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ADDIS ABEBA UNIVERSITY

COLLEGE OF LAW AND GOVERNMENT STUDIES

Master of Laws (LL, M) in Public International Law

**The Implication of International Monetary Fund Conditionality on Ethiopia: It's Prospects
and Challenges for Economic and Social Rights**

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*A Thesis Submitted in Partial Fulfillment for the Award of Master's Degree of Law (LL.M) in
Public International Law, At College of Law and Governance Studies, School of Law (AAU)*

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Ethiopia

Statement of Declaration

I, **Rahel Solomon**, declare that this research the thesis “*The Implication of International Monetary Fund Conditionality on Ethiopia; It’s Prospects and Challenges for Economic and Social Rights*” and that it has not been submitted for any degree or examination in any other institution. Whenever other sources are used or quoted, they have been duly acknowledged, with proper citation rule.

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List of Abbreviations

| | |
|--------|----------------------------------------------------------------|
| IMF | International Money Fund |
| ECF | Extended Credit Facility |
| EFF | Extended Fund Facility |
| HERP | Homegrown Economic Reform Plan |
| PRGT | Poverty Reduction and Growth Trust |
| PRGF | Poverty Reduction Growth Facility |
| ICESCR | International Covenant on Economic, Social and Cultural Rights |
| SDR | Special Drawing Rights |
| ESAF | Enhanced Structural Adjustment Facility |
| VAT | Value-Added Tax |
| SAP | Structural Adjustment Programs |
| LIC | Low Income Countries |
| SDGs | Sustainable Development Goals |
| PSNP | Productive Safety Net Program |

Table of Contents

| | |
|-----------------------------------------------------------------------------------|-----|
| Statement of Declaration..... | i |
| Acknowledgment | iii |
| List of Abbreviations | iv |
| Chapter 1 | 1 |
| Introduction..... | 1 |
| 1.1 Background of the Study | 1 |
| 1.2 Statement of the Problem..... | 3 |
| 1.3 Research Questions | 6 |
| 1.4 Research Objectives..... | 7 |
| 1.5 Research Method | 7 |
| 1.6 Sources of the Study | 8 |
| 1.7 Scope of the Study | 8 |
| 1.8 Significance of the Study | 8 |
| 1.9 Limitation of the Study | 8 |
| 1.10 Organization of the Study | 9 |
| Chapter 2 What is IMF Conditionality?..... | 10 |
| 2.1 Introduction..... | 10 |
| 2.2 A Brief History of IMF Conditionality..... | 10 |
| 2.3 Rationale and Nature of IMF Conditionality | 12 |
| 2.4 Conditionality as a Policy Push | 14 |
| 2.5 Evolution of Conditionality | 16 |
| 2.6 The Interplay between IMF Conditionality and State Economic Sovereignty | 18 |
| 2.7 Conclusion | 20 |
| Chapter 3 IMF Loan and Its Conditions for Ethiopia..... | 22 |

| | |
|-----------------------------------------------------------------------------------|----|
| 3.1 Introduction..... | 22 |
| 3.2 The Nature of the Kinds of Loan Provided to Ethiopia..... | 24 |
| 3.3 Conditions of the IMF and Regulatory Measures Taken by Ethiopia..... | 25 |
| 3.4 Ethiopian Economic Sovereignty in Light of IMF Conditions..... | 28 |
| 3.5 Prospects of IMF Conditions..... | 32 |
| 3.6 Challenges of IMF Conditions in Realizing Economic and Social rights..... | 34 |
| 3.7 Policy and Legal Measures to Mitigate the Challenges IMF Conditions Pose..... | 42 |
| 3.8 Conclusion..... | 43 |
| Chapter 4..... | 45 |
| 4.1 Conclusion..... | 45 |
| 4.2 Recommendation..... | 49 |
| Bibliography..... | 50 |

The Implication of International Monetary Fund Conditionality on Ethiopia: It's Prospects and Challenges for Economic and Social Rights

Rahel Solomon Ayalew

Abstract

In 2019, the International Monetary Fund (IMF) has approved the Extended Credit Facility (ECF) and Extended Funded Facility (EFF) for the implementation of the Home-Grown Economic Reform Plan of Ethiopia. As with all of its loan, the IMF has attached various conditions to be executed by Ethiopia. This research focuses particularly on the nature of IMF conditionality and its implication on economic sovereignty of Ethiopia, as well as its prospects and challenges on the realization of Economic and Social rights of the poor and lower middle class as per the International Covenant on Economic, Social and Cultural Rights (ICESCR). Measures implemented and Laws ratified by the House of Peoples representatives in compliance with the IMF conditions are reviewed. Accordingly, the implications of IMF conditionality on economic sovereignty, as well as its prospects and challenges to Economic and Social rights must be studied to expand knowledge on the topic, improve negotiation and engagement with International Financial Institutions, and for the better protection of Economic and social rights of the poor and lower middle class.

Key Words: IMF, Loan Conditions, ICESCR, Economic Sovereignty, Challenges and Prospects, Ethiopia

Chapter 1

Introduction

1.1 Background of the Study

In 2019, Ethiopia borrowed SDR¹ “2.1049 billion from the International Monetary Fund (IMF)”.² The IMF Executive Board authorized a three-year credit package from the “Extended Credit Facility (ECF)” and the “Extended Fund Facility (EFF)” to assist the country implement the "Homegrown Economic Reform Plan (HERP)."³

After nearly a decade, the IMF provided Ethiopia with a loan of US \$2.9 billion.⁴ The loan total offered to Ethiopia, which was roughly \$2.9 billion, can be classified among the largest sums of funding that could be provided under the lending guidelines of the IMF.⁵ While the maximum financing deal tends to be limited to a third of a country's quota, Ethiopia was granted the equivalent of seven times its quota (one quota is around \$415)⁶

The program's crucial mission is to back up the government in carrying out its substantial reform program and to stimulate subsidized foreign financing.⁷ The Fund-supported initiative intends to support authorities in reducing external imbalances, managing credit shortcomings, easing financial constraints, improving mobilization of domestic resources, and directing sufficient funds to pro-poor spending.⁸

The IMF claims that Ethiopia's 20-year public investment-driven approach has raised vulnerabilities in addition to producing great economic and social gains.⁹ To address these

¹ Special Drawing Rights <https://www.imf.org/en/Topics/special-drawing-right>

“The SDR is an international reserve asset created by the IMF to supplement the official reserves of its member countries. The SDR is not a currency. It is a potential claim on the freely usable currencies of IMF members. As such, SDRs can provide a country with liquidity. A basket of currencies defines the SDR: the US dollar, Euro, Chinese Yuan, Japanese Yen, and the British Pound”.

² *IMF Executive Board Approves US\$2.9 Billion ECF and EFF Arrangements for Ethiopia*, (Dec. 20, 2019), <https://www.imf.org/en/News/Articles/2019/12/20/pr19486-ethiopia-imf-executive-board-approves-ecf-and-eff-arrangements>. (Last visited on Dec 29, 2022)

³ Ibid

⁴ Cepheus Research and Analytics, ‘Ethiopia’s IMF Program’, Dec 12, 2019, 1

⁵ Ibid

⁶ Ibid

⁷ Web (n 2)

⁸ Ibid

⁹ Ibid

weaknesses, the authorities put out the “Homegrown Economic Reform Plan (HERP)”, wherefore the Ethiopian government requested the Fund for backing.¹⁰ The HERP-compliant program that the Fund is supporting aims to address “macroeconomic imbalances”, “implement structural reforms to modernize policy frameworks”, and promote the shift from growth that is driven by the government to growth that is “driven by the private sector”.¹¹

The program's overall priorities are five: 1) addressing the “foreign exchange shortage” and shifting to a less rigid “exchange rate regime”; 2) improving the oversight and administration of “state-owned enterprises (SOE)” to reduce debt risks; 3) “boosting revenue collection” and spending productivity to make funds available for alleviating “poverty and infrastructure spending”; and 4) revamping the finance sector in order to foster private capital investment and advancing the financial structure; 5) Strengthening the regulatory environment and financial safety nets.”¹²

The program accessed the “Poverty Reduction and Growth Trust (PRGT)” finances of value SDR 1.2 billion (400 % of Ethiopia's quota--SDR 300.7 million) through an “Extended Credit Facility (ECF)” agreement and “General Resources Account (GRA)” resources worth “SDR 0.9 billion (300 % of quota)” via an “Extended Fund Facility” (EFF) arrangement, bringing overall monetary support to SDR 2.1 billion (700 % of quota).¹³ The loan carries a 0.5% interest rate on its entirety, which is in line with essentially low-interest credit.¹⁴

The extraordinary prerequisites for access Under the PRGT, that needs to be fulfilled to gain access beyond 300 percent of the quota are, exceptionally high balance of payments need that cannot be met within standard limits; second, a fairly potent adjustment plan as well as the capacity to repay the fund; and in third place no sustained previous or potential utilization of

¹⁰ Ibid

¹¹ Ibid

¹² Web, (n 2)

¹³ IMF Country Report No. 20/29, 2019 Article Iv Consultation and Requests for Three-Year Arrangement Under the Extended Credit Facility and An Arrangement Under the Extended Fund Facility—Press Release and Staff Report, January 2020, p.23

¹⁴ Ibid

financial markets and revenue that is below the current functioning cutoff from IDA¹⁵, all of which Ethiopia has met.¹⁶

1.2 Statement of the Problem

Prior to the international financial meltdown of the 1980s, Irfan and Joel (2006) state that the IMF primarily supported economically disadvantaged countries with short-term financial infusions in order to overcome challenges related to inflation, fiscal deficits, and balance of payments.¹⁷ Nonetheless, after the credit crisis, financiers and officials in the rich world were persuaded that nations with developing economies needed extensive changes in their economic structure to be able to solve their fundamental problems.¹⁸

The Fund's Articles of Agreement, "Article V (Operations and Transactions of the Fund), Section 3", which basically outlines the criteria controlling usage of the Fund's resources, is where the contentious issue of the Fund's conditionality emerges. Section 3(a) states that the "The Fund shall adopt policies on the use of its general resources (...) and may adopt special policies for special balance of payments problems, that will assist members to solve their balance of payments problems in a manner consistent with the provisions of this Agreement and that will establish adequate safeguards for the temporary use of the general resources of the Fund."¹⁹

This entails that the IMF demands particular constraints, known as conditionality, be put in place in the manner of adherence with both Fund regulations and Fund-suggested guidelines for policy adjustments prior to allowing the distribution of any funds for its members.²⁰ These monitoring measures guarantee solvency safeguards and effectively address temporary balance of payments issues.²¹

¹⁵ The International Development Association: the World Bank Group's Fund for the Poorest Countries.

¹⁶ IMF country report (n13), p. 24

¹⁷ Irfan Nooruddin and Joel W. Simmons, 'The Politics of Hard Choices: IMF Programs and Government Spending', International Organization, Vol. 60, No. 4 (Autumn, 2006), Cambridge University Press pp. 1001-1033, 1002

¹⁸ Graham Bird, '*The IMF and Developing Countries: A Review of the Evidence and Policy Options*', International Organization 1996, 50.

¹⁹ IMF Articles of agreement, section three

²⁰ McKay, Julie, Ulrich Volz, and Regine Wölfinger. "Regional financing arrangements and the stability of the international monetary system." *Journal of Globalization and Development* 2, no. 1 (2011), 1

²¹ Ibid

Loans to developing nations are subject to quantitative and structural policy constraints.²² Quantitative conditions govern macroeconomic objectives, such as a government's budget deficit or the amount of local debt it can issue.²³ In contrast, structural factors force governments to adjust their organizational and regulatory structures for instance reforming trade, liberalizing pricing markets, and commercializing.²⁴

A dramatic increase in the number of requirements the Fund sets for developing countries eligible for its PRGF has occurred since the early 1980s.²⁵ As a result of this expansion in prescriptions, the IMF's mission has expanded to include, among others, state employment, privatization, public-sector adjustments, trade regulation, pricing, welfare systems, and "systemic" changes.²⁶

According to McKay, Julie, Ulrich (2011) by 2000, specific interventions in rates of taxation, regulation of banks, commodity pricing, and eventually alterations to institutions had been encompassed by the IMF's scope in addition to the typical macro-economic factor the Fund deals with.²⁷ A significant shift beyond macroeconomic factors and towards microeconomic structural adjustments was indicated, which affected fields regarded "outside the Fund's expertise", such as government-owned enterprise reform, privatization of services, welfare reform, and changes in many domestic regulations.²⁸

As pointed out by Bahram (1981) concerning conditionality, numerous difficulties arise, first the Fund has a strong orientation towards decreased role of government in the state economy and greater dependence on market mechanisms, thus affecting areas such as possession of state enterprises and government expenditure such as subsidy.²⁹

²² Molina, Nuria, and Javier Pereira. "Critical conditions. The Imf maintains its grip on low-income governments." EURODAD April (2008), 7

²³ Ibid

²⁴ Ibid

²⁵ Ibid

²⁶ IMF, 'Structural Conditionality in Fund-Supported Programs', Washington, D.C.: Policy Development and Review Department, IMF, 2001, p. 26. 3 Ibid, 28.

²⁷ McKay (n 20), 8

²⁸ Ibid

²⁹ Bahram Nowzad, "The IMF and its critics (Essays in International Finance No. 146)." International Finance Section, Princeton University (December 1981) (1981), 7

Numerous literature allege that major societal effects have been caused by the IMF Conditionality Guidelines and their narrow conception of ownership.³⁰ Privatization and liberalization of impoverished countries' economies are being pressed for by the Fund, decisions are being meddled with that should be made freely by countries based on internal priorities and requirements.³¹

Based on extensive research, structural reforms require broad, market-driven adjustments to the economy that worsen poverty through rising joblessness, decreasing government revenue, raising the price of basic services, and reorganizing taxation, retirement savings, and welfare programs. Especially significant are “Economic, Social, and Cultural rights (ESC rights)” when a society's social and economic prosperity is examined in terms of how structural adjustment, particularly austerity program and its effects.³²

It has been shown by plethora studies that human rights, particularly those of the poor and vulnerable, are negatively impacted by IMF structural programs. The “right to an adequate standard of living (Article 11 ICECSR)”, “the right to the enjoyment of the highest attainable standard of health (Article 12 ICECSR)”, and “the right to education (Article 13 ICECSR)” etc would seem to be the ESC rights that are most pertinent when discussing the impact of austerity programs on human rights.

Moreover, austerity is not equally imposed on society as a whole. The most severe effects of austerity are felt by the same segments of society who have been negatively impacted by various economic short comings such as women, children, low-income individuals, and vulnerable communities.³³ The affordability of basic necessities such as education, health, utilities and other social welfare becomes too expensive, consequently affecting citizens in exercising their economic and social rights as well as the government fulfilling its obligation. The threat of

³⁰ Nuria (n 22) p.5.

³¹ Ibid

³² Krajewski, Markus. "Human rights and austerity programmes." (2013), p.4 Electronic copy available at: <http://ssrn.com/abstract=2199625>

³³ Tamale, Nona. "Adding Fuel to Fire: How IMF demands for austerity will drive up inequality worldwide." (2021), p.4

austerity measures runs the risk of obstructing the further implementation of the “Sustainable Development Goals (SDGs)”, especially SDGs 1 and 10 on reducing poverty and inequality.³⁴

Social and economic rights are acknowledged under the Ethiopian Constitution. The “FDRE constitution” authorized the use of “ratified international human rights treaties” as guidelines for interpreting the Constitution's recognized bill of rights. Following its ratification on June 11, 1993³⁵, Ethiopia became a party to “the International Covenant on Economic, Social, and Cultural Rights (ICESCR)”. The main goal of development activities is to increase citizens' potential for development and to satisfy their basic requirements, according to Art. 43(1) of the FDRE Constitution, which provides the peoples of Ethiopia "the right to right to improved living standards."³⁶ 43(3). Furthermore, the constitution states in article 89(2) that “the government is responsible for ensuring that all Ethiopians have equal opportunities to improve their economic conditions and to promote equitable distribution of wealth among them”³⁷, as well as providing special assistance to the "least advantaged in economic and social development" 89(4)³⁸. Established on this provisions, the Ethiopian government is obligated to protect people's economic and social rights even when executing IMF requirements.

A special focus of this study is on how IMF conditionality affects Ethiopia's economic sovereignty, along with its opportunities and difficulties in achieving economic and social rights. The article examines how the core ideological bent and philosophical principles of the IMF affect Ethiopia’s economic structure and resource allocation. We briefly examine the laws approved by the House of People's Representatives in accordance with IMF requirements. The condition’s prospects being mainly economic growth having a ripple effect on every development area, the challenges cover areas of “Economic, and Social rights” of citizens.

1.3 Research Questions

This thesis' main question is to examine how the IMF's conditionality affects Ethiopia in terms of economic sovereignty and on realization of Economic and Social rights

³⁴ Ibid

³⁵ View the ratification status by country or by treaty

https://tbinternet.ohchr.org/_layouts/15/TreatyBodyExternal/Treaty.aspx?CountryID=59

³⁶ Article 43(1) of the FDRE Constitution,

³⁷ 89(2) of the FDRE Constitution

³⁸ 89(4) of the FDRE Constitution

The following are the specific question the study intends to answer:

- What is the nature of IMF Conditionality on Ethiopia particularly in terms of Economic sovereignty?
- What are the recent measures and legislations Ethiopia adopted to comply with IMF conditionality?
- What are the prospects and challenges of IMF conditionality in Ethiopia and
- What policy and legal measures should Ethiopia take to tackle the challenges?

1.4 Research Objectives

The main objective of this paper is to analyze the implications of IMF conditionality in Ethiopia in regards to economic sovereignty and on realization of Economic and Social rights

The following are the specific objectives:

- Discuss IMF conditionality and its effects on economic sovereignty of Ethiopia
- Identify recent measures and legislations adopted by Ethiopia in compliance with IMF conditionality.
- Pinpoint the potential prospect and challenges of IMF conditionality in Ethiopia.
- Give policy and legal direction to mitigate the challenges.

1.5 Research Method

The research employed qualitative legal research methods. It examined the implications of IMF conditionality on Ethiopia by analyzing and interpreting loan treaty, policy, and laws in light of economic sovereignty and the protection of economic and cultural rights according in light of International Covenant on Economic, Social, and Cultural Rights (ICESCR).

More specifically press release and staff report by the IMF and The Federal Democratic Republic of Ethiopia, and the Ethiopian home-grown economic reform agenda, the ICESCR, IMF Guidelines on Conditionality and other related documents are used to reach at rational assessment. The research employs Analytical/logical reasoning to produce sound arguments and findings. Besides, the paper will be provided by following a narrative way of writing.

1.6 Sources of the Study

Primary sources: Staff report of the IMF and Ethiopia, The Ethiopian home-grown economic reform agenda, the IMF Articles of Agreement, IMF Guidelines and Conditionality and the International Covenant on Economic, Social and Cultural Rights.

Secondary sources: Books, journals, Articles, internet sources, reports, and other government documents.

1.7 Scope of the Study

This study examines the implications of the IMF conditionality specifically in terms of economic sovereignty, and its potential prospects and challenges when implemented in Ethiopia.

Although the issue is conceptually vast, much thought has gone into narrowing the scope and perspective the research takes. In no way can this thesis be interpreted as a thorough examination of all the potential effects of IMF conditionality on Ethiopia. The study is qualitative international economic law research rather than quantitative economic research because it focuses primarily on the underlying philosophical bent and market structure preference propagated by the IMF Conditions in Ethiopia, rather than every single economic measure outlined in the loan agreement. The researcher took extra care to consider its implications from the standpoint of economic sovereignty, and its possible challenges have been minimized from the economic and social rights of mainly the poor and lower middle class.

1.8 Significance of the Study

This thesis being the first of its kind will have an academic significance by providing insight and knowledge on the implication of IMF Conditions on Ethiopia and would be valuable to further research and enquiry on similar subject areas.

1.9 Limitation of the Study

The major limitation of this study is the confidentiality and sensitivity of the information, which is generally true for specific measures implemented by the government according to its agreement with the IMF. Other than the conditions contained in the discussion report of the IMF and Ethiopia, the researcher was not able to obtain new information through interview with concerned authorities.

1.10 Organization of the Study

This study is structured in to four chapters. **Chapter 1** set forward the introduction and contains the background of the study, the research problem, the research questions and the objective of the study. Additionally, the significance of the study, and the methodology used in this study is outlined in this chapter. **Chapter 2** will discuss the concept of IMF conditionality in general. It contains a brief history, rationale, nature of IMF conditions, as well as its relationship to state economic sovereignty. **Chapter 3** covers IMF conditionality in the context of Ethiopia. The chapter comprises the nature and kinds of loan provided to Ethiopia and the conditions attached. Furthermore, it includes regulatory and policy measures Ethiopia took to abide by the conditions and its implication on the country's economic sovereignty. Then followed by the challenges of the conditions on the realization of Economic and Social rights, as well as legal and policy measures to mitigate the challenges. **Chapter 4** Conclude the research and provide recommendations.

Chapter 2 What is IMF Conditionality?

2.1 Introduction

Founded in 1948, the IMF is independent global institution and cooperative of 190 member countries.³⁹ The IMF's objective is to help member nations with financial support when necessary to address balance-of-payment issues, reestablish economic stability, and promote “sustainable economic growth”.⁴⁰ “The IMF provides its member nations with a number of concessional and non-concessional instruments to address current account imbalances.”⁴¹ In addition to financial assistance, the initiatives funded by the IMF also include policy guidance and policy conditionality.⁴²

This chapter briefly covers how IMF conditionality come to be and its nature and administration by International Money Fund. Why the IMF uses conditionality as a guarantee for its loan recovery, and its criticisms such as conditionality as a tool for policy push and its implication for state economic sovereignty.

2.2 A Brief History of IMF Conditionality

The creation of the IMF was led by the 1944 Bretton Woods (USA) international conference.⁴³ Forty four nations discussed to come up with viable restructuring option at the intersection of finance and currency.⁴⁴ The IMF finally debuted on 1945, and its financial dealings began being conducted in 1947.⁴⁵ International monetary cooperation is promoted by the IMF, which acts as a worldwide monitoring organization that oversees, reviews, and collaborates on monetary issues.⁴⁶ According to popular belief, countries in trouble can be helped by the IMF, whether as

³⁹ What is the IMF? (2022) IMF. Available at: <https://www.imf.org/en/About/Factsheets/IMF-at-a-Glance> (Accessed: 29 Dec 2022).

⁴⁰ Graham Bird, and Dane Rowlands, ‘*The effect of IMF program on economic growth in low-income countries: An empirical analysis*’, Journal of Development Studies 2017, 53

⁴¹ Web (n 39)

⁴² Marchesi, Silvia, and Laura Sabani, ‘*prolonged use and conditionality failure: Investigating the IMF responsibility. In Advancing Development*’, London: Palgrave Macmillan 2007, pp. 319–32.

⁴³ Web (n 39)

⁴⁴ Ibid

⁴⁵ Ibid

⁴⁶ Dammasch, Sabine, ‘*The System of Bretton Woods. A Lesson from History*’2006, p. 45 Available online: <http://www.hiddenmysteries.org/money/policy/b-woods.pdf>

a result of incompetence, bad financial and monetary policies, or merely unavoidable external circumstances.⁴⁷

Conditionality was not mentioned when the IMF was founded and in fact was not stipulated in the Fund's original Articles of Agreement.⁴⁸ The Articles integrated conditionality as part of an amendment as a precaution to ensure the rotating nature of the fund and reject financing for flagrant misbehavior.⁴⁹ The principle of conditionality was finally incorporated in 1969 and the relationship between a member's policies and their access to Fund resources was acknowledged.⁵⁰ These linkages were added to the “Articles of Agreement's Article I Section (v) and Article V Section 3(a)” in 1969, during the First Amendment era.⁵¹

The IMF Articles of Agreement first amendment included conditionality under Article I, fifth purpose. It was changed to read as follows:

“To give confidence to members by making the Fund’s resource temporarily available to them under adequate safeguards, thus providing them with opportunity to correct maladjustments in their balance of payments without resorting to measures destructive of national or international prosperity.”⁵²

The final clause of Article I was modified to read:

“The Fund shall be guided in all its policies and decisions by the purposes of this Article.”⁵³

The two subsections under “Conditions governing the use of the Fund resources Article V Section 3”, reflect these conceptual modifications and give them operational meaning.

“(c) A member’s use of the resources of the Fund shall be in accordance with the purposes of the Fund. The Fund shall adopt policies on the use of its resources that will assist members to solve

⁴⁷ Ibid

⁴⁸ Ariel Buira, ‘*An Analysis of IMF Conditionality*’, G-24 Discussion Paper No. 22, United Nations Publication, August 2003, p.2

⁴⁹ Ibid

⁵⁰ Ibid

⁵¹ Ibid

⁵² Article I of IMF Articles of Agreement

⁵³ Ibid

their balance of payments problems in a manner consistent with the purposes of the Fund and that will establish adequate safeguards for the temporary use of its resources.”⁵⁴

The new subsections stipulate that any representations made by members in connection with requests to use Fund resources outside of the reserve (gold) tranche must be compatible with those rules and that the Fund must establish policies based on the principle of conditionality.⁵⁵

2.3 Rationale and Nature of IMF Conditionality

The policies that a member must adhere to in order to obtain access to the Fund's financial resources are referred to as IMF conditionality.⁵⁶ These measures are designed to ensure that the member nation's issue with external payments will be resolved and that the Fund's financial resources will be accessible for other nations in “balance-of-payments” problems, allowing the member nation to return to the Fund on time.⁵⁷

In general, nations that require IMF loans lack globally significant collateral. If so, they could utilize it to borrow money from commercial lenders and would not need IMF financing.⁵⁸ However, in a crisis, the globally accepted collateral held by a government might not be able to be utilized to borrow from private capital markets.⁵⁹ National revenue differs significantly from revenue that may be used as collateral for loans from foreign lenders, like the IMF.⁶⁰ Both tradable and non-tradable outputs can be produced using foreign loans, but a country's non-tradable outputs are typically not demanded by foreign lenders.⁶¹

Private loan contracts often include a number of covenants along with monitoring in the absence of collateral.⁶² The lender formally intends a covenant to safeguard themselves and forbid the borrower from doing any activities that would lower the likelihood of repayment.⁶³ Clear

⁵⁴ Article V section 3 of IMF Articles of Agreement

⁵⁵ Ibid

⁵⁶ Ariel (n 48), 3

⁵⁷ Ibid

⁵⁸ [Finance & Development, June 2002 - Reconciling Conditionality and Country Ownership \(imf.org\)https://www.imf.org/external/pubs/ft/fandd/2002/06/khan.htm](https://www.imf.org/external/pubs/ft/fandd/2002/06/khan.htm) accessed on 05/08/2023.

⁵⁹ Mohsen S. Khan and Sunil Sharma, ‘*IMF Conditionality and Country Ownership of Adjustment Programs*’, The World Bank Research Observer, vol. 18, no. 2 (Fall 2003), p.230

⁶⁰ Ibid

⁶¹ Ibid

⁶² Ibid

⁶³ Ibid

responsibilities, restrictions on or prohibitions against certain behaviors, and a description of what constitutes a default by the borrower are all examples of covenants that can be placed on the borrower.⁶⁴ It is possible to think of IMF conditionality as a complicated covenant included in the loan arrangement, thus, in a way, it acts as collateral's replacement.⁶⁵

Since the money lent by the Fund would be reimbursed over a certain period of time, often between three to five years, thus conditionality is justified as a way to ensure the debt is settled and be available for other member countries in need.⁶⁶ According to the fund, the implementation of specific corrective actions or policies will act as a guarantee, enabling it to reestablish the member's "balance of payments" situation and enable the member to repay the fund.⁶⁷ The Fund must assess the member's representation in accordance with "Article V Section 3(c)" of the Agreement to determine whether the proposed repayment would be compliant with the Articles of Agreement and the guidelines for the use of Fund resources.⁶⁸

"Quantitative conditions" and "structural conditions" are the two types of conditionality used in IMF financing programs. The majority of conditionality up to this point has been in the form of the former, which takes the shape of "quantifiable macroeconomic" goals that nations commit to achieve and uphold during the course of the agreement, such as loan aggregates, reserve currencies, budgetary balances, and external borrowing.⁶⁹ The fiscal policy options available to governments may be too constrained by quantitative circumstances, but policymakers may follow a variety of different policies to address them⁷⁰. Structural conditions on the other hand, affect a larger variety of "microeconomic reforms" and give governments less latitude.⁷¹ These reforms often intended to change the basic structure of an economy, for example, by privatizing state-owned firms, enacting legislation granting independence to central banks, restructuring labor markets, or reorganizing the tax system.⁷²

⁶⁴ Ibid

⁶⁵ Web, (n 40)

⁶⁶ Ariel (n 48), 3

⁶⁷ Ibid

⁶⁸ Ibid

⁶⁹ Alexander E. Kentikelenis, Thomas H. Stubbs, & Lawrence P. King, 'IMF conditionality and development policy space', *Review of International Political Economy*, (2016), 543–582.

⁷⁰ Ibid

⁷¹ Ibid

⁷² Ibid

The IMF funds are disbursed (in tranches) based on the quarterly or biennial assessment of conditionality implementation. Implementing conditionality entails planning a program and keeping tabs on how well-timed and efficient the adoption of agreed-upon rules is going.⁷³ A thorough investigation of the causes of the macroeconomic imbalances in a nation is the first step in program planning.⁷⁴ The next phase is to reach consensus with the government concerning the macroeconomic policies, structural changes, and policy objectives that will be used to guide these policies.⁷⁵

Depending on the conditions of the borrowing nation and the IMF credit facility being used, monitoring can take many different shapes. It often involves “evaluations, macroeconomic and structural benchmarks, performance goals, and preceding actions must be made in compliance”.⁷⁶ Additionally, activities that are against the IMF's Articles of Agreement, such as the implementation of fresh foreign exchange restrictions, are prohibited by monitoring.⁷⁷

The release of additional IMF commitments in tranches is activated by the fulfillment of these requirements.⁷⁸ The adoption of structural changes, the realignment of the currency rate, the passage of an agreed budget, and the enactment of pertinent laws are a few examples of necessary activities.⁷⁹ These steps must be performed before the Executive Board of the IMF approves a program, which starts the first payout. Performance requirements commonly involve “structural actions such as tariff reductions, tax system changes, or the privatization of public firms and quantitative objectives for specific financial aggregates such as bank credit, net international reserves, or fiscal balance”.⁸⁰

2.4 Conditionality as a Policy Push

Who controls the world economy and for whose interests is at the heart of the globalization issue. Nancy (2003) argues world economy is not only about the technical issues of currency regimes, prudential norms, and the financial foundation of international financial stability, but

⁷³ Mohsen (n 59), 8

⁷⁴ Ibid

⁷⁵ Ibid

⁷⁶ Ibid

⁷⁷ Ibid

⁷⁸ Ibid

⁷⁹ Ibid

⁸⁰ Ibid

also about the dynamics of power and politics.⁸¹ The majority of economists concur that the advantages of global economic integration exceed the disadvantages for the poorest nations and populations within nations.⁸² Some activists, nevertheless, hold the view that the existing system of world economic administration is undemocratic and run by powerful countries, business and financial elites.⁸³ They maintain that a more democratic and inclusive structure of global economic governance is necessary, like the United Nations, where in the General Assembly at least, every country has a single vote.⁸⁴

Ariael explains that, a negotiation process underpins conditionality; “the Fund will use its superior financial position to offer support in exchange for policy changes from the government.”⁸⁵ The more powerful a country is, the less likely it is to have to accept the IMF's conditions.⁸⁶ This is because the IMF has more power to negotiate favorable terms for its loans with smaller, weaker countries.⁸⁷ The higher likelihood that conditionality will result in the imposition of policies.⁸⁸

It may appear as though two equal parties are entering into a consensual arrangement when a nation asks the IMF for financial support.⁸⁹ Nevertheless, governments do not function in a single, cohesive manner, and frequently have many groups with varying objectives.⁹⁰ The finance ministry, for instance, could be more focused on macroeconomic stability, whereas other ministries might be more concerned on social expenditures or economic growth.⁹¹ Even if other ministries disagree, the conditionality of the IMF may tilt the scales in favor of the finance ministry's opinions and this might be considered invasive since it provides the IMF control over a nation's internal policies that it would not otherwise have.⁹²

⁸¹ Nancy Birdsall, ‘*Why It Matters Who Runs the IMF and the World Bank*’, Center for Global Development Working Paper #22, (2003), 3

⁸² Ibid

⁸³ Ibid

⁸⁴ Joseph Stiglitz, ‘Globalization and its Discontents’ New York: Norton (2002), 144

⁸⁵ Ariael (n 48), p.4

⁸⁶ Ibid

⁸⁷ Ibid

⁸⁸ Ibid

⁸⁹ Ibid

⁹⁰ Ibid

⁹¹ Ibid

⁹² Ibid

When the price of refusal of conditionality is tremendous that the nation with zero alternatives accepts the conditions, and adopt policies it would not have otherwise, conditionality can be said to be coercive.⁹³ This is especially true given that “governments have a strong preference for avoiding the costs of default”. At its finest, “conditionality is a sort of paternalism that steers a nation toward its own good, just like a parent or teacher steers a student toward what is best for them.”⁹⁴

Conditionality at its worst, might be compared to imposing a foreign political agenda on a nation by requirements that are not essential for the country to resolve its balance of payments issue or if they are not in the nation's best interests.⁹⁵ Conversely the restoration of the nation's external viability through a conditionality that is well-targeted, constrained, and technically solid, and a program that is "owned" by the nation is immensely beneficial.⁹⁶

2.5 Evolution of Conditionality

Over time, IMF conditionality has changed to match the shifting political and economic environment.⁹⁷ The IMF has prioritized national ownership of adjustment and reform projects during the past few years.⁹⁸ This implies that the program's goals must be supported by the borrowing nation's government.⁹⁹ For IMF “ownership raises the probability of the success of programs and thus increases the value of the safeguards on its resources provided by conditionality”.¹⁰⁰ Country ownership is important because it ensures that the program is tailored to the specific needs of the country and that it is supported by the political leadership and also helps to build public confidence in the program and its objectives.¹⁰¹

⁹³ Aerial (n 48), 6

⁹⁴ Id, p 7

⁹⁵ Ibid

⁹⁶ Ibid

⁹⁷ Harold James, ‘From Grand motherliness to Governance the Evolution of IMF Conditionality’, Finance & Development A quarterly magazine of the IMF December 1998, Volume 35, 87 Number (accessed on 05/08/2023) <https://www.imf.org/external/pubs/ft/fandd/1998/12/james.htm>

⁹⁸ Mohsin S. Khan and Sunil Sharma, ‘Reconciling Conditionality and Country Ownership’, Finance & Development A quarterly magazine of the IMF June 2002, Volume 39, Number 2 p. 178 <https://www.imf.org/external/pubs/ft/fandd/2002/06/khan.htm>

⁹⁹ Ibid

¹⁰⁰ Ibid

¹⁰¹ Ibid

In 2000, the IMF reexamined its policies on conditionality, one of the main goals, according to James (2003), was to encourage national ownership of structural and policy improvements.¹⁰² The IMF felt that the likelihood of the success of its reform programs would increase if it could figure out how to deepen and enhance the commitment of governments to their reform plans.¹⁰³ Although the term "national ownership" was used to capture this concept, it was difficult to describe it precisely enough to make it work.¹⁰⁴

The staff finally agreed on the following definition after significant internal discussion: "Ownership is a willing assumption of responsibility for an agreed program of policies, by officials in a borrowing country who have the responsibility to formulate and carry out those policies, based on an understanding that the program is achievable and is in the country's own interest."¹⁰⁵

Some academics (such as Mohsin) define "country ownership of IMF-funded programs" as the degree to which the program's policy recommendations align with what "the country would have chosen in the absence of IMF intervention."¹⁰⁶ As a result, the nation's objectives and the IMF's comprehension of the economic model connecting these objectives to economic measures are the same.¹⁰⁷ Once a nation takes responsibility for a program in this way, it resolves to execute it entirely, not just partially, and is less prone to diverge from it if offered an opportunity.¹⁰⁸

James (2003) on the contrary argues that, ownership does not always imply that the program is the government's first choice, refuting the notion that "country ownership of IMF-supported programs" necessitates that the program be the "government's first choice".¹⁰⁹ He argues that this is because IMF-supported programs are often the result of negotiations between the government and the IMF, and that the outcome of these negotiations can be supported by all sides.¹¹⁰ He also

¹⁰² James M. Boughton, 'Who's in Charge? Ownership and Conditionality in IMF-Supported Programs' International Monetary Fund Working Paper Volume 2003: Issue 191, p.17

¹⁰³ Ibid

¹⁰⁴ Ibid

¹⁰⁵ Ibid

¹⁰⁶ Mohsin S. Khan and Sunil Sharma, 'IMF Conditionality and Country Ownership of Adjustment Programs' 9 <https://www.elibrary.imf.org/downloadpdf/book/9781589063617/ch007.pdf>

¹⁰⁷ Ibid

¹⁰⁸ Ibid

¹⁰⁹ James Boughton, (n 102), 35.

¹¹⁰ Ibid

argues that ownership is not static, but can change over time.¹¹¹ In a nutshell, a program that the government owns currently could cease to be owned by the government in the future.¹¹²

Furthermore, Mohsen notes that ownership may be hampered by a discrepancy between the IMF's demands and a country's viability.¹¹³ Insufficient administrative capability can be overcome by providing technical aid, outside support, or lengthening the program.¹¹⁴ Political issues can be trickier to overcome and necessitate protracted conversations between the IMF and national authorities.¹¹⁵

2.6 The Interplay between IMF Conditionality and State Economic Sovereignty

The ability of a state to make choices in its economy independently of those made by other governments is referred to as economic sovereignty.¹¹⁶ It encompasses a state's capacity to manage its own economic affairs, including the imposition and collection of taxes, trade with other countries, and upkeep of the economy.¹¹⁷

Alexander (2014) remarks that the IMF's programs grew in the 1980s to encompass a variety of "structural" conditionality, going beyond the organization's founders' initial intent.¹¹⁸ This encompassed touchy policy issues including economic deregulation, trade and financial liberalization, and privatization.¹¹⁹ Conditionality's purview grew over time to include social policies, labor market changes, and "good governance."¹²⁰ Some academics have questioned this "mission creep" because they feel it has imperiled domestic autonomy and national sovereignty.¹²¹

¹¹¹ Ibid

¹¹² Ibid

¹¹³ Mohsen (n 97)

¹¹⁴ Ibid

¹¹⁵ Ibid

¹¹⁶ Jacques Sapir, 'Basic Principles of Economic Sovereignty and the Question of the Forms of Its Exercise', *Stud. Russ. Econ. Dev.* **31**, (2020), 73

¹¹⁷ Aleksandar Savanovic, 'Economic Sovereignty', Faculty of Political Sciences, University of Banja Luka, Bosnia and Herzegovina, September 2014, 114

¹¹⁸ Alexander, (n 55), p7

¹¹⁹ Ibid

¹²⁰ Ibid

¹²¹ Ibid

Conditionality, or the need that nations to adopt specific policies in order to obtain IMF loans, has drawn criticism from some quarters.¹²² The IMF has made an effort to simplify its conditionality so that it is more targeted and less invasive in response to these critiques.¹²³ Nevertheless, “the Independent Evaluation Office of the IMF” has discovered that the loan operations have undergone just a little amount of modification.¹²⁴ Conditionality from the IMF is still “very detailed, not immediately critical, and frequently felt to be intrusive.”¹²⁵

“IMF conditionality is by no means a new instrument of international finance. But today's conditions, often calling for structural change, penetrate deeper into the debtor states' economic and social policies and they are applicable for longer periods of time than ever before.”¹²⁶ The majority of debtor governments are in such dire economic straits that they have little hope of avoiding IMF conditionality or reversing any unfavorable impacts on income distribution.¹²⁷

The “Guidelines on Conditionality” provide the IMF the authority to specify “performance criteria” that are required to assess a program's execution and make sure its goals are achieved.¹²⁸ These requirements are generally limited to macroeconomic factors and certain clauses in the IMF's Articles of Agreement or policies developed in accordance with them.¹²⁹ The IMF is expressly forbidden under the Guidelines from enforcing “extravagant, discretionary, or otherwise manifestly ill-conceived interference” with a debtor state's policy.¹³⁰

In addition, under Section 4 of the Guidelines, the Fund pledges itself to “pay due regard to the domestic social and political objectives, the economic priorities, and the circumstances of members ...”¹³¹ It is unclear if all IMF employees consistently complied with that tone, whether consideration for each debtor state's political interests was given, and whether staff members

¹²² Ibid

¹²³ Ibid

¹²⁴ Ibid

¹²⁵ Ibid

¹²⁶ Karl M. Meessen, ‘*IMF Conditionality and State Sovereignty*’, Foreign Debts in The Present and A New International Economic Order, Progress and Undercurrents in Public International Law PUPIL Edited by Detlev Chr. Dicke Volume, Published 2018 by Routledge, 142

¹²⁷ Ibid

¹²⁸ Id, 146

¹²⁹ Ibid

¹³⁰ Ibid

¹³¹ Section 4, Guidelines on Conditionality

went above and beyond to determine whether a certain item needed to be included in conditionality.¹³²

Karl (2018) notes that in theory, adherence to the Articles of Agreement may not exclude an infringement on member nations' sovereignty.¹³³ Nonetheless, in the context of conditionality, the signatory nations have not just demonstrated their overall consensus with the aforementioned measures through their pledge to adhere to the terms of the Bretton Woods Agreement, but they additionally explicitly expressed their consent for each and every IMF condition, regardless of whether it was imposed as a prerequisite to an arrangement, whether it was initially stated in the letter of intent, or whether it was inserted as a component of any commitment at a later point throughout the course of an arrangement.¹³⁴ Considering the consensual nature of these consent-expressing situations, it would seem strange to compare them to coercion against states under Article¹³⁵ of the Vienna Convention on Law of treaties.¹³⁶

Nevertheless, Odette (2020), makes a point that, it has grown more challenging for nations to choose to leave the system as a whole, despite the fact that governments' engagement in IMF programs and procedures is formally optional.¹³⁷ He also argues that organizations like the IMF, by rules and restrictions, influence and constrain governments' ability to choose their economic policies in ways that might be oppressive.¹³⁸ In addition to agreements and contracts, organizations like the IMF also restrict state economic autonomy through softer laws, norms, and market operations.¹³⁹

2.7 Conclusion

The IMF conditionality was put into effect and included into the Articles as part of the First Amendment only a few years later. The amendments that introduced conditionality to the

¹³² Karl (n 131)Ibid

¹³³ Ibid

¹³⁴ Ibid

¹³⁵ Article 2, Vienna Convention on Law of treaties, A treaty is void if its conclusion has been procured by the threat or use of force in violation of the principles of international law embodied in the Charter of the United Nations.

¹³⁶ Ibid

¹³⁷ Odette Lienau, 'The Multiple Selves of Economic Self-Determination' The Yale Law Journal vol 129, 2020 [The Yale Law Journal - Forum: The Multiple Selves of Economic Self-Determination](#)

¹³⁸ Ibid

¹³⁹ Ibid

Articles began with the mention of the "temporary" usage in Article I. The conceptual additions are reflected and given operational meaning by the two new subsections to Article V Section 3 titled "Conditions governing use of Fund resources".

Conditionality is designed to help ensure that the member country will be able to overcome its external payments problems and be able to return the Fund in a timely manner, which is necessary for the Fund's resources to be available to other countries experiencing balance-of-payments issues. There are two different kinds of conditionality: quantitative and structural. The condition monitoring method includes prior actions, performance benchmarks, macroeconomic and structural benchmarks, and assessments.

The conditionality of the IMF has evolved over time. National ownership is a relatively recent attempt by the IMF to guarantee program implementation success. Ownership is the voluntarily accepted responsibility for an agreed-upon program of policies by the authorities of a borrowing nation who are responsible for designing and implementing those policies, with the conviction that the program is workable and in the country's best interests. The interaction and functioning of program ownership and conditionality, however, continue to be difficult for a number of reasons.

Even though the IMF adopted national ownership of programs to undo what it had previously done through structural adjustment programs, i.e., significantly altering national economic systems, it is still controversial. Researchers found that structural adjustment initiatives have increased rather than reduced since 1991. It might seem unusual to compare voluntary statements of permission to coercion against nations under Article 52 of the Vienna Convention on the Law of Treaties. Regardless of the consent component, the International Money Fund will not lend to a nation if its economic trajectory differs from what it prefers and countries especially least developed once find it very difficult to find alternative lending schemes, thus fall pray to be influenced by the IMF through negotiations to alter, change, and modify their economic orientation and resource allocation.

Chapter 3 IMF Loan and Its Conditions for Ethiopia

3.1 Introduction

The Homegrown Economic Reform Program (HERP) of Ethiopia received approval from the IMF on December 21, 2019, for a \$2.9 billion loan package to assist with its execution.¹⁴⁰ The initiative sought to assist Ethiopia's government in implementing the HERP initiative, which aims to address “macroeconomic imbalances and establish the groundwork for inclusive and sustainable growth”¹⁴¹. The program also attempted to improve the banking industry and lessen debt risks.¹⁴²

The Ethiopian government has proposed a series of economic reform measures known as the HERP with the aim of maximizing the nation's economic development prospects.¹⁴³ As part of the initiative, macroeconomic inequalities will be eradicated, laying the foundation for equitable and long-term growth.¹⁴⁴ The government intends on “transitioning away from a public sector-driven economy and toward a private sector-driven one”.¹⁴⁵ The program strives to enhance revenue collection and modernize financial institutions in addition to lowering debt risks.¹⁴⁶

IMF's 2019 three billion dollar program was halted following the commencement of a civil war in the nation's northern area in November 2020.¹⁴⁷ Ethiopia was scheduled to receive 1.7 billion dollars from the zero-interest credit facility in addition to 1.06 billion dollars from the EFF, a non-concessional loan provided to members.¹⁴⁸ Among those objectives, Ethiopia's negotiators

¹⁴⁰ Six Things to Know about Ethiopia's New Program
<https://www.imf.org/en/News/Articles/2019/12/23/na122319-six-things-to-know-about-ethiopias-new-program>

¹⁴¹ Ibid

¹⁴² Ibid

¹⁴³ Homegrown Economic Reform: Ethiopia's new economic reform blueprint, Semonegna
<https://semonegna.com/homegrown-economic-reform-ethiopias-new-economic-reform-blueprint/>

¹⁴⁴ Ibid

¹⁴⁵ Ibid

¹⁴⁶ Ibid

¹⁴⁷ Debt Vulnerability Looms as IMF Representatives Land in Addis Abeba, Fortune <https://addisfortune.news/debt-vulnerability-looms-as-imf-representatives-land-in-addis-abeba>

¹⁴⁸ IMF Credit Facility Expires as Debt Rework Faces Delay, IMF Credit Facility Expires as Debt Rework Faces Delay Sep 18, 2021, Ethiopia's access to a 1.5-billion-dollar concessional loan facility availed by the International Monetary Fund (IMF) is set to expire this month following the inability of Ethiopian authorities to complete the country's debt rework negotiations.
<https://addisfortune.news/imf-credit-facility-expires-as-debt-rework-faces-delay>

agreed to accomplish when signing up for the IMF's program, was maintaining sustainable debt levels through restructuring.¹⁴⁹

A total of 318.6 million dollars have been taken out by Ethiopia to date, over 200 million of which came from the concessional facility, leaving 1.5 billion dollars unspent.¹⁵⁰ Following the conclusion of the initial performance evaluation in April 2019, an additional 318.4 million dollars were scheduled to be released.¹⁵¹ A similar amount was scheduled to be paid out following the second evaluation in October 2020, and an additional 510 million dollars were to be distributed in April 2021.¹⁵² In April 2021, 510 million more dollars were to be distributed.¹⁵³ There would need to be an overall distribution of 1.4 billion dollars, with the extended credit fund accounting for 60% of that amount.¹⁵⁴

The Federal Government of Ethiopia and the TPLF signed a peace deal in November 2022 in Pretoria, South Africa, which served as the foundation for the IMF's re-engagement with Ethiopia.¹⁵⁵ The IMF's multibillion-dollar program in Ethiopia may resume in 2023-2024 if the Ethiopian authorities can come to a staff-level agreement in 2023-2024.¹⁵⁶ If Ethiopia reaches an agreement with IMF, the funding will be used to implement the HGER 2.0, which is an improved upgrade of the first HGER put forth in the liberalization effort.¹⁵⁷

This chapter discusses the many types of loans given to Ethiopia and the terms associated with them. It also examines the legal and policy steps the nation adopted to comply with the requirements. The terms of the IMF are also viewed through the prisms of Ethiopia's economic autonomy, as well as its chances and obstacles for achieving the economic and social rights guaranteed by the ICESCR.

¹⁴⁹ Ibid

¹⁵⁰ Ibid

¹⁵¹ Ibid

¹⁵² Ibid

¹⁵³ Ibid

¹⁵⁴ Ibid

¹⁵⁵ Exercising Caution in Dealings with the IMF: The Reporter: Latest Ethiopian News Today <https://www.thereporterethiopia.com/32755>

¹⁵⁶ Ibid

¹⁵⁷ Web (n 112)

3.2 The Nature of the Kinds of Loan Provided to Ethiopia

Ethiopia utilized the “Extended Credit Facility (ECF)” and “Extended Fund Facility (EFF)”. The ECF is drawn from the “Poverty Reduction and Growth Facility's (PRGF)”, a program designed in 1999 to aid the world's poorest nations and support economic growth.¹⁵⁸ The “Enhanced Structural Adjustment Facility (ESAF)” was replaced by the PRGF, for addressing some of the issues noted by detractors of past IMF programs.¹⁵⁹ In order to promote, the eradication of poverty, and economic reform, the PRGF offers loans and debt relief to low-income nations.¹⁶⁰

ECF offers financial aid to nations like Ethiopia that suffer from an ongoing balance of payments issues.¹⁶¹ With a maximum overall duration of five years, assistance is offered under an ECF arrangement for an “initial period of three to four years”.¹⁶² With a grace period of “five and a half years, a final maturity of 10 years, and zero interest rates at least through the end of 2018”, the ECF offers financing.¹⁶³ In accordance with the ECF, member nations commit to putting into practice a set of measures that will advance them toward macroeconomic position over the medium term.¹⁶⁴

The letter of intent from Ethiopia outlines these conditions in detail, along with any additional terms.¹⁶⁵ The program conditionality for the IMF is condensed and concentrated on policy measures that are essential to attaining the program's goals.¹⁶⁶ Programs funded by the ECF strive to protect social and other priority expenditures.¹⁶⁷ In order to track macroeconomic

¹⁵⁸ The IMF Concludes the 2022 Review of Adequacy of Poverty Reduction and ... April 21, 2022. Washington, DC: On April 4, 2022, the Executive Board of the International Monetary Fund (IMF) reviewed the adequacy of the finances of the Poverty Reduction and Growth Trust (PRGT). The PRGT is the Fund’s main vehicle for providing concessional loans (currently at zero interest rates) to low - income countries (LICs). <https://www.imf.org/en/News/Articles/2022/04/21/pr22125-the-imf-concludes-the-2022...>

¹⁵⁹ Ibid

¹⁶⁰ Ibid

¹⁶¹ The Extended Credit Facility (ECF)

<https://www.imf.org/en/About/Factsheets/Sheets/2023/Extended-Credit-Facility-ECF>

¹⁶² Ibid

¹⁶³ Ibid

¹⁶⁴ Ibid

¹⁶⁵ Ibid

¹⁶⁶ Ibid

¹⁶⁷ Ibid

policy variables that represent the nation's program goals, such as “monetary aggregates, foreign reserves, fiscal balances, and external borrowing, quantitative conditions” are utilized.¹⁶⁸

Whereas the “Extended Fund Facility (EFF)”, which is funded from the General Resources account, was set up to help countries with severe payment imbalances brought on by structural obstacles or slow growth as well as an inherently precarious “balance-of-payments” position.¹⁶⁹ EFF supports wide-ranging initiatives that include the laws required to address “structural inequalities” over a sustained period of time.¹⁷⁰ EFF participation and repayment encompass longer periods than typical Fund arrangements because structural improvements to address deeply ingrained problems can take years to implement and produce results.¹⁷¹

It is anticipated that in an EFF scenario, actions to maintain macroeconomic stability will be prioritized alongside structural changes to remedy institutional or economic deficiencies.¹⁷² The use of IMF funding is phased in, which necessitates periodic assessments of policy and program implementation.¹⁷³ The “Executive Board of the IMF” often evaluates the effectiveness of the program and has the authority to modify it in response to changes in the economy.¹⁷⁴ In order to execute substantial and long-lasting structural reforms, extended arrangements are normally granted for durations of three years, although they can also be allowed for durations of up to four years.¹⁷⁵ The amount borrowed under an EFF must be paid back in 12 equal semiannual payments “over a period of four and a half years to ten years”.¹⁷⁶

3.3 Conditions of the IMF and Regulatory Measures Taken by Ethiopia

In general, the program negotiations cite “fiscal policy changes, exchange rate and monetary policy reforms, financial sector reforms, and structural reforms” as the conditions agreed upon by Ethiopia and the IMF.¹⁷⁷ The program's primary goals are to tackle external imbalances, such

¹⁶⁸ Ibid

¹⁶⁹ The Extended Fund Facility (EFF) – IMF <https://www.imf.org/en/About/Factsheets/Sheets/2023/Extended-Fund-Facility-EFF>

¹⁷⁰ Ibid

¹⁷¹ Ibid

¹⁷² Ibid

¹⁷³ Ibid

¹⁷⁴ Ibid

¹⁷⁵ Ibid

¹⁷⁶ Ibid

¹⁷⁷ 2019 Article Iv Consultation and Requests for Three-Year Arrangement Under the Extended Credit Facility and an Arrangement Under the Extended Fund Facility—Press Release and Staff Report

as the removal of actual exchange rate overvaluation, decrease debt susceptibility by integrating the wider public sector whilst improving social spending, contract monetary policy to reduce rising prices, and carry out structural changes that encourage private sector-led growth.¹⁷⁸ This paper exclusively focuses on structural changes and financial consolidation as the topic of discussion which is examined under this title, notwithstanding the fact that the conditions are extensively broad and economic in character.

The divestment of “state-owned enterprises (SOE)”, which began with the telecom and sugar industries, is one of the fundamental structural changes effected by the IMF conditions.¹⁷⁹ The government's overall approach is the transformation and selective privatization of key SOEs, and an improvement in the regulatory setting for SOEs.¹⁸⁰ It was projected that Ethio-Telecom's partial sale and the anticipated issue of further licenses would increase productivity as well as enhance telecom services.¹⁸¹ Which latter was put into effect by granting a telecom license Safaricom.

In subsequent endeavors, Ethiopian Investment Holding (EIH) was founded in late 2021. Notwithstanding the government's ownership stake, the EIH along with any sub-funds and companies it establishes or participates in establishing are “considered private business organizations” under “Article 3(3) of the Regulation”.¹⁸² With its leading role in the creation of the nation's first securities exchange, the Holding is designed to pave the way for the liberalization of the economy and quicken the leap towards denationalization.¹⁸³ Its portfolio includes some of Ethiopia's most significant and highest-performing SOEs, ranging from “Ethiopian Airlines, the Commercial Bank of Ethiopia, and Ethio Telecom”.¹⁸⁴

¹⁷⁸ Ibid

¹⁷⁹ Id, p 17

¹⁸⁰ Ibid

¹⁸¹ Ibid

¹⁸² Article 3(3), Ethiopian Investment Holding Establishment Regulation no. 487/2022

¹⁸³ A Platform for the Privatization of Ethiopia's State-owned Enterprises ...

It was set up in late 2021 and will control assets worth some \$38bn, or 34% of Ethiopia's GDP, generating annual revenues of \$6.2bn. It has some of Ethiopia's largest and most productive state-owned enterprises in its portfolio, such as Ethiopian Airlines, the Commercial Bank of Ethiopia, or Ethio Telecom, and with its active participation ... <https://www.africa.com/a-platform-for-the-privatization-of-ethiopias-state-owned...>

¹⁸⁴ Ibid

Tax increases and subsidy reductions are two major ways that the financial system is consolidated. Changes to tax policy and administration were implemented by eliminating exemptions, expanding the scope of VAT for certain items and services, and putting in place a new excise tax regime.¹⁸⁵ On top of that, a property tax was introduced, income tax reforms were started, and the final withholding taxes on interest income were raised. These adjustments additionally raised the minimal personal income tax level.¹⁸⁶ Along with the anticipated hike in electricity tariffs by 60%, additionally taxes on gifts and inheritances (estate tax) are also being considered.¹⁸⁷

In order to annul “Excise Tax Proclamation No. 307/2002” and its revisions, a new “Excise Tax Proclamation No. 1186/2020” was approved.¹⁸⁸ The proposed value-added tax (VAT), updated excise tax, and draft property tax were all introduced by the Ministry of Finance in 2023.¹⁸⁹ The “House of Federation (HoF) and the HPR” jointly passed a resolution in January 2023 giving the respective regional administrations control over the collection of property taxes.¹⁹⁰ A declaration to control this kind of tax is still being prepared, though.¹⁹¹ The amended excise tax proclamation has not yet been authorized by the HPR, and the Ministry has not yet released the modified VAT proclamation.

The amended VAT proclamation still imposes a 15 percent “value-added tax”, and additionally levies taxes on telecommunications, banking institutions, and ride-hailing companies, as well as businesses connected to the provision of energy services.¹⁹² The proclamation also mandates that water and energy supply be subject to VAT.¹⁹³ However, a later regulation will specify the monthly use quantity that will be subject to or free from VAT.

The phrase “improve expenditure efficiency, starting with undertaking a review of explicit and implicit subsidies (SB) and rationalizing them over the course of the program” is used to describe

¹⁸⁵ IMF Discussion papers Id, p. 59

¹⁸⁶ Id, p. 60

¹⁸⁷ Ibid

¹⁸⁸ Samuel Bogale, ‘Tax Reforms Boon to Gov’t but Bane to Businesses: The Reporter: Latest Ethiopian News Today, Mar 4, 2023, <https://www.thereporterethiopia.com/31692/>

¹⁸⁹ Ibid

¹⁹⁰ Ibid

¹⁹¹ Ibid

¹⁹² Ibid

¹⁹³ Ibid

the cutting and reduction of subsidies, but it doesn't go into depth about how it would affect certain subsidies.¹⁹⁴

The researcher maintains that given that the discussion paper clearly states that the IMF's transparency policy allows the “omission of market-sensitive details as well as early dissemination of the government's plans for policy in released staff reports and other records”, thus the absence of specificity pertains to the confidentiality and sensitivity of the information. Nevertheless, after the deal took effect, subsidies for gasoline, sugar, and electricity have reduced. Additionally, despite not explicitly stated, another significant and properly linked subsidy cut will apply to fuel subsidy cut regulation in 2022, a rule approved by the Council of Ministers to gradually remove subsidies over the course of a year.

3.4 Ethiopian Economic Sovereignty in Light of IMF Conditions

Article 1(2) of the ICESCR to which Ethiopia is a party stipulates that "All peoples have the right of self-determination. By virtue of that right they “freely determine their political status and freely pursue their economic, social and cultural development.”¹⁹⁵ According to the “right to self-determination”, the right-holders may "freely pursue" their economic and social advancement policy direction.¹⁹⁶ Economic self-determination can be considered as a subset of the right to self-determination, which is the freedom of citizens to choose their political status and freely pursue their economic and social development.¹⁹⁷

Ethiopia as a state, “has the sovereign and inalienable right to implement a process of national development independently and free from pressure, influence or interference from external actors... and international financial institutions”¹⁹⁸, meaning the people through the elected government (House of Peoples Representatives), has the discretion to decide the allocation of their resources.¹⁹⁹ Economic sovereignty includes “independent control over the direction of a State’s economy (i.e. where it is going) and effective involvement in economic planning (i.e.

¹⁹⁴ IMF Discussion papers Ibid

¹⁹⁵ Johan D van der Vyver, ‘*The Jurisprudential Legacy of Abraham Kuyper and Leo XIII*’, *Journal of Markets and Morality*; Grand Rapids Vol. 5, Iss. 1, (2002).

¹⁹⁶ Ibid

¹⁹⁷ Ibid

¹⁹⁸ Principle 25, Guiding Principles on foreign debt and human rights

¹⁹⁹ Ibid

how to get there)” by the Ethiopian government.²⁰⁰ The people have the “right to possess, use, or otherwise dispose of their natural wealth and resource as they deem proper, free from pressure, influence, or interference from external actor including the IMF”.²⁰¹

The FDRE constitution, Article 39 of states that “... and People in Ethiopia has the right to self-determination including (2) to freely pursue its economic, social and cultural development”²⁰² the constitution gives both the Federal government and the states (Article 52) “right to formulate and implement economic policies, as well as regulate economic activities”²⁰³. Article 95(1) and 55 of the FDRE constitution gives the federal government (House of Peoples Representatives) the right to legislates on matters such as “national economic planning and development, national standards and basic policy criteria for public health, education..., financial, monetary and foreign investment policies and strategies, trade and commerce, labor and social security, industry and agriculture, transport and communication, energy and natural resources”²⁰⁴ Additionally, the HPR is mandated to approve the federal budget, giving it authority over government spending and ensuring that the budget is consistent with the government's economic objectives.

Given its mandate, the House of Peoples' Representatives (HPR) of Ethiopia approved the Homegrown Economic Reform Plan (HERP) on September 9, 2019.²⁰⁵ The government has hailed it as a domestic designed project that will assist the nation in becoming middle-income by 2025.²⁰⁶ The HERP is a comprehensive economic reform plan that attempts to alleviate the macroeconomic imbalances in the nation, encourage private sector-led growth, and generate employment.²⁰⁷

The HGRP is not, according to some academics, as “homegrown” as it is represented to be.²⁰⁸ They make the point that the HGRP is eerily reminiscent of a typical IMF program for poor

²⁰⁰ Ibid, Principle 26

²⁰¹ Ibid, Principle 27

²⁰² Article 39(2) of the FDRE Constitution

²⁰³ Article 52 and 95 of the FEDRE Constitution

²⁰⁴ Article 95(1) and 55 of FDRE Constitution

²⁰⁵ Ethiopia Launches New Economic Reform Agenda (November 21, 2019) - Embassy of Ethiopia, Editor <https://ethiopianembassy.org/ethiopia-launches-new-economic-reform-agenda-november-21-2019/>

²⁰⁶ Ibid

²⁰⁷ Ibid

²⁰⁸ Alemayehu Geda (PHD), ‘*Critique of Ethiopia's PM Abyi's new "Homegrown"*’ Policy 2019, [https://www.researchgate.net/publication/335972270 Critique of Ethiopia's PM Abyi's new Homegrown Policy 2019](https://www.researchgate.net/publication/335972270_Critique_of_Ethiopia's_PM_Abyi's_new_Homegrown_Policy_2019) , Alemayehu Geda is a professor teaching at Addis Ababa University Department of Economics

nations' adjustments and that it was modeled after such programs.²⁰⁹ They contend that the HGRP's ultimate objective of “opening the economy to foreign-owned capital” is not indigenous because it is a replication of the Bretton Woods institutions' recommended course of action.²¹⁰ In a nutshell, the HGRP is more of a rebranding of IMF ideas that have been unsuccessful in many other nations than a truly domestically designed program.²¹¹

A renowned economist, Ayele claims that the government has relied extensively on a coalition of international consultants, involving multilateral institutions along with less-traceable international key figures that became involved through chaotic diplomatic engagement. This possibly placed a strain on the authorities to steer the agenda for economic reform in a way that benefits particular vested constituencies.²¹² Finally, Ethiopia's economic reform was effectively reduced to privatization.

Echoing what the IMF and other International Financial Institutions previously stated about Ethiopia's macroeconomic, structural, and sectoral issues, the reform program came to the conclusion that change was necessary in these areas.²¹³ Foreign currency shortages, limited access to and unreliable power, corruption, government inefficiencies, inadequate internet connection, and restricted access to financing and credit are among the list of repeated constraints.²¹⁴ Macroeconomic reforms, structural reforms, and sectoral reforms are the suggested remedies for these issues.²¹⁵

Others academics like Assefa goes as far as to say that, the reform strategy is uncannily similar to the notorious and failed reform initiatives known as structural adjustment programs (SAP).²¹⁶ As a condition for reducing the burden of external debt and receiving financial support to address

²⁰⁹ Ibid

²¹⁰ Ibid

²¹¹ The "Home Grown" Defection Author Alula Nerea is an Economist. He can be reached at alula.nerea7@gmail.com View all posts et al. <https://ethiopianbusinessreview.net/the-home-grown-defection/>

²¹² Ethiopia's 'Homegrown' Economic Reform: An Afterthought Fortune <https://addisfortune.news/ethiopias-homegrown-economic-reform-an-afterthought/>, Ayele Gelan (PhD) is a research economist at the Kuwait Institute for Scientific Research and author of a recently published book *Chronicles on Political Economy of Plunder in Ethiopia*

²¹³ Assefa Abebe, 'Where is Home for Ethiopia's "Homegrown" Economic Reform Program?' 2019 <http://aigaforum.com/article2019/Homegrown-Reform.htm>

²¹⁴ Ibid

²¹⁵ Ibid

²¹⁶ Ibid

economic malaises that were affecting the economies, international economic institutions like the World Bank imposed these neoliberal economic packages on the majority of African countries in the early 1980s.²¹⁷ “Fiscal austerity, external trade, investment, and finance liberalization; deregulation; devaluation; and privatization of SOE’s” were the five main pillars of the SAPs.²¹⁸

The HGRP is quite like economic preference and the policy recommendation of International Financial Institution, including the IMF. From this perspective one can construe that IMF conditionality alone have rather minimum influence over the Ethiopian Economy. There is no major difference regarding economic ideology or reform agendas. It is would be quite reasonable to say the major discrepancy in the negotiation is time line of program implementation, manner of implementation and minor details, and not key economic aspect such as ownership or austerity. Because the funds are released in trenches conditioned upon specified undertakings (legal and structural), strict implementation within the time limit according to the priorities of economic reform is required by the IMF.

In terms of execution IMF conditions inevitably and purposefully have an impact on the Ethiopian government's economic intervention through "influence, regulation, distribution, and production."²¹⁹ Conditions will have an impact on how much the government intervenes in financial adjustment, including raising revenue through increased taxation and tax rates as well as cutting and reducing subsidies. The authority's ability to regulate will also be aimed toward passing relevant laws for the shift from a public to a private economy. Privatization of SOE through the Ethiopian Investment Holdings, require significantly altering existing legal framework which regulates these institutions.

IMF requirements also affect capital distribution by reducing Ethiopian government intervention in the economy through the phase-out and reduction of subsidies and price regulation. The Fund's requirement for production calls on the government to scale back its intention to directly manufacture goods and services, as well as to moderate and refocus production activity on economic efficiency rather than fair distribution. The choice of development plan of Ethiopia is

²¹⁷ Ibid

²¹⁸ Ibid

²¹⁹ Thomas J. Biersteker, ‘*Reducing the Role of the State in the Economy: A Conceptual Exploration of IMF and World Bank Prescriptions*’, *International Studies Quarterly*, Vol. 34, No. 4 (Dec., 1990), pp. 477-492, 488

also affected by the long-term consequences of the IMF requirements, which were initially intended to be a series of short- to medium-term nature equilibrium and restructuring actions.

The conditions give the IMF influence over on the priority, timeline, and method of implementing Ethiopia's economic policy, even though it is a negotiated outcome and bold similarities in economic preferences between Ethiopia and the IMF. Moreover, the balance of bargaining power is inevitably tilted in favor of the IMF because Ethiopia has a greater need and urgency to resolve its balance of payment problems.

It is crucial to understand that economic policy is all about choosing the right priorities, according to economists. A policy error is when a policy is implemented without first establishing a priority list. Similar to this, having priorities that are implemented in the incorrect sequence is no better than having none at all.²²⁰ Furthermore, it's critical to understand that the IMF would have required these same conditions as a loan requirements even if Ethiopia had adopted a different economic direction. No matter how few or many conditions IMF loan has, a country will eventually be swayed by discussions and change its substantive economic plan, priority, or method of implementation. Ethiopia is no exception to this rule.

3.5 Prospects of IMF Conditions

The IMF lends money and works with nations to ensure appropriate expenditure. The IMF's surveillance program evaluates Ethiopia's economic and financial policies on a continual basis, which can also act as a crisis early warning system.²²¹ Discussions with Ethiopian authorities center on the effects of their economic policies on stability and growth, as well as potential policy initiatives.²²² Moreover, capacity development usually focuses on how Ethiopia can increase revenues at home, administer budgets and fiscal affairs, control their financial framework, and improve data analysis systems.²²³ It assists the nation in developing and

²²⁰ Ethiopia's 'Homegrown' Economic Reform: An Afterthought, Fortune, <https://addisfortune.news/ethiopias-homegrown-economic-reform-an-afterthought/>

²²¹ IMF Support for Low-Income Countries, <https://www.imf.org/en/About/Factsheets/IMF-Support-for-Low-Income-Countries>

²²² Ibid

²²³ Ibid

implementing solid policies, as well as progressing toward the “United Nations' Sustainable Development Goals.”²²⁴

The enhancement of the whole economic growth of Ethiopia is another objective of conditional financing. Conditionality is a tactic to make sure the country abides by a sensible, comprehensive restructuring strategy because unchecked authorities typically allow policies to exacerbate conditions in other facets of their economies despite making effective adjustments in certain sections of the economy.²²⁵ Furthermore, conditionality can aid Ethiopia in promoting the flow of private investments by highlighting the country's dedication to bringing about economic transformation and sustainability.²²⁶

Financing from the Fund and attached conditions are designed to help Ethiopia achieve an economically viable “medium-term balance of payments” at a reasonable and sustainable pace of development while avoiding a negative impact on its neighbors.²²⁷ A long-lasting adjustment in the balance of payments may require an array of macroeconomic policies and structural reforms intended to support these policies and/or boost the economy's efficiency and resilience while reducing its vulnerability to shocks.²²⁸

The execution of certain elements of the government's policy agenda is explicitly linked to the acceptance or continuance of the Fund's financing through the use of conditionality.²²⁹ That was the central reason for the phasing out of the IMF funding to Ethiopia, the country hasn't restructured its debt due to the northern war and wasn't living up to the conditions of the agreement, by the time the second disbursement of the funding was due. Thus, in this context, conditionality gives the Fund the right to stop providing financing or to refrain from providing such financing provided certain key policies are actually put in place, and it necessitates the Fund to reevaluate the initiative of the member whenever it detects deviations from particular

²²⁴ Ibid

²²⁵ Mark Copelovitch, *The International Monetary Fund in the Global Economy*, New York: Cambridge University Press 2010. 37

²²⁶ Ibid

²²⁷ International Monetary Fund, *Conditionality in Fund-Supported Programs: Policy Issues*, “Policy Development and Review Department 2001, (Washington: International Monetary Fund), 7

²²⁸ Ibid

²²⁹ Ibid

established standards.²³⁰ Concomitantly, it warrants Ethiopia's uninterrupted access of financing under the condition that it abides by a set of predetermined guidelines, and this is helpful to the country because the conditions are precise and objectively verifiable.²³¹

In reality, the Ethiopian government's failure to adhere to all stipulated requirements typically does not indicate that the program is irreparable but rather calls for a reevaluation of the situation to determine if the need for further action is necessary to achieve the intended goals.²³² However, the level that those in power recognize the fact that the monetary support of the Fund is contingent on the execution of particular concurred policies, creates incentives for Ethiopian authorities to put it into effect.²³³ These motivations tend to be essential to the degree that these measures demonstrate a shared compromise among the authorities and the Fund.²³⁴

The structural adjustments and financial consolidation that the IMF has recommended for Ethiopia in the discussion paper's substantive content are intended to address the budget deficit and improve the overall economy of the country. Government income is increased through enacting new tax laws such as property and inheritance taxes, broadening the tax base, and increasing VAT and Excise. While reducing government spending, and streamlining gasoline, energy, and sugar subsidies. The privatization of SOEs also assists the government in reducing or eliminating spending on certain enterprises while enhancing general management.

3.6 Challenges of IMF Conditions in Realizing Economic and Social rights

Economic and social rights, which are enshrined under the ICESCR, are the liberties, benefits, and entitlements that people and communities need to live in dignity.²³⁵ Common Economic and Social rights in domestic constitutional regimes include the “the right to housing”, “the right to food”, “the right to education”, “the right to social security”, and “the right to healthcare”.²³⁶ These rights are sometimes referred to as "second-generation" rights in both international law and local constitutional law to distinguish them from "first-generation" a right, which consists of

²³⁰ Ibid

²³¹ Ibid

²³² Ibid

²³³ Id, 9

²³⁴ Ibid

²³⁵ <https://oxcon.oup.com/display/10.1093/law:mpeccol/lawmpeccol>

²³⁶ Ibid

civil and political rights.²³⁷ Even if some economic and social, rights cannot be implemented right at once, States, like Ethiopia, which have ratified the pertinent treaties, nonetheless have a commitment to protect these rights.

“Austerity measures” and “structural adjustment” have a direct impact on all rights related economy and society, including the rights to education, job, social security, and basic necessities like food and water.”²³⁸ Austerity measures are defined as “formal acts made by the government at a time of unfavorable economic conditions, to lower its budget deficit through a combination of spending reductions or tax increases”,²³⁹ such reductions impair the implementation of fundamental rights and undermine safety nets.

The IMF acknowledged that sustainable “debt reduction involves fiscal consolidation (austerity measures)” and an approach to “policy mix” that promotes development in its 2012 “World Economic Outlook”, which examined 26 scenarios covering a century characterized by elevated public debt difficulties.²⁴⁰ Measures that address the economy's structural vulnerabilities and reinforce fiscal policy are important components of this policy combination.²⁴¹ Second, budget consolidation must prioritize long-term structural improvements of the public finances above one-time or transient budgetary actions.²⁴² Third, lowering the government's debt requires patience, particularly when there is a poor external setting....fiscal consolidation have to concentrate on long-lasting structural reform.²⁴³

Economic and social rights must be respected, safeguarded, and upheld by states. “States are prohibited from interfering with the right's enjoyment under the responsibility to respect.”²⁴⁴ In

²³⁷ Ibid

²³⁸ United Nations Human Rights Office of the High Commissioner Report, submitted pursuant to General Assembly resolution 48/141, considers the impact of austerity measures on economic, social, and cultural rights, on the right to work and the right to social security, with a specific focus on women, migrants, and older persons.

²³⁹ Luc Laeven and Fabian Valencia, Systemic Banking Crises (IMF Working Paper, Sept. 2012)

²⁴⁰ International Monetary Fund, World Economic Outlook October 2012: Coping with High Debt and Sluggish Growth 101, 126 (2012),

²⁴¹ Ibid

²⁴² Ibid

²⁴³ Ibid

²⁴⁴ Fact Sheet No. 33: Frequently Asked Questions on Economic, Social and ...

This publication provides user-friendly guidance and responds to frequently asked questions about economic, social, and cultural rights. The Fact Sheet includes issues related to the right to adequate food, adequate housing, education, health, social security, take part in cultural life, water and sanitation, and work.

<https://www.ohchr.org/en/publications/fact-sheets/fact-sheet-no-33-frequently-asked...> 11.

order to fulfill its responsibility to protect, the State must take “reasonable steps to stop outside parties from obstructing the right's enjoyment.”²⁴⁵ The State has to take “proactive action to establish the circumstances necessary for people to fully enjoy their rights in accordance with the commitment to fulfill them”.²⁴⁶

The ICESCR, Article 2(1) also stipulates that: “Each State Party to the present Covenant undertakes to take steps, individually and through international assistance and co-operation, especially economic and technical, to the maximum of its available resources, with a view to achieving progressively the full realization of the rights recognized in the present Covenant by all appropriate means, including particularly the adoption of legislative measures.”²⁴⁷

As a result, Article 2(1) of the ICESCR is always interpreted in regard to the obligations of governments to uphold certain rights, such as ‘the right to an adequate standard of living, including “food, clothing, and housing and the continuous improvement of living conditions (Article 11)”’; “the right to the enjoyment of the highest attainable standard of physical and mental health (Article 12)”’; “the right to work (Article 6); ‘the right to social security (Article 9)”’; “special protection and assistance measures for women and children (Articles 10(2) and 10(3))”’; “the right to education (Article 13)”’.²⁴⁸

The commitment "to take steps" recognizes that while the full realization of the relevant rights may be attained gradually, steps towards that goal must be taken within a reasonable amount of time after the Covenant's entry into force for the States in question.²⁴⁹ This was emphasized by the Committee on Economic, Social, and Cultural Rights (the Committee) in explaining various aspects of this obligation.²⁵⁰ These attempts are required to be purposeful, and specific, and ought to be evidently aimed at fulfilling the duties specified in the Covenant.²⁵¹

²⁴⁵ Ibid

²⁴⁶ Ibid

²⁴⁷ International Covenant on Economic, Social and Cultural Rights, G.A. Res. 2200A (XXI), 21 U.N. GAOR Supp., No. 16, U.N. Doc. A/6316, at 49 (1966) Article 2

²⁴⁸ Philip Alston and Gerard Quinn, ‘*The Nature and Scope of States Parties’ Obligations under the International Covenant on Economic, Social and Cultural Rights*’, 9 Hum. (1987)

²⁴⁹ Committee on Economic, Social and Cultural Rights, General Comment No. 3: The Nature of States Parties’ Obligations (Art 2, Para. 1 of the Covenant), E/1991/23, Dec. 14, 1990, } 2.

²⁵⁰ Ibid

²⁵¹ Ibid

The ICESCR's primary guiding principles of “non-discrimination”, “non-retrogression”, “equality”, and the idea of “basic core responsibilities” are laid forth in Article 2(1) of the treaty.²⁵² The principle of non-discrimination is an “immediate and cross-cutting obligation” in the ICESCR, requiring states to “guarantee non-discrimination in the exercise of each of the economic, social and cultural rights enshrined in the Covenant,” with such discrimination constituting “any distinction, exclusion, restriction or preference or other differential treatment that is directly or indirectly based on the prohibited grounds of discrimination and which has the intention or effect of nullifying or impairing the recognition, enjoyment or exercise, on an equal footing, of Covenant rights.”²⁵³

The “right to food”, the “right to health”, the “right to social security”, and the “right to water” among other things are held by the committee as basic core responsibilities.²⁵⁴ These obligations apply “even in times of resource constraints whether caused by a process of adjustment, of economic recession or by other factors the vulnerable members of society can and indeed must be protected by the adoption of relatively low-cost targeted programs.”²⁵⁵

To help regulate the relationship, duties, and rights between international financial institutions (lenders) and states (borrowers), international organizations, particularly the “United Nations Agencies”, have adopted a variety of standards of engagement and soft laws, such as the “United Nations Human Rights Commission's” “Guiding Principles on Foreign Debt and Human Rights”. The obligation of states to ensure the protection of economic and social rights, and inclusiveness of citizens in decision-making, as well as on the implementation of Sustainable development objectives, is thoroughly covered in the document. The goal of the principle is to find a fair and sustainable solution to the tension that exists between a country's political obligation to pay off its debt and its inhabitants' ability to exercise their inalienable human rights.²⁵⁶

²⁵² Diane A. Desierto and Colin E. Gillespie, ‘A Modern Integrated Paradigm for International Responsibility Arising from Violations of Economic, Social and Cultural Rights’, 3 Cambridge J. Int’l & Comp. L. 2, 1–40 (2014).

²⁵³ Committee on Economic, Social and Cultural Rights, General Comment No. 20: Non-Discrimination in Economic, Social and Cultural Rights (art. 2, 2), E/C.12/GC/20, Jun. 10, 2009

²⁵⁴ Committee on Economic, Social and Cultural Rights, General Comment No. 3: The Nature of States Parties’ Obligations (Art 2, Para. 1 of the Covenant), E/1991/23, Dec. 14, 1990

²⁵⁵ Ibid

²⁵⁶ Report of the Independent Expert on the effects of foreign debt and other related international financial obligations of States on the full enjoyment of all human rights, particularly economic, social and cultural rights, Cephas Lumina, United Nations General Assembly Human Rights Council A/HRC/20/23 (2011), 3

Under several human rights agreements to which Ethiopia is a party, it is the Ethiopian government's principal duty to allocate adequate resources for the attainment of its citizens' economic and social rights. When inadequate money is redirected to repay the debt, pillar social programs including social services, medical care, electricity, water, and education, in least developed nations like Ethiopia will inevitably suffer.²⁵⁷ Poor countries that service debt experience a deterioration in their ability to realize economic and social rights as well as progress, as noted by UN human rights authorities. "IFIs have the duty to refrain from formulating, adopting, funding and implementing policies and programs which directly or indirectly contravene the enjoyment of human rights", according to section II of the "foundational principle," principle 9.²⁵⁸ Furthermore, it states in principle 8 that "loan agreements must be arranged such that nations like Ethiopia can achieve their development objectives and not obstruct their inhabitants' ability to realize their economic and social aspirations".²⁵⁹

The Ethiopian government must, in accordance with the conditions of the IMF loan agreement, take into account how structural transformation, economic stability, and external liabilities may affect these objectives when designing policies and measures.²⁶⁰ Additionally, the government must implement policies that give its citizens access to the basic services they need to exercise all of their human rights, with a special focus on the most underprivileged members of society.²⁶¹ In addition, debtor countries like Ethiopia should give human rights-related spending top priority when allocating funds from their budgets to ensure that they are fulfilling their "minimum core obligation" of social and economic rights as well as their progressive realization in accordance with principles 16, 18 and principle 49.²⁶²

The "Principles on Promoting Responsible Sovereign Lending and Borrowing" of the "United Nations Conference on Trade and Development", is another significant principle governing the relationship between governments and IFI. "Governments are State agents, and as such, they have a duty to protect the interests of their citizens when they enter into debt agreements", as per

²⁵⁷ Ibid

²⁵⁸ Section II, Principle 9, Guiding Principles on Foreign Debt and Human Rights

²⁵⁹ Ibid, principle 8

²⁶⁰ Ibid, principle 12

²⁶¹ Ibid, principle 11 and principle 13

²⁶² Ibid, principle 16, principle 18, and principle 49

principle 8 (Agency).²⁶³ Hence, the Ethiopian government has a responsibility to protect the economic and social rights of the population whilst taking into consideration the magnitude of the adverse consequences of debt repayment on the nation's credibility, affecting upcoming generations and administrations, and keeping in the forefront the fact that the citizens are the ones ultimately liable for servicing the loan.²⁶⁴

There has long been discussion about how IMF conditionality will affect society. IMF conditionality's critics claim that it can result in severe "collateral damage" in poor countries deliberately or by lack of attention and allege that the organization never institutionalized the social development policy agenda.²⁶⁵ Even when the IMF acknowledged it, criticism of its policy recommendations grew even stronger.²⁶⁶ A fresh wave of studies provided more proof of the connections between IMF-designed reforms like privatization, and fiscal consolidation, and unfavorable social consequences such as poverty and inequality.²⁶⁷

The Committee has repeatedly assessed structural adjustment initiatives throughout its management of the state reporting system under the ICESCR, both as created by the state party alone and as necessary by international financial organizations as part of loan conditionality.²⁶⁸ The Committee determined that such programs, in the situations of “El Salvador, Senegal, Nicaragua, Venezuela, Colombia, the Netherlands, Sweden, and Bulgaria” among others, adversely impacted governments' capacity to fulfill their ICESCR duties.²⁶⁹

The community of the poor and lower middle class is negatively impacted by the implementation of fiscal consolidation and privatization in Ethiopia. First off, property taxes are assessed only on the asset's value rather than the homeowner's income, which may not be equitable.²⁷⁰ In the matter of VAT, it is added to products and services at each step of production and distribution,

²⁶³ United Nations Conference on Trade and Development', "Principles on Promoting Responsible Sovereign Lending and Borrowing" (2012), principle 8

²⁶⁴ Ibid

²⁶⁵ Alexander, (n 55)

²⁶⁶ Ibid

²⁶⁷ Ibid

²⁶⁸ n188, p 21

²⁶⁹ Ibid

²⁷⁰ Property Tax Help for Low-Income Homeowners [Explained] - DoNotPay.

There are two types of threshold circuit breakers: Single threshold circuit breakers—the same percentage of the breaker is applied to all low-income homeowners equally. Multiple threshold circuit breakers—the applied percentage depends on the income level. <https://donotpay.com/learn/property-tax-help-for-low-income-homeowners>

and it is a regressive tax, meaning it deducts a greater portion of income from low-income individuals than from those with higher incomes.²⁷¹ The poor may suffer as a result of price increases brought on by VAT because they spend a lot of money on things that are subject to tax.²⁷²

When it comes to privatization of State-Owned Enterprise like the one Ethiopia did through the EIH its primary goals are to increase productivity, create income, foster competition, and expand capital markets.²⁷³ Nevertheless, since businesses prioritize maximum profits and because there are no government subsidies, the price of essential goods and services increase, affects affordability, increasing the typical citizen's cost of living predominantly true for poor and lower middle class.²⁷⁴

Studies indicate that Ethiopia's average yearly inflation rate exceeds 35%, and rising petrol costs would place a greater rising strain on existing substantial living costs that confront the citizens of the country.²⁷⁵ Where supply chains rely on road travel between urban centers and exterior harbors, higher gasoline prices are going to raise the cost of transport, which will result in a cascading effect on overall consumer pricing.²⁷⁶ With imports of petroleum-based products escalating by nearly 75% and imports of grains by 121% between July 2021 and April 2022 compared to the same period in 2020–21, rising fuel and food prices have weakened Ethiopia's terms of trade.²⁷⁷

Pursuant to the “Memorandum of Economic and Financial Policy”, the program supports Ethiopia's attempts to fulfill important obligations “under the Sustainable Development Goals (SDGs)”, with an emphasis on safeguarding the underprivileged.²⁷⁸ Furthermore, it states that the government commits to allocating adequate funding for crucial social security initiatives,

²⁷¹ The Effects of the Value-Added Tax on Revenue and Inequality
<https://www.tandfonline.com/doi/full/10.1080/00220388.2017.1400015>

²⁷² Ibid

²⁷³ Advantages and problems of privatization, Pettinger et al.
<https://www.economicshelp.org/blog/501/economics/advantages-of-privatisation/>

²⁷⁴ Ibid

²⁷⁵ The Economist Intelligence Unit, Solutions,
<https://country.eiu.com/article.aspx?articleid=552296438&Country=Ethiopia&topic=Economy&subtopic=Forecast&subsubtopic=External%2Bsector>

²⁷⁶ Ibid

²⁷⁷ Ibid

²⁷⁸ IMF Discussion paper, p.68

especially the “Productive Safety Net Program (PSNP)” and its variant, the U-PSNP, which particularly is aimed at the disadvantaged and impoverished in urban areas.²⁷⁹

Alternatively, it is alleged that the government traditionally defined "poverty-related spending" quite broadly and that expenditure continues to be dropping even with this criterion.²⁸⁰ It is deemed "pro-poor" to spend any amount on health, education, agriculture, roads, and water.²⁸¹ Even by this wide standard, the amount spent on these five domains, which between 2011/12 and 2015/16 accounted for around 12 percent of GDP, fell to 9.3 percent in 2018/19.²⁸²

In the long term, it is anticipated that the overall scope of social assistance programs would stay steady, but making the programs more effective, restoring the true value of benefits, and broadening regional coverage will have a substantial positive impact.²⁸³ Throughout the tough economic period, the rural PSNP offers designated impoverished rural families with unconditional (on work) or conditional (on work) cash or food payments.²⁸⁴ However, as of 2016, the PSNP only provided coverage to 13% of Ethiopia's poor, therefore significantly expanding the program to provide more widespread regional coverage would have considerable advantages.²⁸⁵

Although this social support is commendable, it is inadequate and does not cover the entire regions of Ethiopia. The social programs appears negligible in comparison to the massive rate of subsidy reduction, tax increase, service, and good price increase according to the conditions, and enormous price increase in goods and services, caused by fuel subsidy reduction and privatization of SOEs. The actions adopted will have a significant negative impact on the economic and social rights of the poor and even the lower middle class for an extended period or beyond. The researcher does not consider the support and measures to be proportionate by the reasonable man's standards (definitely not economic). Even if it is an empirical evaluation that goes beyond the researcher's field of study, the collective data support it.

²⁷⁹ Ibid

²⁸⁰ Id p 21

²⁸¹ Ibid

²⁸² Ibid

²⁸³ Ibid

²⁸⁴ Ibid

²⁸⁵ Ibid

3.7 Policy and Legal Measures to Mitigate the Challenges IMF Conditions Pose

For least-developed nations like Ethiopia, a balance of payment is a concern that is basically certain or extremely probable. Ethiopia must strengthen the state of its economy, to be eligible to utilize numerous financial markets as feasible options that lend with free or few constraints attached. Growing powerful economy without a doubt makes countries powerful negotiators with symmetrical powers including with the IMF.

However, in inevitable circumstances like these, Ethiopia should have a knowledgeable and skilled team of experts to negotiate a better arrangement in keeping with the needs and long-term interests of the nation. The negotiating team must also include representatives from all relevant ministries, including the Ministries of Finance and Social Affairs as well as the National Bank of Ethiopia and other spending Ministries like the Ministries of Health and Education, to balance the scale of national interest and have a balanced representation.

Additionally, when drafting austerity plans, the authorities must consider the guidelines established by the UN Office of the High Commissioner for Human Rights (OHCHR), which has its own "Human Rights Compliance Criteria for the Imposition of Austerity Measures" and conducts a test on the international legality of states' austerity measures during an economic crisis. Those criteria are (1) "the existence of a compelling State interest"; (2) "the necessity, reasonableness, temporariness, and proportionality of the austerity measures"; (3) "the exhaustion of alternative and less restrictive measures"; (4) "the non-discriminatory nature of the proposed measures"; (5) "protection of a minimum core content of the rights"; and (6) "genuine participation of affected groups and individuals in decision making processes."²⁸⁶

Circuit breakers for property tax laws are one technique to shield the poor from paying excessive property taxes. The regulations ensure that property taxes do not consume an excessive amount of the family budgets of qualified households by crediting back property taxes that exceed a predetermined percentage of income.²⁸⁷ Giving tenants the chance and funding to buy their

²⁸⁶ U.N. Office of the High Commissioner for Human Rights, Report on Austerity Measures and Economic and Social Rights (2013)

²⁸⁷ Preventing an Overload: How Property Tax Circuit Breakers Promote Housing Affordability
<https://itep.org/property-tax-affordability-circuit-breaker-credits/>

homes is another approach to aid people in staying entrenched in their neighborhoods.²⁸⁸ Keeping individuals in their houses despite rising property values can assist avoid displacement and assure their ability to do so.²⁸⁹ Property tax exemptions are yet another strategy to shield the underprivileged from paying property taxes.²⁹⁰ Low-income households or older persons who fulfill specific age requirements may be eligible for these exemptions.²⁹¹

When it comes to value added tax (VAT), protection for the underprivileged can be achieved through VAT zero rating.²⁹² In most countries with VAT, certain goods and services are zero-rated to alleviate the tax burden on the poor.²⁹³ Tax credits and deductions are two further strategies for shielding the poor from taxes.²⁹⁴ Families with low incomes may additionally utilize the standard deduction to lower their taxable income.²⁹⁵

Lastly, social expenditures and aid for the poor should be allocated properly and efficiently to safeguard the economic and social rights of all people, but notably those from lower socioeconomic strata and the destitute. 68.7% of the population (80,553 thousand in 2020) is categorized as multifaceted poor, and another 18.4% is vulnerable to multifaceted poverty, therefore it is imperative that vital social safety net measures are put into place to safeguard this group.²⁹⁶

3.8 Conclusion

To assist the implementation of Ethiopia's HERP, in 2019 the IMF authorized a \$2.9 billion ECF and EFF finance package. A total of 318.6 million dollars have been taken out by Ethiopia to date, over 200 million of which came from the concessional facility, leaving 1.5 billion dollars

²⁸⁸ Perspective | Yes, you can gentrify a neighborhood without pushing out poor people.

<https://www.washingtonpost.com/outlook/2019/04/08/yes-you-can-gentrify-neighborhood-without-pushing-out-poor-people/>

²⁸⁹ Ibid

²⁹⁰ Ibid

²⁹¹ Senior Low Income Property Tax Exemption | Retire Fearless, <https://www.retirefearless.com/post/senior-low-income-property-tax-exemption>

²⁹² How effective is VAT zero rating as a pro-poor policy? <http://www.econ3x3.org/article/how-effective-vat-zero-rating-pro-poor-policy>

²⁹³ Ibid

²⁹⁴ Ibid

²⁹⁵ How does the federal tax system affect low-income households?, <https://www.taxpolicycenter.org/briefing-book/how-does-federal-tax-system-affect-low-income-households>

²⁹⁶ Ethiopia - Human Development Reports, <https://hdr.undp.org/sites/default/files/Country-Profiles/MPI/ETH.pdf>

unspent. The Ethiopian government is currently attempting to come to a staff-level agreement that would result in the restart of the IMF's multibillion-dollar initiative in Ethiopia.

The Extended Fund Facility (EFF) and the Extended Credit Facility (ECF) were used by Ethiopia. In order to help nations with persistent balance of payments issues, the Poverty Reduction and Growth Trust (PRGT) established the Extended Credit Facility (ECF), which has a 0% interest rate. However, the Extended Fund Facility was created to help nations with significant payment imbalances and is accessed from the general resources account.

In summary, the program negotiations set forth the terms agreed upon between Ethiopia and the IMF as fiscal policy changes, exchange rate and monetary policy reforms, financial sector reforms, and structural reforms. While the foundation of Ethiopian Investment Holdings and the privatization of state-owned businesses like the telecom industry served to primarily undertake structural changes. Tax changes and subsidy reductions were used to carry out the fiscal consolidation. Among the tax reforms are changes to the excise tax, changes to the value-added tax, and the establishment of the property tax.

Ethiopia's HGERP is quite analogous to the economic advice provided by the IMF and other International Financial Institutions, therefore conditionality with regard to substance has had little impact. That said, the IMF may very likely use the discussion to influence the program's implementation sequence, manner, and procedural details. The fiscal consolidation strategy and legislative measures that Ethiopia adopted have had a detrimental impact on the economic and social rights of the underprivileged and lower middle class.

Chapter 4

4.1 Conclusion

The IIMF is a group of 190 nations that seeks to encourage international monetary cooperation, ensure financial stability, boost trade between nations, sustainable economic growth, and lessen poverty worldwide. The IMF lends money to nations who are having financial problems. These loans frequently have requirements that the borrower nation undertake specific economic changes or policies. The loan arrangements comes with conditions requiring the borrower Nation to carry out specific economic reforms or policies. These requirements are meant to assist the nation in addressing its economic issues and re-establishing financial stability.

The IMF has come under fire for placing onerous requirements on borrower nations that might cause civil discontent and instability in society. Critics claim that the requirements are frequently unfavorable and that they may force social expenditure to be reduced, which would harm the poor and destitute. They contend that the circumstances can erode national sovereignty and democracy by pressuring nations to adopt measures that are not in their best interests. On the contrary, proponents of the IMF contend that the institution is required to encourage economic growth and stability in emerging nations.

In order to balance budget deficits, the IMF has a number of requirements, including financial reform, structural reform, privatization, and austerity measures. Governments utilize austerity measures as a kind of economic policy to lower budget deficits. Tax hikes, expenditure reductions, or a mix of the two may be included in them. While structural adjustment programs (SAPs) are used to restructure the economy of the nation, increase its competitiveness abroad, and balance its budget. The effect of austerity policies and structural adjustment plans frequently results in a regress in the exercise of economic, social, and cultural rights. The rights to social security, food, water, health care, education, and other basic necessities may all be affected by reductions in governmental spending on programs that help the poor.

In 2019, Ethiopia drew money from the IMF's "Extended Credit Facility" and "Extended Fund Facility" totaling 2.9 billion dollars. The money will be used to carry out the Home-grown economic reform agenda. In particular, the program aids in reducing external imbalances, containing debt risks, easing financial repression, increasing domestic resource mobilization, and allocating sufficient funds for pro-poor expenditures.

The loan for Ethiopia had its own conditions, as with other IMF loans. The terms that were agreed upon included structural changes, financial sector reforms, exchange rate and monetary policy reforms, and fiscal policy reforms. Ethiopia has achieved structural changes and financial consolidation in accordance with these requirements. One of the major specific reforms targeting structural reforms is privatization of state-owned enterprises (SOE), which was implemented through privatization of the telecommunication sector and sugar sectors at the start. Subsequently the Ethiopian government has established the Ethiopian Investment Holding which has some of Ethiopia's largest and most productive state-owned enterprises in its portfolio, such as Ethiopian Airlines, the Commercial Bank of Ethiopia, or Ethio Telecom, and Regardless of the holding percentage of the government is considered as a private business organization.

Additionally, the government reduced subsidies and increased taxes as part of its budget consolidation efforts. The government made an attempt by implementing a new framework for excise taxes and property taxes. The government is also working to change the Value Added Tax so that it now includes water and electricity. On the other hand, although not stated expressly in the discussion paper, the program's particular implementation of subsidizing through subsidies for gasoline, sugar, and electricity has since dropped or been eliminated.

The researcher took two approaches to answer the question of whether Ethiopia's economic sovereignty—the ability to freely determine its economic course—was affected by the IMF, forcing Ethiopia to implement policies it otherwise would not have. In terms of substance, as economists have pointed out with clarity, the agenda for Homegrown Economic Reform is quite similar to the recommendations made by the IMF. In this sense, Ethiopia is not substantially compelled by the IMF to embrace an alternative economic strategy that is at odds with its own economic orientation. IMF loans, on the other hand, are structured in a way that requires discussion over issues like priority, timeframe, and manner of implementation. Because economic policy is as much about establishing sensible objectives and carrying out the proper sets of policies as it is about the economic substance, its procedural implementation is just as crucial as its content. Due to the HGERP's similarities to IMF economic policy subscriptions, the study discovered that the procedural application of IMF conditionality has a greater impact on Ethiopia's economic sovereignty than the actual substance/content of economic policies.

Conditions imposed by the IMF provide Ethiopia both opportunities and difficulties. The upside of conditionality is that it offers a framework for signal extraction. In practice, failing to meet all agreed-upon conditions by the Ethiopian authorities typically does not mean that the program is doomed to failure, but rather necessitates a reevaluation of the situation to determine whether and what additional action is needed to achieve program objectives. However, if the authorities are aware that the Fund's financing is reliant on them carrying out specific agreed-upon policies, this motivates them to do so; such incentives are frequently crucial, to the extent that these policies represent a negotiated compromise between the authorities and the Fund. Therefore, when IMF requirements are properly implemented, payments are balanced and the budget deficit decreases, improving Ethiopia's economic trajectory and the Ethiopian people's ability to realize their Economic and Social rights.

On the other hand, IMF conditionality can seriously impair the Economic and Social rights of the underprivileged and lower middle class by intention or by omission. Ethiopia is a party to ICESCR and recognized Economic and Social right under the FDRE Constitution. All recognized human rights provisions are out to be interpreted through the lenses of ratified International Human rights instruments such as the ICESCR. Various principles and norms have been drawn out by United Nations Agencies to balance state obligation to service debt and protect Economic and social rights of citizens. Guiding Principles on Foreign Debt and Human Rights by UNHRC, and Principles on Promoting Responsible Sovereign Lending and Borrowing by UNCTAD are some of soft laws drawn to govern debt restructuring and protection of Human Rights. Public expenditure reduction caused by austerity measures hampers the realization and enjoyment to the rights to water, food, education health care, social security, and other utilities.

In the instance of Ethiopia's attempt to balance its budget through structural adjustment, tax increases and reductions in government support have a very detrimental impact. Despite having a sound rationale, privatizing state-owned companies raises service and costs since businesses are primarily driven by profit, not by affordability. Some of the noteworthy tax revisions and introductions in the recent three years include the expansion, increase, and introduction of new tax regimes including the VAT, Excise Tax, and property tax. Additionally, though not specifically mentioned in the discussion paper, some major subsidy rationalizations in a comparable era include the reduction of subsidies for gasoline, electricity, and sugar. These

rationalizations of subsidies, particularly those for gasoline, promote inflation, which raises living costs and affects the affordability of essential economic and social services for the underprivileged and lower middle class.

4.2 Recommendation

Policy recommendation for protecting economic sovereignty of Ethiopia throughout IMF negotiation

- Develop and maintain highly qualified educated, skilled, and experienced team of professionals to negotiate a better deal in line with the country's priorities and long-term interest in realizing economic and social rights of citizens.
- Maintain a balanced representation of the Ministries in the negotiations, both Money authorities and spending authorities to balance societal interest.

Legal and policy measures to protect Economic and Social Rights during implementation of IMF conditions

- Use the “Human Rights Compliance Criteria for the Imposition of Austerity Measures” of the “United Nations Office of the High Commissioner for Human Rights” in times of economic crisis and negotiation to craft appropriate policy and legal measures.
- In case of Property tax, circuit breakers and property tax exemptions must be provided for the poor.
- In case of Value Added Tax (VAT), certain goods and services must zero-rate to alleviate the tax burden on the poor.
- Tax credits and Standard deductions must be available to low-income households to reduce their taxable income.
- Social spending and assistance for the poor should be placed efficiently and effectively to protect the Economic and Social rights of the especially the poor and lower middle class.

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