 140 countries), Ground and Port Infrastructure index (116th out of 140 countries) and Air Transport Infrastructure (98th out of 140 countries).

**Inadequate and/or poor tourist facility**. The result obtained from the interviews, the quality and quantity of service provided to tourists in hotels, restaurants, in recreational centers and other activities is poor. The services are not in a standard that meets the demand of the tourists. There are hygiene and sanitation problems almost in all service providing centers. The hospitality is not good in some sites which frustrate the tourists. According to the respondents from ETOA and Ethiopian hotel owner’s association, the quality and quantity of the services become worse when we go to zones and woredas. These problems have a great influence on the tourism development in Ethiopia.

**Lack of qualified man power:** Availability of qualified human power that is capable of exploiting the potential benefits of tourism sector is very important for all tourism destination countries (OECD,2020). However, in developing countries like Ethiopia, availability of qualified human power is a very large challenge, particularly in those countries experiencing the most rapid tourism growth. In tourism sector, the predominance of small-scale tourism service providers presents particular challenges. According to the respondents from tourism expansion directorate, Ethiopia’s tourism sector has been also facing a severe shortage of trained manpower, which may hinder the development of the industry. In Ethiopia, most of the people engaged in the tourism sector do not have extensive knowledge and experience which helps to extensively exploit the benefits from the sector. Even some times, leaders and experts who are not directly related to the sectors are assigned to culture and tourism ministers, bureaus and offices by the government. This is usually done as a demotion or penalty, when they fail to fulfill their responsibility in the other sectors. In addition, the tourists who come to Ethiopia are from different countries of the world with diversified language and culture. But there is lack of diversified tourist guiders with different international language skills who could provide quality tour operation services and confidently explain the different tourism resources in the country. The 2019 World Economic Forum T&T index verified that there is low level of qualified human resource and underdeveloped labor market that could support tourism sector development. According to the report, Ethiopia has scored a low score of Human Resources and Labor Market index (128th out of 140 countries).

**Lack of peace and security:** Tourism is possible in areas where peace is present as tourists are generally very concerned about their security and safety (Litvin, 1998 and Baker, 2012). Political instability and conflict lead tourists either not to go at all or choose for places where there is peace (Baker, 2012 and Yenesew,2017).  Many tourist destinations, especially in the developing countries like Ethiopia, are facing fluctuations in tourist arrivals, due to unsafe political conditions (Shin, 2005). In this research, an interview was conducted to investigate the main challenges of tourism sector in Ethiopia. The respondent from MoCT and chambers of commerce said that the Ethiopian tourism industry has also been highly affected by the absence of peace and security since the last three years. According to the respondents, the recent political instability has restricted the free movement of tourist and damaged different infrastructures and social overheads such as lodges, hotels and other facilities. One of the respondents from MoCT said that “Let alone significant conflict and violence, one bullet fire is enough to spoil the tourism and travel industry”. Literary to say tourism demand is highly elastic (sensitive) to peace and security problems. The respondents from ETOA claimed that, recently, lack of peace and security is becoming the main challenge of tourism sector in Ethiopia. As a result of the conflict and violence, the number of tourist arrivals and revenue has been declined over the last three years. Besides, a lot of people engaged has been temporarily unemployed due to business collapse in the sector.

**Lack of coordination**. Tourism is not at all a task to be left to a single organization. There are many actors and stakeholders in the sector which undertake inter-related activity that requires coordination and integration. It encompasses a wide range of stakeholders such as governmental, religious organizations, private sectors, civil societies and local communities, etc. The information obtained from the KII respondents (MoCT, ETOA, chamber of commerce) said that there is lack of cooperation and mutual support within and between tourism stockholders, they do not work together. Responsible stakeholders’ failure to work in collaborative manner is among the key challenges for tourism sector development. Apart from acting separately, most actors such as hotels, tour operators, regional Culture & tourism bureaus, woreda culture & tourism offices are not working in collaboration and in an integrated manner. Most of the time the mandate is only left to the culture and tourist bureaus or offices.

**Lack of promotional works:** Among the several factors influencing tourism sector development in the host countries is tourism marketing(promotion) activity by tourism operators and concerned government organizations (Dwyer & Forsyth,1992). In this research, most of the respondents from different sectors (especially interviewee from chambers of commerce and MoCT) lack of promoting tourism sites is one of the major factors hurting the tourism prospects of Ethiopia. They said that most of the country’s tourism resources are less known internationally, even by the domestic residents. Concerned bodies such as diplomats, ETO and ETOA are not promoting the tourism cites of the country extensively. Though there is an attempt to promote the tourism resources, it is not in a manner that neutralizes the bad image of the country. In addition, most of the tourism marketing activities focus on few sites (Aksum obelisks, Lalibela hewn churches, Gondar's Castles, etc.) that are already known by international communities, though there are many hidden tourist attraction areas.

**Lack of awareness and low community participation**: According to Saarinen (2010) and Cardenas et al. (2015), local communities’ awareness and knowledge about tourism development in their areas is one of the factors that affect the sector. Tourism awareness and perceptions are very important as it can increase the participation of the communities in tourism. It can also change the community’s perceptions about tourism (Lekaota, 2017). Not only the awareness but active participation of the community is also crucial for tourism sector sustainable development.

Most of the KII respondents described that lack of awareness of the community is also adversely affecting the tourism sector development in Ethiopia. They said that there is a substantial misunderstanding at almost all levels of the society with regard to tourism sector. The misunderstanding includes hindering the free movement of tourists through begging; overcharging tourism services and unable to protect tourism resources. Usually, there are many beggars along the major roads and tourist sites. This bad habit may not only affect the development of tourism industry, but it may also damage the image and dignity of the country. On top of this, the communities have limited awareness about the tourist attraction resources and low commitment to protect the resources. For instance, the natural tourist attraction resources such as national parks are being adversely affected due to irrational human activity (deforestation, illegal settlement, hunting, et.) which is reducing the potential for ecotourism. This is mainly attributed by lack of awareness of the surrounding communities.

### Conclusions and Policy Implications

The main purpose of this study was to examine the contribution of tourism sector in minimizing current account deficit in Ethiopia. Besides, this study has also tried to identify the main challenges of tourism development sector in Ethiopia. ARDL methods of cointegration and Granger causality test was used to explore the relationship between tourism sector and current account deficit and causality between the variables, respectively. The result from the econometric analysis confirmed that tourism industry positively and significantly affects current account balance and there is a bidirectional causality that runs from tourism to current account balance at both lag one and lag two. This result is consistent with the argument of tourism-led growth hypothesis (TLGH) which argued that international tourism minimizes current account deficit by generation foreign exchange revenues. Consequently, we can conclude that tourism is a good alternate to minimize current account deficit through generating foreign currency to the economy.

Despite its contribution, the sector is being constrained by many bottlenecks. For instance, the trend analysis clearly showed that political instability (during the military regime, Ethio-Eritrean war and the current post reform political violence & conflict) has detrimentally affected tourism sector development as it deteriorates the confidence of tourists, potential investors and social overheads and infrastructures. This fact is also confirmed by the qualitative analysis. Further the qualitative analysis (from KII) showed that the Ethiopian tourism sector has been challenged by many other factors. Lack of infrastructures development; poor and inadequate tourist facility (quality and adequacy); Lack of qualified man power; lack of peace and security; lack of stakeholder’s collaboration; inadequate promotional or marketing works and lack of awareness of the community are among the challenges mentioned by the respondents.

Therefore, public intervention aimed at further developing tourism sector is necessary to fully utilize the constructive role of tourism industry in minimizing the persistent current account in Ethiopia. First, concerned public bodies should give priority to the development of different hard and soft infrastructures such as, roads, air ports, electricity, tele-com, payment system (like ATM, e-commerce) and other infrastructures around tourist attraction areas. To the infrastructure related bottlenecks, it is crucial for tourism strategies to be integrated with existing infrastructure plans and to design a cooperative arrangement with the private sector, including public-private partnerships (PPPs). Second, the government should create conducive environment to tourism sector by providing incentives to private investment in the sector such as hotels, lodges and others. Especially, in regions and remote areas there is a need to facilitate the expansion of the private sector. This intervention will help to deliver adequate and quality tourism products at the destination areas. Third, government should ensure peace and security in the country to build the confidence of tourists and potential investors. Fourth, policy makers have to design a mechanism that fills the qualified human resource gap. The government is still directly involved in the provision of tourism training. But these state-owned training institutions cannot close the tourism work force demand and supply gap due to their poor & limited capacity. In this regard, creating public-private partnerships and encouraging private sector investment in the areas of tourism human resource training is important to effectively solve the problem.

Fifth, sufficient resource should be allocated for tourism marketing and promotion as well as qualified human resource development. Currently, globalization and technology has created a new approach of marketing. So instead of relying on the conventional marketing strategies, concerned bodies should strengthen the social media and e-marketing as an alternative means of promoting Ethiopian tourism cites. Sixth, while trying to minimize the main bottle necks at grass root level, an integrated approach between tourism sector stakeholders should be designed and implemented. As the challenges of tourism sector are diverse, the elimination of tourism sector challenges requires active collaboration of all stakeholders. Therefore, multi- stakeholders’ framework is recommended for successful tourism sector development.

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## Economic Effects of COVID-19 on Micro and Small Enterprises in Addis Ababa Surrounding towns of Oromia National Regional State

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***Abstract***

*Micro and small businesses are essentials to Ethiopia's transition from an agrarian to an industrial economy. But the sector’s economic operations are not free from the effect of CVID-19. Accordingly, this study aimed to examine the economic effect of the COVID-19 on micro and small enterprises in Addis Ababa surrounding towns of Oromia National Regional State. To achieve this objective, quantitative data were collected from 436 MSE’s by questionnaire that represent the situation of the enterprises before and after the outbreak of the pandemic in December 2020. Data was analyzed by descriptive statistics method. The findings of the study showed that at the beginning of March 2020, before the outbreak of the pandemic, an enterprise had, on average 3.8 workers whereas, after the occurrence of the pandemic, an enterprise had, on average, 2.9 workers. This implies that due to COVID-19, enterprises decrease their workers on average by 0.83 and the mean difference of workers before and after the pandemic was statistically significant at less than 1% probability level. Furthermore, 32.3% of respondents reduced their work because of the pandemic, 60.55% and 31.02% of enterprises stopped working temporarily and partially (half a day) respectively. On the other hand, the enterprise's annual income for the year 2019 on average was 170,174.4 birr whereas it was birr 127,433.8 for the year 2020 during the pandemic and the mean difference was 42,740.6 birr which is statistically significant at less than 1% probability level. The main challenges enterprises faced during the pandemic were a fall in demand, decline of orders from customers, and lack of operating finance. Based on the findings of the study, training on a business recovery plan development and new line production, an extended debt repayment period, and provision of short-term credit are suggested to make enterprises recover faster from the adverse effect of COVID-19.*

**Keywords*:***COVID-19, Micro and small enterprise, pandemic, Sululta, Burayou, Ethiopia

### Introduction

The pandemic COVID -19 was first identified in Wuhan, China, at the end of 2019 and declared as a pandemic by World Health Organization (WHO) on 11 March 2020 (WHO, 2020). The virus has touched almost all continents of our planet and spread to more than 213 countries and territories. The pandemic has caused global health and economic disruption. As of September 2021, there have been nearly 231 million people infected by the virus and 4.7 million people died all over the World (WHO, 2021). In Africa, during March 2020, where most countries report the first case, the virus surges slowly. But, now (September 2021) it has been proliferated and resulted in 144,957 deaths and more than 5.9 million confirmed cases (WHO, 2021). In Ethiopia, the number of confirmed cases surpasses 350,204 and 5811 deaths (MoH, 2021). To reduce the number of daily confirmed cases and deaths by the Coronavirus, governments of many countries have been taking different measures like social distancing, border lockdown, use of face masks, full or partial lockdown, and testing. However, governments of many countries faced challenges in choosing whether to save the economy before saving the people or to save the people before saving the economy ahead of deciding which measure should be applied for the reason that "one size may not fit for all". Even if, many countries chose “save the people before saving the economy”, these countries noticed that their health crisis has been shifted to an economic crisis (Ozili & Arun, 2020).

Despite the coronavirus's devastating effects on human health, it is wreaking havoc on the global economy. Falling oil prices, decreased export and import, weakened tourism and aviation sectors, increased poverty and unemployment, supply and demand shock as businesses reduced or stopped production, and consumption decreased, as seen in the United States, China, South Korea, Italy, France, Brazil, and the rest of the world (Paolo & Andrea, 2020; Baldwin & di Mauro, 2020). These economic effects of the virus may have resulted from viral-control measures implemented by firms, the government, and people. Businesses have closed, reduced production, and laid off staff as preventative measures. Governments prohibit certain sorts of economic activities, such as restaurants, taverns, cinemas, and stores, and people limit their trips to the market, cross-border travel, recreational activities, and other social activities (Baldwin, 2020; Baldwin & di Mauro, 2020). Despite the efforts of firms, governments, and individuals, the virus continues to spread from time to time.

The economic effect of the virus is more likely to be severe in developing countries, as they are less able to subsidize their fledgling businesses than wealthy countries. Various health precautions aimed at containing the virus and its transmission vectors harm micro and small enterprise (MSE) supply and demand. MSE fosters the growth of a nation's economy by creating job opportunities and capital accumulation and reducing the gap in income inequality. For instance, micro and small-scale enterprises contributed 6.2% in the US, 22.3% in China, 80% in India, 67% in Japan, and 70% in the European Union of employment opportunity (Tegegne & Meheret, 2011). In Ghana and South Africa, MSEs represent a vast portion of businesses. They represent about 92% of Ghanaian businesses and contribute about 70% to Ghana’s GDP and over 80% to employment. MSEs also account for about 91% of the formal business entities in South Africa, contributing between 52% and 57% of GDP and providing about 61% of employment (Peter, 2015).

MSEs are extremely susceptible to shocks and financial insecurity. The pandemic's economic disruption is very severe on MSEs, resulting in lower demand for goods and services produced by MSEs as consumers reduce current consumption spending due to fear of the virus spreading locally and internationally, as well as the side effects of health measures such as staying at home, social distancing, and declaring a state of emergency. The fall in demand for goods and services will also cause a substantial decrease in the income of the MSEs. Consequently, MSEs will fail to pay salaries and wages for their employees and then lay off workers, unemployment increased particularly in the urban area, faced financial constraints to pay rent for working areas, and loan to banks or microfinance if the pandemic continues for six (6) months and above(Job Creation Commission, 2020).

Different researchers made an effort to examine the economic and social effects of the virus. In research conducted by Bartik et al. (2020) on 5800 small firms in the United States, 43 % of respondents have already temporarily shuttered their doors and cut their workforce by 40%. Another research conducted in Germany to analyze the impact of the pandemic on MSEs indicated that if the lockdown lasts longer than six months, considerable job losses of 0.85 to 1.6 million are projected among MSEs, particularly among micro-enterprises (Welter et al., 2020). Similarly, a survey on MSEs in the Netherlands found that 85 % of SMEs are in financial problems, with micro-enterprises facing the most challenges, and a study in Belgium found that 31% of MSEs are at risk of going out of business.

In a survey conducted by the Society for Human Resource Management in the United States in April 2020, 42% of small business owners, particularly in the service sector, had to close their businesses, with 62% experiencing a revenue decrease, 12% of small businesses unable to stay open for more than a month, and 32% unable to stay open for more than three months. Similarly, a survey of Canadian small business owners also showed that 81% of MSE had been negatively impacted, with 53% witnessing a reduction in sales and 1/3 of them concerned about their business's future over the year (Organization of Economic Cooperation and Development, 2020).

Shafi et al. (2020) aimed to determine the impact of the COVID-19 outbreak on MSMEs of Pakistan. They applied an exploratory methodology. They collected data by an online questionnaire from 184 Pakistani MSMEs. According to the findings, the majority of the participating businesses have been significantly impacted by the virus, and they are dealing with a variety of challenges including financial, supply chain disruption, decreased demand, decreased sales, and profit, among others. Furthermore, over 83% of businesses were unprepared or had no plan in place to deal with such a circumstance. In addition, nearly two-thirds of participating businesses claimed that if the lockout extended longer than two months, they would be unable to survive.

Kassa (2021) gathered data from 276 respondents for a study on the determinants of micro and small business continuity during the COVID-19 pandemic. The information gathered was evaluated using descriptive, correlation, and regression analytic methods. People and administrative factors, regulatory factors, economic factors, partnerships, and owner leadership have a positive relationship to micro–small enterprise continuous operations during the COVID-19 pandemic with r = 0.457, 0.558, 0.572, 0.519, and 0.654, respectively. With a value of (p= 0.05), the study regression analysis revealed that partnership, economic considerations, and the owner's leadership have a positive statistical significant effect on the continuous operations of the micro and small firm during the COVID-19 pandemic.

The Japanese government has also made steps to mitigate the pandemic's negative impact on MSEs. The package includes special loans of JPN 1.6 trillion offered to MSEs with zero-interest loans and no collateral, a specific guarantee program for firms affected by the outbreak whose sales and other profits are declining, subsidies to support teleworking in MSEs (including encouraging firms to adopt IT solutions and develop e-commerce sales channels), and MSEs facing a 15% decrease in sales can claim interest compensation and can borrow with no collateral (OECD, 2020). In South Korea, a survey of 407 MSEs performed in March 2020 revealed that the pandemic has affected 61.1% of MSEs, 42.1% of which will be unable to continue operating for more than three months, and 70.1% for no more than six months. A survey of 6000 MSEs in Italy found that 72% of enterprises were directly affected by the pandemic due to a drop in demand and/or supply chain, with 1/3 of respondents estimating a revenue decrease of more than 15% and 18% estimating a revenue decrease of 5-15% (OECD, 2020).

The Chinese government has also taken various measures to ensure MSE sustainability, including encouraging large enterprises to collaborate with MSEs, such as increasing their support in supply chains, in terms of loan recovery, raw material supply, and project outsourcing, motivating MSEs to engage in technology innovation, fostering MSE participation in public procurement by central and local governments, and the Chinese central bank launched a CNY 500 billion re-lending program (OECD, 2020).

Oyewale et al. (2020) investigated the impact of COVID-19-related cases and lockdown measures on issues affecting Nigeria's Small and Medium Scale Enterprises. The data collected was analyzed using a linear probability model to estimate the impact of the pandemic on entrepreneurs and a multivariate probit model to predict the factors impacting coping techniques. The finding showed that the majority of entrepreneurs have been affected (both significantly and modestly) by the COVID-19 pandemics due to partial and total lockdown and movement limitations. Partially restrictive restrictions increased the chance of low sales among businesses, particularly in the non-agricultural sector.

Ethiopian government has implemented a variety of measures to restrict the virus's spread and mitigate its economic impact, having recognized the pandemic's severe impact on health and the economy. The announcement of a five-month state of emergency, partial lockdown, the suspension of airline flights to more than 80 countries, the provision of 15 billion birrs to private banks by the National Bank of Ethiopia, and the imposition of 14-day quarantine are a few examples. Despite these efforts, Ethiopia's GDP grew by 6.1% in 2020 compared to8.4% growth for the year 2019 before COVID-19. Furthermore, if the virus continues to spread, 1.5 million private-sector workers, 3.1 million self-employed workers, and 5 million employees of micro and small businesses (MSEs) will be at risk of losing their employment (AU, 2020; IMF, 2020). The finding of this research has showed that the Pandemic negatively affects employment, income and savings of MSE’s in the study area.

MSEs, like those in many other developing countries, play a critical role in the Ethiopian economy by providing jobs, saving money, ensuring a fair income distribution, contributing to GDP growth, and so on. According to a report published by the Federal Job Creation and Food Security Agency in 2019, Ethiopia had more than 602,715 established MSEs between 2015/16 and 2018/19, employing over 3.04 million people, creating more than 5.02 million jobs, mostly for youth and women, and saving 34.4 billion birrs. Understanding the importance of MSEs, the Ethiopian government acknowledged and gave due attention to their promotion and development, formulating a national MSE strategy in 1997 and revising it in 2012, with a focus on resolving difficulties and promoting MSE growth (Ministry of Trade and Industry, 1997, Ministry of Urban Development and Housing, 2016).

Nevertheless, the COVID-19 pandemic is likely to have a negative influence on micro and small enterprises and is the hardest hit sector by the virus. According to a preliminary assessment conducted by Ethiopia's Job Creation Commission (2020) on the manufacturing and service sectors, assuming a six-month pandemic, 56% and 74% of employment in the service sector will be lost in the moderate and severe scenarios, respectively.

In light of our country's unique circumstances and the peculiar nature of COVID-19, the effect of the virus on MSE has not yet been thoroughly investigated. Thus, the study areas were towns surrounding Addis Ababa, which is currently the pandemic's epicenter, with the virus's transmission increasing day by day (MoH, 2020). The virus's rapid spread in Addis Ababa has a spillover effect on towns that surround the city. And, in comparison to other towns in the Oromia National Regional State, these towns have been heavily struck by COVID-19, and the pandemic has put a strain on ordinary business operations and people movement on MSEs in these towns. The results of this study could aid policymakers in identifying economic disruption caused by Coronavirus, assisting policymakers in developing appropriate policies and strategies to help MSE recover quickly from the COVID-19 pandemic's economic crisis, and determining possible short and long-term solutions.

Consequently, we aimed to conduct this research to investigate the economic effect of COVID-19 on MSEs in Addis Ababa surrounding towns of Oromia National Regional State with specific objectives of estimating the effect of the COVID-19 pandemic on the income and employment of MSEs, identifying the challenges faced by MSE during COVID -19 and assessing measures taken to overcome the effect of the COVID -19 pandemic on MSEs. Thus, the findings of the research are imperative for government to take appropriate policy responses and the findings could also be used as a reference source for future research due to the virus's peculiar nature.

### Methodology

#### Study design and source of data

It has been more than a year since the first case of the COVID-19 pandemic was occurred in Ethiopia, and the pandemic's spread has not been stopped. In terms of confirmed cases and deaths, the pandemic is showing an upward trend. A descriptive research design and a quantitative research approach were used in this study. Micro and small enterprises in the trade/service and manufacturing sectors provided the primary data.

#### Sample size determination

The number of MSE (population) from which the sample was drawn is finite and known; the formula provided by Yamane (1967) was used to determine the sample size. Here acceptable error “e” is considered to be 5% to have a representative sample to withdraw relevant response and to keep the heterogeneity among sample MSE (Kothari, 2004).

Therefore: n = Where; *N* = number of MSE (population), *n* = size of sample *e* = acceptable error (the precision). Thus, for N=7200, e=0.05, the sample size (n) was: n = = ≈379 plus 15%=436. There are 2149 MSE”s in Sululta town and 5051 MSE’s in Burayou town which are actively working with work experience of two and more than two years. Then, total of 169 and 267 samples were selected from Sululta and Burayou towns. The service/trade and manufacturing sectors consists of 5185 and 2015 MSE’s respectively. In terms of sector 314 and 122 samples were selected from trade / service and manufacturing. (Table 1)

Table 1: Details of sample size by sector and towns

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Towns | No of firms by sector | | Sample Selected | | Total sample selected |
|  | Trade/ service | Manufacturing | Trade/ service | Manufacturing |
| Sululta | 2073 | 706 | 126 | 43 | 169 |
| Burayou | 3112 | 1309 | 188 | 79 | 267 |
| Total | 5185 | 2015 | 314 | 122 | 436 |

Source: Sululta and Burayou town profile, 2020

#### Sampling techniques, data collection and Analysis

Data were taken from the towns of Burayou and Sululta in Oromia National Regional State, Oromia Special Zone, which surrounds Addis Ababa. These towns were chosen because they have a higher number of established MSEs than other towns, have been impacted particularly severely by COVID-19, and have a high level of pandemic spillover from Addis Ababa. During the data collecting period, our target population is MSEs who are working and have work experience two years and above. The target population was stratified into trade/service and manufacturing sectors after obtaining a list of MSEs engaged in trade/ service and manufacturing from the Job Creation and Food Security Office of each town understudy. Then, 314 MSE’s from service/ trade and 122 MSE’s from manufacturing sectors were selected by systematic random sampling technique using proportional sampling to size. Regarding data collection, quantitative primary data were collected from 436 MSEs using questionnaire. The data were analyzed using descriptive methods and presented in terms of figures and tables.

### Results and Discussion

#### Descriptive Results

##### General Characteristics of MSE

The following analysis was done using data acquired in December 2020 from micro and small businesses in the trade/service and manufacturing sectors. The result showed that 92.4% (403 respondents) of the total 436 respondents were responded properly, with male owned MSE accounting for 57.6% and female owned MSE accounting for 42.4% of the respondents. The average age of owners of MSE was 31.23 years, with a minimum and maximum age of 18 and 65 years, respectively and MSE had an average of 3.5 years of work experience.

Education is a variable which determine the profitability of MSE. It helps them to keep recordings of returns properly and compete in the market better than non-educated operators. The survey result also showed that 96.8% of MSE’s owners were educated and the remaining 3.2% were not educated (Table 3.1). This showed that MSE has provided a career opportunity for young and educated operators.

In terms of MSE’s owner’s marital status, the study revealed that 30.52% were single, 64.27 % were married, and the rest were divorced (4.47%) or widowed (0.74%). Because most business owners are married, the pandemic may affect them financially more than other marital status groups. The descriptive result also depicted that the majority of business operators (76.92%) were registered as microbusinesses, while the remaining 23.08 % were classified as small businesses. In the same way, 76.43% of business owners worked in the trade/service sector, while 23.57% worked in manufacturing. According to the study results, 63.52 % of MSE owners work in the shade constructed by the government, while 13.4% and 23.08% work in their own and rented premises, respectively (Table 1).

MSE’s were asked whether its workers get contacted with COVID-19 or not. The finding showed that 6.95% had been contacted with the virus, 88.09% said their workers did not get contact, and 4.96% said they do not know whether their workers or they had been contacted with the virus or not. In line with this, respondents were asked whether they stopped their business operation or not because of fear of COVID-19. Consequently, 60.55% of MSE operators stopped their business activity temporarily. Out of those who stopped working temporarily, 43.5%, 16.8%, 22.9%, 13.5%, and 3.7% of respondents stopped working for more than three months, three months, two months, one month, and less than one month respectively. Similarly, 31.02% of respondents stopped working partially (half a day) while 8.44% of respondents did not stop their business operation despite their fear of the virus (Table 1).

Table 1: General Information of Micro and Small Enterprises

|  |  |  |
| --- | --- | --- |
| Variables | Frequency | Percent |
| Education Level |  |  |
| Attended above grade 12 | 114 | 28.29 |
| Attended grade 9-12 | 207 | 51. 36 |
| Attended grade 1-8 | 69 | 17.12 |
| Never Attended | 13 | 3.23 |
| Level of Enterprise |  |  |
| Micro | 310 | 76.92 |
| Small | 93 | 23.08 |
| Types of Business |  |  |
| Trade/service | 308 | 76.43 |
| Manufacturing | 95 | 23.57 |
| Working area |  |  |
| Own premises | 54 | 13.4 |
| Government shade | 256 | 63.52 |
| Rented | 93 | 23.1 |
| Virus contacted |  |  |
| Yes | 28 | 6.95 |
| No | 355 | 88.09 |
| Don’t know | 20 | 4.96 |
| Stopped operation |  |  |
| Do not stop operation | 34 | 8.44 |
| Yes, stopped partially(half a day) | 125 | 31.02 |
| Yes, stopped temporarily | 244 | 60.55 |

Source: Computed from survey data, 2021

#### Effects of COVID-19 on Employment

To analyze the effect of the pandemic on employment, MSE’s employment data were collected at the beginning of March 2020 (before the outbreak of the pandemic) and during December 2020 (after the outbreak of the pandemic). Accordingly, the findings of the survey depicted that 32.3% of participants of the study said that they reduced their workers because of the pandemic, while 67.7% did not reduce their workers. Likewise, the survey result revealed that at the beginning of March 2020, MSE had, on average 3.8 workers (both permanent and temporary), whereas MSE had, on average, 2.9 workers in December 2020(Table3.2).

Out of those respondents who did reduce workers, were asked to state the criteria behind reducing workers. Hence, the finding of the study showed that workers were reduced with no specified criteria (61.5%), those their place can be easily covered by other workers (22.3%), and workers who are not engaged in the main activities of the business (16.2%).However, MSE owners do not simply reduce workers; they applied a certain set of actions. Thus, allowing paid leave (30.8%), reducing working hours (24.6%), giving unpaid leave (23.8%), and working for reduced pay (20.7%) are the main action taken by MSE owners to lay off workers (Figure3.1).

Figure 1: Action Taken by MSE to Reduce Workers

MSE’s were also asked to justify why they did not reduce workers at the period of COVID-19. The survey result depicted that majority of the business owner (67.7%) did not decrease their employees because they had no employees employed and run their business themselves including their families (81.6%), demand for their product increases during the pandemic (5.2%) and the nature of their business did not directly affect by the pandemic (13.2%). But, this does not mean that these enterprises have not been affected by the virus.

Table 2: Descriptive results of employment

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Description | Obs | Mean | Min | Max | t-value |
| Total workers at the beginning of March 2020 | 403 | 3.77 | 0 | 24 |  |
| Total workers at December 2020 | 403 | 2.93 | 0 | 24 |  |
| Worker laid off(Difference) | 403 | 0.83 | 0 | 14 | 9.71 |
| Workers reduced by enterprise |  |  |  |  |  |
| Microenterprise | 310 | 0.44 | 0 | 6 |  |
| Small Enterprise | 93 | 2.12 | 0 | 14 |  |
| Workers reduced by sector |  |  |  |  |  |
| Trade/service | 308 | 0.51 | 0 | 8 |  |
| Manufacturing | 95 | 1.85 | 0 | 14 |  |

Obs=Observation. Source: Computed from survey data, 2021

#### Effects of COVID -19 on Income and Savings of MSE

To compare and contrast the effect of COVID-19 on the income of an enterprise, the annual income of the MSE’s for the year 2019 (before the outbreak of the pandemic) and 2020 (after the outbreak of the pandemic) were collected. Savings data were also gathered for the same years. As a result, 92.6% of respondents said that their annual income for the year 2020 was reduced compared to the annual income of the year 2019(Table 3.3).

Table 3: Summary of income and savings of MSE for the years 2019 and 2020

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Variable | Obs | Mean | Minimum | Maximum | t-value |
| Annual income\_2019 | 403 | 170,174.4 | 8000 | 2,000,000 | 6.0657 |
| Annual income \_ 2020 | 403 | 127,433.8 | 2,000 | 1,800,000 |
| Difference | 403 | 42,740.60 |  |  |
| Annual saving\_2019 | 403 | 24,865.11 | 0 | 600,000 | 5. 4948 |
| Annual saving\_2020 | 403 | 12,345.06 | 0 | 370,000 |
| Difference | 403 | 12,520.05 |  |  |

Obs=observation Source: Computed from survey data, 2021

Regarding the main reasons of fall in income 85.61%, 75.93%, 48.14% , 19.35% and 15.38% of respondents replied that their business was closed temporarily because of COVID -19, number of customers was reduced because of fear of the virus, demand dropped, workers stay at home, and input problem are the main reasons respectively.

Table 4: Main reasons for fall in income

|  |  |  |
| --- | --- | --- |
| Main reasons for fall in income | Percentage | |
| Yes | No |
| The business closed temporarily because of COVID-19 | 85.61 | 6.45 |
| Few customers because of COVID 19 | 75.93 | 15.88 |
| Demand dropped | 48.14 | 43.67 |
| Can’t get input | 15.38 | 76.43 |
| Workers stayed home because of fear of the virus | 19.35 | 72.46 |

Source: Computed from the survey data, 2021

Agreeably, 75.19% of respondents said that they saved some amount of money from their annual income for the year 2019 and the rest 24.81% did not save. The main reasons for not saving are lack of market for goods and services (32%) and failure to compete with other similar businesses (26%). Similarly, 43.42% of respondents saved some portion of their annual income and 56.58% of respondents did not save for the year 2020. The major reasons for business owners not saving is a fall in income (76.3%) and a shutdown of business temporarily because of COVID 19 (Table3.3).

#### Challenges Faced by MSE During COVID-19

There are several challenges faced by MSE during COVID-19 which potentially hinders the growth of MSE. The survey result portrayed that 90.82%, 35.48%, 36.72%, 19.60%, 22.83%, 16.13%, and 18.36% of respondents stated that main challenges of their business operation were a fall in demand, the decline of orders from customers, lack of operating finance to produce goods and services, failure to pay wage to workers, failure to pay loans to banks, microfinance, and individuals, and shortage of inputs to produce goods respectively (Figure 2).

Source: Own computation, 2021

Figure 2: The Percentage Share of Challenges Faced by MSE

#### Measures to be Taken to Combat the Effect of the COVID -19 on MSEs

Different measures need to be taken by the government, owners of MSE, and other concerned bodies to make MSE resist and survive during this pandemic period. To this effect, MSEs specifically want the government to take a variety of steps to mitigate the coronavirus's negative effect on income and employment. Consequently, the survey result revealed that short term credit (29.53%), provision of training (27.30%), debt cancellation (13.9%), extended debt repayment period (12.41%), cancellation or reduction of tax (11.66%), and cancellation of utility payments (5.21%) are measures which need to be done by government (Figure 3).

# Figure 3: Measures to be taken by Government

# 

Source: Own computation from survey data, 2021

### Discussion

The descriptive results revealed that the majority of MSE’s were engaged in the trade/ service sector. Being engaged in the trade/ service sector makes business owners contact easily with their customers more frequently than the manufacturing sector, so that, the likelihood of contracting the virus is higher among the customers and owners of the business and could result in, decline of number of customers, decreased revenue and savings for business owners. From table 3.1, 60.55% and 31.02% of business owners were stopped their business activities temporarily and partially (half a day) respectively and out of those that stopped their work temporarily, 60.3% of MSEs stopped their work for three and more than three months. This means that the majorities of business owners have ceased working as a result of the pandemic's spread and implies the degree of severity of the virus over business activities of MSEs. Decreasing workers from their permanent and temporary jobs do not only affect the workers and their family life but also affects the growth of the enterprise itself and ultimately affects the economic growth of a country. This also puts enormous economic pressure on MSE enterprises in particular, as well as Ethiopia's GDP in general. This finding is consistent with previous studies done by OECD (2020), Bartik (2020), and Senz (2020).

One of the primary goals of establishing micro and small enterprises is to create job opportunities for young people. Nonetheless, the pandemic could have an impact on the MSE supply side. It has an effect on the number of people a firm employ, as well as the workers' and business owners' income. From table 3.2, 32.3% of MSEs reduced their workers. During the beginning of the spread of the virus, enterprises have, on average, 3.8 employees while nearly after a year; enterprises have, on average, 2.9 employees. This implies that as a result of the coronavirus, enterprises were forced to lay off employees, on average by 0.83 workers. The t-test statistics also showed that there is a significant mean workers difference between workers existed before the outbreak of the virus and after the outbreak of the virus at a probability level of less than 1% (p=0.000& t=9.71) which shows that coronavirus has put an adverse effect on the employment of the enterprises. This finding is compatible with the findings of ILO (2020), Oyewale et al. (2020), Fabeil et al. (2020), Zeidy (2020), Welter et al. (2020), and Kassa (2021).

In terms of enterprise types, small enterprises were hit- hardest compared to micro-enterprises. Small enterprises, on average, reduce 2.12 workers but micro-enterprises reduced, on average, 0.44 workers. This is because, at the beginning of March 2020, micro-enterprises have, on average, 2.8 employees while small enterprises have on average 7 employees, so that, number of workers of micro is so small and most micro-enterprise owners run their business by themselves. Besides, MSE engaged in the manufacturing sector severely affected by the coronavirus compared to the trade/ service sector. Manufacturing enterprises reduced, on average, 1.85 workers, but trade/service enterprises reduced, on average, 0.51 workers (Table 3.2). The t-test statistics also show that the mean decrease in workers between the manufacturing and the service sector is statistically significant at less than 1% probability level (p=0.000 & t=-6.94). Since, small and micro enterprises make up 57% and 13.55% of the manufacturing sector, respectively; small enterprises reduced more labor than micro-enterprises in the manufacturing sector. This finding has important policy implications because the government wants to encourage young people to work in the manufacturing sector and the sector is the backbone of the transition from an agricultural-based economy to an industrial development economy. A similar finding was also reported by OECD (2020), Bartik (2020), and Amuda (2020).

Income is a variable that determine growth and continuity of enterprises. If the income of an enterprise reduced significantly, then MSE’s could fail to pay wages for their employees and expand their business. MSE’s were asked whether their income is affected by COVID-19 or not. Accordingly, based on the survey result presented in table 3.3, MSE's average annual income for the year 2019 which was 170,174.4 birr and 127,433.8 birr for the year 2020, its mean difference is 42,740.6 birr. The t-test statistics showed that there is a significant mean annual income difference between the mean annual income of 2019 and the mean annual income of 2020 at a probability level less than 1%(p=0.000, t=6.0657). As the same time, MSEs were also requested to reason out for why the annual income of MSE for the year 2020 was declined compared to the year 2019. Consequently, 85.61 % of respondents replied that their business was closed temporarily because of COVID -19, 75.93% of respondents said that number of customers were reduced because of fear of the virus and 48.14% said demand for their firms' product was dropped were the main reasons. This suggests that COVID -19 was the main reason for the fall in income of micro and small enterprises for the year 2020 compared to the year 2019 (Table 3.4). These findings are consistent with previous studies done by Bartic et al. (2020), UNDP (202b), WB (2020a) and Shafi (2020).

In terms of enterprise types micro-enterprises annual income was reduced by 43, 586.97 birrs while small enterprises income was reduced by 39,919.35 birrs, but, the mean difference in income between micro and small enterprise is statistically insignificant (p=0.4134, t=0.2190). Besides, the annual income of enterprises involved in the manufacturing sector fell by 45,593.68 birrs whereas the income of enterprises engaged in the trade/service sector declined by 41, 860.58 birrs, however, the mean income difference between enterprises engaged in trade/service and manufacturing sector is statistically insignificant (p=0.4112 & t= -0.2246 ). This implies that being micro, small, manufacturing or trade/service COVID -19 adversely affect income of MSE. This finding was compatible with the findings of Kassa, (2021) and UNDP (2020).

Savings is the amount of money left over that has not been consumed or transferred for future use after direct tax payments are subtracted from current income (Cronje, 2009). The findings of the survey in table 3.3 revealed that, in the year 2019, almost 25% of MSEs did not involve in saving due to a lack of market for their product resulted and failure to compete with other firms, however, in the year 2020, nearly 57% of MSEs did not save due to a drop in income caused by COVID-19 and shut down of business. Furthermore, the mean annual savings were 24,865.11 birrs for the year 2019 and it was 12,345.06 birr for the year 2020(Table 3.4). The mean annual savings difference between the annual savings of 2019 and 2020 is also significant at a probability level of less than 1 %( p=0.000 & t=5.4948). This implies that COVID-19 has a negative impact on MSE savings. A nearly similar find is also reported by Beraha and Đuričin (2020), OECD (2020), and Shafi (2020).

Regarding challenges faced MSEs during the pandemic, the key challenges study's findings in figure 3.2 revealed that drop in demand for firms' goods and services, a loss in client orders, and a shortage of operating finance to create goods and services. In conclusion, MSE lay off staff, decline in revenue, profit, and savings. Because their income plummeted, some businesses were unable to repay their loans to microfinance institutions and banks. Initiated by COVID-19, there are few businesses, particularly those in the trade/service and manufacturing sectors, have not yet resumed operations. These findings do not contradict with the findings of OECD (2020), UNDP (2020b), welter et al. (2020), and Oyewale et al. (2020).

To counteract COVID -19's negative impact on MSE economic activity, both the enterprise's owners and the government should devise and apply a variety of strategies. To solve financial problem faced by MSE during the pandemic, MSEs borrowed from individuals (50.9%) and microfinance (26.9%). Furthermore, MSE's biggest challenge during the pandemic was a lack of raw materials. Thus, to deal with the shortage of raw materials, MSE reduced output (59.8%), outsourced orders (23.27%), and delayed goods delivery to consumers (17.15%). It is apparent that training will be critical in reducing the virus's impact and implementing preventative measures. As a result, experts from the ministry of health and MSE offices trained 64.02% of respondents on the topic of virus containment and techniques to reduce the virus's impact on MSE's commercial activities and 85.2% of those who were trained said that the training helped them save themselves, their colleagues, and their customers, as well as kept their firm afloat during the pandemic. MSE also wants a longer debt repayment period, a tax break, and more credit to establish a new line of business, such as sanitizer manufacturing. MSE's owners also said that the nearby municipal authority needs to provide more training on how to contain the infection and keep their business lucrative during this difficult period. This finding is in accordant with the findings of Bartica (2020), WB (2020a), Paolo and Andrea (2020), and Fabeil et al. (2020).

### Conclusion

The general objective of the study was to examine the economic effect of the COVID-19 on MSEs in Addis Ababa surrounding towns of Oromia National Regional State. The study used a descriptive research design and quantitative research approach. Quantitative data was collected from 436 respondents which show conditions of MSE before and after the outbreak of the pandemic. Out of 436 questionnaires distributed to MSE’s only 403 were valid with a response rate of 92.4%.

The findings of the descriptive result indicated that 57.6% and 42.4% of MSE’s owners were male and female respectively and 96.8% of them were educated. Most business operators 76.92% were registered in micro business enterprises and the remaining 23.08% were registered in small enterprises. Similarly, 76.43% of business operators engaged in trade/ service, and 23.57% were engaged in the manufacturing sector. Due to the pandemic, 60.55% and 31.02 % of business owners have stopped their activities temporarily and partially respectively. Among those entrepreneurs that stopped operation temporarily, 60.3% ceased their work for three and more than three months.

Regarding employments of MSE, respondents were asked whether they reduced workers during the period of COVID-19 or not and replied that 32.3% of respondents said they reduce workers while 66.1% of them did not reduce workers. Further, the survey result revealed that before the outbreak of the pandemic, MSE had, on average 3.8 workers whereas after the pandemic MSE had, on average, 2.9 workers. This implies that as a result of the coronavirus, enterprises were laid off employees, on average by 0.83 workers and the difference is statistically significant at less than 1% probability level. Compared to micro-enterprise small, enterprises lay off more workers and in terms of sector manufacturing hit hardest than trade/service sector.

Concerning to income and savings of MSE, 92.6% of MSE said that their annual income for the year 2020 was reduced compared to the annual income of the year 2019. Similarly, the survey result showed that MSE's annual income for the year 2019 on average was 170,174.4 birr while it was birr 127,433.8 for the year 2020. The mean difference was 42,740.6 birr which is significant at less than1% probability level. The main reason/s that makes income fall during the pandemic (Year 2020) was the closing of business temporarily because of COVID -19(85.61%), customers were reduced because of fear of the virus (75.93%), and demand for their product was dropped (48.14%). Besides, the mean annual savings were 24,865.11 birrs for the year 2019 whereas it was 12,345.06 birr for the year 2020, and the mean annual savings difference is statistically significant at a probability level of 1%.

MSE faced many challenges during COVID-19. The main challenges were a fall in demand (90.82%), the decline of orders from customers (35.48%), lack of operating finance to produce goods and services (36.72%), failure to pay the wage to workers (19.6%), failure to pay loans to banks, microfinance, and individuals (22.83%), failure to pay rent (16.13%) and shortage of inputs to produce goods (18.36%). Business owners demand specific measures to be undertaken by the government to make their business revive and sustain, so that, the study revealed that short term credit (29.53%), provision of training (27.30%), debt cancellation (13.9%), extended debt repayment period (12.41%), cancellation or reduction of tax (11.66%) and cancellation of utility payments (5.21%) are measures which need to be taken by the government.

Finally, it is possible to conclude that COVID-19 has resulted in a decrease in MSE employment, income, and savings. To mitigate the effect of COVID-19 on MSE, the government at all levels should provide technical assistance and training to business owners who are vulnerable to COVID-19 on how to develop a business recovery plan and new line production, extend the debt repayment period, and provide short-term credit to help MSE recover from the virus's negative effects.

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## Empirical Investigation of Debt Overhang and Debt Crowding out Hypothesis in Ethiopia: Autoregressive Distributed Lag (ARDL) Modeling Approach

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***Abstract***

*In the new global open economy external debt of a country can be either a curse or a blessing. The purpose of this study is to empirically investigate the debt overhang and debt crowding out hypothesis in Ethiopia over the period 1991 to 2019 using an Autoregressive distributed lag (ARDL) modeling approach. The findings suggest that both the debt overhang (measured by external debt as a percentage of GDP) and debt crowding out (measured by debt service payment as a percentage of exports) applies in Ethiopia in the short run but not in the long run. Among the other variables included in the model of economic growth, foreign direct investment and inflation are found to have a statistically significant negative effect in the long run while population growth is found to affect economic growth in Ethiopia positively in the long run but negatively in the short run. On the other hand, unemployment is found to have a statistically significant negative effect on economic growth in Ethiopia both in the long run and short run. Therefore, creating a stable political system to formulate an appropriate and effective external debt management system, among others, is the policy option that policymakers could work on to tackle the possible problems of debt overhang and debt crowding out and to pave the way for the prosperity of the nation.*

**Key Words:** Debt Overhang; Debt Crowding out; External Debt; Economic Growth; Ethiopia

### Introduction

Debt is defined as an amount of money owed by a person, firm or government (the borrower) to a lender while debt service is defined as the payments due under debt contracts, thus, includes payment of interest as it becomes due, and redemption payments, whereas, debt service ratio is the proportion of annual export earnings needed to service a country’s external debts, including both interest payments and repayment of principal (Black et al., 2013).

Developing countries engage in external debt most likely to improve their economic growth (Wang, 2009), mainly through capital formation and increase in output (Hameed et al., 2008), in the neo-classical model, debt increases transitional growth, since the model permits capital mobility, and the ability to involve foreign sources in both borrowing and lending, this creates an opportunity for capital-scarce countries, where the marginal output of capital is greater than the global interest rate, an incentive to get a loan and invest (Pattillo et al., 2002).

However, after reaching a certain threshold level the effects of additional debt on the economy will be negative, since capital in underdeveloped economies is limited, and especially that these nations see an encouragement to sign for foreign loans meant for investment in as much as the return on capital is above their cost of funds (Pattillo et al., 2004).

Debt overhang is defined as, where, the potentials of repayment of outstanding facilities fall lower than the signed value, being the anticipated current value of any potential resource allocation that is not up to its outstanding loan (Krugman, 1988). In theory, the debt overhang hypothesis asserts that public debt servicing depresses economic growth via a multiplier accelerator effect through various mechanisms: it drives up domestic interest rates, thereby increasing the cost of borrowing, which then crowds out private sector investment, it causes a net ﬂow outwards of domestic resources (comprising of external grants, aid, and foreign exchange resources) in the form of foreign public debt repayments, it presents future tax uncertainty and a deterioration in domestic policies, which directly impact on real returns on investment, it increases government participation in domestic capital and money markets, which can then lead to credit rationing, and it increases the government’s appetite to borrow to service its debts, among other reasons (Patenio & Cruz, 2007).

Moreover, crowding out effects usually occurs due to excessive real interest charges while the terms of trades of an overly indebted country become worsen while foreign credit markets may no longer be available, and therefore, as it strives to meet some of its obligations, leaving little capital for domestic investment (Patenio and Agustina, 2007), the crowding-out effects concept assumes that government debts expend a greater part of the national savings meant for investment due to increase in demand for savings while supply remains constant, and the cost of money therefore increases. The adverse effects of foreign borrowing on economic growth can be observed through debt stock and the ﬂow of service payments facilities that most probably crowd out public investment (Clements et al., 2003). Moreover, it is deduced that debt-caused liquidity restraints is a resultant effect of a decline in government expenditure due to the continuous servicing of outstanding debt stocks over what the economy can contain (Taylor, 1993).

Both the debt overhang and the crowding-out effects appear to have affected SSA economies. For instance, the staggering rise in external liabilities in the early 1990s was accompanied by slow economic growth, while the increasing debt-service burden led to cuts in public spending on education and health services (Fosu, 2007; Quattri & Fosu, 2012). By the mid-1990s, it was increasingly clear that a bolder approach was needed to address excessive debt that was detrimental to the growth performance of SSA countries, in response, the World Bank and the International Monetary Fund (IMF) adopted the Heavily Indebted Poor Countries (HIPC) initiative in 1996,1 which provided debt relief to reduce all public and publicly guaranteed (PPG) debt to sustainable levels and ensuring a permanent exit from repeated debt rescheduling (Fonchamnyo, 2009). Most of the empirical works done so far that investigated the effect of external debt on economic growth were ended up by accepting the debt overhang and debt crowding out hypothesis (see, e.g. Din et al., 2020; Hermawan et al., 2020; Gachunga & Kuso, 2018; Nezhad, 2014; Muritala, 2012; Saungweme & Odhiambo, 2018; and Fosu, 2010, among others). However, Akram (2016) and others indicated a positive relationship by evidencing the way debt is managed as the core determinant.

**Why this study?** Despite inconclusive pieces of evidence on the effect of external debt on economic growth, empirical studies that investigated debt crowding out, and debt overhang hypothesis in Ethiopia are very scant, though the debt problem is a burning issue in the country. Moreover, some empirical studies done so far elsewhere lack to properly measure debt overhang and debt crowding out properly as external debt stock as a percentage of GDP and debt service payment as a percentage of exports respectively which otherwise would be misleading. Therefore, this paper tried to fill this gap by answering the following research questions: -

* Do debt crowding out and debt overhang hypotheses hold in reality in the case of Ethiopia?
* If yes, what are the long-run and short-run effects of debt crowding out and debt overhang in Ethiopia?

### Public Debt and Debt Intensity in Ethiopia

According to IMF (2020) in 2019 Ethiopia’s public debt was 53,449 million dollars, which has increased by 4,458 million since 2018. This amount means that the debt in 2019 reached 57.6 percent of Ethiopia's GDP, a 3.51 percentage point falls from 2018, when it was 61.11 percent of GDP. It has risen since 2009 in global debt terms, when it was 10,100 million dollars, and also in terms of GDP percentage when it amounted to 35.19 percent. According to the last data point published, Ethiopia's per capita debt in 2019 was 477 dollars per inhabitant. In 2018 it was 449 dollars, afterward rising by 28 dollars, and if we again check 2009, we can see that then the debt per person was 124 dollars. See the table below for more detail.

Table : Public Debt and Debt Intensity in Ethiopia

|  |  |  |  |
| --- | --- | --- | --- |
| Year | Debt (M.$.) | Debt (%GDP) | Debt Per Capita |
| 2019 | 53,449 | 57.60% | 477$ |
| 2018 | 48,991 | 61.11% | 449$ |
| 2017 | 44,372 | 57.72% | 417$ |
| 2016 | 39,583 | 55.83% | 434$ |
| 2015 | 34,347 | 54.46% | 383$ |
| 2014 | 25,749 | 47.55% | 291$ |
| 2013 | 22,108 | 47.50% | 254$ |
| 2012 | 17,796 | 42.18% | 208$ |
| 2011 | 13,818 | 45.33% | 164$ |
| 2010 | 10,641 | 39.61% | 128$ |
| 2009 | 10,100 | 35.19% | 124$ |

Despite significant progress in the GDP of the country the debt burden was very challenging.

### A Brief Review of Empirical Literature

Most of the empirical literature which investigate the effect of external debt on economic growth were ended up by accepting the debt overhang and debt crowding out hypothesis (see, e.g. Din et al., 2020; Hermawan et al., 2020; Gachunga & Kuso, 2018; Nezhad, 2014; Muritala, 2012; Saungweme & Odhiambo, 2018; and Fosu, 2010, among others). However, Akram (2016) and others indicated a positive relationship by evidencing the way debt is managed as the core determinant.

Table : Summery of Empirical Literature

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Author(s) | Objective of the study | Econometric model | Measures for the major explanatory variable | Major findings |
| Muritala (2012) | Analyzed relationship between external debt and economic growth in Nigeria  over the period 1980 to 2010 | OLS technique | Debt service ratio | Findings indicate a negative relationship between external debt and economic growth while that of debt servicing confirms the priori expectation of positive relationship. |
| Hermawan et al. (2020) | Analyzed external factors with government and company policies that have an impact on the debt service coverage ratio of coal companies | 2SLS method | Debt service coverage ratio | Findings indicate debt service coverage ratio which is a measure of the company’s solvency performance is influenced by the principal payment ratio. |
| Rahaj (2018) | Examined the impact of external debt on economic growth in Nigeria between 1981 and 2016 | ARDL Model | External Debt as % of Gross National Income | Indicated that debt can only be productive if properly managed through the process of making the rate of return higher than the cost of debt servicing |
| Din et al. (2020) | Investigated the impact of external debt on the economic growth of Pakistan over the period 1976 to 2018 | ARDL model and Error Correction model | Debt service payment as a percent of exports for Debt servicing | The empirical results indicated that external borrowing and debt servicing hamper the economic growth in Pakistan. |
| Gachunga & Kuso (2018) | Uncovered the existent relationship between external debt burden and economic growth for the period 1990 to 2016 in 38 selected Sub-Saharan countries | panel data econometric techniques of Generalized Method of Moments | External Debt % of GDP | Results indicated that economies of Sub-Saharan Africa are negatively affected by external debt. Also, external debt was found to be more deleterious to middle income economies compared to their counterparts low income economies. |
| Kohlscheen (2010) | Analyzed the incidence of domestic and external debt crises for a sample of 53 emerging economies between  1980 and 2005. | Bivariate and Multivariate Analysis | External/domestic Debt % of GDP | The results showed that while there is considerable evidence that external defaults trigger domestic defaults, evidence for the reverse link disappears when default propensities are estimated in a simultaneous equation model. |
| Fosu (2010) | The External Debt-Servicing Constraint and Public-Expenditure Composition in Sub-Saharan Africa over a five-year panel for up to 35 SSA countries over 1975–94 | Seemingly Unrelated Regression | debt service ratio | While observed debt service is found to be a poor predictor of expenditure allocation, constraining debt servicing shifts spending away from the social sector, with similar impacts on education and health. |
| Akram (2016) | Examined the consequences of public debt for economic growth and poverty regarding selected South Asian countries, i.e., Bangladesh, India, Pakistan and Sri Lanka, for the period 1975–2010. | 2SLS and GMM methodologies | Debt servicing of Public and Publicly guaranteed external debt as percentage of Exports | The results show that although public debt has a negative impact on economic growth, neither public external debt nor external debt servicing has a significant relationship with income inequality. However, domestic debt has a positive relationship with economic growth and a negative relationship with the GINI coefficient, indicating that domestic debt is pro-poor. |
| Nezhad (2014) | Examined the impact of external debt and debt service on labor productivity growth and convergence before and after the debt relief initiatives | Used both parametric and non-parametric techniques | Debt stock is expressed as percentage of GDP, while debt service is expressed as percentage of exports | Results confirmed the existence of a debt overhang in SSA which is reflected in a consistently negative and significant effect of debt on growth across different model specifications. On the contrary, no robust adverse effects of debt service on labour productivity growth. |
| Saungweme & Odhiambo (2018) | An Analysis of Public Debt Servicing in  Zambia: Trends, Reforms and Challenges over the period from 1964 to 2015 | Descriptive analysis |  | The paper showed that debt servicing in Zambia was the insistent economic crises that dogged the country during the study period, the exceptional rise in public debt servicing obligations in Zambia over the period under review was principally due to high domestic and foreign interest rates, frequent debt rescheduling at commercial rates, and capitalization of non-liquidated service obligations at commercial rates. |

According to Daud (2020) the linkage between external debt and economic growth varies mainly due to variation in institutional quality. The finding of the study indicated that external debt has an adverse eﬀect on a country’s growth, while institutional quality improves it which implies that the eﬀect of external debt on economic growth depends on the level of institutional quality. In addition, at a high level of external debt, the eﬀect of institutional quality on growth is very small, suggesting that the adverse eﬀect of external debt on a country’s economic growth holds true.

Moreover, Abdelhafidh (2014) investigated the external debt effect on economic growth in Tunisia. Accordingly, in the long as well as in the short-run, the external debt harmed growth over the 1970-2010 period. The long-run effect was slightly higher in the period before Ben Ali’s presidency than in the period after. However, during his period, the external debt short-run effect was double that observed during the period before.

Shkolnyk and Koilo (2018) examined the relationship between external debt and economic growth in emerging economies for the period 2006‒2016. The study established that a high level of external debt, in conjunction with macroeconomic instability, impedes economic growth in such countries. The regression model also showed that there is a critical level of debt burden for emerging economies, where the marginal impact of external debt on economic growth becomes negative.

Hassan and Meyer's (2021) study aimed to determine the channels through which external debt transmits its impact on economic growth in sub-Saharan African (SSA) countries. The study identified public investment, private investment, and total factor productivity as channels transmitting the non-linear effect from external debt to economic growth. Furthermore, the interest rate was also confirmed as a channel but with a direct effect. Contrariwise, the estimates indicated that savings are not a channel of transmission from external debt to economic growth in SSA.

Ohiomu (2020) External Debt and Economic Growth Nexus: Empirical Evidence from Nigeria. The results showed that the external debt of the country depresses the level of investment. This adversely affects economic growth in Nigeria.

### Methodology

#### Theoretical Framework

In specifying the model of economic growth to be estimated the theoretical framework for this study closely follows the specification given in Din et al. (2020)**.** The empirical specification in Din et al. (2020) captures the effects of external debt on economic growth based on a variant of the Solow growth model specified as:

Where represents GDP per capita which measures economic growth, denotes a vector of control variables for economic growth, represents external debt stock as percentage of GDP and external debt service payment as a percentage of exports which are proxies to measure debt overhang and debt crowding out effects respectively, and is the error term that is assumed to be white noise.

#### Specification of the Dynamic Model

##### The Empirical ARDL Bounds Testing Approach

The ARDL bound test used in this study is specified as:

To test co-integration among the variables, the F-statistics for testing the joint null hypotheses (H0) has to be compared with the critical values.

The alternative hypothesis against the null is given as

If the null hypothesis of no cointegration is rejected, the error-correction model (ECM) will be estimated which is specified as follows:

Where,are the short-run dynamic coefficients of the model’s convergence towards equilibrium, is the speed of adjustment from the short-run to the long-run equilibrium among the variables, and is the error-correction term.

#### Description of Variables and Source of Data

The dependent variable in this study is economic growth which is measured by GDP per capita.

Table : Summary of Explanatory Variables

|  |  |  |  |
| --- | --- | --- | --- |
| Variables | Measurement | Expected sign | Source of data |
| External debt stock as a percentage of GDP (EDSGDP) | Total external debt is the sum of public, publicly guaranteed, and private nonguaranteed long-term debt, use of IMF credit, and short-term debt which is measured as a percentage here. | Negative | WDI |
| Debt service payment as a percentage of exports (DSPEXP) | Debt service is the sum of principal repayments and interest actually paid in currency, goods, or services on long-term obligations of public debtors and long-term private obligations guaranteed by a public entity which is measured in percentage here. | Negative | WDI |
| Foreign Direct Investment (FDI) | This series shows net inflows (new investment inflows less disinvestment) in the reporting economy from foreign investors and is divided by GDP. | ? | WDI |
| Inflation (INF) | Inflation, as measured by the consumer price index, reflects the annual percentage change in the cost to the average consumer of acquiring a basket of goods and services that may be fixed or changed at specified intervals, such as yearly. | Negative | UNCTAD |
| Population Growth (PGR) | The annual population growth rate for year t is the exponential rate of growth of midyear population from year t-1 to t, expressed as a percentage | Negative | WDI |
| Unemployment (UNEMP) | Unemployment refers to the share of the labor force that is without work but available for and seeking employment. | Negative | WDI |

Note: Explanatory variables are selected based on either theory or empirics.

### Results and Discussion

In this section data analyzed using STATA 14 software was presented and discussed.

#### Pre-estimation tests

##### Test for Unit Root

Even though the ARDL bounds test approach to co-integration does not need pre-testing for stationary of the variables included in the model, but still it is important to carry out stationary tests because it is not applicable if the order of integration is above I(1). Therefore, here the commonly used Augmented Dickey-Fuller (ADF) (1981) unit root test is applied. The unit root tests results are presented in table below.

Table : Unite Root Test: Augmented Dickey-Fuller Test

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Variables | Null Hypothesis Unit Root | | | |
| (With Intercept) | | (With Intercept and Trend) | |
| t-statistics | Decision | t-statistics | Decision |
| GDPCG | -4.156\*\*\* | I(0) | -4.650\*\*\* | I(0) |
| FDI | -6.293\*\*\* | I(1) | -6.175\*\*\* | I(1) |
| INF | -3.908\*\*\* | I(0) | -4.407\*\*\* | I(0) |
| PGR | -3.736\*\* | I(1) | -4.362\*\*\* | I(1) |
| UNEMP | -5.833\*\*\* | I(1) | -5.770\*\*\* | I(1) |
| EDSGDP | -4.133\*\*\* | I(1) | -4.049\*\* | I(1) |
| DSPEXP | -4.553\*\*\* | I(1) | -4.659\*\*\* | I(1) |

Note: \*\*\*, \*\* indicates that the null hypothesis is rejected at 1 percent and 5 percent levels of significance, respectively.

The above table shows unit root results of the series at a level and first differences. The estimated values of these variables indicate that all of them are stationary either at level or at first diﬀerence (i.e., H0 is rejected).

##### ARDL Bound Test for Long Run Co-integration

For ARDL bounds, testing the existence of a long-run relationship among the variables is necessary. Here, the optimal lag was selected by the Akaike Information Criterion (AIC) and the model was estimated. After estimation, I conducted an F-test on joint significance of the variables using ADRL bound Test the F-stat justifies the existence of long-run relationship at 1 percent, 2.5 percent, 5 percent, and 10 percent among variables included in the model.

Table : ARDL Bounds test

|  |  |  |
| --- | --- | --- |
| Co-integration test: ARDL F-Bounds Test | | |
| Sample: 1991-2019 | | |
| Null Hypothesis: No long-run relationships exist | | |
| Test Statistic | Value | K |
| F-statistic | 31.354 | 6 |
| Critical Value Bounds | | |
| Significance | I0 Bound | I1 Bound |
| 10 percent | 2.12 | 3.23 |
| 5 percent | 2.45 | 3.61 |
| 2.5 percent | 2.75 | 3.99 |
| 1 percent | 3.15 | 4.43 |

Note: The F-statistic tests the null hypothesis of no co-integration; k represents the number of non-deterministic regressors in long-run relationship Critical values from Pesaran/Shin/Smith (2001)

##### The Long Run and Short-Run Model

As the null hypothesis of no cointegration is rejected based on F-Test, the long-run model is estimated using the ARDL Bounds test approach and the error-correction model (ECM) was estimated to capture the short-run dynamics.

Table : The long-run and short-run models

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Dependent Variable: GDP per capita growth  Selected Model: ARDL (2, 1, 0, 2, 2, 2, 2)  Sample: 1991 to 2019 | | | | | |
| Long Run Estimates | | | | | |
| Variables | Coefficient | | t-Statistic | | P-Value |
| External debt stock as a percentage of GDP | 0.0069183 | | 1.72 | | 0.119 |
| Debt Service Payment as Percent of Exports | -0.0000895 | | --0.07 | | 0.943 |
| Foreign Direct Investment | -0.8257213 \*\* | | -2.40 | | 0.040 |
| Inflation | -0.1128062 \*\*\* | | -3.51 | | 0.007 |
| Population Growth | 0.0141366\* | | 2.30 | | 0.050 |
| Unemployment | -0.1045103\*\*\* | | -2.87 | | 0.021 |
| Error Correction Model: Short Run Estimates | | | | | |
| Variables | | Coefficient | | t-Statistic | P-Value |
| External debt as a percentage of GDP(-1) | | -0.0153714\*\* | | -2.90 | 0.018 |
| Debt service payment as percentage of exports (-1) | | -0.0084951\*\*\* | | -4.11 | 0.003 |
| Foreign Direct Investment (-1) | | 0.4576995 | | 0.99 | 0.347 |
| Population Growth(-1) | | -0..4471004 \*\*\* | | -2.80 | 0.023 |
| Unemployment (-1) | | -0.968902\*\*\* | | -48.20 | 0.000 |
| Constant | | -8.140784 | | -0.31 | 0.760 |
| ECT(-1) | | -0.940245 | | -11.01 | 0.000 |

Note: \*\*\*, \*\*, and \* indicates 1 percent, 5 percent, and 10 percent level of significance respectively

The discussion provided below focuses mainly on the major variables of interest. As we see from Table 4 above the empirical ARDL model shows foreign direct investment, inflation, population growth, and unemployment were found to be statistically significant in the long run at 5 percent, 1 percent, 5 percent, and 5 percent level of significance respectively whereas the Error Correction Model result indicates External debt stock as a percentage of GDP, Debt service payment as a percentage of Export, population growth, and unemployment were found to be statistically significant in the short run at 5 percent, 1 percent, 5 percent, and 1 percent level of significance respectively.

According to empirical results even though External debt stock as a percentage of GDP is not statistically significant in the long run ARDL model, the Error Correction Model result indicates External debt has a negative and statistically significant impact on the Economic growth of Ethiopia in the short run supporting the hypothesis in the debt overhang hypothesis literature, holding other things constant increase in external debt by 1 percent decreases economic growth approximately by 0.015 percent in the short run and statically significant at 5 percent level of significance. Thus, the option for boosting the economic growth process is to decrease the stock of foreign debt as it discourages the growth process significantly. This negative short-run effect of debt overhang is observed in the country because debt overhang is measured as external debt stock as a percentage of GDP and the stock of external debt is currently close to 60 percent of the GDP. The finding is consistent with previous empirical works (Din et al., 2020; Gachunga & Kuso, 2018; Akram, 2016; Nezhad, 2014 and Muritala, 2012) among others that justifying external borrowing discourages investment or gross capital formation and hampers the economic growth.

Similarly, the short-run coefficient of the debt servicing variable confirms the existence of the debt crowding-out dilemma as it aﬀects the economic growth negatively and significantly. Holding other things constant increase in debt service payment by 1 percent decreases economic growth approximately by 0.009 percent in the short run and highly statically significant at 1 percent level of significance. The finding is consistent with previous empirical works (Hermawan et al., 2020; Din et al., 2020; Saungweme & Odhiambo, 2018; and Fosu, 2010) among others that justifying debt service payment leads to ing discourage the productivity of the debtor through crowding-out eﬀect. However, in the long run, a negative but statistically insignificant relationship was observed, because in the long run there is a possibility to rule out those negative effects.

Among other explanatory variables included in the model of economic growth, holding other things constant, 1 percent increase in population growth increases economic growth approximately by 0.014percent in the long run while 1 percent increase in population growth decreases economic growth approximately by 0.447 percent in the short run and statistically significant at 5 percent and 5 percent respectively. The finding is in line with the theories of Boserup and Malthus respectively, in the short run population growth is a burden for the nation as creating new jobs and livelihoods is difficult whereas in the long run there is a possibility of intensification in the production process. Moreover, 1 percent increase in unemployment decrease economic growth approximately by 0.105percent in the long run and by 0.969 percent in the short run and statistically significant at 5 percent and 1 percent respectively. In the long run, a 1 percent increase in foreign direct investment decreases economic growth approximately by 0.826 percent whereas a 1 percent increase in inflation decreases economic growth approximately by 0.113 percent and is statistically significant at 5 percent and 1 percent respectively. However, both foreign direct investment and inflation are not significant in the short run.

The ECT is statistically significant at 1 percent and negative (-0.940) as expected showing that the deviation of GDP per capita growth from equilibrium values is corrected by 94 percent in the following year. The negative sign of the parameters in the error correction model indicates that any sort of an economic shock that takes place in the short run will be adjusted in the long run.

##### Model Diagnostic Tests

The estimated model has a good fit as can be seen from R-squared and adjusted R-squared and the model passes all diagnostic tests.

Table : Model Diagnostic Tests

|  |  |  |
| --- | --- | --- |
| Problems | Applicable Tests | Probabilities |
| Goodness of fit | R-squared | 0.9734 |
|  | Adjusted R-squared | 0.9233 |
| Serial correlation | Breusch-Godfrey LM test for autocorrelation | 0.6959 |
| Functional form | Ramsey RESET Test | 0.2453 |
| Normality | Shapiro-Wilk W test for normal data | 0.53908 |
| Heteroscedasticity | White's test | 0.3630 |

*Note: The null hypothesis for the Shapiro-Wilk W test for normal data is that errors are multivariate normal. The null hypothesis for the Breusch-Godfrey LM test for autocorrelation is that there is no problem with serial correlation. The null hypothesis for White’s heteroscedasticity test is that there is no problem with heteroscedasticity. The null hypothesis for the Ramsey RESET test is that the model is correctly specified. Thus, such tests indicate the acceptance of the null as their respective value is greater than 10 percent level of significance. Thus, there is no problem of non-normality, autocorrelation, and heteroscedasticity in the errors. In addition, the model is correctly specified.*

### Summary, Conclusion, and the Way Forward

#### Summary and Conclusion

This paper has investigated the eﬀects of external debt on the economic growth of Ethiopia over the period 1991-2019 by examining the debt overhang and debt crowding-out dilemmas of the external debt. External debt as a percentage of GDP is used as an indicator of debt overhang eﬀect, whereas debt service payment as a percentage of exports is used as an indicator of debt crowding-out eﬀect. The findings of this study have validated the co-existence of overhang and crowding out dilemmas for the external debt in Ethiopia. It means that external debt and debt servicing impede economic growth in the short run. One percent increase in the stock of external debt was found to bring a 0.015 percent fall in economic growth. Similarly, a 1 percent increase in debt servicing was found to hamper the economic growth by 0.009 percent in the short run. Among the other variables included in the model of economic growth, foreign direct investment and inflation are found to have a statistically significant negative effect while population growth is found to affect economic growth in Ethiopia positively in the long run but negatively in the short run. On the other hand, unemployment is found to have a statistically significant negative effect on economic growth in Ethiopia both in the long run and short run.

#### The Way Forward

Based on the empirical findings the following policy options are provided: -

* Creating a stable political system is essential to formulate appropriate and effective external debt management systems which might lead debt towards developmental goals.
* Strengthening policies and strategies focused on export diversification is necessary.
* The government of natural resource-dependent countries like Ethiopia should work on bargaining for debt service payment in terms of goods and services rather than the hard currency which leads to twins’ outcomes by encouraging exports.
* Moreover, working on domestic resource mobilization through domestic saving and investment is vital.

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## The Determinants of Adoption of Tomato Production Technology Packages and Its Effect on Household Farm Income of Smallholder Farmers: The Case of Mirab Abaya Woreda, Gamo Zone of Southern Ethiopia

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***Abstract***

*This study was aimed to assess the determinants of adoption of tomato production technology packages and its effect on household farm income of smallholder**in Mirab Abaya woreda of Gamo zone with specific objectives to assess the existing tomato production technology packages practiced by farmers in the area, to identify the determinants of intensity of adoption of tomato production technology packages in the area and to assess the effects of adoption of tomato production technology packages on the household farm income. Both primary and secondary data were used. The primary data were collected from farmers through questioner. The total sample size for this study was 185 households. Data were analyzed through descriptive statistics (frequency, percentage and mean); correlation, Tobit and multiple linear regression models. This finding concluded that all respondents of under adopters category have applied improved seed (Gellila Variety), DAP, Urea, Row Planting, Irrigation(MWP), Insecticides, Fungicides and Stoking for tomato production. However, the majorities of respondent farmers haven’t knowledge and not applied the Eco Green and recommended spacing of tomato production. The Tobit model result revealed that Irrigated land holding had significant and positive effect on the intensity of adoption of tomato production technology packages and household farm income (P<5% and 1%). MLR result shows that Intensity of adoption of tomato production technology packages**has a positive effect on household annual gross farm income (P<1%). This evidenced as, keeping other things constant, the annual gross farm income of households was increased by birr 22,188.7 when the intensity of adoption by households increased by a package. Therefore, it is better to give attention on development of irrigating agricultural system, adoption of improved irrigation technologies and adoption of production technology packages in tomato farming.*

**Keywords:** Tomato, Adoption, Tobit, Multiple Linear, Income.

### Introduction

Ethiopia is fundamentally an agrarian country. Although the transformation towards a more manufacturing and industrially oriented economy is well underway, the agriculture sector continues to be the most dominant aspect of the Ethiopian economy, accounting for 46% of GDP, 73% of employment, and 80% of export earnings. Furthermore, the majority of the agriculture sector is made up of smallholder farmers who live in less than 2 hectares of land. As such, transformation of the agriculture sector will be central in Ethiopia’s drive to reach middle-income country status by 2025 (ATA, 2014).

A total of 7,255.93 hectares of land was under tomato in the country and yielding about 81,738.05 tons of tomato production in Ethiopia (CSA, 2012).

Tomato is among the most important vegetable crops in Ethiopia and total production of this crop has shown increased (CSA, 2017).

Rogers and Shoemaker (1971), define adoption as a decision to make full use of new ideas as the best course of action available. The term adoption refers to the continued use by individuals or groups of a recommended idea or practice over a reasonably long period.

The shortage of varieties and recommended packages, poor irrigation systems, lack of information on soil fertility, diseases and insect pests, high postharvest loss, lack of awareness of existing improved technology and poor marketing system are the major constraints in Ethiopian tomato production (Lemma, 2002).

In Ethiopia, several tomato varieties had been released nationally and recommended by the Melkassa Agricultural Research Center for commercial production and small scale farming systems in Ethiopia. Varieties such as 'Melkashola' and Marglobe' are widely produced (Lemma, 2002).

Tomatoes are among the vegetables identified in the growth and transformation plan (GTP) as high value vegetable. Tomatoes in Ethiopia are produced mainly in the northern and central rift valley areas. In recent years, commercial tomato production has significantly expanded since national agricultural strategies began, favoring high value cash crops (Quintin et al., 2013).

Majority of Ethiopia’s farmers have been using traditional way of agricultural practices. This has contributed for low productivity of the agricultural sector (Yishak, 2005).

To solve these problems, governmental and non-governmental bodies have made restless efforts to bring about change in agricultural production system. They have introduced improved agricultural technologies like use of inorganic fertilizers, high yielding varieties of seeds, pesticides, improved farm implements, etc. in relation to crops which seem better in yield. However, the introduced technologies are not widely accepted and used by farmers in different parts of the county as expected manner (Yishak, 2005).

The same thing is also true for the study area. There is the disparity among farmer in the adoption of tomato production technology packages due to the influence of different determinants. That believed to bring variation in smallholder farmers’ production and productivity.

Study conducted by Agidew and Amanuel (2018), identified that in the study area some of farmers who used motorized water pump have growing tomato as a cash crop. However, the contribution of tomato production on household farm income was not well known. Additionally, the study area lacks in depth studies on identified the determinants of tomato production technology packages. Therefore, this study initiated to identify determinates of intensity of adoption of tomato production technology packages and its effect on household farm income. In line with this the specific objectives will be:

1. To assess the existing tomato production technology packages practiced by farmers in the area.

2. To identify the determinants of intensity of adoption of tomato production technology packages in the area.

3. To assess the effects of adoption of tomato production technology packages on the household farm income.

### Methodology

According to Graziano *et al.,* (2004) non-equivalent comparison group design is among the most commonly used quasi-experimental designs. Structurally, this design is quite similar to the experimental designs, but an important distinction is that they do not employ randomization. In the non-equivalent groups’ post-test-only design, one group receives the intervention while the other group does not. Unfortunately, as indicated by the design’s name, it is likely that the resulting groups were non-equivalent.

Thus, the research design was used for this study is quasi-experimental (non-equivalent comparison group design sometimes called static group comparison). Because of it compares among households by using one cross sectional data.

In this study, a two-stage sampling procedure was employed for the selection of *Woreda,* sample *Kebeles* and respondent households. In first stage, the Mirab Abaya Woreda was selected purposively due to better production practice of tomato in the area. In second stage, three *Kebeles* were also purposively selected because of farmers were live in these *Kebeles* have better growing tomato as a cash crop under irrigated farm by using Motorized water pump. The population frame of the selected *Kebeles* was obtained from *Kebeles* Administration Offices.

According to Glenn DI. (2013), have recommended that the total sample size determined through using published table***.*** Thistablewasdesigned exactly in the same way that the Yemane (1970) formula. Based on this criteria, for this study the total sample size for the population size of 1635 with +7% precision levels, 95% confidence level and P=0.5(variability) is equal to185.

However, all adopters (88) were totally included in this study due to their small size and that of (97) non-adopters from three sampled Kebekes were determined via probability proportionate to size procedure through the following formula:

Pi= Ni/N

Where: Pi is proportion of population included in stratum i,

Ni is the number of elements (total sample size),

N is the total number of the population

Therefore, the number of sample households from five sample *Kebeles* are shown below in the Table 1.

Table 11: Sample *Kebeles* and Number of Sample Households from each *Kebele*:

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| Sample Woreda | Sample *Kebeles* | Total  Non-adopter HH | Total Adopter HH | Sample Non-adopter HH | Sample Adopter HH | Total |
| Mirab Abaya | Kola Muliato | 592 | 29 | 37 | 29 | 66 |
| Fura | 472 | 34 | 30 | 34 | 64 |
| Yayke | 483 | 25 | 30 | 25 | 55 |
| Total | | 1547 | 88 | 97 | 88 | 185 |

Source: Kebele Administration Offices (2021)

This determined sample size of respondents were selected from the population frame of the respective *Kebele* through Systematic probability sampling (list sampling) technique (Kothari, 2004).

Depending on the objectives of the study and nature of data available, descriptive analysis and inferential analysis were employed. The descriptive analysis was made by using frequencies, percent, means and standard deviation to analyze the socio-economic characteristics and existing packages practiced by the households. The statistical relationship of the independent variable with dependent variable was tested through Pearson correlation.

To identify the determinants of intensity of adoption of tomato production technology package the two limit Tobit model was employed. Because of the lower limit is 0 and upper limit is 1or between 0% and 100%, when the household didn’t adopt either one of the technology packages, the adoption index value was 0 and a household did adopt either one of the technology packages, the adoption index value is any decimal between 0 and 1 whereas the index for those of households did adopted all of the packages valued as 1. The adoption index calculated by the following formula (Mengistu *et,al,* 2016):

Adoption Index

Where: Ni = adoption of each package among different tomato production technology packages.

N=total number of tomato production technology packages.

Or

Var.+ DAP + Urea + Row +ECOGr.+ Insecticide + Fungicide + Irrigation. + Staking + Spacing.

To examine the effect of adoption of adoption of tomato on annual household farm income the multiple linear regressions was employed.

### Result and Discussions

#### The Existing Tomato Production Technology Packages Practiced by Farmers in the Study Area

The survey result in table2 below shows that out of the total 88 adopters’ tomato 28.4% have applied bio-fertilizer and 71.6% haven’t applied it last year. Out of the total adopters of tomato, 39.8% have knowledge and applied the recommended spacing whereas 60.2% haven’t knowledge and not applied the recommended spacing of tomato.

Out of 88 respondents under adopter category all (100%) have applied improved seed (Gellila Variety), DAP, Urea, Row Planting, Irrigation (MWP), Insecticides, Fungicides and Stoking for their tomato production last year.

Table 2. The Existing Tomato Production Technology Packages Practiced by Farmers in The Study Area

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| No | Application of Tomato production technology packages | Response category | N | % |
| 1 | Improved Seed (Gellila Variety) | Yes | 88 | 100.0 |
| No | - | - |
| 2 | DAP | Yes | 88 | 100.0 |
| No | - | - |
| 3 | Eco-green | Yes | 25 | 28.4 |
| No | 63 | 71.6 |
| 4 | Urea | Yes | 88 | 100.0 |
| No | - | - |
| 5 | Row planting | Yes | 88 | 100.0 |
| No | - | - |
| 6 | Recommended Spacing | Yes | 35 | 39.8 |
| No | 53 | 60.2 |
| 7 | Irrigation (MWP) | Yes | 88 | 100.0 |
| No | - | - |
| 8 | Insecticide | Yes | 88 | 100 |
| No | - | - |
| 9 | Fungicide | Yes | 88 | 100.0 |
| No | - | - |
| 10 | Stoking | yes | 88 | 100.0 |
| No | - | - |

Source: Field Survey (2021).

#### Determinants of Intensity of Adoption of Tomato Production Technology Packages

The tobit model result presented in table 5 revealed that out of eleven explanatory variables entered into the model sex variables namely: age, education level, household labor, distance from water source, irrigated land holding size, and livestock holding in TLU were found to be significantly influenced the intensity of adoption of tomato production technology packages in the study area.

Age of household head has a significant influence on intensity of adoption of tomato production technology packages. It was negatively and significant at 1% significance level. Farmers with older age were less likely to adopt the tomato production technology packages. From the model output, the likelihood of intensity of adoption of tomato production technology packages decreases by 2.4% as the age of the household head increased by one year.

The possible reason is that elder are more resistant to new ideas and information and also when they get older, their physical fitness also decreases for going from one market to other; and they are more likely to be set in their ways and may not venture into new technologies.

This finding agreed with (Dandy, 2020), it is imperative to note that middle-aged (36-59 years) farmers were dominated tomato production and the least were over 60 years of age.

Education level of household head: As expected, it has a significant influence on intensity of adoption of tomato production technology packages. It was positively and significant at 1% significance level. Farmers with better education level were more likely to adopt the tomato production technology packages. From the model output, the intensity of adoption of tomato production technology packages increases by 0.8% as the education level of the household head increased by a level.

This is due to the fact that literate farmer can easily obtain information regarding the importance of improved technology packages to improve their farm production and productivity. This agreed with high tunnels adopters were secondary and tertiary graduates. A chi-square test revealed that there was a positive association between the high tunnels adoption status and education at a 1% significance level (Dandy, 2020).

Household labor: was found to have a positive and significant effect on the households’ adoption of tomato production technology packages at 1% significant level. The likelihood of intensity of adoption of tomato production technology packages increases by 9.8% as the household labor size increased by one unit. The household size converted to **man equivalent** is considered as the total active household members who reside in the respondent household. Large labor force in a household implies that the household may not need to hire more additional labor and then saved money due to use of own labor force will be used for purchasing farm inputs. This will increase household's probability of intensity of adoption of adoption of tomato production technology packages. In agreement with this finding (Yisehak, 2005), reported that as a labor accessibility increases, adoption increases and correlates positively.

Distance from water sources has a significant influence on the intensity of adoption of tomato production technology packages. It was negatively and significant at 1% significance level. Farmers’ farm lands located far from irrigation water sources were less likely to adopt the tomato production technology packages. From the model output, the likelihood of intensity of adoption of tomato production technology packages decreases by 3.2% as the distance increased by one km.

The possible reason is that in the study area farmers only growing vegetables especially tomato under irrigation though use of Motorized water pump. Therefore, when the far located far from the water sources, it directly associated with discharge potential of the pump and financial capital of the farmer to purchase the inputs like: MWP itself, flue and hose.

Irrigated land holding has a significant influence on intensity of adoption of tomato production technology packages. It was positively and significant at 5% significance level. Farmers with large irrigated land holding were more likely to adopt the tomato production technology packages. From the model output, the likelihood of intensity of adoption of tomato production technology packages increased by 6% as the irrigated land holding size of the household head increased by one hectare.

The possible reason is that in the study area farmers only growing vegetables especially tomato under irrigation though use of Motorized water pump. Therefore, those of the farmer who have irrigated and even irrigable farm, forced them to grow vegetables especially tomato as a cash crop in the study area. Because of irrigation is one of the packages of tomato production. This agreed with high tunnels adopters had relatively larger plots than non-adopters; with a mean farm size of 5.52 ha for high tunnels adopters (Dandy, 2020).

Livestock holding (TLU): This variable is found negative and significantly influenced the intensity of adoption of tomato production technology packages at 5% level of significance. Those sampled farmers with large herd size have less likely to adopt the tomato production technology packages. Therefore the likelihood of intensity of adoption of tomato production technology packages decreases by 6% as the total livestock owned increases by one tropical livestock unit. In the area there is mixed farming system (both crop production and livestock husbandry) practiced by smallholder farmers. Some of farmers with irrigable farm forced them to de-stocking their live animal to purchase irrigation technology for the purpose of tomato production, but still others with no irrigable farm highly involved in livestock production.

Contact with DA per month: this variable is found positive and significantly influenced the intensity of adoption of tomato production technology packages at 10% level of significance. When the number of contact with DAs increased by one unit the likelihood of intensity of adoption of tomato production technology packages increased by 2.16%. According to Rahman and Hamid (2012), the participatory approach suggests that effective agricultural extension can be achieved only by participation of farmers and other stakeholders in all aspects of agricultural extension activities, because it has positive effect on group learning and executions. Participation in farmers’ field school activities throughout the growing season plays important role in farmer’s adoption of new technologies. The study further found that the majority of FFS participants compared to non-participants better adopted the recommended plant species for intercropping with tomato. The adoption rates of sowing date and method among FFS participants and non-participants could have been attributed to several factors including lack of contact with extension workers among others.

Table 3. Determinants of Intensity of Adoption of Tomato Production Technology Packages

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| No | Variables | Coefficient | P-value | Marginal effect |
| 1 | Sex of HH | .0548662 | 0.650 | .0335579 |
| 2 | Education level of HH | .1372847\*\*\* | 0.000 | .0089203 |
| 3 | Age of HH | -.0409955\*\*\* | 0.000 | .0233319 |
| 4 | Household Labor | .1156425 \*\*\* | 0.009 | .0980163 |
| 5 | Total land holding | .0850951 | 0.219 | .0051176 |
| 6 | Distance from water source | -.0613026 \*\*\* | 0.008 | .0323814 |
| 7 | Irrigated land holding | .06284958\*\* | 0.015 | .0609656 |
| 8 | Livestock holding in TLU | -.0140303\*\* | 0.012 | .0246152 |
| 9 | Contact with DA per month | .0272787\* | 0.088 | .0216569 |
| 10 | Distance from market | -.0357198 | 0.473 | .0623204 |
| 11 | Attended on training last year | .0129744 | 0.885 | .0732423 |
|  | LR chi2(11) = 318.97 |  |  |  |
|  | Prob > chi2 = 0.0000 |  |  |  |
|  | Log likelihood = -17.898422 |  |  |  |
|  | Number of obs = 185 |  |  |  |

Source: Computed from Survey Data (2021).

#### The Effects of Adoption of Tomato Production Technology Packages on Household Farm Incomes

Irrigated Land: is a key asset of rural farm household and a unit increase in irrigated land of a household increases annual gross farm income of the households by birr 3377.6 at 1% significance level. In other words, households with one-hectare irrigated land are better off in their income by birr 3377.6 than those of households with non-irrigable land holding. Access to irrigated land by allowing households to use family labor and other farm resources more intensively makes households more productive and hence better off.

Intensity of adoption of tomato production technology packages: has a positive effect on household annual gross farm income. This evidenced as, keeping other things constant, the annual gross farm income of households was increased by birr 22,188.7 when the intensity of adoption of tomato production technology packages by households increased by a package. The reason behind this was in the study area the tomato production was mostly targeted for the market and tomato has considered in the study area the dominant cash crop.

The use of tomato technology packages allows farm households to use farm resource in a more intensive and productive way. It enables the production and productivity of crop twice and sometimes three times a year. Therefore, the intensity of technology packages enables farm households to improve their well-being by not only allowing higher income but also minimizing risk and smoothening household consumption.

Annual farm income and farmer experience were also statistically different at 1%, with average farm income for high tunnels adopters approximately two times that of non-adopters (Dandy B., 2020).

Household labor: The result of model shows that household labor size was positively and significantly influenced the annual gross farm income at (p<0.01). When the household labor increased by one unit the annual gross farm income increased by birr 2,299.

Farm distance from water sources: had significant negative effect on the annual gross farm income at 5% significance level. The model result revealed that annual gross farm income increased by birr 1344.6 for the respondents’ farm distance from water source increased by1Km. Therefore, the respondents’ household farm located far from the source of water has less chance to use irrigation water as well as less likely to be adopt different technology packages and vice versa. Because, in the study area the major water source for irrigation is lakes, ponds and rivers. When the farm distance far from these sources, it needs high labor, financial and time costs and minimize the chances to adopt the irrigation technology and it leads to reduces farm production and productivities.

Livestock holding: is also key productive asset of rural farm household and a unit increase in livestock holding in TLU of a household increases annual gross farm income by birr 213.9 at 1% significance level. In other words, households with one more TLU are better off in their income by birr 213.9 than other households. In the study area there is mixed farming system (both crop production and livestock husbandry) practiced by smallholder farmers. Some of farmers still with non-irrigated and non-irrigable farm were highly involved in livestock production for their source of farm income.

Table 4. The Effects of Adoption of Tomato Production Technology Packages on Household Farm Incomes

|  |  |  |  |
| --- | --- | --- | --- |
| No | Variables | Coefficient | P-value |
| 1 | Sex of HH | 1604.212 | 0.110 |
| 2 | Education level of HH | 4229.377 | 0.234 |
| 3 | Age of HH | -145.2768 | 0.191 |
| 4 | Household Labor | 2299.133\*\*\* | 0.000 |
| 5 | Total land holding | 506.5435 | 0.526 |
| 6 | Distance from water source | 1344.562\*\* | 0.021 |
| 7 | Irrigated land holding | 3377.604\*\*\* | 0.000 |
| 8 | Livestock holding in TLU | 213.9797\*\*\* | 0.000 |
| 9 | Contact with DA per month | 379.1356 | 0.959 |
| 10 | Distance from input/output market | -27.04259 | 0.216 |
| 11 | Attended on training last year | 7872.016 | 0.230 |
| 12 | Adoption index | 22188.71\*\*\* | 0.000 |
|  | Prob > F = 0.0000 |  |  |
|  | R-squared = 0.9576 |  |  |
|  | Number of obs = 185 |  |  |

**Source:** Computed from survey data (2021).

### Conclusion and Recommendations

This finding concluded that all respondents of under adopters category have applied improved seed (Gellila Variety), DAP, Urea, Row Planting, Irrigation (MWP), Insecticides, Fungicides and Stoking for tomato production. However, the majorities of respondent farmers haven’t knowledge and not applied the Eco Green and recommended spacing of tomato production. Therefore, it is better to give attention on these issues during provision of practical training on tomato production technology packages.

Irrigated land holding had significant and positive effect on the intensity of adoption of tomato production technology packages and household farm income. Therefore, it is better to give attention on development of irrigating agricultural system and adoption of improved irrigation technologies in tomato farming.

Intensity of adoption of tomato production technology packages has a positive effect on household annual gross farm income. The reason behind this was in the study area the tomato production was mostly targeted for the market and tomato has considered in the study area the dominant cash crop. Therefore, adoption of tomato production technology packages allows farm households to use farm resource in a more intensive and productive way. It enables the production and productivity of crop twice and sometimes three times a year. So that, farm households to improve their well-being by not only allowing higher income but also minimizing risk and smoothening household consumption.

Tomatoes are among the vegetables identified in the growth and transformation plan (GTPII) as high value vegetable. Not only that one the current government strategy to improve agricultural production and productivities tomato is one of the very important crop among wheat and onion.

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## Willingness of Formal Sector Workers to Support a Community-Based Health Insurance Scheme and Associated Factors in Ethiopia

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***Abstract***

*As part of the effort being made to meet universal health care coverage and enhance domestic sources of finance the government of Ethiopia designed two type of health insurance schemes. These are community based health insurance (CBHI) scheme for the informal sector and social health insurance (SHI) scheme for the formal sector. While in the short run these schemes are supposed to function independently, in the long run they are expected to be merged in order to create strong risk pool. This study aims to assess to what extent employees in the formal sector are willing to endorse the development of community-based health insurance scheme and investigate factors affecting the outcome of interest in Ethiopia. The study relies on 1,919 sample respondents from formal sector workers and pensioners. To analyze the data descriptive statistics and ordered logit models were used. It is found that 74% of the survey participants support the development of CBHI scheme through allocating subsidies from government tax and international donors. The multivariate analysis shows that awareness of health insurance, previous insurance coverage and location of residence significantly predict willingness to support CBHI. The result in general implies that, in accordance with the initial plan, there is a possibility to merge SHI and CBHI to create a larger risk pool which can provide financial protection against health shocks for both the formal and informal sectors.*

### Introduction

Ethiopia has made considerable progress in expanding health infrastructure and reducing child and maternal mortality rates in the past two decades. For instance, primary healthcare service coverage, as measured by access to a healthcare facility within a two-hour walk, increased from 89.6% in 2009/10 to 98% in 2015/16 (NPC, 2017). Ethiopia is also one of the few Sub-Saharan African countries which managed to achieve the Millennium Development Goals of reducing under five child mortality rate by two thirds, three years before 2015. The country also reduced maternal mortality rate (MMR) from 1400 in 1990 to 420 in 2014 through the use of low impact interventions such as provision of health extension services (United Nations, 2015). The country also substantially reduced the prevalence of HIV/AIDS, Malaria and Tuberculosis.

Despite promising progress, utilization of health care is still limited. In 2015, outpatient attendance per capita was only 0.48 visits (FMoH, 2016). Moreover, the health system of the country is highly dependent on external donors and out of pocket health expenditure is substantial. For instance, in 2014, about 50% of health budget was covered by international donors and 37% of the budget was covered by individuals in the form of user charges (FMoH, 2014). Dependency on international assistance hampers the autonomy of the country in prioritizing health planning as programs focus on the needs of donors rather than the major challenges that need interventions. In the meantime, reliance on out-of-pocket health payment could lead to catastrophic health expenditure which have a number of impoverishing effects (O’Donnell et al., 2005; De Weerdt and Dercon, 2006; Flores et al., 2008; Karami et al., 2009).

In order to address this problem by mobilizing alternative domestic resources of health finance and to expand access to quality care, the Ethiopian government introduced healthcare financing reforms in 1998 (Abt Associates, 2012). One of the components of this reform was introducing community-based health insurance (CBHI) scheme for informal sector and social health insurance (SHI) scheme for formal sector. In 2011, a pilot CBHI scheme was rolled out in selected 12 districts of the country and, by June 2017, the pilot scheme had expanded to 350 districts and 2.4 million households (containing 10.9 million people) (Abt Associates, 2017). While the Ethiopian Social Health Insurance Agency has plans to implement SHI for public and private formal sector workers, as well as for pensioners, these programs are currently on hold.

Although CBHI and SHI schemes target different sections of the community, the long term plan is to merge the two programs to create a strong risk pooling mechanism at national level (HSFR ,2008). The current literature shows that the performance of the pilot CBHI is promising. As compared to other Sub-Saharan African countries, the scheme is successful in terms of covering relatively large shares of the country’s population within a relative short period of time (Mebratie et al., 2015). Moreover, impact evaluation studies also show that the scheme is effective in terms of extending access to healthcare services and reducing the incidence of borrowing (Mebratie et al., 2013; Zelalem et al., 2015).

The basic principle of health insurance is risk pooling and big risk pooling schemes are more likely to be sustainable as compared to relatively smaller ones. The plan of the Ethiopian government is to merge CBHI and SHI together so that financial resources may potentially be cross-subsidized from formal to the informal sector and create a more financially sustainable health insurance scheme. In this regard, empirical evidence on the potential of combining the two schemes is relevant for decision makers. The aim of the current study is to assess the willingness of individuals working in the urban formal sector to support Ethiopia’s community-based health insurance scheme. It also assesses factors driving interest to support the scheme.

### Literature Review

In many developing countries, efforts are underway to improve quality, access, efficiency and effectiveness of health care. To ensure these, the countries are reforming the way health care is financed. The reforms include increasing government budget for health-care, localizing the management of health services, improving the targeting of government spending on the health needs of the poor, and introducing micro-health insurance schemes (Gnawali et al 2009; Lammer and Warmerdam, 2010). Health insurance has emerged both as a way of augmenting financial resources available for care, and as a means of better provision of services. There is a growing consensus that health insurance scheme ensures sustainable and organized provision of health services to communities who have been suffering from lack of adequate access to care (Preker et. al. 2002).

There is a clear lack of health insurance services to the populations engaged in subsistence agriculture or in the urban informal sector. Providing formal health insurance schemes for the poor is difficult for a number of reasons. In a commercial insurance system, premiums are, in part, based on an assessment of an individual’s risk profile. However, it is costly to collect information on the health risks of rural self-employed populations who often live scattered over a wide geographical area (Jutting 2004; Tabor, 2005; Dong et al., 2009). Similarly, it is costly to collect premiums and to enforce payments. In many low and middle income countries, there are traditional risk management mechanisms. However, the ability of such traditional approaches to provide adequate protection against ill-health and injury may be limited. In such circumstances it is argued that community health insurance (CBHI) and social health insurance (SHI) schemes can perform better by reducing transaction costs and limiting information asymmetry problems (Jutting, 2004).

Community based health insurance (CBHI) schemes are social protection institutions which are built upon the principles of social solidarity to create access to health insurance and to provide financial protection against catastrophic health expenditure (Ahuja and Jütting, 2004; Carrin et al. 2005; Jacobs et al., 2008). Individuals within a community have more information on health risks and provide scope for peer monitoring. Furthermore, while market based health insurance schemes aim at profit maximization, CBHIs are non-profit organizations where the premium may be based on the average risk profile of the community (Ahuja and Jütting, 2004) and therefore, enhance access to health care for low income households. An advantage of CBHI schemes as compared to formal health insurance is that their introduction and uptake may be viewed as an extension of existing informal and social risk management systems (Tabor, 2005). Given the unique ethnic, lingual and cultural diversity of communities within a country, the CBHI arrangement may be readily adapted to specific local contexts (Wiesmann and Jutting, 2001).

Social health insurance (SHI) scheme is an alternative mechanisms of health care funding that can improve access to health services and enhance equity through cross-subsidization of resources between rich and poor. In most of the cases, the scheme is characterized by a mandatory contribution and both workers and employers share the level of contributions. Social Health Insurance was initiated in Germany in 1930s with the objectives of addressing financial constraints to access services for the low-income groups. In 2005, the World Health Organization endorsed SHI as an important strategy for mobilizing resources for health system and create universal coverage of health care. Since SHI are designed and implemented by governments, they are mostly cover large portion of the populations and the befit package include both outpatient and inpatient services (Nguyen and Hoang, 2017; Tewele et al., 2020; Zemene et al., 2020).

Despite the overtime attention given for the experiment of CBHI and SHI schemes, whether they can be used as reliable health-care financing systems is debatable issue in the literature. Supporters of the schemes argue that introducing CBHIs is an important instrument to mitigate impoverishing effects of health shock. The schemes can be successful at mobilizing resources to the health system and thereby creating access to care (Jutting, 2003; Nguyen et al, 2011). In relation to this, Dror and Jacquier (1999) argue that it is more convenient to reach the poor through CBHI schemes rather than market-based health insurance scheme since the CBHI contribution levels are relatively reasonable.

### Methodology

#### Source of Data

This study is based on a survey of employed private and public sector individuals in urban Ethiopia. The survey was conducted between June-July 2016 household survey. The survey covers employees working in cities of major administrative regions of the country, namely Addis Ababa, Oromiya, Tigray, Amhara and SNNPR. These include, Addis Ababa, Mekele, Bahirdar, and Hawassa, In order to select a representative sample and include those who are targeted by social health insurance, the survey covers employees from public service, public enterprise, private sector, and non-governmental organizations (NGOs). The number of respondents across the region ranges from 46 in Oromiya region to 969 in Addis Ababa. Across the sample sectors, the minimum is 39 respondents (from NGOs) while the maximum is 757 (from private sectors). In total, the survey covers 1,919 respondents from the formal sector.

#### Analytical Approach

To understating of the factors driving willingness to support CBHI, the study employs multiple choice model using the available cross-sectional employee survey. This was specified as follow:

Where *WSCBHIi* refers to interest of individual i to support a community-based health insurance scheme which targets people in the informal sector. This is a categorical variable and has five options - strongly opposed, opposed, neither support nor opposed, support, and strongly support. Since the dependent variable is measured in Likert scale which can be grouped systematically from strongly opposed to strongly support, ordered logit models are used for analysis.[[96]](#footnote-97) For the sake of making interpretation easy and comparison purpose, odds ratios are estimated after the logit models.

The regression model controlled for several sets of covariates which could explain variations in the outcome. These include individual characteristics (*IC*) of the respondent such as such sex, age, education status, marital status, religion and ethnicity background. Factors related to household characteristics (HC) include family size, health status of household members, life style of the family members, per capital income, and house ownership. The study also controls for factors related to awareness of health insurance and coverage (AHIC). The study also takes into account for type of the organizations by including sector dummies (SD). The model also controls for location dummies (LD). Finally, to evaluate type of support they are willing dummies for type of support (TS) was added.

### Result and Discussion

#### Results

##### Characteristics of the Study Participants

The mean difference test statistics between those individuals who support CBHI and those who do not are reported in Table 1. It is found that the mean differences in characteristics of household heads in terms of sex, age, and education status by intention to support CBHI are not systematically different from zero. However, the share of respondents who are Orthodox Christians in CBHI support group is less than the share of Orthodox Christians in non-support group (p=0.0053). On the contrary, relatively there are more Protestants under CBHI support group.

Contrary to expectations, the share of households who have at least one insured member in CBHI support group (50%) is found to be less than the share of those households having insured members in non-CBHI support group (56%) (p<0.05).

Awareness and Willingness to Support CBHI

The awareness of the respondents about CBHI scheme and their desire to support the scheme were evaluated using five separate cases which provide different information about the design of the scheme and its effectiveness. One respondent is expected to provide responses to only one of the five scenarios. About 84.4% of the respondents have heard of CBHI from different sources.

Depending on the different ways in which community-based health insurance may be subsidized, respondents were asked to show the level of support for the scheme. Accordingly, 76% of survey participants allover (strongly) support the CBHI scheme while only 13.3% of them (strongly) opposed the scheme.

##### Determinants of Interest to Support CBHI

Multivariate analysis shows that a number of individuals and households characteristics do not significantly explain willingness to support CBHI (Table 2). Some of the controlled variables explain interest to the probability of supporting the scheme based on the information given about the design of the scheme.

The estimates also reveal variations in the willingness to help CBHI based on ethnicity background of the respondents. It is also learnt that the magnitude of the estimates differs based on the type of information given about the design of CBHI scheme. For instance, odds ratio for Guragie people is 2.98 when they are told that the indigent subsidy is going to be covered by tax payers (Case 2) while the corresponding figure is 3.17 when they are informed that indigent subsidy is obtained from international donors (Case 3).

On the contrary to our expectations, it is found that being insured reduces the incidence of support (OR=0.55-0.79). There are also variations in willingness to support CBHI across the survey regions. Individuals in SNNP region are more positive in supporting the development of health insurance for informal sector. On the other hand, employees in Tigray and Oromiya are less likely to support the scheme.

### Discussion

In order to reduce reliance on out-of-pocket health expenditure and enhance domestic sources of health care financing, the government of Ethiopia designed two types of insurance schemes. Community based health insurance (CBHI) scheme for the informal urban and rural households has been launched in 2011. The country also plans to introduce social health insurance (SHI) scheme to cover those in the formal urban sector. Even if CBHI and SHI are initially run separately and target different segments of the population, in the long run they are expected to be merged so as to create large and strong risk pool system. In order to ensure equity in the health system, contribution to the schemes is based on ability to afford for health services. This requires solidarity among the population and willingness of those in the upper socioeconomic status to share health costs of those in the poorest quintiles. In this regard, to what extent better off people in the formal sector are willing to share health risks with the poor in the informal sector is an important policy issue.

The study also shows popular support from formal sector for the development of health insurance scheme targeting the informal sector. About 76 percent of the study participants (strongly) support the provision of subsidy to CBHI scheme. Among those who endorsed the scheme, 98% expressed their commitment to support CBHI using their signature. Source of subsidy to CBHI does not found to influence the response rates and the employees agree even if the subsidies to CBHI is generated through tax income. Moreover, information given to the respondents about the effectiveness of the scheme in terms of coverage, creating access to care and providing financial protection does not have systematic effect on the share of formal sector workers who support the scheme. The popular support for health insurance scheme is probably due to better knowledge about the consequences of catastrophic health expenditure and the befit of health insurance. While there are no studies that investigates willingness to support CBHI among formal sector workers, previous reports from Ethiopia indicates positive and significant associations between willingness to enroll in health insurance and education status (Setegn et al., 2021).

The study reveals that majority of employees in the formal sector and pensioners have some understating about the concept of health insurance. 92 percent of the survey participants previously heard about health insurance services. It is also found that 84% of the respondents heard about the Ethiopian community based health insurance scheme. Similar to previous studies conducted in Nigeria, Ethiopia and Vietnam (Nguyen and Hoang, 2017; Ogundeji et al., 2019; Degie et al, 2021), poor of understating on the concept of health insurance and limited information about the design of the CBHI negatively affect the uptake of the. Despite very low coverage of health insurance in the urban area, the high level of health insurance knowledge is probability because most of employees in the formal sector are educated and they have better access to information from mass media.

The empirical result reveal that, on the contrary to our expectations, those who are insurance are less likely to support community-based health insurance schemes. This may be because, those who are already contributing to health insurance policy may not want to contribute more for insurance program. There are also workers especially in the private and NGOs who get partial or full health benefits by their employers and they may not be willing to contribute for health insurance from their pockets.

The study shows consistent estimates that those who have better awareness about the concept of health insurance are more likely to support community-based health insurance scheme. The results are consistent across different CBHI scenarios presented except for case 3. A study conducted in Northeast Ethiopia indicates that better awareness about social health insurance could improve willingness to pay for health insurance (Setegn, 2021) Similar to this finding, study conducted by Mebratie et al (2015) also reveals that greater knowledge of health insurance is negatively associated with incidence of drop out from the Ethiopian pilot CBHI scheme.

There are also variations in willingness to support CBHI across the survey regions. Individuals in SNNP region are more positive in supporting the development of health insurance for informal sector. On the other hand, employees in Tigray and Oromiya are less likely to endure the scheme. A study conducted by Health Sector Financing Reform (2016) indicate that there is significant various in wiliness to enroll in community-based health insurance schemes among the initial pilot regions in Ethiopia. While the immediate explanation behind this disparity in intention to support the scheme across the sample regions is not clear, factors related to culture of helping and social networks could play roles. The other reasons could be differences in the awareness and experience about CBHI scheme. Even if the responders are engaged in the formal sector and they are not illegible to be member of CBHI scheme, they may learn about the benefit and constraints of the scheme from their neighbors, friends and relatives. In this regard, the type and the extent of information they get from their networks may influence their support level to CBHI scheme.

### V. Conclusion and Recommendation

#### Conclusion

The current study aims to assess the willingness of employees in the formal sector as well as pensioners to support CBHI scheme which provide health insurance coverage for the poor. It is also found that 74% of the survey participants support the development of CBHI scheme through allocating subsidies from government tax and international donors. The multivariate regression models show that knowledge is an important factor which affects the probability of approving insurance program for the poor. It is also noted that those who have some form of insurance policy are less likely to contribute subsidy for CBHI scheme. Finally, those who live in SNNP region are more likely to support CBHI as compared to those in Addis Ababa and Oromiya.

In the net shell, the result implies that, as it is planned, there is a possibility to create strong social protection scheme through merging SHI and CBHI schemes. By providing adequate information about the concept of health insurance, it is possible to enhance the willingness of workers in the formal sector to share financial consequences of health risks of the poor in the informal sector.

#### Recommendation

The policy implication of the study is that adequate knowledge of health insurance is essential in order to achieve the target of create national level insurance scheme. Hence, both governmental and non-governmental organization should provide information about the benefit and principle of health insurance schemes using alternative methods including mass media.

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## Energy Consumption, Environmental Degradation and Economic Growth Nexus in East African Countries: Do Economic Transition and Urbanization Matter?

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***Abstract***

*This study attempts to examine the nexus**between energy consumption, CO2 emissions and economic growth for 9 East African countries, that has been thoroughly researched but the conclusion had been uneven and unsatisfying. Unlike the previous studies, this study considers urbanization and economic transition index to examine the causality between energy consumption, CO2 emissions and economic growth of East African countries using a long data set ranging from 1990 to 2018 by employing a panel data approach. The stationarity test for unit root showed that all variables are integrated of order one, I(1) and hence cointegrated. The dynamic panel data model and the granger causality test confirmed that there is bidirectional causality among energy consumption; CO2 emissions and economic growth in East Africa supported the feedback hypothesis of the EKC scenario. From the dynamic panel data model, while CO2 retards economic growth, urbanization, population growth and one year lagged per capita income favors it. Thus, East African Countries should use all possible policy tools to limit carbon emission growth, such as the major renewable energy installations, climate adaptation and mitigation measures, carbon tax policies, and the carbon emissions trading scheme to curtain growth in carbon emission.*

**Keywords:** EKC hypothesis, Energy Consumption, CO2 Emissions, Granger Causality, Panel GMM

### Introduction

Interactions between humans and the natural environment have always been tough, and the upsurge in climate change vulnerability through increase in emissions, a significant contributor in the threat of climate change, has made things even more complicated (Kasperowicz, 2015); (Olubusoye & Musa, 2020). As a result, man has unfettered access to natural resources, which may be used as raw materials in a variety of production processes to create completed items. This behavior has resulted in a slew of serious environmental effects that have damaged humanity, highlighting the necessity to protect the environment. Given the magnitude of the issues related to natural environment degradation, several researchers are interested in this phenomenon in the environmental regulatory framework, which has resulted in the development of political, social, and economic actions aimed at breaking with practices that harm our environment and degrade the quality of life of nations and follow the path of the green growth economy (Adeleke & Josue, 2019); (Edward, 2015); (Oosthuizen, Brent, & Musango, 2016). World decision makers are looking for new solutions for new challenges like environmental degradation and globalization and a key approach. Sustainable development is currently one of the most popular policy goals as studied in the environmental Kuznets curve (EKC) literature and received growing attentions among many (UN, 1993; WCED, 1987). Though many declarations were made, and many conventions signed, since the sustainable development agenda, the destruction of the ecosystem is progressing at a dizzying pace. Not only will deforestation, fires, and overexploitation deplete natural resources, but the natural environment will also be impacted as a result of rising urban and industrial pollution (Sahli & Rejeb, 2015).

Much has been done in this area, considering the role energy plays in a country's or regions’ economic development and its relationship with the environment. And it all starts with the well-known Environmental-Kuznets-Curve (EKC) idea. However, recent empirical evidences have shown that there are still gaps to be addressed arguing against “one-size-fits-all” approach, and no consensus has been reached because empirical findings are still limited and conflicting. For instance see, (Adewuyi & Awodumi, 2017; Ozcan et al. ,2019; Lu, 2017). Because of its policy consequences, a broader research study on energy-environment-economic growth nexus has proven to be a hot topic in energy and environmental economics to step forward to the expected position than where it had been.

Since CO2 emissions, measure of environmental degradation, are rising at an alarming rate in less developed countries, this has been a major policy issue among policymakers. The rate of CO2 emission rise will hinder the region's economic progress unless realistic policy is implemented (Adams & Acheampong, 2019; Farzanegan & Markwardt, 2018); Stern, 2007).Thus, it is reasonable to investigate the dynamic linkages between energy consumption, emissions, and economic development in less developed countries such as East Africa in order to promote regional economic development with an appropriate design of energy and environmental policies linked to CO2 mitigation strategies (Menegaki & Tiwari, 2018; Vladimír, 2018; Arminen & Menegaki., 2019).

The majority of researches focusing on the relationship between energy consumption, emissions, and economic growth have been thoroughly examined internationally and for numerous significant regions, including the United States, Europe, China, and India (Banford, et. al, 2012). For Africa, a similar appraisal is absent. Indeed, there are few scenarios for Africa that target specific countries such as South Africa (Erickson, et al., 2009; Winkler, et al., 2011) or that are larger in scope  (IEA, 2021). Broader study on energy-environment-growth relationship can be divided into three categories: worldwide studies, group nation studies, and individual country or individual country studies. Some utilized aggregate magnitudes while others used disaggregated ones since they were referring to different types of energy consumption (Aslan & Topcu, 2018; Arminen, 2018). Furthermore, some looked at long-run interactions while others looked at short-run relationships. Likewise, there has been a lot of interest in using additional variables in nexus modeling (Ingesi-Lotz & Dogan, 2018) and this modality stems from the fact that the nexus lacks a firm theoretical foundation. Differences in econometric approach further contributed to the inconclusive outcomes as well. As a result, the area is likely to become more prominent in the upcoming, as well as a prospective, intervention area.

The above-mentioned oscillating arguments indicate a lack of unanimity on the relationship between energy consumption, emissions, and economic development. And, hence the most significant contribution of this study is advancing the knowledge gaps by extending the limited literatures through the dynamic analysis of the nexus between energy consumption, environmental degradation, and economic growth for 9 East African countries, a poorly studied region for the period between 1990 -2018. The use of larger data sets, the addition of new variables not included in previous studies, and the examination of the nexus from the point of view of consumption, differs this study from those previous studies. The literature review, methodology, results, and discussion are the remaining sections of the study, followed by a set of conclusions and recommendations.

This study focused on the East African region, a region that contributes less to global CO2 emissions similar to other parts of Sub-Saharan Africa (SSA) but bears the brunt of the cost of climate change. It contributes to the literature in the following ways: 1. The analysis takes into account energy consumption, environmental degradation, and economic growth nexus, considering inclusion of new explanatory variable typically economic transition index and urbanization variables not studied before. 2. The study makes use of a vast data collection that spans the years 1990 to 2018, as well as a new study location, East Africa. 3. Many studies were conducted in both developed and developing countries to validate the EKC theory. However, in African countries, time series and cross-sectional investigations have been used in very few studies. Lack of data in the time series technique is a key flaw that undermines the results. Furthermore, the cross-sectional approach ignores the variability that exists among nations, leaving country-specific impacts unaddressed (Odhiambo, 2012; Nicholas, 2017). In order to address some of these weaknesses, the current study uses a panel data technique, which combines both time series and cross-sectional data, which solves the problem of endogeneity and produces consistent and robust findings.

### Methodology

This section of the study delves at the theoretical foundations that could be used as a benchmark for model specification, estimation techniques, variable definition, and data source.

#### Conceptual Framework And Model Specification

This section discusses the challenges that must be addressed in empirical analysis, as well as how to address them. This approach is based on an enhanced Cobb Douglass model based on endogenous growth theory. The fundamental Cobb Douglass model demonstrates that the country's economy (output) is determined by capital and labor.

The initial set up the model is that output is a function of energy consumption and CO2, and vice versa.

Further, the model is extended to include other potential variables deemed as the determining factors of economic growth along with the dominant ones. These are the economic transition index measure variables (Share of Agriculture, Industry and Service value added as % of GDP), Demography variable (Population), Urbanization (% of total population) . Similar approaches were used by (Plaxedes & Seetanah, 2020; Seetanah & Teeroovengadum, 2019) in their studies of economic growth.

#### Conceptual Framework of The Study

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Figure 1: Research framework of the study. Source: Author’s extraction, 2022

Urbanization (URB)

Economic Transition Index (ETI)

Population (POP)

CO2 Emissions (CO2)

Energy Consumption (EC)

Thus, the econometric model specification with panel data type starts with:

Here it is assumed that , , per capita income for country at time , is explained by a set of vector of explanatory variables X that are taken in two dimensions, temporal and individual, **,** where is for individual dimension and is for time dimension. With the set of explanatory variables measured on individuals at different dates, refers to the individual effects, and error terms.

Assuming the multiplicative augments among explanatory variables, the function is summarized as:

The specific outfitted model in an estimable econometric form is given as:

Where;

**YPC** here after represented as per capitaincome; CO2 is CO2 emission; EC is energy consumption; URB is percentage of urban population; ETI is weighted economic transition index; POP is Population.

#### Estimation Techniques

The study used the panel unit root test to determine the stationarity of the variables and their long run relationships. The unit root tests are: Breitung (Breitung, 2000) ; Levin –Lin –Chu (LLU) (Levin, Lin, & Chu, 2002), and Im-Peasaran-Shim (IPS) (Im, Peasaran, & Shin, 2003).

After determining the order of integration, the next stage is to determine whether there is a long-term relationship between energy consumption, environmental degradation, and economic growth in East African countries. The Pedroni panel cointegration test the Kao residual cointegration test and the Westerlund test for cointegration were used to investigate the long-run relationship between energy consumption, environmental degradation, and economic growth in the nine East African countries analyzed in this study.

Once the co-integration test shows that there is a cointegration relationship between energy consumption, climate change, and economic growth, granger causality is suspected. This is a crucial econometric technique for determining whether the EKC prediction is supported (Granger, 1988; Nicholas, 2017).

There might be cases where the dependent variable is explained by its own lag. Thus, in order not to loss the dynamic information the autoregressive one (AR (1)) is incorporated. Thus, the dynamic panel VAR model of system GMM, where i denotes East African countries used in the sample and t denotes the time dimension, based on the previously specified model is set as follows:

Where the natural log per capita GDP, is the rate of per capita GDP growth, is the initial level of log per capita GDP, is vector of explanatory variables, is an unobserved country specific and time invariant effect, is the error term. refers to the specific intercept terms to capture changes common to all countries.

Equation **(10)** can be rewritten as:

This is the same as to:

Consequently, the dynamic panel data model used to examine the heterogonous effects among energy consumption, CO2 emissions and economic growth for East African countries is given as:

The variables used in the study the data were extracted from World Bank (WB-database).

### Result and Discussion

This section thoroughly covers the estimation and discussion of results based on the stated econometric model to examine the nexus between energy consumption, CO2 emission and per capita income for African countries.

#### Correlation Analysis

The correlation coefficient between per capita income and CO2 is -0.346, indicating a negative association between the two variables, as verified by the p-value in Table 5. Another way to look at it is that there is a strong link between energy consumption and per capita income. The economic transition index has a negative association with per capita income, while positive link urbanization and population growth have positive association with it.

Table 4: Pairwise Correlation Matrix

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
|  | LnYPC | LnCO2 | LnEC | LnETI | LnPOP | | LnURB |
| LnYPC | 1.0000 |  |  |  |  | |  |
| LnCO2 | -0.346\*\*\*  (0.0000) | 1.0000 |  |  |  | |  |
| LnEC | 0.644\*\*\*  (0.0000) | -0.877\*\*\*  (0.0000) | 1.0000 |  |  | |  |
| LnETI | -0.1982\*\*\*  (0.0013) | 0.1312\*\*  (0.0334) | -0.0610  (0.326) | 1.0000 |  | |  |
| LNPOP | 0.905\*\*\*  (0.0000) | -0.599 \*\*\*  (0.0000) | 0.848\*\*\*  (0.0000) | -0.129 \*\*  (0.0372) | | 1.0000 |  |
| LnURB | 0.478\*\*\*  (0.000) | -0.638\*\*\*  (0.0000) | 0.561\*\*\*  (0.000) | -0.3423\*\*  (0.0000) | 0.512\*\*\*  (0.0000) | | 1.0000 |

Notes: \*\*\* and \*\* indicates the statistical significance at a1% ((∗∗𝑝<0.01) and 5 % respectively

( ∗∗𝑝<0.05) and values in parenthesis shows p-values.

Source: Own computation, 2022

#### Panel Unit Root Analysis

The null hypothesis of the presence of the unit root cannot be rejected in the first column, which is testing for unit root at level. The second column checks for unit root when the variables are in first difference and there is sufficient evidence that they are stationary, rejecting the null hypothesis. As a result, following the first difference, all variables are stationary and integrated of the first order.

This leads us to the cointegration test, which determines whether the variables have a shared stochastic tendency. As a result, it can be stated that the variables are seamlessly integrated process of order one (1).

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | Im-Pesaran-Shin unit root test  (using Z-t-tilde-bar) | | | | Levin-Lin-Chu  (Using adjusted t\*) | | | | Breitung unit-root test  (Using Statistic Lambda) | | | | |  | |
| Variable | Level | | 1st difference | | Level | | 1st difference | | Level | | 1st difference | | | Order of  Integration | |
| Statistic | P-value | Statistic | P-value | Statistic | P-value | Statistic | P-value | Statistic | P-value | Statistic | | P-value | |  | |
| LnYPC | 9.7676 | 1.000 | -5.88\*\*\* | 0.0000 | 1.792 | 0.9634 | -5.9242\*\*\* | 0.0000 | 10.7393 | 1.0000 | -4.2545\*\* | 0.0000 | | I(1) | |
| LnCO2 | 3.862 | 0.999 | -7.87\*\*\* | 0.0000 | 1.566 | 0.9414 | -7.5822\*\*\* | 0.0000 | 1.5774 | 0.9426 | -7.1268\*\*\* | 0.0000 | | I(1) | |
| LnEC | 5.5070 | 1.000 | -7.10\*\*\* | 0.0000 | 2.498 | 0.9938 | -5.2346\*\*\* | 0.0000 | 3.1802 | 0.9993 | -7.6073\*\*\* | 0.0000 | | I(1) | |
| LnETI | 0.622 | 0.733 | -8.83\*\*\* | 0.0000 | -1.085 | 0.1390 | -7.261\*\*\* | 0.0000 | 11.8407 | 0.2348 | -8.1725\*\*\* | 0.0000 | | I(1) | |
| LnPOP | 9.2599 | 1.000 | 0.06\*\* | 0.0563 | 3.473 | 0.9997 | -1.7837\*\* | 0.037 | 13.2974 | 1.0000 | -3.7045\*\*\* | 0.0001 | | I(1) | |
| LnURB | -1.53 | 0.063 | -7.42\*\*\* | 0.0000 | -2.23\*\* | 0.012 | -4.1643\*\*\* | 0.0000 | 0.9979 | 0.8408 | -1.6604\*\* | 0.0484 | | I(1) | |
| Ho: All Panels contain unit roots  Ha: Some panels are stationary | | | | | Ho: Panels contain unit toots  Ha: Panels are stationary | | | | Ho: Panels contain unit roots  Ha: Panels are stationary | | | | |  | |

Table 5: Panel Unit Root Tests

Source: Own Computation, 2022

#### Panel Cointegration

The null hypothesis of no cointegration is strongly rejected at conventional level of significance.

Table 6: Panel Cointegration test results

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| Tests | Panel Cointegrations Tests | | | | | | |
| Kao test for Cointegration | | Pedroni test for cointegration | | | Westerlund test for cointegration | |
| Statistic | P-value | Statistic | P-value | | Statistic | P-value |
| Modified Dickey-Fuller t | -12.7770 \*\*\* | 0.000 |  |  | |  |  |
| Dickey-Fuller t | -11.4426 \*\*\* | 0.0000 |  | |  |  |  |
| Augmented Dickey-Fuller t | -5.6109 \*\*\* | 0.0000 | -6.9802\*\*\* | | 0.0000 |  |  |
| Unadjusted modified Dickey-Fuller t | -17.4602\*\*\* | 0.0000 |  | |  |  |  |
| Modified Phillips-Perron t |  |  | 0.8401 | | 0.2004 |  |  |
| Phillips-Perron t |  |  | -4.4057\*\*\* | | 0.0000 |  |  |
| Variance ratio |  |  |  | |  | 2.9823 \*\*\* | 0.0014 |
|  | H0: No cointegration  H1: All panels are cointegrated | | H0: No cointegration  H1: All panels are cointegrated | | | H0: No cointegration  H1: All panels are cointegrated | |

*Note:* \*\*\*, \*\* and \* indicates statistical significance at \*\*\*P<0.01, \*\*P<0.05,\*p<0.1

Source: Own Computation, 2022

#### Estimation Results

The dynamic panel data model was estimated using the GMM estimation techniques proposed by (Arellano & Bond, 1991). The econometric report from the table shows that from Pooled OLS, Fixed effect and Random effect estimation models an increase in CO2 leads to increase in per capita income at 5% level of significance. This shows that higher income is associated with higher emissions as CO2 appears as significant determinants. On the contrary, from the dynamic panel model, there is a negative relationship between CO2 emissions and per capita income for the economy of East African countries. A 1% increase in CO2 emissions leads to 0.04% decrease in per capita income growth. The increase CO2 leads to higher environmental consequence associated with higher economic growths (Olubusoye & Musa, 2020).

Further the dynamic panel model shows that economic transition index has no influence on per capita income though it has negative impact for Pooled OLS, fixed effect and random effect models. This indicates that economic transition index (ETI) worsens the nexus between energy consumption, CO2 emission and per capita income in East African counties.

Another interesting result is that an increase in population growth leads to increase in economic growth of East African countries. And, there is consistency in result among the panel data models used here. For example, for dynamic panel data model a 1% increase in population growth leads to a 0.7% increase in per capita income of the region.

Further, for the interaction between energy consumption, CO2 emission and economic growth urbanization matters much. As it can be seen from the econometric result, there is a positive and significant relationship between urbanization and per capita income. A 1% increase in urbanization growth leads to 0.015% increase in per capita income growth other things remaining constant.

Table 7: Panel Estimation Results

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | Pooled OLS | Fixed Effect | Random Effect | FGLS | Dynamic GMM |
|  | Dependent Variable : lnYPC | | | | |
| LnCO2 | 0.402\*\*\*  (0.0514) | 0.433\*\*\*  (0.0468) | 0.442\*\*\*  (0.0445) | 0.0326\*  (0.0182) | -0.0405\*\*\*  (0.0131) |
| LnEC | 0.0687  (0.0102) | 0.266\*\*\*  (0.0686) | 0.211\*\*\*  (0.0665) | -0.178\*\*\*  (0.0273) | -0.0138  (0.0201) |
| LnETI | -0.292\*  (0.149) | -0.521\*\*\*  (0.0766) | -0.522\*\*\*  (0.0760) | -0.259\*\*\*  (0.0202) | -0.00796  (0.0213) |
| LnPOP | 0.733\*\*\*  (0.0584) | 0.778\*\*\*  (0.0425) | 0.764\*\*\*  (0.0384) | 0.741\*\*\*  (0.0171) | 0.743\*\*\*  (0.0162) |
| LnURB | 0.437\*\*\*  (0.0676) | 0.151\*\*\*  (0.0299) | 0.154\*\*\*  (0.0297) | 0.0874\*\*\*  (0.0174) | 0.0148\*\*  (0.00747) |
| L.LnYPC |  |  |  |  | 0.980\*\*\*  (0.0159) |
| -cons | 12.75\*\*\*  (0.899) | 12.50\*\*\*  (0.715) | 12.79\*\*\*  (0.639) | 13.41\*\*\*  (0.189) | -0.609\*\*\*  (0.264) |
| N | 261 | 261 | 261 | 261 | 252 |
| R-sq | 0.906 | 0.891 |  |  |  |
| F | 5750.90\*\*\* | 402.50\*\*\* |  |  |  |
| Prob>F | 0.0000 | 0.0000 |  |  |  |
| Wald Chi2 |  |  | 2073.81\*\*\* | 18377.48\*\*\* | 50482.09\*\*\* |
| Prob >Chi2 |  |  | 0.0000 | 0.0000 | 0.0000 |

Standard errors in parentheses

\* p<0.10, \*\* p<0.05, \*\*\* p<0.01

Source: Own computation, 2022

#### The Granger Causality Test

The long-term relationship has revealed that there is a hint of causality between the variables, though - the direction is not yet defined.

According the granger causality test presented under the table below, there is bidirectional causality between per capita income and energy consumption. The estimated granger causality result supports the feedback hypothesis. Another important implication is that there is bidirectional causality between per capita income and CO2 emissions and hence supporting the feedback hypothesis (Chen, et, al., 2019; Ahmed & Hashmi, 2017).

Table 8: Panel Granger Causality Test Results

|  |  |  |
| --- | --- | --- |
| Dumitrescu & Hurlin (2012) Granger non-causality test | | |
|  | Z-bar tilde | p-value |
| H0: LnYPC does not Granger-cause LnEC  H1: LnYPC does Granger-cause LnEC | 5.4529\*\*\* | 0.0000 |
| H0: LnEC does not Granger-cause LnYPC  H1: LnEC does Granger-cause LnYPC | 6.3171\*\*\*\* | 0.0000 |
| H0: LnYPC does not Granger-cause LnCO2  H1: LnYPC does Granger-cause LnCO2 | 12.1453\*\*\* | 0.0000 |
| H0: LnCO2 does not Granger-cause LnYPC  H1: LnCO2 does Granger-cause LnYPC | 7.6169\*\*\* | 0.0000 |
| H0: LnYPC does not Granger-cause LnURB  H1: LnYPC does Granger-cause LnURB | 3.1047\*\*\* | 00019 |
| H0: LnURB does not Granger-cause LnYPC  H1: LnURB does Granger-cause LnYPC | 4.8679\*\*\* | 0.0000 |
| H0: LnYPC does not Granger-cause LnETI  H1: LnYPC does Granger-cause LnETI | 5.3693\*\*\* | 0.0000 |
| H0: LnETI does not Granger-cause LnYPC  H1: LnETI does Granger-cause LnYPC | 2.9643\*\*\* | 0.0030 |
| H0: LnEC does not Granger-cause LnCO2  H1: LnEC does Granger-cause LnCO2 | 3.3366\*\*\* | 0.0008 |
| H0: LnCO2 does not Granger-cause LnEC  H1: LnCO2 does Granger-cause LnEC | 3.2888\*\*\* | 0.0010 |
| H0: LnEC does not Granger-cause LnURB  H1: LnEC does Granger-cause LnURB | 7.4108\*\*\* | 0.0000 |
| H0: LnURB does not Granger-cause LnEC  H1: LnURB does Granger-cause LnEC | 1.1638 | 0.2445 |
| H0: LnEC does not Granger-cause LnETI  H1: LnEC does Granger-cause LnETI | 1.1735 | 0.2406 |
| H0: LnETI does not Granger-cause LnEC  H1: LnETI does Granger-cause LnEC | 0.8699 | 0.3843 |
| H0: LnCO2 does not Granger-cause LnURB  H1: LnCO2 does Granger-cause LnURB | 3.6290\*\*\* | 0.0003 |
| H0: LnURB does not Granger-cause LnCO2  H1: LnURB does Granger-cause LnCO2 | 4.2370\*\*\* | 0.0000 |
| H0: LnCO2 does not Granger-cause LnETI  H1: LnCO2 does Granger-cause LnETI | 1.8063 | 0.0709 |
| H0: LnETI does not Granger-cause LnCO2  H1: LnETI does Granger-cause LnCO2 | 2.8710\*\*\* | 0.0041 |

\*\*\*p<0.01

Source: Own Computation, 2022

### Conclusion and Policy Implication

#### Conclusion

The nexus between energy consumption, CO2 emissions and economic growth in developing countries is a hot topic among scholars. This becomes more appealing when it comes to African countries with low economic performance and incapable of escaping the global impacts of climate change and environmental degradation typically the CO2 emissions.

The primary concern here is exploring the nexus between energy consumption, CO2 emissions and economic growth in East Africa from 1990 to 2018 for nine East African countries.

The stationary tests of the variables showed that they are non-stationary at levels and became stationary after differenced once. The test for long run relationship among variables were done using the Kao, Pedironi and Westerlund cointegration test techniques and showed there long run relationship exists among the variables.

They key outcome of the study inferred from the granger causality test showed that there is bidirectional causality between energy consumption, CO2 emissions and per capita income supporting the feedback hypothesis of the EKC.

#### Policy Implication

To this end, based on the finding of the study the following are recommended as an action of focus to minimize the possible impacts of climate change and then environmental degradation effects:

* To promote sustainable economic development of the region, there has to be effective policy to be implemented linking the climate change and environmental degradation effects to the economy of the region and look for the pathways with due emphasis for the major renewable energy installation
* Give emphasis for the mitigation options of deforestation and environmental conservation measures
* Implement the climate adaptation projects which are friendly to support economic growth of the region
* To address the adverse impacts of the climate change there has to be an effective implementation of carbon tax policies and carbon emission trading schemes to cope up the challenge of the high carbon emissions.

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# HRM, LEADERSHIP & DEVELOPMENT

## Practices and Challenges of Job Evaluation and Grading (JEG) Implementation in the Public Sectors,

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***Abstract***

*The purpose of this research was to assess the practices and challenges of job evaluation and grading implementation in grade one city administrations of Oromia Regional State. Descriptive research design and mixed research approach were used. Both probability and non-probability techniques were used. Random sampling technique was used to select ten cities from the 19 grad one city administrations in the region. Hence, using proportional random sampling technique, 1000 civil servants were taken for this study. The findings revealed that though the level of transparency during employees’ placement was moderate, the accountability level was low. The level of employees’ participation was also low. Moreover, some city administrations not only compromised merit principles but also not equally committed to apply the principle of placing the right person at the right position. Moreover, some employees were dissatisfied after the new placement. Employees not only did not have confidence with the employees’ placement committee but also were not hopeful about their future career development. It was also revealed that educational qualification requirement gave room to misinterpretation. Among the major challenges revealed include payment related problems, unnecessary interferences from the top, unfair composition of employee placement committee as well as problems related to job evaluation criteria used. The researchers concluded that there were both success and failure story recorded during the implementation of the program. The study recommended that before any reform implementation the concerned body must improve knowledge and awareness level of its stakeholders. It was also recommended that public sectors and other stakeholders should be committed and responsible to manage any implementation of reform initiatives without politically motivated behaviour.*

**Keywords:** job evaluation and grading, Oromia Regional State

### Introduction

Human resource management is an important area in an organization yet is very complex due to the fact that it involves human beings who are intelligent to think, react and act according to their thoughts (Masanja, 2019). Hence, managing human beings requires skills and expertise so that they can fulfil their jobs. In this regard, in order for employees to fulfil their job efficiently and effectively, job evaluation is an important human resource practices.

Job evaluation is a method of comparing different jobs to ensure that civil servants are graded fairly and equitably when considering each job in relation to others in the organisation and equally with other staff undertaking similar jobs or jobs of equal value (EESA, 2021). This concept of job evaluation emphasizes on three issues: firstly only the job is evaluated, not the person doing the job. Secondly it is a process that seeks to measure objectively the different elements of a job. Thirdly, the jobs are placed in a rank order according to their size, thereby producing a hierarchy of jobs/grades. Hence, job evaluation assumes normal job performance by a typical worker and in effect the process ignores individual abilities or performance (Stephen and David, 2010). It is easy to say that jobs are valued and ranked by their relative job worth, but ambiguity increases when attempt is made to state what places one job higher than another in the job structure hierarchy (Stephen and David, 2010). In this relation, most job-evaluation plans use levels of responsibility, skill, effort, and working conditions as major criteria, but each of these, in turn, can be broken down into more specific terms.

Analytical and non-analytical are the two basic schemes of job evaluation each having different methods with their own advantages and disadvantages (Armstrong, 2006). As part of non-analytical method, job ranking considers each job as a whole and place in a felt fair rank order to produce a league table. Similarly, whereas in paired comparison each job as a whole is compared with each other job and points are awarded according to whether its overall importance is judged to be less than, equal to, or more than the other jobs; in job classification method, the number of grades is decided first and detailed grade definitions produced.

A point rating is the most commonly used analytical method of job evaluation technique which breaks down each job into a number of factors; for example, skill, responsibility and effort, with the factors sometimes being further broken down into sub-factors. Points are awarded for each factor according to a predetermined scale and the total points decide a job's place in the ranking order. The factors should reflect the varying degrees of importance attached to them. The Ethiopian Civil Service Commission has used point ranking method in the current job evaluation and grading (JEG) program.

Employee placement is the final stage after job evaluation and grading. It adjusts someone to the right job (Mathis & Jackson, 2004 cited in Sari 2019). Placement is a very important problem in the function of human resource management because it is also related to costs; for example, with appropriate placement it will directly affect the costs of operations and training. The concept of Person-Job Fit proposed by (Mathis & Jackson, 2004 cited in Sari 2019) states that there are three things that must be met in accordance with the characteristics of the work, namely Knowledge, Skills, and Abilities (KSA). A competent employee may be inefficient and dissatisfied if put on a wrong job. A misplaced employee is a dissatisfied and frustrated man. Lack of interest in the job will be reflected in lower productivity (Kangal, 2019). The most important principles to be followed while making placement of an employee include job requirement, qualification, information, loyalty and co-operation (Rina, 2021).

In Ethiopia, Emperor Haile Selassie (1917-1974) is historically mentioned to have laid the foundation for modern civil service in the country when he took over the creation of modern public administration and started a series of restructuring measures to centralize his administration and modernize the country. The need to have an efficient administration system was recognized as modernization progressed in the country in the early 1960’s. In particular, the imperial regime appears to have felt the necessity of having a modern civil service sector that can serve as chief instrument for promoting economic and social development (Paulos, 2001 and Atkilt, 2007). The agency was established with primary objective of maintaining efficient, effective and permanent civil service that functions based on a merit system. The agency was also mandated with the obligation of creating a homogenous civil service governed by uniform rules and principles, recruitment of civil servants and appointment up to the rank of assistant minister (Atkilt, 2007).

Starting from 1964 E.C, the Ethiopian government followed job classification job evaluation system for grading jobs and to estimate salary. Nevertheless, gradually the Ethiopian Civil Service Minister took the initiative to change this job evaluation method based on the finding from researches conducted on the existing gaps of the previously used job evaluation method. Therefore, it was necessary for the Ethiopian government to change the existing job evaluations and grading system and hence a new project that select point rating job evaluation method to evaluate jobs and set job grade.

The Commission, under its power bestowed by proclamation number 916/2008, guides the preparation of job descriptions and approves the different job levels with their respective points of weight. The latest of such deeds is the Job Evaluation and Grading (JEG), enacted in 2016 with details of employee placement procedures. The JEG levels go up to 22. The JEG reform targets to equate salary and benefits of similar positions and job grades in different institutions because it was discovered that different civil service institutions have varied salary scales for similar jobs. These varied salaries and benefits augmented the public servant turn-over as employees leave one and join another for a better employment. This was believed to be biased and unfair. Hence, equitable salary and benefits proportional to job weight, irrespective of institutions, is planned to be put in effect. However, as preliminary information indicates placement of workers in the new levels has not been an easy task. Some of the challenges seem emanate from the criteria of placement itself (Desalegn, 2017). As indicated in the legal document (proclamation number 916/2008), placement is determined by 70 percent performance score, 10 percent readiness to implement governmental policies and strategies, 10 percent profile, and 10 percent experience of service on higher positions. However, these measurement tools are hardly objective and are subject to biases.

Besides, civil Service institutions and their respective JEG committees, included in the reform process, were observed facing multi-dimensional problems when they started the placement of employees into the new levels (Desalegn, 2017). Moreover, this reform has some paradoxes to the national mission of human resource development. For instance, in the JEG, all positions in all government institutions demand a Bachelor degree for the highest level. Furthermore, expert positions demand few years of experience to reach the highest level. No matter how long an expert has worked in a position, it does not matter to the acquisition of a certain level. What matters most is one's performance record for the first six months that is taken for measurement. Hence, it disregards invaluable knowledge that can be accumulated only through job experience. As JEG implementation is a recent issue, there is shortage of empirical study in the area. Hence, the findings of this study could be used as an input for the civil service commission, regional civil service bureaus and offices and city Administrations to rectify the gaps and realize successful implementation of the program. Moreover, it could provide baseline information for decision makers at different levels to devise appropriate strategies and practices to effectively implement the reform program. Furthermore, the finding of the study could initiate interest and assist as a stepping-stone for further study in the area. Hence, it is paramount to assess practices and challenges of job evaluation and grading implementation. Similar to the practices at the national level after the implementation of pilot test at some selected institutions the Oromia Public Service and Human Resource Development Bureau embarked large scale implementation of the program. Empirical studies on the status of job evaluation and grading in Ethiopia in general and in Oromia regional state in particular is scant. Hence, the purpose of this study is to assess the practices and challenges of implementing job evaluation and grading system in the selected grade I town administrations in Oromia Regional State. The paper tries to answer the following questions:

* What is the practice of implementing job evaluation and grading system in the selected town administrations?
* What is the perception of employees toward implementation of Job Evaluation and Grading?
* What are the challenges facing public institutions during the implementation of Job evaluation and grading?

### Methodology

The general objective of this research project was to assess the practices and challenges of implementing job evaluation and grading system in the selected grad I town Administration in Oromia Regional State. Hence, descriptive research design has been employed since this type of research helps to describe what has happened and what is happening on the issues related to the research problem under investigation (Kothari, 2004). The research approaches was mixed which has combined both quantitative and qualitative using concurrent strategy to address all of the specific objectives. Both primary and secondary data sources were used to gather relevant and reliable data. Though the target populations of this study were Federal Civil Service Commission; Oromia Civil Service Bureaus; JEG Committees at the Federal, Regional and institutional level; all civil servants as well as bureaucrats of different sectors in the region. However, because of logistic and methodological limitations, the study focused on the 19 grad I cities/towns in Oromia region. From this number, 10 cities were randomly selected. Hence, the sample frame of this study is the list of all active civil servants of the 10 grad I cities/towns randomly selected. Regarding the sample size, there is no concrete agreement among the scholars. But most scholars argue that under heterogeneous population type, 30% of the population could be a good representative. But, in this study, because homogenous population is expected, 5% sample size was used as computed in the following table. Hence, the sample size of this study is 1000 civil servants.

Table 1: Population and Sample Size

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| S.no | Name of Grade One Cities | Size of the Civil Servants | S.No | Name of Grade One Cities | Size of the Civil Servants |
| 1 | Adama | 4129 | 6 | Ambo | 1379 |
| 2 | Bishoftu | 2246 | 7 | Dukam | 1283 |
| 3 | Shashamanne | 2047 | 8 | Waliso | 1651 |
| 4 | Jimma | 2319 | 9 | Sululta | 1998 |
| 5 | Burayyu | 1904 | 10 | Robe | 1141 |
| Total population and sample size | | | | | 20097 |
| Sample size: 5%\*20097 =1000 | | | | |  |

Questionnaire, key informant interview and document analysis were employed as methods of data collection. A questionnaire consisting of open- and close-ended questions were used to gather data from employees in civil service institutions of selected city administrations. This instrument also has the added advantage of reaching maximum number of respondents with lowest possible cost (Dawson, 2002).

Besides interview was conducted with heads of the offices and experts/members of JEG Committee who involved in the development of the new job evaluation and grading system. A total of 15 interviews were held with the aforementioned bodies. Semi-structured and structured interview questions were employed. Published and unpublished documents relevant to the research under study were also consulted to substantiate the data obtained through other data gathering tools and also to triangulate the data (Dawson, 2002). Moreover, a group of 12 randomly selected employees were formed from sampled civil service institutions at different administrative levels to discuss issues related to the research problem with the objective of clarifying the issues that would have been ambiguous through other instruments. A total of 10 FGDs were conducted in this study.

All the data obtained through questionnaires were organized with the aid of computer software popularly known as Statistical Packages for Social Sciences (SPSS) to make the computation precise, dependable and not time consuming. The quantitative data obtained was classified under different sections in a pattern that can clearly indicate institutions/organizations as well as administrative levels based on the nature of the variables and then analysed using frequency counts, percentages. On the other hand, the qualitative data that was collected through interviews, focus group discussions and responses from open-ended questionnaires as well as data collected through document analysis was coded and transcribed into written texts so that the analysis and interpretation can be done accordingly. Finally, results from the qualitative and quantitative sources were incorporated in a way that common patterns and contrary issues can be clearly identified so that triangulation and explanation has been possible among the available data. That means, all the required data obtained through the research instruments were synthesized, analysed, discussed, quantified, narrated and described.

In order to verify validity of the instrument used, content validity check was applied. Content validity was verified by discussing with other researchers and experts who looked into the appropriateness of the questions and the scales of measurement. Pilot study was also conducted. The comments and findings were incorporated accordingly. The reliability of the questionnaire was analysed by using Cronbach’s alpha statistics. Cronbach’s alpha value of 0.5 is a sufficient value but 0.7 is a more reasonable and widely accepted value. Values of Cronbach's Alpha were in the range from 0.701 and 0.805 for each variable. Therefore, the level of Cronbach's alpha was considered to be consistent and reliable enough to proceed with the data analysis.

Before the data collection, permission from the civil service institutions was asked. During the distribution of the questionnaire, respondents were informed about the purpose and the benefit of the study along with their full right to refuse or accept the participation. The respondents were also told that their response would be kept confidential and their identity shall not be exposed. Every person who was part of the study as respondent was entitled to the right of privacy and dignity of treatment. All assistance, collaboration of others and sources from which information is drawn were also be acknowledged.

### Results and Discussion

A total of 1000 questionnaires were distributed to employees and 960 (96%) of the questionnaire were obtained valid and used for analysis as indicated in the following table The study was analyzed by using descriptive statistics such as frequency, percentage, mean and standard deviation. According to Zaidaton & Bagheri (2009) as cited by Abraham, Assegid, and Assefa, (2014), the mean score below 3.39 was considered as low, the mean score from 3.40 up to 3.79 was considered as moderate and mean score above 3.8 was considers as high.

Table 2: Gender, Age, Marital Status and Educational Level of the Respondents

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| S.No | Items | | Frequency | Percentage |
| 1 | Gender | Male | 497 | 51.8 |
| Female | 459 | 47.8 |
| 2 | Age in Years | 18-30 | 248 | 25.8 |
| 31-40 | 428 | 44.6 |
| 41-50 | 232 | 24.2 |
| 51-60 | 52 | 5.4 |
| 3 | Marital Status | Married | 739 | 77 |
| Never married | 145 | 15.1 |
| Divorced | 46 | 4.8 |
| Widowed | 30 | 3.1 |
| 4 | Educational Level | Grad 12 and below | 12 | 1.3 |
| Certificate and diploma | 74 | 7.7 |
| BA/BSC | 712 | 74.2 |
| MA/MSC | 154 | 16 |
| PhD | 8 | 0.8 |

Source: Field survey 2021

The data for this study was collected from nearly equal proportion of male and female categories of the population with no gender bias. This result indicates that majority of the respondents were found in the active age group. As a result if employees’ job evaluation and grading system is properly conducted and implemented by the city administrations, they could significantly benefit from this active age group of its workers.

Regarding educational level of the respondents, absolute majority of respondents have master’s degree and above. This indicates that lack of proper design and implementation of JEG system could easily create dissatisfaction among employees as the awareness level of the employees is high as a result of their high education level.

Table 3: Job Position, Job Grade, Work Experience and Job Sector of the Respondents

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| S.No | Items | | Frequency | Percentage |
| 1 | Job Position | Expert | 746 | 77.7 |
| Management | 214 | 22.3 |
| 2 | Job Grade | 1-5 | 18 | 1.9 |
| 6-10 | 60 | 6.3 |
| 11-16 | 476 | 49.6 |
| 17-22 | 406 | 42.3 |
| 3 | Work Experience | 1-5 | 102 | 10.6 |
| 6-10 | 206 | 21.5 |
| 11-15 | 230 | 24 |
| 16-20 | 204 | 21.3 |
| 21 and above | 218 | 22.7 |
| 4 | Job Sector of The Respondents | Education | 210 | 21.9 |
| Health | 196 | 20.4 |
| Labour and social affairs | 164 | 17.1 |
| Finance and Economic | 156 | 16.3 |
| Civil Service | 234 | 24.4 |

Source: Field survey 2021

It is also observed that respondents from both expert and management positions as well as different job grades were included in the study. This shows that opinion of employees who were found on different job categories and grades were paramount to assess the general impression of the practices and challenges of JEG implementation. Respondents from different work experience were also included in the study.

#### The Practices of Implementing Job Evaluation and Grading System

Table 4 Employees’ Response on the Practices of JEG Implementation

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| Question Items | SD | DA | N/A | AG | SA | Mean | SD |
| Employees placement was implemented on a transparent manner | 8 | 16 | 14 | 45 | 17 | 3.4 | 1.2 |
| Employees placement was done in an accountable manner | 7 | 18 | 19 | 38 | 19 | 3.4 | 1.1 |
| Employee placement was participative | 9 | 17 | 20 | 37 | 17 | 3.3 | 1.2 |
| Employees placement was implemented based on a merit principle | 10 | 21 | 26 | 29 | 18 | 3.2 | 1.1 |
| Employee placement was carried out based on objective criteria and the principle that the right person should be assigned on the right place | 11 | 20 | 17 | 38 | 15 | 3.2 | 1.1 |
| Higher officials of the institution (complaint committee) was giving quick response and follow up to employees complaints on their job evaluation and placement | 13 | 23 | 20 | 12 | 33 | 3.1 | 1.2 |

Source: Field survey 2021

With regard to the transparency of employee placement the mean value of the results indicate that the level of transparency during employees’ placement was moderate. The discussion made with employees also revealed the same that enable to conclude the satisfaction level of employees on the transparency of employee placement is moderate. This shows that the transparency of employee placement is not as per the level expected and violate the aim of the guideline of employee placement.

The issue related to accountability is another important concern of the implementation of the JEG system. The mean value of the results from respondents shows 3.4 which is moderate. In the discussion made it is believed that the level of accountability was poor in situations where wrong deeds were observed during placement of employees. Rather, there is tendency of refusing the decision of those concerned in the upper administrative echelon to revise faulty placement that made employees to complaint. The findings show that there is no as such strong commitment on the part of those concerned to make the responsible body accountable for the deviations from the guideline.

The level of employees’ participation during placement was low which is indicated by the mean value of 3.3. Focus group discussion participants also indicated that less emphasis was given on the part of those concerned to orient employees about the overall objective of JEG system in general and issues related to placement of employees in particular. Therefore, it is possible to say that JEG implementation failed to make employees to have adequate awareness about JEG system that led to low employee participation.

The mean value of 3.2 indicates that employees’ placement was not merit based. The same result is also there on the part of focus group discussion participants. Therefore, it can be said that there are sectors that compromise merit principle during employee placement that is against the objective of JEG aiming to assign the right person at the right position. The effort made by the sampled institutions to assign employees in such a way that the right person be placed on the right position was low which is indicated by mean value of 3.2 and supported by participants of focus group discussion. This leads to conclude that sample public sectors were not equally committed to apply the placement of the right person at the right position. Regarding the responsiveness of complaints coming from employees the mean value result of 3.1 indicates that it is categorized as low. This implies that neither higher official of the institution nor the complaint committee was responsive and gave follow up to complaints coming from some of the employees related to their placement.

#### Perception of Employees on JEG System

With regard to assignment of the right person at the right position the mean value is 3.1 which is found in the low category. The discussion made also revealed that the objective of assigning the right person at the right position is failed as a result of frequent revision of the requirement for educational qualification and negligence of some employee placement committees. This implies that respondents did not have the perception that the JEG system implemented so far in their respective institutions have allowed the right person to be assigned on the right place. The mean value of 3.3 indicates that the perception of employees related to placement criteria is low. On the other hand, the participants of focus group discussion had no problem with the criteria except their concern about their genuine implementation and frequent revision of educational qualification requirements that seem tailor made to the existing employees. This implies that though some respondents had an interest to have more number of criteria to carry out the JEG implementation system their concern was more on fair implementation of the criteria. Moreover, with regard to employees’ opinion about the reasonableness of the weight given to each of the criteria used for employee evaluation the results mean value of 3.1 indicates low. From this, one can imply that not only the criteria used were not sufficient but also the weight given to each of the criteria was not reasonable.

Table 5: Perception of Employees on JEG System

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| Question Items | SD | DA | Neither nor | AG | SA | Mean | SD |
| Employees placement allowed right person to be assigned on the right place | 11 | 25 | 18 | 36 | 10 | 3.1 | 1.2 |
| The number of criteria used (education, experience, performance, etc.) for employees’ placement are sufficient | 10 | 22 | 15 | 38 | 15 | 3.3 | 1.2 |
| The ratio/weight given to each criterion is reasonable | 11 | 22 | 23 | 33 | 12 | 3.1 | 1.1 |
| Employees placement encouraged disabilities and women who fulfilled the minimum skill requirements | 5 | 14 | 16 | 25 | 40 | 3.5 | 1.0 |
| JEG implementation allowed me to utilize my skills, knowledge and abilities | 10 | 21 | 20 | 34 | 15 | 3.4 | 1.2 |
| I am satisfied with the way my performance is measured | 9 | 38 | 15 | 23 | 15 | 3.0 | 1.1 |
| I am satisfied with the work of employees’ placement committee in my institution | 18 | 24 | 13 | 34 | 11 | 3.0 | 1.1 |
| Complaint hearing committee was responsive to employees’ questions after announcement of their placement | 17 | 33 | 8 | 30 | 12 | 3.0 | 1.2 |
| I am satisfied with the availability of career development opportunity in my current position | 16 | 24 | 16 | 32 | 12 | 3.0 | 1.2 |
| The criteria used were objective enough to evaluate and place the right person on the right place | 19 | 22 | 22 | 23 | 15 | 2.9 | 1.1 |
| Over all, I am satisfied and have good perception on how JEG has been implemented and managed in my institution | 19 | 28 | 10 | 31 | 11 | 3.0 | 1.1 |

Source: Field survey 2021

With regard to placement of disabilities and women placement the mean value is 3.5 which indicate that it is categorized under moderate level. However, this is among the points strongly appreciated in the discussions made and also agreed of its implementation. This implies that good effort has been shown by the sampled institutions to encourage disabilities and women who fulfilled the minimum skill requirement during employee placement. The mean value of 3.4 indicates that the level at which JEG implementation allowed employees to use their skill, knowledge and abilities is moderate. The result from discussion made also shows the dissatisfaction of employees about their performance after their new assignment. This shows that performance has not been improved after new assignment of employees that contradict the very reason for which JEG system is designed.

The mean value of the respondents (3.0) is also found in low category with regard to placement committee understanding of placement guideline. Focus group discussion participants were also less confident with employee placement committee on their understanding of the placement guideline and their readiness to shoulder such type of eye-catching responsibility. The perception of respondents related to career development is low as the mean value of the respondents (3.0) clearly indicates. The discussion result also show that the career development is applied only in health, education sectors and research institutes for teachers, health officers, researchers and consultants. This implies employees in most of the public sectors were not hopeful about their career development that make them stable and feel promising future in their organization.

The mean value of the respondents 2.9 indicates that some of the employees did not have the perception that the criteria used were objective. Discussion participants also perceive that the criteria were not objective in a way to differentiate the right person rather the criteria more specifically the educational qualification requirement gave room to misinterpretation that led in appropriate placement. The respondents overall impression on the implementation and management of JEG system shows as they feel JEG system did not achieve the objectives for which it was introduced. This implies that as there is no improvement on employees’ performance level and commitment after the implementation of JEG.

#### Challenges Faced During the Implementation of JEG

Table 6: Challenges Faced During the Implementation of JEG System

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| Question Items | SD | DA | N/A | AG | SA | Mean | SD |
| There was a problem of effecting payment related to JEG implementation as per the regulation of pay structure enacted by Council of Ministers | 10 | 18 | 11 | 25 | 36 | 3.5 | 1.3 |
| The duration set (one to three years) to effect payment following JEG implementation was not fair | 11 | 14 | 18 | 27 | 30 | 3.5 | 1.3 |
| There is politicians un necessary interference to spoil the procedures to be followed in the placement of employees | 9 | 20 | 8 | 31 | 32 | 3.6 | 1.2 |
| The re-evaluation and regarding of job positions exposed (source of problems) employees to be misplaced from their previously assigned position | 6 | 20 | 22 | 33 | 20 | 3.4 | 1.1 |
| The composition of employees’ placement committee members is biased toward management | 7 | 22 | 23 | 28 | 19 | 3.4 | 1.2 |
| The educational specialization required for some of the job positions were not clearly and systematically studied. | 5 | 16 | 18 | 31 | 30 | 3.6 | 1.2 |
| The educational specialization required for some positions were designed in a way it seems tailor made to the existing staff instead of linking the job positions to the required qualification | 7 | 19 | 22 | 33 | 19 | 3.4 | 1.1 |
| There was frequent revision of the requirement of educational specialization for some positions to allow employees to compete | 9 | 20 | 13 | 39 | 18 | 3.1 | 1.1 |
| The employee’s placement committee has no adequate capacity and understanding of the guideline | 13 | 28 | 17 | 18 | 24 | 3.5 | 1.1 |
| The 10% share given to head of the offices have significant consequence on assignment of the right person at the right position | 6 | 20 | 22 | 36 | 15 | 3.4 | 1.1 |
| The minimum service year set as criteria for placement of employees has discouraged those employees having long service years. | 6 | 14 | 9 | 32 | 39 | 3.8 | 1.3 |

Source: Field survey 2021

One of the purposes of this study was to assess the major challenges that have been faced during the implementation of the JEG system. Payment related issues with mean value of 3.5 indicate that the problem is categorized as moderate challenge that shows payment related issues took the attention of significant number of respondents. Similarly, these issues were among outstanding concerns of focus group discussion participants. They questioned the duration of payments from one to three years in categorizing the amount of payment. For them, it is unfair that discriminate employees in the amount of money they earned. For example, employee with birr 1000.00 salary increment earns full birr 36,000.00 within three years while employee with salary increment of birr 2100.00 earns only birr 50,400 within three years because of the split of payment for three years. Had the payment been affected in the same way with that of employee with salary increment of birr 1000.00 the total payment of the employee with salary increment of birr 2100.00 would have earned birr 75,600.00 which is a difference of birr 25,200.00. This shows the unfairness of splitting the duration of the payment that favour one and disfavour others in the total amount of money they earn within three years. In addition to this, participants raised that they were not paid nine (9) months of their salary increment while employees at federal public sectors were paid for the same that signify additional unfairness nature of the overall payment related issues. Therefore, from the findings discussed above, it is possible to conclude that payment related issues are among the major challenges in the implementation of JEG that have negative impact on employees’ motivation and commitment by far affects the performance of their respective organizations.

Other aspects of the challenge addressed in this study was whether or not there was politician’s unnecessary interference to spoil the procedures to be followed in the placement of employees. The mean value of 3.6 indicates that this issue was among the moderate challenges that could be considered as significant challenge. The politicians’ interference is also among the big concerns for the participants of focus group discussions. They emphasized that they push placement committee members to assign their favorites in positions they prefer to be assigned. Sometimes minimum requirement is also compromised because of their interference using misinterpretation of the placement guideline as a way out. The opportunity the heads of office have to evaluate the performance of employees out of ten (10%) for the purpose of placement is another means of satisfying personal interest of heads. Therefore, it possible to say there are unnecessary interferences which spoiled the process of employee placement against the principle of assigning the right person at the right position that totally jeopardize the ultimate goal of the implementation of JEG.

The mean value 3.4 indicates that the issue related to re-evaluation and regarding of job positions during the process of the implementation of JEG is among the moderate challenges. For the participants of focus group discussion also, re-evaluation and regarding of some job position in different sectors were also taken as a challenge which displaced previously assigned employees because of new requirements that sometimes seem purposeful. For them, frequent revision of job positions is a result of inadequacy of relevant and detailed data about the job positions and lack of expertise in the area of job evaluation and grading. This implies that jobs are being evaluated and graded without necessary preparation and required knowledge and skill that show how far the overall evaluation and grading of jobs were with full of problems. The composition of employees’ placement committee with mean value of 3.4 indicates that the issue was a moderate challenge. Moreover, the mean value of 3.0 indicates that the issue related to the capacity of employee committee members as a challenge was categorized as high. Discussants also keep the position of questioning the capacity and understanding of employee committee members about the guideline. They attributed the complaint related to placement is a result of incompetency of the placement committee. In addition, heads of offices are unfairly allowed to assign more than 50% of placement committee members that give them an opportunity to represent individuals who are loyal for any manipulation. Therefore, it is possible to say the composition of placement committee is easy for manipulation since the majority of the members are assigned by head of offices.

The mean value of 3.4 indicates that the issue related to special privilege of evaluation given to heads is categorized as a moderate level though it was the concern of significant number of respondents. Discussants also agreed that 10% evaluation given to office heads has negative consequence unless the evaluation criteria are objective and mutual agreement is important on the result of the evaluation. This shows that there is a tendency on the part of heads of offices to use this provision as a stick to punish and also opportunity to favour and distort the principle of the assignment of the right person at the right position. The issue related to the clear and systematic study of educational specialization required for some of the job positions was taken as moderate challenge as indicated with the mean value 3.6. Education specialization was tailored to fit existing employees instead of linking it with the position. The discussion made with employees also revealed that they are not confident with the way educational qualifications were studied. The frequent revisions are a result of lack of expertise in the area. The qualifications are set just for the sake of complying with the existing human resources qualification instead of focusing on the real requirements of the job positions. The findings show that there is a gap on the way minimum educational requirements are studied.

Another interesting issue addressed was whether or not the minimum service year set as criteria for placement of employees has discouraged those employees having long service years. The mean value of 3.8 indicates how far the issue was challenging in the overall implementation of JEG in general and employees’ placement in specific. This is also a very burning issue for discussants. The minimum service requirement is discouraging for those with long service years. It undermines the importance of experience to improve the level of performance. It also seems to ignore how experienced individuals are considered as asset to organization and also share their experience to new comers. Therefore, it is possible to say that low service years are encouraged as the expense of long service year which seems politically motivated to attract the attention of youth employees and show how they are important as compared to employees with long service years.

### Conclusion and Recommendations

#### Conclusion

Regarding to the practices of JEG implementation in grade I city administration of Oromia National Regional State both success and failure stories have been recorded. Although a lot has been done to uphold the transparency of implementing JEG programme; little or no effort has shown from the part of the management to make the responsible bodies accountable for their mistake. This might be because of lack of detail knowledge by the higher management body and also the assumption that the committee has given full authority to execute the system (fear of unnecessary interference). Lack of adequate awareness among employees because of low participation during implementation of the system has created different understanding on the purpose and mission of the system itself. Moreover, the objective of JEG, to assign the right person at the right position, was violated in some city administration. This is partly because of lack of commitment from the responsible higher body and partly because of politicians or officials interference. This led to compromise merit principle during employee placement in some city administration. Good effort was made to keep confidentiality of employee placement information before the placement result was formally announced. But, the problem was that higher officials and the complaint committee were not responsive and gave proper follow up to complaints coming from some of the employees. This was created grievance among some employees.

Following employees’ perception on the implementation of JEG system, it is difficult to consider that the implementation of programme/system has allowed the right person to be assigned on the right place. This problem might be partially associated with the criteria (particularly education requirement and experience) used and the weight given to each criterion, interference from the higher body, lack of adequate knowledge from the placement committee members (understanding of placement guideline and their readiness to shoulder such an eye-catching responsibility). This might be why there was dissatisfaction among some employees about their performance after the new assignment/placement. Lack of improvement in employees’ performance and commitment after the implementation of JEG might be related to the above problems. Besides, one can conclude that implementation of the new programme has not improved the career development in such a way that it will make employees stable and feel promising in their organization in the future. But good effort has been shown by the sampled institutions to encourage disabilities and women who fulfilled the minimum skill requirement during employee placement.

Several challenges were encountered during implementation of the new programme. But challenges related to the timing and approach of payment to affect the payment was the key. This might have been one of the reasons for employee’s demotivation and lack of commitment which in turn might have affect performances of their respective institutions. The other challenge was unnecessary interferences by the higher-level bodies which spoiled the process of employee placement against the principle of assigning the right on the right position. Lack of readiness (preparation) and required knowledge and skill by the employees’ placement committee was another aspect of the challenge. The fact that composition of placement committee was easy for manipulation since majority of its members were assigned by head of offices was among the paramount challenge. Moreover, a tendency on the part of heads of offices to provide 10% evaluation for placement purpose as a stick to punish and also opportunity to favour. There is a gap on the way minimum educational requirements were studied. Lastly, low service years were encouraged as the expense of long service year

#### Recommendation

As ways forward the following recommendations are presented.

The federal service commission and regional civil service bureaus should ensure in advance the maximum knowhow and commitment level of all stakeholders that will be involved in any reform implementation in addition to arranging performance-based reward and accountability system.

All public sectors and other stakeholders should also be committed and also responsible to manage any implementation of reform initiatives without any politically motivated behaviour considering only what effective implementation of reform means to enhance service delivery and productivity of the public sectors.

It is also important to reconsider and deeply study the educational qualification requirement of job positions of different public sectors that caused dissatisfaction of employees for their frequent revisions and led to reducing the confidence of employees on the way educational qualification requirements are studied.

It is important to revise and balance the minimum work experience requirements considering how work experiences correlate with performance.

It is important to take care of making any decisions not to be at the expense of the implementation and success of any change initiatives.

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## The State of Employee Commitment to Organizational Goals in Addis Ababa City Administration

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***Abstract***

*The state of employee commitment is a multi-dimensional individual's psychological attachment to an organization. The genuine aspect of public sector organizations also depends to a large extent on the human resources they possess. Human resources are considered the main element that makes an organization tick, and without them, nothing in the organization would get done. Attracting and retaining the best-committed employees is the goal of every organization, but this is easier said than done. The state of employee commitment to organizational goals will also be incomplete without measuring the role of leadership. Hence, using a mixed method approach, the study tried to examine the state of employee commitment to organizational goals using the components of the Tri-Dia-Model of Employee Commitment and the Quartile-Model of Transformational Leadership. Employee engagement and job satisfaction were also used as common denominators to check the interface between employee commitment and organizational effectiveness. Descriptive and explanatory research types were employed to describe and explain the significant predictors of employee commitment. The sample size was 400 determined using methodological formulas from public sectors of the Addis Ababa City Administration. After gathering the relevant primary and secondary data, descriptive statistics, correlation, regression, factor, and content analysis were used to analyze the data. After gathering the relevant primary and secondary data, descriptive statistics, correlation, regression, factor and content analysis were used to analyze data. The study discussed the details and concluded that, besides, the unnecessary political interference, employee commitment when measured in terms of affective, continuance and normative commitment was very poor, employee disengagement was common and therefore employees were dissatisfied. The role of leadership to ensure employee commitment when measured in terms of idealized influence, inspirational motivation, intellectual stimulation and individualized consideration was still poor. Therefore, the city administration should have to take remedial action to control unnecessary political interference and the dyadic leadership style to promote employee commitment. A clear-cut separation of power between party politics and government bureaucracy must urgently be established. If not corrected, the status quo practices may, in addition to employee disengagement, dissatisfaction and poor commitment, jeopardize the organizational democracy and organizational effectiveness of the city and that of the country.*

**Key Words**: Employee Commitment, Employee Engagement, Employee Satisfaction and Role of Leadership

### Introduction

The state of employee commitment to organizational goals is the combination of affection for job, fear of loss and sense of obligation to stay. Hence, to retain best talent, employees of public sectors need to be sufficiently engaged and satisfied. Because, disengaged and dissatisfied employees are not excited on their job and they don’t want to spend extra effort, are not supportive in team works and develop the wait-and-see attitude (Dajani, 2015). Workers with low level of engagement are disinterested and are not curious about their organization and their own role on it; they often have poor relationships with their managers and coworkers. In any case of disengagement and dissatisfaction, employee’s affection for job is low, fear of job loss is common and turnover is obvious. Consequently, the question of employee commitment in public sector organizations is alarming.

Hence, the researcher tried to assess previous research works and many scholars like Viljevac et al. (2012) analyzed three factors affecting work engagement: vigor, dedication and absorption. Job satisfaction discussed as a major factor of work engagement by Abraham (2012).Yakin (2012), Das (2013) and Ruslan (2014) tried to demonstrate the levels of how engagement and employee job satisfaction affect private sectors organizational commitment. Jones (2018) described significant association among engagement and organizational commitment in private sectors. In their empirical study, Bekele (2014)and Aynalem (2018) have shown employee dissatisfaction in organizational commitment. Nevertheless, there is no empirical evidence that shows how both engagement and job satisfaction affect the state of employee commitment in public sector organizations. Above and beyond, existing studies have deficiency in trussing the interface between the state of employee commitment and organizational effectiveness which depends on leadership, employee engagement, and employee job satisfaction and employee commitment among other things.

Among other things, the researcher believes, taking the urban-rural locus, the commitment model (affective, continuance and normative commitment) together with transformational leadership style (idealized influence, inspirational motivation, intellectual stimulation and individualized consideration) need to be tested in public sector organizations of Ethiopian. Therefore, this study aims at examining the state of employee commitment to organizational goals in public sectors of Addis Ababa city administration. To examine the state of employee commitment to organizational goals in Addis Ababa public sector, the following research questions were used.

* How the state of employee commitment to organizational goals is practiced in Addis Ababa when measured in terms of affective commitment, continuance commitment and normative commitment?
* What is the role of leadership in the state of employee commitment when evaluated in terms of idealized influence, inspirational motivation, intellectual stimulation and individualized consideration?
* Is there any significant effect of employee engagement and employee job satisfaction on employee commitment?
* If any, what is the interface between employee commitment and organizational effectiveness?

### Methodology

To analyze the state of employee commitment in public sectors of Addis Ababa, the research employed both descriptive and explanatory research design, concurrent mixed method of both quantitative and qualitative, both primary and secondary data sources, four bureaus, two sub cities 6 Woredas, 36 sector offices and using Yamane’s table of sample size determination 400 sample were used. Therefore, quantitative data was analyzed using percentages, means, standard deviations, correlations and regressions. Besides, data collected from qualitative data was coded and transcribed into texts and analyzed by using content analysis and narration. Subsequently, results obtained both from qualitative and quantitative data was mixed to compare results. A relationship between data and variables were recognized by interpreting declarations and document analysis and all the required data obtained were synthesized, analyzed, discussed and narrated.

### Literature Review

Literature shows that, Social Exchange Theory is the relationship between organization and employee. It provides a basis for understanding employee engagement, job satisfaction and employee organization commitment (Ariani, 2013). It used to explain the relationship between employees and their customers and how these relationships affect the level of service provision. Svanberg (2015) also believe that, customers prefer relational relationship to transactional relationship with their service providers. Service providers must interact with customers during their work and opinion formed by the employee regarding these relationships will affect their level of engagement, satisfaction and commitment to their job and the organization.

Job Demands-Resource Theory helps to explain and understand employee engagement, job satisfaction and organizational commitment (Bakker, 2014). The theory confirms, employees face job demands and resources to help them deal with the demands. Employees need to provide with necessary resources to perform work roles since they have consequential effects on engagement and commitment (Dajani, 2015). It is true that, without necessary resources, employee engagement, job satisfaction and employee commitment to organizational goal is suffering. Every occupation may have risk factors associated and these risk factors fall into job demands or job resources (Albrecht, 2012). The theory also explains relationship between work-family conflict and engagement, satisfaction and commitment.

The commitment Model is also a multi-dimensional individual's psychological attachment to an organization. The domain of employee commitment gears to affective attachment to (Affective commitment), cost perception related to leaving (continuance commitment) and obligations to stay in an organization (Normative commitment). The first is related to individual’s identification with organization, attitude towards organization and affective attachment to goals and values. Second indicates, continuing when commitments are linked to participation in profits or departure from related costs. Finally, lifelong commitments can be interpreted as maintaining ethical loyalty and commitment to organization (Yeh, 2015).

The concept of employee engagement is an invaluable concept towards many aspects of individual and organizational performance. The characteristics of employee engagement are vigor, dedication and absorption (McNamara, 2015). A supportive work environment, where management shows concern for employees and allows employees to voice their thoughts and feelings, is a core determinant of the level of engagement employees feel (Sanneh, 2015). Public sector leaders who are supportive and inspiring increase the engagement level of their followers by increasing involvement in, and enthusiasm for, the followers’ work. Organization that support flexible work arrangements, allowing employees to balance their work and home lives notably lead to engaged employees (Jalani, 2015).

Job satisfaction is the level of contentment that employees feel about their job overall and specific aspects of the job. This description is not a static definition because job satisfaction means something different to everyone. Upper-level management should not overlook the effect that job satisfaction and engagement have on the overall atmosphere of organization (Fischer, 2014). Organizational culture has strong and deep impact on the employee performance. The culture of an organization plays important part on employee engagement, satisfaction and commitment. Factors that affect employee satisfaction are pay, promotion; work environment, supervision, communication, co-worker, benefits and the work itself among other things have significant influence on employee job satisfaction (Miarkolaei, 2014).

Transformational leaders stimulate and inspire followers to provide more effort to achieve organizational goals. The elements of transformational leadership are Idealized Influence: is emotional component of leadership that describes the act of strong role model-ness. These leaders usually have high standards of moral and ethical conduct and can be counted on to do the right thing. They are deeply respected by followers. Inspirational Motivation describes leaders who communicate high expectations to followers, inspiring to become committed to and a part of shared vision in organization. Team spirit is enhanced by this type of leadership (Northouse, 2016).

Intellectual Stimulation also includes leadership that stimulates followers to be creative and innovative and to challenge their own beliefs and values as well as those of the leader and the organization. This type of leadership supports followers as they try new approaches and develop innovative ways of dealing with organizational issues. It encourages followers to think things out on their own and engage in careful problem solving (Manafi, 2015). Individualized Consideration is a representative of leaders who provide supportive climate in which they listen carefully to the individual needs of followers. Leaders act as coaches and advisers while trying to assist followers in becoming fully actualized. These leaders may use delegation to help followers grow through personal challenges (Yahaya, 2016).

### Results and Discussions

#### Socio-Demographic Factors

In the contemporary world today, workforce diversity is becoming both noteworthy and contest to public sector governance. As noted in many public sector governance policies, workforce diversity is the comparison of employees in terms of age, cultural background, physical abilities and disabilities, race, religion, gender and sexual orientation. With this in mind, respondents of the study area were requested to share experience of their organization in terms of workforce diversity. The following Table-1 depicts the response.

Table-1: Socio-Demographic Factors

|  |  |  |  |
| --- | --- | --- | --- |
| Variables | | N | % |
| Gender | Male | 266 | 67.9 |
| Female | 126 | 32.1 |
| Age | 20-30 | 187 | 47.7 |
| 31-40 | 158 | 40.3 |
| 41-50 | 46 | 11.7 |
| 51-60 | 1 | 0.3 |
| Educational Background | Grade 12 and below | 5 | 1.3 |
| Certificate | 37 | 9.4 |
| Diploma | 83 | 21.2 |
| First degree | 186 | 47.4 |
| Masters and above | 81 | 20.7 |
| Religious Background | Orthodox | 217 | 55.4 |
| Muslim | 51 | 13 |
| Catholic | 26 | 6.6 |
| Protestant | 89 | 22.7 |
| Other, if any | 9 | 2.3 |

Source: Field Survey, 2020

Theories show that, recruiting diversified labor-force is necessity for public organizations. The Ethiopian public servant proclamation and the data obtained confirm workforce diversity in Addis Ababa city Administration. Because, 67.9 % of the participants were male and 32.1% were females. Though most of the participants (47.7%) were youth, the workforces of the study area were diversified ranging from the age 20 to 60. when seen in terms of education, 1.3% of the respondents are grade 12 and below, 30.6% are between certificate and diploma. However, 47.4% and 20.7% are degree, Masters and above respectively. There also observed high religious assortment. This indicates that, taking the gender and education issues into account, Addis Ababa have a good experience in workforce diversity.

#### Employee Commitment

At the center of public sector organizations, there is commitment. The commitment level can be leveled as high, medium and low commitment. Many scholars in the area of administration affirmed that, high employee commitment is considered as robust receipt of organizational value and willingness to continue with an organization. The “will to stay” suggests that, the behavioral tendencies at high level relates strictly with affective commitment dimension where staff members stay because they want to (Yeh, 2015). With this sentiment, public servants were consulted to share their opinion about the state of employee commitment in Addis Ababa and the following cross-tabulation table-2 portrays the result.

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| Table-2: Gender \* Employee Commitment Cross-tabulation | | | | | | | |
|  | | | Employee Commitment | | | | Total |
| not committed at all | poorly committed | somewhat committed | committed |
| Gender | Male | Count | 7 | 163 | 72 | 24 | 266 |
| % within | 2.6% | 61.3% | 27.1% | 9% | 100% |
| Female | Count | 17 | 58 | 51 | - | 126 |
| % within | 13.5% | 46% | 40.5% | - | 100% |
| Total | | Count | 24 | 221 | 123 | 24 | 392 |
| % within | 6.1% | 56.4% | 31.4% | 6.1% | 100% |

Source: Field Survey, 2020

As can be observed from Table-2, 63.9% of the male and 59.5% of the female respondents confirmed the impoverishment of employee commitment to organizational goals. In contrast however, female respondents (40.5%) believe that, the public servants in Addis Ababa are somewhat committed. The predictor and Criterion Variables indicated in Table-3 below also recaps the low level of employee commitment in Addis Ababa.

Table-3: Predictor and Criterion Variables of Employee Commitment

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Variable | n | Mean | SD | Level |
| Affective Commitment | 392 | 2.51 | 1.6 | Low |
| Continuance Commitment | 392 | 1.94 | 1.1 | Low |
| Normative Commitment | 392 | 2.20 | 1.3 | Low |

Source: Field Survey, 2020

As presented in Table-3, data analysis results have shown employee commitment is applied to a less extent in Addis Ababa public sectors in which the aggregate mean score is 2.22 which is far lower than the median (3.5). This is an indicator on the reflectance of employee commitment and such low level of exhibition denotes weak attitude regarding public servants commitment to their organization.

Employee affective commitment is a good predictor of employee’s emotional attachment, identification and involvement in organization. It is true that, organizational members who are committed to organization on affective basis continue working for their organization. Besides, continuance employee commitment focuses on awareness of costs associated with leaving an organization. It calculates cost of employees leaving their organization. The third constituent is employee’s normative commitment which discusses about feeling of obligation to continue working in organization. Normatively committed public sector employees reflect morally right to stay regardless of how much status augmentation the organization gives him/her over the years. To uphold the state of employee commitment to organizational goals in Addis Ababa, respondents were consulted to share their opinion as follow.

Table-4: The State of Employee Commitment

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| Affective Commitment | Scale | | | | | | |
| 1 | 2 | 3 | 4 | 5 | 6 | 7 |
|  | % | % | % | % | % | % | % |
| Affective Commitment |  |  |  |  |  |  |  |
| I would be very happy to spend the rest of my career | 37.8 | 31.1 | 31.1 |  |  |  |  |
| I enjoy discussing my organization with people outside it | 31.1 | 12.5 | 6.1 | 19.1 | 12.5 | 18.6 |  |
| I really feel as if this organization’s problems are my own | 43.9 | 24.7 | 6.1 | 6.1 | 19.1 |  |  |
| I could easily become attached to another organization | 6.1 | 38 | 24.7 | 25 | 6.1 |  |  |
| I feel like part of the family in this organization | 37.8 | 12.2 | 18.6 | 12.5 | 19.1 |  |  |
| I feel emotionally attached to this organization | 25 | 18.6 | 37.8 | 18.6 |  |  |  |
| I feel a strong sense of belonging to this organization | 44.1 | 18.6 | 18.6 | 18.6 |  |  |  |
| This organization has great deal of personal meaning for me | 628 | 18.6 | 6.1 | 12.5 |  |  |  |
| Continuance Commitment |  |  |  |  |  |  |  |
| I afraid if I quit without having another job | 43.6 | 12.5 | 43.9 |  |  |  |  |
| It would be too costly for me to leave this organization now | 43.6 | 12.5 | 37.8 | 6.1 |  |  |  |
| Staying with this organization is a matter of necessity | 37.5 | 37.2 | 19.1 | 6.1 |  |  |  |
| I feel I have too many options to consider leaving |  | 18.9 |  |  | 49.5 | 31.4 |  |
| The cost of leaving would be scarcity of available alternatives | 56.1 | 43.9 |  |  |  |  |  |
| Normative Commitment |  |  |  |  |  |  |  |
| I think that people these days move too often |  |  |  |  |  |  |  |
| I believe that a person must always be Loyal to organization |  |  | 6.6 |  | 12.2 | 50.3 | 37.5 |
| Jumping from organization to organization is ethical to me |  | 6.1 |  |  | 31.1 | 50 | 12.2 |
| I continue working b/c I believe that is loyalty |  | 37.2 | 37.5 |  | 12.5 | 25.3 | 56.1 |
| If I got another offer for, I would feel it was right to leave |  | 6.1 |  |  | 25.3 |  |  |
| I was taught to believe in the value of remaining loyal |  | 12.5 | 12.5 |  | 18.9 | 43.9 | 31.1 |

*1 = Strongly Disagree, 2 = Moderately Disagree, 3 = Slightly Disagree, 4 = Neither disagree nor agree, 5 = Slightly Agree, 6 = Moderately Agree and 7= Strongly Agree. Source: Field Survey, 2020*

Table-4 above endorses, despite the level of disagreement, 76.5% of the respondents on average denied to accept the practical application of affective commitment loop in the public sector organizations. A distinct typical aggregate result also shows, 36.1% of the participants totally disagree, 21.8% of them moderately disagree and 18.6% slightly disagree on the way affective commitment is applied. Some also seams confused because they were unable to decide on the practice of affective commitment as a predictor to employee commitment. The mind-set that characterizes affective commitment is vital. However, the renunciation result of the eight items measured by seven Likert-scale implies, most public servants are not happy to spend the rest of their career with their current organization, don’t like to discuss about their current organization with people outside it, don’t really feel their organization’s problems as their own, think that they could easily attached to another organization as they are attached to their current organization, don’t feel like part of the family and emotionally attached to their organization, don’t feel strong sense of belonging to their organization, and don’t believe the organization has a great deal of personal meaning for them. Some interviewees mentioned most public sector employees lack affective commitment to their organizational affairs.

Literature shows that, when continuance employee commitment is not completely determined by affective commitment, it usually boils down to employees cost associates with leaving an organization. As illustrated in Table-4, the respondents did not afraid of what might happen if they quit their job without having another job and most of them (93.9%) assume that it would not be too costly for them to leave their current organization. Besides, most respondents believe staying with their current organization is not a matter of necessity rather it is an opportunity. The labor market today is friendly with alternatives and opportunities that’s why people leave their organization when inconvenient. The interviewees also acknowledged that, most of the public servants did not have an exit plan to leave their organization however they suddenly depart. They further stated that continuance employee commitment is an individual consciousness of costs related with staff leaving an organization but public sectors of Addis Ababa are suffering due to high employee turnover and absenteeism.

Employee normative commitment was assessed in Addis Ababa public sector organizations and employees feeling of obligation to continue working in their current organization were not promising. This is said because almost all respondents admitted the regular movement of expertise from organization to organization too often. Even though, they (93.4%) believe on organizational loyalty, they (93.9%) trust the movement of employees is right. Consequently, contributors denied the issue of employee moral responsibility to accept a reason to continue working for their current organization. Most participants (93.9%) accepted that, if they got another offer elsewhere, they would feel it was right to leave their current organization. Most participants claim the government pay scale. Key informants also seriously claimed the issue of commitment comparing with the current benefit package. At some instance, monthly salary of a senior expert is by far less than leaders housing allowance. As documented, standardized residential house and nontaxable Birr from 6,500 to 9000a month for housing allowance and 1,200 Birr to unlimited use for mobile is merit for position (Addis Ababa city administration revised allowance directive, 2019/20).

Pearson’s correlation coefficient as a statistical approach to test for the existence, strength and direction of the possible relationship between variables were applied. The correlations between the predictor and criterion variables in table-5 below shows a significant association between affective and continuance commitment (r = .617, p ≤ .05) and significant association between affective and normative commitment of employee (r = .712, p ≤ .05). In addition, a significant association between continuance and normative commitment of employee (r = .583, p ≤ .05).

Table-5: Correlation Coefficients among Predictor Variables

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Variable | | Affective Commitment | Continuance Commitment | Normative Commitment |
| Affective Commitment | Pearson Correlation | 1 | .617\* | .712\* |
| Sig. (2-tailed) |  | .000 | .000 |
| Continuance Commitment | Pearson Correlation | .617\* | 1 | .583 |
| Sig. (2-tailed) | .000 |  | .000 |
| Normative Commitment | Pearson Correlation | .712\* | .583 | 1 |
| Sig. (2-tailed) | .000 | .000 |  |

Correlation is significant at p<.05, \*Correlation is significant at p<.001

The correlation coefficient of the predictor indicates, when employee affection for their job increases by 1%, the fear of loss job and obligation to stay increases by .617 and .712 respectively. Similarly, when fear of loss job increases by 1%, the obligation to stay in an organization increases by .583 and vice-versa. This positive association predicts that, the variables are interlinked each other to contribute on employee commitment.

#### The Role of Transformational Leadership

Leadership in general and transformational leadership in particular emphasis on intrinsic motivation and follower development which fits the needs of today’s work groups, who want to be inspired and empowered to succeed in times of uncertainty (Yahaya, 2016). It is a process that change and transform people concerned with emotions, standards and long-term goals.

Table-6: Predictor and Criterion Variables of Transformational Leadership

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| Variable | n | Mean | SD | Median | Mean Distance from Median | Level |
| Idealized Influence | 392 | 0.98 | 0.74 | 2.5 | < 1.52 | Low |
| Inspirational Motivation | 392 | 1.87 | 1.17 | 2.5 | < 0.63 | Low |
| Intellectual Stimulation | 392 | 1.59 | 1.06 | 2.5 | < 0.91 | Low |
| Individualized Consideration | 392 | 1.57 | 1.13 | 2.5 | < 0.93 | Low |

Source: Field Survey, 2020

The issues of transformational leadership as indicted in table-6 above, the mean score for the control variable of idealized influence was 0.98, when measured using the 5-point scale. This shows that, respondents were disappointed by the low idealized influence of their leaders. Similarly, the result shows, mean score for the control variables of inspirational motivation and intellectual stimulation were 1.87 and 1.59 respectively which indicates low level of leaders to motivate and stimulate their employees. The mean score of individualized consideration was also 1.57 which was below the median on the 5-point scale. This illustrates the low practice of individualized consideration in the public sectors of the study area.

We cannot document the question of public servant commitment to their organizational goals without the role of effective leadership. Hence, respondents were consulted to share their experience about the roles of transformational leadership to ensure employee commitment to organizational goals.

Table-7: Transformational Leadership

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Survey Items | Scale | | | | |
| 0 | 1 | 2 | 3 | 4 |
| % | % | % | % |  |
| Idealized Influence | | | | | |
| Instil pride in followers (charismatic) | 37.5 | 37.8 | 18.6 | 6.1 |  |
| Go beyond their self-interest for the good of organization | 24.7 | 50.3 | 25 |  |  |
| Displays a sense of power and confidence | 43.6 | 56.4 |  |  |  |
| Talk about their most important values and beliefs | 18.6 | 50.3 | 31.1 |  |  |
| Emphasize collective mission | 24.7 | 56.4 | 38 | 6.1 |  |
| Inspirational Motivation |  |  |  |  |  |
| Talk optimistically about future |  |  |  |  |  |
| Articulate a compelling vision for the future | 18.6 | 25.3 | 25 | 31.1 |  |
| Express confidence that goals will be achieved | 18.6 | 19.1 | 18.6 | 24.7 | 18.9 |
| Creates exciting image of what is essential to consider | 18.6 | 12.5 | 31.1 | 37.8 |  |
| Encourages team-spirit, general enthusiasm | 18.6 | 37.8 | 18.6 | 25 |  |
| Intellectual Stimulation |  |  |  |  |  |
| Seeks differing perspectives | 12.5 | 37.8 | 30.9 | 18.9 |  |
| Gets others to look at problems from differing angles | 12.5 | 43.6 | 25.3 | 18.6 |  |
| Encourage non-traditional thinking | 31.4 | 31.4 | 18.6 | 18.6 |  |
| Suggest new ways of looking at completing assignments | 12.5 | 44.1 | 24.7 | 18.6 |  |
| Re-examine critical assumptions | 18.6 | 31.4 | 25.3 | 24.7 |  |
| Individualized Consideration |  |  |  |  |  |
| Spend time coaching and teaching followers | 24.7 | 37.5 | 18.6 | 18.6 |  |
| Promote self-development | 24.7 | 31.4 | 24.7 | 19.1 |  |
| Treat team members as individuals | 18.6 | 37.2 | 25.5 | 18.6 |  |
| Identify differing needs, abilities and aspirations | 12.5 | 43.9 | 37.5 | 6.1 |  |
| Listen to others’ concerns | 37.5 | 37.8 | 6.1 | 18.6 |  |
| Help develop others’ strengths | 18.6 | 37.5 | 24.7 | 18.6 |  |

0 = Not at all, 1 = Once in a while, 2 = Sometimes 3 = fairly often and 4 = Agree moderately. Source: Field Survey, 2020

In many instances, transformational public sector leaders are expected to be inspirational. This is because; ambition is the path to success. Nevertheless, knowing is not enough; action matters. When transformational leadership is measured in terms inspirational motivation in Addis Ababa, table-7 indicates, fairly often leaders talk optimistically about the future, articulate a compelling vision for the future and talk about what needs to be accomplished, express confidence that goals will be achieved. However, the ability to create exciting image of what is essential to consider and the way leaders encourage team-spirit and enthusiasm is poor. Because, most respondents confirmed as it was applied once in a while. This implies the leaders are expectantly inspired in planning than action.

Intellectual leadership stimulation is of the core measures of transformational public sector leaders. In the state of employee commitment to organizational goals, intellectual leadership stimulation helps to inspire innovation, creativity, critical thinking and problem-solving. It also involves exciting followers' opinion and imagination then stimulating their ability to identify and solve public problems creatively. However, table-7indicates, intellectual leadership stimulation in Addis Ababa public sector is poor. A significant number of the respondents stated, public sector leaders are not stimulants at all. Public sector leaders in Addis Ababa tries once in a while to apply different perspectives, gets others to look at problems from divergent angles, encourage non-traditional thinking, suggest new ways of looking at completing assignments and re-examine critical assumptions. This implies, though change and change leaders are in placed to transform public sector, they are not intellectually stimulant to achieve public sector goals.

The practice of individualized leadership consideration in Addis Ababa public sectors is very poor. This is said because; public sector leaders were not spending time to coach and teach followers and were not promoting employee self-development. Table-7 indicates, while coaching and teaching of followers and promoting employee self-development is expected as a regular duty, public sector leaders of Addis Ababa were practiced once in a while. Most respondents confirmed, the practice to spend time coaching and teaching followers, promote employee self-development, treat team members as individuals, identify different needs, ability and aspirations of teams, listen to others’ concerns and helping to develop others’ strengths were not done regularly rather it was done once in a while. Even some significant number of the contributors reacted that individualized consideration was not reflected at all. This implies that, the state of employee commitment to organizational goal is not supported by the public sector leaders.

Besides, Spearman's rho correlation coefficients were used to test the existence, strength and the direction of possible relationships between the variables. As indicated in the correlation table-8, the correlations between predictor and criterion variables show a significant positive association between idealized influence and inspirational motivation (r = .672\*, p ≤ .05) and significant positive association between inspirational leadership motivation and intellectual stimulation (r = .817\*\*, p ≤ .05). There is also a significant positive association between intellectual stimulation and individualized consideration (r = .572, p ≤ .05). Therefore, the four predictor variables have a significant positive association when measured each other.

Table-8: Spearman's rho Correlation Coefficients among Predictor Variables

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Variable | | Idealized Influence | Inspirational Motivation | Intellectual Stimulation | Individualized Consideration |
| Idealized Influence | Spearman Correlation | 1 | .672\* | .817\*\* | .572 |
| Sig. (2-tailed) |  | .000 | .000 | .000 |
| Inspirational Motivation | Spearman Correlation | .672\* | 1 | .781\*\* | .498 |
| Sig. (2-tailed) | .000 |  | .000 | .000 |
| Intellectual Stimulation | Spearman Correlation | .817\*\* | .781\*\* | 1 | .513 |
| Sig. (2-tailed) | .000 | .000 |  | .000 |
| Individualized Consideration | Spearman Correlation | .572 | .498 | .513 | 1 |
|  | Sig. (2-tailed) | .000 | .000 | .000 |  |

Correlation is significant at p<.05, \*Correlation is significant at p<.001. Source: Field Survey, 2020

Key informants also described that there is dividing public sector employees as in-and-out-group members and ethnic based negative discrimination devastated the state of employee commitment to organizational goals. Thus, the in-group members receive more influence, information, confidence and concern from their leaders. However, the out-group members are becoming less compatible with the leader and usually just come to work, do their job and go home.

#### Employee Engagement

Assessing the state of employee commitment to organizational goals will be incomplete without considering employee engagement. This is said because, the domain of employee engagement ranges from employee emotional and intellectual commitment or attachment, passion or high level of enthusiasm for the employee's work, the amount of additional effort employees invest in their work, levels of dedication employees feel towards their work to employees positive cognitive, emotional and behavioural states that align with organisational outcomes (Jalani, 2015). Hence, respondents were consulted to share their level of engagement at work and the following table-9 illustrates the level of their perception.

Table-9 Employee Engagement

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| Survey Items | Scale | | | | | |
| 1 | 2 | 3 | 4 | 5 | 6 |
|  | % | % | % | % | % | % |
| Enthusiasm at Work |  |  |  |  |  |  |
| My job inspires me | 37.5 | 25.3 | 24.7 | 12.5 |  |  |
| Time flies when I am working | 43.9 | 6.1 | 31.4 | 18.6 |  |  |
| At my job I feel strong and vigorous | 50 | 12.2 | 37.8 |  |  |  |
| I find the work that I do full of meaning and purpose | 25 | 12.5 | 18.6 | 19.1 | 24.7 |  |
| At my work, I feel bursting with energy | 6.1 | 25 | 31.1 | 37.8 |  |  |
| I am enthusiastic about my job | 25 | 37.2 | 37.8 |  |  |  |
| To me, my job is challenging | 12.5 | 31.6 | 25 | 6.1 | 24.7 |  |
| When I get up in the morning, I feel like going to work | 12.5 | 56.6 | 6.1 | 12.5 | 6.1 | 6.1 |
| Immersion in Work |  |  |  |  |  |  |
| It is difficult to detach myself from my job | 32.9 | 3.1 | 20.7 | 12.5 | 6.1 | 24.7 |
| When I am working, I forget everything | 43.9 | 6.1 | 31.4 | 18.8 |  |  |
| I am immersed in my work | 50 | 25 | 37.8 |  |  |  |
| I get carried away when I am working | 25 | 12.5 | 18.8 | 19.1 | 24.7 |  |
| I can continue working for very long periods of time | 6.1 | 25 | 31.1 | 37.8 |  |  |
| Perseverance at Work |  |  |  |  |  |  |
| At my job, I am very mentally resilient | 25 | 37.2 | 37.8 |  |  |  |
| I feel happy when I am working intensely | 12.5 | 31.6 | 25 | 6.1 | 24.7 |  |
| At my work I always persist | 12.5 | 56.6 | 6.1 | 12.5 | 6.1 | 6.1 |

0 = Never 1 = Almost never (A few times a year or less) 2 = Rarely (Once a month or less), 3 = Sometimes (A few times a month), 4 = Often (Once a week), 5 = Very Often (A few times a week) and 6 = Always (Every day). Source: Field Survey, 2020

Employee engagement helps employee to have a positive, fulfilling, work-related state of mind in organization. However, when employee engagement is measured in terms of enthusiasm, most public sectors are not passionate to engage their employees. This is said because, as table-9, many public servants admitted, their job was not inspired, time not hovered when working, don’t feel strong and vigorous, don’t feel bursting with energy, were not enthusiastic and their job was not challenging. Similarly, when employee engagement was measured in terms immersion at work, the public servants are not fully immersion. For the reason, most respondents believe it was not difficult to detached them self from their job, when they were working, didn’t forget everything else around them, were not immersed, they got not carried away when working and are not willing to continue working for long periods of time. The experience of perseverance at work was poor. The public servants admitted that they were not mentally resilient, were not feeling happy when working intensely and were not always persist, even when things go well.

During the survey, interview was held with public servants of Addis Ababa and most of the discussant perceives that, the potential reason for employee disengagement were lack of meaningfulness at work like unchallenging tasks, work role misfit, lack of recognition, lack of opportunities to participate in decision-making, lack of collaboration and inadequate reward system among other things; lack of safety at work that embraces, lack of trust, poor ethical norms, unfair treatment, perceived inequities, poor relationship with supervisor and colleagues; organizational issues which contains poor working conditions, shortage of resources, overgrown polarization and acceptance of low performance.

#### Employee Job Satisfaction

Employee job satisfaction is the level of contentment that employees feel about their job overall and specific aspects of the job. It is the way employees develop perception about their job and the degree to which employees like their jobs. The more the work environment takes care of employees’ needs and values, the more satisfied employees become of their jobs.However, when assessed in public sectors of Addis Ababa, employee job satisfaction is poorly practiced. This is said because, most participants were confirmed that they did not enjoy their work, were not satisfied with their current job, mostly were not noticed when they do a good job and most of the time, they were not get full credit for the work they do. Table-10 affirms what the respondents feel.

Table-10: Employee Job Satisfaction

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  |  | Scale | | | | |
| Survey Statement | 1 | 2 | 3 | 4 | 5 | 6 |
|  | % | % | % | % | % | % |
| I enjoy my work most days | 50 | 24.7 | 25.3 |  |  |  |
| I do interesting and challenging work |  |  |  | 8.6 | 50.5 | 6.1% |
| I am satisfied with my job | 18.6 | 25 | 12.5 | 19.1 | 24.7 |  |
| I am noticed when I do a good job | 37.5 | 43.9 | 18.6 |  |  |  |
| I get full credit for the work I do | 56.1 | 18.6 | 25.3 |  |  |  |
| There is a lot of variety in my job |  |  |  | 49.7 | 6.1 | 44.1 |
| The responsibility I am given is acceptable | 56.1 | 18.6 | 19.1 | 6.1 |  |  |
| I have a clear understanding of my job tasks | 31.4 | 24.7 | 25.3 | 12.5 | 6.1 |  |
| Major satisfaction in my life comes from my job | 62.2 | 19.1 | 6.1 | 12.5 |  |  |
| I often think about leaving |  |  | 18.6 | 31.6 | 18.9 | 30.9 |
| I know the standards of work expected of me |  |  | 44.1 | 24.7 | 31.1 |  |
| I feel my opinion counts in the organization | 56.1 | 31.6 | 6.1 | 6.1 |  |  |
| I know where to get help at work |  |  |  | 12.2 | 37.8 | 50 |
| I feel my colleagues treat me with respect | 43.6 | 50.3 | 6.1 |  |  |  |
| I feel my views count in my section | 37.5 | 37.2 | 19.1 | 6.1 |  |  |
| My job fully uses my skills | 37.8 | 31.1 | 31.1 |  |  |  |
| I have skills that are not used in my job |  |  |  | 43.9 | 31.4 | 24.7 |
| I feel I am doing a worthwhile job |  |  |  | 50.5 | 24.7 | 24.7 |
| I get a feeling of accomplishment from my job | 25.3 | 37.2 | 37.5 |  |  |  |
| I feel valued by senior management | 18.9 | 37.5 | 43.6 |  |  |  |
| My immediate manager lets me know how I am doing | 37.5 | 24.7 | 37.8 |  |  |  |

1 = Disagree very much 2 = Disagree moderately 3 = Disagree slightly 4 = Agree slightly 5 = Agree moderately and 6 = Agree very much.

Source: Field Survey, 2020

As in table-10, the public servants admitted the responsibility given to them is unacceptable, they don’t have clear understanding of tasks, they denied the major satisfaction in their life comes from their job, don’t feel their opinion counts in their organization and respectfully threatened by their colleagues, don’t feel their views count in their section and were not comfortable on their accomplishment, don’t feel valued by senior management and immediate managers didn’t let them know how they do things. Hence, they often think about leaving. During the discussion with interviewee, some of them presented the scenario saying, many public servants not respectful and look as enemy each other; respect the political affiliation and ethnic loyalty than their profession.

By implication politicization interferes negatively in the public sectors. Meanwhile during the discussion, for the last 9 months after JEG, some public servants were not paid even their back payment which hinders to dissatisfaction. The good thing however, the public servants believe, they are interested to execute challenging works, trust on workplace diversity, know the standards of work expected of them, recognize where to get help at work when facing problems, believe as they have skills that are not used in their current job and feel as doing a worthwhile job. Pearson’s correlation coefficient as a statistical approach to test for the existence, strength and direction of the possible relationship between the variables was applied. Hence, the correlations between predictor and criterion variables shown significant positive association between leadership role and employee commitment (r = .816\*\*, p ≤ .05), leadership role and employee job satisfaction (r = .791\*\*, p ≤ .05) and leadership role and employee engagement (r = .874\*\*, p ≤ .05) were confirmed. Besides, a significant positive association between employee engagement and employee job satisfaction (r = .641\*, p ≤ .05), employee engagement and employee commitment (r = .743\*\*, p ≤ .05) and employee job satisfaction and employee commitment (r = .711\*\*, p ≤ .05) were observed.

Table-11: Correlation Coefficients among Predictor Variables

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Variable | | Employee Engagement | Employee job Satisfaction | Employee Commitment | Leadership Role |
| Employee Engagement | Pearson Correlation | 1 | 641\* | .743\*\* | .874\*\* |
| Sig. (2-tailed) |  | .000 | .000 | .000 |
| Employee job Satisfaction | Pearson Correlation | .641\* | 1 | .711\*\* | .791\*\* |
| Sig. (2-tailed) | .000 |  | .000 | .000 |
| Employee Commitment | Pearson Correlation | .743\*\* | .711\*\* | 1 | .816\*\* |
| Sig. (2-tailed) | .000 | .000 |  | .000 |
| Leadership Role | Pearson Correlation | .874\*\* | .791\*\* | .816\*\* |  |
|  | Sig. (2-tailed) | .000 | .000 | .000 | 1 |

Correlation is significant at p<.05, \*p<.01 level (2-tailed). Source: Field Survey, 2020

The correlation coefficient of the predictors indicates, when leadership role increases by 1%, employee engagement, employee commitment and employee satisfaction also increases by .874, .816 and .791 respectively. This positive association predicts that, the variables are interlinked each other to contribute on employee commitment. Hence, the role of leadership on employee engagement and job satisfaction is inevitable to ensure employee commitment.

The regression result shows rejection of the null hypothesis. The R-squared is estimated to be .976 implying that 97.6% of the variation in employee commitment is determined jointly by variations in the elements of affective, continuance, normative, inspirational motivation, idealized influence, intellectual stimulation, individualized influence, enthusiasm, immersion, perseverance and employee job satisfaction. The remaining 2.4% of the variation in employee commitment is explained by variations in other variables that are not included in the model.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Model Summary | | | | |
| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate |
| 1 | .988a | .976 | .975 | .136 |
| a. Predictors: (Constant), Affective Commitment, Continuance Commitment, Normative Commitment, Inspirational Motivation, Idealized Influence, Intellectual Stimulation, Individualized Influence, Enthusiasm at Work, Immersion in Work, Perseverance at Work, job satisfaction | | | | |

The ANOVA table indicates the assumption for the null and alternative hypotheses are Ho: all coefficients are jointly insignificant and HA: At least one of the coefficients is significantly different from zero. The result shows that, Sig=0.000 which is less than 0.05 or even <0.01 and therefor, the Ho was Rejected. The rejection of the Ho implies the adequacy of the model.

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| ANOVAa | | | | | | |
| Model | | Sum of Squares | df | Mean Square | F | Sig. |
| 1 | Regression | 281.373 | 8 | 35.172 | 1915.582 | .000b |
| Residual | 7.032 | 383 | .018 |  |  |
| Total | 288.406 | 391 |  |  |  |
| a. Dependent Variable: Employee Commitment b. Predictors: (Constant), Affective Commitment, Continuance Commitment, Normative Commitment, Inspirational Motivation, Idealized Influence, Intellectual Stimulation, Individualized Influence, Enthusiasm at Work, Immersion in Work, Perseverance at Work, Job Satisfaction | | | | | | |

The question, are the coefficients statistically significant? In such a case, all are significantly different from zero. The elements of affective commitment, continuance commitment, normative commitment, inspirational motivation, idealized influence, intellectual stimulation, individualized influence, enthusiasm, immersion, perseverance and job satisfaction have significant effect on employee commitment.

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| Coefficients a | | | | | | |
|  | | | | | | |
| Model | | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. |
| B | Std. Error | Beta |
| 1 | (Constant) | 1.172 | .068 |  | 17.149 | .000 |
| Affective Commitment | .414 | .025 | .540 | 16.449 | .000 |
| Continuance Commitment | 1.613 | .034 | .000 | .000 | .000 |
| Normative Commitment | .886 | .021 | .653 | 41.918 | .007 |
| Idealized Influence | 4.078 | .072 | 1.572 | 56.571 | .000 |
| Inspirational Motivation | 1.635 | .018 | 1.805 | 91.405 | .000 |
| Intellectual Stimulation | .407 | .040 | .440 | 10.300 | .000 |
| Individualized Influence | .973 | .034 | .875 | 33.873 | .031 |
| Enthusiasm at Work | .776 | .031 | .643 | 31.918 | .027 |
| Immersion in Work | .058 | .042 | .074 | 1.372 | .001 |
| Perseverance at Work | .921 | .025 | .983 | 36.316 | .000 |
| Employee Job Satisfaction | .614 | .045 | .640 | 26.449 | .000 |
| * 1. Dependent Variable: Employee Commitment | | | | | | |

#### The Interface between Employee Commitment and Organizational Effectiveness

The state of employee commitment is viewed as an imperative work behavior that has a potential influence on organizational effectiveness. The premise is the fact that, employee commitment enhances employee desire to stay in organization, improves their performance and stimulates utmost efforts to achieve the goals of their organization which are considered significant for the effectiveness of an organization. The characterization of organizational effectiveness as positive work climate, team sprite, group loyalty, public confidence and trust cannot be valid without integrating organizational effectiveness with employee commitment. Therefore, determining the association between employee commitment and organizational effectiveness is legitimate concern of any public organizations.

The data obtained from Addis Ababa city administration confirmed that, there is a significant positive association between the two grand variables. The interface can be extracted from the association. Pearson’s coefficient as a statistical approach to test for the existence, strength and direction of the possible relationship between the variables of employee commitment and organizational effectiveness were used. Hence, the correlation between the predictor and criterion variables show that a significant positive association between the state of employee commitment and organizational effectiveness (r = .783\*\*, p ≤ .05). This infers that, when employee commitment increases by 1%, organizational effectiveness also increases by .783.

Table-12: Correlation Coefficients among Predictor Variables

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | | | | |
|  | | | EmployeeCommitment | Organizational Effectiveness |
| Spearman's rho | Employee Commitment | Correlation Coefficient | 1 | .783\*\* |
| Sig. (2-tailed) | . | .000 |
| N | 392 | 392 |
| Organizational Effectiveness | Correlation Coefficient | .783\*\* | 1 |
| Sig. (2-tailed) | .000 | . |
| N | 392 | 392 |
| \*\*. Correlation is significant at the 0.01 level (2-tailed). | | | | |

However, the state of employee commitment to organizational goals when measured in terms of affective, continuance and normative commitment to link with organizational effectiveness in Addis Ababa was not inspiring. Disengagement impacted on employee dissatisfaction which intern contributed to uncommitted. Hence, expecting organizational effectiveness from dissatisfied and uncommitted employees is waste. Data obtained also shows, 62.5% of the respondents affirmed organizations are not committed and 56.7% confirmed as ineffective. This implies the public sectors are both poorly committed and ineffective. The interface between the state of employee commitment and organizational effectiveness is therefore loosely lined. Employee commitment reinforces organizational effectiveness.

### Conclusion and Recommendation

The state of employee commitment to organizational goals is poor, the role of leadership to create employee commitment is not impressive, most public servants are not filling engaged and are not satisfied, and the interface between organizational effectiveness and employee commitment is loosely inter-linked. If engaged and lead however the public servants are interested to execute challenging works and believe as they have skills that are not used in their current job. However currently, most public servants are not emotionally attached to their organization and most of them are opportunist. This is said because, if they got another offer for better job elsewhere, they would feel it was right to leave their current organization without any precondition.

The study has shed some light on factors that inhibit the dynamics of employee commitment to organizational goals. Hence, to ensure the state of employee commitment to organizational goals, leaders must engage authentically their employees, pay close attention and should work enthusiastically employee to love their work and share responsibility. Employees on the other hand should work to focus on positive aspects of engagement, channeling their energy in correct direction while making space to include fun in their work life. The researcher also affirms that the success or failure of employee commitment depends on leadership practice and working environment. Hence, the city administration should have taken a remedial action to control unnecessary political interference to promote employee commitment. The clear-cut separation of power between the party politics and government bureaucracy must urgently be established. If not corrected, the status quo may, in addition to disengagement, dissatisfaction and poor employee commitment, jeopardize the democratic dreams and political agenda of the city and the country.

Employee commitment, engagement and satisfaction cannot be insured by dividing public sector employees as in-and-out-group members. Because, the in-group members receive more information, influence, confidence and concern from their leaders. However, the out-group members are less compatible with leader and usually just come to work, do their job and go home. This type of leadership, assure employee disengagement, dissatisfaction and lack of commitment which in turn leads to organizational ineffectiveness. Therefore, leaders should avoid this approach and should commit with the merit principles. Public sector leaders should also need to build strong teamwork to institute healthy working environment. This is said because; “no two employees in an organization can be exactly the same”. When public servants come from different backgrounds, there will be differences in the way they see and perceive things and the same holds true when people work in a team.

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## **Linking Perceived University Principals’ Incivility and Faculties’ Altruistic Behavior: Does being Hopeful, Optimist, Efficacious and Resilient Help**?

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***Abstract***

*Relying upon sociometer theory, incivility spiral theory, norms of reciprocity, and conservation of resources theory, this study investigated the moderating role of psychological capital facets in the relationship between experienced principal incivility and faculties’ altruistic behaviors taking participants from Ethiopian public university full time academicians. The descriptive-correlational research design was used and data collected were analyzed using correlation and moderated regression method (Process macro tool). Populations of the study were comprised of all full-time faculty teaching in five randomly selected public university of Ethiopia and 320 useable questionnaires were collected from the final respondents. The researcher used standardized questionnaire and conducted confirmatory factor analysis in order to measure principal incivility, faculties helping behavior and psychological capital facets. The findings of the study revealed that about 81% of the respondents’ experienced uncivil behaviors from principals at least once or twice during the six months with 92.5% reported that their principals doubted faculties over which they had responsibilities. Principal incivility has a significant, negative relationship with altruistic behavior; psychological capital in general is positively related to altruistic behavior and finally hopeful and efficacious, optimist and resilient academic staffs engage in higher helping behaviors. Thus, psychological capital significantly buffered the relationship of principal’s impoliteness and organizational citizenship behavior targeted to individuals. Limitations were discussed and recommendations were forwarded for the management bodies of the study area.*

**Keywords**: Principal’s incivility, altruistic behavior, psychological capital.

### Introduction

Employees expect to be treated fairly in the workplace. Recently, scholars of organizational behavior, human resource development and organizational psychology are making workplace deviance or negativity their central topic for research. Their main focuses were workplace bullying, workplace deviance, workplace aggression, workplace incivility and supervisor’s abusive behaviors where all can be grouped under one title “bad behaviors in an organization” (Porath, 2015). According to her, convergence of economic, environmental, demographic, and technological changes provoked bad behavior and made it rises in organizations. In the modern time, behaviors composing of belittling, interrupting, harassing, ignoring others, spreading rumors and gossip, or sending malicious e-mails to colleagues increase employee turnover and stress and reduce overall organizational productivity (Akella & Lewis, 2019).

While interacting with each other, individual’s emotions (positive and negative) are contagious and can inhibit people’s thinking and behaviors and oftentimes people are not necessarily aware of the impression they give to others (Parker et al., 2013). They mentioned that antisocial behaviors such as uncivil relationships and de-energizing ties lead people to narrow their attention and make employees’ cognitive resources are likely to be spent on analyzing their de-energizing relationship. According to Coccia, (1998), organizational norms are expected behaviors from staff members, languages, postulations and principles used to create a healthy work environment, but when the actual workplace behavior deviates from norms of the organization, it has a detrimental and far-reaching effect on all levels of the organization including its management body, decision-making processes, productivity and financial costs. According to Podsakoff, MacKenzie, Paine, and Bachrach, (2000), helping behavior includes various conceptualizations such as altruism, peace-making, cheerleading and interpersonal helping. Brightman, (2013) described three reasons why managers encounter difficulty in detecting and dealing effectively with the dysfunctional behavior of the workplace including concealment of employee’s true behavior from the boss, not reporting uncivil behaviors by witnesses’, and not including employee behavior in the performance appraisal system.

Toxic workplaces which is characterized by a workplace employees hate to go, get little attention or no appreciation and either coworker or supervisor yelled at them lower employee retention, lower productivity, raise stress, increase health care costs, lower workplace safety and in the worst case scenario, it can transcend into a hostile work environment (Lawrence, 2014). If not curtailed soon, a workplace marked by incivility can quickly become a toxic workplace, an environment whereby employees feel unvalued, and not respected. Leiter, Laschinger, Day, & Oore, (2011), described that incivility can take two forms, either top down between supervisor and subordinate or lateral incivility between coworkers.

### Rationale for the study

Since tertiary level educational institutions play a key role in rendering services like engagement in community service, research and development, and creation of competent & problem solving, trained and graduated students, they are in need of committed staffs, those acts towards the better achievement of the institution’s missions. To render the quality education for the students, not only public university’s but also private educational institutions require employees who are committed, competent, ethically constructed, motivated and have eager to work in that institution. According to Ismail and Zakuan, (2012), workplace incivility has a number of negative effects on organizations in reducing workplace citizenship behaviors, reducing team effectiveness, lowering morale of the employees, decreasing productivity, beating organization image, enhancing employees’ retaliation behaviors (both in and outside of the workplace). Estes and Jia Wang, (2008) mentioned that workplace incivility is an issue that has been largely neglected by human resource development professionals.

Porath, (2015) argued that the cost of bad behavior to organizations and overall society is extraordinary and now a days, bad behaviors has risen due to an overall changes in environment, economy, demography, and technology creating challenging environment full of stress and pressure which may rise up our competitive spirits, prompting bitterness and tempting spiteful and unethical urges. When peoples are treated rudely at work they are actually pushed out of the door and quit their job because of the lack of civility. Cameron, (2008) also mentioned that human beings by their nature react more strongly to negative stimuli than to positive stimuli, and the presence of negative events outshines positive events.

Thus, the researcher is motivated to conduct this study because previous scholars like Dawkins, (2014), Jiménez, Dunkl, and Peißl, (2015) suggested to add it as mediators or moderators in between workplace incivility and work-related outcomes. Montgomery, Kane, and Vance, (2004) categorized incivility as polluting events and most of the time ignored but potentially destructive workplace behavior through violations in norms of respect. And here, they mentioned that PsyCap in general and dimension wise (used for this study) is a relatively new construct and deserves further examination or enquiry. Majority of the previously conducted studies scarcely deal about education sector and the motivating philosophy of the present study on university teachers is to show the significant role that experienced incivility may play in influencing behavioral outcomes of academicians working in the higher educational institutions.

### Research Hypotheses

Relying upon review of related literatures, the researchers tentatively developed the following alternative hypotheses:

Hypothesis 1: Principal incivility would be significantly and negatively related to academicians’ altruistic behaviors.

Hypothesis 2: Psychological capital (in general) would be significantly and positively related to academicians’ altruistic behaviors.

Hypothesis 3: The relationship between principal’s incivility and faculties helping (altruistic) behaviors will be moderated by psychological capital dimensions (H3a: Optimism; H3b: Hope and efficacy; H3c: Resilience), such that the higher the PsyCap, the weaker the association between experienced principal incivility and altruism.

### Specific Objectives

* To assess the relationship between principals’ incivility and academicians’ altruistic behavior.
* To investigate the association between psychological capital (in aggregate and facet wise) and faculties’ altruistic behavior.
* To investigate whether psychological capital (dimension wise) buffers the relationship between principals’ uncivil behavior and faculties’ altruistic behavior such that the higher the PsyCap, the weaker the association between experienced principal incivility and altruism.

### Scope of the Study

Geographically this study was confined to public universities of Ethiopia whereby sample respondents were selected from only five randomly selected universities including Mekelle, Ambo, Debre Berhan, Wollega and Wolkite due to shortage of finance while undertaking the study. Fulltime academicians working in the public universities of Ethiopia constituted the universe of the study and faculties from five randomly selected universities makes up population of the study. Variable wise, this study applied three variables, principals’ incivility as independent variable and altruistic behaviors of faculties (outcome variable) and psychological capital having four dimensions (i.e. merged to three facets optimism, resilience and hope along with efficacy in one) as moderating variable. The year demarcation for this study was 2018/19 only.

### Methodology of the study

Research Design and approach

Based on the objective of the study, quantitative approach was utilized and descriptive-diagnostic research designs were used.

#### Population, Sample Size and Sampling Techniques

Fulltime academicians working in the public universities of Ethiopia constituted the universe of the study and faculties from five randomly selected universities (Mekelle, Ambo, Debre Berhan, Wollega and Wolkite) makes up population of the study. Finally using Watson, 2001 sample size determination formula, 410 samples were drawn out of which 320 (78%) of the samples were used by discarding questionnaires which were filled improperly.

#### Method of Data Collection and Analysis

The researcher adapted standardized scale for principal’s incivility from Cortina et al., (2011) with a 5-point Likert type, (frequency scale, 1=Never to 5=Many times) having 10 items, but only 8 left after CFA. Sample items include, “How frequently did your principal “Made insulting or disrespectful remarks about you during the last 6 months?”. Alpha reliability for the scale of experienced principal’s incivility was found to be 0.84. Organizational citizenship behavior targeted to person (OCB-I) of Lee & Allen (2002) 7-point scale (1=never to 7=Always) Likert type frequency scale having 8 items but seven items retained after CFA and sample items include, “How frequently have you done the followings during the last semester? “… give up time to help others who have work or non-work problems”. Alpha reliability for the scale of OCB-I was found to be 0.83.

Psychological capital (PsyCap-24) scale of Luthans, Avolio, Avey & Noorman (2007) 6-point Likert item (1=Strongly disagree to 6= Strongly agree) was used whereby only 14 having three dimensions left after CFA and renamed to hope and efficacy (PC-HE), resilience (PC-R) and optimism (PC-O). A sample of item include “I can think of many ways to reach my current work goals” (hope); “I feel confident helping to set targets/goals in my work area” (efficacy); “I usually expect the best, when things are uncertain for me at work” (optimism), and “I usually take stressful things at work in pace” (resiliency). Finally the researcher used Processmacro tool for moderation developed by Hayes, (2017).

### Theoretical and Conceptual Framework of The Study

#### Theoretical Concepts

Andersson and Pearson, (1999) described that subtle behavior becomes violent when individuals experience a tipping point where they develop strong feelings of anger and retaliate and spiral starts where an uncivil act is considered and perceived as uncivil by the target group of victim person due to the violation of norms or due to manifestation of unacceptable conduct. The Sociometer Theory (Leary, 2005; Leary & Baumeister, 2000) suggests that people are motivated by seeking to increase their relational value and social acceptance, using self-esteem as a measure of their effectiveness, not only to maintain their self-esteem in isolation. They continuously assess their social environment for dangers to their self-view or social status and involve in appropriate physiological, psychological and behavioral responses helping them reduce the effect of the threats. Hobfoll, (1989; 2002) posits Conservation of Resources (COR) model which suggests that people strive to retain (accumulate), protect and build their important resources and prevent and cope themselves from facing negative consequences and every stressful situations that depletes, threatens and make them lose their valuable resources (objects, conditions, personal characteristics, and energies); and even invest the existing resources they have in order to build resources which is also called gain spirals). Gouldner, (1960) suggested that a norm of reciprocity is a universal form, which makes two interrelated, minimal demands whereby people should help those who have helped them and should not injure them. The reverse will holds true, when someone become rude to oneself, the target will retaliate negatively to the perpetrator.

Hence, relying upon norms of reciprocity, incivility spiral and conservation of resources believes that when people disrespect each other or are intimidated by someone they work with like principal, they reduce their collaboration, and don’t seeking answers to questions or asking for assistance in decision making. Thus, the author assumed that psychological capital facets including hope, optimist, resilience and self-efficacy of targets help them to bounce back from difficulties and continue to manifest altruistic behaviors.

#### Principal Incivility Versus Altruistic Behavior

Hoftsede categorized Ethiopia as a nation with high power distance where people accept a hierarchical order in which everybody has a place and which needs no further justification and also collectivistic society who fosters strong relationships where everyone takes responsibility for fellow members of their group. In collectivist societies experiencing offensive acts and behaviors leads to shame and loss of face, employer/employee relationships are perceived in moral terms (“Ethiopia,” n.d.). Safavi and Omidi (2015) found that employees are likely to highly engage in their work when they see smooth and harmonious communication among themselves in and across teams and departments and systematic delivery of internal service to help them get their jobs done successfully. Schilpzand, De Pater, and Erez, (2016) stated that from workplace universal negativity, workplace incivility is found everywhere regardless of the type of businesses or organizations. Not only does workplace incivility exist at high rates, but also it is costly (Lewis & Malecha, 2011). Workplace incivility is steadily rising with the dynamic nature of work in the new millennium (Doshy & Wang, 2014).

Reio Jr and Ghosh, (2009) mentioned that the happenings of discourteous behaviors at work leads to a toxic atmosphere in the workplace and become a rising threat for human resource development specialists. And Jiménez, Dunkl, and Peißl, (2015) found that this impolite behavior threatens social identity, creates a mismatch of personal and organizational norms, and increases stress and depletes individuals’ resources.

Miner, Settles, Pratt-Hyatt, and Brady, (2012) argued that supervisors are seen as more important for a healthy environment and therefore uncivil behavior by them leads to more worries which then hampers recovery processes. Cameron, (2008) also mentioned that human beings by their nature react more strongly to negative stimuli than to positive stimuli, and the presence of negative events outshines positive events. Thus, depending upon the above justifications, the authors hypothesized that:

#### Psychological Capital Nexus Altruism

Conservation of Resources (COR) model (Hobfoll, 1989; 2002) suggests that people strive to retain (accumulate), protect and build their important resources and prevent and cope themselves from facing negative consequences and every stressful situations that depletes, threatens and make them lose their valuable resources (objects, conditions, personal characteristics, and energies); and even invest the existing resources they have in order to build resources which is also called gain spirals). Youssef-Morgan and Luthans, (2015) redefined psychological capital is defined as an individual’s positive psychological state of development that is characterized by having confidence (efficacy) to take on and put in the necessary effort to succeed at challenging tasks; making a positive attribution (optimism) about succeeding now and in the future; persevering toward goals and, when necessary, redirecting paths to goals (hope) in order to succeed; and when beset by problems and adversity, sustaining and bouncing back and even beyond (resilience) to attain success’.

Luthans and Youssef-Morgan, (2017) mentioned that positive cognitive appraisals reframe and reinterpret negative situations in a more positive light which can render challenging goals more appealing and worthy of time, energy, and resource investment. Such positive appraisals also promote perseverance, rather than giving up, when faced with obstacles and setbacks. Christian and Ellis, (2011) also reported that when individuals depleted their self-regulation resource, they are likely to engage in deviant behavior by reducing their altruistic behavior.

Avey, Reichard, Luthans, and Mhatre, (2011) found a significant positive relationship between psychological capital and desirable employee attitudes and behaviors. Avey, Wernsing, and Luthans, (2008) found that employees’ psychological capital (including hope, optimism, efficacy, and resilience) was significantly associated to their positive emotions that indirectly related to their attitudes and behaviors (e.g. OCB) relevant to organizational change.

They again mentioned that individuals with higher levels of PsyCap benefit from their ability to draw on positive psychological strengths to counter obstacles at work, replenish, and engage in more discretionary behaviors. For instance, resilient and optimist people are similarly hopeful people who determine their own pass way to achieve success and all PsyCap components (HERO) interact highly with each other’s. Fida, Paciello, Tramontano, Barbaranelli, and Farnese, (2015) stated that little attention has been paid to the potentially protective role of psychological capital in the context of stressful work environment. The study conducted by Aliyev and Karakus, (2015) showed that respondents psychological capital reduces their violence tendency through their reduced negative feelings such as anxiety, stress and burnout. If school teachers raise psychological capital and put educational work missions into practice through both mental and physical labor in the workplace, they will be able to enhance the positive work attitudes and behaviors (Hsing-Ming et al., 2017).

Reviewing different literatures Lanzo, Aziz, and Wuensch, (2016) discussed that PsyCap provide individuals with the means to handle stressors effectively and increases organizational behavior such as increased organizational commitment, employee performance, satisfaction and well-being, and also enhances OCBs. A study conducted by Fida, Laschinger, and Leiter, (2018) supported the protective effect of relational occupational coping self-efficacy against workplace incivility and nursing employees burnout, turnover intentions, and mental health. Accordingly, the author suggested that faculties experienced uncivil behaviors and possess high victim sensitivity assume that they are being exploited by others and thus may perform fewer altruistic behaviors.

### Conceptual Framework of the Study

Thus, the researcher selected psychological capital as a moderator of principal incivility and altruistic behaviors of faculties.

### Results and Discussions

From the samples drawn using sample size determination formula, the researcher collected properly filled used for the analysis 320 questionnaires. Out of this 224 (70%) of the respondents were male, 227 (70.9%) were less or equal to 35 years old, only 56 (17.5%) were 1st degree holders, 251 (78.4%) master’s degree and 13 (4.1%) of participants were PhD and above.

Table 1: Descriptive Statistics and Correlation Analysis

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| Correlations | | | | | | |
|  | | PcHE | PcR | PcO | PIt | ABi |
| Altruistic behavior | Pearson Correlation | .39\*\* | .40\*\* | .24\*\* | -.13\* | 1 |
| Mean | 4.68 | 4.40 | 4.60 | 2.12 | 5.56 |
| SD | .75827 | .85793 | .83406 | .21131 | .76535 |
| \*\*. Correlation is significant at the 0.01 level (2-tailed).  \*. Correlation is significant at the 0.05 level (2-tailed). | | | | | | |

Source: Authors’ survey, 2018/19

The bivariate, zero-order correlation coefficient (Pearson r) is a standardized measure of an observed effect which is commonly used to measure the size of an effect, and the values of +(-) .1 represent small effect, +(-) .3 is a medium effect and +(-) .5 is a large effect (Hayes, 2017). The correlation between study variables ranges from weak to moderate, i.e. ranging between r=-.13\*, p<.05 for principal incivility and altruism (small effect size); r=.39, p<.01 for hope and efficacy and altruistic behavior (medium effect size); resilience has a significant, medium relationship (r= .40, p<.01) with helping behavior, and small effect size were found between both optimism and altruistic behavior, (r= .24, p < .01).

Table 2: Regression Result for Principal Incivility, Psychological Capital and Altruism

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| Coefficientsa | | | | | | |
| Model | | Unstandardized Coefficients | | Standardized Coefficients | T | Sig. |
| B | Std. Error | Beta |
| 1 | (Constant) | 3.892 | .435 |  | 8.942 | .000 |
| PI | -.358 | .156 | -.113 | -2.302 | .022 |
| PsyCap | .541 | .057 | .469 | 9.552 | .000 |
| Dependent Variable: Altruism  F=49.015, p<.001 R= .486 R2= .236 Adj. R2= .231 | | | | | | |

Source: Author’s survey, 2018/19

The above table shows that principal incivility and psychological capital in general significantly predict altruism behavior of academicians and resulted in 23.6% variation, which is moderate effect size as per Cohen (1988) benchmark. Specifically, principal incivility significantly and negatively predict academicians’ altruism or individuals targeted citizenship behaviors (β= -.113, p=.022). Thus, alternative hypothesis for H1 was accepted. And positive psychological capital in general significantly and positively predict faculties helping behavior (β=.469, p<.001). Thus, tentatively predicted alternative hypothesis (H2) were supported.

Table 3: Moderated Regression Result for Principal Incivility and Resilience in Predicting Altruistic Behavior

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | B | SE B | T | P |
| Constant | 5.5423 [5.4618, 5.6228] | .0409 | 135.4598 | .0000 |
| Principal incivility (Centered) | -.4266 [-.8093, -.0439 ] | .1945 | -2.1931 | .0290 |
| PC-O (Centered) | .2218 [.1251, .3185] | .0491 | 4.5141 | .0000 |
| Principal incivility x PC-O (Cent.) | .8658 [.3973, 1.3344 ] | .2381 | 3.6358 | .0003 |
| Note: N=320; R=.3221; R2=10.37%; p=.000; ΔR2=.0375 (due to interaction effect) | | | | |

Source: Researcher’s survey, 2018/19

Figure 2: Graphical presentation of optimism in moderating the association between principal incivility and altruistic behavior

From the above table, we can generalize that principal incivility significantly and negatively predict altruistic behaviors (β=.2684 [.0889, .4978], t=2.94, p=.0035) and also psychological capital positively and significantly related to helping behavior (β= -.2550 [-.3356, -.1743], t=-5.37, p<.001). This means that when principals in the workplace mistreat, derogate and gossiped behind their workmate, victims of this uncivil behavior will reduce their altruistic behavior. And moderation is shown up by a significant interaction effect, and in this case the interaction is highly significant, (β= -.3414 [-.6792, -.0036], t= -2.0442, p<.05), indicating that the relationship between principal incivility and altruistic behavior is moderated by psychological capital. From the simple slopes, we can see that when optimism dimension of psychological capital is low (-.8341), there is a significant negative relationship between principal’s incivility and altruistic behavior, b= -1.1487, 95% CI [-1.7172, -.5802], t=-3.9755, p<.001. At the mean value of optimism facets of psychological capital (.0000), there is a significant negative relationship between principal’s incivility and helping behavior, b=-.4266, 95% CI [-.8093, -.0439], t=-2.1931, p=.0290. And when optimism dimension positive psychological capital is high (.6687), there is a non-significant positive relationship between principal’s incivility and altruism behavior, b=.8341, 95% CI [-.2290, .8201], t=1.1087, p=.2684.

Table 4: Moderated Regression Result for Principal Incivility and Resilience in Predicting Altruistic Behavior

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | B | SE B | T | P |
| Constant | 5.553 [5.477, 5.629] | .0387 | 143.4519 | .000 |
| Principal incivility (Centered) | -.4309 [-.797, -.065] | .1860 | -2.3163 | .021 |
| PC-R (Centered) | .3681 [.1251, .3185] | .0453 | 8.1264 | .000 |
| Interaction | .6454 [.221, 1.070] | .2159 | 2.9891 | .003 |
| Note: N=320; R=.4364; R2=19.05%; p=.000; ΔR2=.0229 (due to interaction effect) | | | | |

Figure 3: Graphical presentation of resilience in moderating the association between principal incivility and altruistic behavior

Moderation is shown up by a significant interaction effect, and in this case the interaction is highly significant, (β= .6454 [.221, 1.070], t= 2.9891, p=.003), indicating that the relationship between coworkers’ incivility and counterproductive work behavior is moderated by psychological capital. From the simple slopes, we can see that when resiliency from psychological capital is low (-.8579), there is a significant negative relationship between principal incivility and helping behavior, b= -.9847, 95% CI [-1.5424, -.4269], t=-3.4733, p<.001. At the mean value of resiliency (.0000), there is a significant negative relationship between principal incivility and altruistic behavior, b=-.4309, 95% CI [-.7970, -.0649], t=-2.3163, p=.0212. And when resiliency element of psychological capital is high (.8579), there is a non-significant positive relationship between principal’s incivility and altruistic behavior, b= .1228, 95% CI [-.3490, .5945], t=.5120, p=.6090.

Table 5: Moderated Regression Result for Principal Incivility and Hope and Efficacy in Predicting Altruistic Behavior

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | B | SE B | T | P |
| Constant | 5.5596 [5.4828, 5.6364] | .0390 | 142.39 | .000 |
| Principal incivility (Centered) | -.3411 [-.660, -.0222] | .1621 | -2.1043 | .036 |
| PC-HE (Centered) | .3816 [.2796, .4836] | .0518 | 7.3606 | .000 |
| Interaction | .590 [.1259, 1.0540] | .2359 | 2.5015 | .013 |
| Note: N=320; R=.4188; R2=17.54%; p=.000; ΔR2=.0163 (due to interaction effect) | | | | |

Figure 4: Graphical presentation of hope and efficacy moderating the association between principal incivility and altruistic behavior

Moderation is shown up by a significant interaction effect, and in this case the interaction is highly significant, (β= -.3414 [-.6792, -.0036], t= -2.0442, p<.05), indicating that the relationship between coworkers’ incivility and counterproductive work behavior is moderated by psychological capital. From the simple slopes, one can see that when psychological capital is low (-.7583), there is a significant positive relationship between coworkers’ incivility and counterproductive work behavior, b=-.7503, 95% CI [-1.2866, -.2141], t=-2.7530, p=.0062. At the mean value of psychological capital (.0000), there is insignificant negative relationship between principal incivility and altruistic behavior, b=-.3030, 95% CI [-.6695, .0635], t=-1.6264, p=.1049. When psychological capital is high (.7583), there is a non-significant positive relationship between principal incivility and altruistic behavior, b= .1444, 95% CI [-.3338, .6226], t=.5941, p=.5529.

When the victims are sensitivity to injustice, it leads to fewer altruistic behaviors and more destructive behaviors (Gollwitzer, Rothmund, Pfeiffer, & Ensenbach, 2009; Fetchenhauer & Huang, 2004). Specifically, people with high victim sensitivity tend to view the world through a doubtful mindset, and they are always alert to others who might exploit them (Gollwitzer et al., 2005). It is suggested that victim sensitivity may serve as a motivating force urging individuals to find ways to protect their own interests.

High victim sensitivity would lead to reduced willingness to engage in solidarity behaviors and increase immoral thoughts and actions (Gollwitzer & Rothmund, 2009; Maltese, Baumert, Schmitt, & MacLeod, 2016). Halbesleben and Wheeler, (2011) suggested that lack of personal and/or organizational resources leads to defensive attempts to conserve remaining resources.

Regulating own emotion requires personal resource like resilience (bouncing back from stressful situations), hope, being optimist, and self-efficacy. And individuals having higher level of positive psychological capital are expected to overcome and cope up stressful situations through using their accumulated personal resource. Luthans and Youssef-Morgan, (2017) mentioned that positive cognitive appraisals reframe and reinterpret negative situations in a more positive light which can render challenging goals more appealing and worthy of time, energy, and resource investment. According to Fredrickson (2001, 2009) positive emotions facilitate the building and restoration of previously depleted physical, social, and psychological resources including psychological capital along its resources. Jung and Yoon, (2015) empirically proved that employees’ hope and optimism among positive PsyCap have a significant effect on their job satisfaction; their hope and resilience affect OCBs. Employees’ satisfaction was positively associated with their OCBs.

Optimism allows individuals to boost their self-esteem, morale and take credit for favorable events in their lives and allows them to distance themselves from unfavorable life happenstances, shielding them from depression, despair, guilt, and self-blame (Luthans & Youssef, 2004). People who are self-efficacious (self-confident) choose challenging tasks and endeavors, extend motivation and effort to successfully accomplish their goals, and persevere when faced with obstacles (Luthans & Youssef, 2004). Individuals with high hope are motivated by their sense of having the capability to develop ways to get the things they want, which provides them with the ability to generate alternative pathways towards the accomplishment of their goals if the original ones have been blocked (ibid).

Engaged employees consistently demonstrate positive behaviors by going beyond their formal job duties, giving extra time, efforts and initiative to contribute to the success of the business, and advocating for the organization to co-workers (Baumruk & Gorman, 2006). They are also dependable, communicative, and more highly involved, have a good attitude and the willingness to do the work right, and strive to develop their competence, skills, and ability (Ellis & Sorensen, 2007). The findings of Ryan and Deci (2000) showed as there are three innate psychological needs (competence, autonomy, and relatedness) which when satisfied yield enhanced self-motivation and mental health and when thwarted lead to diminished motivation and well-being. They suggested that the more a person is autonomously motivated, the more their basic psychological needs (i.e., autonomy, competence, and relatedness) are satisfied. The finding of this study go in line with Luthans and Youssef-Morgan, (2017) who mentioned that employees having positive cognitive appraisals have the capacity to reframe and reinterpret negative situations in a more positive light.

Here academicians high in PsyCap are less likely to engage in destructive deviant behaviors like purposively wasting university’s supplies, starting argument with their colleagues, coming to work late without permission even when their work mates show them uncivil behaviors. Possessing high PsyCap (being hopeful, optimist, self-efficacious and resilient enough) can render faculty challenging goals more appealing and worthy of time, energy, and resource investment and such positive appraisals enhance firmness, determination for them rather than giving up, when faced with obstacles and setbacks like rude behaviors from their coworkers. The findings of Aliyev and Karakus, (2015) also supported current finding since respondents psychological capital reduces their engagement in counterproductive work behaviors tendency through their reduced negative feelings such as anxiety, stress and burnout. Similarly, faculty who have high in PsyCap and put institutional missions into practice through dedicating their mental and physical labor, are likely to enhance the positive work attitudes and behaviors (Hsing-Ming et al., 2017). Perugini, Gallucci, Presaghi, and Ercolani (2003) grouped reciprocators into two, positive and negative whereby positive reciprocators are expected to be willing to react to positive interpersonal behavior like being kind with someone if others are kind to them), while negative reciprocators are more likely to pay more attention and should react preferentially to negative interpersonal behavior (retaliate against someone who has behaved negatively towards you).

### Conclusions and Recommendations

#### Conclusion

By taking a multilevel perspective, this study offered a unique opportunity to examine the effect of experienced coworkers’ incivility on academicians’ counterproductive work behavior at work, as well as providing empirical evidence on how psychological capital interacts to influence employee outcomes of workplace incivility. The results reveal a direct negative relationship between principals’ incivility and altruistic behavior of faculties teaching in tertiary institutions of Ethiopia and indicate that the relationship between faculty’s experiences of incivility and altruistic behavior is buffered by faculty’s personal resource known as psychological capital along with its facets including resilience, optimism, hope and self-efficacy. The findings of this study have important implications for interventions aimed at reducing the positive effects of workplace incivility. This finding vividly showed the impact of incivility extends beyond just those who directly experience such behavior; the results suggest that the full cost of workplace incivility may not be fully appreciated and if workplace incivility is not curtailed swiftly, the costs to employers will continue to rise.

#### Recommendations

Academic leaders or principals should try to structurally empower work environments which is characterized by access to resources (i.e., money, supplies, and time required for the job), access to support (like guidance from superiors and peers), opportunity (i.e., possibility for learning, growth, and advancement in the job; and access to information (i.e., technical knowledge and information about goals and values of the organization.

Management bodies of higher education institutions should try promote civil relationships among employees and take steps to prevent destructive communication that can weaken trust in the workplace and implement different strategies and interventions used to address workplace incivility (e.g. using unstructured interviews in the selection process alongside structured interviews to identify and reduce employees hired who would be likely to engage in counterproductive work behaviors; using integrity tests in the selection process as they can predict an employee’s likelihood of engaging in counterproductive work behaviors; using 360° feedback to reduce the information asymmetry between the employee and the employer and using behavior-based and outcome-based incentive schemes; develop fair and respectful working environment).

Management bodies of HEIs should try to exercise to curtail antisocial behaviors perpetrated by academic leaders via establishing a civil culture (like zero-tolerance against workplace incivility) and climate in the organization is highly needed to halt incivility spirals which is also suggested by the researcher to curtail the reciprocity of incivility.

Academicians of HEIs of Ethiopia should try to promote their psychological capital (be HERO) and engage in higher level of helping behaviors’.

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## The Role of Students’ Perception of School Leadership Effectiveness and Expectations from Education on Their Feeling of Secured and Task Engagement

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***Abstract***

*An extending war in Ethiopia can have bewildering and vexing role in students’ educational endeavor. This study was aimed at investigating the role of students’ perception of school leadership-effectiveness and expectations from education on their feeling of secured and task-engagement. It has employed descriptive-survey design and quantitative approach under the grand postmodernist paradigm. 2/7 public secondary schools in Sodo town were selected using random sampling and multi-stage-cluster sampling was used to pick 379 respondents after determining the sample size using Cochran’s formula. A self-developed questionnaire was used to collect data. In exploratory factor analysis run, and 7/11 items, which loaded to the first factor, were used for measuring leadership effectiveness. To see the effect of perceived school leadership-effectiveness (PSLE) and expectation from education on students’ feeling-secured as well as on their task-engagement, two stepwise-multiple regressions were run, whereas, to see whether PSLE significantly affect their feeling-secured when expectation from education is controlled, ANCOVA was employed. The stepwise-multiple regressions indicated that explaining 21.6% of variance in task-engagement, expectation is significant predictor (F1, 377=103.724, p < 0.05), whereas, the model list excluded the PSLE for its effect was insignificant. Likewise, explaining 23.1% of the variance in feeling-secured, PSLE significantly predicted feeling-secured (F1, 377=113.029, p < 0.05), while expectation was excluded in the model list for its effect was again insignificant. The result of ANCOVA indicated that the effect of PSLE on feeling-secured is significant (F(2, 375)= 20.473, p=0.00, partial-eta-squared (η2)=0.098, as we control expectation. In conclusion, students’ feeling-secured in schools of Ethiopia can be assured by improving the effectiveness of leadership. The researcher recommends that, among others, teachers needed to work to enhance students’ expectation from education to boost their engagement.*

**Key words**: Management, feeling security, engagement, expectation

### Introduction

Instructional process involves a bi-directional communication between students and the teacher for it is expedient to say that the source of message in classroom can be both students and a teacher ([Rowthorn,](https://www.sciencedirect.com/science/article/pii/S2214999615012989#!) 2015). In this bidirectional communication process, both students and a teacher have their own role to usher the smooth flow of instruction and failure to engage in holistic way may result in the failure of the entire communication system, which will have vexing effect in the overall instructional process.

Student engagement is a very generic concept often subject to different explanation by scholars. However, Portelli (2005) stated that the term is more related to connectedness with, inspiration and commitment to, as well as and involvement and concentration on classroom tasks. Students’ engagement in instructional process is vital issue that must be a concern of both students themselves and the teacher.

Students meaningfully engaged in learning were found to be more successful academically (DeVito, 2016); less likely to drop out of school (Bakker, Vergel & Kunze, 2015) and have higher retention capacity (Gray & DiLoreto, 2016). Different researchers indicated factors affecting students engagement such as educational experiences, the manner of teacher-student interactions, task difficulty, classroom atmosphere and family environment (DeVito, 2016), teacher enthusiasm (Russel and Slater 2011) intrinsic motivation and institutional support, which is the role of school leadership (Groves, Sellars, Smith & Barber, 2015).

It is indicated across literatures that failure to engage in or low engagement in classroom routines have vexing consequences to learners. Leaners who are disengaged are more likely to drop out of school (DeVito, 2016), have lower retention (Gray & DiLoreto, 2016), have low intrinsic motivation (Schunk, 2012), look bored, distract others & poorly attend (Ganim & Evely, 2022).

Feeling secured can be expounded from both physical and psychological angles (Mori, Tiiri, Khanal, Khakurel, Mishina, & Sourander, 2021). The psychological variables associated with students’ feeling secured are stress, feeling of survival and pass in exam and interpersonal relationships with other students, whereas, the physical factors include, the schools’ compound security, effectiveness of school administration in defending and handling the threats. Student who felt unsafe are victims of interpersonal violence, bullying and aggressive behavior, drug trafficking, or intruders prompting building lockdowns unsafe at schools are (Jacobson, Riesch, Temkin, Kedrowski & Kluba, 2011). Moreover, studies reveal that those students who feel insecure at school tended to achieve low (Lacoe, 2013), and subject to risk of getting engaged in drugs (Concordia University, cited in Mubita, 2021).

Leadership effectiveness has vital role to play on students’ engagement in instructional process and their feeling secured. As to the department of Education and Training cited in (Gungor, & Ercetin, 2020), effective leaders set high expectations and prioritize student engagement, achievement and wellbeing, and it is expedient to encapsulate that activities aimed at structuring future expectations of students should be planned by school administration; and the guidance and counseling services in schools should be in a position that can direct student towards the very purpose of why they are at school.

Previous studies on factors contributing to students’ task engagement are numerous. Kahu & Nelson (2016) have conducted a study titled ‘Moving beyond transition: Student engagement in the educational interface’. They used extensive literature review taking many past research outputs and other documents as data sources and affirmed that students’ engagement is influenced by the interplay between student factors and institutional factors. Şimşek (2012) studied about ‘The future expectations of high school students’ using a descriptive survey design consisted of 1106 students randomly selected from 54 different high schools located in nine cities in southeastern Turkey. The result indicated that students’ results and engagement were affected by their respective outcome expectations.

Besides, Almarghani and Mijatovic (2017) studied about ‘factors affecting student engagement in HEIs’ using a survey with 279 undergraduate students from four universities in Libya, and revealed that active usage of the university’s ICTs resources, the university’s reputation and teachers’ activating are important factors determining students’ engagement. Edo & Tadesse (2020) studied on the relationships between student engagement and learning outcome in the undergraduate sports science program in Ethiopia. They used a cross-sectional survey design collecting quantitative data from 583 volunteered undergraduate students from four public universities in Ethiopia, and the result indicated low to moderate relations between the scores of engagement and outcomes (collaborative learning, Student–teacher interaction, assessment challenge and academic challenge).

There were also many studies conducted on what determines students’ feeling secured. John (2016) studied about insecurity in schools. In his extensive literature review, he discussed how schools are becoming increasingly insecure places for working-class young people, and came up with the finding that youngsters were feeling increasingly insecure in schools, Mubita (2021) studied the stakeholders’ understanding school safety and security’ using comparative study research design, a qualitative approach, and interview schedules, focus group discussion and structured observation as data gathering tools. The result indicated that the way school security is conceived by stakeholders affects the school environment. Jacobson, Riesch, Temkin, Kedrowski & Kluba (2011) investigated about ‘Students feeling unsafe in school of fifth graders’ using qualitative approach on 243 fifth-grade students. The result indicated that nearly a third of student reported being stressed and feeling unsafe. Mijanovich & Weitzman (2003) studied on issue titled ‘School, neighborhood and family characteristics associated with youths’ feelings of unsafe, using population-based telephone survey of youths aged 10–18 years, and indicated that greater number feel unsafe in school.

Nonetheless, examining both students’ feeling secured at school and their task engagement in association with expectation and perception of school leadership effectiveness found to be new area that can add a stalk of knowledge to the concepts of both engagement and feeling secured at school. Hence, this study was aimed at examining the role of students perceived school leadership effectiveness and their expectation from education on their task engagement and feeling secured in school. This study has sought answers to the following research questions.

* Do students’ perception of school leadership effectiveness and their expectation from education significantly affect their engagement on tasks?
* Do students’ perception of school leadership effectiveness and their expectation from education significantly affect their feeling of secured?
* Does students’ perception of school leadership effectiveness significantly affect their feeling secured after controlling the effect of expectation from education?

### Methodology

#### The Study Area

This study has been conducted in Wolaita Sodo town, Southern Nations nationalities and peoples’ regional state, Ethiopia. Wolaita Sodo, city is located 388 KMs to south of Addis Ababa, the capital of Ethiopia, along Addis Ababa-Butajira-Wolaita Sodo-Arba Minch route. The city is located 6049’ N latitude and 37045’ E longitude. The total area of the city is about 3,200 hectares, divided in to three sub city, 11 kebeles and 99 villages. The city is established at the foot of mount Damota towards the south directions. The highest & lowest altitude of the town range from 2,222-1,600 meters above sea level. The mean annual temperature of the town is 200C & the mean annual rainfall is 1,200mm. According to the data from city finance Economic Development office recently the total number of the city’s residents exceeds 120,000. The city is located in the strategic place for the southern Ethiopia at the center and it has 7 outlets which connect the north, the south, the east and the west areas. It is also a major transportation node, being the center of seven national and regional transport routes. Trade is the most important livelihood of the resident of the city (Wolaita Sodo Town

#### Design Of the Study:

This study relied on the quantitative data sources and methods, hence has employed survey design and quantitative approach.

#### Sample and Sampling

The main population of this study was the secondary school students in Wolaita sodo town. Two out of seven public secondary school in the town, namely Otona secondary school and Sodo comprehensive secondary school were selected through cluster sampling. The selected schools enrolled a total of 5,288 (2,725 males and 3116 females) in 2021/2022 academic year. Grade levels were also selected using the cluster sampling; hence, multi-stage cluster sampling was applied to select schools and grade levels. Accordingly, grade 10 from Otona and grade 12 from Sodo comprehensive secondary school were selected. To determine the sample size, the researcher applied the formula developed by Cochran cited in Israel (2009) and suggested to be applied for large population as:

where,

no = sample size

Z = abscissa of normal curve that cuts off an area at tails (it found in statistical tables which contain area under normal curve

e = desired level of precision

p = estimated proportion of an attribute that is present in the population

q = 1-p

In this research, the desired confidence level is 95%, and of precision is = 5%, the assumed level of variability was 0.5 (maximum variability). The table value of Z is 1.96. Thus, the total sample size is calculated as:

= 385 Based on the formula, the determined sample size is 385.

After making the sample to be taken from each of two schools proportional to the number of students, that is, 23.23% (89) from Otona and 76.77% (296) from Sodo comprehensive secondary school), the researcher again has randomly pick 2 and 5 sections respectively until the number of samples reach the amount fixed to that school. After collected data however, 2 extreme outliers and 4 incomplete papers were rejected, and finally 379 samples were taken.

A self-developed Likert scale questionnaire was used to collect data for all 4 variables. 11 items PSLE; 13 items for each of student feeling secured and task difficulty, 12 items for student task engagement were developed. To check construct, face and content validity, items and their Amharic versions had undergone through comments and alterations by two assistant professors in Wolaita Sodo University, department of Psychology. The reliability test has been conducted and the total Cronbach alpha for feeling secured, engagement and task difficulty were above 0.5, 0.6 & 0.6 respectively. The researcher has run exploratory factors analysis for PSLE and 7/11 items were loaded to the first factor. When these again checked by Cronbach alpha, the total Cronbach alpha was found to be above 0.7 for PSLE. For the rest of variables, the entire analysis has been carried out by using the reliability result, not running factor analysis.

Regarding the methods of data analysis, to see the effect of perceived school leadership-effectiveness (PSLE) and expectation from education on students’ feeling-secured as well as on their task-engagement, stepwise multiple regression was used. To examine to whether students’ perceived school leadership-effectiveness significantly affect their feeling-secured when their expectation from education is controlled, a two-way ANCOVA was employed.

Regarding the ethical issues, the research has tried to keep data and results confidential other than for the research purposes. During data gathering the researcher has informed respondents that they should feel free to skip any background data that threatens the anonymity. Besides, the researcher collected all data in the morning for the sake of comfort for students.

### Theoretical Underpinning

From the perspectives of social cognitive theory of Bandura (1986) the leaners’ behavior is a result of the personal, the environmental and the behavioral determinants, described as triadic reciprocality. The personal factors include students’ knowledge, metacognitive processes, self-efficacy, goals and affect. Behavioral factors include self-observation, self-judgment, and self-reaction, whereas, environmental factors involve all the physical context and social context of the school and classroom. In the triadic reciprocality, the personal, behavioral, and environmental influence are assumed to be interdependent and behaviors of each individual is the result of this triadic interaction. The students’ knowledge and perception about the violence, unrests and war-related news (personal) interacts with his/her designing of strategies and to escape if unrest and violence happen in schools (behavioral), which also determined partly effectiveness school leadership (environmental) in handling the possible violence or students’ notion of leaderships’ effectiveness in helping students to escape as well as assure safety ahead of the violence.

Another theoretical underpinning of this study is the expectancy-value theory of motivation pioneered by William Atkinson in 1950s & 1960s. It has to be underlined that engagement, among other things, is highly affected by motivation (Pintrich, 2003), whereas, individuals’ beliefs, values and goals are key sources of motivation (Eccles, 2006). An important point in expectancy value theory is that a student behavior depends on his/her expectancy of attaining an outcome, like reinforce, as well as how much he/she values that outcome. Even positive outcome, that is to pass the exam, cannot be a reason for a student to engage in task if the outcome is not valued by the student (Schunk, 2012). Valuing goal can be associated with the job opportunities after graduation, quality of life the employed lead, the community’ labeling of an ‘educated’ in relation to the ‘businessmen’, and others. Hence, a student is less likely to engage in classroom tasks if he/she fail to find the worthwhileness of education, if there is no expedient life condition practiced by the graduated and employed yesterday’s students’ as well as if he/she proves that engagement is not able increase his/her likelihood of success or pass.

### Results

1. The effect of perceived school leadership effectiveness and expectation on engagement

To find out the effect of students’ perceived school leadership effectiveness and expectation on their task engagement, stepwise-multiple regressions was run and the result is stated below.

ANOVA

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| Model | | Sum of Squares | Df | Mean Square | F | Sig. |
| 1 | Regression | 3175.932 | 1 | 3175.932 | 103.724 | .000b |
| Residual | 11543.355 | 377 | 30.619 |  |  |
| Total | 14719.288 | 378 |  |  |  |

a. Dependent Variable: Engagement b. Predictors: (Constant), Expectation

Table 1. ANOVA summary of the effect of PSLE and expectation on students’ engagement

Coefficients

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Model | | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. | R | R2 |
| B | Std. Error | Beta |
| 1 | (Constant) | 17.456 | 2.195 |  | 7.954 | .000 | .465 | 0.216 |
| Expectation | .652 | .064 | .465 | 10.185 | .000 |

a. Dependent Variable: Engagement

Table 1.1B Coefficients of the effect of PSLE and expectation on students’ engagement

The stepwise-multiple regressions indicated that independent variables (PSLE and expectation from education), when entered together, significantly predicted the dependent variable (students’ engagement on tasks). The model has significantly predicted the dependent variable (F1, 377=103.724, p < 0.05). The R2= 0.216 indicates that 21.6% of variance in in students’ task engagement explained by the both independent variables entered, that it, students’ expectation and their perceived school leadership effectiveness. However, the model excluded PSLE from the equation because its contribution to the prediction was in insignificant.

#### 2. The Effect of Expectation and Perceived Leadership Effectiveness on Feeling Secured

The stepwise-multiple regression was again run to examine the effect of students’ perceived school leadership effectiveness and expectation on their feeling secured and the result is stated in tables 2.

ANOVA

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| Model | | Sum of Squares | Df | Mean Square | F | Sig. |
| 1 | Regression | 2772.440 | 1 | 2772.440 | 113.029 | .000b |
| Residual | 9247.296 | 377 | 24.529 |  |  |
| Total | 12019.736 | 378 |  |  |  |

a. Dependent Variable: Feel secured b. Predictors: (Constant), PSLE

Table 3 ANOVA Summary of the effect of PSLE and expectation on students’ feeling secured

Coefficients

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Model | | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. | R | R2 |
| B | Std. Error | Beta |
| 1 | (Constant) | 27.160 | .782 |  | 34.712 | .000 | .480 | .231 |
| PSLE | 3.722 | .350 | .480 | 10.631 | .000 |

#### Dependent Variable: Feeling Secured

Table 1B Coefficients of the effect of PSLE and expectation on students’ feeling secured

The next stepwise-multiple regressions on the effect of students’ PSLE and their expectation from education on their feeling of secured indicated that when entered together, the independent variables significantly predicted the dependent variable (students’ feeling secured). The model has significantly predicted the dependent variable (F1, 377=113.029, p < 0.05). The R2 value of 0.231 indicates that 23.1% of variance in students’ feeling secured is explained by both independent variables entered that it, students’ expectation and their PSLE. However, the variable expectation has been excluded from the model because its contribution to the prediction of the dependent variable was insignificant.

3. The effect of perceived school leadership effectiveness on students’ feeling secured when the effect of expectation is controlled

To see the effect of perceived school leadership effectiveness on students’ feeling secured when the effect of expectation is controlled two way ANCOVA has been run.

The response data on the variable PSLE has been recoded classifying them in to three as low, medium and high perceptions of leadership effectiveness in the data set. The result has revealed that there is significant mean variation among these three categories of school leadership perceptions on their feeling secured at school as indicated in the table below.

Table 4 Mean Differences on The Students’ PSCLE And Their Respective Mean Scores on The Dependent Variable

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Perception of school leadership effectiveness | Feeling secured | | | |
| Mean | Std. Error | 95% Confidence Interval | |
| Lower Bound | Upper Bound |
| very low | 30.796 | .775 | 29.271 | 32.321 |
| medium | 34.678 | .377 | 33.936 | 35.420 |
| High | 38.279 | .596 | 37.108 | 39.450 |

#### Dependent Variable: Feeling Secured

a. Covariates appearing in the model are evaluated at the following values: Expectation = 34.0026.

Table 4 mean differences across categories of perception

Having evidence about the presence of mean difference across groups, the researcher tried to state the result of ANCOVA as follows.

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| Source | Type III Sum of Squares | df | Mean Square | F | Sig. | Partial Eta Squared |
| Corrected Model | 2774.246a | 3 | 924.749 | 37.508 | .000 | .231 |
| Intercept | 2887.409 | 1 | 2887.409 | 117.114 | .000 | .238 |
| Expectation | .003 | 1 | .003 | .000 | .991 | .000 |
| PSCLE | 1009.532 | 2 | 504.766 | 20.473 | .000 | .098 |
| Error | 9245.491 | 375 | 24.655 |  |  |  |
| Total | 476995.000 | 379 |  |  |  |  |
| Corrected Total | 12019.736 | 378 |  |  |  |  |

Table 4 ANCOVA output of the effect of PSLE on students’ feeling secured as expectation is controlled

The two way ANCOVA result in the above table 1.3 reveals that as expectation is controlled, the effect of PSLE on students’ feeling-secured is significant (F2, 375)= 20.473, p=0.00, partial-eta-squared (η2)=0.098, through the partial eta squared 0.098 found to be small in size, as we control expectation. The result, however, shows that the main effect of the covariate (expectation) was not significant on their feeling of secured (F1, 375)= .000, p=0.991, partial-eta-squared (η2)=0.00.

### Discussion

In this study, students’ expectation from education is found to be significant predictor of their engagement in the lesson tasks. This indicates that as students expect more from their learning, they tend to act in the way that the subject matter needs as well as try to fulfill what the subject matter requires, perhaps because they think that holistic engagement in the task routines can help the realize their expectations. This finding goes in line with is stated by Schunk, Pintrich & Meece (2008) where they stated that student higher expectation from education, that is higher outcome expectation, was positively related to more engagement in classroom routines. Actually, student engagement in instructional process has been conceived in this study as a holistic participation in the bidirectional classroom communication process as well as educational activities out of classroom.

Notwithstanding, the current finding is not in line with that of Cameron and Piece (2002) where they stated that students’ engagement affected by perceived rewards that they would obtain after completion of the task or the program rather than their expectation of long-term fruits of education. Studies also tend to associate students’ engagement in classroom instructional routines with the type of leadership style practiced in that particular school. There are different types of leadership styles practiced by the school administrative bodies. Thought to discuss all the types of engagement is a beyond the scope of this specific study, Schunk (2012, p. 484) indicated that, among others, the democratic leadership style was able to keep students task engaged even in the absence of teachers because it had given independence to students who want to keep working productively in the absence of teachers.

The current finding that students’ expectation from education significantly effects their task engagement also can be another analogy to express and support the Atkinson’s expectancy-value theory of motivation. As the theory states that student would engage in classroom routine tasks and other goal-oriented activities more if they find that the goal is valuable and worthwhile (Eccles, 2006). The prolonged duration of graduates in seeking job to be provided by the government as well as insufficient provision of funds and limited money lending to graduates to create and start their own jobs can have a bewildering effect on the students’ expectation from education and task engagement as well.

The current study also revealed that students’ perceived school leadership effectiveness is not significant predictor of their task engagement. However, Schunk (2012, P. 67) has pointed out that school set up should be secured enough to help students learn better because learning is not facilitated when students feel that they are emotionally insecure. It can be inferred from the Schunk’s stand that the learner need to feel emotionally safe and bargain the feeling of threat so as to physically and emotionally engage in the classroom routines. Previous studies mainly inclined towards revealing positive relationship between students’ perceived school leadership effectiveness and his/her engagement in tasks as well as achievement. It has been revealed that without having feeling of emotional, physical and mental freedom, which is partly the function of effective school leadership, the student can hardy engage in classroom routines (Jacobson et al, 2011).

The current finding may be due to the fact the national condition in the time when this study is conducted geographically far from the area of political crises and war zone of northern Ethiopia, because research findings indicate that feeling safe at school, which to the meaningful extent, related to school administrative effectiveness, is highly correlated to feeling safe in immediate nearby school areas (Lacoe, 2013).

The students’ perceived leadership effectiveness is found to be significant predictor of students feeling secured. The finding replicates that of Loukas (2007), where he stated that school leadership effectiveness significantly associated with students feeling of safe. School leadership related issues affecting student safety and achievement also tend to be linked with turnover of principals in schools. Gentile and Imberman (2011) stated that the events which causes shocks to the whole school structure such as firing of previous principal and assigning the new one have effect on both students’ feeling safe and their test scores.

The current finding also has revealed that students’ expectation was not significant predictor of feeling secured. There are not sufficient research outputs indicating the pattern of relationship between feeling secured and students’ expectation from education. Nonetheless, few studies pointed that students’ expectations have influence on students’ adjustment in their school (Kahu, Nelson & Picton, 2017), whereas, school adjustment is among an important necessity of students’ engagement in classroom routines. The current research output is different from that of Arum (2003), where he came up with finding that the feeling secured in schools was found to be positively related to both behavioral and academic tasks, one of which can be taken as students’ expectation.

The finding by Rose (2016) indicated that feeling secured is affected by the parental involvement student’s school lives, whereas, the finding by Thapa, Cohen, Guffey, Higgins-D’Alessandro (2013) indicated that among other things, students feeling secured needs positive school climate, which also includes effective school leadership. Moreover, ample of studies indicate that absenteeism acts as a mediating variable on the relationship between feeling secured and expectation. As to Lacoe (2013), when students feel unsafe, they may stay home and as their absenteeism increase, their expectation from education can be decreased, indicating the indirect effect of feeling unsecured at school on students’’ achievement.

### Conclusion and Recommendation

#### Conclusion

Based on the finding stated in the preceding sections, the researcher concluded that students’ engagement in classroom routines is more predictable by their expectation from education, which is associated with the value a student attach to the outcome of the educational process, whereas, students’ perception of school leadership effectiveness was failed to significantly predict their task engagement.

Students’ feeling secured in school compound, while engaging in instructional process is mainly predicted by their perceived school leadership effectiveness even when the effect of expectation is statistically controlled. From this, it can be inferred that working on enhancing school leadership effectiveness as well as enhancing the students’ trust on the school leadership will have expedient results in making students feel secured at schools.

#### Recommendations

Based on the findings, the following recommendations were forwarded.

Each teacher should emphasize on eroding current havoc and assertions by students about the value of education, which proved to be low across studies and which is based on the glean of information about the current rate of unemployment and quality of life lead by their graduated counterparts. The classroom teacher can do this by crediting his/her subject in particular and education in general through advising, encapsulating the achievements of pioneer scientists in their respective subjects and the persistence and hard work those successful scientists have incurred to achieve the goal regardless of the challenges at the time, as well as underscoring to students that to be economically wealthy after having tremendous success in education, is not something that has gone astray.

To assure students’ feeling-secured in Ethiopian schools ahead of war-related news, which have a bewildering effect on students’ overall endeavor, ministry of education has to work more on the leadership effectiveness, because students’ feeling secured is more predicted by their perceived school leadership effectiveness than their expectation. This is possible through short term training for school leaders on the issue titled ‘how to help students feel secured’.

It is expected from school leaders to reveal and exercise that their leadership is in a position as well as working its best to assure the school safety to students. The school can do this by having strong inter-staff link and series of meeting with students in fixed time intervals, organizing and having strong safeguarding, investigation of crimes as well as taking constructive measures on crime makers, and foreseeing the potential threats for the safety of the school community and alleviating them on time, thereby reducing their likelihood.

Until the time when the country fully restore peace and solidarity among the community, the schools should arrange discussions on security and peace of the schools and nearby community with the parent teacher associations in a regular bases because research outputs indicate that students’ feeling secured in schools is highly influenced by the parental involvement in the children’s education.

The degree of students’ participation in co-curricular activities may hinder students’ engagement in classroom routines. Hence, schools have to fix the number of co-curricular activities in which certain student can engage in to reduce unnecessary work load on students.

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1. This reform agenda is ambitious and wide-ranging, encompassing macroeconomic reforms, structural reforms to alleviate institutional and structural bottlenecks to productivity and job growth, and sectoral reforms (IMF, 2020b). [↑](#footnote-ref-1)
2. Several policies, e.g., fiscal and monetary policies, coexist alongside one another and are sometimes implemented contemporaneously. This interaction between them may result in economic interaction effects (the existence of one policy influences the distributional and welfare effects of other policies) as well as political interaction effects (the deployment of one policy affects governments' political incentives to change other policies) (Swinnen, 2018). [↑](#footnote-ref-2)
3. Currency unit is measured in ETB [↑](#footnote-ref-3)
4. An asterisk (\*) denotes all foreign variables in this study. [↑](#footnote-ref-5)
5. AR(1) process is (Gali and Monacelli, 2005). [↑](#footnote-ref-6)
6. For example, as the degree of fiscal smoothing increases, the sensitivity of government spending and taxation to the output gap and debt decreases. [↑](#footnote-ref-7)
7. It is an algorithm that uses a series of measurements taken over time to produce estimates of unknown variables that are more accurate than those based on a single measurement alone (Kalman, 1960). It allows you to estimate the maximum likelihood of DSGE models with both observable and unobservable variables. [↑](#footnote-ref-8)
8. It is a Markov Chain Monte Carlo method for extracting a sequence of random samples from a probability distribution that is difficult to sample directly. [↑](#footnote-ref-9)
9. The vertical axis of the impulse response graph measures the percentage deviation from the steady state and the horizontal axis measures the quarters. The IRF results are given in 95% confidence interval. [↑](#footnote-ref-10)
10. Key informant interview with Deputy Commissioner of Ethiopian Investment Commission, February 25,2020. [↑](#footnote-ref-11)
11. Key informant interview with general secretary of Industry ALL Global Union, February 27,2020,Addis Ababa. [↑](#footnote-ref-12)
12. Key informant interview with an expert of ILO regional office,27, February, Addis Ababa. [↑](#footnote-ref-13)
13. See,for details, the Televised interview with IC commissioner, Lelise Nemi, ESAT TV, January 5, 021. [↑](#footnote-ref-14)
14. FGD with mangers of leading apparel brands under investigation, February 27,2020. [↑](#footnote-ref-15)
15. Key Informant Interview with ILO Regional office Representative, Addis Ababa, February 25, 2020. [↑](#footnote-ref-16)
16. Key Informant Interviews with firms’ managers at the EIZ and Bole Lemi 1 IPs February 25 and 29, 2020. [↑](#footnote-ref-17)
17. Ibid. [↑](#footnote-ref-18)
18. Key informant interviews with an expert of Investment Commission (IC),February 29,2020. [↑](#footnote-ref-19)
19. Key Informant Interview with an expert in ILO Regional office, Addis Ababa, February 27, 2020. [↑](#footnote-ref-20)
20. Key Informant Interview with the coordinator of ACT initiative, Addis Ababa, February 27, 2020 [↑](#footnote-ref-21)
21. Key Informant Interviews with firms’ managers at the EIZ and Bole Lemi 1 IPs February 25 and 29, 2020. [↑](#footnote-ref-22)
22. FGD with ILO and CETU experts in Addis Ababa, February 25, 2020. [↑](#footnote-ref-23)
23. Key Informant Interviews with firms’ manager at the EIZ, February 25, 2020. [↑](#footnote-ref-24)
24. Key Informant Interviews with firms’ manager at Bole Lemi 1 IPs February 29, 2020. [↑](#footnote-ref-25)
25. FGD with ILO and CETU experts in Addis Ababa, February 25, 2020. [↑](#footnote-ref-26)
26. Ibid. [↑](#footnote-ref-27)
27. Key informant interviews with an expert of Investment Commission (IC),February 29,2020. [↑](#footnote-ref-28)
28. Key Informant Interviews with representative of BoLSA at Bole Lemi 1 IPs February 29, 2020. [↑](#footnote-ref-29)
29. Key Informant Interviews with representative of BoLSA at the EIZ, Hawassa, and Bole Lemi 1 IPs February 25, 26, and 29, 2020. [↑](#footnote-ref-30)
30. FGDs with employees of apparel firms at the EIZ, Hawassa, and Bole Lemi 1 IPs February 25, 26, and 29, 2020. [↑](#footnote-ref-31)
31. Ibid. [↑](#footnote-ref-32)
32. FGD with sustainably managers of the two global brand buyers, February 24, 2020. [↑](#footnote-ref-33)
33. FGDs with employees of apparel firms at the EIZ, Hawassa, and Bole Lemi 1 IPs February 25, 26, and 29, 2020. [↑](#footnote-ref-34)
34. Key Informant Interviews with representative of BoLSA at the EIZ, Hawassa, and Bole Lemi 1 IPs February 25, 26, and 29, 2020. [↑](#footnote-ref-35)
35. Ibid. [↑](#footnote-ref-36)
36. Ibid. [↑](#footnote-ref-37)
37. Key Informant Interviews with firms’ managers at the EIZ and Bole Lemi 1 IPs February 25 and 29, 2020. [↑](#footnote-ref-38)
38. HGD with ILO and CETU experts in Addis Ababa, February 25, 2020. [↑](#footnote-ref-39)
39. Key Informant Interviews with firms’ managers at the EIZ and Bole Lemi 1 IPs February 25 and 29, 2020. [↑](#footnote-ref-40)
40. Key Informant Interviews with firms’ managers at the EIZ and Bole Lemi 1 IPs February 25 and 29, 2020. [↑](#footnote-ref-41)
41. Ibid. [↑](#footnote-ref-42)
42. Ibid. [↑](#footnote-ref-43)
43. FGD with sustainably and compliance managers of the two global brand buyers, February 24, 2020. [↑](#footnote-ref-44)
44. Key Informant Interviews with firms’ managers at the EIZ and Bole Lemi 1 IPs February 25 and 29, 2020. [↑](#footnote-ref-45)
45. Key Informant Interview with ILO Regional office Representative, Addis Ababa, February 25, 2020. [↑](#footnote-ref-46)
46. Ibid. [↑](#footnote-ref-47)
47. FGD with ILO and CETU experts in Addis Ababa, February 25, 2020. [↑](#footnote-ref-48)
48. Key Informant Interviews with firms’ managers at the EIZ and Bole Lemi 1 IPs February 25 and 29, 2020. [↑](#footnote-ref-49)
49. Key informant interviews with an expert of Investment Commission (IC),Feburary 29,2020. [↑](#footnote-ref-50)
50. Ibid. [↑](#footnote-ref-51)
51. FGD with ILO and CETU experts in Addis Ababa, February 25, 2020. [↑](#footnote-ref-52)
52. Ibid. [↑](#footnote-ref-53)
53. FGDs with workers at the EIZand Bole Lemi 1 IPs February 25 and 29, 2020. [↑](#footnote-ref-54)
54. Ibid. [↑](#footnote-ref-55)
55. FGD with ILO and CETU experts in Addis Ababa, February 25, 2020. [↑](#footnote-ref-56)
56. Ibid. [↑](#footnote-ref-57)
57. FGD with with sustainably and compliance managers of the two global brand buyers, February 24, 2020. [↑](#footnote-ref-58)
58. Ibid. [↑](#footnote-ref-59)
59. FGD with ILO and CETU experts in Addis Ababa, February 25, 2020. [↑](#footnote-ref-60)
60. FGD with ILO and CETU experts in Addis Ababa, February 25, 2020 [↑](#footnote-ref-61)
61. FGDs with BoLSA representatives, Addis Ababa, February 25, 2020. [↑](#footnote-ref-62)
62. Ibid. [↑](#footnote-ref-63)
63. Key Informant Interviews with representative of BoLSA at the EIZ, Hawassa, and Bole Lemi 1 IPs February 25, 26, and 29, 2020. [↑](#footnote-ref-64)
64. Ibid. [↑](#footnote-ref-65)
65. Ibid. [↑](#footnote-ref-66)
66. Ibid. [↑](#footnote-ref-67)
67. FGDs with ILO and CETU experts; BoLSA representatives, Addis Ababa, February 25, 2020. [↑](#footnote-ref-68)
68. Key informant interview with labour inspecting officer of BoLSA Bole Lemi 1 IP, Feburary 29,2020. [↑](#footnote-ref-69)
69. FGDs with BoLSA representatives, Addis Ababa, February 25, 2020. [↑](#footnote-ref-70)
70. Ibid. [↑](#footnote-ref-71)
71. FGDs with BoLSA representatives, Addis Ababa, February 25, 2020. [↑](#footnote-ref-72)
72. For example, the massive factory collapse and fires in South Asia in 2012 and 2013 clearly showed the failures of corporate-led monitoring and factory certifications to protect workers (Nova & Wegemer 2016d; Walsh & Greenhouse 2012a, 2012b). [↑](#footnote-ref-73)
73. Taken from ILO 2016 (Cited in HRW 2019:23). [↑](#footnote-ref-74)
74. FGDs with BoLSA representatives, Addis Ababa, February 25, 2020. [↑](#footnote-ref-75)
75. Ibid. [↑](#footnote-ref-76)
76. Ibid. [↑](#footnote-ref-77)
77. FGDs with ILO and CETU experts; BoLSA representatives, Addis Ababa, February 25, 2020. [↑](#footnote-ref-78)
78. Ibid. [↑](#footnote-ref-79)
79. Ibid. [↑](#footnote-ref-80)
80. Key Informant Interviews with firms’ managers at Bole Lemi 1 IPs February 29, 2020. [↑](#footnote-ref-81)
81. FGDs with ILO and CETU experts; BoLSA representatives, Addis Ababa, February 25, 2020. [↑](#footnote-ref-82)
82. Ibid. [↑](#footnote-ref-83)
83. Key Informant Interviews with firms’ managers at Bole Lemi 1 IPs February 29, 2020. [↑](#footnote-ref-84)
84. Key informant interview with an official in employers’ association, Feburary27,2020. [↑](#footnote-ref-85)
85. FGDs with ILO and CETU; BoLSA representatives, Addis Ababa, February 25, 2020. [↑](#footnote-ref-86)
86. Key informant interviews with an expert of Investment Commission (IC),February 29,2020. [↑](#footnote-ref-87)
87. Key informant interviews with an expert of Investment Commission (IC),February 29,2020. [↑](#footnote-ref-88)
88. FGD with sustainably and compliance managers of the two global brand buyers, February 24, 2020. [↑](#footnote-ref-89)
89. Key informant interviews with an expert of Investment Commission (IC), February 29,2020. [↑](#footnote-ref-90)
90. Key Informant Interview with ILO Regional office Representative, Addis Ababa, February 25, 2020. [↑](#footnote-ref-91)
91. Ibid. [↑](#footnote-ref-92)
92. FGDs with ILO and CETU experts; BoLSA representatives, Addis Ababa, February 25, 2020. [↑](#footnote-ref-93)
93. Ibid. [↑](#footnote-ref-94)
94. FGDs with ILO and CETU experts; BoLSA representatives, Addis Ababa, February 25, 2020. [↑](#footnote-ref-95)
95. Key Informant Interview with ILO Regional office Representative, Addis Ababa, February 25, 2020. [↑](#footnote-ref-96)
96. As sensitivity analysis, we also run binary logit models to examine determinants of CBHI support from formal sectors. In order to do so, the outcome variables was collapsed from having five options to two options. That is, strongly opposed, opposed and neither oppose/nor support are categorized as ‘no CBHI support’ group while support and strongly support options are categorized into ‘CBHI support’ group. [↑](#footnote-ref-97)