

**THE IMPACT OF STATE POLICIES AND
STRATEGIES IN ETHIOPIA'S DEVELOPMENT CHALLENGE**

By

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DECLARATION

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I declare that **THE IMPACT OF STATE POLICIES AND STRATEGIES IN ETHIOPIA'S DEVELOPMENT CHALLENGE** is my own work and that all sources that I have used have been indicated and acknowledged by means of complete references.

AMHA DAGNEW TESSEMA

MARCH 2012

DEDICATION

This study is dedicated to my wife **AIDA BECHU** and to my children **MERON, MAKEDA** and **DAGNEW** (junior) and to the countless thousands of my country men and women who perished and to those still struggling to transform Ethiopia into a democratic country.

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Abbreviation and Acronyms

ADLI - Agriculture Development Led Industrialization

ANDM – Amhara National Democratic Movement

CSA – Central Statistical Authority

CUD – Coalition for Unity and Democracy

DCs – Developed Countries

DS – Development Studies

DDS – Democratic Developmental State

ECA – Economic Commission for Africa

EEA – Ethiopian Economic Association

EFFORT – Endowment Fund for Rehabilitation of Tigray

ERP – Economic Reform Program

FDRE – Federal Democratic Republic of Ethiopia

ESAF – Enhanced Structural Adjustment Facility

GDP – Gross Domestic Product

IMF – International Monetary Fund

ITU – International Telecommunication Union

LDC – Least Developed Countries

LPA – Lagos Plan of Action

MDGs – Millennium Development Goals

MoFED – Ministry of Finance and Economic Development

MTEFFP – Medium Term Economic and Financial Framework Paper

NEPAD – New Partnership of African Development

NGO – Non-governmental Organization

NERP – New Economic Reform Program

OAU – Organization of African Unity

ODA – Official Development Assistance

ONCCP – Office of National Committee for Central Planning

OPDO – Oromo Peoples Democratic Organization

PASDEP – Plan for Accelerated and Sustained Development to End Poverty

PDOs – Peoples Democratic Organizations

PDRE – Peoples Democratic Republic of Ethiopia

PMGSE- Provisional Military Government of Socialist Ethiopia

PRS – Poverty Reduction Strategy

REST – Relief Society of Tigray

SAP – Structural Adjustment Program

SDPRP – Sustainable Development and Poverty Reduction Programme

SEPDO – Southern Ethiopia Peoples Democratic Organization

TGE – Transitional Government of Ethiopia

TPLF – Tigray Peoples Liberation Front

UDHR – Universal Declaration of Human Rights

UNCTAD – United Nations Center for Trade and Development

USAID – United States Agency for International Development

WB – World Bank

WHO – World Health Organization

WPE – Workers Party of Ethiopia

WTO – World Trade Organization

List of Key Terms and concepts

Authoritarian	Import Substitution Strategy
Basic Needs Approach	Lagos plan of Action
Capitalism	Market capitalism
Central planning	Market socialism
Clientalism	Marxist theory
Classical School	Modernization Theory
Consensually unified elites	Multi-lateral financial institutions
Colonialism	Nation – state
Communism	Neo-Marxist
Corruption	Neoclassical school
Development Studies	NEPAD
Democratization process	Neo-colonialism
Democratic Developmental State	Neo-liberal
Development Debate	Orthodox theory
Development economics	Pan Ethiopian
Development model	Patronage politics
Development theory	Peasantry
Development Plan	Political accommodation
Development policy	Predatory state
Developmental state	Private sector
Dependency Theory	Reform
Dictatorship	Rent-seeking state
Disunified elites	Revolution
Economic development	Socialist oriented countries
Elites	Socialist path of development
Ethnic based parties	Socialism
Ethnic regionalism	State sector
Ethnic politics	Structural adjustment program
Failed state	Sustainable development
Human Development Theory	Transition period
Human Development Index	World system theory
Ideological unified elites	

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Chapter I: OUTLINE OF THE RESEARCH PROJECT

1.1 Introduction

With most African countries, the dream of modernization and development appeared with the advent of colonialism and more so with the end of the process of decolonization, a mere 50 years ago. The dream to develop Ethiopia earnestly started with the Bismark of Ethiopia – Emperor Tewodres (1855-1868) more than 150 years ago.

To this day, emperor Tewodros's dream, the aspiration he so zealously fought for, i.e. a state that would serve as an engine of his country's unity, growth and modernity remain unfulfilled. To this day, Ethiopia has become a global synonym for famine, war and destitution. It also lacks internal unity and political stability. The reason, by coincidence, has become the focus of this dissertation. Alluding to Ethiopia's century and half-long unsuccessful modernization and development effort, Clapham [2006:(44) 1-2] wrote:

In a way, Ethiopia is a peculiarity among African states. It was the sole indigenous African State to survive the colonial period. Its attempt of modernization and development started much earlier than most African countries. For Ethiopians, the striking differences in levels of state capability between themselves and European powers – and later and still more ignominiously, between themselves and some other African states were a source of reproach that called for strenuous efforts at rectification... As can be seen from the fact that Ethiopia remains one of the poorest countries on earth, In striking contrast to Japan – the story of its repeated failures is inevitably dispiriting.

Ethiopia has missed three opportunities in less than a generation. The first one was the 1974 popular revolution which was later hijacked by the Marxist military government. The second one was when the current EPRDF government overthrew the military government in May of 1991. The third one was the May 2005 election, which was won by a coalition of democratic forces. Unfortunately, the result was forcefully subverted by the current government. Three opportunities in a generation is a privilege seldom granted to a country and its people. Squandering all of them is a crime against posterity. In all three occasions, one sees the lack of national political reconciliation between Ethiopia's political elite as blocking the way forward towards the consummation of the process of nation – state building; towards creating the necessary political condition for consensual politics and on the basis of the above conditions, devising sound economic and social policies that could lift Ethiopia out of the poverty trap.

Levin (2008:1), writing on the issue of Ethiopia's missed opportunities, maintains that since the 1960's Ethiopia has missed five opportunities; *“the failed coup d'etat of December 1960 (against the emperor); the stolen peaceful revolution of 1974, the contested liberation of 1991, the gratuitous war of 1998 with Eritrea and the broken promise of the May 2005 elections”*. He holds that this 'patterns of missed opportunities' are deeply rooted in the Ethiopian culture. Had these missed opportunities been properly utilized, they could have led to the formation of a democratic state, the strengthening of which would have created an enabling economic environment for a socially anchored developmental state.

Levin (2008: 1) indicating his regret of the pattern of missed opportunities in Ethiopia noted:

Beset on all sides by states riven with prolonged strife, political crisis and human misery, Ethiopia stands at a daunting crossroads. Will she join the company of those troubled states through an escalation of internal strife and repression compounded by increasing levels of chronic poverty, disease and hunger? Or will she step forward to be an exemplar for Africa, her friends and admirers have long hoped she would become once again?

It was the May 2005 squandered opportunity by the leaders at the helm of the Ethiopian State, the third one between 1974 and 2005, that finally inspired the researcher of this dissertation to decide and write on the topic that he has chosen for this dissertation. To some extent, therefore, this dissertation is a re-assessment and re-evaluation of the researcher's political and economic philosophy. As a member of the governing elite during the revolutionary experience of Ethiopia, the researcher of this dissertation participated in what could be said to be a quasi-socialist economic planning and management of Ethiopia's economy. The failure of that experience ought to have been taken by the subsequent power holders as a lesson on how to better navigate the economic policy environment of Ethiopia. Unfortunately, no movement is seen in this direction and hence, many more wrong policies are being implemented.

1.2 Background to and motivation for the research

In order to move Ethiopia forward, in terms of political, economic and social development, the obstacles should be identified. Identifying the barriers of political, economic and social development in Ethiopia and suggesting the ways to remove them, or if this seems to be a rather ambitious thought, to at least present an evangelical plea to Ethiopian and African scholars to initiate a research on the nature of the problem of lack of economic development in Ethiopia, is the motivation for this dissertation. The main theoretical and practical reasons that motivated the researcher to undertake his MA dissertation is the desire to systematize the thoughts that have been echoing in his mind for a good part of the last 36 years of his adult life.

It is an irony that a country that was seen as a beacon of hope during Africa's anti-colonial struggle, a country that has, in its own way, assisted the decolonization process in Africa, has become a case of chronic failure when it comes to realizing development for itself. This dissertation will have accomplished its mission if it triggers a debate among Ethiopian and African development researchers and practitioners to study the reasons why, the Ethiopian state, which led a great civilization more than two thousand years ago, has currently failed to play the same role, when the need for it to provide development guidance and leadership is so urgent and overwhelming.

This dissertation will try to explore ways to liberate Ethiopian and by extension African development scholarship from the pure economic analysis commonly preached during the last five decades and stress the need for a further research into what Sklar (1987:868-700) referred to as "the political theory of development".

Hence, it is the researcher's contention in this dissertation, that the problem child of Ethiopia's lack of economic development in particular and that of sub-Saharan African countries in general, is in the nature of the predatory and rent seeking state or what Bayart et al (1999: 88) refer to as the "rhizome" or "Shadow State", and the existence of a disunified national elite structure, the combination of which has given rise to the "criminalization of politics and the state" (Bayart et al 1999: 16). The solution ought to be, establishing a democratic developmentalist state by way of forming a consensually unified national elite structure in the political domain. A related component of the solution is to undertake the necessary institutional mechanism i.e in state, party, civil society and also enact the requisite economic reforms that, put together, could lead to the establishment of a democratic developmental state in Ethiopia.

On the other hand, a related purpose of this dissertation is to underscore the need to liberate African and by extension Ethiopian development scholarship from the neo-liberal view of the withering away of state-led development and to analyze the failures of development attempted by the Ethiopian state, in light of the post cold war phase of democratization. If ever the researcher succeeds in this effort, he thinks the degree of the success rate could be taken as a contribution of the study.

The research topic/problem is very significant in the sense that:

- a) The findings of the research, while they may not rock the policy formulation environment in Ethiopia at present, could, it is hoped, create incremental and cascading changes that could contribute to the further understanding of the reasons behind the perennial problem of lack of economic, political and social progress in Ethiopia. In this sense, the research could have strategic significance from the standpoint of the long term economic and political policy evolution of Ethiopia in particular, and hopefully other African countries in general; and
- b) The proposals emanating from the research findings will either challenge or lend support to previously untested policies and by extension, will either help formulate or alter the existing political and economic policies of the country which could have potential contributions to Ethiopian society.

The researcher does not intend to arrive at an absolute and perfect theory for the reasons of Ethiopia's (and by inference, Africa's) lack of economic and political development and how to overcome them. Consequently, the end result would be a recommendation in the form of how to reorganize the Ethiopian state into a democratic developmental state so that it could serve as an engine of growth and development. The recommendation could well be something akin to finding the correct balance between politics and economics in an attempt to attain economic development. The writer hopes that all these issues would serve as ingredients for the dissertation.

1.3 The research problem and Objectives of the study

It is often indicated in books dealing with research that the most difficult stage in the research process is the identification of a research topic or problem. The substance of the research topic of this dissertation, which in its overall context, is the politics of development in Ethiopia, has been lingering in the mind of this researcher for quite a longtime. Hence, the effort devoted to actually frame the research topic for the dissertation has been a very difficult process. Even though the researcher has his country – Ethiopia, in mind when he initially conceived the idea for his dissertation, he was apprehensive that he would have nothing original to produce and that what could be said could probably have been said by others before. Blaxter, Hughes and Tight (2006: 12 – 14) maintain that there are more than fifteen definitions of originality, and that “it is possible to be original in terms of topic approach or presentation”. According to Blaxter et al (2006: 14) “doing research is, therefore, about producing something that is ‘good enough’ rather than providing the last final word of truth on a particular topic”. Getting such an understanding was quite encouraging.

The seemingly arduous task of formulating a focused topic for the dissertation was finally resolved by way of further reading and serious contemplation on the subject matter of the research problem. The choice of the research topic was motivated by the development debate which has, for a long time been something very close to the researcher’s interest.

Development, as conceptualized by Todaro and Smith (2009: 20-21) is “*a sustained elevation of an entire society and social system toward a ‘better’ or ‘more humane’ or ‘good life ... the core values of development that relate to fundamental human needs and that find their expression in almost all societies and cultures at all times are ‘sustenance’, ‘self-esteem’ and ‘freedom’*”.

The desire to contribute to the understanding and more precisely, to help find the ultimate solution to a perennial problem of Ethiopia’s lack of development is the ultimate reason for studying the research problem. The current topic of this dissertation will, hopefully, treat the research problem in its complexity. The problem area to be covered by the topic is amenable to empirical investigation, and hence researchable. It is researchable in the sense that once the research topic was identified, data collection has not been much of a problem, since the researcher of this dissertation has been compiling such data for quite some time.

The main research problem of this dissertation is to present the dysfunctionality of the current state system in Ethiopia by outlining the abuses, contradictions and ineffectiveness and point out its inability to achieve political, economic and social development. The sub-objectives are: to explore the nature of the Ethiopian state and its impact on Ethiopia’s political, economic and social development by way of observing the effects of the current government’s policy failures to positively utilize pan-Ethiopian nationalism for the purpose of enhancing economic and social development; to examine the political orientation and the

division of Ethiopia's political elite and its impact on the country's development initiatives. This is dealt with in chapters three and four of the dissertation.

The objective of this dissertation is to call for a democratic developmental state for Ethiopia, as a pre-condition for its development, and to argue that this new state form must embody consensually formed nationalist developmental ideology. It is the belief of the researcher that the recommendation put forth in this dissertation has a realistic chance of emergence and source of support. The dissertation will, therefore, analyze the notion of the democratic developmental state and explore the means through which it can be realized in Ethiopia. In the first part of Chapter three of this dissertation, a reference is made to Ethiopia's imperial past, in the form of a historical and romanticizing discourse. This is because in the specific situation of Ethiopia, benevolent emperors or Neguse - Negest (king of kings) were in most cases, champions of progressive economic and social changes, while regional war lords invariably stood for regressive ideas and practices. This has its parallel in current day politics. While the supra-ethnic political elite in Ethiopia stands for the successful consummation of the Ethiopian nation - state, the regional political elites stand for ethnic entitlement at the expense of nation building. This is done under the cover of the catch - phrase "the right of nations and nationalities to self determination". On the contrary, had the ambitions of modernizing emperors of the 19th and 20th centuries been successful and had their efforts at nation building not been frustrated by regional warlords, their nationalism-cum-modernizing efforts could have enabled Ethiopia join the ranks of the middle income countries during the current 21st century.

This line of analysis could probably be criticized for introducing nationalism and not democracy and the developmental state as the master discourse in the dissertation. It could in some sense be properly viewed as such. It is the contention of the researcher of this dissertation, however, that for a democratic developmental state to be established in Ethiopia, pan - Ethiopian nationalism must be adopted as the consensus building developmental ideology. The researcher argues that in the case of Ethiopia, as was the case with early modernizers like Great Britain, Germany and Japan and by a slightly different logic - currently developed South Korea and China, one cannot analyze either democracy or the developmental state, nor understand economic development without democracy, outside of the emphasis given to the process of consummating nation - state building.

The fact of the matter is that, in the case of Ethiopia, its repeated attempts to consummate its nation - state formation has been persistently aborted by the existence of contending nationalisms. It is the belief of the researcher of this dissertation that without the process of nation building being completed, it would be difficult, if not impossible to realize development with democracy. In Europe, medieval disunity and backwardness was represented by regional fiefdoms and lords. Unified nations and empires stood for unity and economic progress. The economic nationalism of the period of mercantilism, led as it were by imperial dynasties, was the precursor to the period of the industrial revolution. In recent times, nationalism has been the distinguishing feature of the developmental state experience of South and North East Asian

developmental states. Democracy, in the political aspect, was built after its socio-economic pre-conditions were laid down by a developmental state. As a house should not be built without a proper foundation, so too a democratic developmental state cannot be built without a nation–state, or more precisely a nationalist fervor for development.

Hence, the researcher of this dissertation maintains that it is necessary to ascertain the need for a supra-ethnic nationalism and show that this notion of supra ethnic nationalism is a central component to the recommended democratic developmental state model for Ethiopia.

1.4 Research Methodology

In this dissertation the deductive – inductive method of research is applied. As Basavanthappa (1998:4-5) noted, *“First, an attempt was made to identify and define the problem. Second, a hypothesis in the form of an idea was formulated and a probable solution was suggested. Third, the data collection and organization was done to prove the hypothesis and fourth, a conclusion was formulated. Finally, the hypothesis is either verified or rejected”*. This method of research is, according to Basavanthappa (p.5), the method that is suggested by John Dewey (1938).

The research methodology is, by and large, theoretically oriented. The theoretical part of the dissertation will mostly constitute literature review and analysis. The purpose of the literature review is to generate research questions and to identify what is known and not known about the topic. The related purpose is to develop knowledge – base to carry out the research. According to Kumar (2005:37), the purposes of literature review are “ (1) to provide a theoretical background to ones study, and (2) to enable one contextualize the findings in relation to the existing body of knowledge in addition to refining the methodology”. In this sense, the literature review part of this dissertation (i.e. chapter two), which presents the theoretical literature on the subject of development in a comparative way should also be taken as part of the research methodology. In so far as the supporting arguments and statistical data presented in the parts of the dissertation that deal with the evaluation of Ethiopia’s current political and economic system impose a certain degree of objectivity to the research process expounded in this thesis, the dissertation can also be said to be an empirical study. It is also a combination of critical analysis, philosophical inquiry and historical research study and hence, a qualitative study.

Some parts of the dissertation will incorporate views aired in public and private discussions held at various times and places in Ethiopia and include a representation of viewpoints on the cause of Ethiopia’s and Africa’s problems of economic development. The background information for the part of the dissertation dealing with Ethiopia will rely on pertinent Ethiopian historical, political and economic literature and utilize notes of national political discourse accumulated over the years by the researcher, in the form of notes. The

researcher's personal experience as a party development functionary for 13 years has also made the subject matter to be treated rather familiar.

As a member of the Ethiopian Economic Association, the writer has access to the Ethiopian Economic Association Library. He also has access to the Addis Ababa University Library and to the Library of the Economic Commission for Africa (ECA). As a former employee to the former Planning Commission Office, now called the Ministry of Finance and Economic Development (MoFED), the writer has also access to its library, where he could find primary sources like official economic policy papers, macroeconomic and sectoral economic and social data and plan documents. Access to the above libraries has enabled the researcher to get most of the relevant economic information on Ethiopia, as presented by successive governments.

The literature review part of the dissertation has mostly made use of secondary sources. Few primary sources have been used in the literature review and analysis part of the dissertation. Primary sources, which include written materials by a person or persons or organizations who developed the theory or provided the information were extensively used in the main body of the dissertation. These include documents published by the Ethiopian government pertaining to macroeconomic policy and planning, government macroeconomic and sectoral statistics, and also some government proclamations. Most of the other literature pertaining to the theoretical issue of the dissertation has utilized secondary sources, representing a response to or a summary and critique of a preliminary theoretical or research work.

The researcher is not particularly keen on using interviews as part of the research methodology for this dissertation. This is so for obvious reasons. Officials of previous regimes are either dead, imprisoned or out of the country. Hence, they could not be interviewed. Officials of the present regime cannot be interviewed. Rigid ideological differences and fear of imprisonment inhibit such an undertaking. The writer has, therefore, ruled out interviews, and questionnaires. Instead, a supplementary part or annex has been added after the concluding part of the dissertation. It is the hope of the researcher that the information presented in the appendix would supplement and support the main research argument.

1.5 Scope and limitation of the study

1.5.1 Scope of the study

The scope of the discourse in this dissertation is to theoretically analyze the different components or characteristics of the democratic developmental state in general, to counterpoise such analysis with the actual practice of the Ethiopian state and to deduce from such analysis the inability of the current Ethiopian state to become developmental. *Ex definicione*, in order for a state to be considered as a democratic developmental state, not only has the state to be democratic, its economic ideology ought to be developmentalist. Furthermore its developmental strategy should be based on nationalism. As Mkandawire

(2001:289) indicated, “the main force behind the developmentalist ideology has usually been nationalism, inducing nations to seek to ‘catch up’ with countries considered more developed”. Furthermore, in order for the democratic developmental state model to be realized, “elite settlement” or “convergence” is required.

It is also important to note that in the literature dealing with the development debate in Africa, there are evidences supporting the recommendation of the democratic developmental state model. Before the storm of political instability erupted around the mid 1960’s, in the form of coup d’états and ‘wars of liberation’, there was almost a decade of development under conditions of political peace and stability in Africa. The immediate post-independence period could also be cited as an example in which the two slogans of ‘nation building’ and ‘development’ had more or less coincided. In the literature on African development, there are examples of African countries whose ideological underpinnings were clearly ‘developmental’. In his concluding part to his contribution ‘*Thinking about developmental states in Africa*’, Mkandawire (2001:310) wrote:

The experience elsewhere is that developmental states are social constructs consciously brought about by political actors and societies. As difficult as the political and economic task of establishing such states maybe, it is within the reach of many countries [In Africa] struggling against the ravages of poverty and underdevelopment. The first few examples of developmental states were authoritarian. The new states will have to be democratic, and it is encouraging that the two most cited examples of such ‘democratic developmental states’ are both African - Bostwana and Mauritius. (Braketed insertion mine)

It is in light of such a plausible reasoning that in the concluding chapter of this dissertation, a democratic developmental state model is recommended for Ethiopia. The researcher does not intend to arrive at an absolute and perfect theory with regards to his proposal on how to establish a democratic developmental state in Ethiopia. The recommendation could well be something akin to finding the correct balance between politics and economics in an attempt to attain developmental democracy in Ethiopia. Consequently, the end result would be a recommendation in the form of how to reorganize the Ethiopian state into a democratic developmental state so that the country’s development efforts could bear fruit.

1.5.2 Limitations of the study

Much of the literature in the development debate however, especially those that came out since the late 90’s argued that developmental states, in their democratic or authoritarian forms were hard to come by in Africa. Pointing out the reasons for Africa’s persistent failure in getting out of the poverty trap, and for the inability of African countries to transform themselves into democratic developmental states Mbaku (1999:298) contends:

Most state activities in Africa have involved primarily the management of crises in order to help the incumbent (1) maintain a monopoly on power; (2) continue to control the allocation of resources; (3)plunder the economy for the benefit of the ruling coalition and its supporters; and (4) appease competitive ethnic and social groups, in order to maintain a semblance of political stability and continue to attract foreign resources. The state’s preoccupation with crisis management has prevented it from serving as an engine of social, political and economic transformation ...

The indigenous elites who had captured the evacuated structures of colonial hegemony turned them into instruments of plunder and squandered the opportunity to advance Africa socially, economically and politically.

Despite the above shortcomings, the dissertation recommends a democratic developmental state for Ethiopia. It is the hope of the researcher of this dissertation that the recommendation could be realized, provided all the component parts or features of the democratic developmental state are put into effect. However, the relationship between the developmental state model and democracy is very precarious, especially during the initial stages of its existence. The experience of most of the Asian tiger economies which have later become examples of the democratic developmental state model testify to this fact. The first and second round Asian tiger economies initially developed under “authoritarian auspices” (White 2006:61). The fact that from the fifty plus African countries only Botswana and Mauritius could be classified into the democratic developmental state model, makes the experience of the model rather rare and hence probably hard to apply to other African countries with different historical, political and economic features.

The issue of how nationalism should be handled in the democratic developmental state model, especially in less developed countries with a multitude of ethnic composition is also a very controversial subject. Ethiopia has for instance close to 89 ethnic groups, even though the political contestants are three ethnic groups. All of the first round Asian tiger economies of Taiwan, South Korea and Hong Kong are composed of no more than one ethnic group. The second generation Asian Tigers like Singapore, Thailand, Malaysia and Indonesia are composed of no more than three to four ethnic groups. The issue of “elite settlement” and “elite convergence” in African Countries, including Ethiopia, in which inter-elite divide is in most cases based along ethnic than ideological divide is an issue that is easier said than practiced. The concept of “elite settlement” requires ethnic based political parties to reorganize themselves into multi-ethnic political parties and for such parties to arrive at a common understanding on the political rules of the game. The elite-mass relationship had historically been, in Africa at least, inversely related. These issues have been very problematic areas in Africa, including Ethiopia. On the other hand, “elite settlement” is also related to the existence of a democratic political culture which in itself requires a certain level of economic development. In the current condition of Africa, both are lacking or more correctly, are in the initial phases of their development.

Even though the above mentioned issues are still controversial and remain to be problem areas, addressing them is a central component of this dissertation. Suffice it to say at this point however, that in so far as the above mentioned issues are controversial, recommendations made in the last and fifth chapter of this dissertation should be taken as having their own limitations. The fact of the matter is that, it is in spite of the objective limitations indicated above, that the democratic developmental state model should seriously be taken up as the only alternative model of development for Africa in general and Ethiopia in particular.

It is also important to point out what the researcher thinks could be the subjective limitations of this study. Deep in the mind set of the researcher of this dissertation, there is an unflinching hatred to regime types that abuse their powers and work not for the country, but for the interest of a specific ethnic group, party, region or even worse, for their power and or wealth-thirsty ego. Unfortunately, all regimes that previously held and the one currently holding power in Ethiopia could be characterized as such. Such a mind set is not without its consequences. It could be the case that this type of mind-set could influence the political philosophy of the researcher in terms of not strictly being objective. The researcher will try to be objective the best he can. But if it turns out than he is not completely successful, the degree of deviation from objective scholarship could be taken as a limitation of this dissertation.

Basically, the researcher views the study he has undertaken towards preparing and finalizing this dissertation as part of his personal learning process. Hence, the study could deviate a little from a strict and limited research methodological framework. In sum; the researcher prefers to let the dissertation develop in the process, in the same way as the recommendations proposed in the study could be seen as a theory-in-process.

Chapter II: THEORETICAL FRAMEWORK – IN THE FORM OF LITERATURE REVIEW

2.1 Introduction – The Concept of Development

Implicit in the use of the term ‘development’ is the notion of the co-existence of affluence together with abject poverty and deprivation not only across continents but within a single country. Development is often associated with questions like: why do poor countries lag behind rich countries in their overall wellbeing? Can poor countries with subsistence economies be transformed into rich and high income countries? Is it the case that political and economic process that are at work in the developed countries, negatively or positively, affect the situation in the developing countries? Why do poor countries lag behind rich countries in their level of development? How can poor countries catch up with the rich countries? Such are the issues that are dealt with when one refers to the concept of the process of development (Todaro and Smith 2009: 5).

According to Todaro and Smith (2009: 6-7) the above set of questions and the replies given to them fall within the preview of the specific disciplines of political economy and development economics. Todaro and Smith define political economy and development economics as such:

Political economy is concerned with the relationship between politics and economics, with a special emphasis on the role of power in economic decision making... Development economics has an even greater scope. In addition to being concerned with the efficient allocation of existing scarce (or idle) resources and with their sustained growth overtime, it must also deal with the economic, social, political and institutional mechanisms, both public and private, necessary to bring about rapid and large scale improvements in levels of living for the peoples of Africa, Asia, Latin America, and the formerly socialist transition economies.

It is the researcher’s understanding that both political economy and development economics are within the preview of the broader discipline of development studies. A major problem embodied in the concept of development is that higher economic growth rates could coexist with absolute poverty, increasing income inequality and rising unemployment. Unless poverty is highly reduced, inequality is addressed and unemployment dealt within the context of a growing economy, it would be wrong to call the mere growth in economic activity as development. Todaro and Smith (2009: 15) contend:

The question to ask about a country’s development are therefore: what has been happening to poverty? What has been happening to unemployment? What has been happening to inequality? If all three of these have declined from high levels, then beyond doubt there has been a period of development for the country concerned. If one or two of these central problems have been growing worse, especially if all three have, it would be strange to call the result “development” even if per capita income doubled...Rising per capita incomes, the elimination of absolute poverty, greater employment opportunities and lessening income inequalities therefore, constitute the necessary but not sufficient conditions for development.

Todaro and Smith (2009: 43-56) maintain that for the purpose of comparative measurement of the level of development across countries, the types of measurement widely accepted by economists are the adjusted Gross National Income per capita and the Human Development Index (HDI). Todaro and Smith (2009: 43, 46) define the above types of measurements as follows:

Gross national income per capita, adjusted for purchasing power parity (PPP) . Purchasing power parity is defined as the number of units of a foreign country's currency required to purchase the identical quantity of goods and services in the local (LDC) market as 1 USD would in the United States. ... The Human Development Index (HDI) is a measure that equally weighs average income, health and educational achievement ... By examining each of the three major components of HDI ... and by disaggregating a country's overall HDI to reflect income distribution, gender, regional and ethnic differentials, we are now able to identify not only whether a country is developing but also whether various significant groups within that country are participating in that development (Todaro and Smith 2009: 43, 46, 56).

2.2 An Overview of the Development Debate

In the 1960s the identification of development with economic growth came under increasing criticism by many scholars and development institutions. It was argued that development involves more than economic growth and changes in economic structures. Critics went even further and challenged the narrow focus on the economic dimensions of development.

The role of governments and the state in economic development has also been a central subject in the development debate. The development debate therefore, deals with the issue of how to fix inequalities and governments, since one cannot fix inequalities without fixing governments. A summary essay of a book under preparation on global inequality (www.esquire)* states:

A global divide by wealth and poverty, health and sickness, food and famine, the extent of inequality across nations today is unprecedented ... inequality is not predetermined ... Nations are not like children- they are not born rich or poor. Their governments make them that way... People need incentives to invest and prosper; they need to know that if they work hard, they can make money and actually keep that money. And the key to ensuring incentives is sound institutions, the rule of law and security and a governing system that offers opportunities to achieve and innovate. That is what determines the haves from the have – not's - not geography or weather or technology or disease or ethnicity. Put simply: fix incentives and you will fix poverty. And if you wish to fix institutions, you have to fix governments.

In the age of neo liberal globalization in which finance capital has literally broken down national boundaries, in which Information Technology has turned our world into a global village, the role of the state in national economic development has been expanded. The existence of regional blocks and the necessity of being a member of WTO has made the role of the state in regional and international economic relations rather indispensable. The most controversial topic in the development debate up until the collapse of communism in 1989 has been the issue of the path dependent model of development. No wonder that it was during the height of the Cold War that the development debate was seriously undertaken.

Most African countries have failed to replicate the experience of South East Asian countries, which on the whole pursued the capitalist path. Nor have Africa South of the Sahara been successful in emulating countries like the former Soviet Union and China, which on the whole pursued the socialist path of development. So, there must be other factors apart from adopting competing ideological models of development that ought to explain Africa's persistent malaise.

* Acemoglu, D.R. 2009, theory of Inequality. Available at: Mhtml: <http://mail.google.com/moil/h/idctnboghuz/?view=att&th=2aechaca312ff5&atm>(accessed on 11/25/2009)

The initial period of the debate was influenced by Orthodox views of development theory in the form of the modernization theory. According to the orthodox theory of modernization, it was assumed that development can be achieved by following the process used by the currently developed capitalist countries and underdeveloped societies would increasingly become developed, the more they resembled the developed industrial democracies.

Regarding the orthodox view of development theory, Carew and Mundo (1993: 40- 42) argued:

Underdeveloped countries would start at a low level of socio-economic and political development and would gradually move not to a socialist but liberal capitalist path- way of development... It seemed not to be concerned with the way states achieved the highest level of capitalist development, what mattered was that they got there... Even dictatorships were justified if they assisted the capitalist pathway to development.

In the 1980's and 1990s many African countries were in fact going backwards in development. In fact, economically, they were even worse off than they had been in earlier decades (World Economic and Social Survey 2006:2). After the mid 1990s, much of Asia and Latin America were registering growth and development. The failure of development in much of sub-Saharan Africa came to be a cause of concern for many development economists.

Incidentally, the orthodox modernization theory, or more correctly, its neoclassical version, is the theory embraced by multilateral financial institutions like the WB and IMF which, in turn, are controlled* by the developed capitalist countries. In light of such a view, and as a result of the competition the West had with world socialism, large amounts of capital was injected by the West, especially the U.S into the economies of the Tigers of East Asia – Taiwan, South Korea, Singapore and Hong Kong, which were then shown as showcases for successfully overcoming underdevelopment - the capitalist way.

The neo-liberal approach, which is an offshoot of the modernization theory, assigns to governments a minimalist role in the economies of the developing countries, while the radical approach grants the state a maximalist role in economic development. Thomas Jefferson, the typical representative of the minimalist view for instance holds:

*A wise and frugal government which shall restrain men from injuring each other and which shall leave them otherwise free to regulate their own pursuits of industry and improvement, and shall not take from the mouth of labor the bread it has earned. This is the sum of good government.***

Like Adam Smith, who believes in minimizing the role of government and enhancing the 'invisible hand' of the market, Jefferson also believes that government is best that governs least.

Tabellini (2005, (58)2: 283) echoing Thomas Jefferson's view contends:

...the key challenge for most developing countries is to create the basic legal and institutional infrastructures that protect property rights, enforce private contracts and allow individuals to freely take advantage of market opportunities. In principle, there are many more things that governments could and should do: provide public goods, correct market failures, reduce inequalities in income and opportunities, stabilize excessive economic fluctuations. But these other government activities are not what make the difference between success and failure in economic development. The real difference is made by the basic institutional and legal infrastructures that protect property rights, enforce the rule of law and prevent abuse by governments.

* This has now changed. At the end of October 2010, the IMF board was reorganized to reflect the positions held by emerging market countries like China, India, Brazil and Russia in the current global economy

** Quoted in Guido Tabellini, 2005. The Role of State in Economic Development, KYKLOS, Vol. 58 No. 2, p. 283

But the usefulness of neo-classical development theory as a policy tool diminished over time as all other underdeveloped countries in Asia, Africa and Latin America failed to replicate the examples of the Asian tigers. The radical view of development theory emerged as a reply to the assumption of the orthodox modernization theory that developing countries would catch up to the developed countries if they persist in the capitalist path of development.

The radical view of development theory generally falls into two camps: The Marxist and the dependency theorists. Most of what could be termed as Marxist economic theory wrote little or almost nothing to what is directly relevant to the issue of development as we know it today. Even though Marxism pays grudging tribute to the material achievements of capitalism, it believes that capitalism was transitory in nature and that the internal contradictions within it would give rise to its antithesis – Socialism and finally communism, which according to Marx, unites capitalist technology and social public ownership of all means of production with an equitable distribution of wealth in society (Marx and Engels, 1973: 30-31).

Curiously, the school of thought that based its entire theory on uncovering the mechanics of capitalist-exploitation, provides no satisfactory answer on how the continent of Africa, most affected by the original European capitalist exploitation, could free itself from the state of underdevelopment. Analyzing this specific issue, Keita (2004:132) maintains:

It is instructive to note that the post-enlightenment idea of development as instructive to the path of human history was central to the philosophy of history formulated by the German thinker Hegel, a major influence on Marx in the nineteenth century... An interesting point about Hegel's dialectics of history is that his philosophy of history granted no development path for Africa. Africa, according to Hegel, had not entered into the path of human history, therefore it did not contain the necessary criteria for development. In this regard, Africa would be permanently undeveloped.

The part of it that Marx wrote that could be related to development thinking is his views on class relations and exploitation and the extraction of surplus value by capital, leading into the accumulation of capital. It is this concept that might have influenced the dependency theory in formulating the theory of the developed West the 'center' exploiting the underdeveloped south, the "periphery". Neo-Marxist dependency theory expounded by people like Andre Gunder Frank, Raul Prebisch, Fernando Cardoso, and Walter Rodney etc ... was critical of the orthodox modernization theory. Dependency theory divided countries into 'center' and 'periphery' and underlined that their relationship is one of exploitation of the periphery by the center. It argued that since exploitation allowed the center to develop at the expense of the periphery, it is impossible for the same process to lead to the development of the exploited periphery.

As an outgrowth of this theoretical debate came the Marxist and neo-Marxist scholars within the new school of dependency. Khadiagala (1990:348) argued that shifting the cause of Africa's underdevelopment from the political and economic malpractice inside each African country to that of the global forces of capitalism was the reason that caused it to lose relevance.

While the dependency theory was still marketable i.e. the economies of Asian Tigers and some Latin American countries were registering phenomenal growth, the need arose for a new direction in the research for the immutable problem of Africa's development. For failing to explain the ensuing theoretical as well as practical debate better than Khadiagala, (19990:349) the writer is obliged to quote from him the following:

To the perennial questions of political power and legitimacy were added questions linking economic process with state formation. This debate was informed by a simple question: If South East Asian and Latin American countries could attain such phenomenal levels of development under authoritarian regimes, then were there factors other than the external ones to explain Africa's persistent malaise? Why couldn't Africa develop under the same ostensibly hostile external economic conditions? Moreover, Africa had all the characteristics of authoritarianism... Consequently, there had to be something fundamentally wrong with the African state.

With the failure of both the modernization theory and its neoclassical version and also of the dependency theory of development, came the human development theory. So, in development theory, attention began to be given to the human factor and to political development. The important lesson that seems to have been learned is that without effective government and good policies, without healthy and skilled people, development was not to be attained. It was in light of this experiment of the mid 1990s, that the development debate was further intensified.

The most notable proponent of human development theory is Amartya Sen. In his famous work, 'Development As Freedom' (1999: 53) he argues that "enhancement of human freedom is both the main object and the primary means of development". A vigorous defender of political freedom, Sen believes that in order for economic growth to be achieved, social reforms such as improvements in education and public health must precede economic reform.

Amartya Sen (1999: 35-160) has argued for a type of development focusing on the concept of freedom. Economic growth, technological advance and political change are all to be judged in the light of their contributions to the expansion of human freedoms. Among the most important of these freedoms are freedom from famine and malnutrition, freedom from poverty, access to health care and freedom from premature mortality.

According to Sen, freedoms are both ends and means, thus, political freedom can contribute to economic dynamism. There is no objective definition of development and there may be basic differences of opinion about the goals of development. Sen's use of the concept of freedom as a yardstick for development is significant. In his view, economic growth remains important, but not as a goal in itself. It is important in its potential contribution to expanding a wide range of freedoms. Here is what Sen says in his introduction to his famous book, "Development as Freedom" (1999:3-4):

...Viewing development in terms of expanding substantive freedoms directs attention to the ends that make development important... development requires the removal of major sources of un freedom: poverty as well as tyranny, poor economic opportunities as well as systematic social deprivation, neglect of public facilities as well as intolerance or over activity of repressive states... the violation of freedom results directly from a denial of political and civil liberties by authoritarian regimes and from imposed restrictions on the freedom to participate in the social, political and economic life to the community.

Sen (1999:3-5) maintains that a country can grow rapidly, but still do badly in terms of political freedom, freedom from famine and malnutrition, literacy, health, life expectancy and nutrition. Criticism of growth at any cost mode of development led to the emergence of social indicators like life expectancy, literacy, levels of education, infant mortality, availability of telephones, hospital beds, licensed doctors, availability of calories, and so forth.

Sen's concept of tying up freedom, including political freedom with development is highly relevant. It seems that over the long-run, signs are that development cannot be sustained for too long even in China without political freedom in particular and democracy in general. On this specific issue Sen (1999: 150) has the following to say:

Systematic empirical studies give no real support to the claim that there is a general conflict between political freedoms and economic performance... while different empirical studies have varied in emphasis, there is by now a fairly agreed general list of 'helpful policies' that includes openness to competition, the use of international markets, a high level of literacy and school education, successful land reforms, and public provision of incentives for investment, exporting and industrialization. There is nothing whatsoever to indicate any of these policies is inconsistent with greater democracy and actually had to be sustained by the elements of authoritarianism that happened to be present in South Korea or Singapore or [present day] China. (Bracket mine).

Korten's writing on people-centered development further strengthens Sen's argument on the necessity of tying-up freedom with development. Korten and Klauss(1984: ix) maintain that poverty, environmental deterioration and the lack of empowerment of people with regards to their participation in the development process are the three developmental challenges facing the world at present. Empowerment is unthinkable without freedom.

Korten and Carner (1984: 203 -207) hold that both capitalist and socialist economic systems are similar in one important respect. Both systems follow the conventional production – centered development model. Korten and Carner (1984: 201) claim that in both systems the needs of the systems have assumed precedence over the needs of people and that the demands of both development models derive people to the destruction of their environment. They maintain (1984: 207):

Focusing on the production centered development paradigm is not an effective approach to realizing the productive potentials of the great masses of the population, nor to creating a production system responsive to their needs. ... Production –centered development views both people and environment as exogenous variables... For people – centered development both people and environment are endogenous variables, the point of departure for development planning” (Korten et al 1984: 207).

After the end of the cold war and the resurgence of the neo-classical development model, most LDC's have been adhering to the orthodox development model, which Korten described as a production-centered development model. In the developing countries, recent experience indicates that income growth seem to go hand in hand with both increasing unemployment and inequality.*

* In the case of Ethiopia, this theoretical assertion holds true. If government figures are to be believed, GDP and with it national Income has, over the last few years, been increasing, while unemployment and inequality have both been rising.

Income growth, unemployment, and inequality are probably the three most typical characteristics of the recent experience of developing countries... while the engine of growth has been running strong, the accessories of economic growth (more employment and fair distribution of income) either have failed to function or have systematically been offset by dis equilibrating forces, leaving development to trickle up, rather than down. (Nugent and Yotopoulos, Cited in Korten and Klauss, 1984:107)

Korten (1984: 299) maintains that the current post industrial era significantly differs from the industrial era and that the production – centered development paradigm differs substantially from the people – centered development paradigm. In elaborating further the essence of people – centered development paradigm Korten (1984: 300) points out the following:

People – centered development places substantial value on local initiative and diversity. It thus favors self – organizing systems developed around human scale organizational units and self-reliant communities. The dominant logic of this new people – centered development paradigm is a balanced human ecology. The dominant resources are the inexcusable resources of information and creative initiative. The dominant goal is human growth defined in terms of greater realization of human potentials.

The most significant difference between the production – centered development paradigm, which is the embodiment of the neo-classical growth theory, and the people – centered development paradigm is, according to Korten (1984: 300): “...*the former routinely subordinates the needs of people to those of the production system, while the later seeks consistently to subordinate the needs of the production system to those of people*”.

Leaving aside the experience of the post Soviet economic policy environment in Eastern Europe, the experience of China seems also to be within the sphere of the developmental debate. China is moving its economic system in the direction of market socialism. Gregory et al (1999: 250-267, 413-426) hold that the difference being while the transition period from planned socialism to market socialism in the countries of the former Soviet Union and Eastern Europe applied the strategy of “the all inclusive, rapid and ‘big bang’ approach,” the strategy that was pursued by China was selective (does not include the political system) and was more ‘evolutionary’ (Gregory et al, 1999: 250 -267; 413-426).

From the point of view of the narrower classification of economic growth and to some extent of development, the transitional strategy pursued by China since the beginning of the 1980s seems to have registered a much higher score. The transition that was initiated by Deng Xiaoping in China in 1978 avoided the political liberalization and democratization that were introduced into the Soviet system by Gorbachev. The Chinese leadership preserved the political monopoly of the Chinese communist party and retained, in large measure, the administrative – command structure of the economy. The Chinese political leadership however, managed to unleash the productive and entrepreneurial talents of the Chinese people by following a mix of economic policies and strategy. The Chinese reform strategy, which was termed as the four modernizations, was aptly described by Gregory et al (1999:260) as follows:

China unleashed the forces of private initiative in the agricultural, service and light industries sectors. Village and township enterprises were allowed to be formed and to operate outside the state planning system and bureaucratic controls. To tackle China’s lack of foreign capital and technology, China established ‘especial trading zones’ in areas close to Hong Kong and liberalized its joint venture laws; it promoted the establishment of export oriented joint venture in the zones. It relaxed its foreign trade regime and encouraged business to import and export using decentralized market arrangements, The result, Direct

foreign investment in China exceeded a cumulated total of USD 40 billion by 1996... almost 60 percent of this direct investment came from "Greater China" sources Hong Kong, Macao and Taiwan.

Without democratizing its political system and with a predominant control of the 'commanding heights' of the economy by the state, China has managed to register a sustained economic growth of its economy over the last twenty five years. In effect, "China has somehow found a way to do centrally planned capitalism" (Newsweek, 2005:Nov.20). China became successful by crafting a third way. This third way is a way of mixing socialism with Capitalism. China used a market based socialist path of development, albeit with significant market reform, in the form of private property rights in agriculture and later in industry.* China's success in achieving faster and sustained economic development over the last thirty years has given rise to the renewed centrality of the state and the eclipsing of the Washington Consensus.

The result of China's economic development model are impressive and unprecedented by any standard. According to Todaro and Smith (2009: 193):

From 1978 to 2006, the economy of China grew at an average rate of approximately 9% a year ... China's income per capita by 2006 was more than five times higher than it was in 1978... the number of poor in China fall from 53% in 1981 to just 8% in 2001... Reductions in extreme poverty in China are far faster and greater than anywhere else in the world.

Even though China's economic performance is staggering, its development model cannot easily be transplanted to other developing countries or more precisely, there are limits, on the part of other developing countries, to emulate the achievements of China. Todaro and Smith (2009: 198) argue:

Not only do other developing countries differ in geography, demography, institutions, and allure to foreign investors, but other regions may find themselves starved for investments that are redirected to China, while remaining unable to compete with China's impressive combination of low wages, high skills and know-how, and agglomeration of economic activity ... for many developing countries, the success of China today appears to be much of a threat than an opportunity.

Some economists, including Western educated Chinese economists, citing rampant corruption or "the abuse of power in pursuit of profit," the catastrophic pollution, unstable trade imbalances and 'an income gap between the city and the country side that is larger than anywhere else in the world' (The New Yorker, October 11/2010:49, 51) that accompany the breakneck economic growth, argue if the Chinese model should be replicated by other developing countries. One such Chinese economist, working as a China scholar at the Carter Center in Atlanta maintains:

For all of China's achievements, it still has a per-capita income somewhere between Turkmenistan's and Namibia's. China has succeeded in industrializing a very poor, rural country, but it is notoriously difficult to climb out of what economists call the 'middle income trap' ... Proclaiming success is not simply premature, it could have the curious effect of sanctioning its own decline, by providing a practical excuse to postpone political reform or even declare it totally unnecessary (Yawei Liu, cited in The New Yorker, October 11/2010: 49,51).

* Newsweek (October 26/2009:7) analyzing China's economic surge forward during the current recession, describes the Chinese model as "a strange mixture of state intervention, markets, dictatorship and efficiency".

In evaluating the preconditions of economic growth and development, “*most studies indicate that it is not absolutely necessary to have all aspects of the democratization process to be in place before sustained economic growth could be initiated*” (World Economic and Social Survey, 2006: 125-146).

Edigheji (2004:84-103), using the institutional approach initiated by Evans (1995) categorizes African states into predatory, developmental and intermediate. Such an approach places the reason of the developmental failure of Africa squarely within an institutional framework. In line with this, Edigheji argues that the institutional nature and character of the African state since independence is the prime cause for the continent's poor social and economic performance. According to him, overcoming underdevelopment in Africa, depends, to a large extent on the ability of the continent to establish state and society institutions than can successfully engineer social and economic transformation.

Lawson (2003:37, 38) on the other hand, laments the deplorable condition Africa finds itself in within the globalized economy by pointing to the following facts:

Africa's share of exports in world trade has declined from an already miniscule 2.4 percent in 1970 to 1.4 percent in 1990 and 1.3 percent in 1998. Gross domestic product for sub-Saharan Africa grew at an average annual rate of 4.2 percent from 1965 to 1980, 2.1 percent in the 1980s and 2.4 percent in the 1990s. When population growth is factored in, per-capita GDP growth was positive only in the first (pre-liberation) period. As a result, sub-Saharan Africa entered the twenty-first century poorer than it was at independence 40 years earlier, globalization notwithstanding... The International Financial Institutions have long maintained that benefits of globalization to Africa are limited by domestic obstacles; bad policies; poor governance and weak states, with most recent analysis folding policies and governance into the broader concept of state capacity.

The World Economic and Social Survey (WESS) which was cited earlier seems to be based on a sober assessment of the development debate in the last five decades. The document asserts that world inequality is high and rising and that in the past 50 years income levels in the developing countries has been declining while that of the industrialized countries has been steadily growing. It also maintains that it was only East and South Asian countries that achieved success with the neo-liberal development paradigm, while sub-Saharan African countries, which applied the same strategy did not (WESS, 2006: 128).

The document goes on to note (2006:17):

Since 1980, international inequality has increased sharply and only East and South Asia have grown more rapidly than industrialized countries. The expected convergence between advanced regions and the rest of the world never took place. The income gap widened more slowly during the period 1950 – 1973. Most of the successful growth stories have occurred in East Asia, while most growth collapses have been seen in Africa...On the African continent, in contrast, the trend has been one of downward convergence of income levels following slow growth in nearly all of the countries over the last four decades. Only the southern tip of the continent, comprising Botswana, Mauritius, South Africa and Namibia, as well as Gabon in the West and Tunisia in the north had avoided membership in the lowest income club as of 2001.

The document argues that, the development success in East and South Asian countries like Taiwan, Singapore and Hong Kong and African high achievers such as Botswana and Mauritius can be understood in the framework of these countries “creating a shared-growth path”, in perfecting the workings of the market and in achieving social cohesion” (WESS, 2006: 128). On the other hand, the document contends that the role of the state in the development process is essential and that a “gradualist governance reform-quite different from that emanating from the Washington Consensus” is required to enhance development (WESS, 2006: 134).

After analyzing the process surpassed by some developing countries in achieving sustained growth over the last forty years, the document points out to the following theoretical postulates as reasons of success in these countries:

1. *The pursuit of a pure self-regulating market without any government or social involvement reflects a dangerous illusion;*
2. *The importance of addressing the binding constraints on growth being faced and of creating a sense of priority in governance transformation;*
3. *When a governance reform (such as land reform, foreign and domestic trade reform etc...) induces large shifts in income from one group to another, it was important to make the workings of the market consonant with social cohesion;*
4. *Step by step changes to governance structures (including institution building) can be sufficient to trigger growth;*
5. *A governance system is country and region specific and cannot be fully transplanted from one country to the other;*
6. *The governance indices would not apply to 18th and 19th century new world countries such as the U.S, Canada, Australia, New Zealand and to a certain extent South Africa, in which European settlements have taken place, and that under such a condition, it is human capital that is the basic determinate of economic development and indeed of governance and institutional quality (WESS, 2006:132).*

In summarizing the above theoretical postulates, the document points out (WESS, 2006:130), “there is a two-way relationship between economic performance and the governance system; economic performance and the quality of governance exert an influence upon each other and thus are determined jointly” The document further points out that following the rather weak growth performance of the 1980s, most developing economies focused on the earlier orthodox development strategy of rolling back the state, by means of freeing domestic markets of price controls, lifting trade barriers, liberalizing financial markets and privatizing state owned enterprises. The document further maintains that it was only the East and South Asian countries that achieved successes with this type of paradigm shift in development policy, while sub-Saharan African countries did not and the result of the application of this development strategy was rather lukewarm for Latin American Countries (WESS, 2006:128).

It is worth noting that East and South Asian countries have succeeded with the same type of development strategy because these countries had strong and wealth-distributing states while sub-Saharan African economies performed poorly with those same policies because they had, weak and at the same time, rent-seeking and predatory states. In strengthening this line of argument with regard to the development failure of sub-Saharan African countries, the document contends (WESS, 2006:144):

... about 40 percent of African savings are kept outside of the continent, as compared with 6 percent for East Asia and 3 percent for south Asia... Declines in output, leading to increases in poverty, heighten the inequalities within society. As horizontal inequalities within society have been found to constitute a fertile breeding ground for conflicts, there is a linkage among growth failures, conflict and resources. This linkage can be broken by governance and institutional arrangements. Violent conflict is unlikely to take hold if a country has a framework of widely agreed rules, both formal and informal, that govern the allocation of resources, including resource rents and the peaceful settlement of grievances. Such a viable social contract can be sufficient to restrain, if not eliminate, opportunistic behavior such as large-scale theft of resource rents and the violent expression of grievances.

Unfortunately, Ethiopia and sub-Saharan African countries lack the above mentioned social contract between the state and its citizens and hence most countries of sub-Saharan Africa including Ethiopia, are

entangled with the problem of internal conflict, which apart from the fact that it by itself is the effect of underdevelopment has become, at the same time, the cause of underdevelopment.

To summarize, as the data of the last 60 years indicates, and as the experience of countries such as China, India, South East Asian countries and some Latin American countries (especially Chile) shows, economic growth could be achieved under both market capitalist and market socialist economic systems. So the type of economic system, even though important in creating an enabling environment for economic growth, is not an absolute condition for economic growth and even for development. Especially if one defines development narrowly as lifting a large portion of the population of a given country out of poverty (Khan 2006: 1-25).

2.3 Failed Development Theories, Strategies and Initiatives for Africa

2.3.1. Theoretical Considerations

While Africa remains to be, borrowing the phrase used by Fanon for the title of his famous book, 'The Wretched of the Earth', while this embattled continent exhibits all signs of socio-economic decline, it was and still is, bestowed with numerous development 'initiatives' and 'strategies'. The search by economists and political scientists for economic and political models which would advance economic development in underdeveloped countries in general and African countries in particular in the past five decades has produced volumes of research materials.

A glimpse into some of the literature of post colonial Africa in the late sixty's and early seventy's shows that at the time, the Western free market economic model was treated as an exploitative system used by Western imperialist powers as an instrument to subjugate Africa. The Marxist planned economic development model was the preferred choice appealing to the needs of most African leaders after independence. It's egalitarian nature fascinated most African intellectuals at the time. What most of Africa's elite did not recognize at the time was that, as a concept, the Marxist model was a product of a full fledged capitalist society and was hence far removed from the pre-capitalist objective and subjective conditions prevailing in African societies.

Basing his observation on Hyden's (1983) works, and describing the nature of state-society relations in Africa, Nyangoro (1986-87:31) contends:

...The current political and economic crisis in Africa has its origin in the inability of capitalism to penetrate and conquer pre-capitalist (or subsistence) modes of production. The (incompetent) way in which the post-colonial state in Africa has dealt with the current crises is yet another reflection of the very tentative and most times contradictory relationship between the state, which emphasizes capitalist production, due to its historical origin in colonialism, and that of the peasants, whose primary production interest is subsistence but who occasionally engage in the cash economy to satisfy supplementary needs. ... created by their historical role under colonialism.

In any case, the cold war politics and the alliance of the former Soviet Union and China with liberation movements further accentuated the adoption and replication of the socialist experiment in several

African countries. The experiment wasted valuable resources and destroyed the enterprising spirit of individuals. In most African countries, this historical conjunction also gave way to so many coup d' etats. The military intervened as redeemers and saviors and also in their turn destroyed the economies of most African countries. From the 1970s to the 1990s most African countries experienced the harsh reality of military rule. Military dictators or liberation movement leaders turned their fatigues inside out and became 'civilian' leaders. They engineered back door elections and held on to power by their usual means – military force. The irony is that unlike African countries, autocratic or military leadership in selected countries in Latin America and especially South East Asia had advanced economic development by adopting a policy of positive government intervention and allowing the private sector a cohabitation status. It has facilitated the emergence of viable market economies in these countries.

The failure of development in much of Sub Saharan Africa has given development theoreticians and practitioners a cause for concern. As a result, the search for a new development paradigm for Africa has now become crucial. Post cold war development theory or at least the part of it that is critical (Gilbert Khadiagala, Amartya Sen, Uma Kothari, etc...) argue that development cannot happen without effective government, good policies, without people in good health and equipped with education and skills and without people who feel that they are free, in the political and human rights sense of the term.

In the last forty years, the discussions among scholars on Africa and to a lesser extent among political practitioners or the political elite on the issue of development and politics in the continent centered on, according to Khadiagala (1990:343) "in the shadows of this overarching debate on the relationship between development theory and [the] related postulates on African politics".

In Africa's polarized political atmosphere, in which the continent's ruling elites have turned the apparatus of state into their private domain, and under conditions in which they are castigated by the peoples they rule and have lost all legitimacy, to think that national economic development would take place would be naïve, to say the least.

It was in light of such a correct perception of the current African state that Hyden (1983:xii) argued:

The state in Africa is 'permeated by the economy of affection – the network of ethnic, primordial, and personal linkages' which have become the moral, political and economic fabric of Africa. Weak and in the grip of these forces, the African state was condemned to perennial crisis when it ventured into economic management.

The dilemma facing African leaders is that because the state is not structurally tied to society, it is not in a position to exercise systemic power. It lacks the more subtle institutional means at the disposal of governments in societies where the state is firmly rooted in the productive system of the country and where, therefore, it can be used to shape the system at large (Hyden, 1983:45).

In a similar vein, Faton (1988:253-264) maintains that the ruling classes in Africa are fragile because of the peripheral nature of capitalism in Africa. According to him the African political elite is not deeply rooted in society. He indicates that African ruling elites have been unable to transform their hold on power

into successful policy and that “African authoritarianism therefore, coexists with a definite lack of authority” Faton (1988:255-256).

Thomas and Allen, (2000:192-193) on the other hand, maintain that development cannot be visualized without the state being at the center of the development effort. They also argue that without a successful state intervention, development cannot take place. Their argument runs as follows:

*The state must always play a major role in development... **First**, the state itself can be a primary agent for development initiatives in society ... **Second**, the state can provide an enabling structure for development by other agencies... this is what occurs in the case of capitalist development, when the state provides essential infrastructural support, including the maintenance of order in society, establishing a set of economic policies favorable to capitalist accumulation ... For example, state guidance of capitalist development was central to the exceptional growth of the newly industrialized countries of South Korea, Taiwan and Singapore.... **Third**, the state can be a structural obstacle to development, ... In such cases, the state is neither the main agent of development nor does it provide infrastructural support for development by others; it is central to the problem of development because it does not allow development to occur.*

Thomas et al (2000:195) maintain that development takes place in a political context in which state bureaucracies play a very significant role from making the development plans, to training the necessary personal, and to earmarking the necessary resource to realize plan fulfillment. They further argue that in order to implement any development effort, power and control are essential. Thomas and Allen contend that the result of development in terms of distribution of benefits is affected by ‘informal political and social structures and alliances in society at different levels’ (Thomas et al, 2000: 196).

The agents of economic development constitute the government and the private sector. That main driving force of development is however, individual initiative. In the case of Africa, there seem to be several problems with regard to the agents of economic development:

1. The state is indistinguishable from government; leading into the fusion of functions and lack of proper accountability of government functionaries to politically ‘elected’ officials of the state.
2. The state sector of the economy is improperly managed, wasteful and very intrusive towards the private sector. Unstable macro economic conditions also exist. Economic policies change all the time, mostly without regard to the interest of the country as a whole.
3. The share of the private sector in the economy is not sizable and it is not growing fast enough as to be able to act as a strong competitor to the state sector.
4. As a result of the non-conducive economic policy environment created by most African states, private and individual initiative is not encouraged.

The above cited economic factors are in turn directly and indirectly influenced and affected by the political environment.

- A. The state sector in African countries is not well managed because the political elite responsible for the management of the state sector uses its hold on state power to its own narrow and self-seeking interest and not to the higher interest of the 'nation' or the country or the people. Governments in Africa are not accountable to the state officials and to the people because people can neither vote governments' in nor vote them out.
- B. Private sector in Africa is weak and cannot grow fast enough to serve as a counter weight to the state sector, because African governments are afraid of the growth of an independent private sector as they know perfectly well and hence fearful of the fact that an enhanced private sector would serve as a class base for free, democratic and or pluralistic political parties and tendencies.
- C. Individual initiative is suffocated by too much bureaucratic regulation as a deliberate move to block the flow of movement into successful private business and hence to use it as a weapon to regulate the size and influence of the private sector.

All the above factors indicate that without the positive participation of the African state (probably excluding South Africa where there is a strong private sector) economic development in the continent could hardly be realized.

2.3.2 Unsuccessful Development Strategies and Initiatives for Africa

Right after decolonization, Kwame Nkrumah's conviction of continental political and economic union, was one sensible idea which set the tone for collective effort in the direction of achieving development by way of self-reliance and real independence. But this notion was not acceptable to the West. Mamo (2004:197) argues that Africa's ruling elite has abandoned the pan African orientation of its predecessors and submitted to the dictates of the world capitalist economy and that by putting into effect 'a loan-grant and debt regime', it has, together with its former colonial masters, imposed a neo-colonial rule over Africa (Mamo, 2004: 197).

After Nukurmah's ideal of pan – Africanism, the second initiative of development proposed by Africans themselves was the Lagos Plan of Action for the Economic Development of Africa. Since this Plan of Action was initiated between 1980 -1990s, it will be treated later.

For the last fifty years, Africa has been a subscriber of many, varied and often times contradictory types of development theories, initiatives and strategies. It was in cognizance of this fact that, Nwabughuogu (1990:2) contends:

... the major obstacles to the economic transformation of Africa in the last three decades has been the application of wrong development theories or the wrong application of development theories by African states.

Not only has Africa been subjected to the barrage of different development theories, it has also been a testing ground for quite a number of development 'strategies' and 'initiatives', some home grown and others imposed by the West and or East. The list includes:

- The Import substitution strategy of the 1960s;
- The Regional Integration Approach of the 1970s
- Development Planning (1960s – 1980s)
- The Lagos Plan of Action for the Economic Development of Africa (1980-1990)
- The Structural Adjustment Program (early 1980s to end of 1990s)
- NEPAD (2001)
- Poverty Reduction Strategy
- Governance and Institution Building

In what follows, an attempt will be made to briefly treat the above initiatives presumably taken to speed up the tempo of socio-economic development in the continent.

2.3.2.1 Import Substitution Development Strategy

After Africa's decolonization in the 1960s, the principal development theory, influenced as it was by the modernization theory, centered on economic growth. The theory of growth through industrialization was heralded for the least developed countries (LDCs). It was postulated that in order for these countries to catch up with the developed countries (DCs), they should adopt a policy of rapid industrialization, which when achieved, would lead to the attainment of other economic and social goals or objectives.

This was the theoretical base for the import substitution industrialization strategy which characterized development planning in Africa in the 1960s. Since African states were not fully equipped for full industrialization, it was argued that they could start off with import substitution industries. A limitation was imposed on the importation of consumer goods so as to encourage investment in industries producing consumer goods. It was assumed that profits made in this sector would lead to more savings and also to new investments and thereby help the economy to reach a "take off" stage. This strategy placed heavy emphasis on the consumer goods sector at the expense of other sectors in the economy with potentials for creation of employment or for generation of revenue. Since the domestic market for modern consumer goods was very limited in Africa in the 1960s, this development strategy did not result in bringing about the desired change.

In describing the reasons for the failure of the industrialization drive via the import substitution strategy, Nwabughuogu (1990:6) contends:

Because of the assumed lack of entrepreneurial ability of the Africans, foreign nationals were the ones brought to build industries behind the tariff walls created in the African states. And as usual,... they were quick to exploit the situation to their own advantage, most times with the cooperation of the local political elite. They borrowed capital from their home [countries] to build the industries and recruited most of the personnel also from home [country]. At the end of the year therefore, the revenue accruing to the firms was spent in paying salaries and allowances of the foreign personnel, repaying interest on loans and [remitting] profits, mostly in foreign currency. What was left was used in paying kickbacks to the local political elite who gave them political coverage.

In the 1970s an attempt was made by African countries to shift to producing manufactured items for export. But with the World Trade Organization firmly behind the developed countries, Africa's manufactured exports, mainly in consumer goods, could not go past the protectionist policies of the DCs. Even when these policies were relaxed, Africa's manufactured exports, few as they were, could not be competitive, in terms of quality.

This development strategy went hand in hand with the primary product export of traditional minerals and agricultural products, which were of course, at the mercy of the price set by the world market, which invariably was unfavorable to the LDCs, until the energy crisis in the middle of the 1973. Even then, the only beneficiaries were the oil exporting countries.

With the failure of the import substitution industrialization strategy, came the Regional Integration Development Strategy. It was argued that the failure of the industrialization drive by way of import substitution was a result of the small size of the domestic market of each African country. So in order to create larger markets, the necessity of establishing regional economic unions was emphasized. The economic rationale that was invoked was to derive advantages in terms of economies of scale.

Because of the non-existence of consensual elite structures in each of the African states separately, this strategy was bound to fail right from the start. Even though the desire not to abandon 'national sovereignty' was the reason given, it was quite obvious that with political elites dead set on not giving up power voluntarily on behalf of the single continental supra 'nation-state', the same political elite would not, for the said obvious reason, relinquish power to a regional entity. Apart from this, most of the African states were not politically stable themselves with military coups, and 'national liberation' forces taking over power every now and then. So, it was not surprising if most of those regional groupings (The East and West African for instance) that attempted to move in this direction either did not take off or collapsed immediately after takeoff.

2.3.2.2 Development Planning

With the influence of the world socialist camp rising in the 1960s, and following the disenchantment that most LDCs felt with the western model of development, development planning, as a strategy of economic development began to be adopted by most LDCs in general and African countries in particular. Ethiopia for instance adopted her first-five-year plan in 1957, while Nigeria adopted its own in 1962. During the Cold War period, some Asian, Latin American and African countries, taking advantage of the competition between capitalism and socialism, pushed this theory even further and turned themselves into socialist oriented countries. Between 1974 and 1991 Ethiopia was one of those socialist oriented countries. In most African countries at least, development planning was seen as a panacea for removing their economic problems, which in their views, could not be achieved by pursuing the neo-classical version of the

modernization theory. According to [Nwabughio (1990:12)] the following argument was forwarded, in the context of the need to promote development planning.

Market imperfections and the externalities in the African economies would not allow commodity and factor markets to function at their best if left to market forces alone... Planning would allow African governments to obtain foreign aid and loan, since most donor countries demanded such plans,

There were several reasons for the failure of the strategy of development planning in Africa. Some of the reasons are as follows:

- i) The influence of a larger traditional or informal economy in most African countries which could not be accounted for in the development plans, making the plan unrealistic;
- ii) The statistical base for the plan was very weak. Even the size of the population in most African countries was not properly known.
- iii) Plan realization depended, to a larger extent, on the assumption that the targeted aid and loan would be readily available. With the political instability that was rampant in Africa, most aid and loans were either not fully given or were disrupted.
- iv) The counter-part fund, in terms of domestic revenue, was not in most cases fully generated.
- v) Priorities in terms of sectoral development were not consistent and shifted with the moods of the governing political elites, sometimes giving attention to non-productive elephant projects.
- vi) The institutional back-up and the required trained manpower were in most cases lacking.

To solve this last problem and address the chronic problem of scarce human capital, attention was given by most African countries, to expand the education sector. But the education curriculum in most African countries was skewed in favor of academics rather than vocational skills. Since the economies were also not expanding, the educated people could not be employed at all or productively. For lack of job, or job satisfaction, most of Africa's high and middle level skills left the continent for Europe and America. Ultimately, rather than serve as a harbinger of development, the education sector became a source of underdevelopment of African states.

2.3.2.3 The Lagos Plan of Action (LPA) for the Economic Development of Africa (1980-1990s)

The LPA was a major and indigenous African initiative for continental development. The LPA was jointly organized by the Economic Commission for Africa (at the time led by Adebayo Adedeje) and the secretariat of the then Organization of Africa Unity (OAU). According to Adejumboi (2004:227), the LPA envisioned:

The Lagos Plan of Action sought to adopt a new development strategy of inward looking pattern rather than an externally oriented pattern. It emphasized, amongst others, the development of domestic market in Africa rather than reliance on external market; the control of natural resources by states; the role and importance of domestic factor inputs in development; the imperative of self-sufficiency in food production; the development of human capital and the provision of social infrastructure for the African people. ... The Plan envisaged that by the year 2000, the

process of regional integration would have matured through the development of sub-regional economic groupings leading to the establishment of the African Economic community (AEC).

As in the case of Nukurmah's Pan – Africanist development vision, this African strategy of development was cold-shouldered by the western nations and by the multilateral financial institutions controlled by them. It was subverted by the ensuing structural adjustment program, before achieving anything substantial. Around 1982, barely a year after the adoption of the LPA, a counter proposal, in the form of a serious criticism of LPA was presented by the Berg report. Describing how LPA was subverted (Adejumboi 2004 : 228) states :

The Berg report later formed the crucible on which the structural adjustment program (SA) was constructed in Africa. The World Bank therefore, used its leverage on many African countries for them to jetties on the LPA. The second factor that conspired against the realization of LPA was the festering economic crisis in Africa during the period. Most African countries in the throes of economic crisis of debt burden, serious trade deficits, rising unemployment, industrial collapse and social upheavals had little choice of maneuvering than to turn to the international financial institutions (IFI) of the World Bank and the IMF for financial support. The conditionalities of the IFI were quite antithetical to the goals of LPA. Rather than the goal of self-reliance, what the IFI prescribed through SAP was increased dependency through trade liberalization and externally oriented development strategy. The result was that Africa recorded two decades of economic failure from 1980-2000.

2.3.2.4 The Structural Adjustment Program (SAP)

The cumulative consequences of the application of inappropriate development theories and practices pursued by Africa's development pioneers from the 1950s up to the beginning of the 1970s, the worldwide energy crisis of the 1970s which brought about inflation and recession in the developed world and drastically affected the export earnings of non-oil exporting African countries, the devastating droughts and famines of the 1970s in Africa's Sahel and adjacent countries, the population explosion and political instability of sub-Saharan African countries etc... all added up, and by the end of the 1970s, led Africa into a crisis of gigantic proportions. "*The uncertainty of its insertion in the globalized economy or more precisely its marginalization*" led to the erosion of the substructures of the political regimes in sub-Saharan Africa. With the collapse of the Soviet Union and the end of the cold war and the supremacy that was attained by capitalism over socialism, "*the shock therapy that was administered*" by the West was the structural adjustment program (Bayrat et al 1999: 1).

Economic strategies across the globe were enforced through the neo-liberal development paradigm or more specifically through the structural adjustment programs. With the weight of the World Bank and the IMF behind it, the Structural Adjustment Program seemed, at least until 2003-5, to have gained currency. This development paradigm, Clague (1997:1) maintains:

Associates superior economic performance... with competitive markets, secure property and contract rights, stable macroeconomic conditions, and efficient government provision of public goods, and [which] assumes that democratic political institutions are the ones most conducive to human welfare.

This crisis situation forced or influenced most of the countries in Africa into adopting the IMF/World Bank inspired and monitored Structural Adjustment Program/ policies (SAPs). Reduction of excessive

government expenditure, giving more attention to agricultural production, lifting government intervention on the control of prices, devaluation of exchange rates, lifting protection of local industries and minimizing or stopping government investment in public companies etc... were some of the policy prescriptions of the SAP. In short the policy recommendations of the SAP could be summarized by the following measures:

- reduction of fiscal deficit and devaluation of currencies
- minimization of the role of government by reducing state bureaucracies through privatization of state and parastatal industries
- trade liberalization & externally oriented development strategy
- leaving the economy to the dictates of the market i.e. deregulating of markets including agricultural markets (Ferguson 2006: 11).

While this type of modality could be applicable to economies where markets are well developed, it is not applicable to economies suffering from structural rigidities and in which the market is not the main mechanism for resource allocation. Most countries of Africa have imperfect and underdeveloped markets. Besides this, Africa lacks the two most important agents for growth and socio-economic development – namely, entrepreneurs and educated labor force, the availability of which defines the role and extent of government intervention in African economies. So, SAP's recommendations were not based on the needs of the economies of the African countries and were doomed to failure. There was no way SAPs would be the panacea for Africa's development, even though most corrupt and self-seeking African leaders, in league with IMF & World Bank officials, still pretend that it will alleviate the problems of development. Ferguson argued (2006: 10-11): "*The idea that deregulation and privatization would prove a 'panacea' for African economic stagnation was a destructive and dangerous illusion. Instead of economic recovery, the structural adjustment era has seen the lowest rates of economic growth ever recorded in Africa, along with increasing inequality and marginalization*".

2.3.2.5 New Partnership for African Development (NEPAD)

The third major attempt to muster a collective will to bring about economic development for Africa is the New Partnership for Africa's Development (NEPAD). As an African economic development initiative, it was said to have been jointly tabled by Thabo Mbeki of South Africa, Abdoulaye Wade of Senegal, Olusegun Obasajo of Nigeria and Abdelaziz Bouteflika of Algeria. It was adopted in Abuja in October 2001 at a meeting of several African Heads of State. The Abuja declaration stated:

*The new partnership for African Development is a pledge by African leaders, based on a common vision and a firm and shared conviction, that they have a pressing duty to eradicate poverty and to place their countries, both individually and collectively on the path of sustainable growth and development, and at the same time to participate actively in the world economy and body politic. The program is anchored on the determination of Africans to extricate themselves and the continent from the malaise of development and exclusion in a globalized world. (NEPAD Document 2001:1)**

*Quoted in Anthony Nwabug huogu, "Towards a more Functional Theory of Economic Development of Africa, Africana Research Bulletin, 17,1 (January 1990: 21).

It will be demonstrated in the latter portion of this chapter that the Asian tiger economies have been able, by means of the developmental state, to achieve both economic growth and development, while integrating themselves into the globalized world capitalist economy.

Whether or not Africa can pursue a self-reliant strategy while integrating itself to the globalized world economy is a million dollar question. It's success or failure of course, remains to be seen. Mamo (2001:186) contends:

...Given the bad record of Africa's participation and inclusion in the world economy since the time of slavery, what is new in "NEPAD" that will make a difference? Can the leaders' expressed deontological commitment to "eradicate poverty" and embark on "sustainable development" be attained while participating in a world economy whose modus vivendi has not changed, in the main in relation to Africa since the fifteen century? One can also understand that autarchy for Africa is not an option. Engagement with the world economy is unavoidable. However, it is the terms of that engagement that has been fudged by the leaders' eagerness to pledge to the people of Africa to deliver on poverty eradication.....

As Nwabughuogu (2004:231) argues, the NEPAD document is essentially based on a neo-liberal orientation and as such only accords minimal role for the state in economic development. It is also market oriented, externally focused and private sector driven, which makes it similar with the features of SAP. According to Mamo, (2001: 186-187) NEPAD requires USD 64 billion in order to achieve a planned 7% growth rate every year. The bulk of this financial requirement is aimed to be covered by foreign financial assistance. Critics argue that this is illusory. Instead of debt cancellation which critics say is foolhardy what NEPAD should call for is debt relief strategies. The main weakness of NEPAD is its outward orientation. It is in realization of this fact that Africa's ruling elite should look in words rather than out words and that a nationalist approach must be incorporated into NEPAD if Africa is to be successful in undertaking a sustainable development (Nwabugy 2004:233).

2.3.2.6 Poverty Reduction Strategy (PRS)

There seem to be a new trend in the conception of development in Africa that includes the development views of experts in the multi-lateral financial institutions like the World Bank and the views of development economists and practitioners. Rising income and the subsequent economic growth is now being seen as only one of the more encompassing process of socio-economic transformations. Botchwey (1990:265-269) maintains that recent trends in development thinking include poverty reduction, improving governance and institutions, empowering citizens and national ownership of the reform agenda. Poverty reducing polices include "improving poor people's access to education and health care and providing safety nets for poor and vulnerable groups" (Botchwey, 1990: 265).

Indicating the shortcomings of the poverty reducing strategies, Botchwey (1990: 265-266) points out:

Unless the central problem of resource inadequacy is satisfactorily addressed on the multiple fronts of domestic resource mobilization and foreign trade and debt, African policy makers will continue to face tradeoffs between capital investment and poverty-reducing social spending that simply cannot be resolved ... while Poverty Reduction Strategy papers and the development theory underpinning them have brought us closer to understanding which

policies have the potential to produce faster growth with poverty reduction, we do not, at least in Africa, yet understand the workings of the political and political economy processes that would bring about this outcome.

2.3.2.7 “Employment generation”, “growth with equity” and “basic needs” strategies

‘The employment generation’ ‘growth strategy’ of the early 1970’s, the ‘growth with equity’ strategy of the mid 1970’s, which focused on removing the constraints of small – scale agricultural and informal urban sectors, the “basic needs” strategy of the 1980’s, which defined development as addressing the most basic needs of the people as quantified by the physical quality of life Index were all important reforms within the production – centered development strategy. None of the above however, offered an alternative to production – centered development paradigm and did not provide a sustainable solution to the all encompassing developmental needs of the people of Africa. (Korten and Klaus,1984: 2-3).

The employment generation growth strategy for instance fails to understand the reality in Africa. In African countries in which poverty is rampant, people are poor not because they are unemployed but because they cannot find productive and well paying jobs. If they are unemployed they would die of hunger. The reality is that because of the absence of productive work, they engage themselves in menial and unproductive work in the small scale agricultural and informal urban sectors, leading a life of squalor. Without a structural transformation of the economy, which requires huge investment and integration into the global economy, the above ‘remedies’ are bound to fall short of attaining development.

2.3.2.8 Governance and Institution Building

The views expressed by the Post-Washington Consensus assigns for the state a more larger role than simply creating an enabling environment for market forces to operate and of correcting market failures. But there is a profound and lingering public sentiment in Africa that the more the state is involved in economic affairs of African countries, the more it becomes susceptible to fall prey to rent seeking activities and that its expanded role in economic activity, regulation and distribution creates space for corruption.

Harrison, (1999:207-215) for instance, describes corruption as ‘a taxonomy of states’ and as ‘a political strategy’. Corruption is also manifest in other African countries pursuing the ideology of ‘state-centered developmentalism’, like Tanzania, Mozambique, Angola, Egypt in earlier years, Algeria, Zambia and Kenya. Even though the corruption that takes place in Nigeria and Zaire during the long tenure of Mobutu, is by far greater than the countries mentioned above. It is nonetheless, correct to say that:

Social formations of corruption have allowed those in positions of power to take advantage of external finance in order to re-define lines of patronage and techniques of corruption (Harrison, 1999:215).

Harrison conceptualizes rent-seeking as ‘the use of public office to extract resources form citizens’ and hence categorizes rent-seeking as “an institutionalized form of corruption” (Harrison, 1999:214).

It was as a result of such rampant corruption, especially in sub-Saharan African countries that the World Bank was forced to link its structural adjustment loans to 'good governance' and institution building. Governance and Institution building, a policy that was forwarded in the late 1980's and the beginning of the 1990's was an attempt to tackle 'bureaucratic obstruction, pervasive rent-seeking, weak judicial systems and arbitrary decision making' and involved a concerted attack on corruption from the highest to the lowest levels (WB: 1989:6-22).

2.4 Corruption in Africa

A broad and yet simple definition of corruption would be the abuse of public power for private benefit (Tanzi 1998: 559-562). Corruption harms nations by misdirecting economic resources from productive use, weakening the provision of public services and hampering the growth and development endeavor of a country. Addressing the problem of corruption is therefore, addressing issues of economic growth and development. Tackling the evils of corruption essentially requires redefining the role of government in the national economy and the discretionary power of public officials in the decision-making process.

Corruption should be seen in light of two related concepts that often appear in political and economic discourse. These concepts are rent-seeking and political patronage. According to investopedia website, rent seeking occurs when *"an individual, company or organization uses its resources to obtain economic gain from others without reciprocating any benefit back to society through wealth creation... Rent seeking is when a company lobbies a government for subsidies, grants or tariff protection [and if] these activities do not create any benefit for society; they just redistribute resources from the tax payers to the special interest groups"** {Bracket not in original}.

In other words, rent seeking is a politico-economic phenomenon in which an organization or company or individual seeks to earn income by capturing economic rent through manipulation or exploitation of the political and economic environment, rather than by earning profits through transactions and the production of added wealth.

But this economic phenomenon of rent seeking cannot exist without its other half, the political phenomenon of patronage. Political patronage exists in an economic environment where government bureaucracy is incompetent, corrupt or deliberately made ineffectual. Political patronage thrives in a situation where the executive branch of government deliberately undermines the legislative and judicial branches of government, which ought to have held it accountable, thereby rendering the checks and balances of government powerless. In other words, rent seeking does not take place in an environment where there is no political patronage.

*<http://www.investopedia.com/terms/r/rentseeking.asp>

Corruption in the public sector could be observed from two main perspectives: *State capture and administrative/bureaucratic corruption*. State capture refers to the actions of individuals, groups or firms to influence the formation of laws, regulations, decrees and other government policies to their own advantage, as a result of the illicit and nontransparent provision of private benefits to public officials. These actions are directed to the extraction of rents from the state for a narrow range of individuals or groups who staff political institutions by distorting the basic legal and regulatory framework with considerable economic cost to the society at large. Bayart et al (1999:8) refer to this type of corruption as *'the politics of the belly'* and allude to it as the *'combination of positions of public office with positions of accumulation'*. When the practice of corruption that emanates from state capture becomes systemic, the legal edifice of the state would be privatized by the 'Shadow State', resulting in the "criminalization of the state" itself (Bayart et al 1999: 30-31).

Administrative corruption on the other hand, refers to deliberate imposition of distortions in the prescribed implementation of existing laws, rules and regulations to provide advantages to either state or non-state actors as a result of the illicit and non-transparent provisions of private gains to public officials (World Bank 2000 cited in Economic Focus Vol. 4 No. 2: 15-16)

The prevalence of corruption and corrupt behavior and practice in Africa is largely attributable to a non-law governed intervention and huge role of government in the economic and social life of the countries of Africa. Such interventions generated power at the discretion of public officials at the expense of the rest of the economic actors in society.

The behavior of corruption concerns the emerging institution and social norms than just the individual behavior of public officials... Despite the importance of penalizing and purging those corrupt officials, anti-corruption measures could not be successful unless their values are institutionalized... If bureaucratic/administrative corruption is a problem as disruptive as any other social problem, political corruption is the worst in degenerating a system into a vicious circle of corruption and its expansion (Paola 1995 (v) 110:681-712 cited in Economic Focus 2009 (4) (2): 18-19).

In other words, political more than economic factors generally shape the nature and effectiveness of anti-corruption measures. A government that owns huge economic resources exercises its politically sanctioned economic power by allocating the benefits of these resources asymmetrically across regions, ethnic groups, political supporters etc. That means, in such a system, political affiliations influence access to public resources and benefits, the outcome of which is distortion of resource allocation. It is frustratingly difficult to control corruption when public officials at the pinnacle of political power are deeply tainted in corruption. Anti-corruption measures could hardly be effective unless there is a commitment to reform the overall nature of government in the national economy (Tanzi 1998: 690-700).

Addressing the problems of corruption in Africa demands the following:

1. Reducing the discretionary power of governments enabling them to have a say in rent formation and streamlining of the public sector;
2. Maintaining a grip on political interest and support groups;
3. Creating the institutional means to tackle the use of public resources to secure political survival by way of rewarding opportunist behavior to buy political loyalty;
4. Reforming the patron-client relationship and the role of government in the national economy;
5. Reforming the public sector by putting in place practical measures that discourage the engagement of public officials in corruption;
6. Strengthening the legal system and protecting its independence from political intervention;
7. Synthesizing the public on the issue of corruption and the need to fight it;
8. Enacting laws that make it mandatory for public officials to declare clearly and exhaustively their family wealth;
9. Protect anti-corruption agencies from political interventions; professionals working in these agencies should have no political affiliations so that they can act in an independent manner, thereby enhancing the credibility factor of such agencies (Paola 1995 (v) 110 cited in Economic Focus 2009 (4)(2): 23-24).

2.5 The Concept of the Developmental State

2.5.1 Theoretical Issues

The concept of the “developmental state” is generally used to refer to a state that energetically drives a country’s development effort. The model of the developmental state and the term developmental state itself is believed to have originated with an American scholar, Chalmers Johnson, who specialized in Asian developmental studies. For him the critical element of the developmental state was not its economic policy, but its ability to mobilize a nation around economic development. Even though the concept of the developmental state as envisioned by Johnson is not a neo-liberal concept, he visualized the developmental state within the capitalist economic framework. According to Johnson, what distinguished his brand of state from the Leninist state is the insight that for the developmental state, the market is a better mechanism for achieving development than the central planning practiced by socialist countries. So, in essence, developmental state is a term that refers to the phenomenon of state macroeconomic planning in East Asia in the late twentieth century. Its ideological basis is “developmentalism” in that it conceives its mission as

that of ensuring economic development usually interpreted to mean high rates of accumulation and industrialization. (Johnson, 1982, cited in Woo-Cummings, 1999:1).

The concept of the developmental state, according to the Chalmers Johnson's pioneering work on Japan's development miracle is encapsulated by 'the dialectic relationship between nationalism and development'. Woo-Cuming's, (1999:1-2) presentation of Johnson's penetrating insight on the developmental state, outlined in his 1982 book '*MITI and the Japanese Miracle*', maintains:

The 'developmental state' is a short hand for the seamless web of political, bureaucratic and moneyed influences that structures economic life in capitalist north East Asia... This model was constructed under the weberian ideal type of an interventionist state that was neither socialist (described as plan rational) state, in which both ownership and management remained in the hands of the state (such as in the former USSR) nor free market (no plan, and where private control [management] coincided with private ownership). But something different. The plan-rational capitalist developmental state – conjoining private ownership with state guidance. (Brackets in original)

The secret behind the dynamism of the Asian developmental states, including China is, according to Woo-Cummings (1999:4), "The moral ambition to develop and the will to develop, which is another way to invoke Johnson's 'nationalist incitement to development'".

The most important conclusion that has to be taken note of with regard to the developmental experience of the first and second generation Asian Tiger economies and the late developers China and Vietnam (excluding India, Brazil & Ireland) is that they followed a different approach than the one prescribed by the neo-liberal or neo-classical paradigm. They followed a very different 'bureaucratic approach to development' which did not leave the decision to develop to market forces.

The role of the state was central to the development of the 19th century industrialized countries of Germany, Japan and Russia. The role of the state as a "developmental institution" was much more obvious and very significant for the Asian Tiger economies of the twentieth century. As Evans (2007: 28) stated:

The centrality of the state as a developmental institution, which was true to the 20th century developmental state, fully stands intact to the 21st century developmental state.

According to Evans (1995:5) the classical functions of the state are usually taken to be war making and keeping internal order. In modern times however, he maintains that economic transformation has become the responsibility of the state.

According to Levi-Faur, the East Asian developmental state model is a development paradigm that stands on its own. He argues that the developmental state paradigm is a development model that is separate from the neo-classical and neo Marxist development model and is presented as an alternative to both models of development. Expounding this line of argument Levi-Faur (1998: 65-66) states:

Whether the East Asian developmental state model can be applied to other countries is one of the most interesting questions in the field of political economy... The comparison of Israel (1950-1973) to the East Asian Tigers suggests that the developmental state model should not be perceived as a unique cultural or regional phenomenon, but as an alternative model of development that offers an important policy option for developing countries... that the development strategy and policy tools of the developmental state can effectively serve democratic and welfare-oriented regimes.

Further elaborating on the state's role in economic transformation, Evans divides the transformative economic role of the state into two. First, "overseeing the process of capital accumulation" and second, 'involving itself in conflicts over distribution and welfare' (Evans, 1995:6).

Existing scholarship has analyzed the developmental state model from the vantage point of its peculiarities and general features. There seems to be some theoretical lacuna in the literature on the developmental state, of how the concept itself, the developmental state emerged. The contribution of Tuong seems to the researcher, to fill this lacuna.

Tuong Vu (2007:27-28) in analyzing the origins of the developmental state categorizes the existing literature into three parts.

The first question is historical: "why did developmental states emerge where they did but not elsewhere?"

The second question: "What do developmental states share and what is generalizable about them?"

The Third question: "What role do they play in the successful industrialization of their countries?"

In putting forward his analysis as a reply to the first question, Tuong Vu (2007:29-30) stipulates two dynamics in terms of playing crucial roles in the formation of developmental states. According to him the two dynamics are (1) "Elite unity" and (2) "Elite fragmentation". He describes elite unity as "... when one single group predominates". "Elite fragmentation" is described as "... when elites brake into many small factions without any dominant group" (Tuong Vu, 2007: 128). Further elaborating on the concept of elite fragmentation, Vu describes it as:

... the number of groups is relatively small, and they are roughly equal in strength, their alignment patterns express themselves into two forms: elite compromise and elite polarization. Compromise means significant concessions in matters of ideology, organization and material interests... compromise is therefore, a process of forming a central block and eliminating extremes... Polarization involves more than one step and means not simply a rejection of compromise by elites, but the process of forming two or more (but not too many) opposing extremes and the elimination of moderate political options. (Tuong Vu, 2007:29)

In elaborating further on this important issue of the elite variable in state formation, Burton and Higley in their contribution of ***The Elite variable in Democratic Transitions and Breakdowns***, present this same issue in a slightly different perspective. According to Burton and Higley (1989:20-21), national elites may take one of the following three types of structures: disunified, ideologically unified and consensually unified.

A disunified national elite is:

characterized by ruthless, often violent, inter-elite conflicts. The most prominent characteristic feature of a disunified national elite structure is that there is no general agreement between elite functions concerning the worth of existing institutions and rules of political conduct.

In countries with such type of elite structure in the political arena, ruling without opposition is what is meant by "peace" and the term "democracy" has a special meaning. If an elite group wins absolute victory (almost invariably by force) over other elite groups, it may loosen its grip on security and this is what is meant by peace and stability. It is the researcher's understanding that, under such a condition, political

stability is not real and when real cannot be sustained for long. Neither could democracy and development. This is the case of all underdeveloped countries and especially countries of Sub-Saharan Africa except Botswana, Mauritius and South Africa.

Again, according to Burton et al (1989:23-24) an ideologically unified national elite structure is:

One in which structural integration and value consensus are seemingly monolithic. Communications and influence networks encompass all elite factions, but they run through and are sharply centralized in a dominant faction and the party or movement it leads. Value consensus is uniform in the sense that elites publicly express no deep ideological or policy disagreements, but instead confirm their public utterance to a single, explicit ideology.

In a society, whose national elite is ideologically unified the term “politics” means obedience. The struggle for peace and stability is understood as a struggle for the regime to last as long as possible. In such a society ‘democracy’ is understood as equality in distribution of national wealth. But equality and fraternity without liberty of any kind do not add up to democracy. All past and present totalitarian regimes have had this type of national elite structures. It is the researcher’s understanding that depending on the sustainability of such a political system, such a system could achieve economic growth and development without political democracy. Present day China, and past experience of some East Asian countries that have now registered some political devolution could fall into this category.

Consensually unified national elite is the third type of national elite structure. It is a byproduct of a nation-state which has consummated its national and democratic evolution. Such type of elite structure is one in which:

Structural integration and value consensus are relatively inclusive. Overlapping and interconnected communication and influence networks encompass all or most elite factions; no single elite faction dominates these networks; and most of the elite therefore, have substantial access to government decision making. Although elite factions regularly and publicly oppose one another on ideological and policy questions, all important elite factions share an underlying consensus about the rules of the game and the worth of existing political institutions. [they] compete for mass support by downplaying or avoiding explosive issues and conflicts and by sharply limiting the cost of political defeats (Burton, et al, 1989: 28-29).

In such a society, politics resembles a market. Hence, the terms ‘political stability’ and ‘democracy’ have correlative meanings. One cannot exist without the other. Most of today’s North American, Central and Western European countries, Australia, New Zealand, India, have this type of national elite structure. The consensually unified elite and as a consequence democratic traditions take root along two processes which they termed as “elite convergence” and “elite settlement” “Elite Convergence” is a situation in which extremist national elite factions understand, through time, that they cannot take power forcibly and that the better strategy would be to moderate their political programs and acknowledge the legitimacy of existing institutions. They will try to change the system without violating the rules of the game. According to the above writers, the consensually unified national elites of France, Norway, Denmark, Greece, Italy etc emerged this way (Burton et al, 1989: 15, 30).

“Elite Settlements” are relatively rare events in which warring elite factions suddenly and deliberately reorganize their relations by negotiating compromises on their disagreements. The often said Marxist dictum that the ruling class will never give up its power voluntarily does not hold true, in this case. In England (1688-9), Sweden (1809) Colombia (1957-8) Venezuela (1958) Poland (1989) Republic of South Africa (1994) the ruling elite voluntarily gave or shared their power with their opponents. The word “voluntarily” can be used in all the above cases since there was a possibility for the ruling elite faction to use military force against their opponents. In countries in which such national elite structure exists, democracy and political stability are or could be sustainable; and so could economic growth and development (Burton et al, 1989: 31-32).

With regard to the “elite-mass engagement patterns” as the primary factor in the formation of the developmental state, Tuong Vu puts forth the concepts of ‘mass incorporation’ and ‘mass suppression’. What ‘mass incorporation’ does is to lay the ground work for a fragmented state while ‘mass suppression’ enhances and strengthens the coercive apparatus of the state (Tuong Vu, 2007: 30-31).

Going back to the second question raised by Vu: “what do developmental states share and what is generalizable about them?” His reply is:

A developmental structure, including a stable, centralized government, a cohesive bureaucracy, and effective coercive institutions. Socially, this structure must rest on an alliance with producer classes and the exclusion of workers and peasants. This structure enables a state, if it so chooses, to effectively formulate and implement strategies for industrialization with minimal concerns about redistribution(Vu, 2000: 28).

The second component of the model, according to Tuong Vu is ‘developmental role, which involves the commitment and technical capacity of the state leadership’. Tuong Vu maintains that “structure and role put together, explain successful developmentalism” (Tuong Vu, 2000: 28).

The third important question raised by Tuong Vu pertains to what role states play in the successful industrialization of their countries. In response to this question, Vu forwarded the following economic policy directions that generally characterize developmental states (Tuong Vu, 2000: 27).

- 1) *Industrial policies including:*
 - *Selecting and creating industrial groups for a pro-active state support*
 - *Promotion of import – substitution industries as a base for export – oriented industrialization*
- 2) *Creating a large domestic market through land reform and activating the agricultural sector*
- 3) *Redistributive social programmes in the form of investment in education and infrastructure*
- 4) *Imposing performance standards on industries receiving state support.*

Evans, in his contribution, *In search of the 21st Century Developmental State* and David Levi-Faur, in his writing on the *Developmental State: Israel, South Korea, and Taiwan Compared*. have both pointed out, the practice of the career patterns in public service to be based on “meritocratic” bases, as one of the distinguishing characteristic of a developmental state (Evans, 2007 and Levi-Four 1998).

The other common denominator of developmental states is that in practically most developmental states, crucial economic sectors such as finance, international trade and investment are either fully state owned or either dominated by the state. This strategy of economic development is, at variance with the neo-classical assertion, which assigns the market to determine financial, trade and investment decisions. According to Fritz et al, (2007:533) a developmental state is said to exist, 'if the state exhibits vision, leadership and capacity to bring about social transformation within a specified period of time'.

The debate on the developmental state was a follow-up of the two earlier thesis. The first one was the immediate post independence, one-man, one-party state, with very large political and economic institutions under state control. This of course led into patrimonial, clientalistic and predatory states. The other one was the radical/socialist version which was influenced by the cold war politics, which ended up by establishing socialist oriented states under the ideological tutelage and military support of the former Soviet Union. Ethiopia under the Derg, was one such regime. If one combines the above two thesis, one will arrive at the anti-thesis:

Socio-economic development can best be promoted through a 'market friendly' state preceding over a capitalist economy, operating within the political shell of a liberal democratic polity. The Combination of democracy and markets became the case element of a strategic vision of development success, equally valid for all types of societies whether they be poor, emergent, transitional or industrial (White, 2006:1).

The predatory, anti-developmental state common to most third world countries in the 1960s and 1970s had to be replaced with a new type of state which is highly motivated to speed up economic growth while at the same time enhancing its regulatory, interventionist and distributive functions. Its other role is also the expansion of public services or social infrastructure.

According to Edigheji (2007:5) "developmental states are consciously constructed by political elites". Pointing out the essential ingredients of a developmental state, Weiss (2000:25) states:

Transformative goals, a pilot agency and institutionalized government – business cooperation constitute the three essential ingredients of any developmental state. In the absence of the first two criteria, the state lacks an insulated coordinating intelligence and is vulnerable to capture by special interests. In the absence of the third, the state lacks the embedded quality of effective policy design and implementation and is vulnerable to information blockage and policy failure.

Evans (2007:3) argues that there is a difference between the 20th century successful developmental states and the 21st century developmental states. He cites the two aspects of the 20th century developmental state as: 'bureaucratic capacity and embeddedness'. He indicates that "the golden age of capitalism was achieved via the process of primitive capital accumulation in the rich countries of the north, can no longer be recreated or sustained in the global south". He further argues that "development is no longer seen primarily as a process of capital accumulation but rather as a process of organizational change". Evans strongly argues that 'the effectiveness of state institutions and 'meritocratic recruitment to public service' to be the institutional cornerstones of the 20th century development state. For Evans

'embeddedness' and 'autonomy' are the distinguishing characteristics of a developmental state (Evans, 2007: 3, 5, 8, 9).

Developmental states are usually characterized by a leadership which is strongly committed to developmental goals, and which places national development ahead of personal enrichment and/or short-term political gains. State capacity is directly related to the existence of a developmental commitment by the state elite and this commitment should exist to a sufficiently high degree of resoluteness (Fritz et al, 2007: 534).

Reinforcing this point, Fritz et al, (2007:535) stresses:

The underlining requirements of the developmental state is thus the creation of the nation-wide public. A nationwide public need not be rooted in a unified sense of 'nation' based on cultural and linguistic unity, but may well take the form of civic identity (as in the US). The important issue is that all citizens see themselves as Nigerians or Tanzanians as much as or more than as Igbo and Nyamweze".

The above quotation deals with the political aspect of the developmental state. The policy aspect of the developmental state is distinguished by certain policy directions, such as accumulation, industrialization, sustained economic growth and an acknowledgment, as a matter of policy, of the need for the redistribution of the benefits of growth in society.

Another issue that should be pointed out in the context of the developmental state model is the difference between democratic governance and good governance. Even though good governance could be an aspect of democratic governance, it is not necessarily its distinguishing feature. According to Fritz et al, (2007:537) the good governance agenda "is concerned with rules, process and standards in specific institutions", and as such, could also exist in authoritarian developmental states.

Further elaborating on this issue, Fritz et al., (2007:538) point out:

Thus, setting relatively fair rules of the game and letting the private sector do the rest (the 'minimalist' good governance agenda) is not enough for a developmentalist state. The state must be able to be pro-active without making major errors (for example, market interventions that destroy investor incentives). It must be capable of planning and building a road without the bulk of the funds being creamed off in kick-backs or the routing being decided on a purely political basis. As the same time ... the state cannot expect to do everything: hence it needs to be able to build a productive relationship with the private sector and other relevant national and international actors.

Another important feature of a developmental state is state effectiveness. At this point we come to the most widely used terms: 'hard' and 'soft' states. An autonomous or hard state is a prerequisite for a successful developmental state, while a soft state is believed not to be a feature of a successful developmental state. Grabowski (1994:415) argues that "soft states are generally thought to be responsive to a variety of interest groups, with the later playing an important role in defining government policies. Hard states are able to resist these influences so as to define autonomous goals and policies... an autonomous (hard) state can commit itself to policies by taking into account the response of the private sector. With the subordinate (weak) state, the government follows the private sector". Edigheji, emphasizes that "a

developmental state is defined not only by its goals but most importantly by its institutional attributes". In elaborating on the transformative capacity of the developmental state, he cites, the institutional, technical, administrative and political aspects as specific features that enhance "the ability of the state to keep in check social forces so that it can use the above capacities to devise and implement long-term economic policies unencumbered by claims of myopic private groups" (Edigheji 2007:5, 8). An attempt is being made to establish a democratic developmental state in South Africa. According to Edigheji (2007:2, 2-33) even though the South African state at present "seems to score well on most indicators of procedural democracy" it however, does not fully confirm with the developmental state model, since economic development does not seem to go hand in hand with social equity in South Africa.

After the mid 1990s, however, there seems to be a shift in the understanding of the role of the state by the World Bank. Fritz et al, (2007:540) wrote, "The 1997 World Development Report reaffirmed the position that the state is central to economic and social development... It also identified state capacity and effectiveness as a key bottleneck in Africa's ability to meet the Millennium Development Goals" (MDGs).

Having expounded on the universal acceptance of the importance of a developmental state for development and social change, it is essential to underscore the general nature of a democratic state in order to come up with a democratic developmental state model as the way forward for Ethiopia in particular and Africa in general. Under present conditions, both globally and nationally, to avoid the issue of politics in general and democratic change in particular and to concentrate on the issues of governance as an aspect of 'administrative reform", has no currency. The state needs sufficient legitimacy in order to lead a successful developmental effort. White (2006:64) argues that "democratization without a serious effort to reform/strengthen the state may mean that a diversification of political elites through multi-party competition would be meaningless". Further elaborating on the three political domains that need "institutional crafting", in order to establish developmental democracy – White (2006:66) underlines the need to:

1. Redesign the different institutions of the state such as:
 - The electoral system
 - Decentralization and devolution of government like
 - Administrative reform
 - Reform of the legal system
 - Power relations between
 - Presidential and parliamentary systems
 - The nature and power of the legislative body
2. Delineate the character of political society
 - dominant party vs multi party systems
3. Define the character and role of civil society

When we combine a democratic state, the political attributes of which are indicated above, with a developmental state, the economic achievements of which include the creation of a more complex and productive economy capable of generating a higher living standard for the majority of the people in a given country, we have, in essence, a democratic developmental state. For a democratic developmental state economic growth should go hand in hand with or be complemented by the pursuit of social objectives. According to White (2006:3) these social objectives are:

- 1) *The alleviation of absolute and relative poverty*
- 2) *The correction of glaring inequalities of social condition – between genders, classes, regions and ethnic groups*
- 3) *Provision of personal safety and security*
- 4) *The tackling of looming threats such as environmental degradation.*

White concludes that a state undertaking the above political, economic and social tasks can be called a democratic developmental state. The relationship between socio-economic development and political development is, according to some scholars, not congruent. White (2006:5) for one believes that liberal or neo-liberal democracy 'will not necessarily led to economic growth, or efficient government. Civil society must be developed to achieve more accountable government". White insists that authoritarian governments have their own problems as agents of development. According to White (2006:6), the systemic problems of authoritarian governments are "... rigidity, corruption and rent-seeking, rooted in an excessive concentration of political and economic power, in addition to the human costs they impose through repression or denial of civil rights".

Most authoritarian regimes in Africa and to certain extent in Latin America had, in the period between the 1960s and 1970s and even currently, assumed for themselves the title of a developmental state. Most if not all, have failed in providing democratic governance and to enhance socio-economic improvement. Regarding the issue of whether a democratic political system and an effective developmental state being realized in tandem, White notes (2006:7):

In the foreseeable future at least, a combination of domestic and international pressure is likely to maintain many of the new democratic regimes in at least minimal operation... The authoritarian alternative of an earlier era whether of the state socialist, Latin American, or East Asian variations have collapsed or been superseded and international political pressures are, currently at least, hostile to their resurrection.

It is likely though that a semi-authoritarian and a semi-democratic state could continue for the foreseeable future. But this does not mean that such type of a state could evolve into a successful developmental state. In the global context, liberal democracy seemed to have won the ideological battle it had with communism, at least until the 2008-2009 financial debacle in the West. On the other hand, in each and every third world country, the idea of democracy has gained popular acceptance. The combination of

the above two factors could influence the evolution of the democratic developmental state, albeit in forms peculiar to each and every developing country.

2.6 The Authoritarian East Asian Developmental State

The 20th century developmental state followed the footsteps of the 19th century early developers like Germany, Russia and Japan (under the Meiji dynasty). If one looks into the history of economic thought, one can find that those early developers developed under authoritarian political leadership. White (2006:61) pointed out that even in "... the great forerunner of development, Great Britain, developmental brake through in the form of the industrial revolution, preceded democratization". In analyzing the nature of authoritarian states Tuong Vu (2007:48-49) wrote:

Authoritarianism covers a wide range of regimes; from modern military dictatorships to traditional patrimonial systems. Even fascist and communist states are sometimes referred to as authoritarian. There is a critical difference between regimes where a cohesive and purposive weberian bureaucracy exists and those where bureaucrats are only personal servants of patrimonial rulers... Both kinds of regimes maybe equally repressive, but only the former possess developmental structure.

No wonder therefore, that the miraculous economic performance of the first generation Asian Tiger countries of Taiwan and South Korea and the second generation Asian successful developers like Singapore, Thailand, Malaysia and Indonesia all took place under "authoritarian auspices" (White 2006:61). Scholars who dwelt on the issue of the East Asian developmental state define it 'not only by its goals but most importantly by institutional attributes' (Edigheji 2007:5).

The debate about the relationship between authoritarianism and development is inconclusive as we have such countries like the European tiger economies of Ireland, Israel between (1950-1973), India and Brazil. Botswana and Mauritius were also developmental states under democratic auspices, even though the post-apartheid South Africa state, according to Edigheji, is still a democratic developmental state in the making, not to mention the classic democratic developmental state Japan. Nevertheless, the pendulum weights a little on the side of authoritarianism when we add the third generation developmental states of China & Vietnam.

It is probably in recognition of this reality that the pre-eminent scholar on the developmental state, Chalmers Johnson, in analyzing the question whether the developmental state is authoritarian or democratic wrote:

...if one means by democracy some form of state accountability to the representative of the majority of citizens combined with respect for the right of minorities, the answer is probably no. At the same time, the leaders of the developmental state do enjoy legitimacy in the sense that their claim to political power is based on some source of authority above and beyond themselves. They differ in this sense from authoritarian rulers whose continued rule depends on their monopoly of force remaining a genuine monopoly. The source of authority in the developmental state is not one of Weber's "holy trinity" of traditional, rational, legal, and charismatic source of authority. It is, rather, revolutionary authority: the authority of a people committed to the transformation of their social, political, or economic order. Legitimization occurs from the state's achievements, not from the way it came to power (Johnson, 1982, cited in Woo-Cummings, 1999:53).

While, as indicated in the previous pages, it would not be correct to equate authoritarianism with development, it is necessary to identify the attributes of the political and economic policies of authoritarian states that laid the ground work for successful development. Citing the examples of South Korea under Rhee and Indonesia under Suharto, Tuong Vu (2007:49) underscores the distinctive relationship of authoritarianism that was put in the service of development as such:

It was the systematic coordination of large scale violence, political control, and the concomitant mobilization of support from foreign and domestic capital. Their success in this task helped them build a cohesive bureaucratic structure, institutionalize social submission, and develop a close relationship with domestic producer classes... At the same time, the structures they built were sufficiently cohesive to avoid being captured by private interests.

White (2008:5) refers to such types of authoritarian states as 'rational authoritarianism'. The other important element of the authoritarian developmental state is credibility. If the state fails to be seen by the public as credible, it means that it has been hijacked by rent seeking interest groups. Without credibility, the developmental state cannot arise, and credibility comes with the ability of the state to register sustained economic growth. As White (2006:62) pointed out, the development states "... face a catch 22 situation; because lacking legitimacy, they cannot become effective, lacking effectiveness, they cannot develop legitimacy". Authoritarian developmental states of East Asia had four distinguishing characteristic during their high-growth period. They were:

- 1) Enhancing the productive powers of the nation held as a priority transformative goal.
 - 2) Raising the investible surplus.
 - 3) Closing the technological gap between themselves and the industrialized countries.
 - 4) Elite cohesion i.e. a political system which supports a shared project of economic transformation.
- Putting it another way, this fourth factor could be presented as the institutionalization of government – business cooperation, demanding a consensual elite structure as a pre-condition (Weiss, 2000: 23).

Economic development, in its general sense, requires a structural change of the economy. The 'miracle economies' of East Asia were successful because in their drive for industrialization, they managed to close the technological gap between them and the industrialized countries. Their import-substitution based and export promotion-led industrialization succeeded by creating a big domestic market. The size of the domestic market was enlarged as a result of the successful agricultural policy. All East Asian "Miracle Economies" experienced prolonged periods of agricultural growth, creating the resultant situation of an increased income in agriculture. This in turn, led to the creation of a sizable domestic market that managed to absorb domestically manufactured goods. Grabowski (1994:420) writing about the actual experience of Japan, Taiwan and South Korea with regard to this specific issue wrote:

The success of economic development depended only in an indirect sense upon the rise of a hard state. The effectiveness of the state itself was dependent on the creation of a large domestic market which was in turn

dependent upon an agricultural transformation. Thus the effectiveness of the state is an endogenous variable, related to the size of the domestic market.

The other feature of the East Asian developmental model is the ability of the state to discipline export led industries. The different financial assistance packages provided to them by the state were aimed at making them competitive with world standards. Grabowski (1994:420) putting it shortly said, "... successful development occurs when the state is able to discipline firms and failure occurs when the state lacks the ability to discipline".

Priority in granting credit to the chosen sectors, subsidized long-term loans to export oriented manufacturers were routinely used financial instruments utilized by the developmental states of East Asia. Another feature common to almost all East Asian tiger economies is that social dislocation had preceded the evolution of the strong state. Such a situation "... destroys the small special interest groups, thus allowing the state to pursue broad developmental goals" (Grabowski 1994:415). Unlike the neo-liberal assertion of a 'minimalist state', one of the distinguishing features of the East Asian developmental model is the need for a state guided economic development. Another common feature that could be pointed out is that similar developmental strategy and economic policy tools were utilized in the developmental effort. For instance, in Japan, Taiwan and South Korea, (and in other 'miracle economies as well) the three crucial economic sectors of finance, International trade and investment were all either directly run by the state or dominated by it. Levi-Faur writing on the experience of Taiwan, South Korea and Israel regarding the mobilization and allocation of foreign and domestic capital stated that they were "under tight government control" (Levi-Faur, 1998: 73).

The other common feature is the career patterns followed in each of the East Asian developmental states. The career patterns followed by the East Asian developmental states were merit based. Evans (2007:9) writing on this score stated:

To focus on the East Asian developmental states is to focus on the importance of the capacity of public bureaucracies. Nearly everyone agrees that when East Asian public bureaucracies are compared with those of developing countries in other regions they more closely approximate the ideal typical Weberian bureaucracy= meritocratic recruitment to public service. Careers offering long-term rewards commensurate with those obtainable in the private sector were institutional cornerstones of the East Asian Economic Miracle.

Given an internally coherent and capable bureaucracy, the next and related order of business accomplished by the developmental states of East Asia is to build a stable and enduring relationship with the private sector. They accomplished it by generating "a sense that they were genuinely committed to a collective project of national development...'Embeddedness' is as central to the standard portrayal of the 20th century developmental state as bureaucratic capacity" (Evans 2007:10).

According to Evans, what distinguishes successful East Asian developmental states is that the state in the Asian tiger countries maintained "... dense ties to entrepreneurial elites while avoiding capture and being able to discipline them" (Evans, 2007: 11).

Yet another important factor that distinguishes East Asian developmental states (including China) from other African and Latin American States is the level of emphasis and levels of investment in human capital. The big investment allocated for education and health have laid the foundation for them to “catch up” technologically with the advanced industrial countries.

Another important and distinguishing characteristic of successful East Asian developmental states as compared to their unsuccessful African and Latin American counterparts is their ability to increase their tax base, especially from the private sector. It is argued that:

... One of the principle differences between Asian developmental states and their less successful counterparts... is the inability of the later to tax their elites ... Having the organizational capacity and political will necessary to collect adequate revenue was the pre-requisite to investing in both capability – expansion and industrial transformation (Evans 2007:23).

Further, international aid played a role in accelerating the pace of economic development in the developmental states of Taiwan, South Korea and other typical developmental states in East Asia. “Aid from international sources, which was channeled through government, significantly contributed to the government’s autonomy vis-à-vis domestic actors”(Levi-Faur 1998:70).

Targeting one or two selected industrial sectors in their industrial development provided the developmental states of East Asia with the initial breakthrough to accelerated industrial growth. For instance, the textile industry played a big role in both Taiwan and South Korea, in their initial drive towards export driven industrialization and economic growth. Also income distribution was much more wide spread in the East Asian developmental states than it was in other developing countries. This created social cohesion and further helped in promoting the legitimacy of the East Asian developmental states, authoritarian or otherwise. The international trade policies they pursued were mercantilist in that they put in place policies that protected their infant industries vis-a-vis foreign competition. Nurturing private entrepreneurship was also another development policy tool that they effectively utilized in their rapid drive towards industrialization.

The book ‘*African Development: Lessons from Asia*’, is a collection of the proceedings of a workshop by the African Bureau of USAID and Winrock International (1991). The African specialists have explored the lessons of relevance to sub-Saharan Africa that may be learned from the successful economic development experience of South East Asian countries. The experts have compared the lessons of Asian development success with that of the lessons of African developmental failures. They have found out that many of the cultural traits that have contributed to the development success of the Asian countries of Taiwan, South Korea and Singapore (like strong family ties, respect for education, high levels of performance orientation etc...) are to a larger extent present in Africa. They argued that the rapid population growth and substantial debt overhang are important but not insurmountable obstacles to African development. They indicated that Africa has a richer resource base than most Asian countries.

They, however, identified two important differences between the successful Asian countries and those of sub-Saharan African countries. The first one was the difference in the political structure, and especially the nature of the state. In this connection, it is stated that:

In Asia, governments were the embodiment of the state and thus were viewed as having legitimacy. This made governments more autonomous and able to focus on national long term issues... In Africa, two main governmental styles arose. In some countries, such as Nigeria and Kenya, the government used its control of economic assets to ensure its sustained political control. Political power was used less in the interest of the nation and more in the interest of the government. In countries where charismatic national leaders arose (Tanzania, Ghana, Zambia) the leaders were caught in the grip of a socialist ideology and wasted their influence in unprofitable pursuits (USAID and Winrock International, 1991: 18).

The second difference that the experts identified between successful Asian countries and that of sub-Saharan African countries pertains to the structure of agriculture. It is argued that:

Asian agriculture, because of a long history of investment in rural roads, irrigation and later fertilizers, seeds and research, is integrated into the national economy. Consequently, it has been able to concentrate production to vast areas of intensive, highly productive monocultures. In Africa, on the other hand, the lack of such investment has resulted in highly extensive and diversified agricultural systems based on self – sufficiency for household needs. Most of the African agricultural experts agreed, however, that this contrast is due to the difference in investment and development and not to cultures, physical resources or climate (USAID and Winrock International, 1991: 19).

On October 22/07 BBC network Africa broadcast, noted that according to World Bank studies, growth that starts with agriculture leads to a sustainable economic development as compared to other sectors. The reason being that agriculture sustains the livelihood of close to 75 percent of the people of Africa and that an improvement in the wellbeing of the vast majority of the people would, of necessity, lead into an overall development of the continent, including the urban sector.

2.7 The Democratic Developmental State Paradigm and its relevance to Africa

2.7.1 Development and the process of Democratization in Africa

At the beginning of the 1980s, the East Asian developmental miracle, brought with it new orthodoxy about the developmental role of the state. The East Asian Miracle is a developmental experience which has taken place in the last 30-35 years in East Asia, a region where “remarkable economic growth took place hand in hand with remarkable equity” (Meredith woo- Cummings 1999:ix).

As a prelude to his article, White used an interesting quotation from an anonymous Sudanese military official whom he quoted as saying the following: “In Third World conditions Western style democracy is as much use as a three piece suit in the desert” (White 2006:60). Well, for more than half a century after the end of colonialism, African authoritarian leaders had it all. Excessive economic interference in the economy led to clientalistic and/or patrimonial states and social structures in society. The monopoly authoritarian African leaders had in the political process of their countries led them to a gross suppression of political and human rights of their citizens. Despite efforts to implement a variety of development

strategies and policies in the past several decades, and despite international efforts to get rid of poverty in the developing world, the deprivation crisis in the developing countries, notably those in Africa has further deepened. Absolute poverty remains the biggest developmental challenge to this day in many developing countries. Studies by UN agencies (UNDP, 2003) prominent statesmen (Brant 1980, 1987) and various development experts indicate policy deficiencies and inadequacies have been the main culprit. These studies point out that the poor policy environment has been due to the erroneous policy and strategy advise both from within and without.

It was in recognition of this fact that White (2006:60) writing on this particular issue, stated:

If the 1980s saw the rise of a new orthodoxy about the developmental role of states, the early 1990s have seen the rise of a new orthodoxy about the developmental role of political regimes. The former criticized the developmental state of the post colonial era for economic dirigisme. ... the latter extended this to a critique of political dirigisme, emphasizing the developmental deficiencies of authoritarian regimes... By the mid 1990s, these two critiques have coalesced into a comprehensive strategic vision of both political and economic probity, according to which development can best be promoted through a market-friendly state presiding over a predominately capitalist economy operating within the political shell of a liberal democratic polity.

The democratic developmental state paradigm is counter posed against the neo-liberal paradigm energetically forwarded by the West and the international financial institutions that it sponsors. Many developing countries especially those in Africa that adopted the neo-liberal development strategy have definitely been unsuccessful. On the other hand, several of the few successful developmental states of East Asia, India, Botswana and Mauritius in Africa have been developmental democracies. But if the distinguishing characteristic of a developmental democracy is what Meredith Woo-Cummings termed as, 'remarkable economic growth co-existing with remarkable equity', one cannot take India as fully conforming to this model. The number of people below the poverty line in India is almost half the population of Africa, according to a Voice of America Broadcast on issues of world development transmitted on the fifteenth of July 2010.

Before proceeding to outline the various arguments around the democratic developmental state model, it is important to point out the characteristic features of the democratic developmental state. In order to do that, one ought, at the outset, to define the word democracy. White (2006:3) describes democracy as "a set of institutional procedures to guarantee basic civil and political rights and allow political competition, between political forces organized along party lines". Different scholars could, from their own perspectives, emphasize different aspects of democracy. The overall consensus of what constitutes democracy in general and liberal democracy in particular could be put as follows: Citizen participation; equality; political tolerance, accountability; transparency; regular, free and fair elections; economic freedom; control of the abuse of power; a bill of rights, separation of powers between the executive, the legislature and the judiciary; accepting the results of elections; human rights; a multi-party system; and the rule of law (Edigheji 2007:3). Another feature of the developmental state, according to Evans is that the governmental structures of developmental states approximates "a weberian bureaucracy" and that its 'meritocratic recruitment' and

'long term career rewards' gives it a sufficient degree of autonomy for it to be an effective development instrument (Evans, 1995: 12).

A developmental state should also have a transformative capacity. This capacity is determined by such factors as 'institutional, technical, administrative and political' (Mkandawire 2001:290). Thus, combining Edigheji's definition of a liberal democratic state and the classifications of a developmental state given by other scholars, we arrive at the democratic developmental state model. This model does not concur with the model forwarded by Chalmers Johnson, who conceptualized the developmental state as "a soft authoritarian state" (1987). White (2006:64) aptly capturing both the democratic and developmental nature of the democratic developmental state, formulates the combination thus:

If the socio-economic preconditions of democracy do not exist, they have to be created along with the construction of democracy itself. Effective developmental performance covers a broad spectrum of governmental action-including economic growth, social and physical investment and redistribution... The key issue is how to construct a virtuous circle between socio-economic development on the one hand and political development on the other. By political development we mean both the construction of efficient and accountable public institutions and the spread of real as opposed to titular democratic citizenship and enfranchisement through an increasingly persuasive process of social empowerment.

White points out that the relationship that civil society forms with the state and political parties is fundamental to the smooth functioning of developmental democracy and that the relationship these three domains have with each other differ from country to country. He termed this link between state, political society and civil society as 'corporatism' and argues that corporatism creates "the political consensus, stability and capacity needed for long-term developmental decision making" (White, 2000:66).

One crucial fact should not be denied. Post-independence African states had set for themselves the dual tasks of political nation – building and economic development in earnest. The process of nation building aimed at uniting the fractures i.e. multi-ethnic, multi-religious and multi-cultural societies and mold them into nation-states. Likewise, many post-independence African states had tried in earnest to develop their national economies. Here is what Edigheji (2007:13) says in this regard:

Just like with the nation building process, African states also embarked on the process of economic and social modernization. In the immediate post-independence era, many states followed a strategy of massive state intervention in all fields of the economy as part of their ideological commitment to development intended to eradicate poverty, ignorance and disease. Whether through the adoption of mixed economy policies or African socialism, there were massive state interventions in the social, economic and political life of the emerging societies. Because of developmental failures however, some scholars and development practioners would a priori dismiss the African state as lacking developmental objectives and would even argue for the impossibility of the developmental state in Africa. Such a view is a misreading of African political economy.

Mkandawire hammering on this particular point argues that developmental states are not 'alien to African climes'. He goes on to say (2001:310): "...their experiences need to be critically examined for useful lessons, an exercise that has been hindered by an excessive leveling of the African political and economic landscapes".

As indicated above, in the 1950s and 1960s most African states carried a developmentalist agenda. They pursued policies that resulted in fairly high rates of economic growth and did much to expand

education. However, for various reasons, economic growth could not be sustained. The reasons were: failure of accumulation, political instability, adoption of wrong political and especially economic policies as a result of the cold war, wrong conceptions of development by first generation African leaders which conceived development only in terms of poverty reduction, welfare provision and not in terms of sustained economic growth and social equity (Edigheji, 2007: 14).

As a result the African state was unable to achieve its developmental objectives. So, in the face of developmental failures, it was forced to adopt, various WB and IMF induced economic growth strategies and policies that were treated in the earlier sections, the main one being the SAP, which after nearly two decades of implementation, failed to change the African economic situation to the better.

Main stream development paradigms have failed in guiding underdeveloped countries in general and Sub-Saharan African Countries in particular out of their state of underdevelopment. So, Africans must strive to find a development paradigm relevant to their conditions.

The type of developmental model that would lift Africa out of its abysmal conditions of underdevelopment and mal-development had preoccupied and continues to preoccupy African and non-African development scholars and practitioners.

It is argued in this dissertation that political and social development is essential for economic development. It is also argued that technological capability accumulation is at the heart of economic development. It is also maintained that the above cited preconditions cannot be brought about by market forces alone and that the role of the state in promoting sustained economic growth and development is central to the proposed alternative of the democratic developmental state model for Africa.

In order to achieve the objective of creating a democratic developmental states in Africa, the African state has to create a 'comprehensive state transformative capacity' (Edigheje 2007:3). What does this mean? It means, and as the experience of successful developmental states of East and South East Asia testifies, African states should try to absorb foreign technology into their economies. They should embark on a trajectory of medium and light industrial exporting, guided by strong line ministries responsible for planning and monitoring such policy. They ought to follow a neo mercantilist trade and economic policies if not separately, at least as regional blocks. African states should also undertake serious agrarian reforms (Woo-Cumings 1999:1).

The economic and social policies pursued by successful developers of North East and East Asia could be summarized as constituting the following considerations:

- Pursuing a strategic policy of economic nationalism
- Focusing on foreign technology transfer
- Protection of fledged domestic industries
- State targeting of industry
- Integrating Agriculture into the national economy rather than having a backward agriculture based on household self sufficiency

- Alliance between the state and industry-called corporatism
- Energetically pursuing export-led industrialization policy
- Increasing savings and investment in selected and strategic economic sectors
- Making the economy competitive and diverse
- Enhancing the technological and skills base of the economy
- Creating more jobs
- Pursuing policies that address socio-economic inequalities and the satisfaction of the basic needs of the population
- Achieving sustainable growth on the basis of adequate environmental protection
- Enhance gender equality

The above economic policy interventions should be put in place together with the necessary 'state institutional design' of vital state institutional attributes and arrangements that are instrumental in formulating and implementing the above socio-economic policies (Edigheji 2007:18).

To achieve the above recommendations, the national elite structure of African countries must be autonomous and not be undermined by external political and/or economic dependence. If this condition is not met, it would significantly reduce the state's capacity to devise and implement the necessary economic and social policies that befits a democratic developmental state.

This entails an agreement on the part of the African political elite to be cohesive and uni-directional in constructing a developmental state. In order to do this the African state needs to lead and guide business instead of being lead by it. In this context, it is stressed, *"The African state should be able to forge a relationship with national entrepreneurial classes... or use its powers to create and nurture an entrepreneurial class with which it shares a project of national transformation"* (Edigheji 2007:6).

Mkandawire contends that the African state could be transformed into a democratic developmental state if a conscious effort is put up by Africa's political elite and concludes his analysis by emphasizing the following:

Lessons from other parts of the world clearly suggest that appropriate institutional structures did not always exist, but that they could be socially engineered. The experience elsewhere is that developmental states are social constructs consciously brought about by political actors and societies. As difficult as the political and economic task of establishing such states may be, it is within the reach of many countries struggling against the ravages of poverty and underdevelopment. The first few examples of developmental states were authoritarian. The new ones will have to be democratic; and it is encouraging that the two most cited examples of such 'democratic developmental states' are both African – Botswana and Mauritius (Mkandawire 1999:310).

African countries that have successfully emulated the developmental states of East Asia or are in the process of doing so are Botswana and Mauritius. The above two countries are said to have entered the democratization process. In these countries, some form of elite settlement seems to have been established or is in the process of being established. Democratic institutions and civic organizations than enhance good governance seem to have taken root, minimizing the danger of empowered elites from derailing the developmental and democratic aspirations of the peoples of the above mentioned countries. If properly analyzed, it was the absence of vital democratic institutions that led to the failures of development in Africa.

Had the necessary institutions been present, they could have counteracted the predatory and rent seeking tendencies of Africa's political elite.

Some maintain that India and South Africa could be classified into the democratic developmental state model. Others disagree. Those that disagree point out to the failure of both countries to properly address poverty and social inequality as being reasons sufficient enough to disqualify them from being classified as developmental states. Pillay (2007: 202) citing ILO figures (2004), maintains that the unemployment rate of the economically active population in South Africa is approximately 38%. He noted: "...recent statistics indicate that poverty and social inequality have not improved, even though (the) government has delivered impressively on a number of social needs, such as housing, water and electricity". Since successfully combating poverty and social inequality are important elements of a democratic developmental state model, there seems to be no consensus that neither India nor South Africa confirm well to the model.

The recent political infighting between the ruling African National Congress (ANC) and one of its alliance partners, the Congress of South African Trade Unions (CoSATU) on the one hand and the "falling out of love" between ANC and its youth league on the other, seem to indicate divisions within South Africa's ruling political elite. (see article on The Economist Sept. 4th – 10th, 2010: 61 for details). If such political disunity continues, it is indicative of the fact that there is no consensus among the ruling political elite, on the model that the country's development should follow. The lack of elite cohesion is an important political factor for not classifying the current South African state in the developmental state model.

To be precise, Africa has witnessed a change in both the political and economic arenas since the end of the Cold War. The economic change was a move away from development planning to the market triumphalism version of developmentalism, which was in line with the second wave of the ascendancy of neo liberalist development thinking. By the same token, during the first half of the 1990's most African countries were forced to undertake change in the political arena. The change took the form of political liberalization, which, unfortunately, failed far short of initiating the process of democratization. One is therefore, bound to ask how the process of political liberalization differs from the process of democratization. In defining both processes Bratton and Van de Walle (1997:31) have the following to say:

Political liberalization and democratization are simultaneous, complimentary, but ultimately autonomous process: the former refers to the modification of authoritarian regimes, whereas the later requires the deliberate construction of democratic political institutions. It is entirely possible that [political] liberalization can occur without democratization, and in some parts of Africa the disintegration of authoritarian rule maybe [was] followed by anarchy, intensified corruption, or military intervention rather than by stable and accountable governance... African countries are experiencing a liberalization of authoritarian rule rather than a full-blown transition to – let alone consolidation of – democracy.

From the above analysis one can infer that political liberalization is a change or a crack in the edifice of authoritarian rule, while democratization is a process of building and setting up democratic political institutions. Where ruling state elites reach to a point of realizing that they have to undertake political reform

in order to salvage their political control, and hence could accept political reform in the form of political liberalization. For Bratton et al (1997: 31-32) such reforms comprise of the following: “*adjustments in party and administrative regulations [up to and including] the introduction of a new national constitution; freedom of political expression, freedom of political association and freedom of the press*”.(Bracket not in original).

According to Bratton et al, such reforms can be characterized as “political liberalization”. They argue “*only where free and fair elections are held to choose national political office holders can a ‘transition to democracy’ be said to be underway*” (Bratton et al, 1997: 32).

According to White (2006:67), ‘democratization... is the consolidation and deepening of democratic institutions and predispositions’. Democratization, in order to be successful ought to organize a stable and enduring relationship between the state, political parties and civil society.

The term democratization first appeared at the end of the Cold War in reference to the political transition from socialism to liberal market capitalism in Eastern Europe. The concept was then extended to the developing world. Potter (2000:368) defines the concept of democratization as follows:

[democratization is] a political change moving in a democratic direction from less accountable to more accountable government, from less competitive (or non-existent) elections to fuller and fairer competitive elections, from severely restricted to better protected civil and political rights, from weak (or non-existent) [civic] associations to more autonomous and more numerous associations in civil society.

In the first and second generation Asian developmental states, it was under ‘authoritarian auspices’ that development, in its economic sense was initially realized. Political democracy took shape as a byproduct of economic development in the developmental states of East Asia. This was also the case in the early modernizers of Britain and France. The industrial revolution predated political liberties.

There is an extraordinary outburst and demand for democratization in the world since the beginning of the 1990s. So, it would be appropriate to ask what impact has it had or will it likely have on the fundamental issue of poverty alleviation and development? As pointed out in earlier sections it has been the view of the Washington Consensus that liberal democracy and market capitalism ought to be the twin pillars of a successful development strategy for all underdeveloped countries.

On the other hand, the view that was popular among African authoritarian leaders has been that democratization can impede development in developing countries. They maintain that political participation must be held down, at least temporarily, in order to promote economic development. Potter seems to agree with this view. He contends that political changes which come by way of a liberal constitution are incremental in nature and hence do not fundamentally affect the major interests of society. According to Potter:

Development on the other hand, ‘is both by definition and in practice a radical and commonly turbulent process which is concerned with often far-reaching and rapid change in the use and distribution of resources, The contradiction is that ‘the rules and hence practices of stable democratic politics will tend to restrict policy to incremental and accommodationist (hence conservative) options; whereas developmental requirements (whether liberal or radical) will likely pull policy in the direction of quite sharp changes affecting

the economic and social structure of the society and hence important interests within it (Potter,2000: 376-377).

The hard economic facts indicate that from the 1970's to the beginning of the 1990's most African countries faced a twenty – year downturn in economic activity in the form of falling export revenues and rising import prices, as a consequence, an imbalance in the terms of trade, resulting in a declining foreign exchange holding. When the austerity measures imposed on most African countries through the Structural Adjustment Program (SAP) was super imposed on the aggressive rent-extraction/and or corruption by Africa's ruling elites, the subjective condition for political unrest was met.

While political unrest has been a recurrent feature of African politics, the end of the cold war and the seeming triumph of neo-liberalism on a world scale at the end of the 1980's and beginning of the 1990's, the citizens of many African countries took to the streets in protest to express their discontent with political repression and economic hardships. They demanded political and economic reform. It was during this period of uncertainty and demand for change that many African countries including Ethiopia, encountered a change of government.

There were structural/Economic and non-structural/political reasons for the need of introducing political reforms in Africa at the beginning of the 1990's. The structural factors, according to Bratton et al (1997:29-30) were: *“Long term downturns in national economic activity; donor imposed austerity measures; aggressive rent extraction by ruling elites”* which manifested itself in corruption at a grand scale. All the above put together led to severe contractions in living standards of the peoples of Africa.

The non-structural or political factors that led to mass unrest in Africa at the beginning of the 1990's, again according to the above writers were: the political conditionality attached to donor aid which resulted in mounting international pressure and the diffusion effects of successful democratization in East European countries as a result of the end of the Cold War. The economic and political factors in combination undermined the legitimacy of Africa's state elite to rule. In the words of Bratton et al (1997:39) these factors: *“... violated the covenant which underpinned the right of African leaders to rule and estranged them from their political base in society”*.

The hopes that were raised by the peoples of Africa for political, economic and social rejuvenation and improvement were, however, short lived. Ihonvbere (1996:343-344) lamenting on the failure of Africa's transition to democracy wrote:

After raising hopes of a major political renewal, Africa's “second wave” of democratization seems to be running out of steam... Repression, corruption, mediocrity, violence, manipulation of primordial interests, economic decay and subservience, and the concentration of resources in a few locations came to characterize African social formations. In no country did the elites live up to the promises of the nationalist struggles... the ongoing processes largely represent the interests of the corrupt and irresponsible African elite.

How can Africa replace its largely authoritarian political order and earnestly begin the democratization process? How can the democratization process, once it is in motion, become consolidated? Bratton et al (1997:48) maintain that changes in the form of introducing some political reform

in the way authoritarian regimes operate could only be taken as political liberalization and cannot be considered as democratization.

To the question how is a democratic transition started, Bratton et al reply, "*African countries can only embark on a democratic route by way of a free and fair elections*". To the question how is a democratic transition consolidated? their reply is "... *by creating and strengthening democratic institutions in state and society*" (Bratton et al, 1997: 48).

If it is to be a developmentalist state, and to be worthy of being called as such, the African state must completely shade its authoritarian, predatory and rent-seeking nature and turn into a politically democratic-cum-developmental state. The researcher of this dissertation maintains that it is with the prudent intervention of such type of state that African countries can hope to overcome underdevelopment.

In line with this, the African political matrix ought to focus on the vital issues of decentralization and political devolution, on elevating issues of governance, and institution building; on allowing self rule so as to create harmony between different ethnic groups in African 'nation-states'. Democratically led and stable political systems with proper and constitutionally guaranteed separation of powers between the executive, legislative and judiciary branches of government, should replace the present unstable and authoritarian political order. Forming of alternative governmental arrangements, institutionalization of administrative procedures and regularization of political norms replace patrimonial and ethnic politics. Strengthening political parties and civil society is crucial to the consolidation of the democratization process.

The democratization of the African political system seem to be the only remaining option that has so far not been tested on the African soil. All other forms of authoritarian politics have been practiced and failed to push Africa out of its poverty trap. But African political elites ruling the various 'nation-states' in the continent might not prescribe to this notion of the need for democratizing the political system as a tool for enhancing economic development. As Khadiagala (1990:363, 364) argues:

In Africa, the hopes that the developmental elites could, in an interim period, create the material basis sufficient for long-term liberty were shattered by their inability to promote both objectives. The stark experience of the past decades adequately demonstrates that the primary cause of this crisis is not of less stateness but over-extended stateness. In future the challenge will not be the populist one of wishing the state away, neither will it be the futile search for a 'civil society' untouched by the state... Since Africa's socio-cultural pluralism will remain a permanent fixture of political life, there is an urgent need for institutional frameworks such as sound constitutions, federations and minority protection provisions to replace the conflict-generating and out-moded one party structures... Even if the prescriptions of political development tend toward Euro centrism, Africa should salvage, within this rich tradition, the universal norms of accountability and participation.

Finally there is the issue of the controversy around the liberation of the African individual from the yoke of African authoritarianism. As everyone who has gone through the western educational system knows, the issue of the liberation of the individual i.e. the respect of human and democratic rights of the individual, is the pillar of the western liberal tradition. There seems to be a school of thought in political science that rejects the universality of human and democratic rights and ascribe this right as a product of purely western liberal tradition that could not be applied to African political reality. Authoritarian African

leaders love this notion so much so that they seem to have wholeheartedly adopted it. Having said this, it is ironic to find the same African leaders to have adopted socialism, probably forgetting that it too, is the product of western non-liberal, and specifically socialist school of thought.

Social philosophers such as Saint-Simon and Robert Owen, economic philosophers such as Ricardo and philosophers such as Hegel gave rise to the theory of Socialism and Communism which was taken up by Marx and Engels. They were all Europeans. The truth of the matter is that, the fundamental tenet of western communist thought i.e. the centralization of political power in one ruling party is more in tune with the authoritarian nature of African politics than that of the Western liberal political thought of the right of individual citizens to choose their leaders by 'free and fair elections' to be held at specified intervals. The other school of thought in political science maintains that the human and democratic rights of the individual are a universal concept and there is nothing eurocentric about them. While the autonomy and freedom of the individual ought to be taken as the basis of democratic governance, it is the distinguishing mark of totalitarian rule, especially in Africa, to deny the autonomy and freedom of the individual as a fundamental political right. Without this fundamental right, private initiative, which is crucial to the success of economic development cannot be realized.

It is saddening to note however that even at the dawn of the twenty first century, with the exception of South Africa and two or three other countries, Africa's attempt at democratization has failed. As Bayart et al (1999: 4-5, 106) clearly pointed out:

With the exception of South Africa, the process of democratization has been captured, under the guise of competitive elections, by the authoritarian groups already in control of state power ... Efforts to combine the requirements of a market economy with the demands of democratization and popular sovereignty have ended in failure... Africa is resistant to every conditionality and its democratization remains a great leap into the unknown.

2.7.2 The predatory and rent - seeking nature of the Africa state

Beginning at independence and up to the present, the African state has not only been authoritarian, but most importantly, predatory and rent-seeking. As the empirical facts over the last several years show without ambiguity, the failure of African's elite to provide the necessary leadership has been the prime cause for the continent's underdevelopment and for its failure to catch up with the rest of the world.

In an interview Kofi Annan had with Newsweek in relation to his role of bringing the two opposing sides in Kenyan politics to an agreement, he was asked the general question of what is it that has gone wrong with Africa? His reply was the following:

After independence, we got into a situation where men who hungered for power went into politics, and we created a situation of winner takes all. In many countries, people who want to make money go into business. In Africa, people who want to make money go into politics. It is very unhealthy. [yet] it is very profitable (February 10, 2008: 58) .

As noted in the previous sections of this chapter, there is an easy relationship between the concepts of the developmental state and democracy. There is also the risk of empowering elites in leading the

development effort. The debate on Africa's development in the past decade has highlighted the above twin assertions. It is the conjuncture of the above two risk factors that could pose a serious challenge to the democratic developmental state paradigm in Africa. As a matter of fact, it is the contention of development theoreticians like Bayart that it is the failure of the democratization process initiated by the mobilization of the people in Africa during the period between 1989-1992 that led to the emergence, in a new and more blatant form, to the 'criminalization of the state in Africa' (Bayart et al 1999). Defining the concept criminalization of the state in Africa Bayart et al (1999: 16) maintain:

The Criminalization of politics and of the state may be regarded as the routinization, at the very heart of political and governmental institutions and circuits, of practices whose criminal nature is patent, whether as defined by the law of the country in question, or as defined by the norms of international law and international organizations or as so viewed by the international community.

The main trait of the criminal behavior the African state is further indicated according to Bayart et al (1999: 20, 30) by the division of African social systems into "the legal edifice" and "the real fabric of society". "The division of the structure of power into a real entity and a legal fiction is referred to as the 'shadow state'... the shadow state exploits for its own benefit public enterprises and financial institutions including the process of privatization and foreign aid". The legal edifice of the state serves as front man for the purpose of partnering with multilateral institutions and western governments. The rents collected in lieu of "the diplomatic and military alliances ... as well as from the management of external finance and aid" goes to the 'shadow state' (Bayart et al 1999: xxi). Elaborating on the concept of the criminalization of the state and politics in Africa, Bayart et al (1999: 15, 25, 26, 101, 109) pointed out to the following indicators* as manifestations of the criminalization of politics and the state:

- The existence of a hidden, collective structure of power which controls and surrounds the official occupant of the most senior political office and which benefits from the privatization of the legitimate means of coercion.
- The participation by this collective and semi-clandestine power structure in economic activities considered to be criminal in international law and in terms of moral codes which enjoy wide international currency
- The use for private purposes of the legitimate organs of state violence (army, police and security) by those in authority as an instrument in the service of their strategies of accumulation of wealth
- Undertaking privatization in fields as vital and fundamental to state security and nation sovereignty as the administration of customs and tax and the allocation of the budget, the pilfering of foreign aid, the illegal export of natural resources, the laundering of money from illegal transaction, counterfeiting of bank notes or the printing of money without the knowledge or in spite of the positions of the country's relevant institutions like the Ministry of finance or the Central Bank.
- Making a mockery of the fight against crime and corruption. Only the actual bandits are made the subject of pursuit and never those who protect them. Anti-corruption offices exist essentially to attack political opponents
- The justice system is used in the service of the shadow state.
- Systematic falsification of statistics dealing with national accounts. State institutions dealing with the provision of national data specialize in spreading lies and falsifications.
- Participation of the state in the informal economy or its involvement in illegal trade.

* As will be shown in the next two chapters, the current Ethiopian state under EPRDF satisfies all the above cited indicators, without exception.

2.8 Development, nationalism and democracy

2.8.1 Defining nationalism, nation, the nation-state and ethnisism

One important and yet controversial issue that needs to be addressed at this juncture is the issue of the importance of nationalism and the nation-state for enhancing development in Africa. Supra-ethnic nationalism, when properly galvanized, has been seen to be a major contributing factor for development. Johnson refers to this concept of the 'dialectic relationship between nationalism and development' and defines it as the 'nationalist incitement to development' (Johnson, 1982, cited in Woo-Cummings, 1999: 2).

According to the prominent American historian Boyd Shafer (1955:3-11) the concept of nationalism has no precise and scholarly acceptable definition. It is his contention that:

Different historical factors have been involved in the making of each nation, nationality and nationalism. Differing political, economic, social, and geographic conditions have influenced its development. By nationalism today may be meant (1) the love of a common soil, race, language or historical culture (2) a desire for the political independence, security and prestige of a nation (3) a mystical devotion to a vague, sometimes even supernatural, social organism known as the nation (4) the dogma that the individual lives exclusively for the nation i.e. that the nation is an end in itself, or (5) the doctrine that the nation (the nationalist's own) is or should be dominant, if not supreme among other nations ... and the presence of all of the above in some degree is essential before nationalism fully materializes (Shafer 1955: 3, 6, 9).

Mellor (1989:5) on the other hand, alludes to nationalism as "the political expression of the nation's aspirations". The simplistic Marxist explanation for the rise of a nation and hence the feeling of nationalism is exclusively economic. Stalin (1971:8) argues that nations are products of the period of capitalism and that nationalities are the products of the pre-capitalist socio-economic formations. He maintains that: "A nation is a historically evolved, stable community of language, territory, economic life and psychological make-up manifested in a community of culture".

Scholars on nationalism usually equate the concept of the nation with that of the state. While it is always true to define the state territorially, it is not always true to define a nation in terms of a specified territory. Spencer and Wolman (2008:2) point out that the concept of the nation, which according to them is the 'central focus of nationalist attention and energy is a slippery and elusive object'. That is why Anderson (2006:3) maintains that "no 'scientific definition' of the nation can be devised; yet the phenomenon has existed and exists". For Anderson (2006:6), the nation is "an imagined political community". Although the concepts 'nation' and 'state' are closely related, many writers on the subject of nationalism and the state maintain that they have important features distinguishing one from the other. Spencer et al (2008:2) maintain:

The criteria for deciding on what constitutes a nation are highly contested, involving complex issues relating to identity, culture, language, history, myth and memory, and disputed claims to territory... claims to territory have often led to a confusion between the terms nation and state... the state has to do with sovereignty, with power and authority over a given area and population. The other (the nation) has to do with relationships between people, with how people are themselves connected... sharing some kind of collective identity. There are, too, both multinational states and stateless nations.

The Jews, for instance, were driven out of their homeland by the Romans centuries ago. They preserved their religious and cultural distinctiveness while living in different countries. As a result, they used to consider themselves as a nation – a nation without a state. The United Nations accepted the establishment of the state of Israel when the British left Palestine in 1948, after a bitter conflict with the Arab population of Palestine. At present, there are ethnic groups that are dispersed in several countries that consider themselves as single nations, and aspire to establish independent territorial – states of their own; usually citing the doctrine of self-determination. At the same time, there are different national or ethnic groups that have accepted their fate of being incorporated into multi-national states, satisfied with their regional, cultural/linguistic autonomy. Connor (1978:379) defines the nation as “an essentially psychological phenomenon” and the state as “a territorial-political unit... a major political subdivision of the globe”. He argues: “the most fundamental error involved in scholarly approaches to nationalism has been a tendency to equate nationalism with a feeling of loyalty to the state rather than with loyalty to the nation” (Connor, 1978: 378).

Most historians agree that nationalism has become, for all people, the most important thing in the world. Shafer noted (1955: vii-viii): “Nationalism embraces not only the political but all phases of life – men have come to work and produce and live not only for themselves but for the nation”. Shafer emphasized that nationalism is a product of two phenomena - “idea” and “institution” and that these two elements have become, since the late eighteenth century, essential in “the molding of nationalism”. What Shafer meant by “idea” is the ‘political Enlightenment’ of the late eighteenth century and what he refers to by “institution” is the nation-state. As the political enlightenment of the late eighteenth century became the “idea” that influenced the thoughts and actions of people that led them to become nationalists, this idea of nationalism had to find its edifice, so they say, to become real. According to Shafer, this edifice or institution that symbolized the nation is the nation-state.

The nation-state, or the political organization of the nation, came into being and become dominant in part because that form of institution fitted the economic organization and the state of transportation and communication of modern times. Nation-states did not develop earlier because feudal, agricultural Europe did not need or foster them. The middle and working classes were not strong enough to demand them. The local nature and low level of industry, the trickle of trade and the bad roads did not demand or permit them. And the slow communication of ideas and the illiteracy of the bulk of the people prevented the rise of that national consciousness essential to their rise and growth (Shafer, 1955: 9).

It is the contention of historians that in countries that were developed earlier enough to become colonizers, nations developed out of villages, towns and feudal principalities. They grew by conquest, diplomacy and out of the need of peoples for social organization. On the other hand, in most of the colonized countries of Asia, Latin America and Africa, the formation of ‘nation-states’ was the result not of their own autonomous development, but as a consequence of the process of decolonization of the mid twentieth century. And since these ‘nation-states’ were artificially created political entities, ethnic/tribal loyalties stood in their way and prevented their consolidation in to nation-states.

In much of Europe, in the nineteenth and twentieth centuries, the nation which predated both the concept of nationalism and the state created the nation-state, and the latter in turn shaped the nation. Barker wrote: "It is the nation which makes the state and not the state the nation" (Baker, 1927: 124). For Anderson, national consciousness and with it the feeling of nationalism arose as a result of the decline of the 'cultural systems' that preceded it. Those cultural systems were: "The religious community and the dynastic political system" (2006: 12-19). Anderson (2006: 44-46) attributes the growth of what he refers to as print-capitalism for the emergence and consolidation of nationalism. He further contends (2006: 81,134):

Through the instrumentality of the printed word, dynastic empires, monarchist institutions, absolutism, subject hoods, inherited nobilities, serfdoms ... gave way to their conceptual opposites: [to] nation states, republican institutions, common citizenship, popular sovereignty, national flags and anthems... Print language is what invents nationalism, not a particular language per se.

The economic and social problems and the cultural needs of people became so vast and complex that only an institution to which people were loyal to and which possessed great power could meet them. This institution, according to Macartney (1934:102) was the "Nation-state - the organized expression of the nation." Shafer, putting the same idea in another form remarked (1955:196): "The nation-state which the romantics of the early nineteenth century regarded as an object of poetry and adoration, became the hard pervasive reality of twentieth-century political society".

Opello and Rosow (2004:3) define the nation – state or more appropriately the state in the following way:

The nation-state is a type of politico-military rule that, first, has a distinct geographically defined territory over which it exercises jurisdiction; second;... its jurisdiction is theoretically exclusive of outside interference by other nation-states; third, it has a government made up of public offices and roles that control and administer the territory and population subject to the state's jurisdiction; forth, it has fixed boundaries marked on the ground by entry and exist points; ... fifth, its government claims a monopoly on the legitimate use of physical coercion over its population; sixth, its population manifest, to a greater or lesser degree, a sense of national identity and seventh, it can rely, to a greater of lesser degree, on the obedience and loyalty of its inhabitants.

A nation-state historically refers to a state comprising a single nation in which the territorial-political boundary of the state and the nation coincide, while a multi-national state is a state comprising several nations or ethnic groups, in which the territorial/political boundary of the state do not necessarily coincide with the territorial settlement of the dominant nation or ethnic group.

Social scientists like Smith (2001:39-42) think that there is a difference between the 'ethnic' type of nationalism that was prevalent in countries like Germany, Japan, Italy and to some extent Russia and to the "civic" type of nationalism, that is found in countries such as Britain, France and the United States. Smith refers to the ethnic type of nationalism as the 'Eastern variety' and the civic type of nationalism as the "Western variety". Further elaborating on this point, Smith holds, "in the West, a strong confident bourgeoisie was able to build a mass citizen-nation with a civic spirit; whereas the East, lacking such a bourgeois class, and ruled by imperial autocrats and semi-feudal landowners, provided fertile soil for organic conceptions of the nation and for authoritarian and often mystical forms of nationalism". Most Asian, Latin American and especially African countries seem to have derived their nationalism from the "Eastern

Variety”, which because of its relative economic backwardness when compared to the “Western Variety”, was forced to adopt the ethnic type of nationalism (Smith, 2001: 39-40).

The ethnic nationalism that is prevalent in Africa seems a relatively new concept, which emerged in social science discourse only in the twentieth century (McCrone, 1998:22). Spencer and Wolman (2008:96) presented a number of dualistic (i.e. positive and negative) features identifying civic and ethnic types of nationalisms as follows:

Civic/Western/Nationalism

Political
 Civic
 Liberal
 Individualistic
 Voluntarist
 Rational
 Universalistic
 Patriotism
 Constitutional
 Historic Nations
 Nationalism of the oppressed
 Women – emancipation nationalism

ethnic/Eastern/Nationalism

Cultural
 Ethnic
 Illiberal
 Collectivist
 Organic
 Mystical/Emotional
 Particularistic
 (Chauvinist) Nationalism
 Authoritarian
 Non-historic nations
 Nationalism of the oppressor
 Patriarchal Nationalism

According to Brass (1991:8) both nationalism and ethnicity are modern concepts ‘inseparably connected with the activities of the modern centralizing state’. He argues as such:

Ethnicity and nationalism are not ‘givens’ but are social and political constructs. They are creations of elites, who draw upon, distort, and sometimes fabricate materials from the cultures of groups they wish to represent in order to protect their wellbeing or existence or to gain political and economic advantage for their groups as well as themselves ... the process by which elites mobilize ethnic identities simplifies those beliefs and values, distorts them, and selects those which are politically useful rather than central to the belief system of the people in question (Brass, 1991: 8, 16).

In some historical cases, or in instances such as China, Egypt, Persia (Iran), Ethiopia, i.e. in countries with ancient civilizations, the concept of nation predates the emergence of nationalism as an ideology, which for almost all social scientists, is a post eighteenth century phenomenon. According to Smith for instance, a nation is neither a state or an ethnic community. He holds (2001:12) that:

...the concept of the state relates to institutional activity, while that of the nation denotes a type of community. The concept of the state can be defined as a set of autonomous institutions, differentiated from other institutions, possessing a legitimate monopoly of coercion and extraction in a given territory. This is very different from the concept of the nation. Nations are felt and lived communities whose members share a homeland and a culture. It is not an ethnic community because, despite some overlap...the ethnic community usually has no political referent, and in many cases lacks a public culture and even a territorial dimension, since it is not necessary for an ethnic community to be in physical possession of its historic territory. A nation on the other hand, must occupy a homeland of its own, at least for a long period of time, in order to constitute itself as a nation; and to aspire to nationhood and be recognized as a nation...

Opello et al maintain that since the middle of the nineteenth century, “nationalism has become an ideology in its own right”. They divided nationalism into three types and denoted them as ‘liberal nationalism, ethnic nationalism and anti-colonial nationalism’. They defined liberal nationalism as “loyalty to

a set of political ideals and institutions". According to Opello et al, liberal nationalism was a result of several factors, the main ones being the enlightenment of the seventeenth century, the French Revolution and its impact on other European countries, the impact of the industrial revolution and its concomitant effect in bringing about a new capitalist class that demanded a larger market in place of the parochialism that existed under feudalism. On the other hand, they defined ethnic nationalism as a type of nationalism that "*bases its legitimacy on a common language, religion, and shared historical experience and/or myth of a shared kinship. Ethnic nationalism appeared within the great multilingual and poly ethnic empires of the Ottomans, the Habsburgs and Romanovs during the nineteenth century*". The third type of nationalism, according to Opello et al, is anti-colonial nationalism, which according to them "*bases its legitimacy on the idea that colonies are unjust and a violation of the principle of self-determination,*" a principle enshrined in the 1919 Treaty of Versailles (Opello et al, 2004: 196-202, 203-205).

In the view of Anderson, the liberation of the Americas from British, Spanish and to a minor degree French subjugation coincided with the onset of the age of nationalism in Europe, which according to him (2006:67), was between 1820 and 1920. Taking Switzerland as an example, Anderson (2006: 135) maintains that "*... in a world in which the national state is the overwhelming norm, the nation can now be imagined without linguistic communality*".

After broadly attempting to define the concepts of nation, nationalism and nation-state as presented above, the question pertaining to the main objective or problem of the dissertation still remains un answered. How are the concepts of nationalism and the nation-state related to the issue of political, economic and social development? As the experience of the developmental states of East Asia indicates, nationalism that transpired in the form of "catching-up with the West" was the main unifying and driving force that motivated the peoples of those nations to stand firmly behind the political, economic and social policies formulated by their leaders at the helm of their respective nation-states. This was clearly presented in Chalmers Johnson's writings referred to in the section dealing with the developmental state. Without the strong Japanese, Soviet and later on Chinese nationalism, none of the above countries could have found the necessary mobilizing factor which acted as a triggering force for them to attain greater heights in terms of economic development.

In the nineteenth century and more widely in the twentieth century, nationalism, the nation-state and development were mutually reinforcing. Shafer (1955: 168-175) maintained:

All through the nineteenth and twentieth century's economic and technological advances tended further to unify groups which already possessed a common territory and state. They also encouraged unity inside groups that were only potentially nations. As railroad, canal, telegraph and telephone systems were built, they tied economies of scattered regions... Later, extensive highway systems coupled with gasoline engines reinforced these same tendencies. Still later, advertising, the movies, radio, and television further accentuated national uniformities by inducing people to speak, dress and act according to national patterns... so for all groups in each nation, concrete economic benefits tended to create national loyalties,.. Though the exact relationship between class or individual dependence upon the nation and loyalty to it is not calculable, yet it followed that as men appealed to and received benefits from the nation, they tended to identify themselves with it and with the state that symbolized it...

There can be no doubt that nationalism supplied the hope of a better future in terms of economic, political and social advancement for the peoples of the nineteenth and twentieth centuries.

The existence of strong nationalism helped the early modernizers including Japan, the former Soviet Union and lately China in facilitating their development effort. In most of African countries, however, it is the lack of strong nationalism, in its supra-ethnic form, and the absence of an autonomously evolved nation-state, or more precisely the failure of most African countries to enhance the multi-ethnic formations they acquired from the period of colonialism and consolidate them into modern 'nation-states', that have hindered their development effort.

Table 1:- GDP per capita growth in different subtypes of political systems

Types	Average %)
Non-communist dictatorships	1.5
Communist dictatorship	4.01
Presidentialism	1.11
Semi Presidentialism	1.69
Parliamentarism	2.50
Dictatorships (Total)	1.77
Democracies (Total)	1.99

Source: MILJENKO Antic 2003. Reexamining Role of the state in Promoting Development, *Politica Misao*, Vol. XL, No. 5, p. 25

The danger of empowering Africa's political elite is also directly related to the issue of the absence of strong nationalism and an autonomously evolved nation-state. Africa's political elite that took power after decolonization were in most cases, afflicted by tribal and ethnic considerations rather than national considerations. In the few cases in which some nationally minded African leaders tried to suppress ethnic incitements in favor of nation building, they were more ideologically oriented. They were not pragmatic enough to follow the developmental state model of East Asian countries. Africa's political elite was not endowed with a unifying national outlook and were imbued with primordial feelings such as clan and tribal sentiments. They could not realize the necessity of establishing the vital political and economic institutions that were essential in enhancing political and economic development. In situations where the realization was present, the drive to implement it turned out to contradict their immediate and primary interest of maintaining state power. They could only maintain state power by means of ethnic politics and ethnic entitlement. This reality made Africa's political system to be patrimonial instead of making it truly nationalist and democratic.

It is the view of many scholars who studied ethnicism that modernization has given rise to centrifugal forces, in the form of competing ethnic groupings in developing countries. Bates (1997:14) argues: "... *ethnic appeals are useful to politicians... an ethnic appeal is an attractive and efficacious weapon in the competition for office ... in the competition for power, and for the benefits of modernity and the prestige it confers, politicians will stimulate the formation of competitively aligned ethnic groups*".

As the Ethiopian social scientist, professor and human rights activist Mesfin Wolde Marian noted (1999: 10, 26, 29):

Democracy and human rights may be taken as the heritage of the whole of humanity. The view that attempts to exclude Africans because of the claim that Africans are somehow incapable is as erroneous as that African view which brands democracy "Western" and bad for Africans... It is the foundation at all sorts of totalitarianism to propagate that the individual is either nothing or fully subordinate to the will of the party, or the clan or the tribe or even the nation. In conditions where totalitarianism of one kind or another reigns supreme, as in most parts of Africa, to preach against the emergence of the individual both as the means and the end of social development is to compound the fundamental problem of Africa... Instead of using nationalism as an instrument of social and economic development, African political elites reverted to pre-colonial tribal group formations. It is the retrogression to tribalism that is the main problem of Africa today.

2.8.2 The Positives and Negatives of Nationalism

As indicated in 2.5.1, and as a constant feature of most of the literature on nationalism, the concept of nationalism has a dualistic nature. "A positive, progressive and benign and a negative, reactionary and malign" (Spencer et al, 2008: 94). In general, the Western types of nationalisms are considered to be the positive types of nationalisms, while the Eastern type of nationalism is thought to be the negative type of nationalism.

Some writers on nationalism like Narin for instance, maintain that "nationalism is at one and the same time both positive and negative. Likewise, many other writers have adopted a more dualistic approach, distinguishing more sharply between different kinds of nationalisms, making out more clearly positive and negative poles of reference" (Cited in Spencer et al, 2008: 95).

Classifying nationalism into positive and negative categories could also have its weakness. Spencer et. al argue (2008: 96):

The dualistic approach, raises more problems than it solves... There must after all always be people who are not part of the nation; the nation is always framed with the presumptions of the existence of the outsider, the other, against which the nation is itself defined and constructed. The problem of the other is common to all forms of nationalism... in which supposedly 'good' forms of nationalism turn 'bad'. The problem of dualism is that it obscures and cannot explain the continual slippage and creates the illusion that somehow or the other it can be avoided, when so much of the evidence points the other way.

Giving due consideration to the arguments presented above, it is essential for the purpose of the topic of this dissertation (i.e. the influence that 'positive' nationalism has on a country's development) to treat the most influential distinctions in the literature on nationalism. These distinctions pertain to the dualistic presentation between the civic and ethnic and between the liberal and illiberal types, between the individualistic and collectivist, between the constitutional and authoritarian types of nationalisms.

The civic nation is "an association of citizens" (Schwarzmantel, 1991: 207 Quoted in Spencer et al 2008:101). "within the borders of the civic nation, on its soil, all maybe citizens, according to the principle of *ius soli*. Membership is thus in some sense open, or at least not closed off in any a priori way" (Spencer et al, 2008: 101).

In the ethnic model of nationalism by contrast, the nation is defined by, "first and foremost as a community of common descent... whether you stayed in your community or emigrated to another, you remain, organically a member of the community of your birth, and were forever stamped by it" (Smith,

1991:11 (cited in Spencer et al, 2008: 101). In other words, ethnic nationalism is acquired by birth and through blood kinship, and hence, a historically determined relationship based on ancestry. On the other hand, civic nationalism is the free association of people based on residence in a given territory, irrespective of blood kinship (Jenkins and Sofos, 1996:15 quoted in Spencer et al, 2008:101).

The liberal form of nationalism values loyalty to and identification with the nation *“but not in excess, and not to the extent that it would override other values and commitments”*. While in the illiberal nationalism *“loyalty to the nation overrides all other loyalties and commitments (Spencer et al, 2008: 114) Tamir also argues along the same line. “It is precisely the main characteristic of liberal nationalism that it fosters national ideas without losing sight of other human values against which national ideals ought to be weighed” (Tamir, 1993: 29, Quoted in Spencer et al, 2008:115).*

We come now to the most important relationship between nationalism and democracy. Despite the fact that both are value loaded and contested concepts, at the risk of some oversimplification, it can reasonably be argued that democracy is in general an inclusionary process, whereas nationalism is an exclusionary process.

According to Spencer et al, (2008: 125) arguments for democracy have generally pointed in the following direction:

For democratic principles and procedures to apply in more areas of social life, for more sections of the demos to participate in the policy, for more extensive rights (from the civic to the political to the social) to be granted to more and more people, not fewer and fewer; for citizenship to be conceived in a more extended and expansive sense.

Nationalism, on the other hand, is preoccupied with boundaries and who is within and those without, with security and power, with membership and identification. Because of the difference in the logic they pursue, democracy is identified with openness while nationalism with closure, it seems that the two concepts go along parallel lines and do not have points of convergence. Not so, says Nodia. He argues:

The idea of nationalism [at any rate liberal] is impossible – indeed unthinkable without the idea of democracy. The two are joined in a sort of complicated marriage; unable to live without the other... nationalism has a vital function in ‘molding democratic (self-determining) political communities ... the political cohesion for democracy cannot be achieved without the people determining themselves to be a nation (Nodia, 1994: 7-8, Quoted by Spencer et al, 2008: 126).

For the Western world, it was the absolutist state and for most of the now developing countries, it was the colonizing state that originally transformed the diverse peoples into nation - states or multinational states or colonial domains, from which the current day countries were formed. Meaning that states were instrumental in forming nations. *“In almost every case, statehood preceded nationhood and not the other way around, despite a wide spread myth to the contrary” (Balibar and Wallerstein, 1991:81 Quoted by Spencer et al 2008: 127).*

From the experience of both the classical developmental state Japan, and from the second generation developmental states of Taiwan and South Korea, and from the experience of the current typical developmental state China, economic transformation and development was achieved, as Levi-Faur put it

(1998: 68) under “the ideological imperatives of nationalism”. Even though Japan, South Korea and Taiwan later become democratic, development was initially achieved under authoritarian auspices. Nationalism was also the driving forces in enhancing development in democratic countries like Israel and Ireland. So, it seems that in all countries, whether authoritarian or democratic, that have realized development by way of the developmental state paradigm, nationalism has played a decisive factor in accelerating development. Levi-Faur (1998: 69-69) identifying the similar denominators that could be identified in comparing Israel (1950-1973), South Korea and Taiwan points out:

All are homes of ancient peoples with strong national identity...All three countries pursued their economic development under the ideological imperatives of nationalism

The crucial link between development and nationalism seems to be the state. So, the researcher of this dissertation is of the opinion that the converging point of nationalism, democracy and development is precisely through and by way of the transformation of the authoritarian state into a nationalist and democratic state.

2.9 Conclusion

Development is a complex concept that defines the level of national well being. Current development theory classifies the state of a nation’s well being into five categories: Quality of life, economic competitiveness, political environment, education and health (cited in Newsweek 2010, August 23-30).

The paradigm of state driven development no longer holds undisputed sway in policy thinking. In the context of the conditions in Ethiopia, this assertion ought to be qualified. Everything could not be left to the exigencies of the market and that state intervention is not uniformly counterproductive. The neo-liberal prescription stipulating that everything in Africa should be left to the market should not be swallowed wholesale. There is much the state can and must do in Africa. Creating an enabling environment for development, promoting investment in people, providing social protection to those most in need and accelerating infrastructural development should be functions that ought to be left for the state.

Some development economists are of the opinion that in the context of Africa, an active state is indispensable. One such development economist is Joseph Stiglitz. He maintains that in the context of Africa – where markets generally function poorly – it takes an active state, not a passive one, to nurture them and ensure their effective functioning. This comes out clearly from the East Asian experience, where governments intervened actively in the market, but used, complemented, regulated and indeed created markets, rather than supplanted them. Governments created an environment in which markets could thrive. Governments promoted exports, education and technology; encouraged cooperation between government and industry and between firms and their workers; and at the same time encouraged competition (Stiglitz 1996:174).

In the 1990s however, the international financial institutions, especially the World Bank, knowing full well the role played by the state in East Asian development, were hesitant to recommend the same developmental role for the African state. A 1994 World Bank study for instance, clearly presented the extent of state intervention in the East Asian economics. In the East Asian case, state intervention was undertaken, according to this World Bank study, “systematically and through multiple channels to foster development”. Policy intervention took the following forms: “targeting and subsidizing credit to selected industries, keeping deposit rates low and maintaining ceilings on borrowing rates to increase profits and retained earnings, protecting domestic import substituting industries, subsidizing declining strategic industries, establishing and financially supporting government banks, making public investment in applied research, making firm and industry specific export targets, developing export marketing institutions, and sharing information widely between public and private sectors” (World Bank, 1994: 5-6).

The same World Bank study however, unequivocally maintains that African countries should not follow the above East Asian Model. “the prerequisites for success were so rigorous that policy makers seeking to follow similar paths in other developing economies have often met with failure”. Moreover, “the fact that interventions were an element of some East Asian economies’ success does not mean that they should be attempted everywhere...” (World Bank 1994: 5-6). The message of the 1994 World Bank study on the public policy implications of the East Asian developmental model was clear. Africa would be best served by the neoclassical paradigm. This is clearly a double standard that one finds hard to accept. If the message was passed with qualification, it would have been acceptable. As things stand now, African countries do not have credible (in the eyes of their people) and legitimate governments. The current state in Africa including Ethiopia is rent seeking, predatory and even criminal. Under the present conditions in which the African state has been criminalized, calling for an active state would be to condone its exploitative and non-developmental nature. Such is the type of state that exists in Africa. It is in the nature of such a state to narrow down the economic space for the private sector, resulting in its lack of growth. Hence, under current conditions the task of poverty reduction and development in Africa cannot be left to the market. Never the less, In the current African context, for the state to be developmental, it has first of all to shed its rent seeking, predatory and criminal nature. It is in light of this logic that this dissertation maintains that political democratization should either be simultaneous or come before attempts to formulate the economic development policy paradigm.

Chapter III: AN EVALUATION OF ETHIOPIA'S POLITICAL SYSTEM IN THE CONTEXT OF DEVELOPMENT THEORY

3.1 Introduction

For the last 150 years, the leaders and regimes in Ethiopia have been engaged in trying to change Ethiopia in accordance with their political interests and ideologies. The intended or unintended result of all their efforts has, however, been a strengthening of the state apparatus and a consequent prevention of change of the dominant cultural schema in the country i.e. the perpetuation of a patron-client relationship. The reproduction of this patron-client schema has been promoted at the level of the state despite the rulers', intellectuals' and the young generation's fervent preoccupation with social change.

The ideology, which supported the patron-client model for the Ethiopian state consisted of cooperation between church and state, where emperors were anointed as elects of God and considered as father figures for the population. The Military government's legitimizing discourse was made up of socialist pronouncements where everything was done in the name of the people. With the current regime the rhetoric is similar, although other concepts seemingly in line with a democratic discourse have replaced those connected with socialism. The ethnicization of politics has polarized the formerly smooth people to people relationship. Even though the aim of this type of politics is divide and rule, it is inimical to nation building and to economic and social development.

It seems that there is an inbuilt weakness of the cultural schema of the patron-client relations, describing the relationship between state and society, which has dominated interactions between the leaders of the Ethiopian state and the people of Ethiopia, since the onset of modernization. One characteristic feature seems to be diminishing loyalty of the people towards their leaders. In return, the leaders at the helm of the state expand both their energy and the country's resources to beef up the apparatus of control, giving priority to promoting control, rather than to the development of the country.

The politics behind the state-society relationship during the previous military dictatorship and the current authoritarian regime has been adversarial rather than being consensual. Both regimes lacked political legitimacy in the eyes of the people. This has in turn stifled the peoples' desire to transform themselves and their country to the better. In the absence of a legitimate government, one cannot conceptualize development.

The revolutionary socialist system that replaced the monarchy and the political and economic development model that it pursued could neither attain the goal of economic development nor properly contain or reconcile the politically divergent streams in modern Ethiopian political reality – pan Ethiopian nationalism and ethnic regional identity. As a result, the revolutionary system collapsed in 1991 and was replaced by the current EPRDF regime, which likewise failed to reconcile these two divergent streams in

the Ethiopian (ethos) or political consciousness. So, in essence, the Ethiopian leftist intelligentsia is currently harvesting the fruits of its misconstrued intellectual euphoria. If the revolution had not disrupted the political stability that existed for close to 50 years under the monarchy and had the system of monarchy been supported by political reform and economic development, ethnic barriers could have been broken down and replaced by pan Ethiopian sentiments. And the process of consummation of nation-state formation could have been advanced to a reliable stage. Because of subsequent events, that was not realized.

Over the last 37 years, since the 1974 Ethiopian revolution, the political orientation of the Ethiopian state was changed first from a centralized monarchy into a centralized Marxist/military one-party state and later in 1991 to a 'decentralized' ethnic federalist state. The state's economic policy orientation was also changed from a liberal paradigm during the imperial era, to a Marxist or Socialist economic model during the revolution and to a pseudo-liberal-cum- revolutionary democratic' and lately to a 'developmentalist state' model.

But throughout the last thirty seven years one thing remained unchanged. In line with the famous saying "the more things change, the more they remain the same," despite semantics, the Ethiopian state remained to be authoritarian, predatory and rent-seeking. And this inner-most nature of the Ethiopian state has become the stumbling block and prime cause for Ethiopia's lack of economic development.

Ferguson, in his 'Global Shadows' argues (2006: 8-10) that Africa is characterized by reference to a series of "lacks", "failures", "problems" and "crises". He maintains.

Politically, its states are weak, poorly consolidated, failed and dysfunctional. In countries that have enjoyed relative peace, practices of personal rule, clientalism and corruption are rampant, making the states predatory

One such predatory government, which is now universally recognized as having failed to achieve its declared political objective is the Ethiopian People's Revolutionary Democratic Front (EPRDF) led government of Ethiopia.

The EPRDF regime, headed by Prime Minister Meles Zenawi, has been in power in Ethiopia as of May of 1991. Since then the country has been undergoing an erratic process of political and economic transformation. By the standard of universal democratic governance, as opposed to authoritarian dictatorships in Africa, twenty years is quite a long time.

The regime has, domestically at least, an extremely narrow political base. Its ethnic base constitutes only 6% of the country's population. In its nineteen years hold on power, the EPRDF regime has systematically harassed, intimidated, infiltrated and broken up or destroyed opposition political parties, co-opted all types of civil society participation, narrowed down and finally blocked the political space for all types of autonomous grass roots movements. By creating a façade of ethnic federalism, it has retained tight central control over regional governments. In between 1995 and May 2010, four national elections were held. All four of them were heavily rigged. Such practice of rigging elections has become so rampant in

Africa that Newsweek wrote “... *In country after country, the recipe for the new age of authoritarianism is the same: demonization and criminal prosecution of opposition leaders, dire warnings of ethnic conflict and chaos should the ruling party be toppled, stacking of electoral commissions, and the mammoth mobilization of security forces and government resources on behalf of the party in power ... the really powerful governments have learned how to do elections*” (Newsweek, June 28 & July 5, 2010, p. 52-53).

The EPRDF government has never sought to operate as a democratic organization. In fact, despite the rhetoric, it has retained the organizational methods of a Marxist-Leninist party. For most of its stay in power, EPRDF's ruling ideology has been revolutionary democracy. Some four years back, it began to present itself as a 'developmental state'. Its claim of being a developmental state could not be taken seriously, despite the fact that the country's economy has, according to the government, registered growth in the last five years. However, growth figures are highly contested. The fact of the matter is that whatever growth has been registered did not come with equity. As a matter of fact, in the very years growth was said to have been registered, the benefit of growth went only to the very few. The lack of equity was broadly manifested, leading to the lack of social and political stability.

The modern sector of the economy could be following the path of crony capitalism, in which only the people with access to the politically powerful seem to benefit handsomely. Internationally, the West's including U.S policy towards Ethiopia remains in limbo. After the May 2005 and the May 2010 non-democratic elections, policy makers in the West seem to be in a fix. Lyons from the center for Strategic and International Studies argued: “*U.S policy toward Ethiopia today remain in suspense, with policymakers seemingly uncertain whether continued support of the incumbent regime is the best option to maintain regional stability or whether intensified pressures and new multilateral strategies are needed to manage the potentially violent transitions ahead* (Africa Notes 2006: 2).

The process of political liberalization which was initiated in 1991, seems to have reached a dead end. Had the process of political liberalization been sustained, it would have led to the process of democratization. From the facts on the ground, this has not happened in present day Ethiopia. This is not unique to Ethiopia. “*Formal democratization did not alter a bedrock political form in Africa, with politics remaining weak, authoritarian, clientalistic and predatory* (Callaghy 1995: 150 cited in Ferguson 2006: 12).

In short, the current regime has lost 'the mandate of heaven' because it has not been taken as a credible and legitimate government by the vast majority of the people of Ethiopia. The reason for its lack of credibility is its narrow ethnic vision and the various unpopular political and economic policies it has formulated in line with its commitment to ethnic politics. The result has been a huge gap in political governance. These failed policies are treated in detail in this chapter and in the next. The question remains: could the transition to a post-EPRDF political set-up be accomplished from within the ruling party or more correctly from those who have opted out of the party or from without? If from without, there is a likely hood of it turning violent, since the ruling party is effectively blocking all peaceful avenues for change.

3.2 A Historical setting of Ethiopia in the African and global context

Ancient Ethiopia adopted Christianity as state religion as early as the 4th century A.D. By the 5th century A.D, and even earlier, its commercial vessels traded with the Mediterranean and Asian countries. Its naval vessels carried armies across the Red Sea into Arabia (Gibbon 1910: 35).

The Ethiopian dark ages, which were dated from the end of the sixth century A.D to the sixteenth Century A.D, clamped down on former achievements as Ethiopia turned itself off. The most notable achievement of this period are the rock hewn churches of Lalibela, but sadly not much else remains to be said of Ethiopian civilization, a situation which many would say, has to this day, not found its right track. With all due respect to its middling achievements, one can say that the second millennium is a wasted Millennium. It was the period in which Ethiopia was overtaken by a world which had mostly dwelt in caves, while Ethiopia was armed with a state, a written script and calendar of its own.

The Ethiopian dark ages was initiated by the rise of Islam in Arabia, Ethiopia's Eastern neighbor across the Red Sea. This period actually began when the Ethiopian Axumite State lost its costal territories first to the Arabs and after the 14th century A.D to the Ottoman Turks.

Edward Gibbon (1910:322) writing about this particular historical fact stated:

Christianity was more deeply rooted in the Abyssinian Empire ... Encompassed on all sides by the enemies of their religion, the Aethiopians slept a thousand years, forgetful of the world by whom they were forgotten.*

By the 16th century, the Islamized vassal territories at the Eastern and south eastern periphery of the Empire rose up in arms against the Christian Empire state. Though the rebellion by lowland Ethiopians of the Islamic faith (Somalis and Afars) was initially triggered by legitimate grievances, it was openly guided and sponsored mainly by the Turks and the Arabs. In the war that lasted close to 20 years, there was, in the name of religious solidarity, the direct participation of foreign jihadist fighters (from Arabia, Egypt and Yemen (then known as Hadramot) at the behest of Imam Ibn Ibrahim, leader of the law land muslims. The devastation that accrued during the religious war of the 16th century that was waged by international jihadists against the Empire - state of Ethiopia was not only huge, in terms of human, material, especially cultural and historical artifacts and documents, it was contrary to the teachings of the Prophet Mohammed who forbade his followers not to touch Ethiopia as long as Ethiopia left them in peace.** The war caused untold destruction and negatively impacted on the country's cultural heritage, civilization and overall progress. In a sense, therefore, one could say that Ethiopia is probably the first country to encounter international terrorism against its civilization and way of life.

*Edward Gibbon, 1910. The Decline and Fall of The Roman Empire, Vol. 4. The Aldine Press, P 322. (P.R.S) Gibbon uses Abyssinia and Ethiopia interchangeably

** It is stated in the Quran that the Prophet Mohammed sent his followers to seek refuge in Ethiopia ,when heavy sacrifice fell upon them because of their faith during the initial years of the rise of Islam. The exile lasted 15 years from 604 to 619 and was referred to as the first and second hijirat (exile). The exiles numbered 185, among them was found the nursemaid of the Prophet Mohammed and the Third Khalifa- Utman Ibn Afan (*Ahemed Sherif, 2007. Islam and Development in Ethiopia, cited in Economic Focus vol. 9, No. 6, p. 7*)

As one of the maritime powers of the time, the king of Portugal sent an expeditionary military force to assist the besieged Christian Ethiopian empire-state. With this historical incident, Ethiopia's one thousand years of isolation from the outside world was terminated and foreign contact with European powers was re-started. (Bartinicki and Niecko 1971: 185)

Ethiopia is a country of paradoxes. It is a black African country with diverse ethnic groups. But it has a rich history of peaceful economic and social intercourse among and between its different ethnic groups. Since time immemorial, Ethiopia has been home to all the great monotheistic religions – Judaism, Christianity and Islam. These great monotheistic religions, through curious historical development and intercourse have become endogenous to Ethiopia.

Even though the struggle for supremacy between Christian and Judaic and later between Christian and Moslem Ethiopians was finally decided in favor of the Christians, Ethiopia nonetheless, has centuries old tradition of peaceful coexistence between the three monotheistic religions. So, much so that culturally, on a people to people bases, followers of the two religions in Ethiopia are intermixed. It is not odd in Ethiopia for a christian to marry a muslim and vice versa. It is also very common for Christians to go to Moslem 'kalechas' (people practicing witch craft,) and for Muslims to go to church in search of holy water.

The last 150 years of the second millennium witnessed a relative revival of the Ethiopian state, its culture and a focus on territorial integrity that, following the ignominious Zemene Mesafent (Era of the princess), which ended with the reign of Emperor Tewodros (1855-1868) has enabled modern Ethiopia (1850 to the present) to reconstitute itself.

By the 19th century and especially from 1855 onwards the reconstituted Ethiopian empire-state was strengthened under the able leadership of emperors Tewodros and Menilik. The process of reunification, which was initiated by Emperor Tewodros was highly strengthened by Emperor Menilik (1889 - 1913). Under his enlightened leadership and adept diplomacy, Emperor Menilik skillfully played off the colonial powers of Britain, France and Italy, one against the other, and gained access to large stock of fire arms. During the reign of Emperor Menilik, an outline of Ethiopia as a 'nation-state' was designed and implemented. International treaties defined the boundaries of the empire-state, which have stayed much the same until today. An attempt was made to form a modern government through the establishment of ministries, provincial administration, embassies etc... The political as well as the economic centralization of the nation-state continued. Local rulers were forbidden to have modern arms, taxation was further developed and imperial courts were established all over the country (Marcus 1995:3). To promote trade, Menilik developed internal communications such as the Addis Ababa – Djibouti railway, inland routes, post and telecommunications, all radiating out of and into Addis Ababa. "*Menilik's reign represented the triumph of the centralizing idea. Only accommodation to the official culture of the state can the individual hope to succeed*" (Marcus, 1975: 3, 4).

Apart from investments in infrastructure, there was little industrial or technological development under Menilik and only limited investment in education. The first Ethiopian elementary school, the Menilik School, was opened in 1908 despite opposition from the church that feared the influence of foreigners and foreign idea. Various catholic and protestant missions, outside of the strong central and northern Christian provinces, started their own schools. This trend of educational investment was expanded especially during the region of Emperor Hailesellassie.

The process of political and economic modernization, which earnestly started by Emperor Menilik crushed the divergent tendencies of regional rulers and introduced a centralized state with its attendant bureaucratic apparatus which attained modernity under Emperor Hailesellassie (1930-1974). The ensuing issues of regional, ethnic and to a minor degree, religious differences, and the way these differences were handled constituted the central challenge to Ethiopian statehood.

Between the beginning of the 1880s and 1941 Ethiopia's relationship with the colonial powers of Britain, France and Italy was very complicated. Various attempts were made by these colonial powers to dismember Ethiopia and carve out their spheres of influence at the expense of Ethiopia (Teshale 1995: 11-15).

Britain wanted to incorporate Ethiopia's Western Nile basin into the Anglo-Egyptian Sudan, which was under its sphere of influence. British Somaliland was also under its sphere of influence. France wanted to build a trans-African highway stretching from its colonies in West Africa to the eastern tip of the continent – Djibouti. Italy, already possessing Eritrea and Somaliland, wanted to greatly expand its African colonial empire by incorporating the biggest country in the Horn of Africa – Ethiopia (Teshale 1995: 20-25).

As a result of the conflicting interests the three colonial powers had over East Africa in general and Ethiopia in particular, and because of the fact that none of them wanted to concede to the interest of the other, and because each of them did not find it wise to confront each other militarily, Ethiopia's independence was not actively violated. By the time Britain and Italy reconciled their difference and Britain began to support Italy's colonial ambitions over Ethiopia, Emperor Menilik's skillful diplomacy aligned Ethiopia with France and to a lesser degree with Russia. This skillful international diplomacy enabled Emperor Menilik to acquire the necessary arms and diplomatic support from France and Russia, with which he undertook to give a crushing military defeat to Italy's colonial ambition over Ethiopia, which took place in 1896, at the Battle of Adwa (Teshale 1995: 35-50).

In between 1896 and 1935 Ethiopia's independence was secured. It's security came under a renewed threat in 1935 when Italy, humiliated in its first round attempt to colonize Ethiopia, made a second and partially successful attempt to occupy Ethiopia between 1936 and 1941. It was in 1936 that Ethiopia got renewed international attention as a result of Emperor Haile Sellasie's moving address to the then League of Nations, in which he asked the International organization to chose between "collective security and international lawlessness". Such lawlessness according to him, appeared in the form of Fascist Italy's war of

aggression which was unleashed on Ethiopia at the end of 1935. After the defeat of Ethiopia's army in 1936, which was made possible by Fascist Italy's use of poison gas, Emperor Haile sellassie sought refuge in England. Ethiopia's patriots waged a pitched guerilla war of resistance for five years until 1940, without any international assistance. This situation was continued until Fascist Italy joined Nazi Germany during the Second World War. In 1940 Britain aligned itself with Ethiopia to wage a combined military offensive against fascist Italy's occupation of Ethiopia (Bartinicki et al 1971: 250-260).

After the brief Italian occupation was over, Emperor Haile Sellassie was restored to his throne. Ethiopia under Emperor Haile Sellassie established closer ties with the U.S, the strongest Western super power after the 2nd World War.

Post Second World War U.S - Ethiopian relations was based on mutual interest – containing Soviet and Arab expansionism on the African side of the Red Sea on the part of the US, and preventing the spread of revolutionary activity in Ethiopia, on the part of the imperial regime. This type of relationship continued until the Arabs were awash with oil wealth. With the rise of Arab oil wealth on the one hand and the decreasing interest of the U.S in holding on to the Kagnew U.S military base in Eritrea on the other, Emperor Hailesellasié was forced to pursue an active non-aligned foreign policy. He visited both Moscow and Peking and requested development assistance from both countries. He received assistance from the Soviet Union in the form of building an oil refinery at the port of Assab, which is Eritrea's second port at present. As a result of the active financial assistance the Eritrean liberation front received after the Arab countries began to amass huge amounts of oil money, the Emperor was forced to cut Ethiopia's ties with Israel. This however was to no avail. The Arabs continued to finance Eritrea's war of secession. Up until the time the Arabs began to cash-in into their oil wealth, the Emperor maintained strong Ethio-Israeli relationship. The relationship was based on containing Islamic expansionism into Africa in general and into Ethiopia in particular. The relationship was aimed at undermining Saudi influence in the region(Teshale 1995: 93-110).

With U.S military support to Ethiopia decreasing and Arab support for Eritrea's secession and Somali irredentism increasing, a growing dissatisfaction arose within the military rank and file. When the revolution broke out in Ethiopia in February of 1974, the military rank and file, disregarding the orders of the general staff, firmly aligned itself with the popular uprising. Hence, came the DERG or the Military Council, which, in alliance with Marxist political groupings, ended up in taking power. No sooner has it taken power, when it had to face a raging civil war in Eritrea in the north and a naked and an unprovoked aggression by Somalia in the East and South.

It was at this time that the Americans under President Jimmy Carter made a big diplomatic blunder with regards to their relationship with Ethiopia. America aligned itself with Somalia, forcing the Derg to join the Soviet Camp, in need of military supplies to the hundreds of thousands of newly recruited military conscripts it mobilized in a span of three months. During Carter's presidency, the U.S refused to give the

Derg military supplies for which it had already paid for. The Soviets immediately set in, heavily weighing on the Derg as an ally of Ethiopia, at a time when Ethiopia desperately needed an ally. They not only supplied huge quantities of arms but even sent their most experienced general, in the person of General Petrov, to design and lead the counter offensive against the Somali army, which by late 1977, had deeply penetrated into Ethiopian territory. This was how Ethiopia's fate was sealed with the Soviet Union until Gorbachov cut Moscow's military ties with Ethiopia around the end of 1989.

The refusal of the imperial regime to undertake even the semblance of some sort of agrarian reform, Ethiopia's activism in the non-aligned movement, the emperor's overtures to Moscow and Peking, its very active support to the decolonization process in Africa led the imperial regime into a strained relationship with the U.S. So much so that when the Ethiopian revolution erupted in 1974, the U.S administration under President Jimmy Carter, did not want to side with the emperor.

3.3 The Imperial Regime (1941 – 1974)

Prince Tefferi Mekonnen, later known as Haileselessie*, was crowned emperor in 1930 under the crown name of Haileselassie, *the Conquering Lion of the Tribe of Judah, Elect of God and Emperor of Ethiopia*. Emperor Haileselassie was the last in line of the numerous Ethiopian Monarchs. He ruled the country with feudal extravaganza and absolutism. He was considered quasi divine. By invoking the mandate of heaven, he had absolute control of the public domain. As the Sovereign head at state, Chief legislator as well as the Chief Justice and Commander-in-chief of the Imperial armed Forces, he was answerable to none – except of course to God and his conscience. The latter of which he had in moderation, compared to the leaders of the country that assumed power after him, as imperial power in Ethiopia was tamed by traditional norms and customs (Clapham 1969: 15-28).

The Emperor's government has been a personalized autocratic rule, with no separation of powers. The state he led was a unitary state without any form of decentralized local administration. The political system was characterized by a feudal autocratic system of governance, with civil liberties and democratic rights of citizens unknown (Clapham 1969: 34-59).

The period between 1930 and 1941 was too brief to define the contours of the Ethiopian political, economic and social condition. In any case, it was interrupted by Fascist Italy's occupation (1936-1941) of the country. From the point of view of the country's political economy, what transpired after 1941 was the emergence of the national (as opposed to regional) landed aristocracy as the undisputed ruling class of the country, a situation which persisted until the 1974 Ethiopian Revolution.

Throughout much of its recent history, the Ethiopian empire-state, first under Emperor Menilik (1889-1913) and then under Emperor Haile Sellassie (1913-1974) has been a highly centralized polity

* Haileselessie - meaning the power of divinity

leaving very little responsibility and authority to the sub-national levels of government. As a result, the tradition of a centralized and unitary state persisted under Emperor Haile Sellassie, countervailing the evolution of a participatory and decentralized governance state structure. Nevertheless, it was under Emperor Haile Sellassie that the foundation was laid for a modern local government system in Ethiopia. In between 1941 and 1952, the Empire – state under Emperor Haile Sellassie was further centralized. With the incorporation of Eritrea into Ethiopia under a federal arrangement in 1952 and full incorporation in 1956, the fully centralized modern Ethiopian state was formed (Clapham 1969: 47-59).

The local government administrative structure put in place by the Imperial regime was intended to centralize power and resources in a strong central state leaving very little autonomy to the provinces. This structural setup generated dual accountability in central-local relations that often created conflicts of authority. No attempts of political devolution and de-centralization were either allowed or condoned (Clapham 1969: 126-130).

In the researcher's opinion, the first historical blunder was made by Emperor Haile Sellassie, who in a sense was the father of modern Ethiopia. He refused, despite internal and external advice, to make the necessary and timely political and economic reforms during the initial years of the 1970s. Had the Imperial regime undertaken the timely political and economic reforms, it would have extended its stay and probably aborted the Ethiopian revolution – the most radical of revolutions in the African continent. The modern nation – building process initiated by himself and his immediate predecessor, could have proceeded smoothly for quite some time for the process to reach such a level of consolidation from which a reversal could have been impossible.

Historically, and in stark contrast to the current EPRDF regime, former Ethiopian rulers and even the previous military government recognized no particular ethnic group as their special political constituency from which they drew their followers. Provided all ethnic-cum-regional warlords submitted to the imperial crown, they were taken as the crown's subjects and hence Ethiopians without distinction. The crown's soldiers were individuals from all ethnic groups who sought to earn their living. As soldiers of fortune, they never hesitate to join another crown claimant if they think he is a courageous fighter and able leader to assume the crown. In most cases, the defeat of an imperial army by a regional warlord aspiring for the crown usually meant the demise of the emperor. Former Ethiopian emperors usually lacked ethnic beneficiaries to rescue with new recruits, in sufficient numbers and speed. In a sense, the imperial army comprised of soldiers of fortune, with no qualms about changing their allegiance overnight. If those soldiers of fortune represented any "ethnic group", it was the Ethiopian nation, and it was on the basis of this historical evolution that Ethiopian nationalism was bequeathed to the present generation.

A historical blunder was committed by the Ethiopian student movement (to which the researcher of this dissertation also belonged) and the Ethiopian leftist intelligentsia which gave rise to the different leftist political parties, 'National Liberation Fronts' including the current leadership of TPLF/EPRDF. The attempt by these left-leaning political organizations and fronts to dogmatically transplant Leninism and Stalinism on the Ethiopian soil, without analyzing whether or not it would fit into the historical and cultural milieu of Ethiopia was a mistake of historic proportions.

By coincidence, there were many parallels between Russia pre-1917 and Ethiopia pre 1974. Both were decaying orthodox Christian empires. Both empires shared the substantive problems of the 'peasant question' and the "Nationalities Question". As Clapham (2006: 8-9) noted:

Russia exhibited striking parallels with Ethiopia, where Amharic speaking Christian highlanders enjoyed a position analogous to that of 'great Russians'. Ethiopian students of the late 1960s and early 1970s were moreover deeply versed in Marxist theory, if not in the realities of soviet life and economic development. They brought to their ideological debates a passion and commitment reminiscent of nineteenth century Russia... and one can argue for at least some element of functional similarity between the role of the orthodox priesthood and that of the party within the Leninist party state: both held that true knowledge belonged to an appropriately instructed elite, on which is conferred legitimate authority over the ignorant masses... So, in the era of revolution it could be viewed as descending from the socialist trinity of Marx, Engel's and Lenin to the anointed General Secretary of the workers' Party of Ethiopia.

And hence, the wholesale adoption of Marxism-Leninism by the Ethiopian student movement and leftist intelligentsia. The current EPRDF leadership is the bastardized by-product of the Ethiopian student movement, which, despite going to great length to hide its true nature, espoused to the Leninist-Stalinist theory of a vanguard party and ethnic/regional self determination.

In refusing to make the necessary and timely political and economic reforms, Emperor Haileselassie was either very selfish or delusional (in his old age) not to understand that his political base was fragile and unsustainable, in the face of class and ethno-regional contradictions. Had the timely changes been made, and had the Ethiopian student movement limited its political demands not to an ultra revolutionary but to that of a democratic alternative, it would have set Ethiopia on the road to peaceful democratic change.

Instead of calling for a democratic transformation of the imperial system, the Ethiopian student movement, side-stepped the demand for democracy, and instead called for a Leninist style revolution.

As Claphm (2006:7) put it:

At this point... the politics of emulation reaches its most intense form. In the search for a revolutionary alternative, alternatives to what was clearly a failing imperial order. This was expressed in the wholesale conversion of a younger generation of Ethiopian intellectuals from mid 1960s onwards – to Marxism – Leninism as a development strategy... After the 1974 revolution, the revolutionary impulse led to a sustained and systematic attempt to recreate the triumphs of Soviet communism in the highlands of north-east Africa.

3.4 The Revolutionary Period (1974-1991)

In 1974, the Imperial regime was succeeded by the revolutionary military regime called the Derg (Military Council). The revolutionary military government was also not predisposed to decentralizing power from the center to the regional level. It reinforced the tradition of the centralized empire state by instituting a Marxist-Leninist-ruling party that imposed tight control on state and society. As general secretary of the party, Mengistu Hailemariam was both head-of state and head of government. The blatant concentration of power in one individual surpassed the imperial mandate in the sense that the later was at least tamed by customary law and tradition. As a Marxist revolutionary leader, Mengistu Hailemariam was neither answerable to God nor to tradition. One of the causes of resistance against the military government was its policy on rigid centralization of political power. This policy generated a great deal of opposition by regional and ethnic-based movements that demanded secession and /or autonomy.

The state under the military regime that overthrew the Imperial order was, as one development economist put it, “a statist pre-industrial Marxism-Leninist state of the cold War era, under the ideological and military tutelage of the USSR”. In Soviet development literature, this type of state was referred to as a socialist oriented state, i.e. a state not socialist yet, but creating the necessary per-conditions for socialism.

The political objectives of the Ethiopian state under the Marxist-Leninist Military regime was to lay the foundations for a socialist economic system by passing through the stage of a national democratic revolution. The military government was nationalist, but the revolution that ensued had nothing to do with a democratic revolution. Instead, what had taken place is a quasi-socialist revolution, in which all the commanding lights of the economy, including land became state property (PMGSE*. 1976: 10-15).

As the leftist military regime was pro-Soviet and anti-Western in its ideological and foreign policy orientations, it failed to mobilize Western foreign private investment as well as bilateral and multilateral development assistance. The secessionist and regional conflicts that were intensified as soon as the regime broke its ties with the West consumed whatever the economy could put aside as saving.

Had it not been for the raging civil war, the Ethiopian state under the Marxist-Leninist military regime was developmentalist in its aspirations. Despite being hijacked by the influence of the leftist intelligentsia, which pressured the military regime to adopt extremely radical economic as well as political policies, the regime’s initial intentions were more or else nationalistic. In fact, the slogan it used for the first two three years after it came to power, and its overall policy direction was based on the slogan “Ethiopia First”. The pressure of the leftist intelligentsia and the radicalized and organized student movement forced the Derg to change its slogan first to “Ethiopian Socialism” and not much later to Marxism – Leninism. For instance, the

* PMGSE= Provisional Military Government of Socialist Ethiopia

initial intention of the Derg was to give the land to the tiller. The nationalization of all land was an afterthought. Local as well as foreign capital was discouraged. The state bureaucracy was used to serve the cause of socialism. Even though it continued to trade with its traditional Western trade partners, literally all its economic policies were primarily geared to lay the foundations of a socialist economy (Eshetu Chole and Mekonen Manyazewal 1992: 151).

The Marxist dictatorship led by Mengistu Hailemariam failed because it was cursed with a bitter civil war which laid waste to large areas of the country. It also faced devastating famines. Wrongheaded political and economic policies dissipated the economy and all these combined led to the alienation of the masses. With the end of the cold-war which terminated the support given to it by the Soviet Union, the regime was unable to withstand the combined onslaught of the EPRDF and EPLF (the Eritrean People's Liberation Front) under the leadership of which Eritrea seceded from Ethiopia in 1993.

3.5 The Current EPRDF Government (1991 up to the Present)

3.5.1 Brief Overview

Since the assumption of state power by the Ethiopian People's Revolutionary Democratic Front (EPRDF) in 1991, Ethiopia has been undertaking a major political metamorphosis. To understand the political and economic strategies of the current Ethiopian government, it is essential to read the 68 page strategic document* which was published in Amharic by TPLF/EPRDF in June of 1993, for distribution to its members. The document lays out the TPLF/EPRDF's** long-term goals, its political and economic strategies for the fulfillment its goals, and the day-to-day steps it recommends to its cadres for translating the strategies into grassroots action. The document is an ominous window into the early political thinking of the TPLF/EPRDF, at a time it was transforming itself from a revolutionary front waging an armed struggle to overthrow the previous Marxist-military government into a peace-time political party ruling a country (EPRDF Strategic Document 1993: 1-68).

Two points are particularly noteworthy. First the document reveals the concerns of a group of would-be leaders struggling with the issue of how to implement neo-Marxist politics and economic policies in a world no longer hospitable to their political views. Time and again, the document notes that certain policies the group would like to pursue, such as curtailing foreign investment are not options given the likely criticism from the West. In reading the passages, one is struck by the degree to which the TPLF/EPRDF is willing to change its colors, or at least to cover its true nature, in order to carry favour with the West. Actually the document is a TPLF agenda of how to dupe western donors and International financial organizations into believing that the front's agenda is an altogether different thing" (Strategic Document 1993: 38-40, 43-45).

* The English translation of the title of the document is: *On the Revolutionary Democratic Agenda of the EPRDF, June 1993.*(PR.S)

** TPLF stands for the Tigray People's Liberation Front. EPRDF stands for the Ethiopian People's Revolutionary Democratic Front. When the TPLF moved to other areas of Ethiopia outside of Tigray, it had to incorporate other ethnic groups, namely the Amharas [Amhara National Democratic Movement (ANDM) and the Oromo Peoples Democratic Organization (OPDO). The unity of the three is called the Ethiopian People's Revolutionary Democratic Front (EPRDF) The later two are subservient to TPLF. The real force behind EPRDF is the TPLF and hence the name TPLF/EPRDF

Second, the document reveals how the TPLF's overriding concern has always been to win elections and to "permanently establish the party's hegemony." For how did the TPLF, back in 1993, set out to establish its hegemony? According to the document, the TPLF set out to destroy all political opposition by "cit[ing] any relevant legal article and punish[ing]" the party's opponents; by creating an army that is "free and neutral in appearance, but pro – EPRDF in content" (EPRDF Strategic Document, 1993: 12-13).

The document reveals that the TPLF was determined from the outset to use to the fullest extent possible key propaganda tools such as schools, religious organizations and the mass media, and that it was cunning enough to understand that propaganda that "is not openly presented as propaganda ... will effectively serve its purpose" (EPRDF Strategic Document, 1993: 21).

The TPLF realized early on that its claim as a legitimately elected administration was so tenuous that it wrote:

We can attain our objectives and goals only if Revolutionary Democracy becomes the governing outlook in our society. Only by winning the elections successively and holding on to power without let up can we securely establish the hegemony of Revolutionary Democracy. If we lose in the elections even ones, we will encounter a great danger. So, in order to permanently establish this hegemony, we should win in the initial elections and then create a conducive situation, that will ensure the establishment of this hegemony. In the subsequent elections, too, we should be able to win without interruption (EPRDF Strategic Document, 1993: 47).

In the hope of transition from "barrack Socialism" to a participatory democracy, a four – year transition period was completed in August 1995 leading to the formation of a permanent government and the inauguration of the country's Second Republic. During the four-year transition period: a new economic policy which allowed the "free" operation of the market forces was initiated. In the political sphere, four major elections were held in 1995, 2000, 2005 and 2010 all aimed at transforming the Ethiopian state and society from what was to what is. Notwithstanding a new national constitution as well as the official claims of the democratic nature of both the transitional and permanent governments of the country, it is certainly clear that there is no departure from Ethiopia's political traditions of authoritarian rule.

According to Befekadu and Merara (1996:7): "the victories EPRDF 'liberation' army was 'conspicuously sectarian and lacked an acceptable national agenda... [its] charter was the embodiment of the EPRDF agenda, while the Transitional Government of Ethiopia (TGE) was used as a Trojan horse for the redesigning of the Ethiopian state and society in a way that would facilitate its political and economic hegemony".

Right from the outset in 1991, the Transitional 'National' Charter* and the Transitional Government of Ethiopia that was established on the basis of the said charter was neither national nor transitional. The aim of the Charter was supposedly to create a "broad based national government" (1991: 2). But what

* The National Charter of the Transition Government of Ethiopia, 1991.

actually transpired was, according to subsequent events publicly discussed in the mass media, when Ethiopia had a vibrant mass media in the 1990s, was:

- a) The political process that was initiated and master-minded by EPRDF alienated and marginalized other main stream political parties that had different political views from that of the EPRDF;
- b) The political process legitimized ethnic politics and ethnic based political organizations at the cost of multi-ethnic political parties. Special care was taken to prevent the participation of Pan – Ethiopian political organizations. Equally well, EPRDF made sure that the political parties that were given a green light to participate within the political process were either allied to EPRDF or sympathetic to its political doctrine of ethnicism.

Vestal (1999:165) arguing against EPRDF's doctrine of ethnicism wrote:

The EPRDF's ethnic federalism emphasizing rights of "nations, nationalities and peoples" is diametrically opposed to the ideology of nationalism and a "Greater Ethiopia." In the FDRE, ethnic groups are handed over to ethnic parties. Unions and professional associations also are forced to organize on an ethnic basis. This is in contrast to democratic countries where the free play of class, gender, ethnic, and other interests all are subordinated to the respect of the universal and inclusive attributes of citizenship... The primacy of individual rights makes possible the respect of collective rights of all sorts. But the primacy of group rights does not at all entail the respect of individual rights.

- c. The EPRDF used the decentralization process it initiated in a very crafty way to lay the foundation for the emergence a new type of "populist authoritarianism" (Befekadu & Merara: 1996).
- d. Starting from the time it assumed power, the EPRDF government systematically worked for the polarization of the Ethiopian body politic by applying the old Roman political dictum of 'divide and rule'.

Constitutionally and symbolically, Ethiopia is a democratic republic with an ethnic based federal structure and parliamentary system of government. Theoretically, positions of authority are assumed at all levels of governance starting with the local dwellers association known by the name of kebele in Ethiopia (the lowest state structure), wereda (the second tier) zonal (third tier) regional and federal (state structure at the center) and Regional government levels through regular elections which are contestable by political parties and individuals. At the federal level are the House of Peoples' Representatives and the House of the Federation. The Prime Minister, as head of government, is chosen by the party that controls 2/3 of the seats in the House of Representatives or Parliament. The President, even though a figure head, is head of state. The Judiciary and the cabinet are also federal structures. At the regional level are the Regional Councils (and the regional governments established under them) and the regional court systems and regional administrative bureaus and so on down the line to the urban dwellers and rural dwellers

association, with their own social courts and administrative units* (The Constitution of FDRE 1994: 102-129).

Nominally, the party with the majority of seats at the federal and regional house of legislators forms the government.

The first paragraph of the preamble of the Constitution of the Federal Democratic Republic of Ethiopia reads:

We, the Nations, Nationalities and Peoples of Ethiopia: strongly committed, in full and free exercise of our right to self-determination, to building a political community founded on the rule of law and capable of ensuring a lasting peace, guaranteeing a democratic order, and advancing our economic and social development...(1995: 75).

From the above one can see that the constitution gives precedence to ethnic or group right than to individual right. It is in accordance with the constitution that nine ethnic based Regional states have been formed, with their boundaries delineated on the basis of ethno-linguistic criteria rather than geographic, economic and administrative criteria (Amha, 1993: 50-73). This indicates the wholesale adoption by the ruling EPRDF regime, of ethnic nationalism as opposed to civic nationalism as its chosen criteria for structuring the Ethiopian state along federal lines (Amha, 1993: 50-73).

3.5.2 The Political System

The state under the current EPRDF regime has become a rent collecting state, disproportionately depending on aid and remittances. "Foreign aid and remittances from Ethiopians abroad is close to 40% of the government's recurrent and capital budgets" (MoFED, 2009: 111). The EPRDF regime uses such rents to buy-up the loyalty of the bureaucracy and a large portion of political and military elite. This in turn blocks political reforms in the crucial sectors of government and military (including security) bureaucracy, the judicial sector and in the party system. It has also abetted and encouraged the ruling party not to undertake the necessary political reforms in terms of promulgating laws and procedures helpful for the establishment and autonomous development of political parties and civil society associations including the media.

The EPRDF government has been authoritarian, corrupt and opaque. It has failed on almost every political level. The pseudo-democracy it claims to undertake is a sham democracy. Like all authoritarian regimes, it specializes in refining the state's instrument of control. It has, under its payroll, an extensive network of intelligence service, employing a vast network of informers, the number count of whom could run into tens of thousands.

*The Constitution of the Federal Democratic Republic of Ethiopia, 1994, State Structure, Chp. 4, pp 102-129

The EPRDF government has literally blurred the distinction between state and government and between party and government. It utilizes government money for party political activity. Party politics is super imposed on the state apparatus with no distinct separation of powers between the legislature, the executive and the judiciary. The government bureaucracy is deliberately bloated to dispense patronages. The civil service is not merit based. It allows and bankrolls the establishment of numerous political parties, the number count of which has, on the eve of the May 2010 elections reached 93. Under EPRDF, politics is wholly and completely ethicized.

Even though attempts have been made to 're-engineer' the management and operation of public institutions, "all such attempts were done not for enhancing the services of public institutions but to place the party cadres at the helm of every public institution. Institution building in the state, party and civil society is hampered by the ruling party's overt and covert intervention in every institution" (Vestal 1999: 117-213).

To better understand the internal policies pursued by the current EPRDF government, it is important to scrutinize the government's foreign policy orientations in the regional and global context.

After the 2005 rigged election and the derailment of the process of political liberalization in Ethiopia, the EPRDF regime has been over enthusiastic to let Ethiopia be used as a regional hub for the U.S Policy of the 'War on terror'. The US wants to contain the spread of radical Islam in the Horn of Africa in particular and in Africa in general. The EPRDF government found in the Bush administration's agenda of "the war on terror" a convenient tool to pressure the Bush administration to side step its support for the democratization process in Ethiopia in favour of regional stability (Swan 2007: 2,4,5).

But the support given by the EPRDF government to U.S's global and regional agenda subsumed under the theme "war on terror" was forwarded in the form of a *quid pro quo*. It's willingness to go along with the U.S interest in the region is not sincere and is only motivated by its desire to keep the U.S as its international backer in the face of an increasingly hostile population domestically (Walker 2007: 1-4).

Unlike the two previous regimes, the EPRDF regime is pursuing a policy that allows a free hand to the expansion of Saudi influence in Ethiopia. In effect, the current government seems to be deliberately falling for the grand Saudi strategy on Ethiopia – peaceful Islamization. This it does in pursuit of its major policy of divide and rule, by instigating a religious strife between Christians and Moslems in Ethiopia, which is often reported over the media.

In the last four or five decades, Saudi Arabia has tried to seek legitimacy by systematically enforcing a religions ideology on its people. Wahbism, a fundamentalist sect of Suni Islam, has for quite some time been, next to oil, one of the export items of the Saudi state. However, despite Saudi Arabia's underhanded effort to Islamize Ethiopia, Islam had never managed to convert the whole of Ethiopia. The Eritrean secessionist war (1958-1991), which was designed to make Ethiopia landlocked, was largely financed by Saudi Arabia. Saudi finance made it possible for Somalia to invade Ethiopia in 1977-78. For Wahabists, a secular state like Ethiopia, where Christians and Muslims live in peace and equality in not acceptable. Even

though Wahabism takes the form of a fundamentalist religion, it is in essence, an ideology of power. Since EPRDF came to power several hundred new mosques have been built in Ethiopia through Saudi money. Uncharacteristic of the previous regimes, the Saudi Embassy in Addis Ababa has been busy, bribing people and converting them to Islam, taking advantage of the unfortunate economic condition in Ethiopia. It seems that the current government is opening the door to the peaceful expansion of Saudi Wahabism in Ethiopia (Anonymous Document, 1996:21).

The researcher does not have the necessary facts at present to tie-up the expansion of the Al-Amudi economic empire within Ethiopia with the long range strategy of the Saudi fundamentalist state over Ethiopia. But then the source of his capital is very doubtful. Clearly, a humble trader in Ethiopia's remote province some forty plus years back, could not have become a multi billionaire through the practice of his trade, even after acquiring Saudi citizenship. Individual Saudi billionaires have secure and very profitable investment opportunities elsewhere in the world. It is unlikely for them to choose Ethiopia, a poor and unstable country as their investment destination. If it turns out that it was not earned by hard work, the likely source of capital for the Al Amoudi business empire in Ethiopia and in Sweden could only be the fundamentalist state of Saudi Arabia. Vestal for instance has the following to say on the Ethio-Saudi Al – Amoudi family's holding company –Midroc *"It is rumored that private and government capital from Kuwait and Saudi Arabia help finance the family's investments in Ethiopia"* (Vestal 1999: 175).

The vast majority of Muslims in Ethiopia are followers of Sunni Islam. Saudi Arabia is a follower of Sunni Islam. The type of Sunni Islam that is preached and practiced by Saudi Arabia is not the moderate Sunni Islam that the people of Ethiopia have lived with for centuries. What is preached and practiced in Saudi Arabia is a fundamental sect of Sunni Islam called Wahabism, a sect with a long history of jihad, intolerance and violence towards others.

For Saudi Wahabists, a secular state like Ethiopia, that has a long history of cohabitation of Christians and Muslims is not fully acceptable. It was widely documented at the time that the secessionist war in Eritrea (1958-1991), which was designed to make Ethiopia land locked, was largely financed by Saudi Arabia. Saudi finance made it possible for Somalia to invade Ethiopia in 1977-78. Since Wahabism is a state religion in Saudi Arabia, its worldwide and regional drive has the open or underhanded support of the Saudi State. Witness the situation in Iraq, Afghanistan the Philippines, Indonesia, Somalia etc...an article on the threat to Ethiopia's National security by Saudi Arabia's Wahabism that appeared the September 26/2003 issue of Ethiomedia has the following to say.

By taking advantage of the unfortunate economic conditions in Ethiopia the Saudi Embassy in Addis Ababa is busy bribing people to convert to [its version] of Islam. The usual amount that they pay is 5,000 Birr, which is some 600 USD... driving from Addis Ababa to Harar, a distance of 217 miles, where there were only two or three mosques in the past, these are now more than 100... the agenda is no longer secret. Saudi Arabia's Wahabism is exploiting the poverty of Ethiopians in spreading its tentacles to take over Ethiopia... The question is who opened the doors of Ethiopia to Wahabism? Who authorized Saudi Arabia to do what it is doing in Ethiopia today? (Ethiomedia 2003: 3).

The article points its finger to the current EPRDF government and maintains that, its alliance with the U.S with regards to fighting the fundamentalist threat within Southern Somalia, in the form of Al- Shababa, is not sincere, and that it is only aimed to get U.S support for its firm hold on power in Ethiopia.

Had Christianity not taken root in the Ethiopian highlands several centuries before the rise of Islam in present day Saudi Arabia, had it not been for Ethiopian Christians, long dead, who fiercely defended their faith against a proxy war unleashed by the Ottoman Empire and the Arabs under its domain during the sixteen century, all of Africa could have long turned Islam. The Saudis have neither forgotten nor forgiven Ethiopia for this. But Ethiopia did not struggle against every conceivable colonialist power in the past only to succumb to Saudi Arabian Wahabism, fueled as it is by its petro dollar. That would be an affront and insult to Ethiopia's history and culture of tolerance, in which Christians and Muslims have lived together in peace and harmony for centuries. The Wahabi threat to Ethiopia ought to be a matter of serious concern to the international community (see Ethiomedia Sept. 23/2003; see also Fared Zakaria, Terrorism's supermarket, Newsweek.com (n) 5, 2009).

So, EPRDF's foreign policy pretensions of trying to appear as a regional force spearheading the international effort to stop radical Islam from taking power in Southern Somalia seem to be tactical and not strategic. This line of reasoning could also be corroborated by the very cordial relationship the EPRDF regime had with the internationally ostersized regime of Al-Beshir in the Sudan. Sudan has served as a base for EPRDF when, as a guerilla force, it was fighting the former military government. Their friendship was so close that EPRDF wanted to give up quite a chunk of Ethiopia's territory on the north eastern part of the country to Sudan. It was public outcry that prevented such an eventuality (as cited in Ethiomedia 2004:7).

The EPRDF's policy on Eritrea is also a failed policy. Historically, Eritrea is part and parcel of Ethiopia. The Eritreans do not deny this fact. A federal arrangement could have served the interests of both Eritrea and Ethiopia very well. Even now, 19 years after secession, there are forces in both countries that are calling for a con-federal arrangement with the hope that such an arrangement would eventually be transformed into a genuine federal arrangement. In a recent interview given by the president of Eritrea, President Issayas Afeworki to the Voice of America – Amharic service, (VOA) the President was favorably inclined to such an arrangement as the only way to the peaceful resolution of the conflict between Ethiopia and Eritrea (VOA December 29/2009). The problem is that the EPRDF regime is not in favor of such an arrangement. It is afraid that its monopoly of the political process in Ethiopia would lose its grip, if another well organized force, in the form of the Eritrean ruling party ever comes into the political picture in Ethiopia.

U.S policy on Ethiopia focuses heavily on counter-terrorism and on promoting regional stability. The Obama administration has the realization that Ethiopia's involvement in Somalia has been counterproductive to U.S interests in the region. The new U.S administration has declared categorically that Ethiopia's military involvement in Somalia has fuelled and further radicalized fundamentalist Islam in

Somalia and that U.S interest is best served by Ethiopia not getting directly involved in the affairs of Somalia military (Swan 2007: 6).

Except for the 17 years in which the Marxist military regime was in power, the U.S had close relations with Ethiopia since the end of World War II. After EPRDF came to power in May of 1991, the U.S had a close relationship with the Ethiopian government. After 9/11 and the declaration of the “War on Terror” the U.S relationship with Ethiopia got stronger and more supportive. The bases of closer relationship was the concern both countries have regarding the birth and expansion of Islamic fundamentalism in the horn of Africa. Writing on U.S – Ethiopia security relationship, in an article published by the Center for Strategic and International Studies, Terranu Lyons noted (2006: 7):

Washington has provided Ethiopia with bilateral military assistance, training, and economic support funds as part of the growing security relationship... Ethiopia receives approximately USD 1.9 billion in aid each year more than one-third of the government's entire budget. U.S assistance totals 800 million USD a year including 500 million USD food assistance.

In an article that appeared on a VOA website cited in ethiomeia.com (July 1/2009) Peter Heinlein, a VOA commentator stated *“The Obama administration’s is signaling its intention to keep Ethiopia as a key strategic partner, despite concerns about the country’s slide toward authoritarianism. The United States is seeking to expand development assistance to the Ethiopian government”*.

From the strategic point of view, the US and China seem to be heading on a collision course with regard to Ethiopia. Ethiopia is politically and militarily, among the few prominent countries in Africa.

With its astounding economic success story over the past 25 years, and with its huge accomplishment in pulling out hundreds of millions of Chinese from object poverty and enabling China to achieve the ranking of a middle income country, the current authoritarian government of Ethiopia seems to have been bestowed with a new and suitable development model. Development without and in spite of the presence of democracy. So why bother with “neo-liberal reforms” i.e. with the structural adjustment program it had to adopt up until 2010, when it had to devalue the Ethiopian Birr by 20%.

In February of 2007, Prime Minster Meles Zenawi wrote (August 29/2006) of the need to build “a strong developmental state” complaining that “neo-liberal reforms” advocated by the World Bank and others have failed to generate the kind of growth they sought. The only kind of good governance, he suggested, is “home grown, not imposed from outside”. The implication is that African leaders should worry less about meeting demands for democracy, transparency, accountability, rule of law and other such “neo-liberal” objectives and focus instead on economic growth via the Chinese model. And so it turned out to be true that China came into the picture at the right time with huge quantities of FDI, in the form of investment and long term credit.

China’s objective is to build the world’s largest economy by 2025 or sooner. It has already surpassed Japan to become the second largest economy by July – august 2010. The logic is clear. Africa has resources in abundance without the capacity to process them. Africa can supply raw materials and

provide a market for China's manufactured products. A typical colonial relationship but with one proviso. According to Amosu, the Chinese government and the African governments in question will sign "a broad spectrum package deal that gives the African partner a number of rewards, featuring a mix of cash, investment, cheap credit, technical expertise and training and in-kind benefits such as new presidential palaces and stadiums, or cheap infrastructure such as roads, dams, and railways... China is effectively making Africa an integral part of its economic development for decades to come. This is not only a matter of cash but also linkages, backward and forward, into Chinese and African markets and into government policy and planning. China's deep penetration in, and increasing integration with Africa is an established fact" (Cited in Foreign Policy in Focus; www.fpif.org, March 2/2007).

In the standard neo-liberal approach to development, an efficient legal system, a conducive investment climate which entails the absence of corruption and political instability are absolute requirements for large scale foreign investment. China is not deterred by corruption, political instability or by the absence of the rule of law. Its huge appetite for raw materials and market overrides all other considerations.

While China seems to have outlined a clear strategy for Africa, Africa has no strategy for China. Amosu argues:

An African Union meeting of experts and diplomats in September 2006 warned that the China – Africa relationship should not follow the pattern of relations with the West... there was also criticism that China was making "no serious effort" 'to transfer skills and knowledge to Africa' and relied excessively on labor from home (Amosu 2007 cited in Foreign Policy in Focus 2008:5)

These is also the issue of the Chinese dumping cheap products into the African market at prices too low for African infant manufacturers to bet. There is also the issue of Chinese engagement with Africa only dealing with governments and avoiding private business and civil society (Amosu 2007 cited in Foreign Policy in Focus 2008:6).

Ultimately the greatest challenge is not to persuade China to practice responsible global governance, though this is very important – but to prevent African leaders from squandering the tremendous opportunities offered by Chinese Capital. To take full advantage, African leaders need to address two questions; how to cut deals with China that leave lasting value in Africa and how to empower constituencies at home.

EPRDF's attempt of moving towards China has been in the making for quite some time, since it was clear that 2009 was the last term of the Bush administration. In the last two three years, the EPRDF regime was working hard to diversify Ethiopia's trade and investment partners away from Ethiopia's traditional partners - Europe, and Japan and into China, India and Sudan. In 2005, China's share of external debt to Ethiopia, out of the total public sector debt was only 3%¹. Chinese investment in Ethiopia however, is big. Total Chinese public and "private" investment in Ethiopia up until 2009 is estimated to be over 2.8 billion USD. Out of these, 853 million USD was in the industrial sector, 200 million USD in the construction sector, 143 million USD in the road transport sector, 1.5 billion USD for the expansion of telecommunication network and for building mobile stations in different areas of the country². This 2.8 billion USD does not include the 150,000,000 USD grant given to the African Union Conference Center to be built in Addis Ababa, Ethiopia. The number of Chinese small and medium

Source: 1. Public Sector External Debt. Statistical Bulletin, No.1, MoFED, Nov. 2009, Addis Ababa, p.17 – 18 (PR.S)
2. Ethiopian Investment Authority, (EIA), Annual Report, 2009, Addis Ababa, p.23 (PR.S)

size 'private' enterprises operating in Ethiopia is estimated to be 700, with a capital of more than 300 million USD (EIA 2009: 23). As indicated in the next chapter, in 2009/10, China has become the number one creditor to Ethiopia, surpassing the US, the EU and the multilateral institutions of IMF and the World Bank (MoFED Report, Sept. 2010). Even though the EPRDF government wants to present its relationship with China in a rosy picture, the relationship is not as rosy as the government wants it to appear. For instance, the trade balance between Ethiopia and China in 2009 was highly unfavourable to Ethiopia. In 2009, Ethiopia's export to China was close to 150 million dollars, while its import from China was 1.1 billion dollars (MoFED, Dec, 2009:25-26). Looking at the trend of the trade balance between Ethiopia and China over the last few years, one can see that it has been highly favorable to China and hence unsustainable from the point view of Ethiopia's interest.

3.5.3 The Issue of Political Reform and liberalization under EPRDF

The Constitutional and legal assertion of the will of the people creating the basis of governance and defining the transfer of power through the ballot box is beautifully presented in the Constitution. But the fact belies what takes place on the ground.

The strategy pursued by the EPRDF government to guarantee its electoral "success" and secure the blessing of the international financial community is simple, but at the same time very crude. From the many elections held Befekadu and Merara documented the following strategies applied by the EPRDF government to subvert election results:

- a) The staffing of the National and Regional Election Boards and institutional staff vested with the responsibility of organizing and conducting elections, by its cadres and government employs loyal to EPRDF;
- b) Refusal to register parties that are deemed to pose a threat to the EPRDF. Since parties not registered with the election board cannot participate and contest in elections. Denying voter registration to individuals suspected of favoring non-EPRDF parties;
- c) Imprisonment of leaders, intimidating and arresting of members and supporters as well as closing down offices of legally recognized political parties for the duration of the election period;
- d) Denying candidates the right to have their election manifesto and posters to be printed by the printing press, the biggest of which are owned by the government;
- e) Prohibiting mass media (Radio & TV) coverage to non-EPRDF candidates. Radio and TV are fully owned by the government;
- f) Denying access to election funds to opposition candidates, while EPRDF candidates are allowed to utilize government funds (in the form of per dime and the like) and resources like government vehicles for election related purposes;
- g) Stationing of cadres in election booths and indirectly influencing illiterate voters. etc... (Befekadu et al, 1996: 12-15).

All these are of course done despite the constitutional provision of "free and fair elections held by secret ballot" (Constitution of FERE, 1994: 109). All four national and regional elections that were held on the basis of the 1994 Constitution i.e. the 1995, the 2000, 2005 and the 2010 elections were not free and fair elections (As indicated in both the 2005 and 2010 European Union Election Observation mission Final Report).

The above cited methods of exclusion are completed well in advance of the election date. And when the election date approaches and international observers arrive, the head of the ruling party goes public

with appeals to opposition parties not to boycott the elections. By the way, had it not been for the overturning of the election results, it was despite all these unlawful practices that the ruling party was defeated in the polls during the May 2005 elections*. The May 2010 election was, from start to finish, a systematically manipulated and stage-managed election. The result turned out to be as expected – the EPRDF which actually lost the election of 2005 was said to have won by landslide in the May 2010 elections.

Leaving aside the non-democratic and outright illegal practices around the election process, one can cite Stalinist provisions that went into the framing of the constitution itself. The principles of any democratic constitution are: separation of powers, the independence of the Judiciary; constitutional control and multi-party system. These are not to be found in the Constitution.

Regarding the other aspects of the democratization process, the same thing could be said.

Referring to the May 15, 2005 Ethiopian election, the Final Report of the European Union Election Observation Mission (2005:1) stated the following:

The 2005 parliamentary elections were the most competitive elections Ethiopia has experienced, with an unprecedented high voter turnout. However, while the pre-election period saw a number of positive developments and voting on 15 May was conducted in a peaceful and largely orderly manner, the counting and aggregation processes were manned by irregular practices, confusion and lack of transparency. Subsequent complaints and appeals mechanisms did not provide remedy. The human rights situation rapidly deteriorated in the post-election period. Overall, therefore, the election fell short of international principles for genuine democratic elections.

Had elections been free and fair it could have created a suitable political environment for national reconciliation. This in turn would have led to the formulation of viable economic policies based on consensus politics, which could have led to an attainment of economic growth that is consistent with social cohesion. But this was not meant to be. The strategy of the incumbent regime is aimed at “winning elections without interruption” and “holding on to power without let up”. (as cited in EPRDF, Strategic Document, 1993: 47-49)

That this is not a trend to be improved upon but a permanent political objective can be established from consequent events. There was going to be an election set for April 2008, which is a continuation of the 2005 elections. That election was going to be for the third (district) and fourth (sub district) tiers or levels of government. Before even the preparations have began, even the loyal opposition parties with seats in the national legislation/parliament cried foul.

In a joint statement issued by three loyal opposition parties and published in the pro-EPRDF Amharic newspaper – *The Reporter* (Nov.24/2007) had the following to say:

* Documentary evidence for this assertion is hard to come by, since the National Election Board is created by and controlled by EPRDF. However, PM Meles had admitted defeat, on national TV regarding the Addis Ababa City Council election. The PM had a discussion with former US president Jimmy Carter after the election, in the presence of Carter foundation officials who accompanied President Carter. The researcher got this information from one of these sources who happened to be present at the meeting. Former president Carter headed an election observation mission of his own during the 2005 election.

The parties expressed their concerns regarding the unsuitable condition for holding the impending local elections and bye-elections... we condemn the closure of party offices throughout the country and the continued harassment and incarceration of our members... there is rampant arrest of opposition party supporters that on one occasion in Ambo, the police even arrested a mast which carried a party flag.

As noted earlier, this was taking place in November of 2007, for an election scheduled to take place in April of 2008. The habitual practice is that those party members arrested before election were released after election. The same newspaper, in its Feb 3/08 issue, enumerating the complaints of the loyal opposition parties regarding the April 2008 election, noted the following:

- Harassment and imprisonment of increasing numbers of opposition party numbers and supporters;
- Closure of offices;
- Imposition of an additional 300% tax on peasant farmers suspected of supporting opposition parties;
- Conducting registration of voters in police stations and in the private houses of members of the ruling party.

The leaders of the loyal opposition parties represented in parliament, in their joint statement published in the above cited newspaper, maintain that the April 2008 election has already been rigged before it even started. After the defeat of EPRDF in the May 2005 election, it devised a system to influence the decision of voters in its favour. This system is the complete fusion of the party and the state i.e. using the state's political and economic power for the service of buying votes.

During the May 2010 election two factors have come into play. The first one is political. Total control by the EPRDF of the election system starting from the National Election Board to election observers at each and every election station. The second one is economic. The use of state power to influence the outcome of the vote of urban as well as rural dwellers in favour of the ruling party. Because of the complete fusion of party and state in Ethiopia, the full economic force of the state is being used by the ruling EPRDF government to buy out voters. Low income urban dwellers are encouraged to register and vote for EPRDF in exchange for condominium houses the government has been building for the last five years after its 2005 election defeat. Unemployed youngsters are influenced to organize themselves to get cheap government credit for startup capital in exchange for their vote. Housewives with low income are pressured to come and register themselves at the kebele (the lowest government tier) and are given credit to buy energy saving stoves from government distribution agencies by way of a letter of support from the kebele administration. All government employees are pressured to vote for EPRDF with outright threats of losing their jobs (Ethiopian Weekly Press Digest, July 22/2010).

* It is no wonder that between April 10-15, Ethiopia's two major loyal opposition Coalitions UEDF and OFDM pulled out of the elections held on April 13 and April 20/2008 consecutively. The first for neighborhood (kebeles) and woreda (district) level elections and the later date for filling vacant parliamentary seats. They complained that intimidation and procedural irregularities dissipated candidate registration. They bitterly complained that ruling party officials at all levels targeted opposition candidates for intimidation, violence and abuse of human rights for three months from registration up to election date. (see Report of Human Rights Watch, April 11/2008)

Government wholesale and retail distribution centers sell essential necessities like sugar, edible oil and the staple grain of Ethiopians called teff, a grain used to make Ethiopian type bread. These essential items are sold by government distribution agencies at below the market price. One can pose the question. If election takes place in secret, how could the ruling EPRDF government influence the outcome of each individual's vote? EPRDF has designed its own tactic to address this question. Each and every member of the ruling party has been given a quota of influencing five people to register and vote for EPRDF. This party cadre asks each of the five individuals what they seek to make their life better. Parents could ask scholarship or training at specialized institutions for their children. Government employees could ask for security of job, or in some cases promotion. A few could ask court decisions in their favour and so on (Medrek, Press Release, cited in Reuter, July 17/2010, May 3/2010).

The influence of the government is wide and varied. All needs are identified by the party cadre and transmitted to party activists at every level of government for them to facilitate these matters. Election booths are made of transparent material for election observers chosen by the ruling party to observe at close quarters. Even though voting bags are not labeled, uneducated, low income urban as well as rural dwellers are told ahead of time that the people who count their votes can see them from hidden cameras, for which party each one of the voters have voted. If not all, a substantial partition of uneducated and poor voters tend to believe this sinister propaganda. So, a carrot and stick mechanism is used to influence the outcome of citizens' vote.

The government and party mass media which has over 95% of mass media coverage in the country is put at the service of the ruling party. Opposition parties are allotted a few space in the printed media and a very small time on radio and television. Private media is prohibited from airing sensitive topics by means of draconian press law.

Election observers put forward by opposition parties are harassed, given death threats, threatened with arrest and in few cases killed. They are pressured to quit their duty of observing the voting procedure ahead of election day. The vote counting is done by excluding election observers assigned by opposition parties. All these have actually taken place in the May 2010 election. Ethiopia's Supreme Court rejected final poll result challenge (Ethiopian Weekly Press Digest, July 22/2010).

All opposition party leaders have alleged of gross irregularities in the May 2010 elections. Among the irregularities pointed out by the opposition the following could be cited: Voter intimidation; observers being expelled and turned away; pre-marked ballot papers being found in polling stations; using harassment and intimidation tactics like withholding food aid; fertilizer and select seed for voters in the countryside; denying voter cards to eligible opposition voters; increasing the number of election centers

* Medrek was the one of the vocal opposition party during the May 2010 election.

from 38,000 in 2005 to 43,000 in 2010 so as to make the job of assigning election observers by the opposition difficult; separating election booths by transparent plastic sheets designed to make it not private enough; violating the secret nature of the ballot, denying civic organizations and rights group from observing the counting process; enacting restrictive media laws prohibiting them from freely transmitting opposition viewpoints in the run up to the election; harassing of election campaigners by security forces etc. It has also been reported in the press that some opposition party campaigners have been killed under mysterious circumstances (cited in Fortune News paper, July 25/2010).

The European Union and the United States have both criticized the polls of the latest 2010 parliamentary elections, saying they fell short of international standards. State Department spokesman, Philip Crowley, commenting to reports on US – Ethiopian relationship after the 2010 election results said, *“We have a broad and comprehensive relationship with Ethiopia, but we have expressed our concerns on democracy and governance directly to the government. Measures the Ethiopian government takes following these elections will influence the future direction of US – Ethiopian relation”* (Africk, Independent, Africa-based News Service, May 27/2010). He told reporters that the US administration is urging the Ethiopian government to address not only the circumstances of the latest elections but also years – long corruption, to strengthen its democratic institutions and offer a “level playing field” to electoral candidates free from intimidation and favoritism in order to ensure “more inclusive results”. According to Mr. Crowley, the US also expressed disappointment with pro-incumbent trends leading up to the 2010 elections that favored the ruling EPRDF party *“A number of laws, regulations and procedures implemented since the previous parliamentary elections in 2005 created a clear and decisive advantage for the ruling party throughout the electoral process,”* Crowley indicated (Africk Independent, Africa-based News Service, May 27/2010).

The Final Report put out by the European Union Election Observation Mission assessing the May 2010 election stated (Nov. 2010:1) the following:

The May 2010 elections were held in a generally peaceful environment, as unanimously called for by all stakeholders. The relatively quiet election campaign by both the opposition and the incumbent, the Ethiopian People’s Revolutionary Democratic Front (EPRDF), grew in intensity in the very last stages of the campaign. Although, the National Electoral Board of Ethiopia (NEBE) largely managed the electoral process in an efficient and competent manner, its handling of the consolidation process was less praiseworthy. The electoral authorities failed to dispel the opposition parties’ lack of trust in their independence. While several positive improvements were introduced since the 2005 elections, there were negative developments in the practical application of the legal and electoral framework. As a result, the electoral process fell short of international commitments for elections, notably regarding the transparency of the process and the lack of a level playing field for all contesting parties. Insufficient efforts were taken to ensure a more equitable and representative electoral process (Ethiopia: Final Report, House of People’s representatives and state council Elections, May 2010, European Union Election Observation Mission, Brussels Nov.8/2010).

The main instrument of control used by the EPRDF regime is the elaborate system of sham elections, ingeniously devised as a system to channel and contain political dissent. Sham and formal elections devoid of any democratic substance are held at regular intervals. By means of such sham elections, the current EPRDF government has, since the mid 1990s, been able to systematically rig elections and establish sham parliaments, which in turn are used to proclaim laws that are inimical to the process of political reform and liberalization in Ethiopia.

In principle, in a parliamentary system of democracy, the legislative branch can disband the government while the executive branch can dissolve parliament and call for a new election. In such political systems there are clear separation of powers between the legislative, executive and Judiciary branches of the state. The first legislates law, the second executes and the third interprets the law. No single branch of government can assume the role of the 'highest body of state power'. All three branches ought to have commensurate power.

The Constitution of the Federal Democratic Republic of Ethiopia (FDRE) Article 50 sub Article 3 enacts "the House of the Peoples' Representatives is the highest authority of the Federal government... the state council is the highest organ of state authority." Further, Article 50 sub article (2) states; "the Federal government and the states shall have legislative, executive and Judiciary power." Meaning that the Federal government holds all three powers. The opposition calls this Stalinist and claim that it contravenes the principle of division of power in a parliamentary democratic system.

In actual fact, EPRDF and the Constitution that itself crafted do not abide by the very essence of a democratic constitution – separation of powers. Power in Ethiopia currently lies in two places. Formally and constitutionally with the Prime minister and operationally with army commander-in-chief. In Ethiopia at present, both posts are held by one person – Prime Minister Meles Zenawi.

In practice, in the not free and fair elections that took place between 1995 and 2005 close to 90% of the seats of the House of Representatives were held by the ruling EPRDF. In the 2010 election, 99.7% of the seats of the parliament were literally captured by EPRDF- a typical result of elections held under authoritarian auspices. Meaning that the Constitution has granted the ruling party an absolute power by permitting it to control the legislative, executive and Judiciary branches of state power. The legislative branch (i.e. the House of representatives) is used by the ruling EPRDF party as a rubber stamp parliament to pass all types of legislations that it wants and to enable the appointment of its cadres in leading government positions easily accepted by parliament. The real choice of appointments to government positions is done by the party leadership's backroom decisions.

To begin with, the very process of constitution drafting was flawed. It was by a crude political engineering that the members of the Constituent Assembly were elected in June of 1994. The election of the members of the Constituent Assembly was nothing but all-inclusive. The process was very divisive and inimical to national reconciliation. The division between the part of the Ethiopian elite that pursued the ethnic political agenda and the pan-Ethiopian elite started during the imposition of the Transitional Charter and took a full-fledged antagonist form in the process of establishing the Constituent Assembly that adopted the present Constitution of Ethiopia. The opposition claims that the process of drafting and adopting the constitution was not done in consultation with the people and for the people. On this issue, the Summary Report of the Constituent Assembly Election Monitoring Mission (June 5/1994:5) has the following to say:

There was virtually no contest in the election for the constituent assembly. Opposition parties... indicated in letters written [to us] that the main reasons for their boycotting the elections were [1] that they have been prevented from operating freely and (2) they did not want to be a party to a pre-determined EPRDF victory. Because of the opposition boycott, no alternative view of the draft constitution was presented in an organized and systematic manner. In 28 out of 34 constituencies monitored only one political party [EPRDF] was represented.... Outside Addis Ababa, in 75 percent of the constituencies monitored, there was no candidate who offered a different view on the constitution. In 25 percent of the constituencies only one candidate was running.

That was why there were only two dissenting voices in the debate of the 500 member assembly that adopted the 1994 “National Constitution”. Article 39 of the Constitution sanctions the right of every ethnic group to secede from Ethiopia. This constitution paved the way for the formation of the permanent government of Ethiopia and for the formation of the country’s second Republic, the first one being that of the revolutionary period.

In a quarterly Amharic theoretical journal that use to come out back in 1993, the researcher of this dissertation argued that the future constitutional order to be established in Ethiopia should embody the concepts of:

- The principle of separation of powers;
- Limiting executive and administrative power;
- Putting the governance of the armed forces, police and security under the rule of law (to protect the democratic system and human and political rights);
- Judicial independence;
- Defining and restricting emergency powers;
- Addressing the tensions of ethnic and religious pluralism;
- Building legislative and civil society institutions;
- Recognizing the dangers and formulating the remedies for the problems of transition from historic authoritarian states to states governed by democratic constitutional orders (Amha, 1993: 29-65).

But when the EPRDF ‘National Constitution’ finally came out in December 1994, it did not contain any of the above.

The issue of judicial independence is especially relevant to economic development. So, it requires a separate treatment. The Soviet communist Constitution Article 112 stated “Judges shall perform their duties independently. They will not submit to anybody except the law.” Article 104 of the constitution of PDRE under the previous military and revolutionary government stated “Judges and attorneys shall perform their judicial functions in full independence. They will not be led by any other power except the law.” Article 79 of the Constitution of the EPRDF led government states:

Art. 79,

Sub Article(2). *Courts at any level shall be free of any interference or influence of any governmental body, government official or from any other source*

Sub Article (3) *Judges shall exercise their functions in full independence and shall be directed solely by law*

Sub Article (4) *No Judge shall be removed from his* duties before he reaches the retirement age determined by law except under the following conditions.*

(a) When the Judicial Administrative Council decides to remove him for violation of disciplinary rules or on grounds of gross incompetence or inefficiency.

The trouble is, as indicated above, the federal government holds all three powers (legislative, executive & Judicial) in one. This is done by way of the legislative branch, supposedly elected by the people but fully monopolized by the ruling party. The legislative branch elects both the executive and judicial branches from the members of the ruling party.

The Constitution gives sweeping powers to the members of the judicial administrative council to dismiss judges. The funny thing is that the Constitution does not at all state who the members the Judicial Administrative Council are, who appoints them and what their duties and responsibilities are. So how can a body, the identity and competence of which is itself not specified in the Constitution, decide on the incompetence of Judges. To realize the mockery of Justice in Ethiopia, it is sufficient to point out to the fact that as per article 81 of the constitution, Judges at every level are appointed by legislators upon the recommendation of the heads of government at all levels. Article 81 sub article (1) for instances states:

- (1) *The President and Vice President of the Federal supreme court shall, upon the recommendation by the Prime Minister, be appointed by the House of Representatives.*
- (2) *Regarding other Federal Judges, the Prime Minister shall submit to the House of People's Representatives for appointment candidates selected by the Federal Judicial Administrative council.*

In a democratic system there are constitutional courts that have the constitutional power of oversight to see to it that decisions of different government bodies and individual judges do not contravene the constitution.

Article (1) sub Article (1) states:

The constitution is the supreme law of the land. Any Law, customary practice or decision of an organ of state or public official which contravenes this constitution shall be of no effect.

Under Article 84 of the Constitution, the power to monitor any contravention of the Constitution or to interpret the Constitution is given to the Council of Constitutional Inquiry, According to Article 82 (a) (b, c, d). the eleven members of this Council comprise of the President of the Supreme Court as its president; the Vice – president of the supreme court as its vice – president and six legal experts appointed by the President of the Republic and three persons designated by the House of Federation, a body itself established on the basis of political and ethnic selection. The control therefore is a political control and not an independent judicial review (Ethiopian Register (2) 1995: 41-43).

What does the practice of the administration of Justice look like in present day Ethiopia? The actual practice of the administration of Justice and its foreclosure is driven by the EPRDF's desire to tame its control of the legal and Judicial System. To this end, in the very first year of its assumption of power in 1991, EPRDF dismissed, from Addis Ababa's jurisdiction alone 100 judges that it inherited from the previous regime. Instead it appointed its own inexperienced and legally illiterate cadres. Those new and very young appointees could not cope with the complexities and intricacies of the law, signaling a serious breakdown in the administration of Justice. Even these handpicked justices had to always toe the line of

EPRDF or face being sacked. Quite a number of these new justices have been sacked on account of their independent judgment (Befekadu and Merara, 1996:26).

Writing about this specific issue, Norwegian scholars Vaughan and Tronvoll who studied Ethiopian politics since the beginning of the 1990s point out:

The federal decentralization that started in 1991 demanded the recruitment of a large number of lawyers and judges; at the same time as experienced older judges were being dismissed. The extreme shortage of legally trained personnel in the more remote areas was overcome by giving primary teachers or even school leavers, four to six months intensive training at the Ethiopian Civil Service Training College, after which they become judges or attorneys in their home areas. Reports suggest that their adjudication has not been efficient: queues and delays have become notorious, and in some instance people have simply withdrawn from the court system that had become impractical because of long deferrals and uncertain results (Vaughan et al, 2003: 98).

Regarding the independence of the judiciary Vaughan et al (2003:100) wrote:

... If capacity of the judiciary remains sufficiently fragile to compromise its functioning, questions also remain as to its independence from government. Given the overwhelming dominance of the ruling party, the judiciary operates in an atmosphere in which the pressure of government influence is unmistakable, unidirectional and in rural areas, often backed up by at least the latent threat of force...In rural areas, judges and social court arbitrators have usually been initially selected by the local administration, in each area. Many of them are – unsurprisingly – tempted to prove their worth through loyalty rather than judicial autonomy.

The impairment of the legal system and the breakdown of the judicial process has impacted negatively on the human and property rights of the people and on the preservation of law and order. Arrest and detention as well search and seizure are routinely carried out, for political reasons, but under the cover of legality. In some cases, EPRDF soldiers masquerade as police and security forces to do such an undertaking. The right of bail is suspended by the legislator so as to keep high profile political opponents languishing in jail. Prison population is increasing at a rate beyond the capacity of different levels of courts to adjudicate, as a result of which detainees languish in open fields.

Human Rights violations are rampant in Ethiopia. The U.S State Department Human Rights Report on Ethiopia has the following to say:

Human rights abuses reported during the year included limitations on citizens' right to change their government in local and by-elections; unlawful killings, torture, beating, abuse, and mistreatment of detainees and opposition supporters by security forces, usually with impunity; poor prison conditions, arbitrary arrest and detention, particularly of suspected sympathizers or members of opposition or insurgent groups; police and judicial corruption, detention without charge and lengthy pretrial detention; infringement on citizens, privacy rights including illegal searches; use of excessive force by security services in an internal conflict and counter insurgency operations, restrictions on freedom of the press; arrest, detention, and harassment of journalists; restrictions on freedom of assembly and association (2008: 1).

Mention was made in the above quotation on restrictions of the freedom of the press. The Media Law that was proclaimed into law by the government in 2008 is specifically intended to curb freedom of the press. The anti-terrorism proclamation that was enacted into Law on July 7/2009 gives sweeping powers to the executive branch to imprison for as long as 20 years “whosoever writers, edits, prints, publishes, publicizes, disseminates” statements deemed “encouraging, supporting or advancing” terrorist acts. This statute effectively institutionalizes censorship. The law further grants the federal police and the national security agency exclusive discretion to carryout warrantless interception of communications, and search and seizure, solely on the basis of “reasonable belief” that a terrorist act is in progress or will be committed (Proclamation No. 652/2009).

Simply put, the practice reflects neither the letter nor spirit of the Constitution. In most cases what is preached and practiced are at complete variance. The fate of political pluralism and multiparty democracy is also on paper only. The 1995 and 2000 elections were boycotted by the main opposition parties. The aborted election of May 2005 and the rigged election of May 2010 convincingly established the hollowness of all the promises that were made in the present Constitution and the Transitional Charter that was in place between 1992 and 1994. Basic human rights and civil liberties have, since 1991, been violated by the government*. It has been the case that starting from the beginning, the major opposition political parties were never allowed to operate in a free political atmosphere.

Lyons, (Lyons 2006:8) vividly analyzing this missed opportunity of the May 2005 national election wrote:

The start of 2005 saw the beginning of a transition in Ethiopia. Now, at the start of 2006, the contours and end point of this transition remain profoundly uncertain. Despite a fleeting glimpse in May 2005 of the possibility for a participatory and peaceful multiparty competitive political system, the potential for a very violent transition and downward spiral is today very real. Nonetheless, that brief glimpse, a demonstration of the Ethiopian people's readiness for a democratic process, preserves a kernel of hope for the kind of peaceful future the Ethiopian people crave and deserve.

3.5.4 Co-opted Federalism

Prior to the current government, the previous two governments – namely the Imperial and the Revolutionary military governments, run a centralized unitary state. The alleged reason for the creation of TPLF and later EPRDF is its opposition to the pre-EPRDF centralized state and polity of Ethiopia. It is to be remembered that the previous military regime continued with the same tradition of a highly centralized post-imperial Ethiopian state inherited from its monarchist predecessor. It reinforced the age old tradition of a powerful centralized state by instituting a Marxist – Leninist party that imposed tight control on state and society. It was as a direct challenge to that type of a centralized state that various liberation movements including that of EPRDF took up arms against. As a matter of fact, weakened by the sustained guerrilla warfare, the military regime had in 1990 granted the Eritrean, Tigray, Ogaden and Afar regions of the country regional autonomy. The ethnic –based anti Derg (military regime) ‘Liberation’ Fronts rejected that gesture.

After the 1991 change of government, the concept of a decentralized state structure was introduced to Ethiopia. In principle, federalism as a form of state structure, aims at decentralizing and transferring power and responsibilities to low tiers of state structures. Such transfer of power is believed to bring about not only political stability and democratic governance, but is also assumed to result in the attainment of political, economic and social equity. EPRDF maintains that federalism is an essential political instrument in restructuring and decentralizing the old Ethiopian state so as to address what it calls ‘the historic discrimination and inequality’ that many ethnic groups of the country were faced with. According to EPRDF, the political decentralization aspect of federalism is also viewed not only as a political but also as an economic development strategy (EPRDF Strategic Document 1993: 25-30).

* For a detailed account of human right violations in Ethiopia, see Ethiopian Human Rights Council, Annual Reports that came out between 1994 and 2005.

The federal arrangement and the ensuing 'decentralization' process in Ethiopia, under the EPRDF proceeded in two phases. The first phase (1991-2000) was the regional and zonal level decentralization. Accordingly, in the initial period, 14 national – regional state governments were constituted on the basis of ethno –linguistic criteria. Later on, five regions in the Southern part of the country joined hands and established one national-regional state i.e. the Southern Nationalities, Nations and Peoples' National Regional state (SNNPRS), bringing the total number of regions to nine (FDRE Constitution 1994: 101).

The national regional governments were accorded legislative, executive and judicial powers in respect to all matters within their areas, except those powers that fall within the jurisdiction of the federal government. Fiscal decentralization, which elaborated the sharing of revenue between regions and the central government, is also part of the decentralization process. The regional governments are also empowered to organize and control regional police forces and the regional militia (Taye and Tegegne, 2007: 80).

But all these are better said than done. According to Taye & Tegegne (2007:89):

Party politics is an important aspect of local governments in Ethiopia and permeates many aspects of wereda administration ... According to research findings, EPRDF membership has become the single most important criterion to assume leadership position in Wereda (District) administration... Executive committees, which are key actors in political and economic matters affecting the community, are all occupied by persons who are members of the ruling EPRDF... Based on field findings, the ruling EPRDF has a heavy presence at the level of wereda government in many aspects; and this has led to the shrinking of the political space for non-state actors to fully participate in economic and political issues affecting the locality.

In order to bring self rule to lower levels of administration, the second phase of decentralization was initiated in 2001, in four regional governments. This process was called District Level Decentralization Program (DSLDP), the aim of which is to grant sub-national units of government fiscal and administrative autonomy and thereby to bring about self-rule closer to the citizens at the local level. By doing this, it was hoped that the wereda level administration would implement its development plans without interference from higher levels of authority (Taye and Tegegne 2007: 93).

EPRDF claims that the steps it has taken to abolish the long standing unitary state structure in Ethiopia and replace it with a decentralized federal structure would qualify it as implementing a democratic governance in the country. Local as well as foreign critics who have taken a closer look at events on the ground, however, claim to the contrary. Keller (2002:21-22) maintains:

In relations between the center and the states, under ideal circumstances, there is a balance of power... In such cases, the structures in place may appear to be federal and democratic, but, in practice, this may not necessarily be the case.... On the other hand, where the power balance favors the center, incumbent elites are often in a position to use their control over revenues and the instruments of coercion to enhance central control in politics as well as policy making. Under such circumstances, the governing elite might be most interested in creating an appearance of federal power sharing in pursuit of democracy and development, while making their primary aim of central management and control... while there may be federal features and institutions... Ethiopia has not constructed a system of democratic federalism. Moreover, rather than empowering citizens at the grass roots level, Ethiopia (meaning EPRDF government) tightly controls development and politics, through regional state governments, with very little popular decision making in the development process.

EPRDF's concept of federalism is also subject to criticism from the opposition. The opposition maintains that ethnic federalism is unworkable in the African context in general and in the Ethiopian context in particular. They claim that it leads to further fragmentation and militates against the fundamental principle of strengthening nation – state formation.

Art. 39 of the Constitution of the FDRE states:

Sub Article 1.

Every Nation, Nationality and people in Ethiopia has an unconditional right to self-determination including the right of secession

Sub Art (5) states the following:

A "Nation, Nationality or People" for the purpose of this Constitution is a group of people who have or share a large measure of a common culture or similar customs, mutually intelligibility of language, belief in a common or related identity, a common psychological make-up and who inhabit an identifiable predominately contiguous territory. (The Constitution of the Federal Democratic Republic of Ethiopia, 1994, State Structure, Chp. 4, pp 102-129 (PR. S)

This is an almost direct translation from Lenin's and Stalin's work on the national question in the former Soviet Union. The major problem that African revolutionary or Marxist elites have with the political philosophy of Marxism – Leninism is the dogmatic application of everything that, Lenin and Stalin said or did in the Soviet Union, without even bothering to analyze whether the theory could apply to Africa's objective and subjective conditions.

To begin with, in the case with EPRDF's Constitution what the concepts of 'nation', 'nationality' and 'people' represent and how they differ from each other is not even defined. They are used interchangeably. For instance there are close to eighty ethno-linguistic groups in Ethiopia. Out of these only about ten languages are spoken by over a million people. One regional state, out of the nine regional states established under the constitution, the Southern Nations Nationalities and Peoples Region has an amalgam of so called 'nationalities and peoples' speaking more than 45 languages, with a population of over 20 million. On other hand, a tiny region called Harrari is a city state with less than fifty thousand inhabitants. According to Shafer (1995: 164) : "... the fact and the theory of national self-determination meant that each group of people that called itself a nation had a right to a united territory and a sovereign nation-state". How this 'right of Nations to self – determination' could be applied in this bizarre Ethiopian situation is difficult to comprehend.

That the ruling EPRDF government does not have any likening to the application of this right, is currently shown by the hard line it took with the Somali speakers of Ethiopia's Ogaden region. So, the so called 'Right of self-determination' article is inserted, according to opposition political parties, as a ploy to divide and rule the people of Ethiopia and not to apply it in practice. The opposition are suspicious of the motive of the ruling party and maintain that Article 39 is absolutely not necessary and that therefore, should be deleted from the Constitution altogether.

The very definition of the words tribe, ethnic group, nationality and nation, is so ambiguous to EPRDF itself that it uses them interchangeably. No EPRDF document defines the above concepts and shows how they differ from each other. That is why the Ethiopian social scientist, Mesfin Wolde Mariam insists (1999:37):

It is clear that in the minds of some there is hardly any difference between nation, nationality and ethnic group. In one definition of "ethnic", nationality is used at least as one of the major criterion while others define nationality in terms of ethnicity. The confusion resulting from such definitions of nation, nationality, ethnic group, and tribe makes it necessary to abandon all of them and, instead, talk about regional, religious and linguistic groups... It should be recognized, however, that even regional, language, and religious groups are not always simple. Very often groups, which have different languages, have the same religion; or groups, which have the same language maybe regionally and religiously divided etc...

The researcher of this dissertation argued that the idea of the right of nations to self determination is an alien concept to African conditions and that it should be replaced by the respect of the right of citizenship, a right bestowed on each and every citizen of the country, equally and without distinction, the implementation of genuine political decentralization on the bases not of ethnic federation but territorial and geographic federations, such as in the USA or Germany. Granting cultural including language autonomy to ethnic groups should be incorporated as an important component of the federal arrangement. The concept of the right of nations to self determination was never practiced by Lenin and Stalin in the Soviet Union during their tenure in office. Instead it was a slogan that was used by the Bolsheviks to incite the various nations to rise up against the then major imperialist countries. It was simply used as a blank check or promissory note that was never intended to be honored. When it was honored in the Soviet Union in 1991, it destroyed the Union. Its application is counterproductive. It undermines the overriding process of nation-state building in Africa by weakening the effort of economic development (Amha, 1993: 50-73).

Vaughan and Tronovoll (2003:21) writing about the concern they have on EPRDF's policy of ethnic federalism contend:

Given the ethnic federal arrangements, minority ethnic groups, even numerically small ones, are less marginalized at the national political level than even previously in modern Ethiopian history... The ethnic federal arrangement was instituted as a means of diffusing the pattern of conflict which had engulfed Ethiopia in the second half of the twenty century, as a direct result of the coincidence of ethnic and class divisions under centralized imperial and military rule. ...critics have argued that ethnicity 'captured' within the political structure of the state is in fact likely to inspire conflict, bringing such groups explicitly into competition with each other on their share of state resources... Ethnic federalism has, in some instances, added a new dimension to pre-existing local conflicts over land, water, government budget and other resources, sometimes adding legitimacy to an 'ethnic rationale' for dispute.

3.5.5 The Party System of EPRDF

The political party system in Ethiopia under EPRDF is rather complex in that it could be divided into five categories: The first one is the 'Front – Parties' comprising the Ethiopian People's Revolutionary Democratic Front (EPRDF). The second group is the EPRDF affiliated parties, which are both ethnically or regionally defined. The third group is the opposition parties which are themselves divided into (1) ethnic and nationwide or pan-Ethiopian parties which are officially registered to participate in the political process

peacefully, (2) parties in the Diaspora which do not accept EPRDF's constitution: and (3) armed opposition movements aiming to overthrow the EPRDF regime by force.

EPRDF itself is an amalgam of four ethnic parties representing the three important ethnic groups (Tigray, Amhara and Oromo) and a fourth regional (i.e. the Southern Region) which comprises close to forty five ethnic groups. But this is for the sake of formality. The reality is that among the four members comprising the EPRDF (i.e. TPLF, ANDM, OPDO, SEPDO)* the TPLF is the leading and deciding core of EPRDF.

EPRDF member parties are referred to as 'Peoples Democratic Organizations' or in short PDOs. They are ethnic organizations created by EPRDF to penetrate various ethnic groups of the country. They are organized in the image of TPLF and have very little or no local support at all. But since they are many in number, they are used by EPRDF as depicting of the existence of a multiparty system in Ethiopia. Since they are EPRDF's creations, they are allowed to freely compete during elections. The fact of the matter is that they are given their political program by the EPRDF. In other words, they are surrogates of the EPRDF. This situation is of course presented to western countries and multilateral financial institutions who do not know the political nitty-gritty inside Ethiopia, as a representation of the existence of multi-party democracy and pluralism, when in actual fact political pluralism does not exist.

Vaughan and Tronvoll (2003:11) writing about this reality maintain:

The political party structure in Ethiopia is characterized by the extreme asymmetry between the power of the ruling party and the weakness of the opposition parties. For instance, out of the 547 seats in the House of Peoples Representatives, the EPRDF holds 481 or 88 percent. Members of the party in government may be tempted by their access to the infrastructure and resources of the state, whereas the opposition relies solely on private donations and minimal membership fees. In particular the older members of the EPRDF emerge as apparently the most powerful organizational parties, both in terms of membership (direct party members and affiliated members through the mass organizations), and in terms of access to [state] resources. Both are connected with a range of commercial enterprises. [This part will be dealt with in a later section].

In order to analyze the political nature of the EPRDF, we have to start from its political philosophy and move on towards the principles of its party organizational structure.

The political philosophy of the ruling EPRDF is 'Revolutionary Democracy' as opposed to liberal democracy. The political institutions it has created accordingly function differently. EPRDF is led by the ideology of revolutionary democracy or popular democracy. This ideology was set in motion during the second half of the 19th century by Russian revolutionary democrats, who took the Russian peasant farmer as the decisive revolutionary force to overthrow the Tsarist landed autocracy. Most of the adherents of this movement later joined the Bolsheviks under Lenin and became adherents of the dictatorship of workers and peasants in Russia.

*TPLF: Tigray Peoples Liberation Front
ANDM: Amhara National Democratic Movement
OPDO: Oromo Peoples Democratic Organization
SEPDO: Southern Ethiopian People's Democratic Organization

A revolutionary democratic party is different from a Marxist-Leninist party in that for the M-L party, the mass base is the industrial worker while for the revolutionary democratic party, which theoretical exist in a country in which industry has not developed, its mass base is, on the main, the rural peasants. Otherwise, the organizational principles of a revolutionary democratic party is the same with that of an M-L party. Both are based on the organizational and political principles of Marxism-Leninism. The difference is simply in the country's stage of development.

Writing about the practical results of the application of the political theory of Revolutionary democracy and the actual situation of current day Ethiopia under the EPRDF, Vestal, an American scholar on Ethiopia (1999:187) contends:

The EPRDF model of post-Cold war Marxism deviates from the traditional form in creating its own ideology of Revolutionary Democracy, a variation on a theme by Lenin, by not calling itself or its surrogates a communist party; by ruling through a rigidly centralized power command; by directing society's institutions but also encouraging the formation of nominally autonomous associations that are dominated by the party; and by controlling the economy with a façade of private ownership in which 'party capitalists' or "revolutionary democratic forces" invest as one individual in those economic sectors in which the state has no direct influence... The leaders of the EPRDF are post-Cold War masters of illusion.

When the EPRDF came to power in Ethiopia in 1991, the Cold War was over and Communism as a political system had lost its attraction the world over. So, the leaders of EPRDF had to hide their true nature to get the support of the West and especially the U.S. So, like the bosses of the Sicilian mafia, whom they incidentally resemble in so many ways, took an 'oath of silence' not to reveal their true colors.

Regarding the organizational structure of the EPRDF, mention was made in a previous page that its leadership was dominated by a few TPLF bigwigs. Earlier in the history of this movement this inner circle had a name, It was called the Marxist-Leninist League of Tigray (MLLT). Writing on this point Vaughan and Tronvoll (2003:114) pointed out:

The organizational structure of the TPLF outlines its official decision making bodies. In the past, however, the Marxist – Leninist League of Tigray, MLLT, has also been significant... as a vanguard party within the Front. The 'party within the party' has always been a highly secretive organization, but was designed to guide the Front towards the implementation of a 'Maximum program' which would establish a socialist system... The MLLT was not officially disbanded in 1991, although the EPRDF economic policy shifts of that year marked significant moves away from the ML perspective. A decision regarding the future of the MLLT seems simply to have been deferred, subject to further study, with the organization going into suspended animation, and the actors involved agreeing that no comment would be made publicly until the matter was resolved at some future date.

In accordance with Leninist principles (minus the ethnicism), the state apparatus, the military, the security, the police and the administrative apparatus have been completely overhauled and staffed by ethnic loyalists of the TPLF. The old national army of the previous government was disbanded in 1991. And for some years after 1991, it was the EPRDF guerrilla army which was acting as a national army. This was a force with a preponderance of soldiers from one ethnic group – the Tigray ethnic group which comprises only 6%* of the Ethiopian population and from which the TPLF originated. After a while this force was reconfigured with recruits from throughout the country. Nevertheless, this new 'national' and supposedly apolitical army is still guided behind the scenes by the TPLF. The EPRDF's Strategic Document referred to earlier, emphasizing the necessity of keeping the leadership of the army under its control states:

cutting the army's direct ties to the EPRDF does not mean abandoning the revolutionary democratic character. The Defense force could be free and neutral in appearance but in reality be organized to carry out the required revolutionary democratic tasks through indirect ties to the EPRDF (EPRDF Strategic Document, 1993: 13).

*Source: Federal Democratic Republic of Ethiopia: Population Census Commission, **Summary and Statistical Report of the 2007 Population and Housing Census**. December 2008, Addis Ababa. (p. 12), (PR. S)

The percentage of the TPLF force within the army is about 25 percent but that 95 percent of the commanding posts within the army are held by ethnic Tigreans absolutely loyal to TPLF. Further elaborating this point Kallacha (2007:3-5) maintains:

The TPLF has two strong suits that link it to the Ethiopian political power and shape its capacity to destabilize the opposition they are a) military; and b) economy... strictly speaking, the Ethiopian armed forces are Tigrean less than TPLF is Tigrean. More than 95% of all the commanding posts in the army are held by Tigreans.

The same thing applies to the security network, the police and the administrative or bureaucratic structure of the state. The federal regions, all nine of them, organized along ethnic lines are purportedly said to enjoy greater autonomy over fiscal and political matters. But this is only on paper. In truth however, EPRDF has imposed a monolithic pattern on the political life of the regions.

In every regional government, a shadow party organization operates to implement the wills of the EPRDF leadership and to see to it that political developments in all the regions do not go against the political policies of EPRDF.

Vestal (1999:125) noted:

In theory, security in the regions is in the hands of the local militia who act in tandem with military detachments, but ostensibly under local political control. In reality, security committees, consisting of local officials, political cadres of the EPRDF or its affiliates, and army officers, control these 'peasant militias.' The committee system makes the militia an integral part of the national political structure and places them under the control of the central government, through the ruling party apparatus. They provide the interface between local authorities, the militia, the army, and the ruling party, in practice subordinating local security structures to the central authorities.

Writing about EPRDF's security network, Assefa (1996:69) pointed out:

EPRDF's outlay for security has almost doubled compared to what was spent for security by EPRDF's predecessor, the Derg... the majority of those that man the security network of the EPRDF are trusted ethnic Tigrigna speakers (Tigreans and Eritreans). Representation of non-Tigreans in EPRDF's security is almost nil. Given the paranoid nature of TPLF as a minority ethnocentric regime (Tigreans represent just 6% of the Ethiopian population)... EPRDF's extensive security network today employs at least 20,000 security personnel on which it depends for its survival.

According to Assefa the Structural Adjustment Program (SAP) was also used effectively as a political weapon to implement its ethnic agenda in Ethiopia i.e. "the Tigreanization of the Ethiopian state." Assefa claims:

EPRDF has launched a campaign of ethnic – cleansing against non-Tigreans working in various sectors of the bureaucracy and government owned factories and their subsequent replacement by Tigrigna speakers... This was how 12, 061 Ethiopian employees of non-Tigrean origin previously working in the Ethiopian Building Construction Authority were dismissed by a stroke of the pen and made incapable to fend for themselves. The closure of this big organization never stirred a ripple among its former Tigrean/Eritrean employees, who were offered jobs elsewhere (Assefa, 1996: 70).

An important change that is taking place in Ethiopia today is the 'elbowing out' of the old educated and nationalist strata which was comprised from several ethnic groups and its replacement by a single ethnic group – the Tigrayans. This is what was earlier referred to as the "Tigrayanization of the Ethiopian state structure" by Kallacha Dubbi.* Abink (1995:156) claims:

* Kallacha Dubbi. 2007. *The Threat of Tigrean Nationalism*, <http://www.ethiopianreview.com/articles/977>
- see also Annex 1 for details on this matter.

Irrespective of age, experience of job qualifications, many leading positions in the state machinery, the public service, the economy, the decision making centers from the national to the local level, are given to people of Tigray back ground. This seems to be a fairly consistent trend, meant to install a new and young generation of loyal people who owe their promotion and jobs to EPRDF.

The same practice is applied in federal administrative structures throughout the country – from the federal to regional – zonal and woreda levels. Study cells of three to seven members exist in all government offices, organizations, parastatals, party companies, health and educational facilities.

Depending on the size of the institution, primary party organizations composed of up to twenty party members could be established. Such party structures are established starting from the office of the Prime Minister and the President, the House of Peoples' Representatives, ministries, commissions, authorities and other country-wide agencies including universities. Primary party organizations or a higher party leadership committee oversees and evaluates the activities of every institution and reports its finding to higher party structures (Taye and Tegenge 2007: 75).

Vestal (1999: 106-107) writing about this very subject, demonstrated how party and state are strongly fused and how the Ethiopian state is actually held hostage by the EPRDF:

The Front's (meaning EPRDF) Parliamentary Committee manages the day-to-day activities of the members of parliament, while the party's Parliamentary leadership committee provides "overall leadership which the Parliament should get from EPRDF... Party branches in higher education seek to bring faculty and students under the sway of EPRDF... Party loyalists must combat the academics' tendencies towards chauvinism and narrow nationalism by helping them understand EPRDF's positions and views... student and faculty party members are formed into separate primary organizations on the basis of "nationality" at the departmental and faculty levels... EPRDF student members 'will be made to be elected' as members of the student council and form their own study cell. The primary organizations and study cells will do their political study according to the propaganda plan regularly passed to them from above. Although guidelines advocate universities producing 'the skilled manpower the country needs', there is no mention of their seeking the truth or teaching students to think for themselves, activities traditionally associated with higher education.

In 1995, forty two professors, assistant professors and lecturers were dismissed from the Addis Ababa University on account of them being defiant of the policies of EPRDF in general and its educational policy in particular.

The non-functional political slogan of decentralization in EPRDF-led Ethiopia is not limited to state or public actors only. It nominally includes non-state actors otherwise known as civil society. Theoretically, decentralization is expected to encourage the formation and active operation of all sorts of civil society organizations at the federal, regional and local levels. On the other hand, the process of decentralization itself is supposed to be enriched and facilitated by the existence of a vibrant civil society at all levels. The Ethiopian decentralization system under EPRDF has provided a renewed impetus for the proliferation of ethnic based associations, both region-wide and localized. But it has not led to a significant growth of formal and independent civic organizations at grass roots level, except the hierarchically organized women's and youth associations and the multipurpose agricultural cooperatives. Professional and business associations and also advocacy oriented civic organizations are rare below the regional level. That is because authoritarian politics does not allow any political space for autonomous grass root movement (Taye and Tegenge 2007: 71-79).

Analyzing the suffocating hold of party politics at the important wereda level administration, Teye and Tegegne (2007:89) maintain that the so called decentralization process initiated by EPRDF has provided little opportunity in encouraging and strengthening civil society. They wrote:

The sector thus remains weak and underdeveloped and the potential of decentralization in creating a vibrant civil society in Ethiopia seems unrealized. Party politics is an important aspect of local governments in Ethiopia, and permeates many aspects of wereda administration, particularly recruitment and appointment of leadership roles...the state of local politics and governance is far from being competitive because of the domineering presence of the EPRDF as the sole party managing state-society relations at the local level. According to research findings, EPRDF membership has become the single most important criterion to assume a leadership position in wereda governance. ... executive committees, which are key actors in political and economic matters affecting the community, are all occupied by persons who are members of the ruling EPRDF... pervasive party control of executive leadership and important sector offices will most likely result in the disappearance of the distinction between government and party. This will favor the ruling party in so many ways.

This type of fusion of party and state permeates all levels of government. When it came to power in 1991, in opposition to the politics of centralization of the previous military government, the EPRDF's main political platform was 'a broad-based decentralized state structure' for Ethiopia. With the 1994 constitution that itself engineered, it put in place a 'decentralized' state structure aimed at transferring power and resources from the central government to regional, zonal wereda and kebele (local dwellers association) levels of administration. On the surface, the step marked a radical departure from the country's hitherto long historical legacy of centralized governance. In reality, and as the above presentation indicates, however, the concrete realization of genuine political decentralization and democratic governance in Ethiopia still remain distant dreams.

3.5.6 The Status of Civil Society under EPRDF

The right of civil society groups to independent association has been systematically suppressed by EPRDF since its assumption of power in May of 1991. In this regard the Confederation of Ethiopian Trade Unions (CETU), the Ethiopian Teachers Association, the Ethiopian Free Journalists Association and other professional associations, peasants associations, peace, human rights and local development associations have all been co-opted. The leaders, which had been independently chosen by the members of their respective associations have either been jailed or forced to go out of the country. In almost all cases, fake and politically motivated judicial proceedings were used to 'legally' disband them, confiscate their property and hand it over to association leaders "elected" by underhanded EPRDF party organizational means. The former independent labour union leader Dawi Ibrahim, the former head of the independent Ethiopian Teachers' Association Dr. Teye Woldesemayat, both former leaders of the Ethiopian Free Journalists Association Kefyalew Mamo and Kefle Mulat are all currently living in exile. The Ethiopian Women and Youth Associations have been disbanded and replaced by ethnically organized regional associations controlled and supervised by EPRDF regional party committees.

The sixty eight page strategic document published by TPLF/EPRDF cited in section 3.4.2 of this dissertation earlier, highlighting its policy on civil society, states the following:

EPRDF would not attempt to impose its leadership on autonomous organizations but would try to influence them through indirect means... But maintaining their autonomy does not mean that we should not influence their activities or recruit their members (1993: 51)

The 1995 Guidelines for NGOs operation in Ethiopia gives undue controlling power to the Relief and Rehabilitation Commission (RRC) - a government regulatory agency responsible for registering and supervising NGOs. Article 6.4 of the Guideline for instance, gives the agency the right to suspend or close an NGO that fails to submit its plans on time. The relevant article reads as follows:

6.4.1 New NGOs will, following their registration, submit to the RRC their plan of operations indicating, among others:
a) the type of activity they would like to be involved in
b) the amount and type of resources they would allocate to the planned activities
c) the [local] agencies (societies) they would like to channel their funds through

6.4.2 The RRC will review and approve the plans of operations in consultation with the regions concerned and in relation to the policy on Disaster Prevention and Preparedness [of the RRC]. It is within the framework of the approved plan of operations that NGOs will be allowed to operate in the country (RRC, 1995: 7-8)

The EPRDF policy on NGO's, as in the other civil society associations is also not conducive to their independent activity. The government policy focused on strict regulation and supervision of both the proliferating local and international NGOs. EPRDF's policy concentrates on giving leeway to its party affiliated, ethnic based regional development associations (registered as NGOs) and curbing or circumscribing the income generating and autonomous activities of non-affiliated NGOs. Regarding EPRDF's policy on NGO, Vestal (1999:175-176) wrote:

In theory, the development associations or NGOs affiliated to EPRDF mobilize local resources for the development of small scale infrastructure and social services for their ethnic constituencies. In reality, no one, other than the political organizations that control the associations, know how the money is spent...while front-affiliated NGOs (like REST) are used to bolster support for the party and control the economy... NGOs well established and reputable relief groups...have been the targets of debilitating harassment by EPRDF.

The Charities and Societies Proclamation* which was enacted into law in February of 2009 is aimed at curbing civil society development in Ethiopia. According to the proclamation, section I sub article 2 "Ethiopian Charities" are obliged not to get more that 10% of their funds from foreign sources, given the dearth of funding domestically. The proclamation further imposes a 30% budget cup on administrative overhead on civil society organizations and NGOs and entitles the supervising agency to close any NGO or Charity if they are found to surpass the budget threshold. The proclamation further prohibits any civil society organization that is considered foreign or receive foreign funding from engaging in human rights issues or issues pertaining to the democratization process or with issues dealing with conflict resolution (Proclamation No. 621/2009).

* Proclamation No. 621/2009. Proclamation for the Registration and Regulation of Charities and Societies.

As an authoritarian regime, EPRDF believes that citizens have no right to associate for purposes that do not fit the plans of the regime. As Vestal (1999:14) indicated, “*Essential to totalitarian thought ... is the right and the duty of the state to make all associations mere agents for carrying out state purposes and to destroy those it cannot control*”.

3.5.7 Institutional Corruption

Corruption in Ethiopia is not like most African countries. In most African countries corruption is, in large measure, the covert or in a minority of cases, an overt pilfering activity of individuals or group of individuals around state power, both national and local.

In Ethiopia under the EPRDF, corruption is engineered as a political strategy by the ruling party. It is politically sanctioned to be implemented throughout the structure of the state. This is the phenomenon which Bayart et al (1999:1-48,69-118) referred to as the criminalization of the state in Africa. Even though corruption existed in Ethiopia during the two previous regimes, it did not emanate from state capture. Whatever corruption existed was minor in scale and could only be classified as administrative/bureaucratic corruption. In other words, corruption in Ethiopia, under the EPRDF is accomplished, in large measure, by way of state capture. Even though administrative/bureaucratic corruption also exists in Ethiopia, this form of corruption is also a product of the former. The political power exercised by the ruling party is so organized to overtly facilitate party sponsored robbery. According to EPRDF’s policy document. “The Economic Policy of Revolutionary Democracy’, the ruling party in power subscribes to the philosophy that a battle – won political supremacy should be underpinned by an economic ascendancy, that has to be realized without fail, if its political supremacy is to be an enduring reality” (*Ethiopian Register*, 1996: 23-24).

National development is not the primary agenda of EPRDF. National development is assumed to be a bi-product of its primary objective of plundering the country and the people of their resources with which to care for its own welfare and expansion. In striving for oligopolistic, or more correctly monopolistic position in all economic spheres, it has made it virtually impossible for other development actors to operate.

The main pillar of institutional corruption in Ethiopia at present is the existence of the illegally instituted party owned business enterprises. When Prime Minister Meles Zenawi is confronted with this question from the public, his usual answer is that “these enterprises are not business enterprises; they are endowments.” The Ethiopian Civil Code Article 483 defines endowment as “An act of endowment whereby a person destines a certain property irrevocably and perpetually to a specific object of general interest other than securing of profits”, rendering the ruling party’s contention untenable. The TPLF/EPRDF business organizations, far from being endowments, are full-fledged business enterprises operating in all sectors of the economy. These illegal enterprises are organized in an obscure fashion in which the shareholders are other EPRDF business enterprises and leading members of the party leadership. One cannot help wondering how these individuals, who as ‘National Liberation Fighters’ had to rough it up in the bush for 17

long years could, when assuming power, suddenly accumulate enough resources to invest in these huge enterprises, setup under the cover of endowments and in a way unsanctioned by the Commercial Code of Ethiopia. It goes without saying, therefore, that these enterprises would not lend themselves to the scrutiny of the fiscal law of the land (Anonymous Document, Sept. 1996 Ethiopian Non-Governmental Business, A preliminary survey, p. 2).

The problem is the Ethiopian state is captured by the EPRDF. At the head of the Federal Document's Authentication and Notarization Office seats a very active TPLF/EPRDF party member. This is the federal office responsible for assessing the legality of the memorandum of associations and articles of associations of all private companies, share companies and joint ventures in Ethiopia. In current day Ethiopia, the head of such a federal institution does not need to refer to the laws of the land to stay at his job. The law is simply a piece of paper to be referred to whenever non-EPRDF businesses, submit their applications. For the applications of EPRDF businesses, a phone call from a party-higher up is sufficient to notarize the document as legal. The different designation the ruling party attributes to its business interests is a mere formality used to circumvent the law which provides against the establishment of commercial enterprises by political parties.

The illegality of the ruling party's business enterprise is not only limited in the acquisition of the initial capital but also in the very working procedure they have adopted. They have created major administrative hurdles and inhibitive measures designed to scare away local and foreign entrepreneurs from investing in the areas where they are deeply entrenched. A good example of this is the case of the Ethiopian Amalgamated Ltd., a private company owned by a certain Gebreyes Begna, a long time agricultural in-inputs importer and distributor in Ethiopia, who was working in the business since the imperial times. Intent on achieving monopoly status in this particular and politically sensitive area, regional governments and the federal government joined hands and persecuted the company out of the Ethiopian market. Now, with the agri-inputs (fertilizer, select seeds etc...) supply business fully under EPRDF enterprise monopoly, peasants have no longer the chance to buy from other companies with better quality and price offer (Lisane Hezeb, 2005:2).

The micro-finance enterprises in the countryside controlling and disbursing credit to the rural areas are also EPRDF 'endowment' enterprises. To let his holding be by-passed during periods of land distribution, to get access to credit, to get fertilizer and select seed at a reasonable price, to by-pass his debt payment during hard times, the peasant must be in 'good terms' with the local government which is fully controlled by EPRDF. Simply put, the Ethiopian peasant is tied in bondage to EPRDF (*CUD Election Manifesto*, 2005:73).

A recent publication by Human Rights Watch vividly testifies to the fact that the EPRDF regime is using foreign aid for political purposes. A Human Rights Watch Report that came out in October 2010, the findings of which, according to the organization, are based on a six-month investigation undertaken in 2009, describes the situation as such:

Lisane Hezeb, (Amharic Weekly Newspaper) Addis Ababa

We visited 53 villages in 26 districts in three regions of Ethiopia and we talked to about 200 people. We found systematic discrimination from one end of the country to another against people who were members of the opposition party or people who disagreed with the regime. Villagers who are often subsistence farmers, were rejected for micro-credit loans, seeds, fertilizer, food aid and housing if they were a member of the opposition party... University places are conditional on ruling party membership, promotion in the civil service or If you are a teacher or a nurse or a bureaucrat in a government ministry-all of these things are conditional on loyalty. People are being asked to disassociate themselves from political parties – rescind comments they've made and write out letters of regret, in order to obtain food aid.(BBC's Network Africa Programme, October 19/2010, cited in Ethiopian Weekly Press Digest, October 21/2010).

The same thing happens in the urban sector. Bidding for state (Federal or regional) tenders and winning in competition with party owned enterprises is out of the question. The confidential state data to which party enterprises can access to, provide them with the chance to substantially undercut even their nearest competitors. That is why the party-owned Mega Publishers could emerge as a sole printer and publisher of school text books and the sole importer of college and university text books. Tower Trading and export, a party owned trading house based in Briton is the sole supplier of news print rolls to the largest state printer, Berhanena Selam Printing Enterprise and the Mega Printers. In a country where no broadcasting law is in place and no private and or foreign investor is allowed into the area, the party owned Radio Fana and the Radio Voice of TPLF have been granted the right to operate short and medium wave broadcasting programmes for the last nineteen years EPRDF has been in power (CUD 2005: 75).

The ruling Party's Walta Information Service, more empowered than the state owned ENA (Ethiopian News Agency) has been granted special privilege and support to collect, distribute, buy and sell news both from local and foreign sources. As privileged entities, party owned enterprises are entitled to most favored client treatment by state land and housing agencies and other infrastructural service delivery state agencies. Only God knows if they pay taxes and rent to the state that they indirectly control. Because this information is hard to come by, since both institutions i.e. party and state, have become fused to such an extent that they have become the two faces of a single coin. It is difficult for freelance journalists or researchers to get hold of such secretive statistics. Even the census of Federal Statistical Office are doctored if they tend to compromise the official political or ideological beliefs of EPRDF. For instance, the actual results of the ethnic composition of population census that was held more than ten years ago is a highly guarded secret kept from the public. The public is only given the official results. According to the 2002 census (1994:9), the ethnic composition of the population was given as 32% Oromo, 30.1% Amhara, 5.9% Tigrean, 6.0% Somali, and the rest 26%. Insiders point to different figures. So, even statistics has become an item of political maneuver in Ethiopia. The head of the Central Statistical Authority and the important Department heads are all EPRDF political appointees (PCC*, 2008:6-15).

Perhaps the single most glaring case of institutional corruption is the practice in which foreign credits and grants negotiated for the Ethiopian government development projects are diverted for the commercial use of party owned trading houses. Agricultural in-put importers such as the party owned Ambassel pay the money for their fertilizer import which they sale to the peasants. The huge profit accruing from the sale is credited to the party account while the burden of debt servicing is that of the Ethiopian government. There are various party companies in this category (CUD, Election Manifesto, 2005: 74).

* PCC – Population Census commission

One can keep on citing the cases of institutional corruption ad infinitum. The corruption, which is described above is only the tip of the ice berg. All what is described and the very many that is not is organized and committed with the full knowledge and backing of the ruling party. With no legal consequence it should bother about and clearly standing above the law, the ruling party has politically committed itself to covertly and overtly robbing the resource of the country it rules. Such type of phenomenon in which the state apparatus is used for the purpose of economic accumulation by those in power is a recent occurrence in Ethiopia, which has happened during EPRDF's tenure. Of course, to satisfy the demands of multilateral Financial Institutions an Anti-corruption commission is established in Ethiopia - a state-commission headed by an EPRDF party bigwig. So far, it has accomplished nothing of real significance except targeting the political opponents of the government, minor officials that fail to abide by party discipline and to serve as the propaganda wing of the government (Ethiopian Review, 2007: 15).

In the 2007 Corruption Perceptions Index (CPI) Ethiopia is ranked 138th (out of 179 countries) placing it on par with the Central African Republic, Togo, and Papua New Guinea. Low level government officials who are not paid much, look up to their superiors and make up for it by collecting money from the public. Many of the benefits provided through corruption include provision of luxury consumer goods for officials, support for children's education overseas, depositing money in foreign accounts, covering overseas medical expenditures and vacation of officials. From the officials side, on the other hand, corruption manifests itself in the provision of government contracts, concession agreements, access to credit, tax breaks, provision of links with external officials and business. The mutual support and growing affiliation of the governing ethnic elite at the federal level, with governing ethnic elites at the regional level is more or less a parallel economy breeding heavy corruption in the country (CUD, Election Manifesto 2005: 76).

As indicated above, not only has institutional corruption taken a real foothold in Ethiopia, the Ethiopian state is itself being criminalized by EPRDF. Related to this and probably as a result of this, the Ethiopian Civil Service, which should have been a non-political institution, has become a political institution - an institution implementing the ruling party's political and economic agenda. The existing civil service is void not only of independence and neutrality but also of transparency and accountability. It has conspicuously failed to deliver efficient and equitable service to the public. Under such conditions one can, in all sincerity, talk only of party led cliental or patrimonial development, and not about national development.

On a November 3/2007 issue of the Economist, there is an article on Ethiopia entitled '*Backward under Zenawi*.' 'While things are getting better in much of Africa, Ethiopia risks getting left behind,' is the heading of the article. The Economist, analyzing the grim situation that Ethiopia finds itself in, wrote:

Ethiopia's worst short-term problems are political. Just as the government is slowing down the pace of economic expansion for fear that individuals may accumulate wealth and independence, so it is failing to move fast enough from a one-party state to a modern, pluralist democracy. Again, the reason may be that it is afraid to ... The Ethiopian government's efforts at political control are supported by a wide network of informers and secret police. Critics say it is exploiting the Jihadist terror threat to link many legitimate opposition campaigners and supporters with terrorist groups... But if such tensions are not eased and the lack of jobs and opportunities not addressed,

Ethiopia's future could get much bumpier. In that case, its friendship in a dangerously volatile region would be of little use to the West.

For now though, unlike the old saying “the more things change, the more they remain the same”, the Ethiopian political system has currently become more authoritarian and suffocating than ever. Even worse, it has lost its earlier national character and become dangerously ethnicized, endangering the centuries old process of nation-state building and consolidation in Ethiopia.

Historically, it was war and conflict that made Ethiopia poor. And currently, under EPRDF, Ethiopia is in a “Conflict Trap”. Half a dozen rebel movements justify their actions in terms of a catalogue of grievances: repression, exploitation and exclusion. Defense and security expenditure has increased after the controversial 2005 national and regional elections and the government’s brutal crackdown against the opposition still continues unabated. Even more so, the invasion of Somalia and the buildup for a seemingly inevitable confrontation with Eritrea had and is bound to put pressure on public finance and on the pace of economic growth and development of the country.

3.5.8 Can EPRDF transform itself into a democratic developmental state

After its May 2005 electoral defeat however, EPRDF seemed to have assessed its previously held political and economic policies and probably concluded that it needed a ‘change’ or ‘revision’ of policy. In a monograph, allegedly prepared (since the paper has not been made public) by EPRDF’s strongman, Prime Minister Meles Zenawi, for a conference held between August 2 to 8, 2006, in Manchester, the United Kingdom, he argued for the need to change the previously held ‘revolutionary democratic’ political and economic strategy into the political and economic policies of a ‘democratic developmental state.’ This paper was made public by the Prime Minister when he presented it to an economic symposium held at the ECA Conference hall on February 9/2008. Even though, the change has not been formally announced or decreed, the official economic policy metamorphosis from the “Revolutionary Democratic” to the “Developmental State” could be said to have started as of February 2008.

As Prime Minister Meles Zenawi wrote (2006:1) in the introduction to his paper presented in Manchester, England:

...the neo-liberal paradigm is a dead end, is incapable of bringing about the African renaissance, and that a fundamental shift in paradigm is required to bring about the African renaissance.

This is well said. And the shift anticipated by the current Prime Minister of Ethiopia is from a neo-liberal paradigm to a developmental state paradigm. But the developmental state paradigm envisioned by the Prime Minister is the one like Japan and Botswana – i.e. under a dominant party democracy. In the paper referred to above (2006:13) The PM wrote:

The most likely scenario for a state that is both democratic and developmental is to emerge in the form of a dominant coalition democracy

This is different from what White (2006:60) proposes when he wrote:

... development can best be promoted through a market friendly state presiding over a predominantly capitalist economy operating within the political shell of liberal democratic polity.

In his Policy paper, the Prime Minister (2006:18-21) contends:

...Post colonial African states were weak and predatory in nature and that the cause of the economic crisis is the result of a predatory state logic...[Africa's] economic crisis is primarily a political problem. The solution to the economic crisis would, therefore, be primarily a political one, a change of governance... the neo-liberal paradigm rightly acknowledged that this was indeed the case and the reforms were designed to bring such a change in governance, to transform the predatory state, establish a benign night watchman state and thereby put Africa on a trajectory of sustained growth and transformation... The neo-liberal paradigm has failed to transform the state from a predatory to a benign one. .. What is required to bring about African renaissance is thus clearly not the renaissance of the predatory state or modification of the neo-liberal paradigm. What is required is a paradigm shift towards the establishment of a democratic developmental state.

What the Prime Minister is saying is that the neo-liberal paradigm which accords to the state a 'non-activist' and non-interventionist or 'night watchman state' (the PM's usage) which limits the role of the state to safeguarding property rights and enforcing contract agreements, has failed. The reason, according to the Prime Minister, is because of "the failure of the neo-liberal paradigm in attacking the root causes of the existence of the predatory African state by transforming the political economy on which it stood – the political economy of pervasive rent seeking" (2006: 20).

His critics (including opposition parties) say that what has failed in Ethiopia is not the practice of the neo-liberal economic paradigm, but its absence or its distorted application. Minga, for instance maintains (2007: 9-10):

In almost all the sectors of the economy and governance, political and ethnic connections were critical. Therefore, what has failed in Ethiopia is not the neo-liberal paradigm... in the context of Ethiopia, it is the absence of the neo-liberal economic paradigm that has stifled growth and democracy. The government's [TPLF's] revolutionary democracy has worsened both rural and urban poverty. This policy has been tested at the first competitive multi-party elections. It is an open secret that liberalization has brought many problems to Ato [Mr.] Meles and his regime.

The Prime Minister is absolutely right when he wrote "the political structure, which accelerates development is also the same structure that is relatively free from patronage and rent seeking... a successful developmental state would thus be very well placed to be both developmental and democratic" (2006: 10).

But the problem is, while reading the above lines to the conference participants in Manchester UK, he was ruling Ethiopia not in accordance with the will of the people, as manifested in the 2005 election, but by force, thus putting a complete stop to the process of political liberalization in Ethiopia.

In his paper, the PM pointed out the most pertinent of questions:

Developmental policy is unlikely to transform a poor country into a developed one within the time frame of a typical election cycle. There had to be a continuity of policy if there is to be sustained and accelerated economic growth... should the developmental state be undemocratic in order to stay in power long enough to carry out successful development?

The Prime Minister asks the above question and hastens to add the following:

The most likely scenario for a state that is both democratic and developmental to emerge is in the form of a dominant party or a dominant coalition democracy... the rural population can therefore be the solid base for a stable developmental coalition (2006: 13).

As was indicated before, the Ethiopian peasantry is politically held hostage by EPRDF's political system that initiates land redistribution during times of election. Fertilizer, improved seed and credit is singularly provided to the Ethiopian peasantry by EPRDF group of companies. No wonder if EPRDF thinks that such a rural population, which is politically and economically tied hand and foot, and can hardly

express its true feelings, could be assumed to be 'a solid base for a stable developmental coalition' now that the EPRDF has systematically destroyed all peaceful opposition to its rule.

Incidentally, in a surprising turn of face, the United Nations Conference on Trade and Development (UNCTAD) also urged African countries, in its latest report, submitted to the United Nations Economic Commission for Africa (ECA) on September 26, 2007, to adopt a developmental state model. Past reports of UNCTAD focused on external finance and its efficient utilization. The focal points of the reports in 2004 and 2005 were debt cancellation and foreign direct investment. According to Mr. Nkurunzia, the lessons that UNCTAD claimed to have gained from several Asian economies that are practicing the 'developmental state model' initiated it to recommend similar prescriptions to African states. Nkurunzia stated:

"Paradigms adopted within the past 25 years which marginalized the state in African economies did not work". (ECA Publication, Sept. 26/2007)

The problem with the UNCTAD recommendation is that it does not delve into the nature of the state that it wants to lead development in Africa. Instead of calling for more state interventionism, which there is in Ethiopia, it should have called for a better type of state intervention. As we have analyzed in the previous sections of this dissertation, if state intervention is not bounded by a democratic state with proper governance structures of checks and balances - balances that insure the integrity of rulers, if state intervention does not go hand in hand not only with creating a level - playing field in the economy, but with safeguarding such a level playing field, more state intervention will be counter-productive. Here lies the flaw of the latest UNCTAD report.

In the view of the researcher of this dissertation, the perennial problem of the attempt to 'develop' Ethiopia, has been and still is undertaken before and without tackling the absolutely necessary political pre-conditions of: creating a conducive political atmosphere/formula for Ethiopia's divergent political elite groups to create a consensually unified elite structure and for all groups to abide by commonly established rules of political conduct; and on the basis of this, consummating the process of cementing and consolidating the Ethiopian nation-state.

3.5.9 Conclusion

The political history of Ethiopia has, on the whole, been a history of authoritarian rule and violent transfer of power. A predatory state, ethnic politics, corrupt government, pseudo- democratic inclinations and lack of credibility have been the hall marks of the current EPRDF regime.

It could be taken as axiomatic that Ethiopia's current authoritarian politics, despite a vocal commitment to a developmental state, has little resemblance with a genuine developmental state of the East Asian variety. Its development orientation is not people centered. Hence, attaining real economic development under the current political leadership is highly unlikely. Fanning ethnic tension is the standard practice of the regime in power. The state of governance therefore, is permeated by ethnic politics. As a

result there is an extremely low trust in public institutions. Adding all these up, one can say that the country risks facing political and social unrest.

At present, most Ethiopians have lost faith in their country's government. A government steadfastly committed to Hobbesian politics and to the outmoded policy of divide and rule, has ruined the prospect of development and has, instead, spread alienation, resentment and fear. All the four elections held during the tenure of the current government were not free and fair. Had they been free and fair, it would have been a step in the right direction. Yet, there is more to democracy than multiparty competition and free election. Democracy is about building institutions, strengthening civil society and enhancing the rule of law. It also involves the active participation of citizens in all types of decisions that affect their lives. None of these exist in today's Ethiopia. To a large extent, the essence of democracy resided in the mutually supporting relationship between the state and the people, and especially on how much control the people have over the state. As demonstrated in this chapter, the Ethiopian people have none. As a reputed Ethiopian political economist wrote: "*The major variable in the Ethiopian development equation is the political factor. To think of economic reform and development without significant improvement in the political situation is illusory* (Eshetu 2004: 234).

Economic development, narrowly defined as pulling out a larger percentage of the country's population out of poverty, can be and has been accomplished with both democratic and authoritarian governments. The 2006 *UN World Economic and Social Survey* (cited in chapter 2) maintains that growth can be achieved both by market-enhancing governance (India) or growth enhancing governance (China).

But such experience could rather be misguided for black Africa in general and Ethiopia in particular, for the main reason that both types of governance structures require political stability to be maintained for a longer period of time. Unfortunately, for black Africa in general and Ethiopia in particular, political stability is a rare commodity. To a large extent, this phenomenon is related to the fact that the process of nation-state formation and elite consolidation in Africa has not been consummated.

The failure of nation-state consolidation is directly related to the absence of a consensually unified (as in India, Taiwan, South Korea) or ideologically unified national elite (as in China) structure. In most of black Africa, including Ethiopia, the political elite are neither consensually nor ideologically unified. In the case of Ethiopia, in the past thirty or so years since the 1974 revolution, the political elite have been seriously divided along the divergent political streams of pan-Ethiopian nationalism and ethno-regionalism.

The pan-Ethiopian nationalist military regime fell under the onslaught of ethno-regionalist insurgency because it failed to design a formula to accommodate the ethno-regionalist identity that legitimately seeks a significant measure of self-government. The ethno-regionalist elite holding the Ethiopian state at present is also experiencing the fate of its predecessor. While the ideal scenario would have been for both political streams to be drawn together to arrive at a common political platform, no such common ground could be arrived at, on account of the refusal of the EPRDF regime. The EPRDF regime, firmly holding the Ethiopian state, does not want to work with mainstream political forces in the country who have vested interests in the

future integrity of Ethiopia. The outcome, as can be seen, is greater instability and insecurity leading to the regime's extremism in both domestic and foreign policies.

Even though the current regime of EPRDF claims that it is practicing both political democracy and the free market, both exist only in name and only as long as the ruling ethnic elite and its followers continued to benefit. Private sector development is prevented from take-off as a result of the imperfection of the broader political and economic governance system. What is taking place in Ethiopia at present is a deliberate attempt by the ethnic regime in power to control huge amounts of the national asset and resources for the purpose of economic and political control. In other words, the current EPRDF government is at one and the same time a government in business and after business.

The ruling ethnic elite in Ethiopia has no desire to either leave power or to build accountable political and economic institutions while still in power. The flowery constitution is only in place to be violated at will, if found to be unpalatable to the appetite of the ruling ethno-regional elite. It seems that the current political system in Ethiopia under the EPRDF has simply become unfixable, not only because the governing elite love to remain glued to their seats of power, but also because most of them, have by now, become criminally tainted.

A new study conducted by a United Nations Development Programme (UNDP), which came out in the first week of May 2011, revealed that Ethiopia is one of the top 10 out of the 45 least developed countries (LDCs) where foreign currency flows out in an illicit manner. The study indicate that in the last 18 years of EPRDF rule, 8.3 billion US dollars has gone out of the country illegally. According to the UNDP study, such outflow amounts to annual average of 3.6% of the country's GDP, which according to the study, also amounts to 3.6% of the amount it had received from its development partners. The study maintains that the worst period was in 2006, when illicit funds representing 9.2% of foreign assistance for the year, amounting to 1.4 billion birr left the country. According to the study, in terms of illicit foreign exchange outflow, Ethiopia was listed as being worse than countries such as Sudan, Djibouti and Eritrea (Quoted in Fortune Weekly English Newspaper, May 15/2011: 4) (For a related issue on Ethiopian loot, Refer to Annex 3).

Chapter IV: AN EVALUATION OF ETHIOPIA'S ECONOMIC SYSTEM IN THE CONTEXT OF DEVELOPMENT THEORY

4.1 Introduction- Ethiopia within the global and regional economic context

According to GNI per capita comparisons, in 2005, Switzerland, the country with the highest per capita income, had 345 times the per capita income of one of the world's poorest countries, Ethiopia, and 76 times that of one of the world's largest nations, India (World Bank, World Development indicators, 2007). According to the 2004 UNDP Human Development Index calculations, Ethiopia's HDI was put as 0.371 ranking it 170 out of 177 countries incorporated in the comparison (UNDP, Development Report, 2006, New York: Oxford University Press, Table 1).

In his penetrating analysis of the economic situation of Africa, Ferguson (2006: 8) maintains that Africa could be termed as "underdeveloped", "collapsing" and "increasingly marginal" to the global economy. He further argues that "the longstanding continental curse" mass poverty, is in fact getting worse.

In a recent world wide ranking of 'human poverty' the lowest ranking twenty countries were all in Africa ... Africa accounts for 10% of the world population but only 1.1% of world GDP and 0.6% of World FDI (Van de Walle 2001: 5,6 cited in Ferguson 2006:9).

The past 30 years have been remarkable for many developing countries while disappointing for countries such as Ethiopia. In the late 1970s China emerged from the Cultural Revolution and embarked on reform. As a result more than 1 billion people – one fifth of earth's population have experienced a period of sustained growth and poverty reduction that has no precedent in human history. In the 1980's 400 million people in Central and Eastern Europe and the former Soviet Union embarked on transitions from command economy towards democracy and market economy. India's growth began to pick up in the 1980's, and in the early 1990's, it initiated far-reaching economic change. Today India is seeing growth and poverty reduction on a scale that would have been dismissed as highly improbable by many analysts in the 1970s and 1980s.

Remarkable too has been the improvement in living standards, including those related to health and education. In the past forty years the average life expectancy in developing countries increased from mid-forties to mid-sixties. Over the past thirty years, the share of illiterate people in the developing world declined from around one-half to one-quarter, with particular strong progress for girls and women. And in the last quarter century the number of people living on less than \$1 a day fell by about 200 million. This decrease has occurred at a time when the population of the developing world rose by 1.5 billion (World Economic and Social Survey 2006: 14- 17).

In rich countries, mortality of children under age five is 7 deaths per 1,000 and in poor countries the average is 84 deaths per 1,000. In Sub-Saharan Africa, 162 deaths per 1,000 while in Ethiopia it is a shocking 166 deaths per 1,000. Ethiopia's human development Index (HDI) is 0.406 which is much less than the average for developing countries which is 0.691 and Sub-Saharan Africa's 0.493. Ethiopia is

ranked 168 out of 177 countries in its HDI Index which is a clear indication of the level of underdevelopment (UNDP HDR – 2007).

While there is a tremendous global advancement in growth, production and productivity sadly, Ethiopia has not been a beneficiary of such progress. For Ethiopia the 1970s and 1980s are the lost decades where the country was engaged in bitter civil war, regional and sub regional conflicts and internal turmoil that consumed a whole generation of young people that the country so heavily invested in and led to a long time economic decline that led to famine, poverty and disease.

Ethiopia's growth remains determined by the rain-fed agriculture sector which is volatile. Most of the people of Ethiopian are left outside of the global growth and benefits. Ethiopia has Africa's second largest population, while its contribution to the continent's GDP is only 1 percent (VOA Amharic Broadcast, Sept 15/2010). GDP (purchasing power parity) is \$73.79 and GDP is \$ 11.8 billion (EIU for 2006). GDP per capita (PPP) is \$834 (EIU FOR 2006). Population below poverty line (US\$1 a day) is 40% (FY05/06) and 80% of the population lives on less than US\$2 a day. Household income and consumption by percentage share of the lowest 10% is 3.9% and the highest 10% is 25.5%. Inflation was 13.5% in 2006 and 20% in 2007 and rapidly climbing, reaching above 50% in 2010. (*Figures taken from Ministry of Finance Publication 2007/08 and from the 2008 Annual Report of the Central Statistical Authority*).

Ethiopia is using 10.01% of its arable land and has so far been unable to control deforestation, soil erosion, desertification and overgrazing. In 2010 Ethiopia's population is estimated to be over 82 million people with the overwhelming majority being young and unemployed. There is no official unemployment rate, but youth unemployment, some experts reckon, may be as high as 70%. 47% of the population (male 16.6 million and female 16.54 million) are in the age bracket of 0 to 14 years. 53.8% (male 20.58 million and female 20.64 million) are in the age bracket of 15 to 64. Only 2.7% of the population (0.9 million male and 1.2 million female) are over 65 years old. This clearly shows that the population is young and if the issue of unemployment is not effectively addressed, the social tension that would be created could lead to a similar situation like the one that took place in Tunisia and Egypt at the beginning of 2011. The mood of the young is often restless and despairing with resentment (*Figures taken from the Annual Report of the Central Statistical Authority, 2009*).

4.2 Brief Overview of the Economy under the Imperial Regime(1941-1974)

During Fascist Italy's occupation of Ethiopia, (1936-1941) the Italians were said to have initiated a thousand industrial establishments. (Eshetu, 2004:28) But according to Eshetu, many of them were not completed by the time the Italians left the country in 1941. The industries that were in operation were designated to serve specific Italian needs and only a handful represented permanent value to the country. There was very little to be said in terms of economic and social development in Ethiopia between 1941 and 1957. Eshetu (2004: 36-37) maintains:

By the end of 1957, the gross value of output of manufacturing industry had reached E\$ 81.8 million with almost 80% of this being accounted for by food processing and beverages (62.7%) and textiles (15.9%). It can be said that whatever industrial activity took place in this period was entirely spontaneous and did not benefit from conscious state policy with respect to industrialization.*

During the period specified above (1941-1957) large scale commerce i.e. foreign trade (Export & Import) plus local whole sale trade was mainly in the hands of foreigners (mainly Armenians, Greeks, Italians, Indians and Arabs) In fact, the first Five-year Plan launched in 1957 by the Imperial Ethiopian government (FFYP, 1957:17) **states:

One of the consequences of this is that there is not much evidence of commercial capital being invested in industry. This type of capital which is in the hands of foreigners tends to remain in the field of commerce, while, in the main, savings and profits are remitted abroad. The problem is all the more intensified by the fact that a national middle class has yet to be developed to enter the field of commerce and invest capital in productive enterprises.

1957 is significant in Ethiopia's history of economic development, since it began a period, for the first time in the country's modern history, in which the state began to make an attempt to consciously plan the course of economic development. Because of the close relationship that Emperor Haile Sellassie had with the President of the then Yugoslavia-Broz Tito, a friendship developed during the antifascist resistance and later within the non-aligned movement, the FFYP (1957-1961) was prepared by Yugoslav experts between 1954-1955. So, in Ethiopia, as far back as 1957, the Imperial Ethiopian Government had begun to assume considerable responsibilities for investment; not on grounds of ideological predilection, but as a matter of necessity, reflecting the low level of domestic entrepreneurship.

The FFYP indicates, "in recent years about half of total investment were financed by government. This type of investment must undoubtedly play an increasingly important role in the country's economic development" (1957:201). The strategy that was used during the FFYP was one of import substitution, based on light consumer goods destined for the domestic market and with no export for manufactured goods embedded within the plan. The plan document (1957: 234) corroborates this by stating:

The growth of industrial production should be accompanied by the development of cottage industries and handicrafts which deserve encouragement since they provide employment and income for a considerable number of the population and supply useful goods for the home market.

The manufacturing sector in the period of the FFYP was unable to register sustained growth because it did not venture into export, or into the production of the needed inputs locally. To illustrate the type of economic policies pursued by the Imperial regime, we can skip the Second Five Year Plan (SFYP) and dwell a little on the last and Third Five Year Plan (TFYP)*** of the regime (1968-1973). The TFYP compares well with any of the plans and economic development strategies prepared since then in terms of logic, depth and coverage (Eshtu, 2004:51).

* Approximately 40 million USD at the then prevailing exchange rate

** First Five Year Plan (1957-1961). Imperial Ethiopian Government, Planning Board, Addis Ababa

*** Third Five Year Plan (1968-1973). Imperial Ethiopian Government, Planning Board, Addis Ababa

For instance it was the TFYP that for the first time recognized, in very explicit terms, the crucial role of agriculture in the country's economic development (TFYP: 10-35). It also anticipated a rapid increase in exports of manufactures-from E\$23 million in 1968 to E\$60 million in 1973, through the increased manufacture of meat, meat products, leather and shoes (TFYP:228). The planned investment for this was E\$515 million of which E\$ 350 million, or 68%, was expected to be raised from external financial sources (TFYP, 1968: 29).

Commenting on the not so good accomplishments of the TFYP, the World Bank (1975:2-3) had the following to say:

...The overall growth rate of the economy during the TFYP period was disappointing both in terms of the TFYP targets, which were recognized as overly optimistic, and comparison with the moderate growth rate during the First and Second Plan periods. The growth rates of all major sectors were lower than forecast in the plan... recent economic trends have done little to change the poverty and under development of the Ethiopian economy.

Of the factors that accounted for this state of affairs, the major ones were, according to the above document, the draught of 1973, inadequate domestic resource mobilization and a lower than expected inflow of external resource and more specifically a 'failure to introduce badly needed institutional reforms' especially in the area of land tenure (World Bank, 1975:3).

By the end of the TFYP in 1973, the contribution of the manufacturing sector to national income was a mere 5%. Manufacturing employment fell short of 60,000, out of a population then estimated to be 27 million. The contribution of the sector to gross fixed capital formation was less than 8% and it accounted for less than 5% of total export (Eshetu, 2004:50).

Despite the liberal economic development paradigm pursued by the economic planners of the imperial era, development could not be attained. The reason, according to Eshetu (2004:50), a very reputed political economist of Ethiopia, is summarized as follows:

Put simply, the chain of causation led from a stagnant agriculture to a slow rate of aggregate economic growth to a low level of income, which in turn meant not only low savings and investment but also low purchasing power, these by denying industry the extensive market without which its dynamic growth is unthinkable.

So, the line of argument leads to the most obvious conclusion. Agriculture was the achilles hill of the Ethiopian economy during the imperial era. In fact, the land tenure system that was in place in Ethiopia until the 1974 Ethiopia revolution, hardly changed in fundamental sense from that of the 15th century. The edict of Emperor Ze Dingel* (1603-5) of Ethiopia boldly stated: 'man is free; land is tributary' ** (Crummey 2000: 63). Berhanu, an Ethiopian agricultural-cum-political economist termed Ethiopia's feudal land ownership, as 'an Afro-Asiatic tributarism'. Berhanu writing about the paradox of Ethiopia's underdevelopment in the age of modernization contends (2005: 233,234):

The paradox of Ethiopia's agrarian economy is that, despite underwriting a world civilization, the transition to an industrial economy has eluded it. Ethiopia's persistent underdevelopment was ultimately rooted in the coexistence of a landed peasantry and a tribute seeking political class. The overlord class competed fiercely for secular and

* Ze Dengil – meaning of the Virgin Mary.

** ሰብአ ሰፊ፣ ወገብ ምድር is the Geez version of the edict, the English translation of which was given in the text above as: 'man is free; land is tributary'.

ecclesiastical titles in a bid to convert authority into wealth. Once this path-dependent relationship between peasant landlessness (production) and tribute (appropriation) had been established, an endemic conflict set in between the imperatives of production and distribution, and between disorder and absolutism. Lacking effective restraints by the state on competitive predation, the autonomous peasantry had little choice but to invest in prevention and to limit itself to subsistence production. ... [thus] the Ethiopian peasant 'chose' to be efficiently, albeit self-sufficiently poor. ... Political entrepreneurialism and demographic pressure, by militating against productive investment, eventually pushed one of Africa's oldest peasant economies into an enduring poverty trap.

The Ethiopian Orthodox Church, as the state church and fountain head of early education was an agent of moral persuasion and symbol of national unity until the 1974 radical Ethiopian revolution. It provided ideological justification for the then existing order, including the land tenure system, from which, it handsomely benefited. By customary law and tradition, the Ethiopian Orthodox church received, in the form of royal patronage, large endowment of land.

The Ethiopian nobility, just like the nobility in Europe and Japan did hold large feudal estates. But unlike the European and Japanese nobility, Ethiopian noble families did not have productive units and hence never had a manorial economy. This is also true of the estate belonging to the Ethiopian Orthodox Church (Berhanu, 2005: 327).

No wonder that the first fundamental act of the 1974 Ethiopian Revolution was to abolish the state tributary economy of the imperial regime, in which the ruling class (aristocracy, church and nobility) owned the land and the peasantry enjoys the right of use, albeit with limited and uncertain transfer rights, with the most radical of land reforms in Africa. The 1975 Ethiopian land reform moved the country from the first tenure regime into the second.

As indicated above, and despite the effort of the imperial regime in trying to devise different plans to develop the economy, mass poverty prevailed until it was overthrown in 1974. The attempt of the three Five Year Plans to achieve economic growth and development were in vain. The failure could mainly be attributed to the refusal of the imperial regime to undertake the necessary political and institutional reforms that were essential to economic growth and development. Despite the effort of the imperial regime in spreading education in Ethiopia, it was unwilling to accept the consequence of education, i.e. going along with change and modernization. Indeed, it was the pressure for political reform in general and land reform in particular that ultimately led to the downfall of the imperial regime.

Pre 1974 Imperial Ethiopia, under Haile Sellassie, had made efforts both in political nation-building and organizing modern economic sectors. Since Ethiopia was not colonized, it did not, unlike some East Asian and most African countries, inherit a modern colonial administration. The work of building a modern bureaucracy earnestly began with Emperor HaileSELLASSIE. Despite opposition from regional power centers, there was a serious attempt to expand education for the purpose of manning the modern Imperial bureaucracy. The Imperial attempt at creating a modern administrative apparatus included building a modern army, security apparatus, including the police. Various economic and social affairs ministries and financial institutions were also formed during the reign of Emperor HaileSELLASSIE.

Laying down the ground work for a modern economy was largely left to expatriate business of mostly Greek and Armenian origin. Local entrepreneurs were also not discouraged. Overall however, the repressive nature of the Imperial state had outweighed its developmentalist nature. This was further accentuated by the adamant refusal of the Imperial regime to undertake an agrarian reform, which later led to the 1974 popular revolution, the down fall of the imperial system and the taking over of power by the military regime.

The imperial regime had undertaken serious attempts at political nation – building. It had built its coercive state apparatus, but failed in its attempt to create a conducive situation for development in general and capitalist development in particular. So, the pre-1974 Imperial regime cannot be categorised as developmental. It also lacked even the semblance of procedural democracy.

**Table 2: Overall Trends of the Economy Preceding the Revolution
Growth Rate of Gross Domestic Products (in %)**

	1967/68 – 1971/72	1971/72	1972/73	1973/74
GDP	4.0	4.5	2.5	1.4
Per Capita GDP	1.7	2.2	0.2	- 0.9
Per Capita Agriculture	2.2	3.5	-1.6	- 2.9
Industry	5.6	4.4	3.1	- 0.7
Manufacturing	10.5	3.6	6.8	- 1.1

Source:- Office of the National Committee for Central Planning (ONCCP), Macro Planning Department. Summary Report, 1975, p.13

4.3 The Economy during the Revolutionary Period

When the monarchy was overthrown by the military regime,(1974-1991) the power base of the land aristocracy (both secular and ecclesiastical) was lost by a sweeping act of land nationalization. Urban property interest and private capital in the form of domestic factories, farms, service giving enterprises etc. including that of foreign capital was also dealt a heavy blow by means of nationalization without compensation.

Central planning was introduced first in the form of what was then referred to as National Revolutionary Development Campaigns (1978-1984) and subsequently in the form of a Ten-Year Perspective Plan (1984/85 – 1993/94).* The goals of the socialistically inclined military regime, by way of its Ten-Year Perspective Plan (TYPP) was to ultimately build a socialist economy.

* PDRE , Ten Year Perspective Plan, 1984/85. ONCCPCP, Addis Ababa

The last paragraph of the forward to the **Ten Year Perspective Plan** reads as follows:

The Perspective plan, which defines national development priorities, objectives, strategies and targets is a revolutionary appeal extended to the working people of Ethiopia to participate actively in the many development ventures planned for the various sectors of the economy. Conscious that this national economic development endeavor is arduous and complex... an appeal is made to every worker and to every individual in a position of responsibility, ... to rearm himself with Marxism-Leninism, to redouble his effort and join in a united force to face the challenges of socialist economic construction. (TYPP, 1984: 19)

With this broad aim, a number of specific targets were also set by the Ten-year Perspective Plan including:

1. To achieve an average of total annual GDP growth of 6.5% with a corresponding average annual growth target of (4.3%) for agriculture, (10.8%) for industry and (6.9%) for services.
2. The sectoral growth targets envisaged in the TYPP were expected to entail considerable structural shift in the economy. To this effect, the share of agriculture in GDP was to decline from about 48 percent in 1983/84 to about 39% in 1993/94. The share of the industrial sector was to rise from 16 percent in 1983/84 to about 24 percent, while the service sector was to grow marginally from 36 to 37 percent.

The objectives set in TYPP were:

- Expanding and strengthening socialist production relations
- Alleviating social and economic problems such as unemployment, illiteracy and enhancing the level of education and health of the people
- Ensuring balanced and proportional development of all regions (Ten-year Perspective Plan, 1984: 20-30)

In the socialist scheme of development and by way of setting development priorities, the TYPP envisaged the development of agriculture as the foundation of the economy and industry as the leading sector. In the sphere of agriculture, pride of place (in terms of investment allocation) was given to state and cooperative forms of agriculture. To improve peasant agriculture, a relatively smaller amount of investment was allocated for the purpose of expanding agricultural extension services, for the purpose of soil and water conservation and forestry development.

What actually took place in between the radical agrarian reform of 1975 and the demise of the regime in 1991 was what Berhanu terms as 'a socialist tributary system'. The revolutionary military government of Ethiopia, presiding over raging civil wars in both the Tigray and then Eritrean regions of the country, took a number of measures, which, in its most fundamental aspect, is more or less in effect during the current government of Ethiopia, headed by Prime Minister Meles Zenawi.

The most salient features of the agrarian system under the previous revolutionary-cum-military government included:

- (a) Nationalization of all rural and urban land, and redistribution to the peasantry on a usufruct and egalitarian basis with size ceilings, inheritable rights by family members, and periodic redistribution primarily to accommodate new households. This move

effectively dispossessed the freehold rights of rist holders (peasant land holder which account for some 50-60% of cultivators), while establishing the state as the paternalistic landlord over the remainder of the population that subsisted under unregulated tenancy or casual rural employment,

- (b) Establishment of Peasant Associations to serve as local governments, with the purpose of supervising land distribution and redistribution and for ensuring compliance with the demands of the state with regards to taxation, requisitions, conscription and serving as the lowest form of state administration in the countryside.
- (c) Establishment of highly subsidized producer cooperatives (in the countryside) based on pooled assets, labor time and income sharing. Ethiopia's producer cooperatives enjoyed neither the organizational depth nor the very massive capital investment (both human and physical) enjoyed by the Soviet Kolkhoz or the Chinese Commune.
- (d) Establishment of large scale state farms (sapping huge resources) producing cash crops
- (e) Establishment of government-run marketing corporations to distribute manufactures to rural residents, and to collect quota deliveries from small holder (agriculture) destined for urban and export market. Net transfers of surplus to the state were higher than in the imperial days.
- (f) Forced resettlement of millions of farmers from food-insecure regions in haphazardly established and often marginal areas, and forced villagization of as many as 15 million people to facilitate political control as well as the provision of social services.
- (g) Supervision of local and inter regional markets through the prohibition of land transfers and hired labor, virtual freezing of internal labor migration by linking access to land to village residence, and draconian restrictions on grain marketing by private merchants (Berhanu, 2004:320).

Even though a detailed treatment of the issue must be deferred to the next part of the thesis dealing with the agrarian policies of the current government, it is import, at this point to compare and contrast the agrarian policies of the previous Marxist military regime with the current neo-Marxist government of Meles Zenawi.

The most important agrarian related policy changes of the current government, as opposed to the previous military government are:

- Minimizing the frequency of land redistribution with some notable exceptions
- Substantial elimination of the restrictions on inter-regional trade, abolition of compulsory grain delivery
- Suspension of forced collectivization, villagization and resettlement
- Making producer cooperative non-obligatory
- Privatization or closure of some state farms
- Tolerance of temporary transfer of use rights to state allocated plots
- Devolution of the management of land from the Federal/Central state to regional states (still controlled by the ruling party at the center), (Berhanu, 2004:321).

One striking and puzzling economic consequence of both the Imperial and Socialist State tributarism, again according to Berhanu (2004:321) is "the negligible impact on farm productivity – a source that internationally accounts for half the growth of agricultural output". This, it is believed, is the main cause for the stagnation of the living standards under the military regime, even though the war situation was also to take its share of the blame for the economic stagnation.

Eshetu (2004: 119-120) for instance argues:

Expert opinion is unanimous that the policy environment of the day seriously undermined the prospects for growth of the Ethiopian economy. The most basic question in this regard is the role of the state in the economy. Put simply, the state over extended itself, attempted centralized guidance of an economy not amenable to such guidance, pursued strategies that were inimical to growth, stifled private initiative and in general created an environment that seriously undermined the country's prospects for growth.

Given the state of war and instability that characterized most of the rule of the previous military government, national economic management could not be anything better than crisis management. Given the dominant role of agriculture (and subsistence agriculture at that), a sector heavily dependent on climatic factor, the scope for policy intervention was rather limited. Also, since close to two thirds of the national income originated from the private sector (mostly from subsistence agriculture), the scope for centralized direction of the economy was also limited. Despite all these factors, the previous military government persisted in acting as if it could manipulate the economy at will. It did, and with disastrous consequences.

Hence, the necessity for the November 1988 economic reform proposals; As Deputy Head of the Economic and Social Affairs Department of the Central Committee of the Worker Party of Ethiopia (WPE), the researcher of this dissertation represented the mood of most party members and the public at large for a reform of the economic system. The researcher headed a national task force that prepared the economic policy working papers for the 9th Plenum of the Central Committee of the Workers Party of Ethiopia (WPE) that was to be held in November of 1988. The economic policy working paper, which had been under preparation for some eight months before November 1988, was submitted to the head of state and military strong man Mengistu Hailimariam between August 15 to September 5/1988.

In general, this first and major attempt at economic policy reform was a call for a development strategy or policy of mixed economy: the policy reform could be outlined as follows:

- a. Promotion of all forms of enterprises - state, cooperative and private – to operate side by side in a competitive environment;
- b. Greater use of the market mechanism to guide economic decisions;
- c. Elimination of state controls on the operation of the private sector (capital ceilings, area of operation etc) and promotion of private economic activity;
- d. Restructuring public enterprise management towards competitiveness and profitability;
- e. Restructuring to focus on state farms; evaluating and deciding their fate on the criteria of profitability;
- f. In the Agricultural sector:
 - i) Abolition of Agricultural Marketing quota deliveries;
 - ii) Lifting of all inter-regional grain movement controls;
 - iii) Allowing the private sector to operate in grain marketing in a free market environment;
 - iv) Security of land tenure to allow tree plantation and other investment on land to take place without fear of appropriation;

- v) Strictly voluntary formation and/or dissolution of cooperatives;
- vi) A moratorium on villagization and resettlement programs (Working Paper, July 1988).

Mengestu Hailemariam, the Secretary General of the Workers Party of Ethiopia, Head of state of the Peoples Democratic Republic of Ethiopia (PDRE) and Commander-in-Chief of the Ethiopian Armed Forces, did not, at the time, like these recommendations for an economic reform*. As the researcher of this dissertation was the one heading the reform movement within the party Central Committee, he had a face to face meeting with party chairman Mengistu H/Mariam, which lasted for four hours. The researcher of this dissertation and the country's head of state could not agree on the nature of the economic reform proposal. As a result, the researcher of this dissertation was imprisoned between September 1988 to September of 1989.

The 9th Plenum of the Central Committee of the Work Party of Ethiopia (WPE) which took place in November of 1988 passed the following resolutions in adopting a document entitled 'Evaluation of the Ethiopian Economy and its Growth prospects** The main elements of the Plenum's resolution were:

- a) Enhance and further strengthen the socialist relations of production;
- b) Continue organizing producers' cooperative through strengthened government technical assistance;
- c) Remove the constraints facing state farms and expand and strengthen them so as to bring qualitative and quantitative increase in their output;
- d) Continue strengthening the resettlement program in order to ease food shortage by developing idle land, tackle problems of unemployment, ease the pressure on seriously degraded regions, and generally maintain proper population distribution and ecological balance;
- e) Ensure tenure security for peasants;
- f) Raise the ceiling on private capital in small-scale industries;
- g) Create legal conditions for private investors with adequate capital and management skills to participate without any capital limitations, privately, in partnership, concessional arrangements or joint ventures with the government in the fields of large scale agriculture, animal husbandry and animal by-products, industry and services;
- h) Amend the proclamation on joint venture so as to encourage mutually acceptable participation of foreign capital (WPE Documents, Nov. 1999: 24-31).

From the above resolutions adopted by the 9th Plenum of the WPE, one can clearly see that the country's course of economic development still remained to be one of more socialism. The philosophy behind the resolutions was that the problem faced by the economy did not emanate from socialization per se, but from its poor implementation, lack of commitment and adequate support for socialist forms of property relations. The private sector was seen as a tactical ally and hence conditions had to be created to remove signs of outright hostility so that it could contribute to the building of a socialist economy.

 * Economic Reform Proposal Working Paper, [In Amharic], July – August 1988 (Copy retained by the researcher).

** A document presented to the 9th Regular Plenum of the Central Committee of the Workers Party of Ethiopia, November 1988, Format 77-02-08/81, [In Amharic], (pp. 24-31); (PR.S)

As consequent events were to prove, these half baked measures were not in any way to improve the deteriorating economic, political and military situation the country was facing in 1989 and 1990. The joking with 'Perestroika' and 'Glasnost' in the Soviet Union and the collapse of socialism in Eastern Europe that followed, the loss of support for the government by the Soviet Union, the continued military defeats of the army by the northern regional wars of attrition, dwindling external resource flows made the need for a serious economic reform inevitable.

The 11th Plenum of the Workers party of Ethiopia which took place in March of 1990 brought together earlier attempts of reform (enumerated in previous pages), added few new perspectives, formulated and adopted an overall strategy in the form of a policy of mixed economy termed as the New Economic Reform Program (NERP).^{*} The Economic Reform Program (of 1990) exhibited a stated orientation towards a market economy. It accepted profitability to be a guiding principle of all types of enterprises (i.e. state, cooperative and private); It intended to give state enterprises management autonomy form government corporations controlling them; private investment including foreign investment was actively encouraged in all sectors except few (Eshetu Chole 2004: 125).

It further eliminated state controls on the operation of the private sector (in terms of capital ceilings and area of operation etc...). It restructured public enterprises management towards competitiveness and profitability. In the agricultural sector, it abolished the Agricultural Marketing Corporation and with it the quota levies; it lifted inter-regional grain movement controls; it allowed the private sector to operate in grain marketing in a free market environment; security of land tenure was accepted, trees and other investments on land was granted; and the voluntary formation and/or dissolution of cooperatives was allowed (Eshetu Chole 2004: 125).

The NERP came too late to change the country's deteriorating political and economic situation. Private investment could not step forward insufficient scale. It was weakened by the policies pursued so far and lacked the confidence. Foreign investment was tied to the relations that the western powers had with the revolutionary military government—which was not favorable; multilateral and bilateral assistance pursued the policy of wait and see. Domestic resource was increasingly tied to the war effort and hence could not be released to public investment. The NERP was foredoomed to failure and the revolutionary military government did not live to implement it.

With the failure of the half-hearted political decentralization of the military regime at the beginning of 1989, when the ethnic and regional based 'liberation' fronts rejected it as unsatisfactory, the country was thrown into a heightened civil war that precipitated the collapse of the regime and its replacement by the current Ethiopian People's Revolutionary Democratic Forces (EPRDF) in May, 1991.

^{*}Office of the Committee for Central Planning (ONCCP): 1991. The Current State of Ethiopian Economy and Measures that Need to be Taken; (PR.S)

Table 3 - The Macro Economic Performance of the Ethiopian Economy during the Revolutionary Period (1974-1990)
Average growth rates of GDP and its Components (Percentage)

	1974-78	1979-83	1984-85	1986-87	1988-90	1974-90
Commodity producing sectors	-0.4	3.7	-8.9	9.5	-0.2	1.2
Agriculture	-0.1	2.6	-13.1	11.8	0.1	0.7
Industry	-1.8	7.2	3.0	4.1	-1.1	2.5
- manufacturing	-0.6	11.1	2.7	5.6	-0.6	4.2
- construction	-4.6	5.6	3.6	2.6	6.1	0.2
Service sectors	2.1	5.3	1.0	5.4	3.0	3.5
Distribution	-2.6	6.4	0.4	6.6	1.3	2.5
- Trade	-4.1	6.5	-2.5	6.9	-0.2	1.5
- Transport	1.3	6.4	6.8	6.1	4.0	4.6
Other services	6.4	4.5	1.4	4.4	4.4	4.5
-Public administration & defense	10.7	3.7	1.3	3.4	6.7	5.7
- Social services	-	-	-	-	4.6	--
- Health & Med	2.4	5.0	1.9	11.1	---	---
- Education	3.0	7.1	8.8	6.3	---	---
Total GDP	0.4	4.2	-5.3	7.9	1.0	1.9

Source: Office for the National Committee for Central Planning (ONCCP), Annual Development Plans (in Amharic) various issues (1988a, 1988b, 1989a, 1989b, 1989c, 1990, 1991) (P.R.S)

Unlike most authoritarian regimes, the Ethiopian state under the Marxist-Leninist military regime was not corrupt and predatory. It was highly regulative and interventionist. Even though the regime tried to plan the economy akin to the 'plan rational' nature of the developmental state, the extensive nature of the informal economy made the planning effort ineffectual. Its redistributive functions were extensive to such an extent that it sapped the spirit of private entrepreneurship and the profit motive out of the economy and led to a situation of the equalization of poverty. There were no rent seeking interest groups it could fall pray too and that in this sense it was, locally at least, autonomous.

Even though its ideological–cum national underpinning was essentially developmental, its ability to promote sustained economic growth and development was hampered by the sheer weight of a raging civil war and Western financial blockade.

The raging civil war indicated the absence of cohesion of the political elite, a crucial element in leading a successful developmental state. During the entire tenure of the military regime, the political elite was divided along nationalist and regional lines. This fundamental division has outlived the previous regime and has become the main divisive political issue preventing elite cohesion even under the current regime, thus, preventing a unified national developmental ideology from emerging.

The other fundamental reason that hindered the developmental effort of the military regime from bearing fruit was its ideological inclination not to undertake a quick enough change to a mixed economic model and the encouragement of private capital. The adamant refusal of the M-L military regime to adopt an extremely radical agrarian reform and its policy orientation towards wasteful agricultural producers' cooperative and inefficient state farms led to a failure of agricultural development. The occurrence of large scale famines were manifestations of the failed agricultural policy. Economic hardship, coupled with the raging civil war and Western blockade of development assistance led the regime to its final downfall (Eshetu Chole 2004: 129).

The general picture of the country under the military regime could be characterized as such: The economic performance was distinctively poor. The burden of the war effort (both internal and external) on the economy was very high. The rate of environmental degradation was higher as a result of the high rate of population growth. The political and economic policy framework was not conducive to either economic growth or development.

The country had to bear the effect of radical political upheaval, wars and famines of catastrophic proportions and a very high rate of population growth. With all those problems, the economy did not collapse and the social order did not disintegrate. And this in spite of the fact that the country received the lowest level of official development assistance during the tenure of the military regime, the Derg, (military council) defied World Bank – IMF structural adjustment prescriptions.

During the tenure of the military regime, there was no three – digit inflation, no serious crime problem, no high unemployment, no glaring inequalities and not even extreme shortages of essential commodities. Economic analysis does not seem to provide a full explanation for such a phenomenon.

4.4 The Economic System under EPRDF

4.4.1 Current State of the Economy

According to the Ministry of Finance and Economic Development ,MoFED's 2010/11 Report, Ethiopia's Real GDP at current market price is USD 29.7 billion and real GDP per capita for the same year is 238 USD. Population below poverty line (USD 1 a day) is 40% (FY 05/06) and 80% of the population lives on less than USD 2 a day. Household income and consumption by percentage share of lowest 10% is 3.9% and highest 10% is 25.5% (Central Statistical Authority, CSO 2008). Inflation is 13.5% in 2006, 25.3% in 2007 and 42% in 2008. In 2007/08, total revenue (excluding grants) was USD 3,223 billion and expenditure USD 5,076 billion (MoFED, 2007/08).

The economy has registered some positive results in the last few years. The Ethiopian economy has, according to MoFED, registered an average growth rate of 11.1% since 2005. In 2006 the growth was 10.8%, while it was 11.5% in 2007. In 2008 and 2009 the growth rates were 10.8% and 8.8% respectively (MoFED, 2010/11: 5). IMF forecast for real GDP growth rate of the Ethiopian economy for 2010 is 7%, while the Ethiopian government puts it at 11.4%. The Ethiopian Economic Policy Research Institute (EEPRI), using its Macro model, forecasts Ethiopia's real GDP growth for 2010 in the range of 5-6% (EEA/EEPRI, 2010 (8) (1): 34, 41).

Despite the fact that GNP is a better indicator of measurement of a country's wealth than GDP, the government sticks to GDP to show that the country's economic development has been consistently increasing in the last five to six years and that the country has registered an average growth rate of 11% since 2005. The government of EPRDF often and repeatedly used this figures in its May 2010 election campaign and attributes these successive yearly economic growth rates to the developmental nature of the state it leads (The Ethiopian Herald, September 22/2010).

In economics, GDP is an indicator that shows the amount of total production produced by a country in a given year, by domestic and foreign investors in the country. It depicts the amount of wealth produced within the country. Unlike GNP, GDP does not show the amount of wealth that has left the country in the form of repatriation for non-domestic investors and hence the amount of produced wealth that stays within the country.

Using GDP as a development indicator as opposed to using GNP has several weaknesses. To use GDP as the main economic growth indicator does not necessarily show the optimum utilization of the country's economic resources. It shows the amount of money put up for production but does not show its specific relation with the increased amount of production. Likewise the use of GDP as a growth indicator does not necessarily mean that poverty is being reduced because GDP as an economic growth indicator does not relate economic growth with wealth distribution and social equity, nor does it show the deteriorating level of standard of living as a result of spiraling level of inflation, which is the case in Ethiopia. Nevertheless, as indicated above, Ethiopia's GDP over the last five six years has been increasing. Whether the official 11% plus GDP growth rate figure is adjusted for inflation when it is reported by the government is a question the reply to which is hard to come by. The overall rate of inflation in Ethiopia by the end of 2010 was, as will be indicated in the coming pages, estimated to be in the range of close to 100%. Most Ethiopian economists however, maintain that the country's recent years' economic growth performance is under threat by the twin problems of inflation and recession (African Press Agency, March 12/ 2009).

Having said this, and with all the shortcomings, the positive changes that have taken place in the economy since 1991 must also be recognized. Growth has taken place in the construction and also in the service sectors. Infrastructure in the form of roads and power stations are being developed. School enrolment and health coverage has increased. Many schools, universities and health clinics have been opened. However, the positive changes in the construction and service sectors of the economy have only

benefited a very small portion of the population and have not benefited the majority of the Ethiopian people, who are still under extreme poverty and degradation. And without an economic growth that goes hand-in-hand with social equity, economic development cannot take place.

Even though there is an increase in investment in the pro-poor sectors such as education and health, they constituted only 9% of total services and 4% of GDP in 2008/09. Their combined share was less than public administration and defense in the same year and their growth in 2008/09 was lower than the preceding year (EEA/EEPRI: 2010, (8) (11): 38).

No wonder why the current EPRDF's so called free market model failed to achieve the desired goal of achieving development for Ethiopia. It failed because:

- a) It was never honestly and earnestly practiced to begin with;
- b) Even if it were to be fully practiced, it would not have brought the desired outcome without the guided intervention of a nationally responsible state;
- c) It failed not only because the private sector was weak, but mainly because the private sector was not able to thrive without a proactive and pro business policy, without good governance and the necessary supporting institutions that go along with it;
- d) It failed because it was not supported by a committed political leadership with a strong national vision and a commitment to the interest of the country and;
- e) It failed because it was disoriented by the general lack of political stability that emanated from the never ending elite political infighting.

GDP growth rate in sub-Saharan Africa between 2007-2009 stayed around 6% despite slowing demand in the U.S and Europe. Most economists, from the Economist Intelligence Unit to the Ethiopian Economic Association, argue that there was growth, but at a lower rate than that claimed by the government and that this rate of growth, compared to many years of stagnation and negative growth cannot be exaggerated. Even in 2009, with the major economies of the world gripped in serious recession and no or very slow economic growth, the EPRDF government claims that the country's economy has registered an 11% annual growth. This claim seems to be backed by the IMF and the WB. Both international institutions happen to get their basic data from two Ethiopian government sources. The first is from MoFED, and its branch agency - the Ethiopian Central Statistical Agency (CSA). The second is from the National Bank of Ethiopia (NBE). MoFED in turn gets its production and service data from the Ministry of Agriculture and Rural Development and from the Ministry of Trade and Industry. MoFED and the NBE are, not set-up as autonomous institutions reporting to parliament. In Ethiopia, MoFED is the final source for all types of data pertaining to national accounts. It is the sole government body legally empowered to gather and publicize national accounts statistics in accordance with Proclamation No. 471/2005, Article 19, sub-article 12. MoFED is under the council of ministers and hence subservient to the wishes of the ruling party controlling the government. For a government that wants to continue in power through non -democratic means, presenting impressive economic growth rate figures to the people, on a silver platter, is the best political strategy that in a way could probably justify survival. Who will dare verify the authenticity of the officially announced figures, when all the production and dissemination of economic data is done under tight

government control and supervision. So, if the real economic growth figures are not politically acceptable, they can be political engineered.

Two senior Ethiopian agricultural economists working for United Nations specialized agencies abroad, in an interview they had with voice of America, argued that growth figures for agricultural production are made to be politically acceptable and that production data collection and reporting is in general, politically maneuvered. What is reported for the domestic audience and for the international and regional financial institutions is not the actual data but the cooked up data that goes along with the developmental pronouncements of the government (VOA, Amharic Broadcast, August 22/2010).

Even if we assume EPRDF's declared economic growth rate, success in economic development cannot be reduced to a single metric. Describing the essence of the "capability approach" to development, Evans (2007:7) pointed out that the approach holds:

The universally accepted proposition that growth of GDP per capita is not an end in itself, but a proxy for improvements in human well-being, to be valued only in so far as it can be empirically connected to improved well being.

A recent study, jointly prepared by Oxford University and UNDP, under the theme 'Multi dimensional Poverty Assessment', classified Ethiopia as the second poorest country in the World after Niger. The article quoting an economist who is familiar with the study, explained that the study uses three basic poverty indicators to assess the level of poverty in the countries that were appraised. The indicators were, according to the study: level of education, health and living standard. These three major indicators were said to have, within them, ten detailed sub-divisions. The study paper maintains that the composite index which is comprised of the above three major indicators, is calculated at 0.58, indicating that the vast majority of the people of Ethiopia (90% or so) live in absolute poverty (article cited in Addis Press, August 17/2010).

Critics also say that big financial outlays mostly secured by foreign loan, for infrastructure, mainly in road building and several big hydro electric projects, could be the reason for the 10-11% or so economic growth rate the government claims that the economy has registered in recent years. Critics maintain that even if one accepts the growth figures, the growth is lopsided. It has not been secured by promoting the private sector in general and the large small scale agricultural sector in particular. It seems that the relatively high growth rate that is said to have been achieved is attained by enhancing the construction and energy sectors. With the growth of the construction sector, high rise buildings are being built in the capital city, Addis Ababa and other regional cities. Road and dam construction is being intensified. Despite the visible growth in economic infrastructure in particular, in the construction, energy and service sectors in general, and in social infrastructure like education and health, neither increases in the productivity nor growth in the real sectors of the economy (agriculture, industry and mining) are nowhere to be seen.

Ethiopian economists predict that by 2010, the growth rate of the Ethiopian economy would diminish and that the economy, already hit by a high rate of inflation, would also face very low or no growth. Meaning that the Ethiopian economy will be headed to a situation of stagflation. (Ethiopian Economic Association, the Ethiopian Economy, Annual Report, 2009:31). The factors according to the report are:

(a)Public and private sector investments, increased remittances inflows (b) Increases in the money supply, as a result of the excessive borrowing by public and private enterprises, (c) price increases of imported commodities, especially fuel, fertilizer and construction materials and (d) slow and constrained supply response, particularly of the agricultural and manufacturing sectors, to meet the unexpected increase in aggregate demand.

Meaning that the non-productive sector of economy has been growing faster than the real economy could keep up with. This indicates that there are structural constraints that limit the agricultural and manufacturing sectors from increasing production to meet demand. That is why Ethiopia is currently having one of the highest inflation rates in Africa. *“The inflation of food prices in Ethiopia in January – February of 2009 reached 104.1%, up from 96% in December 2008. Ethiopian Central Statistical Authority (CSA) said in its report of February 2009 that inflation of food prices in the past six months increased by over 60%. The price of grains in July 2008 witnessed 52.2% rise... The price inflation of non-food items, which was 11% in between March – August 2008, jumped to 22% in between Sept 2008 and Feb 2009”* (African Press Agency, March 12/ 2009: Cited in an article, ‘Ethiopia’s food inflation rate over 100%)*. Analyzing the causes of the increasing rate of inflation in Ethiopia, the IMF Country Report on Ethiopia wrote. *“For the period 1970-2007, money has a more important role for inflation while GDP and import price coefficients declined”*, indicating that EPRDF has been printing too much money than is needed to transact the goods and services in circulation as a means of covering its huge budget deficit. The ongoing global financial crisis, coupled with the attempt by the government to implement inflation fighting policies, will likely slow down the economic growth rate substantially. A significant reduction in the growth rate would have an adverse effect on employment generation and poverty reduction efforts in the country(IMF Country Report No.08/259,July2008).

The growth rate of GDP (at constant basic prices) which averaged 3.8 percent in the 1970s was down to 1.6 percent during the 1980-1992. The average GDP growth rate (at constant basic prices) between 1992/93 to 2009/10 was 8.1 percent (MoFED, National Accounts Directorate, April 2011). Economists familiar with IMF and World Bank routine operations say that both the above international financial institutions use what is called a consistency test to check if basic economic and other data supplied by a given country is consistent with data submitted earlier and all other related data. But if falsifying the entire spectrum of economic and social data is done consistently and systematically, it is bound to pass the consistency test. There is also the issue of *quid pro quo*. Support for countries implementing IMF and World Bank advice by turning a blind eye to their false claims. So it is in light of this that the 6.4 percent average GDP growth rate for the seventeen years of EPRDF rule in Ethiopia and the acceptance (or more correctly non-rebuttal) by IMF and WB of Ethiopian government’s growth figures should be seen.

When the WB or the IMF wants to arrive at the real figures, they can. For instance, in late October of 2010, an official report of the National Bank of Ethiopia (NBE) indicated that the amount of money the country is getting from remittances inflow has never surpassed the one billion dollar ceiling. The WB immediately and categorically challenged the figure. It claimed that according to its own study, Ethiopia has received 3.2 billion dollars in remittance from Ethiopians in the Diaspora in 2010 alone (Capital, October 31/2010).

* According to a study paper presented to the Ninth International Conference on the Ethiopian Economy, which took place between July 21-23/2011, the optimal level of inflation which is said to be conducive to economic growth, given the current situation of the Ethiopian economy, is between 8 – 10%. According to the study paper, for the past 40 years, average inflation has been 6% {Emerta Asamenew. July 2011. Inflation and Economic Growth: An estimate of the threshold level of Inflation for Ethiopia. pp 11-12}

An Ethiopian weekly newspaper *Fiteh* (January 14/2011) has quoted the vice president of IMF on a visit to Addis Ababa in 2010 as saying that IMF accepts the 11.5% economic growth rate as claimed by the Ethiopian government. On the other hand, the 2010 IMF Country Report on Ethiopia, suspecting the unreliability of the Macro economic data submitted to it by the National Accounts Division of MoFED, states the following:

The data provided to the Fund are adequate for surveillance and program monitoring purposes, but statistical weaknesses persist, most notably with regards to national accounts... The staff Appraisal mission on national account statistics in March 2010 identified some compilation and estimation deficiencies in the national accounts statistics ... The compilation process should be kept under constant review so that the weakness could be identified and improvements incorporated into the system on an ongoing basis (IMF Country Report No. 10/175, June 2010: 16, 18)

It should be stressed that the ruling party cannot legitimately corroborate the growth figures that it manufactures. As indicated in the above quotation credible institutions such as the IMF and the World Bank continue to accept made-up growth rate figures, irrespective of their implications to the country and their own reputations. According to Prime Minister Meles Zenawi's assertions, Ethiopia's economy has registered an average 11.4% annual growth rate for the years 2005-2009. If this assertion is true, why should the country's economy require a 61.3 million USD disbursement from IMF Exogenous shock facility on the eve of devaluation of the Ethiopian Birr by 20%, which took place during the second week of September 2010? According to the government newspaper, The Ethiopian Herald of Sept 17/2010, the money is scheduled to be disbursed by the IMF at the beginning of November 2010. Poverty is spreading and getting acute in Ethiopia. The 11.4% economic growth rate reported by the government does not tally with the country's poverty head count, if one seriously undertakes a poverty analysis research in Ethiopia. It also does not go along with the country's per capita GDP of USD238 for 2009/10 (MoFED, National Accounts Directorate, April 2010/11) which is an improvement of only USD 118 since the 1991's take-over of power by EPRDF. Incidentally, IMF's projected growth in real GDP for Ethiopia in 2011, which according to the Fund is between 7.5 and 6%, (IMF Mission Report on Ethiopian Economy, May 2011, cited in Fortune Newspaper, May 22/2011), the Ethiopian government, through its economic think-tank MoFED claims that the growth rate of GDP for 2011 would be 11% plus (MoFED Report to Parliament, June 2011).

Table – 4A: GDP by Major Industrial Classification at Constant Basic Prices (,000 Birr)

Sector	1993 2000/01	1994 2001/02	1995 2002/03	1996 2003/04	1997 2004/05	1998 2005/06	1999 2006/07	2000 2007/08	2001 2008/09	2002 2009/10	2003 2010/11 (Forecast)
AGRICULTURE	34,063,533	33,424,732	29,920,207	34,990,166	39,728,806	44,062,631	48,225,807	51,843,482	55,141,186	59,348,045	64,392,629
INDUSTRY	8,091,419	8,765,030	9,332,618	10,419,426	11,402,252	12,561,013	13,757,228	15,150,907	16,616,473	18,374,743	20,947,207
SERVICES	25,397,409	26,227,874	27,796,953	29,536,248	33,312,094	37,747,674	43,534,876	50,519,704	57,576,318	65,084,465	73,220,023
TOTAL	67,552,360	68,417,636	67,049,778	74,945,836	84,443,154	94,371,317	105,517,911	117,514,093	129,333,978	142,807,254	158,559,860
Less: FISIM											
GVA at Constant Basic Prices	631,615	403,460	462,890	548,739	639,132	896,834	1,018,210	1,323,842	1,489,771	1,619,543	1,749,106
	66,920,745	68,014,176	66,586,887	74,397,096	83,804,022	93,474,483	104,499,701	116,190,250	127,844,207	141,187,711	156,810,754

Table – 4B: Growth Rates of GDP by Major Industrial Classification at Constant Basic Prices (%)

Sector	1993 2000/01	1994 2001/02	1995 2002/03	1996 2003/04	1997 2004/05	1998 2005/06	1999 2006/07	2000 2007/08	2001 2008/09	2002 2009/10	2003 2010/11 (Forecast)
AGRICULTURE	9.6	(1.9)	(10.5)	16.9	13.5	10.9	9.4	7.5	6.4	7.6	8.5
INDUSTRY	5.1	8.3	6.5	11.6	9.4	10.2	9.5	10.1	9.7	10.6	14.0
SERVICES	5.2	3.3	6.0	6.3	12.8	13.3	5.3	16.0	4.0	13.0	12.5
TOTAL	7.4	1.3	(2.0)	11.8	12.7	11.8	11.8	11.4	10.1	10.4	11.0
Less: FISIM	3.8	(36.1)	14.7	18.5	16.5	40.3	13.5	30.0	12.5	8.7	8.0
GVA at Constant Basic Prices	7.4	1.6	(2.1)	11.7	12.6	11.5	11.8	11.2	10.0	10.4	11.1

Table – 4C: Percentage Distribution of GDP by Major Industrial Classification at Constant Basic Prices (%)

Sector	1993 2000/01	1994 2001/02	1995 2002/03	1996 2003/04	1997 2004/05	1998 2005/06	1999 2006/07	2000 2007/08	2001 2008/09	2002 2009/10	2003 2010/11 (Forecast)
AGRICULTURE	50.9	49.1	44.9	47.0	47.4	47.1	46.1	44.6	43.1	42.0	41.1
INDUSTRY	12.1	12.9	14.0	14.0	13.6	13.4	13.2	13.0	13.0	13.0	13.4
SERVICES	38.0	38.6	41.7	39.7	39.7	40.4	41.7	43.5	45.0	46.1	46.7
TOTAL	100.9	100.6	100.7	100.7	100.8	101.0	101.0	101.1	101.2	101.1	101.1
Less: FISIM	0.9	0.6	0.7	0.7	0.8	1.0	1.0	1.1	1.2	1.1	1.1
GVA at Constant Basic Prices	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source:- MoFED, April 2010/11. National Accounts Directorate, Addis Ababa

Table:- 5 Value of Aggregate Output, Consumption, Investment and Savings at Current Prices (Millions Birr)

Description / Year	1993 2000/01	1994 2001/02	1995 2002/03	1996 2003/04	1997 2004/05	1998 2005/06	1999 2006/07	2000 2007/08	2001 2008/09	2002 2009/10	2003 2010/11 (Forecast)
Gross Value Added at Current Basic Prices	63,069	61,779	68,204	79,185	98,006	121,943	159,803	231,518	316,241	354,952	418,013
Taxes on Products, net	4,958	4,778	5,228	7,476	8,467	9,698	12,186	16,785	19,139	28,412	30,755
GDP at Current Market Prices	68,027	66,557	73,432	86,661	106,473	131,641	171,989	248,303	335,380	383,364	448,768
Incomes from ROW, net	(281)	(209)	(231)	(335)	107	238	415	431	(34)	(366)	(469)
Gross National Income at Current Basic Prices	62,789	61,569	67,973	78,850	98,113	122,181	160,218	231,948	316,207	354,586	417,544
Gross National Income at Current Market Prices	67,746	66,347	73,201	86,326	106,580	131,879	172,404	248,733	335,346	382,998	448,299
Current Transfers from ROW, net	6,434	6,636	9,388	9,436	15,335	18,163	25,444	34,194	44,191	59,476	78,924
Gross National Disposable Income	74,180	72,983	82,589	95,762	121,915	150,042	197,849	282,927	379,536	442,474	527,233
Government Final consumption Expenditure	9,964	9,873	9,850	11,315	13,203	16,080	18,072	24,364	27,609	31,936	38,738
Private Final consumption Expenditure	51,260	52,690	60,645	65,026	87,012	109,546	139,012	210,958	286,320	330,262	376,965
Gross Capital Formation (Investment)	14,645	16,052	16,305	22,979	25,293	33,176	38,044	55,512	76,185	85,677	102,168
Exports of Goods and Services	8,146	8,389	9,779	12,914	16,077	18,205	21,854	28,317	35,233	52,168	74,417
Imports of Goods and Services	16,108	17,707	20,131	27,367	37,776	48,092	55,088	76,564	96,285	126,319	154,640
Resource Balance	(7,962)	(9,318)	(10,352)	(14,453)	(21,699)	(29,887)	(33,234)	(48,247)	(61,052)	(74,151)	(80,223)
Gross National Savings	12,956	10,420	12,094	19,421	21,700	24,416	40,765	47,605	65,607	80,276	111,520
Rate of gross Saving (as % of GDP)	19.0	15.7	16.5	22.4	20.4	18.5	23.7	19.2	19.6	20.9	24.9
Rate of Investment (as % of GDP)	21.5	24.1	22.2	26.5	23.8	25.2	22.1	22.4	22.7	22.3	22.8
Mid-year Population (in Millions)	61.6	63.2	64.8	66.5	68.3	70.0	72.4	74.9	76.8	78.8	80.9
Per Capita GDP (Birr) Nominal)	1,104	1,053	1,133	1,303	1,560	1,880	2,375	3,316	4,365	4,864	5,549
Per Capita GDP (Birr) Real)	1,172	1,160	1,106	1,224	1,334	1,441	1,553	1,664	1,764	1,933	2,188
Average Exchange Rate (Birr/USD)	8.33	8.54	8.58	8.63	8.65	8.68	8.79	9.24	10.42	12.89	16.53
Per Capita GDP (USD) (Nominal)	133	123	132	151	180	217	270	359	419	377	336
Per Capita GDP (USD) (Real)	144	142	136	150	164	177	191	204	217	238	269
Percentage Change in GDP Deflator	(5.8)	(3.6)	12.8	3.9	9.9	11.6	17.2	30.3	24.2	1.7	6.0

Source:- MoFED, April 2010/11 . National Accounts Directorate, Addis Ababa

Table – 6: Percentage Distribution of GDP by Economic Activity at Current Prices (%)

Industry/ Year	1993 2000/01	1994 2001/02	1995 2002/03	1996 2003/04	1997 2004/05	1998 2005/06	1999 2006/07	2000 2007/08	2001 2008/09	2002 2009/10
Agriculture, Hunting and Forestry	47.6	43.5	41.9	44.1	46.6	47.9	47.4	50.5	50.7	46.6
Crop	25.9	21.3	21.9	24.9	27.9	29.0	30.3	34.6	35.3	30.7
Animal Farming and Hunting	15.8	15.8	14.1	13.5	13.8	14.3	13.0	11.9	11.8	12.4
Forestry	6.0	6.4	5.9	5.7	5.0	4.5	4.1	4.0	3.6	3.5
Fishing	0.0	0.0	0.0	0.0	0.1	0.1	0.0	0.0	0.0	0.1
Mining and Quarrying	0.6	0.6	0.7	0.6	0.6	0.6	0.4	0.4	0.4	0.7
Manufacturing	5.7	5.7	5.7	5.3	4.8	4.5	4.5	4.0	3.7	4.1
Large and Medium Scale Manufacturing	3.8	3.6	3.8	3.6	3.1	3.0	3.1	2.8	2.5	2.8
Small Scale and Cottage Industries	2.0	2.1	1.9	1.7	1.7	1.5	1.4	1.2	1.3	1.3
Electricity and Water	2.2	2.4	2.3	2.3	2.0	1.9	2.0	1.5	1.2	1.3
Construction	4.5	5.2	5.4	5.8	5.6	5.7	5.8	5.2	5.1	4.5
Whole Sale and Retail Trade	11.8	11.5	12.4	12.2	11.9	12.6	13.2	13.2	14.7	14.6
Hotels and Restaurants	2.2	2.4	2.4	2.3	2.1	2.3	2.7	2.8	3.2	4.1
Transport and Communications	5.6	6.0	6.1	6.3	7.0	5.6	5.0	4.0	4.0	4.5
Financial Intermediation	1.9	1.4	1.7	1.7	1.7	1.8	1.7	1.6	1.8	1.9
Real Estate, Renting and Business Activities	7.1	9.3	9.4	8.5	7.6	7.5	8.4	8.6	7.7	10.2
Public Administration and Defense	6.1	6.3	6.0	5.2	4.8	4.5	4.0	3.6	3.3	3.3
Education	2.6	3.1	3.6	3.3	3.0	3.1	3.0	2.7	2.3	2.5
Health and Social Work	1.0	1.1	1.0	1.0	1.0	0.9	0.8	0.7	0.7	0.7
Other Community, Social & Personal Services	1.8	1.8	1.9	1.9	1.7	1.7	1.7	1.6	1.7	1.7
Private Households with Employed Persons	0.3	0.3	0.3	0.3	0.2	0.3	0.2	0.2	0.2	0.2
Total	100.9	100.6	100.7	100.8	100.7	100.8	100.8	100.7	100.8	100.8
Less: FISIM	0.9	0.6	0.7	0.8	0.7	0.8	8.0	0.7	0.8	0.8
Gross Value Added at Current Basic Prices	100.0	100.0	100.0	100.0	100.0	100.00	100.0	100.0	100.0	100.0
Taxes on Products	7.9	7.7	7.7	9.4	8.6	8.0	7.6	7.2	6.1	8.0
GDP at Current Market Prices	107.9	107.7	107.7	109.4	108.6	108.0	107.6	107.2	106.1	108.0

Source:- MoFED, April 2010/11. National Accounts Directorate, Addis Ababa

Table 7: ETHIOPIA: MACROECONOMIC AND SOCIAL INDICATORS

G.C. E.F.Y.	G.C. 1998/99	1999/99 (1992)	2000/01 (1993)	2001/02 (1994)	2002/03 (1995)	2003/04 (1996)	2004/05 (1997)	2005/06 (1998)	2006/07 (1999)	2007/08 (2000)
1. Country Profile	1.14 million	1.14 million	1.14 million	1.14 million	1.14 million	1.14 million	1.14 million	1.14 million	1.14 million	1.14 million
Arable Land (% of total area)	45.0	45.0	45.0	45.0	45.0	45.0	45.0	45.0	45.0	45.0
Irrigated Land (% of total area)		3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0
Population (total), in million	60.78	62.58	64.42	66.28	68.17	70.10	72.06	74.06	76.10	78.2
2. Social Indicators										
(o/w Urban Population, in %)	14.7	14.9	15.1	15.33	15.5	15.8	15.97	16.21	16.45	NA
Working Age Population (In Millions)										
Urban	5.6	5.6	6.1	6.4	6.5	7	6.95	7.6	7.6	NA
Rural	27.2	28.00	28.8	29.8	30.54	31.4	32.6	33.2	32.9	NA
Total	32.8	33.8	34.9	36.2	37.04	38.4	39.6	40.7	40.6	NA
Age Dependency Ratio	88.1	87.8	87.2	86.0	86.6	85.2	84.7	84.3	89.8	NA
Life Expectancy at Birth (Male-Female)	49.7-52.4	50.9-53.0	53.4-55.4	53.4-55.4	53.4-55.4	53-55	53.42-55.42	55.6-57.92	55.6-57.92	53.4-55.4
Natural Rate of Population Increase (In %)	2.9	2.90	2.7	2.7	2.7	2.9	2.7	2.6	2.6	2.7
People: Hospital Beds	N.A	5,273:1	6,086.4:1	5740.4:1	6479.2:1	5721.4:1	5273.5:1	14424:1		
People: Physician	48,069:1	50,273.2:1	47,836.0:1	35604:1	34005:1	36954.1	29777:1	35493:1	49888:1	NA
People: Nurse	11,217:1	9,458.5:1	8,461	5236.0:1	4879:1	4621:1	3956.8:1	4206:01:00	4601:01:00	NA
Infant Mortality	105:1,000	110:1,000	97:1,000	97:1,001	97:1,002	97:1,003	80:1000	80:1000	80:1000	77:1000
Access to Safe Water (In %)										
Country Level	23.80	30.00	27.90	28.4	NA	35.9	NA	NA	52.46	59.5
Urban Population	83.50	72.00	91.70	75.7	NA	92.4	NA	NA	82.02	86.2
Rural Population	13.70	24.00	17.10	19.9	NA	25.2	NA	NA	46.39	53.9
Access to Sanitation (In %)										
Urban Population	74.10	N.A	N.A	N.A	NA	NA	NA	NA	NA	NA
Rural Population	7.20	N.A	N.A	N.A	NA	NA	NA	NA	NA	NA
Student-Teacher Ratio										
Primary (1-8)	51:1	56:1	61:1	63:01:00	64:01:00	65:1	66:1	62:1	NA	NA
Secondary (9-12)	40:1	43:1	52:1	54:1	47:1	48:1	51:1	57:1	NA	NA
Technical & Vocational	6:1	7.6:1	9.0:1	.0:1	36:1		NA	NA	NA	NA
						A				
Student-School Ratio										
Primary (1-8)	516:1	563:1	672.5:1	674.0:1	1402:1	724:1	66:1	69:1	NA	NA
Secondary (9-12)	1,352:1	982:1	1,531.2:1	1681.0:1	1222:1	1312:1	74:1	82:2	NA	NA
Technical & Vocational	199:1	267:1	264.9:1	271.0:1	353:1	NA	NA	NA	NA	NA
3. Macroeconomic Indicators										
3.1 Real Sector Development										
GDP at Current Market Price (In mn. Birr)	58,788.6	66,648.3	68,026.8	66,556.6	73,432.2	86,661.0	106,472.8	131,641.0	171,834.0	245,585.0
Nominal GDP Growth Rate (In%)	5.9	13.4	2.1	-2.2	10.3	18.0	22.9	23.6	30.5	42.9
GDP CMP (IN USD)	7,828.0	8,187.8	8,166.5	7,793.5	8,558.5	10,041.8	12,306.4	15,164.3	19,539.2	26,578.5
GDP per Capita (In USD)	128.8	130.8	126.8	117.6	125.5	143.3	170.8	204.8	256.8	339.9
Gross Private Consumption (% of GDP)	76.4	17.9	75.4	79.2	82.6	81.9	84.8	84.3	83.8	87
Gross Government Consumption (% of GDP)	15.6	20.3	14.6	14.8	13.4	13.1	12.3	12.1	10.6	9.8
Gross Domestic Fixed Investment (% of GDP)	21.9	-12.4	-11.9	23.9	21.8	25.5	23.0	24.2	25.0	21.2
Resource Balance (% of GDP)	-12.4	5.9		-14.0	-14.1	-16.7	-20.4	-22.7	-19.4	-19.6
GDP at 1999/2000 Factor Cost (In Mn. Birr)	58,838.3	49.4	66,920.7	68,014.2	66,586.9	74,397.1	83,804.0	93,474.5	104,196.1	116,295.4
Real GDP Growth Rate (In %) ⁴	5.2	12.2	7.4	1.6	-2.1	11.7	12.6	11.5	11.5	11.6
Agriculture & Allied Activities (% of GDP)	50.8	48.4	50.4	48.9	44.6	46.7	47.0	43.7	45.9	44.0
Industrial Sector (% of GDP)	12.3	12.2	12.0	12.8	13.9	13.9	13.5	13.3	13.3	13.0
Service Sector (% of GDP)	36.9	38.4	37.6	38.3	41.5	39.4	39.4	40.0	40.8	43.0

Real GDP per Capita (in Birr)	968.1	995.5	1038.8	1026.1	976.7	1061.4	1163.1	1262.2	1369.3	1487.2
Real GDP per Capita Growth Rate (In %)	2.1	2.8	4.4	-1.2	-4.8	8.7	9.6	8.5	8.5	8.6
GDP Deflator (% change)	0.7	6.9	-5.8	-3.6	12.8	3.9	9.9	11.6	17.4	28.4
3.2 Monetary Indicators										
Narrow Money Supply (M1)(In Mn. Birr)	11,378.9	13,050.2	13,745.8	15,182.4	16,446.7	19,065.9	21,289.8	23,811.9	29,773.4	36,875.5
Broad Money Supply (M2)(In Mn. Birr)	19,399.3	22,177.8	24,516.2	27,322.0	30,090.1	34,655.9	40,212.1	46,377.4	56,860.3	69,918.2
Net Foreign Assets (In Mn. Birr)	6,087.8	4,770.6	4,800.0	7,822.5	11,049.2	11,766.9	13,868.0	12,109.6	13,927.3	12,140.6
Reserve Requirement (CBs)	800.9	924.1	1,081.8	1,163.9	1,320.3	1549.35	1,828.4	2,120.9	2,547.7	9,035.3
Interest Rate (In %)										
Minimum Deposit Rate										4.0
Lending Rate	10.5-13	10.5-13.5	10.5-15.0	8.0-10.5	8.0-10.5	8.0-10.5	7-14	7-14	7-14	8-15
Total Net Domestic Credit (in mn. Birr)	20,096.4	26,271.0	27,551.6	27,550.2	28,202.3	31138.781	40305.8	49295.9	61585.0	80,772.6
Government	9585.0	14,775.7	15,171.0	15,985.1	17,229.8	19199.154	21663.8	25266.4	30290.2	34,169.2
Other Sectors	10511.4	11,495.3	12,380.6	11,565.1	10,972.6	11939.627	18642.0	24029.6	31294.8	46,603.4
3.3 Inflation (CPI)										
Country Level										
-General inflation	4.3	5.4	-0.3	-10.6	10.9	7.3	6.1	10.6	15.8	42.0
-Food inflation	9.9	7.6	-1.7	-19.1	21.5	11.5	7.4	13.0	17.5	57.0
-Non-Food inflation (core inflation)	-2.0	2.5	1.4	0.3	0.2	2.2	4.4	7.1	13.5	43.0
3.4 External Trade (In Mn. USD)										
Export of goods & services	913.9	984	979.1	982.7	1139.6	1519.4	1870.49	2156.89	2545.4	3128
Import of goods & services	1,873.8	1959.8	1936.4	2,073.1	2,346.7	3267.9	4352.72	5431.77	6332.7	8313.1
Net trade in goods & services	-959.9	-975.8	-957.3	-1,090.4	-1,207.1	-1748.5	-2482.2	-3,274.9	-3,787.3	-5185.1
Current account balance including office transfer	(509.9)	(334.8)	(242.4)	(361.0)	(160.0)	(495.8)	(1184.0)	(1547.4)	(855.5)	-1479.8
Capital account balance	(144.4)	151.7	258.6	509.0	304.0	363.6	584.5	515.4	780.2	968
Overall balance of payment:	473.2)	(393.7)	(70.5)	300.2	301.6	138.9	-101.4	-327.1	85.1	-263.3
3.5 Government Finance (In Ms. Birr)										
Total Revenue (including grants)	11,215.2	11,222.0	12,805.0	12,833.0	15,703.0	17,918.0	20,174.0	23,225.0	29,381.0	39,7.5
Total Revenue (excluding grants)	9,453.1	9,498.0	10,177.0	10,409.0	11,149	13,917.0	15,582.0	19,413.0	21,797.0	29,794.0
o/w Tax-Revenue	5591.6	6,782.0	7440.0	7,926.0	8243.0	10,906.0	12398.0	14122.0	17,354.0	23,801.0
Tax-Revenue as % of GDP	9.7	10.2	10.9	11.9	11.2	13.0	12.8	12.7	10.1	9.7
Total Expenditures	14556.7	17,183.6	15786.4	17,651.0	20517.0	20,520.0	24803.0	29325.0	35607.0	46915.0
Current Expenditures	10,126.5	13,741.6	10379.0	10,550.0	13,549.0	11,977.0	13,235.0	15,234.0	17,165.0	22,794.0
Capital Expenditures	4,430.2	3,442.0	5003.4	6,130.0	6,313	8,271.0	11,343.0	14,042.0	18,398.0	24,121.0
Equity Contribution (Sinking Fund)										
Special Programs			404.0	971	655	272	224.0	50.0	44.0	
Total Expenditures as % of GDP	25.4	25.8	23.2	26.5	27.9	23.7	25.7	22.3	20.7	19.1
Current Surplus/Deficit	-673.4	-4243.6	-202.0	-141.0	-2,400.0	1940.0	6,652.7	4,259.0	4,632.0	7000.0
Overall Budget Deficit (including grants)	-3341.5	-5961.6	-2,981.4	-4,818.0	4,815.0	-2602.0	-4,655.0	-6,100.0	-6226.0	-7210.0
Deficit as % of GDP	-5.8	-8.9	-4.4	-7.2	6.6	-3.0	-4.8	-5.5	-3.6	-2.9
Overall Budget Deficit (excluding grants)	-5103.6	-7685.6	-5,609.4	-7,242.0	-9,368.0	-6603.0	-9,220	-9,832.0	-13,810.0	-17121.0
Deficit as % of GDP	-8.9	-11.5	-8.2	-10.9	-12.8	-7.6	-9.50	-8.80	-8.80	-6.97
3.6 Exchange Rate (Birr/USD)										
Period weighted Average	7.30	8.20	8.42	8.543	8.581	8.635	8.652	8.681	8.794	9.242
End period	8.12	8.22	8.46	8.566	8.600	8.630	8.660	8.69	9.030	9.61

Source: 1. Ministries of Agriculture, Finance and Economic Development, Health, and Education (2009 Annual Publications),
2. UN – DESA, Nov. 2008, (p.52) Economic Intelligence Unit. 2008/09 For the Inflation figures, the numbers were obtained from the 2008 Central Statistical Agency, Annual Report. **(Compiled by the National Bank of Ethiopia, Annual Report 2007/08, p. 10-12)(P.R.S)**

Table 8: Comparative economic indicators, 2006

	Ethiopia ^a	Sudan ^a	Kenya ^a	Uganda ^a	Tanzania ^a
GDP (US\$ bn)	11.8	39.7	23.2	9.2	11.7
GDP per head (US\$)	149	1,074	661	308	299
GDP per head (US\$ at PPP)	834	2,544	1,504	1,517	1,241
Consumer price inflation (av; %)	12.2	7.5	14.5	6.4	6.2
Current-account balance (US\$bn)	-2.0	-5.5	-1.2	-0.5	-1.3
Current-account balance (% of GDP)	-16.5	-13.8	-5.0	-5.0	-10.7
Exports of goods fob (US\$ bn)	1.1	5.9	3.6	1.0	1.9
Imports of goods fob (US\$ bn)	-4.3	-8.7	-6.5	-2.1	-3.8
External debt (US\$ bn)	2.8	28.3	6.7	1.4	4.7
Debt-service ratio, paid (%)	4.0	4.0	7.4	2.9	2.1

Source: Economic Intelligence Unit, Country Data, p.78

According to a study, *Medium Term Economic and Financial Framework paper** prepared by the Ethiopian Policy Research Institute (EPRI) in the last 40 years, growth in per capita income has been leveling close to zero. This means that the current standard of living of the people has not been any better than it was 40 years ago. The average growth in per capita income in the last 13 years before 2005 was close to 1.6%, while it was 2.6% during the previous 17 years of military rule. In the years between 1991-2005 per capita income in agriculture was less by 31% than that of the imperial regime and 15% less than what it was during the military regime. 40 years ago, it was possible to get 11 quintals (1 quintal+ 100kgs) of product from one hectare of holding. Despite the fact that the peasants are currently using modern agricultural inputs in an ever larger amounts, the average production capacity of each peasant farmer which was 170 kgs earlier, is not more than 97 kgs currently. Land productivity and per capita income have decreased up until 2005 with a resultant effect of an increase in the number of people seeking relief assistance (EPRI, 2005: 31-37, 42).

 * *Medium Term Economic and Financial Framework Paper.(MTEFFP) 2005. A paper presented to a conference by the Ethiopian Economic Policy Research Institute, Addis Ababa.(PR.S)*

Ethiopia is constantly dependent on international aid for 10% of its annual food needs. This figure reaches 25% during draught years. This means that 5 million people are living in continuous risk of food shortage, whose existence is fully dependent on external aid. Another 10 million are affected by shortage during draught years, which is now appearing more or less every five years. On top of these and related to this, a high percentage of the country's population is chronically undernourished (Enadin, 2008:14).

The structure of the economy has not changed much in the past 35 years. At the end of the 1980s, the share of agriculture and allied activities as percentage of GDP was 49.7%, while that of industry was 16% and services 41% (see Table below).

**Table 9: Sectoral Distribution of GDP (1965,1974,1991 and 2008)
(as % of GDP in million of birr)***

	Sector	1965¹	1974¹	1991²	2009/10³
1	Agriculture and allied activities	60.3	49.7	43.0	46.6
2	Industry (including Mining, Const + Elect +water)	8.1	16.0	16.0	10.6
3	Services	31.6	34.3	41.0	42.8

- Source:*
1. Imperial Ethiopian Government, National Bank of Ethiopia, Annual Reports: 1965,1974
 2. Peoples Democratic Republic of Ethiopia, (PDRE), Central Statistical Authority (CSA), Statistical Abstract, 1991, Addis Ababa
 3. MoFED, April 2010/11. National Accounts Directorate, Addis Ababa

The same could be said of Ethiopia's industrial sector. Between 1995 and 2005 the share of the industrial sector to that of GDP was about 10% lower than the figure during the previous military regime, which was 11.4%. In 2006/2007, this figure was 13.9% compared to the situation in countries of sub Saharan Africa, the share of industry to GDP is less than half. According to a MoFED Annual Report on real sector development of the Ethiopian Economy in 2009, agriculture contributed 2.8 percentage points to the 9.9% real GDP growth in 2008/09, while the contribution of industry and services was 1.3% and 6.8% respectively (MoEFD, 2009: 39, 43).

To show that the Ethiopian economy is in serious trouble, it might probably be interesting to point to a comparative analysis made by a senior consultant in the U.S, indicating that the Ethiopian Diaspora which is estimated to be close to two million, earns more than Ethiopia's GDP.

*Figures arrived at by extrapolating data from different pages of the documents specified

An Ethiopian consultant in the US, who is also director of Brooklyn Chamber of Commerce in New York, in an exclusive interview he gave to an Ethiopian English weekly newspaper, *ABBI Weekly Ethiopia* (Nov. 28/2007) noted:

*Taking Ethiopia's GDP in 2006 as a datum point, which was reported to be USD 13 billion with close to 80 million people, the relative earnings of Ethiopians overseas is even more than their home country... If one figures the low estimate of up to 2 million Ethiopians overseas each earning on average USD 10,000 a year per person, you are looking at an income of USD 20 billion for the Diaspora as a whole. So in all likelihood, the Diaspora is probably earning even more than the home country with its 80 million people.**

As of 1999/2000, the official Gross Domestic Product has grown by 2.1% while the growth in the money supply was 12%. As a result, after 1999/2000 the income obtained from money has decreased. To cover its budget deficit, the government is utilizing a large portion of domestic borrowing which in 2009/2010 had reached 58% of the total domestic credit. As of 1998/99, the non-government domestic credit was, on the average, decreasing by 2.2% year (Framework paper, 2005: 23-24).

Investment to GDP ratio was 22.4% in 2008/09. Domestic saving as a percent of GDP was 6.6 in 2008/09, the lowest from Sub-Saharan African countries. The average for Sub-Sahara countries was 19.3% in 2009 (IMF, Regional Economic outlook, October 2009, quoted in EEA/EEPRI, 2010: 38). The huge gap between investment and domestic saving reflected by the high deficit of resource balance of more than 18% of GDP in recent years (EEA/EEPRI, 2010:39).

According to the Annual Survey of Ethiopian Economy, total expenditure reached 46.9 billion Birr (19.1% of GDP). During the same period, 48.6% of the expenditure was allocated for recurrent budget while capital expenditure accounted for 51.3%. On the revenue side, during 2007/08, government revenue reached 29.8 billion birr while total revenue including grants reached 39.7 billion birr. The tax revenue amounted to 9.7% of GDP in the same year. Domestic revenue mobilization efforts have been supplemented by increased external resource flow, which in 2007/08 amounted to 25% of total revenue (MoFED, 2007/08:16-18).

*If we take Sept 2010, the month in which the Ethiopian government, suddenly and without any serious underlying economic cause, announced a 20% devaluation of the Ethiopian Birr against the US dollar and other major currencies, the consultant's observation would even be more obvious. According to MoFED, Ethiopia's estimated GDP in 2009/10 is forecasted to be close to Birr 140billion. The current exchange rate is 1 USD= 16.68 birr (Sept. 2010). Doing the arithmetic would show the country's 2010 GDP to be 8.47 billion USD. Ethiopian Review, a journal produced by the Ethiopian Diaspora in the US maintains: "The estimated annual income of Ethiopians in the Diaspora has reached 20 billion USD" (<http://www.ethiopianreview.com/content/29562> (accessed on 9/29/2010).

Table 10: Ethiopia: Summary of General Government finance Performance 2002/03-2008/09 (cumulative)

(In Million Birr)

Ethiopian fiscal year	1995	1996	1997	1998	1999	2000	2001	2002
Fiscal year ending July 7 (Gregorian Calendar)	2002/3	2003/4	2004/5	2005/6	2006/7	2007/8	2008/09	2009/10
	12 mon							
Total Revenue and Grants	15703	17918	20147	23262	29381	39705	63801	
Revenue	11149	13917	15582	19530	21797	29794	46858	
Tax revenue	8243	10906	12398	14159	17354	23801	33382	
Non-tax revenue	2906	3010	3184	5371	4444	5993	13476	
Grants	4554	4002	4565	3732	7583	9911	16943	
Grants in kind	4087	1746	2234	2782	3492	4434	7145	
CPF/DBS Grants	467	2255	2331	950	4091	5477	9798	
Expenditure	20504	20509	24795	29325	35607	46915	67448	
Current Expenditure	13536	11965	13228	15234	17165	22794	30474	
Defense	2341	2452	2920	3009	3005	3453	4000	
Poverty-targeted expenditure	3672	4045	4968	6493	7795	10627	12852	
External assistance (food& related relief)	2890	699	721	586	411	401	500	
Capital expenditure	6313	8271	11343	14042	18398	24121	36974	
Central Treasury	3265	5403	8376	10785	13832	17277	26850	
External assistance	1197	1047	1513	2196	3081	4034	6645	1808
External Loans	1852	1821	1454	1061	1484	1810	3480	2254

Source: MoFED Macro Economic Policy and Management Department, Summary of General Government Finance Performance 2002/03-2009/10 (cumulative); p.69.

Table 11: Multilateral and Bilateral Assistance - Actual commitment & disbursement 2004/05-2008/09

In Million USD

	2004/05		2005/06		2006/07		2007/08		2008/09	
	Comm	Disb.	Comm	Disb.	Comm	Disb.	Comm	Disb.	Comm	Disb.
A. Multilateral Donors										
IFIs	852.23	553.74	358.39	397.56	1,227.38	532.91	844.21	638.14	1,501.56	1,318.25
Loan	616.52	349.99	70.80	230.42	606.44	259.42	518.45	273.13	784.30	604.03
Grant	235.71	203.75	287.59	167.14	620.94	273.49	325.76	365.01	717.26	714.22
EU										
Grant	12.90	81.97	94.43	127.82	581.86	279.08	50.14	267.38	548.11	188.90
UN Agencies										
Grant	284.51	100.24	19.53	107.04	694.40	158.95	54.91	190.32	21.72	252.43
Total Multilateral	1,149.64	735.95	472.35	632.42	2,503.64	970.94	949.26	1,095.84	2,071.39	1,759.58
Loan	616.52	349.99	70.60	230.42	606.44	259.42	518.45	273.13	784.30	604.03
Grant	533.12	385.96	401.55	402.00	1,897.20	711.52	430.81	822.71	1,287.09	1,155.55
B. Bilateral Donors										
America & Canada										
Grant	308.78	56.38	10.70	66.51	52.96	108.54	64.19	117.07	118.26	108.66
Asia & M. East										
Loan			114.60			7.62	122.00	45.55	22.27	63.54
Grant	89.46	18.88	24.68	42.74	13.11	44.11	32.69	23.04	37.99	52.95
Nor. & E. Europe										
Grant	0.80	68.28	5.70	55.16	75.81	38.58	18.28	27.12	33.23	19.18
W. Europe										
Loan				117.30		26.67		69.16		32.04
Grant	526.72	176.47	265.43	196.42	191.63	353.99	385.17	290.55	228.10	285.10
Total Bilateral	925.76	320.01	421.11	478.13	333.51	579.51	622.33	572.49	439.85	561.47
Loan			114.60	117.30		34.29	122.00	114.71	22.27	95.58
Grant	925.76	320.01	306.51	360.83	333.51	545.22	500.33	457.78	417.58	465.89
Grand Total (A+B)	2,075.40	1,055.96	893.16	1,110.55	2,837.15	1,550.45	1,571.59	1,668.33	2,511.24	2,321.05
Loan	616.52	349.99	185.20	347.72	606.44	293.71	640.45	387.84	806.57	699.61
Grant	1,458.88	705.97	708.06	762.83	2,230.71	1,256.74	931.14	1,280.49	1,704.67	1,621.44

Source: MoFED, External Economic Cooperation Department, Bulletin of External Economic Cooperation, October 2009, p.18

(PR.S)

Table 12: ODA per capita

In US Dollars

Year	2000	2001	2002	2003	2004	2005	2006	2007	2008
ODA per capita - Ethiopia	9	15	17	14	21	19	23	--	23.2
ODA per capita-sub Saharan average	18	19	24	30	30	37	47	--	--

Source: OECD DAC. Quoted in the World Bank , Ethiopia; Country Assistance Strategy Report. 2007.p. 59

The other main feature of the Ethiopian economy is that saving as a ratio of GDP has been very low from a historical perspective and relative to similar economies. According to the 2005/06 Report on the Ethiopian Economy, the average gross domestic saving to GDP over the last 15 years has been about 4.1% and the average for the last three years has been about 2.6%. In 2004/05, GDS slightly improved reaching around 2.8% of GDP, but still lags behind investment expenditure resulting in negative resource gap of 13.9%. Ethiopia received about USD 1.2 billion in official development assistance in 2005 and 1.1 billion USD in 2006.* On per capita terms, this is equivalent of USD 14.8, which is much lower than that of other low income countries (MoFED, 2006: 17-18; The World Bank, 2007: 56).

Regarding public finance, the current EPRDF government is blamed for its non-prudent and non-transparent expenditure policy. A major criticism is the unequal and unfair expenditure through higher allocation of funds to the favored region of the political leaders - Tigray region. The business community complains that the system of taxation is aggressive and is pointed at those that do not have political connections or are not party parastatals. Some even claim that tax increases have been used as a pressure tactic of settling scores with those suspected of supporting the Opposition.

On the monetary side too, the credit policy pursued by the government is not conducive to development. The credit appropriated to the “private sector” is mostly directed to EPRDF affiliated businesses and personalities. It is limited towards those that are engaged in short term export activity and to those that construct high rise buildings in the capital city. There is no conducive credit policy that could enable private entrepreneurs interested in long-term projects get access to credit.

According to the Report on the Ethiopian Economy (REC) during the fiscal year 2004/05, the largest share of recurrent expenditure (44.2%) was on general government services followed by social services (29%) economic services (11.3%) and interest and charges (7.8%). Regarding deficit financing, the above document pointed out that the total revenue of 19.9 billion birr collected during the fiscal year 2004/05 fell short of the 24.6 billion total expenditure, a total deficit of 4.7 billion Birr excluding grants and 9.2 billion birr including grants. The deficit recorded during the fiscal year was about 12% of GDP including grant. This was an increase in the deficit during the previous year (2003/04) which was about 9.6% (MoFED, 2005/06: 36).

 *Source: MoFED 2006, quoted in The World Bank, 2007. Development Finance, (p.56)(PR.5)

Appropriation for recurrent budget includes items like general services, economic services, social services, interest payment on foreign loans. Within the recurrent budget expenditure, the largest appropriation goes to general services like defense and security. In 2002/2003 out of the 38% appropriation for general services 50% was allocated for defense, which makes the percentage of GNP set aside for the defense budget to be 19%. During the previous regime, the rate of defense and administration outlay was on the average 7% while it has increased to 12% between 1992 and 2005 (CUD, 2005:17).

According to the Reporter (June 14/2008), for the fiscal year 2008/2009, the Ministry of Finance and Economic development (MoFED) submitted to Parliament, the government submitted a budget request of 54.3 billion ETB. (Approximately 571,578,947 USD). The budget for 2007/2008 was 44 billion ETB. The paper further indicated that in the government's budget request for 2008/2009 fiscal year, the defense budget shows an increase of 500 million ETB and the security budget was increased by 147 million ETB, as compared to the previous year. This is being done while the country was facing a serious draught with close to six million people starving, needing emergency relief assistance. The government's Disaster Prevention and Preparedness Agency (DPPA) has issued an official appeal to donors for food aid shipments, according to a press release put out by the agency at the beginning of June 2009.

In 1999/2000 the government got a loan of 5.5 billion birr from domestic banks. In 2001/2002, it took 723 million birr from domestic banks. The reduction in the credit from domestic sources does not show a decrease in the budget deficit. The budget deficit is being covered by foreign debt. As a consequence, the country's debt burden is increasing. According to the CUD Election Manifesto, the educational budget of 1973/74 accounted for 17% of the national budget. The 1997 share was 10.8%. In the period between 1997/98 and 2002/3, the educational share of the national budget was 8.8% minimum and 13.6% maximum. In the same period, the educational share of the budget was 9.5% minimum and 18.5% maximum. 50% of the educational budget is dependent on external credit and aid (CUD, 1997: 59). The illiteracy rate of Ethiopians above 15 years of age stood 93% during the Imperial era, 37% during the previous military regime and 70% under the current EPRDF regime. In 2005, only 12% of Ethiopia's secondary school age children have a chance to go to high school. Some 99% of high school graduates do not gain access to university (CUD 1997: 53-59).

The health situation of Ethiopia is also very bleak. In 2005, the doctor to patient ratio was 1:35,000 and that of hospital bed 1:4140. In contrast, the Kenyan doctor to patient ratio is 1:27,000 and that of hospital bed was 1:602 patients. Sudan's doctor to patient ratio is 1:9548 and that of hospital bed is 1:476 (CUD, 1997: 61).

With regards to clean water service delivery, in 2005 only 22% of Ethiopians were beneficiaries of clean water service of which 77% are in the urban and 13% in the rural. Speaking of sanitary services, in 2005, only 15% of the Ethiopian people use latrines of which 58% are urban and 6% rural dwellers. Ethiopia's water and sanitation consumption rates are among the lowest in the world, with almost half the

rural population having to travel 1-4 kilometers to the nearest water source (*Capital Newspaper*, Nov. 27/2007).

In 2007, Ethiopia's road network was one of the lowest in Sub Saharan Africa with only 29,571 kms of all weather road as compared to Kenya's 63,942 km. In 2009 only 54% of the roads in the country were in good condition (EEA, Conference Paper on Road Sector Development, 2010: 13).

Regarding energy use, 94% of Ethiopians rely on traditional sources such as fire wood, animal dung and agricultural waste while the consumption of hydro electric and hydro carbon based energy accounts to only 6%. Based on a 2000 data, Ethiopia's electricity consumption (per million kwh) was 22.2, while that of Kenya was 129.5 and that of Egypt was 861.1 (CUD, 1997: p.62).

According to the Report on the Ethiopian Economy, in the ten years between 1992/93 and 2001/2003, compared to licensed investment projects, the number of projects that have moved from the stage of certification to that of development is only 29%. Since 2001/02, the number of projects submitted by local investors shows an increase while at the same time the amount of capital shows a tendency to decrease. This is the result of the lack of a conducive policy environment for local investment (EEA, 2005/06:19).

With regard to foreign investment, the situation is not encouraging. Despite the fact that the investment law is being improved repeatedly, the result the country has achieved in attracting foreign investment is low. For the years between 1995 to 1998 for sub-Saharan African countries, the share of direct foreign investment as a portion of total fixed investment was 10%, while that of Ethiopia was only 0.9% (CUD, 2005:19).

If the economy cannot attract foreign direct investment, it cannot be possible to expand export, realize business knowledge and technology transfer and to create employment. According to the Annual Report on the Ethiopian Economy, out of the total previously approved projects only 178, with a capital of Birr 3 billion were able to create about 13,119 permanent and 14,202 temporary employees. About 73% of the projects with a capital share of 39% were implemented by domestic firms while 26% of the projects with a capital share of 61% were implemented by foreign firms (MoFED, 2005/06: 21).

Foreign direct investment inflows to Ethiopia has been relatively small as compared to selected countries in Africa. Enadin (2008:27-28) quoting the 2006 UNCTAD Report, indicated that the FDI of Ethiopia was USD 205 million in 2006 compared to the figure of USD 5.3 billion for Egypt, USD 5.2 billion for South Africa and USD 2 billion for Nigeria.

The other major problem the Ethiopian economy has been experiencing is the imbalance between export and import. The major aspect of Ethiopia's problems with its terms of trade is that, the country's export has for the last 30 to 40 years mainly depended on one major export item i.e. coffee, and that the countries that accept its major export items are themselves limited. (Germany and Italy in Europe, Japan and Saudi Arabia in Asia). In the last 40 years, the capacity of our export revenue to cover the cost of

products and services imported was not more than 30%. The country is getting most of its foreign exchange mostly from foreign debt and aid and not from her export earnings. During the previous regime, the share of Ethiopia's balance of trade to that of Gross National Product was only 6% while currently this figure has gone up to 25% (CUD, 2005: 21-22).

Budget deficits have become a norm in Ethiopia, accepted even with the massive aid packages given to the country from donor countries. One of the contributing factors to the budget and huge balance of trade deficits is both the increase in the volume and price of imported oil. According to *Fortune* newspaper (Nov. 25/2007), Ethiopia's national oil expenditure which was 300 million dollars in 2003/2004, shot up to 700 million dollars in 2005/2006. In 2007 Ethiopia imported one billion dollars worth of petroleum products, which ate up 87% of the country's foreign exchange reserves.

According to the Annual Report published by the National Bank of Ethiopia, (NBE), Ethiopia's terms of trade imbalance has been on the rise in recent years. In 2007/08, Ethiopia's export in 2007/08 fetched USD 1,465.7 million while the country's import bill for the same year was USD 6,810.5. This is a negative balance of USD 5,344.8 million USD (National Bank of Ethiopia, Annual Report 2007/08 page 83).

In 2007/08, the overall balance of payments shows a deficit of USD 263.3 million. The trade deficit widened from 20.8 percent of GDP in the preceding fiscal year to 23.8 percent in 2007/08, as imports jumped by 32.8% off setting a 23.7% increase in export earnings. As a result of the widening trade deficit and decline in net services (16.3 percent), the current account deficit (including official transfers) went up to USD 1,479.8 million (6.6 percent of GDP) compared to USD 782.9 million (4 percent of GDP) in the previous fiscal year (NBE, Annual Report 2007/08: 83).

It is obvious from the above figures that the ever increasing foreign trade imbalance is bound to affect the country's foreign exchange reserves and of its capacity to cover essential expenditure. It will depreciate the value of the birr vis-à-vis the currencies of its trade partners and also result in increasing the rate of inflation.

According to the paper prepared by the Ethiopian Economic Policy Research Institute (EEPRI)

The balance of trade has shown an improvement in the year 2001/02 after long years of deterioration, 85% of the reasons for the improvement of the situation were factors related to foreign credit, foreign aid, extension of debt repayment and debt cancellation support....Unless a policy is devised that can tie-up the country's export and import trade balance reserve capacity to the country's export revenue and reduce their dependence to foreign debt and aid, the problem will continue to intensify (EEPRI, 2005: 23).

The high level of donor support to Ethiopia after 2000/01, when Ethiopia ended the war with Eritrea, pushed the national reserve to an historic high of nearly USD 1.5 billion in 2004, equivalent to a healthy five months of goods and services imports. However, reserves weakened from mid 2005 onwards, reaching USD 756 million in November 2006, because of rising imports and reduced donor inflows following the May 2005 election related unrest (Endin 2008: 30).

A report by EEPRI, quoting a document by the Organization for Economic Co-operation and Development (OECD) indicated that development aid to Ethiopia from the U.S, U.K, the World Bank and other donors which was USD 1.9 billion in 2005 rose to USD 3.3 billion in 2008 (EEPRI, 2009:11). Of the total bilateral assistance (grant + credit) given to Ethiopia in 2009/10, which is 19.7 billion Birr, 8.58 billion Birr was in grant and 11.12 billion Birr was in credit. Out of this, China gave 203 million Birr in grant and 10.9 billion Birr in credit. Making China the number one creditor to Ethiopia in 2009/10. Reading between the lines, this MoFED's report indicates that the rate of interest on the credit from the West is, in most cases, below the commercial rate, while interest on Chinese loans is given on a commercial basis (MoFED report, cited in The Reporter, September 29/2010).

Table 13: External Debt

(US\$ m unless otherwise indicated)

	2002/03	2003/04	2004/05	2005/06	2007/08
Multilateral debt ¹	4,274	4,680	4,881	4,885	2,301
Bilateral debt ¹	2,431	2,448	788	797	175.1
Other	77	73	353	354	212.2
Total	6,782	7,201	6,022	6,036	2,688.3 ²

¹ Ethiopian Fiscal year ends on July 7th

1 Refers to public sector external debt

3. The exchange rate prevailing at the end of Nov. 2007, 1USD = 9.15 Birr

Source: Ministry of Finance and Economic Development (MoFED), Statistical Bulletin, No. 1. 2008, Addis Ababa p.21 (PR.S)

NOTE: The exchange rate during the first quarter of 2010 was 1USD = 13.95 birr, while the convertibility of the birr to euro is one euro = 17.28 birr

4.5 Economic Management

When the current government took power in May of 1991, its economic development strategy objective was to build a market economic system which focused on alleviating the country from food dependency and pull out a large section of the country's population from poverty. Accordingly, the main theme of its development strategy was referred to as "Sustainable Development and Poverty Reduction Program (SDPRP)*.

The first phase of the Economic Reform Program (1992/97-1994/95) focused on economic stabilization and reforms in the financial, public enterprises and civil service. The second phase of the Economic Reform Program (1994/95-1996/97) initiated the agricultural development strategy which was referred to as The Agricultural Development Led Industrialization (ADLI). In 1996, Ethiopia entered a 3 year Enhanced Structural Adjustment Facility (ESAF) program with the IMF for the stated objectives of: maintaining financial stability, deregulating the economy and liberalization of the trade and exchange rate

* 1. The Policy Framework Paper: Government of Ethiopia in Collaboration with the IMF and the WB, 1998, pp vii-xv

systems. The second ESAF (1998/99-2000/01) objectives were said to be: reforms enhancing the efficient use of resources; increasing the role of markets and the private sector in the economy and strengthening the legal and regulatory framework of the country (Cited in the policy Framework paper, 1998: vii-xv).

The above is on paper. The economic reality is however different. Living aside the traditional peasant economy which sustains well over 80% of the population of the country, there are three main actors and one minor one within the modern sector of economy. These are the state, the EPRDF economic empire under the holding conglomerate called EFFORT, the Ethio – Saudi Al-Amudi family holding conglomerate called Midroc – Ethiopia and private capital. The last one is a minor player in the Ethiopian economy (Assefa Negash 1996: 3). The term traditional economy refers to the part of the country's economy the main characteristic of which is subsistence agriculture, a relatively small percentage of output of which is directed for the market. In the modern sector of the economy, on the other hand, all production is for the market.

Until the change of government in May 28, 1991, private business in Ethiopia could only operate on a limited scale and only in the service sectors of the economy. Since taking power, the Ethiopian People's Revolutionary Democratic Front/EPRDF has declared itself to be fully committed to introducing a market economy. Indeed, since then the EPRDF-led government has abolished most of the previous legislation restricting market economy and private business. Although a substantial number of enterprises nationalized by the previous regime are still owned by the state and run by the government as public enterprises, some have been privatized. State ownership of enterprises, is concentrated on certain strategic sectors such as air transportation, railway, energy, mining, chemical industry, utilities such as telecommunication, electricity and water, insurance and banking, in most cases parallel to and not exclusive of private ownership. One result of the ongoing liberalization of the economy since May 1991 is the rapidly growing number of non-government, or more precisely, party owned enterprises emerging in Ethiopia (EEA, Report on the Ethiopian Economy 2008: 7).

However, a closer look at the developments of the past seventeen years, reveals that behind the apparent privatization and ownership diversification of ever increasing sectors of the Ethiopian economy, two huge conglomerates have emerged which already control a considerable and, more important, strategic share of the non-governmental sector of the Ethiopian economy. The term non-governmental sector is here preferred to private sector, as the largest and fastest growing of these conglomerates actually is not controlled by private (individual) businesspersons but rather by member organizations of the ruling party - EPRDF whose dominant force, the Tigray Peoples Liberation Front/TPLF, is also leading in this regard.

Against the liberalization policies of the IMF and WB, the EPRDF regime has continued to own and run public enterprises. Currently party parastatals are engaged in agriculture, mining, industry, trade, construction, transport, finance and service activities. (find the list of party parastatals in Annex 2)This behavior of the regime, has strangled the development of the private sector in Ethiopia.

The other conglomerate is controlled by the Ethio-Saudi Al-Amudi-family which according to sources* has access to Saudi government capital to finance its investments in Ethiopia. In contrast to the business empires of Al-Amudi and the EPRDF, the companies of the genuinely Ethiopian private sector have experienced by far lesser growth. Nevertheless, also in this sector of the Ethiopian economy, a number of loosely structured business groupings have emerged. Their component companies are tied to each other not so much by tight centralized control but rather by inter linkages of shareholders and executive officers (Anonymous Document, 1996: 50-58).

Particularly the para-partals of the EPRDF seriously undermine the chances of the genuine private sector to develop as they enjoy the full patronage of the ruling party - the EPRDF and the state that it controls. They are able to freely operate through its control of the government at all levels of the state by diverting contracts, credit facilities and other economic opportunities to them. The unfair advantages the EPRPF enterprises are enjoying over their private competitors enable the former to accumulate capital for further growth, much more rapidly than the latter. If the current trends continue unabashed, it is feared that more and more of the most profitable areas of production, services, trade, transport and real estate will come under the hegemony of EPRDF-controlled companies (Assefa Negash 1996:15 see also Vestal 1999: 178).

When the current EPRDF government came to power in 1991, its declared economic policy orientation was to undertake a transition from the earlier system of command economy and effect a transition towards market economy. The Ethiopian Privatization Agency (EPA) was established as an autonomous agency in February of 1994. In accordance with proclamation No. 110/1995 and its amendment proclamation No. 193/2000, the agency is accountable to the Ministry of Trade and Industry.

However, five permanent board members of EPA were designated by Prime Minister Meles Zenawi and the agency directly reports to the Prime Minister in all matters. With the Prime Minister at the helm of the EPA, the agency created a powerful ethnic empire under the “phony” name of privatization, and transformed the formerly state-owned public enterprises into party owned monopolies. This illegal process paralyzed the movement of private capital, and as a result, at present, the Ethiopian private sector is dominated by small and fragmented service oriented enterprises (Ethiopian Review 2007: 9).

Sheik Mehamed Al-Amudi and his brothers Abdella, Seid, and Hassen are all said to be the sons of a humble Saudi businessmen from an Ethiopian women from Weldiya, in Ethiopia’s remote Wollo province. All brothers seem to have lived quite inconspicuously in Weldiya and surroundings until the end of the 1980s. It appears that Sheik Al-Amudi, was a medium-scale trader in Weldiya who did not seem to benefit

* The source of information for section 3.2.2.1 is obtained from *Ethiopian non-governmental business. A preliminary survey of EPRDF members organizations & The Al-Amudi Family*, September 1996, Anonymous Document (pp 8-56)and also from *The Pillage of Ethiopia*, 1996; (PR.S)

much from his Saudi family relationships. Whereas it seems that at an unknown date Sheik Al-Amudi has taken on the Saudi citizenship of his father, his brothers have still got Ethiopian citizenship. (Anonymous Document, 1996: 5)

At first, in association with a few Ethiopian business partners and more recently relying more on his brothers and his cousins (or aunt), he created a wide range of new companies and also bought up already existing state-owned ones which were auctioned off by the government. Within a few years he thus created a business empire with more than 50 large groups of enterprises in all of the major sectors of the economy (Assefa Negash, 1996:11).

Sheik Al-Amudi also has extensive business interests outside Ethiopia. According to the Anonymous Document (1996:7-8), in 1995 he was allegedly said to have bought a major part of the Swedish ABV ROCK, which he reorganized as MIDROC Scandinavia AB (MIDROC stands for Mohamed International Development and Research Orientated Company). The new company then proceeded to open a regular branch office within Ethiopia and a separate daughter company named MIDROC-Ethiopia. The latter is explicitly meant to become the Head Office for all Al-Amudi controlled companies inside Ethiopia. These developments were preceded by the dissolution of some of the partnerships with Ethiopian businessmen whose shares were then redistributed among his brothers and his cousins (aunts). All companies of the Al-Amudi business empire are linked to each other by a set of shareholders from the clan itself as well as some Ethiopian business partners. The aggregate share of the companies directly controlled by the Al-Amudi clan is estimated to have a value of approximately three billion Eth. Birr (*Capital* newspaper, January 5/08).

The spectacular rise of Sheik Al-Amudi and his family members within the Ethiopian economy was clearly facilitated by the external funding sources he obviously had access to. Particularly, if it is true that Saudi financial circles close to the Saudi government funded his activities in Ethiopia and for their own religious (as indicted previously) and political calculations, it is obvious that this gave the Al-Amudi group of companies a decisive advantage over Ethiopian entrepreneurs that do not enjoying such backing (as argued by Vestal (1999: 179).

According to a publication of the Ethiopian Privatization Agency from the 247 public enterprises that have been privatized from 1995 to Nov. 2007, 212 or 71% have been sold to Midroc – Ethiopia. Out of these, the biggest single sale is for the Lege Dembi gold mine, which according to the publication was sold to Midroc Ethiopia in 1996 for Birr 1.29 billion, which was roughly USD 177,000,000, at the then prevailing exchange rate. Nowhere in the world is a modern gold mine sold for such a small amount of money (EPA, 2008: 13-14)*.

* *The Ethiopian Privatization Agency, Annual Report, 2008* (PR.S).

Out of the 247 privatized public enterprises 133 (62.7%) are whole sale and retail enterprises, 55 (26%) are industries, 23 (or 11%) hotels and 21 (or 10%) agricultural enterprises. Out of the 247 privatized public enterprises 85.8% are sold to Ethiopians for Birr 890.6 million. The 14.17% enterprises sold to foreigners fetched Birr 3.41 billion. Out of the 35 public enterprises sold to foreigners 25 of them were sold to Saudi Citizens (EPA, 2007:18).

As indicated in earlier pages, the state retains complete ownership of land, both rural and urban. A comparatively large section of the manufacturing sector, a predominately large sector of finance, banking and insurance, one hundred percent of telecommunication, electricity supply and air transport is controlled by the state. Genuine private investment is involved in light manufacturing like bakery, textiles and footwear, metal and wooden furniture, medium size hotels and services and lately flower production. Even in this sector, EPRDF is moving in under the cover of private investment. The relatively 'heavier' manufacturing sector, large import/export, and wholesale trade, large scale transport 'private' banking and insurance and services with very few exceptions, is shared between TPLF/EPRDF's group of companies under EFFORT (The Endowment Fund for the Rehabilitation of Tigray) and the Ethio-Saudi al-Amudi family group of companies under the holding company, Midrock – Ethiopia (Assefa Negash, 1996: 12).

In 1978, the TPLF created the Relief Society of Tigray (REST), a financial umbrella organization of the TPLF which acted as an NGO despite headed by a TPLF Central Committee member. It collected donations from the international community and channeled it to the TPLF, playing a key role in the survival and ultimate victory of TPLF over the previous military government. After the rise of the TPLF to power in 1991, REST was formally registered with the governmental Relief & Rehabilitation Commission in Ethiopia as an NGO. As the TPLF financial backbone, it continued enjoying state protection, and the restructured organization emerged as probably the richest NGO in the continent. In the summer of 1995, about four years after it took control of state power in Ethiopia, the TPLF established a stronger peer for REST – the Endowment Fund for the Rehabilitation of Tigray (EFFORT). *Ethiopian Review* (2007:4) indicated that EFFORT started its business venture with a lofty investment volume of about one billion birr then just under US\$ 181,818,182 (In 1996 1 USD = 5.5 Birr at the then prevailing exchange rate). This amount has since then at least quadrupled (Anonymous Document, 1996: 4).

Through EFFORT, the TPLF has considerably diversified its economic activities and expanded its outreach even to foreign countries. The European financial branch of the TPLF financial empire is based in UK, where family members are trained and placed in key areas of Ethiopian financial institutions. In some cases, they are assigned to a now growing number of internationalized affiliates co-owned or owned by EFFORT, such as the Tower Trading Company (TTC), a London-based TPLF owned company mandated with money laundering (*Ethiopian Review*, 2007: 9).

According to the Anonymous Document (1996: 5), new companies continue to emerge, fully or partly owned by EFFORT through an intricate system of shares and investments. By controlling key growth areas,

EFFORT has become the soul of the country's economy: agriculture (Hiwot Mechanized Agriculture), industry (Almeda Textiles Manufacturing Sc., Mesfin Industrial Engineering SC.), import-export (Guna Trading House), transport (Trans-Ethiopia SC.), insurance (Africa Insurance SC.), mining (Meskerem Investment SC.), communications (Mega Net Corporation), banking (Wegagen Bank), just to mention a few. Clearly, TPLF's business enterprises cover numerous activities including textile, chemicals, pharmaceutical, and food industries. They also cover major service industries such as banking, insurance, transportation, printing, advertising, land developing and real estate, import/export, wholesale trade, construction, mining, leather products, and farming (Anonymous Document, 1996:11).

EFFORT is divided into several sectors directed by members of the TPLF Central Committee, like the Commissioner of Immigration for industrial activities, the Minister of Urban Development and Housing for construction and transportation, and the Minister of Health for mining. The individuals may be moved around, but no non-Tigrean is appointed to EFFORT. In fact, no non-TPLF Tigrean is appointed to the ranks of EFFORT. Strategic positions of the Federal government that generate large amounts of cash (Federal Revenue and Customs for instance) are also led by Tigreans. For example, before becoming Ambassador to China, former foreign Minister Seyoum Mesfin was chairman of the Boards of Ethiopian Air Lines, of the Muger Cement Factory, and of the Ambo Water Factory. He was also chairman of EFFORT and deputy-chairman of the TPLF at the same time. The more trusted individuals are usually offered the more strategic positions (*Ethiopian Review*: 2007:11).

Although EFFORT is strictly controlled by the TPLF, it is not the only entity owned or controlled by high-ranking TPLF officials or favored Tigrean citizens. For example, although EFFORT controls WEGAGEN Bank, the TPLF encouraged the creation of DEDEBIT Credit and Savings Institution, headquartered in Meqele (the regional capital of Tigray) and administered by the local government of Tigray. The bank has numerous financial links with other TPLF controlled businesses of the country. DEDEBIT, as an extension of Rural Credit Program, acquired a near total monopoly over credit to rural areas, mostly farmers. The financial monopoly over rural Ethiopia has serious political ramifications. In the early 2000s, the main source of the bank was interest from fertilizer. Farmers were identified, registered, and forced to make a down payment of 15% on the price for the amount of fertilizer. The Bank estimated the amount of fertilizer the farmer supposedly needed. A credit agreement was written with each farmer, and after six months, the bank collected the debt from the farmers with 15% interest. During election time for instance, peasants will not be pressed to pay back fertilizer credit. Those peasants suspected of voting for opposition parties would be hard pressed to pay their arrears or face eviction (CUD 2005:36).

Business in Tigray is completely closed to non-Tigreans, and all walks of Tigrean businesses are exclusively owned by EFFORT or the local Tigrean government. For example, the trading company GUNA has a near monopoly in sesame and incense wholesale trade in Tigray whereas TRANS Ethiopia carries all goods designated as relief. The TPLF also benefits EFFORT by ordering free transfer of funds from

government accounts, often under a bogus claim of services that TPLF institutions offered to the public. It allows free flow of goods in the name of EFFORT, without customs and taxes, but EFFORT is allowed to compete with private businesses of the country through its tentacle bureaus. Mesebo Cement factory was built with public expenditure at a cost of 1.5 billion birr, and a Textile factory in Adwa at 1.2 billion. However, the incomes from these public investments are fully controlled by the TPLF through EFFORT (*Ethiopian Review*, 2007: 7).

EFFORT also makes extensive use of the credit opportunities offered by the state-owned Commercial Bank of Ethiopia (CBE) and other financial institutions controlled by the government. The generous provision of credits by CBE to EFFORT is clearly politically influenced and based upon directives issued by the TPLF controlled government of Ethiopia. When EFFORT defaults in the payment of loans CBE provides relieving credit, obviously upon directives from the Ethiopian government. In 2003, the U.S based international accounting firm, KPMG, audited the Commercial Bank of Ethiopia (CBE) and reported a huge (> 3 billion birr) non-performing Loan (NPL's) linked to EFFORT. This means that EFFORT browed a huge amount of money which was never paid back (Abbay media: 8/13/2009). In a widely publicized case a few years ago, the Vice-Governor of CBE overruled an earlier decision by the credit department of CBE not to grant 40 million birr credit to SUR Construction, a subsidiary of EFFORT. The vise-governor was imprisoned. There is no way escaping the conclusion that the loan was made possible by political intervention from the TPLF regime. The President of the Commercial Bank of Ethiopia (CBE) Tilahun Abbay, a career banker, was imprisoned in 2001, for failing to approve a huge lone for one of the Midroc group of companies and for failing to testify against a former defense minister, who was falsely accused of corruption charges, when his real 'crime' was having a political difference with Prime Minister Meles Zenawi over Eritrea (Assefa, 1996:19).

As an almost sole beneficiary of state contracts, EFFORT's income continues to grow exponentially. *Ethiopian Review* (2007:6) maintains that during the Ethio-Eritrean war, EFFORT became the financial wing of the war. MESFIN Engineering supplied water, fuel, and vehicles. TRANS-Ethiopia supplied trucks, and SELAM Bus was in charge of transporting militia. For instance as recently as Nov.25/2007, *Fortune*, a semiprivate, English language weekly news paper, said to be clandestinely owned by EPRDF officials wrote the following:

The largest shoe factory in Ethiopia is under construction in Tigray Regional State Wukro area, with a projected investment of 264 million Birr. One of the 13 subsidiary companies of the Endowment Fund for the Rehabilitation of Tigray (EFORT), Sheba Tannery p.l.c, is undertaking the construction of the plant, hoping to begin operation in mid 2008. Sheba will finance 60% of the investment with a lone from the Development Bank of Ethiopia and will pay the remaining balance in cash.

According to a report by a private newspaper called Addis Neger(Nov24/2007), for a few years after EPRDF came to power, army uniforms ordered by the Ministry of Defense were provided by state textile factories. But when the textile factory ALMEDIA that was established in Tigray by EFFORT started its

operation this business was given to Almeida. The income from the war with Eritrea propelled these companies to powerful monopolies of the country in their respective business domains (Anonymous Document, 2007:19).

EFFORT has now become a self-contained economic state operating on the call of the official government, formally serving the personal appetite of state officials, a phenomena witnessed nowhere in the world. Its assets are protected federally, and its under-the-table contracts are enforced by the EPRDF government, which also owns EFFORT. EFFORT's groups of companies have favored access to government as well as to foreign aid contracts with profitable niches, dominating joint ventures with domestic and foreign investors. One of the strategic alliances is with Al-Amoudi's Midroc, which supplies the TPLF with millions of birr through illicit investment deals (Anonymous Document, 1996: 8).

At a financial policy level, the Financial Sector Steering Committee (FSSC) serves as an umbrella institute for justification of fund transfers, creating the legal framework for supporting even poorly performing EFFORT auxiliaries, or channeling funds to the Ethiopian People's Revolutionary Democratic Front (EPRDF) cash institutes. FSSC defines policies and strategies for banks, appoints board of directors and executives for the banks, and routinely monitors their operations. Thus, the FSSC oversees all government banks, and has full power over their activities. Prime Minister Meles Zenawi chairs this committee. It is public knowledge that he personally mandated EPRDF companies: Guna, Ambassael, Dinsho, and Wando to take over the sugar company when the plant was privatized. Interestingly Sebhat Nega (EPRDF polite bureau member) and board chairman of Guna; Bereket Simon (EPRDF polite bureau member and former Minister of Information) and board chairman of Ambassel; Girma Biru (EPRDF polite bureau member and Minister of Trade and Industry) and board chairman of Dinsho, and Kassu Eillala (EPRDF polite bureau member Minister-in-charge under the PM office overseeing several ministries) who is board chairman of Wando are members of FSSC. Some of these same individuals seat on the Board of CBE that financed these companies. As a result, all privately owned enterprises competing for the privatization of state enterprises were and are effectively shut out of the competition (*Ethiopian Review*: 2000:8).

It is now public knowledge in Ethiopia that the EFFORT companies owe billions of birr to Ethiopian banks. In fact, most of the EFFORT companies would not survive without government protection. According to *Ethiopian Review* (2007:6) CBE, the Construction and Business Bank, and the Ethiopian Development Bank collectively loaned 1.7 billion birr to EFFORT. According to insiders, the loan has not been paid to date. The 1.7 billion birr was distributed to Adigrat Pharmaceutical Factory, Adwa Textile Factory, Dashen Brewery, and Mesebo Cement Factory. These and other EFFORT or EPRDF affiliates including TESCO, Tikure Abay, Dansho Transport are constantly in deep financial crisis (*Ethiopian Review*: 2000: 19).

The monthly bulletin of the Ethiopian Economic Association, *Economic Focus* (April 1988:20) commenting on the curious phenomenon of party business in Ethiopia, wrote the following:

The party business in this country is a most bizarre phenomena. Immediately after the overthrow of Mengistu's dictatorship, the new regime accepted SAP and opted for a free market and privatization of state enterprises. At the same time, however, the party (i.e. EPRDF) businesses were made to dominate the market and effectively replace the role of the state business under Mengistu. How can there be fair competition in such state of affairs and in a country where the notion and culture of democracy is extremely weak?

Although the main focus of our analysis is the 'private' business ventures of the TPLF, it must be noted that Tigray, the TPLF home region has inequitably benefited from federal funds as well. For example, a recently (2006) published Amharic paper presented comparative welfare analysis of four Ethiopian regions: Oromia, Amhara, Southern States, and Tigray. A2001/2002 data of these regions shows that 42% of children in Tigray are fully vaccinated, whereas the percentage is – 10% for Oromia, 15% for Amhara, and 11% for Southern States. Secondary education enrollment for Tigray is about 25% (a six-fold increase in just a decade), but Oromia has 11.6%, Amhara 9%, and Southern States 11%. According to World Bank Report,* the Federal government never transferred more than 6% of the country's cash revenue to the regional states, which leaves more 94% of the federal budget to the discretion of the TPLF/EPRDF appropriation .

Table 14: Federal subsidy to Regional Governments (2004)

Region	Population	Subsidy Approved	Expended	Unutilized	Expended Assistance per capita
1.Tigray	4,220,000	81,170,000	30,235,934.19	50,764,115.50	7.6
2. Afar	1,340,000	32,150,000	13,259,728.36	18,890,271.64	9.9
3.Amhara	18,530,000	239,230,000	29,113,126.73	291,113,126.73	1.6
4.Oromya	25,820,000	187,120,000	71,579,251.44	115,540,748.10	2.8
5. Somalia	4,220,000	61,140,000	5,697,904.31	55,442,095.69	1.4
6.Benishangul	610,000	26,780,000	7,189,737.23	19,590,262.77	11.77
7.Souther State	14,490,000	136,960,000	48,334,129.75	88,625,870.30	3.34
8. Gambela	240,000	13,960,000	3,085,530.69	10,874,469.31	12.86
9.Harar	190,000	4,780,000	1,657,442.29	3,122,557.71	8.72
10.Addis Ababa	2,226,825	122,520,000	3,566,539.83	118,953,460.20	1.60
11.Dire Dawa	380,000	7,390,000	1,630,038.45	5,759,961.55	4.29
Total					

Source: MoFED. 2006 Budgetary Revenue and Expenditure for the Fiscal year 1996 (2004), Addis Ababa, p.71

In conclusion, the TPLF/EPRDF government has clearly violated international business rules and practices, and as a ruling political party, it not only owns large amounts of property and engages in industrial, financial and commercial activities whereby it places competing private sectors in a hopeless situation, but it also uses this economic dominance to incarcerate, harass, dominate, and control political opposition forces to elongate its stay in power. Current Ethiopian law decreed by the EPRDF led government prohibits political parties from owning any kind of business and from getting financial assistance from foreign sources. In establishing a huge financial and economic empire directly headed by EPRDF politburo members, it has violated its own laws (Political Parties Registration Proclamation No. 537/2008: Articles 51-53).

* World Bank, *Ethiopia Public Expenditure Review*, Nov. 30/1999, In two volumes; Vol. 1. Main Report, (p. 40); (PR.S)

Dr. Merara Gudina, a leader of an ethnic based opposition party, responding to a newspaper interview (*ABBI Weekly Ethiopia*, Nov. 28/2007) regarding party financing said the following.

... the law says political parties legally registered by the National Election Board will get financial assistance from the Ethiopian government. Up until now it is only EPRDF that is utilizing this fund.

In mid-November 2007, the Ethiopian Ambassador to Washington, in a hearing he had with the U.S Senate Foreign Relations Committee, opposed the adoption of the Bill HR 2003, which is slated to be submitted to the US senate for approval. The bill known as “The Ethiopian Democracy and Accountability Act of 2007” or otherwise known as HR 2003 has already been unanimously approved by the U.S House of Representatives at the end of September 2007. The Bill intends to promote democracy and political accountability in Ethiopia. In his appeal to the committee not to put the bill to a senate vote, the Ethiopian Ambassador to the U.S is quoted by *Fortune* newspaper (Nov. 25/07) as having said the following:

...the bill will require for example the US government provide funding for all political parties (including EPRDF) in Ethiopia and it specifies that should there be any obstacle, by any branch of the Ethiopian government to the implementation of these funding programs for Ethiopian political parties, the non-essential aid maybe sanctioned i.e. economic aid. Our law rejects foreign funding of political parties. It is illegal.

But, if the offices of opposition political parties are closed, if their active members are continuously harassed and arrested, they cannot be in a position to pay membership fees. Even if they do, it would not be sufficient for undertaking their political work. On the other hand, EPRDF, besides its huge business empire, utilizes state coffers for political purposes. The Ambassador, in his hearing ‘forgot’ to add that for political parties (which includes EPRDF) to establish business was also illegal under Ethiopian law.

In the important document that was published by the TPLF/EPRDF in June of 1993 and that was referred to earlier, the Front’s economic Goals (in Section III) and Economic strategy (Section IV pp. 36-47) have been laid out. In a sub-title entitled the role of local investors, one can see that the TPLF’s strategy in the economic sphere is to establish and use its economic power not for its own end but for translating it into political power. On this score the document reads (1993: 37-39):

By local investors we do not mean the National bourgeoisie only. There are various revolutionary democratic associations organizations and individuals who can be involved in investment... these revolutionary democratic forces should take over the role of the state and invest as one individual in those economic sectors which have no direct state influence... They should also select strategic places and in accordance with local conditions, be highly involved in rural transport, wholesale trade, import/export, rural banking/credit services, production of agricultural raw materials, manufacture of fertilizer and other modern agricultural inputs...banks, insurance companies and service cooperatives ... The state should use fiscal instruments to deny or provide incentives and create the necessary investment conditions. Most of the revenues earned by the state should come from the upper classes. This instrument allows us to encourage the growth of the targeted economic spheres and forces and destroy those that are not in line with the goals of Revolutionary Democracy. We will reduce or write-off for some years the taxes due from those forces or economic spheres which we support and pile up the burden of those we don’t support.

The seed money that was used to establish REST earlier (1978) and EFFORT (1995) was said to have been accumulated by nefarious means. Vestal enumerating the various means sites the following:

- side trucking relief food, medicine, tools machinery and equipment donated by aid agencies for the rehabilitation of the people of Tigray and selling it in the Sudan

- Robbing banks, looting property from towns, hospitals in government held areas; ambushing and confiscating Red Cross and other relief convoys
- Public property in the form of equipment machinery and vehicles that fell in its hand during the armed struggle was sold to foreign buyers (Vestal, 1999: 174-175).

The above methods were used during the armed struggle before 1991. After EPRDF assumed power and controlled the country's finance from 1991 onwards, it used fiscal and monetary means to advance its political and economic interests, in most cases, contrary to the interest of the country's development. Vestal (1999: 175) maintains:

Millions of dollars have been transferred from government treasury to the party ... Tax breaks are extended to party approved business. ... affiliated companies were extended credit at very low rates or given direct start-up capital. In virtually every sector of the economy, Nuevo converses, former revolutionary politicians have transmogrified into shareholders and managers of million dollar "private" business... In addition to the "private" EPRDF sector, the other major player in the Ethiopian economy is the largest foreign investor, the Ethio-Saudi al-Amoudi family. the family owns a holding company Midroc ... and other companies in major sectors of the economy... Although the nature of the connection between the al-Amoudi clan and the EPRDF is not publicly known, the Front has so far not hindered the growth of the family's business.

Midroc-Ethiopia has emerged as a large player in establishing new business and in purchasing privatized state enterprises, the strategic one being the Lege Dembi gold mine. This gold mine is the biggest and most modern one in Ethiopia.

Article 40 sub-article 3 of the Constitution of the Federal Democratic Republic of Ethiopia (FDRE) reads:

The right to ownership of rural and urban land, as well as of all natural resources, is exclusively vested in the state and in the peoples of Ethiopia.

Despite this categorically stated provision, the most strategic resource of the country, the gold mining enterprise which was state property during both the Imperial and Military regimes was sold to Midroc. It is widely believed in Ethiopia that the amount of gold excavated by the most modern means in the country and the amount exported are neither reported to the Ministry of Finance, which is entitled to account the sale of such a strategic commodity, nor to the Ministry of Revenue which should collect export taxes from such sales. It has become public knowledge in Ethiopia that the Midroc business 'empire' and the EPRDF party affiliated business work in collusion (cited in an article "Al Amoudi and Ethiopia's Gold; Ethiomedia, October 8/2009).

The political implications of such type of concentration of economic power in its most oligopolistic fashion in the hands of the ruling party dangerously inhibit the participation of private capital in the economy. Even though some research has been done to identify the names of the companies, the amount of capital and the sector they are involved in and so on, the researcher is not aware of any research that has been done to measure the impact of party-affiliated companies in the sector that they are involved in.

There is however, a study commissioned by the Federal Ministry of Transport and Communication RTA* which comments negatively on the impact of huge (meaning party affiliated) transport operators upon market competition. The report reads: (2000: 28)

* Road Transport Authority (RTA) Annual Publication, 2000(PR.S)

The road transport market is today almost completely deregulated [but] in fact characterized by a situation of imperfect competition... in particular in freight transport, the presence of three large conglomerates of operators... in different ways exert some oligopolistic influence in the market... Only 11 private companies have been registered after deregulation. New individual companies may be discouraged to enter the market because of the presence of share companies [meaning EPRDF companies] deriving from regional development associations [namely TESCO and Blue Nile], which could be potentially favored for public tenders. There is a rather pervasive discouragement of owners operating independently.

The minister in charge of the Ministry of Transport and Communication, himself and EPRDF polit - bureau member, must have not been informed of such a publication by one of the obscure branch authorities under the Ministry. If he had, such publication would not have seen the light of day.

The private sector, on the other hand, limited as it is to small scale manufacturing, small scale import/export and light services feels itself squeezed between three giants – the state, the party affiliated business and the Midroc group of companies. It is also menaced by cheap manufactured imports. The sector is expressing its strong dissatisfaction, through its chamber of commerce's, and is requesting government protection. The state serves party affiliated oligopolistic business and has no interest in defending small scale private business. As a result many small and medium size domestic shoes and garment producing enterprises are closing down or are in the process of doing just that. So, in effect, the Ethiopian economy, or to be more precise, its modern sector, is suffocated by the party and Midroc business conglomerates. As a matter of fact, for fear of an emerging local middle class in Ethiopia, the EPRDF government has allowed a flood of Chinese and Indians to come to Ethiopia, under the cover of foreign investors. Despite Council of Ministers Regulation No. 84/2003, on investment incentives and investment area reserved for domestic investors, it has now become common in Ethiopia to see Chinese individuals establishing small scale business like clinics, restaurants, retail trade, small scale farms with oil extracting machines and the like. Such types of business are, in accordance with the regulation cited above, reserved only for Ethiopian nationals.

Even in sectors requiring larger amount of foreign investment, 'foreign investors' are not really bringing in foreign investment into Ethiopia. What they do is they bring in outdated equipment and by fraudulent means, get it estimated to cover the 30% equity required to get a 70% loan from the Development Bank of Ethiopia. This practice is especially rampant in the recently expanding flower business (The Reporter, August 4/2010).

4.6 The Banking Sector

The other crucial sector of the economy is finance and its associated banking system. The change that the TPLF/EPRDF regime has introduced in the banking sector, while fulfilling its strategic objective, is bound to cause long-term financial and economic instability. The current government has placed virtually no restriction in controlling ownership of a bank. It has allowed non-financial companies to own financial

institutions, creating a fertile ground for financial abuse and instability. Disregarding sound economics in favor of ethnic entitlement, the current regime has made itself owner of various banks and insurance companies, violating its own proclamation that prohibit political parties from owning companies. In line with its ethnic politics, the government encourages the formation of ethnic banks owned by EPRDF, and managed by EPRDF affiliated ethnic party and mass organization. Accordingly, banks and credit associations have been established by the Oromo, Amhara, Tigree ethnic groups and the Southern 'nations and nationalities' of Ethiopia.

The regime's banking policy, like its other economic policies, is conceived, formulated, and implemented with only one objective: the enrichment of TPLF's supporters, cadres, and leaders. The regime has extensively used Ethiopia's banking system to establish its own companies, to facilitate the transfer of wealth to supporters of EPRDF and to stash away money obtained thorough fraud, bribes, and embezzlement in foreign bank accounts (Ethiopian Register, August 1997).

Unsatisfied with exploiting the existing public banks to conduct these illegal activities, the TPLF has now embarked on creating its own private banks. During 1996, it undertook the necessary preparatory work to create favorable conditions for its entry into the banking sector by amending the banking laws and regulations, by transferring key personnel, funds, and physical assets from the public banks to its newly created banks; and by rounding up minor players. And on April 26, 1997, with much fanfare, it announced the creation of the largest "private" bank – Wegagen—with a working capital of Birr 60,000 million (Anonymous Document, 1996:7).

Under normal circumstances of national governance, the increase in the number of banks, the expansion of the banking system, and the introduction of regulatory changes – the liberalization of the financial system, could reduce the costs of banking, encourage savings, attract investible funds, and thus stimulate economic growth. Financial liberalization also promotes financial intermediation, social equity, economic efficiency, the diversification of ownership. It is for these reasons that multinational institutions such as the International Monetary Fund (IMF) and the World Bank advocate the virtues of financial liberalization. This regime, however, has formulated the objectives of financial liberalization, as it did with the other structural adjustment programs, for three purposes: (1) as a "proof" of its compliance with the recommendations of the international lending institutions and Western donor countries to obtain further loans, (2) as a Western-sanctioned economic weapon to attack non-Tigrayans, and (3) as an instrument to enrich its supporters, cadres, and leaders (Ethop Newspaper, No.5, March 2003).

For a regime whose primary objective is ethnic development, not national development, none of the broadly accepted objectives of financial liberalization are particularly relevant. In implementing its financial liberalization policy, the regime has flagrantly discriminated against non-Tigrayans. Once again, consistent with the implementation of its privatization policy, it has ignored the former owners of the private banks because they are not Tigrayans. A national government that abides by the rule of law and treats its citizens

equally and equitably would have addressed, at least partially, the legitimate interests and concerns of the former owners by returning their banks or by compensating them fairly. Any of these measures would have righted somewhat the injustice committed by the Derg and would have harnessed the invaluable banking expertise of these individuals for the benefit of the country as a whole. But decency, equity, justice, and national interests are things alien to this regime. EPRDF's, political as well as economic rational is ethnic and not national in its nature.

The creation of Wegagen heralds the sophistication in the TPLF's methods of plundering Ethiopia's resources. Since it is much easier and less visible to transfer "liquid" cash than transport electric generators, hospital beds, or construction equipment to Tigray, the TPLF's ownership of the bank and other financial intermediaries will intensify, at a more sophisticated level, its exploitation of Ethiopia's resources. Individuals and businesses in the rest of Ethiopia will be bureaucratically "encouraged" and politically coerced to deposit their savings with Wegagen, while the funds so collected will be lent to Tigrayan merchants and to projects in Tigray. The bank will extend loans strictly on the basis of ethnic worthiness, as opposed to credit worthiness, the risk of default, or the viability of projects. Discriminating along ethnic lines, the bank could charge lower administrative "fees", distribute larger amounts of foreign currency, and provide higher levels of overdraft protection to its ethnic clientele. The establishment of Wegagen Bank and lately Lion Bank, because of the total commitment to its most preferred ethnic customers, will escalate the transfer of wealth to Tigrayans and strengthen Tigrayan control of the economy. By allowing Wegagen to buy Ethiopia's foreign exchange reserves, the TPLF is engaged in a thinly disguised form of looting... and of stashing away money to foreign bank accounts (see Annex 3 for details see also Ethiopian Register, August, 1997).

Under this regime, corruption, the unethical conduct of government and business affairs for personal gains, arises not from the ethical and moral failings of individuals but rather from the leadership's inimical attitude towards Ethiopia. Corruption is not a moral aberration; it is a deliberate political act. Just as the regime justifies its disproportional allocation of development funds to Tigray as war reparation, it rationalizes corruption as a form of collective punishment against non-Tigrayans; embezzlement as a form of economic restitution "for past wrongs". It also promotes, if not explicitly, at least tacitly, corruption by its non-Tigrayan collaborators as a means of co-opting and controlling them.

The regime has imposed ethnic banking on the Ethiopian people, much as it has inflicted on them ethnic parties controlled by the TPLF. Under EPRDF, non-financial companies are allowed to own banks. In such an arrangement, the potential for financial abuse is enormous. When a company owns a bank, it is tempted to transfer funds from the bank to its own coffers, to discourage the bank from lending to its competitors, or to undertake risky, unprofitable projects. The fate of the bank hinges on that of the company; if the company experiences financial difficulty, so will the bank, with negative repercussions in the financial and non-financial sectors of the economy.

The dangers are even more ominous when a bank is owned and operated by a political party. Since the bank will make banking decisions not on the basis of economic calculations but on political considerations. As a bank owned by a governing party that is operating under a corrupt judicial system and an equally corrupt bank inspection system, it enjoys unlimited access to Ethiopia's domestic and foreign currency. For the TPLF, the economic benefits of operating its own banks are enormous; for the Ethiopian people, the social and economic costs even more devastating. The EPRDF's ownership of such financial institutions will intensify the exploitation of Ethiopia's resources (Assefa Negash, 1996:27).

4.7 EPRDF's Policy on Land

4.7.1 The Policy Issues

For the purpose of domestic public and international consumption, EPRDF loudly proclaims the virtues of economic liberalization and private property rights. It proclaims that it stands in defense of the free market and works towards the privatization of state owned enterprises. Almost 80-85 percent of the population earns its living from rural land and agriculture accounts for over half of the country's domestic product and 85 percent of export earnings. However, under EPRDF's economic strategy referred to as "Rural Centered Agricultural led Industrial Development strategy", land is used by the state, not as an economic resource, but as a political instrument.

Article 40 sub-article 3 of the Constitution reads:

... Land is a common property of the Nations, Nationalities and Peoples of Ethiopia and shall not be subject to sale or to other means of exchange.

As sole owner of land, the state, fully controlled by EPRDF, parcels out and engages in periodic distribution and redistribution of rural land to secure the political support and allegiance of the peasantry. It is no wonder that usually land redistribution is programmed to take effect around election time.

As was presented in the previous chapter, without a growth in both agricultural output and agricultural productivity, backward economies such as Ethiopia, cannot attain sustainable economic growth and development. Berhanu (2004:314) writing about the problems of Ethiopia's agrarian system, maintains:

... inexorable demographic pressure and a stagnating non-agricultural sector have resulted in a significant decline in the land-to-man ratio. According to the national agricultural survey, cropland per person has declined by 40% over the past forty years. The obvious suspect, rapid population growth – is a correlate of poverty that should not be confused as a primary cause of underdevelopment... Some three-fourths of peasants express insecurity of tenure as signified by their expectation that they will not be able to maintain current holding levels longer than the next few years (EEA 2002). The pre-reform (pre 1975) insecurity arising from multiple and perpetual claims over kinship land or eviction from rented land has [now] been replaced by insecurity from non-ownership, and the threats of periodic redistribution by the authorities for political or demographic reasons.

Berhanu contends that in present day Ethiopia, income insecurity has increased along with income inequality. In 2000, the Gini Coefficient for rural areas was 0.26, while the index for urban areas stood at

0.38. Berhanu claims that a combination of erratic weather conditions in a wholly rain-fed farming system and parasitism by “a rent-dissipating political elite” have contributed to a deep seated insecurity of net income in Ethiopia’s agricultural sector, with a resultant effect of not being able to realize the structural transformation of the agricultural sector in particular and the economy in general (Berhanu, 2004: 324).

According to the Annual Report on the Ethiopian Economy, about 88% of the active population lives in the rural areas while the remaining 12% lives in urban areas. The same report describing the lack of structural transformation in the economy indicated that about 90% of the employed labor force is producing only about 47% of GDP. Peasant agriculture, the predominant form of agriculture in Ethiopia is rain-fed agriculture and hence fully nature dependent and drought prone (EEA, 2009: 10-11).

The agricultural sector contributes about 50% to total GDP, generates about 90% of export earnings and supplies about 70% of the country’s raw material requirements for industry that are agro-based. Out of the total land suitable for agriculture, the cultivated land is estimated to be 16.5 million hectares (22%). About 96% of the cultivated land area is under small peasant farming. For over 80% of peasants, the average per capita land holding, including grazing land is less than 1 hectare. Per Capita cultivated land holding, averages around 0.5 hectares (Enadin, 2008: 12-13). This figure becomes even lower in highly populated areas of the country. Ethiopia is using only 10.01% of its arable land (MoFED, 2006). The country has been unable to control deforestation, soil erosion, desertification and overgrazing. In 2006, Ethiopia had a population of 76,511,887 people (CSO, 2006). The overwhelming majority are young and unemployed. Even though there is no official unemployment rate, experts recon that urban youth unemployment is around 40% (EEA, 2007: 13). According to CSO, (2006:37) only 2.7% of the population is over 65 years of age. In 2010, the country’s population was estimated to be 82 million (CSO, Bulletin Dec. 2009).

Among the factors that intensify draught and famine in Ethiopia, is environmental degradation. And this has a lot to do with the improper use of land, which wastes top soil and water resources. The issue of guaranteeing food security is invariably tied up with soil and water conservation and soil fertility. This in turn is tied up with a conducive land tenure policy. This policy can be nothing less than granting the peasant complete property right to the land he tills.

Niger, the most environmentally degraded country on this planet, which is inside the Sahara desert, has, as of 1993, been showing miracles in rehabilitating degraded land and improving agricultural productivity by allowing farmers to own their land. On this score, Time Magazine has the following to say:.

In 1993 the state began allowing farmers to own, buy and sell their land. Farmers could now plan on long-term returns; years of labor on a ditch, known in Niger as a Zai, became not just socially worthwhile but personally profitable... each rescued hectare brought in annually an extra 70 USD for every person working the re-greened land, a huge boost in a country where per capita income is USD 185. Farmers who previously harvested one crop from every four sowings were now reaping each time they planted and even began buying new patches of desert to rehabilitate and expand their fields. Today Niger is one of the world’s foremost examples of a green economy. Fighting climate change in Niger is development. Trees, soil and water have been reinstated as capital. Conflict between farmers and herders in down by 80% (TIME, December 13/2010:42-43).

According to studies, the main impairment of Ethiopian agriculture is the absence of a land use policy that is based on the understanding of the importance of land as a resource of economic development (Dessaiegn, 1994: 3).

A survey that appeared on the newspaper *Fortune* (December 20, 2007), analyzing why forests are fast disappearing in Ethiopia, has the following to say:

The answer lies in the current land regime which provides a short time horizon incentive structure such that it is economically rational for farmers to cut down forests. Laying aside the under-resourced and undefined protection efforts that do exist, the fact that government owns all land in Ethiopia indirectly incites farmers to deforest in an effort to put more land under cultivation... once agricultural land becomes unproductive or scares – due to draughts, overly intensive production or population pressure – it is cheaper for a farmer to convert forest land into agricultural plots instead of investing into the maintenance of the existing land's productivity.

The government, to its credit, has been giving wide support to the peasant sector, through its extension program on the assumption that, by building manpower capacity and by fully utilizing rural labor on small peasant holding, the desired outcome would be realized. It has done a lot to increase the supply of agricultural inputs. Government expenditure on economic and social infrastructure has increased. The delivery of drinking water electricity and telephone lines to the country side has increased. So have the numbers of rural schools and health clinics. It has of late, formulated a forestry development program, if properly implemented could decrease the country's deteriorating forest resources. Despite the above positive developments, the policy of state ownership of land dogmatically pursued and implemented by EPRDF has resulted in the decreasing of agricultural productivity and the recurrence of famine in Ethiopia every now and then*.

In the last 20 years since EPRDF assumed power, the rural population, which was 80 – 85% of the country's population, still retains this percentage. The number of peasants on scattered and small size land holding has, in the last 20 years since EPRDF assumed power, increased from 45 million to 65 million (CSO, 2009: 21).

Even though the land proclamation permits peasants to rent the use right they have over their small holding, they are afraid that they will for fit their right over land if they rent it for some time. It could be assumed by corrupt local peasant association officers that they have surreptitiously sold it. Despite the fact that they know that they cannot increase their productivity, they do not want to lose their land and hence would not want to rent it. With the ever increasing number of rural population, with the average rural land holding becoming less than 1 hectare, the result has become the over parcelization of rural land holding to such an extent that the ever decreasing size of holding would lose all economic sense. At this stage, not only the relative but the absolute amount of the income of the peasant farmer would decrease. With the decrease in peasant agricultural productivity, which contributes over 90% of agricultural produce, follows the increase in food prices. Hoben concluded:

* As a result of the absence of the small rains which usually fall between the beginning of March and end of April in Ethiopia, a draught has occurred in Ethiopia in 2008 and in 2011.

There is a consensus that the current system, because it does not guarantee security of tenure and undermines incentives has detrimental effects on agricultural productivity and natural resource conservation... Current land policy does not give farmers secure rights over their land use, does not maintain equitable access to land overtime, does not provide incentives for investments in improvements or conservation, and does not encourage farmers' entrepreneurial and experimental efforts to better their lot. From a policy perspective, it does not foster agricultural intensification, improved environmental management, access to capital formation or rural development (Hoben 2000:7).

No wonder that as a result of EPRDF policy on land, more and more people in Ethiopia become vulnerable to famine with every passing year.

Nevertheless, all the efforts in this regard have not achieved their goals. Apart from the other structural weaknesses like the ever increasing population, rapidly expanding environmental degradation, underdeveloped marketing and credit system and weak infrastructure, EPRDF's policy on land militates against the attainment of increased agriculture productivity. According to Dessalegn (1994:16), a prominent Ethiopian expert on land tenure policy:

The notion that land policy should equalize everyone and discourage all forms of social differentiation within the peasant economy, a view strongly held by state [meaning EPRDF] officials and local authorities [still meaning EPRDF officials] is a static one... It is therefore, essential that reform provide the proper encouragement for the emergence and active endeavour of dynamic peasant farmers who, I believe, hold the key to the revitalization of the rural economy. At the very least, reform should remove all constraints on peasant entrepreneurial effort, including restrictions on all forms of land transaction.

4.7.2 The Politics of famine and Poverty in Ethiopia

Although wide spread famine-and famine-related deaths reminiscent of the 1974 and 1984 famine have been averted, the number of people vulnerable to famine has been unprecedented in recent years in Ethiopia, with over 6 million people needing assistance in 2003-4. A BBC World News broadcast of August 19/2009 claimed that nearly 10 million people will be needing food assistance in Ethiopia in 2009. In 2011, nearly 6 million people are estimated to be needing food assistance.

Despite changes in regimes, famine unfortunately has become Ethiopia's trade mark. It is now perfectly understood that nature's forces and unfavourable climatic conditions can not solely be responsible for famine causation. Famine implies poverty, and is a continuation of poverty. Famine is the result of poverty and cannot be understood outside of poverty. And poverty is as much a political issue as it is an economic one. That was why Amartya Sen (1999:178) asserts that "*there has never been a famine in a functioning multi-party democracy*".

Famine has become rampant in Ethiopia, not only because of natural calamities. Natural calamities take place in each and every country in the world. No-other country except Ethiopia and some sub-Saharan African countries end up being hit by famine every 5-10 years.

Using state ownership of land as a political and not economic tool is at the root cause of famine in Ethiopia. There are credible reports that the Ethiopian government, through the instrumentality of regional and local administrations has been using resources like land, food aid and agricultural inputs as political tools. There have been numerous reports that local authorities have indeed used or threatened to use, land, food aid, fertilizers and improved seeds, as political leverage, especially during election time. A report

by Human Rights Watch, which came out in October 2010, says: “*Villagers, who are often subsistence farmers, were rejected for micro-credit loans, seeds, fertilizer, food aid, if they were a member of an opposition party ... promotion in the civil service... all of these things are conditional on loyalty*” (BBC October 19/2010, quoted in Ethiopian Weekly Press Digest, October 28/2010 Vol. 18, No. 43: 8).

Using economic resources as a political weapon violates the right to food that is embodied in article 25 (1) of the Universal Declaration of Human Rights (UDHR). The UDHR is the foundation to the International Covenant on Economic, Social and Cultural Rights (ICESCR) to which Ethiopia became a state party in 1993. According to the above article in the UDHR, the state has to ensure that enough food is available but that it is also physically and economically accessible to all; in ways that are sustainable and that do not interfere with the enjoyment of other human rights.

A state should therefore respect that right to food by not interfering in their endeavor to get access to food. Freedom from hunger is a fundamental right obliging the state to ensure that its people do not starve and it is intrinsically linked with the right to life. This is an important requirement on the part of the state to maintain an environment in which people can feed themselves. Just like the previous governments, the current government of EPRDF has also failed to eradicate famine from Ethiopia. To its credit however, the current government of EPRDF has built on the previous government’s effort to organize a nationwide disaster prevention and relief agency. While the organizational structure of the agency that was formed during the previous military government was limited to cities and towns in the regions, the current government has built the necessary infrastructure that can enable its relief and rehabilitation efforts to reach the most remote corners of the country.

In the absence of civil and political rights, the government is not forced to put up a fight against famine. As a consequence, famine ceases to be the result of natural disaster or a challenge to charity and becomes a political issue. The existence of a non-democratic government seems to be, in all cases, a common denominator in all famines (Ethiopian Review, June 2008: 5).

The EPRDF regime has inherited the whole land of Ethiopia from the previous Marxist military regime and hence is in a position to control Ethiopian peasant farmers. Since all land belongs to the state, the government can take away the land that the peasant works on and can also reduce the size of the farm. Since the party parastatals are the ones that distribute all agricultural inputs, this practice has become a convenient way for the ruling party to have a political leverage over the peasantry.

As part of the deal of the Washington Consensus, the World Bank, the IMF, the WTO and Western governments give emphasis to liberalization, deregulation, privatization and the compression of domestic budgets have made the fight against famine even more difficult. UN agencies on the other hand, emphasize on social justice and human rights in addressing the issue of famine prevention.

According to (Frerichs 2003 cited in Political Perspectives 2008 Vol 2 (1): p. 19), "*what makes development aid relatively better, according to aid practitioners, is the fact that one USD given for long-term mitigation aid is assumed to be worth seven USD of emergency aid*".*

Food aid has the effect of snatching the potential 'market' from those who have produced surplus food while depressing the local food market. The better way would be to give money to the people who need food from the local market. The decline of food availability, whether by way of natural disasters or population pressures can only provide partial explanation. As it sometimes happens in Ethiopia, even when there is food available at the national level, entitlement failures in some regions can cause famine.

It has become the customary practice of the current Ethiopian government to shift the responsibility of dealing with famine to donors and their affiliated International NGOs. This is simply shunning of responsibility that have been rightly conferred on the state by international conventions like ICESCR which stipulates that freedom from hunger is a primary responsibility of the state. Politics therefore becomes a major determinant in the famine equation which led us to the issue of democracy. Even though democracy by itself is not sufficient, it will render governments accountable by imposing a heavy political cost for failed famine prevention policies (Political Perspectives 2008, Vol. (2) 1: 21-22).

4.8 Economic and Social Constraints under EPRDF

There are some encouraging results that have been achieved in the past few years. According to government mass media reports, infant mortality is said to have dropped from 141 per 1000 live births in 2000 to 123 per 1,000 in 2005, over 70% of children are now said to be in school and access to clean water has more than doubled. The government also claims that expenditure in education and health sectors has been increasing over the past ten years. If we go by absolute figures, it is true that budget appropriation to these social sectors has increased. But this has to be tied-up with the increasing requirement of the additional 15 million or so population since the previous decade. There are also critics that claim that emphasis on increasing number of schools has resulted in the deterioration of the quality of education. As presented in Figure 2, we can compare Ethiopia's social sector expenditure with the expenditure of selected Sub-Saharan African (SSA) countries. The Figure reveals that the country's expenditure is by far too low.

In the past five years, the government also has proudly incanted to the rapid expansion of the flower sector, mainly around Addis Ababa, which has added some 50,000 new jobs in the past five years and currently earns the country some USD 88 million in annual exports. This is despite the fact that the flower business is creating environmental problems to surrounding areas (Reporter, August 4/2010: 10).

Frerichs, J. 2003, 'More Aid is Now Critical for 11 Million Hungry People in Ethiopia, Agency Heads Tell Washington,' available at: <http://www.lwr.org/news/03/031903.asp> (Accessed June 2/2009)

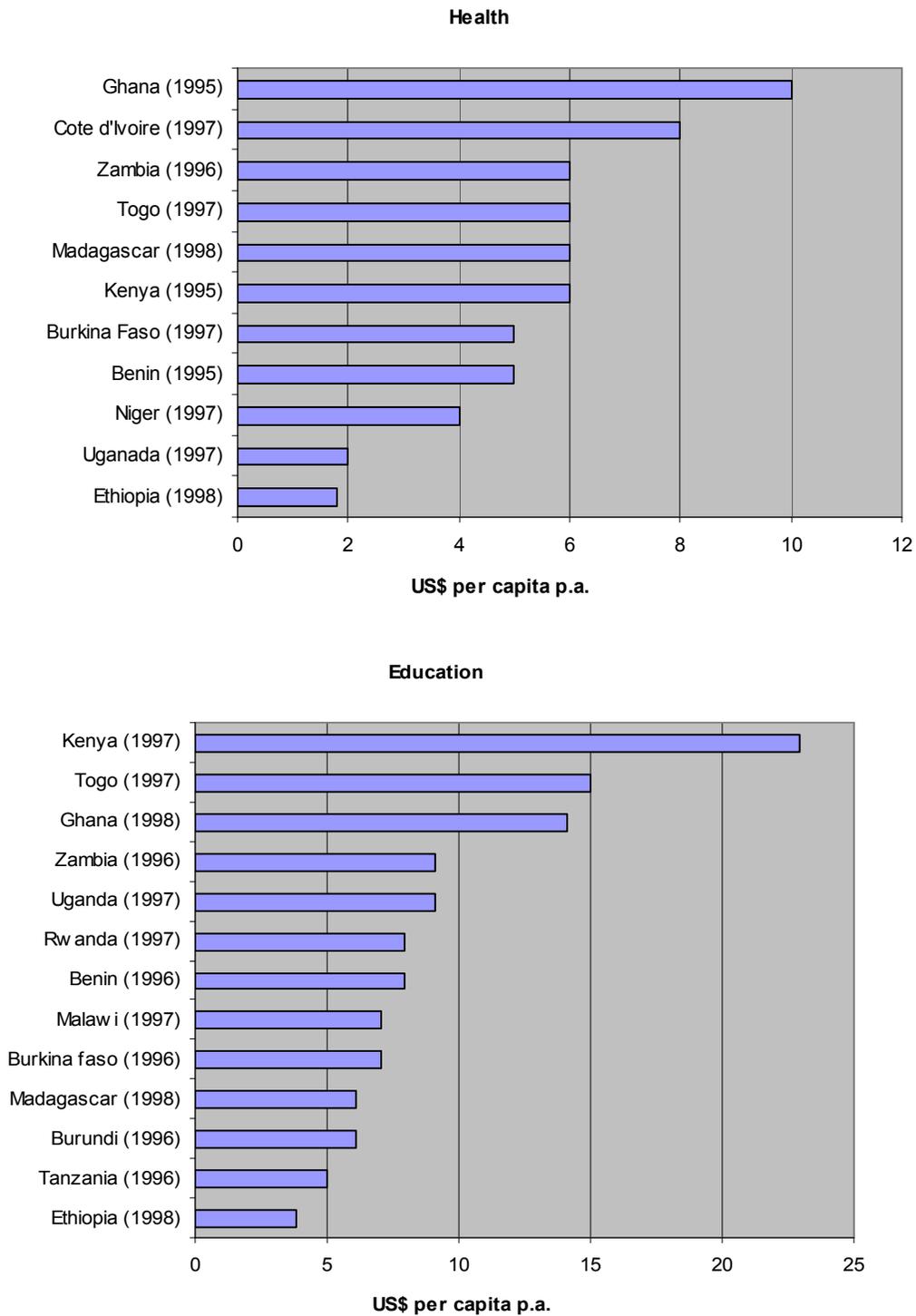
The first page of *The World Economic and Social Survey* (WESS) prepared by the UN Economic and Social Affairs Council in 2006 starts its passage with the following paragraph:

By many measures, world inequality is high and rising. The average citizen in Ethiopia (in 2006) is 35 times poorer than that of the citizen who happens to have been born in Europe or the United States of America. In 1950, the income level of an Ethiopian was one sixteenth of an average citizen of the industrialized world.

The UNCTAD Trade and Development Index (TDI) of November 6/2007, shows how countries performed in trade and development in 2006. The report puts Ethiopia on the 114, three steps down from its 11th rank in 2005. The TDI is very reflective of whether or not a country is doing well in its economic performance and its chance of reducing poverty and meeting the Millennium Development Goals. According to the report, Ethiopia lags behind the Eastern and Southern African countries like Uganda, Kenya, Rwanda, Malawi, Burundi and Zambia.*

* Data compare per capita incomes measured in purchasing power parties, according to the survey.

Figure 1:- Per Capita Spending in Social Sectors for Selected SSA Countries



Source:- World Bank Nov. 30/1999. Report N.20283-ET Ethiopia Public Expenditure Review

(In two volumes) vol. I. Main Report, p. 19

The absence of a development policy conducive to the encouragement of investment and job creation has led to an acute problem of unemployment. The national curriculum, designed by the EPRDF is highly politicized, with little or no relevance to the genuine development needs of the country. Because of the absence of a strategy designed to bring the high rate of population growth, which, is 3% per annum, the country's population has been increasing by about 2 million people a year, which is one of the fastest rates in Africa. Ethiopia's population was 38 million in 1978. In 2005 it stood at 70 million. The country's population in 2009 is estimated to be over 82 million, which currently makes it the second most populous nation in Africa and the ninth in the world. According to a recent data that came out of the office of Family Planning of Ethiopia, an Ethiopian mother gives birth to an average of six children. If this current trend continues unchecked. According to the Economist, Ethiopia is estimated to overtake Nigeria by mid-century according to (*The Economist*: Nov. 3/2007).

Unpublished data from the Ethiopian Economic Association estimate that in 2009, urban unemployment stands at the staggering rate of 40%. The Ministry of Social Affairs (MSA) publication puts the rate of urbanization in Ethiopia in 2007 at 16.2% while the figure for the rest of sub-Saharan Africa was 38% (MSA, Annual Publication, 2007: 78).

Income inequality is dangerously high and continues to rise. Unemployment has for decades been high and will continue to increase as a result of the current global economic and financial crisis, with its concomitant negative effect on the country's economy. The high rate of fiscal deficit (estimated to be around 8.4% of GDP in 2009) is bound to decrease social provisions, even further. Social provisions have been at an extremely low level for a very long time.

The scale of poverty in Ethiopia is also astounding. A paper presented to a conference co-sponsored by UNDP and the Ethiopian Economic Association under the theme 'Ethiopia's fate after one generation', indicated that Ethiopia's annual per capita income in 2004 was USD 100(123 USD according to MoFED) while that of Africa as a whole was an average of USD 800. Various studies have demonstrated that 50 out of 100 groups of Ethiopians are below the poverty line (UNDP, 2005: 12).

The same paper (2005:13) stated:

Some forty to fifty years ago, 35% of the peoples of East and South Asian nations were in a state of absolute poverty. Within a span of just 20 years, they were able to reduce the percentage point down to 10%, while that of Ethiopia increased. Supposing we made a progress pressing ahead at a rate similar to theirs, it would have easily taken us 40 years to reduce our poverty level to 35%, the level they had been at twenty years ago. A plan to improve the condition of the absolute poor in a lesser time span would call for a steady growth rate of 8% per annum for at least twenty years and the creation of at least one million new jobs every year.

A study presented to a symposium sponsored by the Ethiopian Economic Association in (2007: 25) maintained that food accounted for 60% of the nation's expenditure for consumption items. The percentage point is even more for the rural population. The study paper quoting a WHO (2001) recommendation,

indicated that the average daily calorie consumption should be 2000 per day while the existing Ethiopian average is no more than 954 calories a day (EEA, 2007: 25).

The above cited study paper also pointed out that the figure for the availability of communication facilities were as follows: Telephone lines – 3 per 1000 population; TV sets 6 per 1000 population; radios – 196 per 1000 population; mobile telephones a negligible fraction of one per 1000 population while the average figure for Africa was 18, 59, 214 and 14, respectively. The paper quoting a UNDP data for the same year showed that Ethiopia registered the least achievement in the fight against illiteracy, child malnourishment, housing shortage and in the provision of sanitary services. Further, the study paper indicated that the 1998 mortality rate for under one year and below five year children was 173 and 107 per 1000 children respectively while the corresponding figure for sub-Saharan African countries is 152 and 92. Under nourishment among children, below five years of age is 48%, the highest in sub-Saharan Africa (EEA, 2007: 31, 35, 36).

Successive UNDP Human Development Reports on Ethiopia since 1991 have shown that the Ethiopian performances in Human Development Index (HDI) has been in a steady decline. In 1991, when EPRDF assumed power, Ethiopia ranked 138 in the world in HDI. In 2003 and 2004, Ethiopia's rank in the 175 nation world was 170 and 169, respectively. According to UNDP's Human Development Report (HDR), Ethiopia's Human Development Index (HDI) is 0.406 which is much less than the average for developing countries 0.691 and Sub-Saharan Africa's 0.493. HDI provides a composite measure of three dimensions of human development: a long healthy life (measured by life expectancy), education (measured by adult literacy and enrolment at the primary, secondary and tertiary levels) and the standard of living (measured by purchasing power parity, (PPP). In terms of HDI, the 2007/2008 UNDP – HDR ranks Ethiopia 169 of out 177 countries, a clear indication of the level of underdevelopment. The report rounds out the bottom 10 in descending order – Congo, Ethiopia, Chad, Central African Republic, Mozambique, Mali, Niger, Guinea Bissau, Burkina Faso, Sierra Leone. In rich countries, the mortality rate of children under age 5 is 7 deaths per 1000 and in poor countries the average is 84 deaths per 1000. In Sub-Saharan Africa it is 162 deaths per 1000 while in Ethiopia it is 166 deaths per 1000 (UNDP, 2007: 41).

The macro-economic policies adopted by the EPRDF government are either imposed by International Financial Institutions (such as SAP which was followed by the government between 1996 and 2010) or when they are autonomously designed, turn out to be influenced by the political interests of the ruling party. Environmentally sound and sustainable policies are unfamiliar among government policy makers. In a country where rainfall patterns are getting sporadic, the country's energy policy heavily relies on hydropower. Solar, wind and geothermal energy do not get the serious attention of the policy makers.

1. Ethiopia: Statistical Abstract 2008. FDRE – Central Statistical Agency (CSA), p.58

In the absence of a structural change within the economy, Ethiopia's agricultural sector has remained subsistence and rain-dependent. Since time immemorial, the typical Ethiopian farmer has struggled with the natural rhythm of the rainfall. This underdeveloped nature of the Ethiopian economy is depicted by the fact that in 2008 agriculture accounts for over 45% of the country's Gross Domestic Product (GDP), about 90% of exports and about 85% of the labor force.

Agriculture's dependence on rain, the refusal of the current government to undertake serious agrarian reform are the biggest obstacles standing on the way of Ethiopia's economic development. This is despite the fact that the incumbent government has been undertaking continuous efforts to effect operational changes in the sector.

There have been huge increases in the amount of fertilizer, pesticides, herbicides and other inputs used. There have also been increases in the availability of credit to the peasant agricultural sector including the newly introduced cooperative marketing and agricultural commodity exchange systems. But these operational changes did not lead to structural changes. The dilemma seems to be treating the symptom rather than the disease. What the agricultural sector needs is irrigation technology that have an impact on the structure of the farming system. But this requires land reform which the "revolutionary democratic" regime is adamantly refusing to undertake.

In 2009, the country has been faced by a serious power shortage which has crippled the industrial sector, which even before the energy crisis was only contributing 13%¹ of GDP and employing around 8% of the labor force. The Ethiopian industrial sector is so underdeveloped that the 2009 UNIDO Report² ranks Ethiopia's industrial competitiveness index as the last among the world's countries.

The country's serious energy crisis, with power cuts occurring every other day from 2009 up to June 2011, goes to indicate that Ethiopia's total reliance on hydropower need to be changed and that it needs to diversify its power sources with wind, solar, geothermal, and other alternative energy sources. As things stand now, with power shortages continuing into 2011, Ethiopia is moving from rain-fed agriculture to rain-fed industry, and that it is not only the peasant but also the industrial leader that will have to pray for charitable rain.

Source: 1. UNIDO 2009 Report. *Braking in and Moving up: New Industrialization Challenges for the Bottom Billion*. Taken from: http://www.undio.org/fileadmin/user-media/publications/IDR/2009/IDR_2009_print.pdf (accessed: 08/13/2009).

Figure 2: GLOBAL COMPETITIVENESS BALANCE SHEET

Ethiopia's Ranking out of 125 Countries

Institutions	
Judicial independence	114
Property rights	99
Favoritism in decisions of government officials	67
Infrastructure	
Telephone lines (hard date)	114
Overall infrastructure quality	111
Railroad infrastructure development	111
Macro economy	
Government surplus/deficit (hard data)	106
Government debt (hard data)	94
Health and primary education	
Infant mortality (hard data)	121
Primary enrollment (hard data)	118
Tuberculosis prevalence (hard data)	111
HIV prevalence (hard data)	111
Malaria prevalence (hard data)	103
Higher education and training	
Extent of staff training	120
Tertiary enrollment (hard data)	114
Market efficiency	
Venture capital availability	121
Ease of access to loans	118
Foreign ownership restrictions	115
Local equity market access	115
Intensity of local competition	111
Agricultural policy costs	108
Soundness of banks	102
Prevalence of trade barriers	71
Technological readiness	
Cellular telephones (hard data)	125
Internet users (hard data)	123
Technological readiness	121
Firm-level technology absorption	121
Personal computers (hard data)	116
FDI and technology transfer	59
Business sophistication	
Production process sophistication	123
Nature of competitive advantage	117
Value chain presence	113
Innovation	
Company spending on research and development	118
Capacity for innovation	116
Government procurement of technology products	109

 Source:- The Global Competiveness Report. 2006 – 2007. World Economic Forum, Hobbs Printer Ltd. Great Britain, Ethiopia: Country Economy Profile, (pp. 216-217).

The single most important area in which Ethiopia is singularly backward is in information technology, it comprises of computer, computer networking, radio, TV, fax, internet service etc. Ethiopia has made very little headway, outside of major cities and a selected group of public and private enterprises. There is only one government internet service provider in Ethiopia - the state run Ethiopian Telecommunication Corporation. The EPRDF government has for years consistently and adamantly refused to heed the call (by IMF and WB) for the privatization of the state telecommunication corporation. No wonder that Ethiopia is known for its unreliable and very slow internet connectivity in Africa. The data from the 2006 International Telecommunication Union (ITU) shows that Ethiopia's per capita telephone subscription indicators remain among the world's lowest, with a total subscriber member of 1.6m in 2006, for a population of over 76 million people (Quoted in EEA, Social Sector Review, 2009: 21).

According to a 2007 Ethiopian Economic Policy Research Institute (EEPRI) study paper the share of computer and internet service is 740 units per million users for Ethiopia, 4,240 per million for Kenya, 2,940 per million for Sudan and 12,000 per million for Egypt, while the African average is 8,770 per million. Internet distribution according to the study paper is 10 per million users for Ethiopia, 250 per million users for Kenya and 550 for Egypt (EEPRI, 2007: 23).

Meddling with internet traffic has, since the mid of 2009 become one of the main activities of the Ethiopian government. With the aid of a Chinese company called ZTE, a special branch within the Ethiopian Telecommunications Authority has been established to eavesdrop on telephone conversations of political opponents, to block accesses to Ethiopian related foreign websites and to spy on e-mail communication, to jam Ethiopian related radio and TV channels from reaching domestic audience*. The country's intelligentsia is effectively blocked from the global internet communication superhighway because of the lack of an alternative internet service provider in Ethiopia. The Ethiopian Telecommunication Authority is the one and only legally allowed internet service provider in the country.

As can be seen from the above presentation, poverty is wide spread in Ethiopia, in urban and even more so, in the rural areas. The main culprit of rural poverty is, as inferred previously, the land tenure policy of the EPRDF government. It has stifled labor productivity leaving the under employed rural dwellers to remain attached to their land and the fully unemployed to flock to the cities and towns throughout Ethiopia, thus further accentuating the unemployment and other related social problems in the cities.

In Ethiopia, poverty manifests itself in seemingly endless forms: lack of work, lack of productive work, lack of diet, lack of balanced diet, poor health, lack of educational opportunity, squalid shelter, unemployment, under-employment, inequality and a host of related factors outraging the very essence of human dignity.

**It is difficult to corroborate this assertion by documentary evidence, since this type of thing is done secretly and any documentary evidence strictly classified. The information was obtained from inside sources within the state owned Ethiopian telecommunication Corporation, i.e. from local employees working together with the Chinese company Zhong Xing Telecommunication Equipment Company, (ZTE) which is a state owned company.*

Poverty in Ethiopia has become deep-rooted and extremely challenging to overcome, not because the country lacked national resources with which to pay its way through to development, nor the required manpower, nor that it stood in need of donors. Ethiopia has a very resourceful foreign Diaspora both in the U.S and Europe. The people are also resourceful, if given the right opportunity. Countries that are less endowed with natural and technological resources than Ethiopia have successfully overcome poverty.

The problem is a politico-economic order which thrives on poverty has now been established in Ethiopia. Its main interest of longevity is best served by perpetuating poverty. According to the researcher of this dissertation, it is the ruling party and the government it controls that has stood in between the country and its development, and that for the country to move forward instead of backwards, it is the current Ethiopian government that needs a drastic change.

4.9 Conclusion

As of late, EPRDF's full attention has been on economic growth. The growth model it has been pursuing has been strictly production-centered. EPRDF's policy of economic growth has empowered the state at the expense of society. The entire propaganda machine of the state had systematically tried to manipulate the people to believe in the regime's notion of development. The regime's notion of development has been oppressive and exploitative. It has not been emancipatory. A process that is not emancipatory cannot be conducive to development. Only enterprising, independent and free people could make development possible. If ruling political elites, using the apparatus of state, are bent on victimizing people that are eager to work, development cannot take place.

During the imperial era (1941-1974), Ethiopia had to a certain extent experienced an economic system based on market relations. The country has also experienced a system resembling a socialist economic system during the Military regime (1974-1991). A distorted form of transition from socialism to the market economy is being practiced in Ethiopia from 1991 up to the present.

The three consecutive regimes that ruled Ethiopia since the 1940s are also different in terms of their governmental nomenclature. The imperial regime was of course, monarchist. The military government was a Marxist-Leninist and a nationalist. The current EPRDF regime is an ethno-regionalist and neo-Socialist.

Let us leave aside the differences in their political and economic policy orientations and dwell instead on the three elements of continuity that make all three regimes look alike. They are: monopolization of political power, monopoly on the process of formulation of development plans and strategies and failures in achieving their declared objectives.

So, the question arises – why is it that despite experiencing all the major types of economic systems and political orientations, Ethiopia's economic performance has remained so poor? In the sense that despite the growth statics produced, the country is no way near in terms of meeting the developmental challenges that it faces. These challenges are: putting up an effective fight against poverty, reducing

environmental deterioration and empowering the people through increased participation in the development process. As was cited in the previous pages, some fifty odd years ago, Ethiopia's state of economic and social conditions or the state of its development, was more or less equal when compared to such countries such as Taiwan, South Korea, and Singapore earlier and to that of China of the 1950's. Leave alone Asian countries, most African countries that gained their independence in the 1960s, have now surpassed Ethiopia in terms of levels of development.

The official economic policy framework in Ethiopia was until recently provided by the government's Sustainable Development and Poverty Reduction Program (SDPRP) which began in 2001/02 and stayed until 2005/06. It was then succeeded by the Plan for Accelerated and Sustained Development to End Poverty (PASDEP), which began in 2006/07 and is supposed to continue until 2010/11. EPRDF's economic policy strategy is compartmentalized into macro economic adjustment, structural reforms, better governance, food security and an agricultural led industrialization development strategy which put together, were supposed by the EPRDF to alleviate poverty and meet Ethiopia's Millennium Development Goals.

Despite the above policies, development could not be attained in Ethiopia. The lack of broad based private sector growth in today's Ethiopia is blocked by the presence of EPRDF party parastatals and the Al-Amoudi business empire, which has the full support of the current government. The predominance of party-owned companies and companies favored by the government is bitterly resented by private enterprises as well as the general population, which sees in this curious phenomenon, an ethnic based, deliberate and systematic economic domination and exploitation. The patronage networks and de-facto preferences given to party-owned and Al-Amoudi business parastatals in the form of preferential access to bank credits, foreign exchange allocation, fast administrative services in the allocation of land and physical infrastructure, including tax breaks/or non-payment privileges, priority in procurement contracts, easing of import duties has been a stumbling block for those domestic and foreign firms who want to do business the normal way in the country. The International Financial Institutions and many internal and external observers as well as business people disagree with the practice of giving party-owned enterprises and enterprises favored by the regime politically and financially motivated privileges that stand on the way of a level playing field.

Ethiopia's business environment suffers from, among others:

- the unhelpful but dominant role of the state;
- the absence of fair competition;
- weak institutional support for business, which includes lack of efficient contract enforcement mechanism: which is the product of a weak and politically maneuvered justice system;
- lack of external integration resulting in a low skill level:
- lack of functioning equity and credit markets and
- lack of information networks that lower transaction costs involved in doing business.

The EPRDF government, holding on to power by means of sham elections, has of late, issued a “Growth and Transformation Plan” for the years 2010 to 2015. Ironically, the first thing it did after publicizing this plan was to devalue the Ethiopian currency, the Birr by 20%. This was done in September of 2010. Since the decision to devalue the birr so unexpectedly and by such magnitude was uncalled for by economic necessities, critics maintain that devaluation of such a magnitude is generally necessitated by a currency collapse, which is not the case with the birr (*Seid Hassen, Sept. 7/2010*).

Such a drastic step must have been taken, according to the Ethiopian economist currently working as a professor in a US University, in consultation with the IMF. The devaluation was immediately welcomed by the head of the IMF, indicating that there could be some “memorandum of understanding” that has been done behind the scenes. According to the government newspaper, The Ethiopian Herald, IMF mission leader to Ethiopia, Paul Mathieu told the press that “the latest devaluation of the birr by 20%, if supported by a prudent fiscal and monetary policy will help stimulate exports, import substitution and economic growth”. Mathieu said that the IMF Executive Board will be considering the review and associated disbursement of 61.3 million USD to Ethiopia in early November of 2010” (the Ethiopian Herald, Sept. 17/2010). So, besides the devaluation, other steps in line with the standard structural adjustment prescriptions could probably follow. But as the experience of other countries, including Ethiopia indicate, structural imbalance in the economy cannot be solved by monetary means. To tackle the structural problems faced by the country’s economy, major political and economic policy changes and adjustments are necessary. It should be pointed out however, that it would be a contradiction in terms, on the part of Prime Minister Meles Zenawi, to at one and the same time, adopt IMF structural adjustment prescriptions while also condemning the neo-liberal development paradigm as “arriving at a dead end” and becoming “un workable”.

Both in terms of politics and economics, the political elite in Ethiopia simply swallowed policies taken from either the East or the West without bothering to analyze the consequences of the application of such policies in terms of the country’s historical and current conditions.

The regime that has ruled Ethiopia for the last 20 years has monopolized all political and economic power in its hands. Apart from the problems it has newly created, it has aggravated problems that existed before its hold on power. Over the years, the economic and social problems encountered by Ethiopia have been increasing in magnitude. The economic policy of the current regime, which began to be implemented some sixteen years ago, have not resulted in bringing about a lasting solution to the country’s economic and social problems.

The economic policy of the current EPRDF government is a divisive and in the long run a naive policy which has resulted in complete control of the economy by networks of party and allied parastatals. Using unfair business practices and trying to dominate all aspects of politics and the economy will not last very long and will have a strong inhibitive and negative impact in the long run, both politically and

economically. What recently happened in Kenya as a result of the Dec. 27/07 election crises is a good example of this.

On the other hand, the Ethiopian economy is strongly dependent on weather conditions and weather induced traditional forms of agriculture. As was indicated in Table 7, little structural change of the economy has been effected in the past 40 years. The recurrence of large scale famine is now appearing in less than every five years. The results of the misguided political and economic policies of the current regime are as many as they are diverse. Simply put, the EPRDF government at the helm of the Ethiopian state has failed to fulfill its publicly stated promises of decentralizing the Ethiopian state, liberalizing the Ethiopian economy and democratizing the Ethiopian political arena.

The development plan laid out by the EPRDF government for the years 2010-2015 is called the 'Five Years Development and Transformation Plan'. The plan objectives according to the government press are:

...registering a double digit economic growth, expanding social services like health and education so as to meet the MDGs by 2025, building the nation's infrastructure and creating a stable macro-economy in the nation... ensuring sustainable economic development and place the country among the middle income countries in 10 to 15 years time (The Ethiopian Herald, August 10/2010).

However, the plan is overly ambitious and will not be realized given the circumstances the country finds itself in the areas of politics, economy in the regional context. In the political and geo-political context, there is a simmering tension that could, at any time, lead into conflict with Eritrea, the proxy war in Southern Somalia, the continued instability in the Sudan and its direct and indirect impact on Ethiopia, Arab pressure on Djibouti to serve regional interest sometimes contrary to Ethiopia's national interest, an acrimonious relationship with Egypt regarding the use of the Nile waters, small scale ethnic conflict and continuing armed resistance by a variety of armed groups within the country. Political tension, arising as it does, from the lack of political space for opposition political parties has become a constant feature of the country. As a result, the process of political liberalization that was initiated in 1991 was cut short from growing into the process of democratization.

In the domestic economic context, the following national conditions seem not to create a favorable situation for the transformation plan in particular and for economic development in general.

The first and probably crucial national economic problem is the structural problem manifested in the agrarian nature of the Ethiopian economy. This is explained by the dominance, in the economy, of the low productive level of subsistence agriculture. The agricultural technology (i.e. animal driven plow agriculture) used in the country's dominant subsistence agriculture has not been changed, for hundreds of years. The other aspect of the structural problem of the Ethiopian economy is the narrow industrial base, characterized by low technological level. The very limited level of export diversification and import substitution capacity is a manifestation of the small industrial base. The low level infrastructure and the

very limited human resources and the low resource mobilization capacity are the indirect by-products of the above cited structural problem of the country's economy.

The various resource gaps in Ethiopia's economy imply the seriousness of the structural problem that the economy is facing. Among the resource gaps could be mentioned: the saving – investment gap; the balance of payments gap (which according to MoFED's own figures was USD 5,436 billion in 2010); continuing budgetary gap (with the economy unable to generate sufficient taxable income to cover budgetary needs); a significant agricultural (food security) gap and a dire foreign exchange gap and a technology gap. All these on top of the political governance gap.

The above structural and macro-economic imbalances are in large measure, the results of failed government policies and activities. The most important of them being state seizure or capture and institutional corruption manifested by the transfer of Ethiopia's assets to party – owned and aligned conglomerates with close working (and ethnic) relationship with the ruling party. These huge economic actors found investing in banking and insurance, import-export and whole sale trade, construction, real estate, transport and communication, hotels and the like highly profitable. The shunning of industry and agriculture by both these "private" players and the government's leaning towards the service sector has not only made the country's manufactured and agricultural products less competitive, but has also created huge structural imbalances and misallocation of resources. The so called "Growth and Transformation Plan", with its emphasis on economic infrastructure, financed by huge budget deficits will further raise the already high inflationary spiral, thus negatively affecting the national economy and the standard of living of the people. That is why critics duped the so-called "Growth and Transformation Plan" as a pipedream of the ruling party.

The country has a relatively fast ratio (2.6 %+) of population growth, with an age structure highly skewed in favor of the young. This is also an indirect feature of the structural problem of the country's economy. Ethiopia's current demographic dynamics is alarming. In spite of this fact, the current government has not managed to formulate a viable population policy. Without a decrease in the rate of population growth within site and with the country's population estimated to be over a hundred million by the coming decade, the country seems to be heading into a demographic nightmare. The future would indeed be difficult if the government's current inflated growth rate turns out to be false or non-sustainable. The other fundamental problem facing the country is the issue of an impending environmental disaster, the result of the ill-advised agricultural and land policy pursued by the government.

The economy's continued vulnerability to exogenous shocks like draught, commodity price fluctuations has a negative impact on the economy's growth potential. The low level of industrial growth and the technological backwardness of Ethiopia's manufacturing sector affect the global competitiveness of Ethiopia's manufacturing products. The low level of the country's information and communication technology infrastructure is related to the low level of integration the country's economy has with the global

economy. The relatively low level of FDI historically, together with the growing uncertainty of western donor funding in light of the current global financial crises, heavy dependency on external support are factors that could probably decrease the relative amount FDI the country gets from the West.

Even though increasing Chinese investment coming into Ethiopia could, in the short run at least, counter the decreasing trend of Western funding, Chinese investment in Ethiopia is mainly directed into infrastructural projects such as roads and dams and a limited amount into mining and not much into industry. On the other hand, In 2009 and 2010 total Chinese investment in Ethiopia was 1.9 billion and 2.2 billion USD respectively. The Chinese projects registered in Ethiopia in 2010 have employed 35,000 full time and 43,000 temporary employees (Reporter Newspaper: April 20/2011). Cheap Chinese imports are seriously affecting the growth potential of the manufacturing sector in Ethiopia, while small scale investment by Chinese citizens in the service sector of the Ethiopian economy could probably unduly compete with private Ethiopian entrepreneurs. In November of 2010, the Ethiopian confederation of Labour Unions (ECLU) in a statement it sent to the Prime Minister, pointing its finger to Chinese Companies, stated: “*the Chinese are intent on bringing low skill employees from China and manning their companies by Chinese employees*”. The statement indicated such acts as violating the country’s labor proclamation No. 377/2003 and demanded that the government take appropriate measures on Chinese companies and employees engaged in activities left to Ethiopian citizens (Ethiopian Weekly Press Digest 2010, No. 45:6).

It is appropriate to wind-up this chapter of the dissertation with the following comments on Ethiopia, which appeared on the November 3, 2007 issue of the Economist. It wrote the following:

Ethiopians remain mired in the most wretched poverty. Officially, about 80%of them live on less than USD 2 a day. Often it is a lot less than that ... The fact is that for all the aid money and Chinese loans coming in, Ethiopia’s economy is neither growing fast enough nor producing enough jobs. The number of jobs created by flowers is insignificant besides an increase in population of about 2 million a year... The IMF estimates that in 2005-06 the share of private investment in the country was just 11%, nearly unchanged since Mr. Zenawi took over... despite some privatization, since the centralized Marxist days of the Dreg, large areas of the economy remain government monopolies, closed to private business... Unless the private sector is allowed to create jobs, the country’s problems will continue to mount... Sooner rather than later, 2 million more people a year will overwhelm a state that is trying to provide most of the jobs itself... Economic failings are Ethiopia’s biggest long-term challenge; but its worst short-term problems are political. Just as the government is slowing the pace of economic expansion for fear that individuals may accumulate wealth and independence, so it is failing to move fast enough from a one-party state to a modern, pluralist democracy. Again, the reason may be that it is afraid to.

In a history defined by a series of autocratic regimes, each having no popular mandate, the people of Ethiopia were never made to be involved in determining their own fate. Nothing else could possibly explain how such a wealth of economic opportunity could result in such an extraordinary lack of achievement.

Chapter V – Conclusions and Recommendations

5.1 Introduction

By the end of the Cold War, in the late 1980's, it had become clear that the neo-Marxist development model, which emphasized disengagement from the world capitalist economy and which also called for an increased South-South trade and trade between African countries and progressive states had not been successful. On the other hand, the neo-liberal development paradigm, which appeared in the form of the structural Adjustment Programme (SAP) in the two decades after the mid 1980s has also been proved inadequate in attaining development for African Countries. Despite the fact that some African countries which pursued the neo-liberal development model were said to have registered economic growth by the International Financial Institutions, the SAP has definitely not benefited the average African.

Apart from Botswana, Mauritius and probably South Africa, most Sub-Saharan African countries, including Ethiopia currently find themselves in a socio-economic pitfall, in what the IBRD (2000:19) referred to as "*the low equilibrium development trap*". Trapped as they are by the socio-economic plagues of high rates of poverty, social inequality and unemployment. So, in essence, both the neo-Marxist or statist and neo-liberal development paradigms have been tried and have failed to produce any meaningful socio-economic development in Africa. And hence, the call for a new developmental paradigm. It is precisely at this historical juncture, in which the developmental debate is exhibiting a lacuna for a viable developmental model for Africa, that the developmental state model, which has been tested in East Asia, and which has been proved to be a success, could be timely and unavoidable. As Mbabazi and Taylor (2005: 149-150) argued:

Escape from poverty is impossible without collective societal intervention through the state...The primacy of politics in the complex process of development has been fundamental and decisive, inferring that it is not how much state intervention should take place, but rather what kind and why.

Ethiopia in particular has tried the neo-classical development model from the 1950 up to 1974, during the imperial era. During the revolutionary period between 1974-1991, the neo-Marxist or statist development model was implemented. None of the above proved successful. The neo-liberal development paradigm, in the form of the structural adjustment programme was faithfully enacted by the current EPRDF regime since 1995. By the admission of the Prime Minister of Ethiopia, Meles Zenawi, SAP has not worked for Ethiopia.

Hence Africa in general and Ethiopia in particular, need to adopt the developmental state paradigm as the only remaining alternative developmental model. Mkandawire and Soludo (Quoted in Mbabazi and Taylor, 2005:1) supporting state guided capitalist development for Africa, argue:

Two important lessons from Africa's developmental experience have been that failure to mobilize the resource – allocative functions of the market can only contribute to the inflexibility of the economy; and failure to recognize the weakness of market forces in a number of fundamental areas can lead to failed adjustment. Development policies will

therefore have to be keenly responsive to the capacities and weaknesses of both states and markets in Africa and seek to mobilize the former while correcting the latter. Dogmatic faith in either planning or markets will simply not do.

As presented in Chapter III, Prime Minister Meles Zenawi has written about the neo-liberal development paradigm coming to a dead-end and about the need of a developmental state for Ethiopia. His brand of a developmental state for Ethiopia is however anchored on the political leadership of a 'dominant coalition democracy'. In the current condition of Ethiopia there is no coalition. In the May 2010 national elections, EPRDF declared that it got 99.7% of the parliamentary seats by means of an election which cannot, by any standard, be called free and fair. EPRDF has remained in power for the last twenty years by non-democratic means. So, under EPRDF, the state is not and cannot be democratic.

Even if the government led by EPRDF is not democratic, could government policy under EPRDF be developmental? This is a controversial question. There are some aspects of EPRDF's economic policy features that could be considered developmental. The government led by EPRDF, has gone some distance in expanding educational and health services and also in trying to expand the energy and infrastructural capacity, especially the road net work of the country. In this sense, it has tried to tackle some of the social issues of development. But the issue of the quality of education and health services provided is not sufficient enough to serve the developmental needs of the country, in terms of attaining the necessary technological level sufficient for the country's industrialization drive. It is true that the PM of Ethiopia has publicly declared that the 'neo-liberal developmental paradigm is at a dead end' and that if Ethiopia is to be developed, a change into a developmental state paradigm is essential. This outspoken intention of the Prime Minister in choosing the developmental state paradigm over the neo-liberal development paradigm is supported by the researcher of this dissertation. The problem the researcher of this dissertation has with Ethiopia's Prime Minister is not with regards to intentions, but on the definition of a developmental state and on the actual policies that a developmental state should follow.

Ato Meles Zenawi, the Prime Minister argues that the state he leads is developmental because according to him, the country has achieved a 9% plus economic growth rate for the last six years. But a developmental state cannot be solely defined by good economic performance of successive years, even if we assume that the economic growth rate figures claimed by the government are true. As Mbabazi and Taylor (2000:150) point out:

There is a problem in defining a developmental state from its economic performance. Clearly not all countries with good growth rates are developmental states

Even under authoritarian conditions economic growth could be registered. Growth without equity in the distribution of income however, will not bring equity and social justice which are vital features of a democratic developmental state. But, as indicated in Chapter IV of this dissertation, in Ethiopia, the current rates of poverty, unemployment and inequality are probably among the highest in the world. The actual situation in Ethiopia at present does not satisfy both the democratic and developmental criteria for a DDS.

Despite the fact that there are some capacities that could help the country to move towards a democratic developmental state, (which would be indicated in 5.3.3) Ethiopia's unique situation of a low economic base, would make the effort of building a democratic developmental state in Ethiopia difficult, though not impossible. Ethiopia's dire starting economic conditions are: mass poverty, dire environmental problem, lack of an extensive mineral resource base and lack of a strong or viable private sector.

Mass poverty in Ethiopia goes beyond the basic fact of too low income to meet basic needs. It is also correlated with social exclusion, vulnerability, powerlessness and other social, political and cultural dimensions of deprivations. Despite the fact that the country has historically been deprived of peace and security, the different governments that came to power failed to address the needs of the vast majority of the people of this country. As a result, the rural people, those who engage themselves in rain-fed agriculture and pastoralism and the urban poor have been marginalized and left out of the development process in the country. Ethiopia's real per-capita GDP in 2001 was 97 USD (Economic Focus, 2003: 23) while the figure for 2010 is 239 USD (MoFED, 2010/11 :1) This figure is among the lowest in the world.

In Ethiopia mass poverty and environmental degradation are correlated. Because of the existence of mass poverty, the majority of the country's population relies for its energy on wood and cattle dung. As a result of poverty, the majority of the people in Ethiopia rely for their livelihood on what nature provides. Consequently, the plant and forest that are cut down, the land that is farmed without break, the domestic animals that breed without any human care, the wild life that is hunted down without any compassion, the rapid population increase, all these and the politicized land tenure system described in Chapter IV, which deny the Ethiopian peasant farmer tenure security, constitute a set of reasons for the country's alarming environmental deterioration.

According to the 2010/11 MoFED report, in terms of sectoral distribution of GDP, mining, (including quarrying) only accounts to only 0.7 % of GDP (MoFED, 2010/11 :5). Even though studies indicate that Ethiopia has metallic and non-metallic mineral resources, exploitation has been underdeveloped. Hence, the contribution of the mining sector towards the growth of the national economy has so far been rather weak. The issue of lack of mineral resource is however, not a hindrance to the formation of a democratic developmental state, as quite a number of mineral rich countries are susceptible to the phenomenon referred to as the "resource curse".

A close look at the private sector in Ethiopia reveals a picture that is increasingly trade and service sector oriented. The very limited private sector in industry and mining are small scale in nature. Apart from flower farms, the government does not encourage the domestic private sector to engage itself in large scale commercial farms. The overall picture is that there is no conducive political and economic policy environment for the growth of a broad-based private sector in Ethiopia. As explained in Chapter IV, the absence of fair competition, the crowding out of the private sector by two interlocking conglomerates of

party and allied parastatals, and unfavorable policy environment have mitigated against the presence and growth of a viable private sector in Ethiopia.

In addition, the country's export growth is lagging far behind its import growth and the country is faced with falling income levels per capita. Despite the fact that Agriculture is the main source of livelihood for the vast majority of Ethiopians, the government's policy in agriculture has been and still remains to be inimical to the growth of the sector. This assertion is amply exemplified by the failure to eradicate famine in Ethiopia. As Mbabazi and Taylor (2000:21) argued:

African governments, with the exception of the few, neglected agriculture in favour of import substitution industries, which were biased in favour of urban-centered manufacturing industries.

In Ethiopia no serious effort has been made in expanding import substitution industries. The share of manufacturing to GDP, which was only 4.1% of GDP in 2009/10 at current prices (MoFED, National Accounts Directorate 2010/11: 5) is much too low to show the government's effort in trying to change the structure of the economy. As the literature on the developmental state indicates, a state can only be classified as developmental if it attains a higher rate of industrialization. On top of this, EPRDF owned businesses have become obstacles to the growth of an entrepreneurial class in Ethiopia. A dynamic entrepreneurial class is an essential component of the government – business alliance in a developmental state. In the current Ethiopian reality however, the public – private relationship has been used to weaken the real private sector by the creation of party businesses under the cover of individuals who are party members, but who formally claim not to be one. As Mbabazi and Taylor (2001: 22) indicated, referring to the case of many African countries, and as it was indicated in chapter four of this dissertation, EPRDF owned economic enterprises are run as:

Public-private business for the benefit of patrons and clients in power, and more often than not, instead of making money for the state, the state is forced to borrow to keep them going, for what matters at the end of the day is patronage not prosperity.

In general Ethiopia's current political and economic reality is characterized by political instability arising from the ethnic politics faithfully pursued by the current regime. The lack of a unifying national developmental ideology, deformed political institutions, short-term policies like large government deficit aimed mainly to support politically determined projects, and a glaring conflict between economic rationality and the needs of authoritarian politics, the main features of which are political patronage and graft, social inequality explained by a highly skewed distribution of income etc... are the main features describing the current state of Ethiopia.

5.2 Challenges ahead

From what has been presented in previous chapters, the challenges for Africa in general and Ethiopia in particular are: First-consummating the process of building a nation-state by replacing ethnic politics and ethnic nationalism with non-ethnic civic nationalism. Second-democratizing the political system and Third- undertaking economic development based on policy choices that promote socio-economic development and social justice. In effect, the three challenges put together fall into one bigger challenge of constructing a democratic developmental states in Africa.

Regarding the first challenge, the researcher has, in the literature review part of this dissertation, highlighted the need of using nationalism as a developmental ideology. All countries that are currently developed, have in their initial development endeavours, used the nationalist fervor of “Catching-up with the West” to mobilize their peoples behind the call for national development. The Asian Tigers like South Korea and Taiwan have used nationalism as a tool of development.

China and the Asian Tigers, the Celtic tiger, Ireland and Israel (1950-1973) all used ‘Nationalism as the normative rationale for building developmental states’ (Edigheji 2010: 18). Mkandawire (2010:59) pointed to the need of using nationalism as a crucial weapon to realize development. He refers to it as “*an ideology of development – the collective aspiration and intent to develop*”.

Mkandawire (2010: 60-61) argues

Deriving the quest for catching up is nationalism...In the process of development, nationalism can serve as a means of promoting development... The sacrifice demanded by the accumulation process may be given legitimacy by the developmental appeal to “national sacrifices” It is the ‘irrationality’ of nationalism that has given utility to investments of great risk or long gestation periods that the market would be hard put to justify. In Africa, nationalism has profoundly affected debates on development policy and is likely to continue an important role.

As indicated in chapter three of this dissertation, the EPRDF regime currently in power in Ethiopia, is in favour of ethnic nationalism as opposed to civic nationalism. It has been proved repeatedly that ethnic nationalism inevitably leads to the practice of fanning ethnic tension as an instrument of divide and rule. This policy is an outdated political policy that can only lead to political instability. Political instability and development cannot be reconciled. This has been seen to be true in several African countries.

Nyamnjoh and Jimu (2005:31) maintain:

Experience from some of the West African countries like Nigeria, Cote d’Ivoire, Liberia and great lakes states of Burundi and Rwanda reveal the indisputable fact that higher rates of politicized ethnic diversity reduces development by raising the risk of conflict and difficulties of cooperation in commerce as well as in the development of policy formulation.

Political ethnicity has a negative impact on the collective struggle for justice, equality and fairness for all, and on efforts at democratizing the Ethiopian society. Dividing the people of the country along ethnic/linguistic lines and rigorously enforcing this divisive policy as a governmental structure and administrative tool under the guise of “empowering nations, nationalities and peoples” has so far served the

interests of the EPRDF ethno-elite to divide, subjugate and exploit the whole people of the country. The philosophy of political ethnicity is intrinsically incompatible with the very idea of pluralist society and nation building.

The problem with the current government is that the political and economic policies it pursues were built on ethnic cronyism and were not acceptable to the majority of the Ethiopian people right from the start. EPRDF was and still is considered by many as an illegitimate government. The current EPRDF government has one major weakness. It faces a crisis of confidence. The majority of the Ethiopian people are not behind it. It is because of this that it has resorted to other sources of legitimacy, such as the pursuit of tribal / ethnic based politics and economics. As a result, there is an extremely low trust in public institutions. Adding all these up, one can say that the country risks facing political and social unrest.

The second challenge to African countries including Ethiopia is reconciling development with democracy. Despite the fact that advanced developmental states such as Norway, Finland and Sweden, and the celtic tiger Ireland were democratic developmental states, much of the literature on developmental states refers to Asian Authoritarian developmental states.

At the time of independence in the late 1950's and early 1960s, much of Africa was closer, in terms of the level of economic development to Asian countries like South Korea Taiwan, Singapore and Malaysia than to the Nordic democratic developmental state of Northern Europe. And this despite the fact that African countries had a much better resource base than the Asian tiger countries. As the World Bank (2001:19) pointed out:

During the thirty years between 1965 and 1995, South Korea's exports increased by 400 times while Ghana's increased only by 4 times, as real earnings per capita fell to a fraction of their earlier value... Africa is today caught in a low-equilibrium development trap, just as Asia was in the 1960s.

It is after attaining sustained and high level of economic growth that developmental states like South Korea, Taiwan and Singapore became democratic. China has achieved sustained levels of economic growth, even though politically, it is still authoritarian. Other states of Asia like the Philippines and Indonesia also developed under authoritarian auspices. It is this experience of successful development by authoritarian Asian countries that ignited the debate relating to the incompatibility between development and democracy. The example of the existence of developmental states like the Nordic countries and Ireland under conditions of constitutional democracy was considered far-fetched to the conditions prevailing in Africa. The dominant literature on the developmental state, therefore, assumed, according to Edighiji (2010: 7-8).

That the East Asian Developmental state success would have been impossible in democratic settings... Development and democracy are incompatible and that democracy might undermine the quest for a developmental state... the dominant scholarly work on the developmental state has, as a result tended to be largely political and technocratic

It is because of the influence of this largely apolitical and purely technocratic view of development, as expounded by the pre-eminent scholar on the developmental state – Charleme’s Johnson, and because of the fact that many developmental states of the 1960s and 1970s had been authoritarian, that the debate on the relationship between democracy and development gave way to the erroneous view that the two of them cannot go together and that authoritarianism is essential to development.

In a country like Ethiopia, where the citizenry is not free from fear and suffers from terminal insecurity of retribution from a powerful state, the peoples’ ability to stand up against the government diminishes. In a country where it is difficult to get due process of law and where citizens believe that justice is yoked to the executive branch, political patronage will become a burgeoning reality. In Ethiopia, the executive branch deliberately undermines the checks and balances of the other branches of government (i.e. legislative and judiciary). In such a situation, political patronage becomes absolutely impossible to control. Without abolishing political patronage, the politico-economic phenomenon of rent seeking and hence corruption cannot be eradicated.

EPRDF uses the state at its disposal to influence the formation of laws, regulations, decrees and other political and economic policy instruments to its narrow party and ethnic interests. It goes without saying therefore, that the current Ethiopian state under EPRDF is a non-transparent, non-accountable and rent-seeking state. A developmental state can only exist in a situation where there is no political patronage and the rent-seeking nature that goes along with it. The only way the Ethiopia state can become a democratic developmental state is if and only if the state first becomes democratized.

Enadin (2008: 43) analyzing the acute crisis of legitimacy faced by the EPRDF government, termed the Ethiopian state as the “Black Hole State” Further elaborating on the nature of the current Ethiopian state (43 -44) he noted:

... the Ethiopian Black hole state has become more dependent on control and propaganda, on marginalizing the elite and leaders of the opposition through scare and promise tactics; on striking bargains with dominant global or regional powers; and on mutually supportive regional blocks to reinforce the status of the ruling (ethnic) elite against emerging forces... In Ethiopia institutions are weak, vulnerable and very imperfect. Public organizations are bereft of resources and are usually badly managed... the legitimacy of the government is questionable. Civil societies are disenfranchised, deeply divided and ill equipped to participate in politics. Under such circumstances achieving high economic growth and poverty reduction on a sustainable manner will be very difficult.

In the opinion of the researcher, development should be based on the universal principle of enabling citizens to consciously and actively participate in the affairs of their country by enhancing their civic and social awareness and by creating an enabling political and economic atmosphere for Ethiopians inside the country and in the diaspora to invest their human and material resources for the betterment of themselves and their country.

The other important issue that needs to be addressed is the issue of corruption. As presented in Chapter III and IV, corruption in Ethiopia has become institutionalized since it is not only limited to administrative/or bureaucratic corruption. At present, corruption in Ethiopia is undertaken by means of state capture. As a result, corruption has become an intractable problem so much so that it is sapping the growth

and development potential of the country. It does this by misdirecting the country's economic resources to the advantage of the ruling party and its cronies, in a non-competitive and illegal manner. Extraction of huge rents by the ruling party has become possible as a result of the capture of the Ethiopian state by the EPRDF.

The third challenge is the challenge of undertaking economic development based on policy choices that promote socio-economic development and social justice, which in effect means constructing not only developmental states but democratic developmental states in Africa. The need for a democratic developmental state for Ethiopia is most obvious, as the country has been a testing ground for other developmental models, such as the neo-liberal or neo-Marxist development paradigms. As indicated earlier, none of these have proved successful. The only viable development model left for Ethiopia is the democratic developmental state model. This model could serve as a panacea for the country's economic, social and institutional deficits.

Mkandawire (2010: 77-78) arguing for the need of a democratic developmental state for Africa and emphasizing the opportunities for realizing the African DDS, cautions African development practitioners to pay attention to the following considerations:

- 1) *Take-up and recuperate the progressive intent and elan of nation-building of the early nationalist movement;*
- 2) *Understand the emergence of non-developmental or anti-developmental institutions of the stabilization and servicing era as stifling the agenda of the DDS;*
- 3) *Avoid 'mono-cropping' and adopt "best practice packages" to economize in terms of human skills and institutions, in the context of 'late industrialization' through 'multi tasking'*
- 4) *Build developmental state – society relations;*
- 5) *Understand that the road to a DDS cannot be a carbon copy of the East Asian model and avoid an idealized view of the developmental state;*
- 6) *Use country-specific innovations in constructing DDS in Africa*

As Mbabazi and Taylor (2005:6) pointed out, "government policy choices are critical to development". The policy choices followed by the current regime with regards to the private sector, agricultural reform, industrial policy, institution building, human development policy etc are not in conformity with policies followed by democratic developmental states.

Sighting the neo-patrimonial nature of the African state, the existence of many ethnic groups in most African countries and the fact that African countries have failed to take advantage of the globalization of trade and investment, some people say that it would not be possible to construct a developmental state let alone a democratic developmental state in Africa.

The choice of the democratic developmental state for Africa in general and for Ethiopia in particular can be supported by the actual developmental experiences of DDS starting with the Nordic Countries, Japan and more to the point Botswana and Mauritius. The case of Botswana is highly relevant. Even though Botswana was governed by a dominant party i.e. the Botswana Democratic party since independence in 1966, this party had stayed in power by democratic means. Mbabazi and Taylor (2005:8) indicate:

The [Botswana Democratic Party] has pursued state capitalist policies even during the heyday of African experimentation with socialism... Both the growth and development record of Botswana has been impressive. At independence in 1966, Botswana had a per capita income equivalent of 80 USD. Currently, Botswana has a per capita GDP of more than USD 6,000... Botswana is now classified by the World Bank as an upper middle class country.

Surely, if a relatively small and land locked country like Botswana can successfully build a democratic developmental state and succeed in its development endeavors, other African countries with even larger geographical size and population would not find it difficult to discover their salvation in the now acclaimed DDS model.

Even the World Bank has at last been compelled to admit the need of an active state for development.

Development requires an active state, one that plays a catalytic, facilitating role, encouraging and complementing the activities of private business and individuals...state dominated development has failed. But so has stateless development... History has repeatedly shown that good government is not a luxury, but a vital necessity (Quoted in Mkandawire 2010: 65-66)

The experience of authoritarian developmental states indicates that most of them were poor in resources. They attained growth through rapid industrialization. In the course of their development however, they later on run into crises. According to Edighiji (2010:8) this is so because, *“they ignored the importance of political institutions, including those of public deliberations. They used a top-down policy making process”*, which according to him, denied the rights of citizens to influence the development agenda.

The vast literature on African authoritarianism maintains that because of the patrimonial nature of the African state, the ethnicization of its politics, the democratic developmental state model cannot be applicable to Africa. In fact, according to Mkandawire (2010:70) the African literature on development *“focused on how to make authoritarian regimes much stronger”*.

Mkandawire (2010: 74-76) on the other hand, argues of the possibilities and opportunities for constructing democratic developmental states in Africa and points the prospects as follows:

- 1) *Ideological shifts:- the democratization beginnings of the 1990s, giving rise to the awareness of the low status of Africa in the global world and the accountability of African leaders to narrow the gap;*
- 2) *Nationalism:- the deep sense of embarrassment at lagging so far behind providing impetus to the national developmental endeavor;*
- 3) *The rise of new generation of African economists who are truly developmental;*
- 4) *Africa’s abundant natural resources – facilitating development endeavors*
 - *Revitalizing the production base & export sector*
 - *Funding education, health and social welfare and infrastructure*
- 5) *Better human resource:*
 - *Need of carefully designed political and economic policies to induce reversal of the brain drain*
- 6) *New global players:- providing new global economic opportunities which were not provided by the West earlier*

According to Mkandawire (2010: 66-71) the democratic developmental state model is a *cine quo non* for “resource mobilization, for reconstructing the bureaucracy, for addressing globalization through regional developmentalism, for reconciling democracy and development, for implementing a transformative social policy, for addressing the social question arising from the disruptive process of development and finally, for managing developmental pacts”.

5.3 Can the current state under EPRDF be transformed into a DDS?

5.3.1 The main criteria of a DDS?

In chapter three of this dissertation, and in earlier sections of this chapter, the researcher has presented the claims by the current prime minister of Ethiopia, that the state he leads is a developmental state. Ato Meles Zenawi, the Prime Minister of Ethiopia has also been quoted as supporting, in principle, a democratic developmental state paradigm as the only correct development path for Ethiopia. But officially, the EPRDF is a revolutionary democratic and not simply a democratic or a liberal democratic party. As indicated in Chapter III (3.5.5), the organizational and political principles of a revolutionary democratic party emanate from the teachings of Marxism – Leninism. Hence, such a party has nothing to do with a liberal or even social democratic party, as it is known in the West. The Prime Minister openly claims that the current state he is leading is a revolutionary democratic and not a democratic state. We will therefore, take him at his word, and conclude that the current Ethiopian state under EPRDF is not democratic. This is in addition to the facts that were presented in previous chapters of this dissertation, which indicated the non-democratic nature of the current Ethiopian state.

Is the current Ethiopian state which is led by EPRDF a developmental state, as the Prime Minister maintains? The researcher of this dissertation maintains it is not. The Prime Ministers, in alluding to the fact that the state he currently leads is developmental, indicates to the successive “high” economic growth rate figures that the country has achieved for the last six seven years. In doing so, he is equating the existence of a developmental state with achieving high economic growth rates continuously for five to seven years. But as we have seen in previous sections of this dissertation, a developmental state cannot solely be defined by higher economic performance of successive years. For a state to be defined as a developmental state, it must satisfy the following conditions, as analyzed by Mkandawire and presented by Edighigi (2010: 29-31):

- a) The central goal of the state should be the expansion of human capabilities, through investment in health, education and social welfare, both as a means of attaining equitable growth and as an end in itself;
- b) Economic policy, including macro-economic policy needs to serve social objectives, rather than social transformation being held hostage to macro-economic policy;
- c) Agrarian reform needs to be central to the economic policy of the state;

- d) Country wide nationalism must be used as a development ideology or as a “normative rationale for building the developmental state”;
- e) There must be a disciplined leadership that is not rapacious nor overly predatory (Mbabazi and Taylor, 2005: 152);
- f) The DS must be anchored in democracy. There should be programmatic relations, rather than patron-client relations between citizens and government and between citizens and political parties. Such relations create participatory political institutions (Edighiji 2010:15);
- g) State capacity in planning and implementation must be strengthened. Weak technical and administrative capacity represent a major challenge for a developmental state;
- h) Building and strengthening institutions that are developmental in place of types of institutions established to promote the stabilization agenda;
- i) Building a weberian ethos in the public service i.e. establishing an administrative system that ensures long-term rewarding career path for civil servants;
- j) Using state banks for the purpose of ensuring the developmental needs of the country – rather than using them to direct credit to speculative activities;
- k) The state must act as an entrepreneurial agent and co-ordinate private and public sector cooperation (Mbabazi and Taylor 2005: 151);
- l) Rather than emphasizing dominance over its social partners, the state should exercise synergy and apply cooperative relations with social partners (Edighiji 2010: 15);
- m) Developmental states should follow the policy of socially inclusive and equitable growth policies that revolve around poverty reduction, reducing unemployment and enhancing investment in capacity expansion (Edighiji 2010:11)
- n) Export based industrialization should be a major developmental policy of the state (Edighiji 2010: 11)

5.3.2 The main features (political, economic and social) that distinguish the current Ethiopian state from a DDS

Even while the PM of Ethiopia is propagating a DDS for Ethiopia in words, he is in reality applying the structural adjustment programme. The 2010 uncalled for devaluation which devalued the Ethiopian Birr by 20% is a case in point. Because of the ensuing rise in the rate of inflation, the standard of living of the vast majority of the Ethiopian people is going down. Poverty, unemployment and inequality are on the rise in the country. Party – owned business have become obstacles to the growth of an entrepreneurial class in Ethiopia. As a result, the state – business relations is not only strained but at a low level. Despite the fact that the government has complete sway in designing the country’s macro – economic policy, this capability is not used for the advancement of the country’s development endeavors but for creating a conducive atmosphere for the growth of businesses controlled by the party. The state’s bureaucracy operates under

the strict rules of dispensing political patronage. The meritocratic principle is violated as a result of ethnic politics.

Leave alone export based industrialization, import – substitution industrialization has failed in Ethiopia. The EPRDF led-government's agricultural policies are designed for the purpose of facilitating political control of the Ethiopian peasantry. The agricultural policy of the regime has been seen to dampen the zeal of Ethiopian farmers to produce sufficient food for themselves, leave alone for the market. In Ethiopia, agrarian reform is narrowly designed and applied as a rural development strategy, instead of it being used as a tool to transform the structure of the country's economy. The regime in power is openly engaged in embezzlement and corruption with huge costs to economic development. Instead of using public institutions for the purpose of development, in Ethiopia, public institutions, be they political or economic in their dispensations, are used for the purpose of prosecuting political and business opponents. The current political leadership in Ethiopia is not a disciplined one. Instead it is rapacious and predatory. The state led by EPRDF is not properly addressing the developmental challenges facing the country – poverty, rising levels unemployment and inequality. In general, its economic policies are not socially inclusive.

Even though much institutional reform has been undertaken in Ethiopia under EPRDF, the whole agenda of institutional reform has been imposed or influenced by the structural adjustment programme. Such policies have not enhanced the capacity of the state to address and achieve the objectives of development.

Development is, according to Mkandawire, (2010:60) "*a deliberate and intentional process of economic change and transformation, as opposed to simply a result of the blind forces of the market*". So market forces and wrong institutional reforms, the main purpose of which is to serve the market, would undermine development.

The dominant political ideology under EPRDF is ethnic nationalism and entitlement instead of it being national in scope and meritocratic in principle. Development policy in Ethiopia is not based on democratic deliberations between the state and non-state actors. On the contrary, a top-down approach is used, Policy is designed from above and handed down to the bottom. In general, the government's political policies are not democratic and its social policy not inclusive.

As, indicated above, the current Ethiopian state under EPRDF does not satisfy more than 90% of the criteria of a DDS enumerated in 5.3.1. Hence the current state cannot be considered to be a developmental state.

5.3.3 Opportunities or broad capacities for moving towards developmental state in Ethiopia

As indicated in previous chapters, Ethiopia has tried both the liberal and statist developmental models during the previous regimes. The current regime is pursuing a revolutionary democratic – cum “developmental state” version, which in practice is a hotchpotch of the statist and liberal models. But it seems that it is not a correct combination of both, as it is an attempt by former inveterate adherents of Albanian communism that want to make liberals out of themselves. Not that it is impossible, but that deep inside themselves, the leaders of EPRDF believe not in enriching the nation but themselves and their followers.

Apart from the above comment however, most of the educated elite in Ethiopia would want to follow the footsteps of Japan, now that both the Marxist and liberal models of development have been discredited. Even though the concept of the developmental model is rather new to Ethiopia, in the past few years, the developmental state model has been and is still being discussed on the news papers, in view of the pronouncements of the current EPRDF regime which claims to have established a developmental state.

Despite the lack of unity in terms of molding consensual elite structure, Ethiopia’s educated elite, both domestically and abroad has, as its hall mark, a firm stand in realizing social justice and equality in Ethiopia. Since the 1960s, most of Ethiopia’s educated elite had embraced an extreme leftist and hence statist political and economic policy platform. This is despite the fact that there was and still is an unresolved contradiction among Ethiopia’s political elite on the issue of how to solve or handle ethnicism and replace it with constructive nationalism, or failing that, creatively devise some form of formula for peaceful cohabitation.

Since the end of the cold war, left-wing politics in Ethiopia had run its course and was on the defensive. Influenced as it is by global politics after the Cold War, liberalism, as an ideology, has been on the rise in Ethiopia up until 2007/08. After nearly two decades of being imperfectly practiced, the liberal economic development model, realized in the form of the structural adjustment programme, seems also to have run its course. Because of the acute economic crises currently faced by the country, in the form of an escalating cost of living as a result of a rising level of inflation, which in the first quarter of 2011 alone, has grown by 50% from its 2010 level (Fortune, V. 12 No 575: May 1/2011) has resulted in a slowdown in economic activity, this model has now also been found to be unpalatable to the educated elite in this country.

Since the democratic developmental state model is, in a sense, a combination of some elements of both capitalism and socialism, it seems that the concept of a DDS will have, in due course, a significant

support from the Ethiopian educated elite both within and outside the country, where incidentally, there is a very large number of highly educated Ethiopians.

On the other hand, apart from the few who currently hold power, the vast majority of the elite in Ethiopia want to see democracy becoming a reality in this country. Most elite groups seem to be moving towards forming a consensual political platform by utilizing constructive nationalism as a basis for development and nation building. Given the above, the opportunity for pursuing a democratic developmental state model by Ethiopia's political elite is, in the opinion of this researcher, rather broad. After the Arab awakening, it is a matter of time before an Ethiopian democratic awakening takes place. When a democratic system is established in Ethiopia, it will enrich the sense of freedom and empowerment of the people. Political empowerment would lead to unhindered initiative and creativity. When proper economic policies and governance structures/ institutions are put in place, the efforts of an empowered people and the guidance of a democratic developmental state put together will realize an economic miracle. Berhanu Nega*, a prominent Ethiopian economist-cum-politician wrote:

A country's economic growth is a result of the collective effort of individuals to improve their livelihood. Accordingly, policies, institutions and strategies that enhance people's initiative and enterprising spirit are required. It is when people with hope and empowerment constitute the majority of a society that economic growth could be attained... It is possible to tackle in tandem a national, free market economic system with a country-wide economic nationalism ... the existence of a democratic government is a prerequisite for a country's peace, stability and economic prosperity. That this link between a democratic system and peace, stability and economic prosperity, should apply to the Ethiopian situation is beyond any doubt. (2003: 35-36, 38).

Berhanu did not categorize his views quoted above into a specific development paradigm. Inferring from what he wrote above however, there is no doubt that his choice of development model for Ethiopia is the democratic developmental state paradigm. What Berhanu refers to as "a national free market economic system with a country-wide economic nationalism", is literally the same with what Mkandawire alluded to as nationalism being 'the normative rationale for building developmental states in Africa' (Quoted in Edigheji 2010: 18).

Even though democracy in its modern political form is a rather new concept to Ethiopia, as a value system, it has been deeply ingrained in the customs of most Ethiopians. Solving a problem by way of negotiation is a practice that a sociologist or an anthropologist can find in the customs and values of most ethnic groups in Ethiopia. It is the failure of the educated elite to adopt, refine and modernize such a wide spread traditional value system in the country that has led to the adoption of ideologies that are not in tune to the belief system of the people. That is why attempts to forcefully impose the communist model of development in Ethiopia failed.

* At the time of writing (i.e. in 2003) Dr. Berhanu Nega was the President of the Ethiopian Economic Association. At present he is an opposition party leader in exile. In the 2005 election, the Coalition for Unity and Democracy (CUD), the biggest opposition party, to which he was a leading member, won all the seats for the Addis Ababa Regional Council, democratically winning the post of Mayor of the country's capital. But as the result of the rigged nationwide election and the election controversy that followed, which resulted in mass protests, killings and mass arrests, he was jailed, together with the other leaders of the party by EPRDF for one and half years. After his release, he went to the US and established an opposition party.

Democracy seems to depend more on a country's national elite structure and on the determination of the elite to solve the problems faced by the country and its people by means of dialogue and by peacefully resolving differences in policy orientations and choices. Ethiopia, unfortunately, has not been endowed with such a national elite. Repeated failures have however, forced the antagonistic elite groups in Ethiopia to come to a consensus on the issue of what kind of a political model best fits the value system of most Ethiopians. That Ethiopia needs a democratic political system is, in theory, acceptable by all elite groups, is a step in the right direction, even though practicing it has been difficult both for the ruling elite and the opposition. On the other hand, regarding the issue of the choice of an economic development model, once the details of developmental state paradigm are widely articulated, it is the belief of the researcher of this dissertation that it will get the undivided approval of the country's educated elite both inside the country and in the Diaspora.

5.4 The way forward

5.4.1 A Democratic Developmental State (DDS) for Ethiopia

For the political project of a democratic developmental state to succeed, the primacy of politics must be realized. The state should be able to introduce the right mix of political and economic policies in the form of controls and incentives that could realize good governance in politics and promote investment and trade in the economy. Failure to find the right mix of policies would endanger the realization of the DDS model.

Mkandawire insists that Africa should be careful in adopting the lesson of the East Asian developmental state model. He (2010: 78) maintains:

The road to the DDS cannot be a perfect copy of the East Asian model. The East Asian model was itself attained after years of trial and error. Intelligent emulation and borrowing must be fused with country specific innovations, and even luck.

The experience of the democratic developmental state, like all useful experiences, cannot be directly transplanted from one country to the other. It has to be adopted within the context of each country that wants to construct a democratic developmental model. According to Ha-Joan Chang:

The construction of a developmental state in Africa needs to be contextualized, taking account of each country's specific historical, political, ideological and institutional settings (Quoted by Edigheji 2010: 18).

In assessing the possibility of DDS for Ethiopia, the first question that would arise is, would it have a source of support? That the establishment of a democratic state in Ethiopia has a realistic source of support within the population could be gauged by the massive vote of confidence given to the main opposition party, the CUD, in the aborted May 2005 parliamentary election. Had the election not been aborted, it was public as well as international knowledge that the CUD had won. The Coalition for Unity and Democracy (CUD) was a popular pan-Ethiopian, multi-national, and democratic force that emerged as a coalition of four multi-

ethnic parties a few months before the 2005 elections. In only four month's time however, it managed to led Ethiopia's first democratic wave. Its political success at broad-based mobilization of the people of the country had sparked a new awakening for democracy, economic and social justices. Even though it did not incorporate the necessary economic policy formulations necessary for realizing a developmental state, the CUD, in the election manifesto it presented to the public during the campaign for the 2005 elections, had laid out detailed political policies for the establishment a democratic state in Ethiopia. So, had the principle of free and fair election been respected in Ethiopia in 2005 and had the military not intervened on behalf of EPRDF, there was an actual possibility for a political transition towards a constitutional democratic state in Ethiopia.

From the above, the researcher has deduced that a democratic state has a realistic chance of emergence and a solid base of popular support in Ethiopia. The next course of action would be for a nationwide political party to emerge either from an evolution of current opposition parties or on a new bases. Such a party should have a clear democratic developmental state agenda. It should undertake a sustained and peaceful struggle against the current government and achieve the political mandate from the people of Ethiopia through a genuine free and fair election. This party should work hard to gain legitimacy among the people, in order to improve its chances of success in laying out the necessary foundations for the establishment and consolidation of democratic and developmental institutions, leading to the establishment of a democratic developmental state in Ethiopia.

5.4.2 Recommended course of action to realize a DDS for Ethiopia

5.4.2.1 In the sphere of politics

The process of democratization in Ethiopia can earnestly begin with a drastic reform of the current constitution. It should be abundantly clear that, as long as the current "constitution" is not challenged for what it is – Stalinist and inherently divisive, and for what it is not – not democratic and not empowering and unifying. If there is no consensus on this fundamental document, all efforts at bringing about positive change and democratizing Ethiopian society will remain elusive.

Of all the impediments to Ethiopia's renaissance, political restrictions on human development (political, social and economic) are the most stubborn and damaging. Freedom and deepening democracy is required to overcome the problem of democratic governance.

For durable peace and stability, for real equality and social justice and for sustainable political, economic and social progress of Ethiopia, the right way forward is unity under a non-ethnic pluralist democratic political system.

In order to establish a democratic developmental state in Ethiopia the following major requirements ought to be satisfied:

- a. A disciplined and activist state must be established;
- b. Such a state should adopt a nationally based development ideology;
- c. There should be a political leadership with a far sighted vision and proper strategy of constructing proper political and economic institutions that could determine the capacity of the state to formulate and implement its developmental state policies that help sustain the long term needs of national development;
- d. The state has to act as an entrepreneurial agent in coordinating private and public sector cooperation;
- e. There should be a state – society (especially civil society) cooperation. Such cooperation is essential to realize a democratic developmental state in Ethiopia. Emphasis should be given to the creation of political institution that ensure public deliberation of policies.
- f. There should be a competent administrative apparatus within the state. Such a state should give serious attention to the ‘institutional design’ which meets the specific conditions and programmes of the state (Edigheji 2010:18).
- g. To ensure the success of the developmental state project, the state ought to ensure ‘programmatic and reciprocal relationship’ (Edigheji 2010: 3) with civil society, labor unions and professional associations.
- h. The state and political party systems need to create ‘programmatic relations rather than patron-client relationship with citizens (Edigheji 2010:15).
- i. The developmental state should be autonomous of special interest groups.
- j. The DS should form ‘developmental coalitions’ to assure its political sustenance. In other words, it should be ‘socially embedded’ (Mkandawire 2010:71).

In practice, this means that the process of political liberalization should be strengthened and should grow into a full fledged process of democratization. Accordingly:

- Elections should be free and fair.
- The practice of organizing elections in such a way that only the ruling party can win, the organization of the electoral system in such a way that opposition parties could neither win nor form a government must end. To this end, the election system should be changed from the present majority system to that of a proportional system.
- It is absolutely necessary to strengthen and not discontinue or reverse the process of political liberalization.
- The insertion of the right of the individual, in the Constitution of Ethiopia, in the form of equal citizenship, is necessary for democratizing the Ethiopian political arena. The practice of

respecting the human and democratic rights of the individual should be adopted as being the cornerstone of the democratization process in Ethiopia. It should not be veiled by the so called right of the group, be it tribe or ethnicity or nationality etc... Most political scientists agree that the only precondition for democracy is the experience of national unity, based on equality of individuals as citizens of the country. The necessary political institutions that help realize the autonomy and freedom of the individual as a citizen, above everything else ought to be created and enhanced. "Ethnic or group rights must be subordinated to the 'universal and inclusive attributes of citizenship'. Individual right must be given primacy over group right. The primacy of individual right makes possible the respect of collective rights of all sorts. But the respect of group rights does not necessarily entail the respect of individual right" (Vestal, 1995: 165).

- Ethnic politics is inimical to Ethiopia's political stability and economic development. The criteria for delineating the boundaries of regional and sub-regional entities under a federal arrangement should not be based on ethnic and linguistic consideration. Instead, the criteria should be based on economic and administrative efficiency. In terms of delineating regional/state boundaries, the positive aspects of the country's historical legacy should also be taken into account.
- Devolution and political decentralization ought to be practiced in relation to sub-national political entities so that a governance arrangement, the aim of which is to transfer decision making authority to lower levels can be exercised.
- Devolution and political decentralization to lower administrative levels does not in itself ensure their accountability to local people. The necessary mechanisms should be built and institutionalized at the lower administrative levels to fully realize the peoples/ participation in the development process.
- Accountable and participatory governments that come to power by means of free and fair elections should play an active and supporting role in enhancing economic development.
- Career – based civil service should replace the system of ethnic patronage
- Design, adopt and especially implement sound constitutions that:
 - Institute separation of powers
 - Enshrine the independence of the judiciary
 - Prohibit the formation of ethnic and religious political parties
 - Provide for a creative approach to the structure of state formation (federal, a mix of federal and unitary etc), enhance the process of nation – state consolidation while at the same time provide for minority protection provisions;
- The universal human and democratic rights of citizens must be respected

- The electoral system should be reformed. The National Election Board and its regional and local offices should be independent from the ruling party;
- A professional army and security force must be established in place of the current army, the leadership of which is ethicized;
- The legal system must be reformed and strengthened;
- The draconian laws on the private/ independent mass media should be lifted;
- There is a need to cut down the political power of the overextended state .The outmoded one-party state, which has fused the functions of party, state and government into one must be replaced by a pluralist and accountable and non-militarized government which ensures political stability and government effectiveness. The rule of law should be respected and a serious campaign on corruption must be undertaken.
- Democratization of a country requires a mindset that transcends ethnicity, religious and regional difference. The politics of ethnicity is intrinsically incompatible with the very idea of a pluralist society. It should therefore, give way to national unity based on the strict respect of minority rights.
- The opposition needs to reinvent itself to become a real and viable national alternative democratic force. It needs to redefine the alignment of forces so as to form a cohesive united front that could force the current regime to accept the call for a new transitional political arrangement in Ethiopia.

Anti-corruption measures in Ethiopia can only become effective if there is a real and genuine commitment to reform the overall nature of the government. The political system must be democratized. Checks and balances should be in place and the current or future ruling parties should be constrained from bending the country's laws into their narrow party or ethnic interest. To this end:

- a) The discretionary power of the government that enables it to have a say in the formation and use of rents must be streamlined;
- b) The institutional means to use public resources to secure political survival by way of rewarding opportunist behavior to buy political loyalty should be eradicated;
- c) The country's legal system ought to be strengthened by way of protecting the judiciary from political intervention; this includes the protection of anti-corruption agencies from political interventions;
- d) It is essential to reform the public sector by putting in place practical measures that discourage the engagement of public officials in corruption;

- e) It is mandatory to maintain a grip on political interest and support groups by enacting the necessary laws and regulations that make the mixing of political and economic interests illegal and subject to prosecution;

The above recommendations if implemented would turn the current or future government into a democratic government and the state it leads into a democratic state. In other words the political proposals presented above would help define the shape of a democratic state for Ethiopia.

After a stable democratic government is established in Ethiopia, the issue of the long lasting relationship between Ethiopia and Eritrea ought to be resolved by means of a confederal set-up, hopefully leading into a genuine federal arrangement in time.

5.4.2.2 In the Economic Sphere

Fully public owned and managed economy is no longer a viable option. Instead, the future direction seems to be a convergence of market capitalism and market socialism. In light of the above, growth enhancing economic policies should probably need to be utilized. Whatever the economic strategy, it should be acknowledged that the state (the politically reformed one and not the current type) ought to have a big role in planning, directing and supervising economic development, while at the same time, it should leave sufficient space for the private sector to prosper. In other words, the developmental state project should be based on the foundations of the market economy.

An increase in Ethiopia's development potential would require addressing the poor quality of institutions, the serious condition of poverty and environmental deterioration, and the low degree of structural transformation of the economy and the lack of empowerment of people which blocked their active participation in the development process. Most importantly, since there is a direct correlation between democratization and development, Ethiopia needs to build the necessary socio-economic institutions that promote the participation of the people in economic development. The following measures are required to make the state a developmental state.

- The state should elevate the issue of development into a national ideology, meaning that it should pursue a strategic policy of economic nationalism;
- It should device a policy that would realize foreign technology transfer into the economy;
- The state should pursue a policy that would protect domestic industries from an unfair foreign competition;
- The state should device suitable policy targeting specific industries for accelerated growth. This would require provision of the necessary assistance to selected industries, the criteria being their contribution to the nation's economic development;

- The state should follow a policy that would create a suitable environment for the growth of a national entrepreneur class of industrialists, and create the necessary political and economic conditions for the growth of the middle class;
- An energetic export – led industrialization policy must be devised and implemented;
- The economic bureaucracy should be merit based and the practice of ethnic entitlement should be totally abandoned;
- Policies that enhance the technological and skills base of the economy must be devised and implemented;
- Policies that squarely address the socio-economic inequalities of the people should be devised and that such policies should satisfy the basic needs of the population, in order to do that, the capacity of the state to provide basic services should be enhanced.
- The state ought to privatize party parastatals and turn them over to national entrepreneurs;
- The investment climate must be improved to foster entrepreneurship and innovation, productivity and job creation; the foreign investment policy should actively seek outside investment in the direction of foreign technology transfer and should not simply be an enclave type of investment without any multiplier effect within the economy.
- Economic equal opportunity should be the center of the development strategy. The economic and political strategy should empower the people, particularly the poor, who are the overwhelming majority, so that they can actively participate in nation building, “Winner take all” strategy must be abandoned. Economic growth must be thought, not as an exclusive but inclusive growth;
- The state should pursue appropriate macroeconomic and financial policies in the sphere of savings, investment and international trade;
- Institution building in the economy should focus on human – centered development and equitable growth rather than on institutions ensuring macro – economic stabilization;
- The establishment of a central planning body is essential to serve as “a nerve center of development plans and programmes” (Edighiji 2010:7).

With regards to agriculture, which is currently the backbone of Ethiopia’s economy, the state should undertake an agrarian reform that includes both land reform and agricultural reform, which need to be implemented in tandem (Edigheji 2010: 27).

- It is imperative to acknowledge private ownership of land so as to realize land tenure security and grant the Ethiopian peasant farmer freedom of decision making;

- Commercialization of agriculture should also be encouraged. If Ethiopia is to adopt the positive lessons from China's rapid development, the center of the economic development strategy must focus on facilitating the expansion of small enterprise – including small farm activities;
- Agrarian reform should include policies that could realize food security for the poor. It should also include policies that address unemployment.
- A serious and sustained policy to fight environmental deterioration must be devised and implemented.
- The agrarian reform should reduce the “country's vulnerability to the vagaries of global markets” (Edigheji 2010:27).

For real development to take place, institution building and overhauling the economic governance structure is a prerequisite. The development strategy ought to empower the people and enable their increased participation in the development process.

The politics of preferential treatment to certain segments of society should be completely abandoned and political leaders should earnestly work towards creating a level playing field in the economy. And for this to take effect, political and economic discrimination on the basis of ethnicity must be totally eradicated.

In the economic sphere, the state should not be a substitute for the market, but should rather be a critical component. Empowerment and national ownership of the commitment to development is essential.

In general, in the economic sphere, the Ethiopian state ought to be transformed into a developmental state, the economic attributes of which are described in chapter two of this dissertation and summarized in the previous pages.

The combination of the political and economic recommendations will define the type and contours of a future democratic developmental state for Ethiopia.

5.4.2.3 In the Social Sphere

A social policy must be a component part of the developmental state project. The social policy of the state should focus on protection and distribution and on human capability expansion. The state should therefore, adopt and implement the following social policies:

- Policies addressing the issues of poverty, inequality and rising level of unemployment should be devised;
- Policies enhancing the capacity of the state to provide basic services like education, health and social welfare should be devised;
- The political will and the administrative capacity of the state should move in tandem for the social policies of the state to succeed.

5.5 Ethiopia and the West

5.5.1 Brief Background

The West's blind support for a very narrow and ethnic based regime of Meles Zenawi, especially under the Bush administration, was totally influenced by the 'war on terror' doctrine. It was a short sighted policy that would in the end undermine the West's and especially U.S strategic interest in the Horn of Africa. An article that Lyons (2006:1) wrote on Africa Notes, a publication of the Center for Strategic and International Studies (CSIS), that came out on August 7/2009 indicated the possibility of a shift in U.S policy towards Ethiopia. According to the article, the current Obama administration might be considering such a shift. The writer maintains that "*...in recent years both the domestic as well as the regional behavior of the Ethiopian government is posing mounting difficulties for the U.S long term goals in the region*" and points to the dilemma faced by U.S foreign policy towards Ethiopia as such:

U.S. policy toward Ethiopia today remains in suspense, with policy makers seemingly uncertain whether continued support of the incumbent regime is the best option to maintain regional stability or whether intensified pressures and new multilateral strategies are need to manage the potentially violent transitions ahead.

It seems that the Obama administration is walking a fine line with regards to Ethiopia. The dilemma for the US seems to be a real dilemma i.e. to simultaneously promote regional stability in the Horn and push for democratization in Ethiopia. For the US administration, to chose one over the other, given the extremely complicated situation of the lack of stability of the Horn countries such as Somalia, Sudan, Eritrea and to a certain extent Kenya is a daunting task. Ethiopia's instability, given its weight, could further destabilize the whole of the Horn region.

As a result of four rigged elections (i.e. 1995 2000, 2005 & 2010) the Ethiopian people and opposition parties legally operating in the country are losing hope in the peaceful struggle. Armed opposition groups on the other hand, are regrouping and consolidating their forces. The regional situation, especially the controversy between the Egyptian government and EPRDF over the use of the Nile Waters, the looming independence of Southern Sudan, the irredentist regime in Eritrea, the unstable situation in Somalia seem to create a conducive atmosphere for the armed opposition forces fighting the EPRDF regime. The current wave of democratic uprising in the Arab world is also bound to have an impact in terms of instigating a mass protest for change in Ethiopia.

So, in a sense, the dilemma is a choice between an alliance based on durable long term strategy and tactical cooperation based on circumstances of the time. So it seems that the US and other Western powers are currently faced with a Catch 22 situation with regards to their relationship with Ethiopia. Ethiopia's indispensable position in the region's stability at this critical stage notwithstanding, in the strategic sense, it's crucial role in assuring durable regional stability will in the final analysis, depend on its capacity to be internally stable. Its internal stability is directly related, if not at present, in the coming years, to the

political, economic social situations of the country and on the trust and confidence the people of Ethiopia have on their government.

In an interview the U.S Ambassador to Ethiopia, Donald Booth, gave to a private Ethiopian English Weekly Newspaper, on April 2.2011, in reply to the question he was asked relating to the U.S position on the 2010 national election, Ambassador Donald Booth, stated the following:

The relationship between the US and Ethiopia is one of our important relationships and certainly one of the multifaceted relationships in Africa. The United States will engage Ethiopia in all major bilateral interests - We are working together with the Ethiopian government on issues such as regional stability, promoting economic growth and development and human rights and good governance. These are the three pillars of our relationship. We will not hold progress in one area to progress in the other area. In other words, one would not be sacrificed for the other. Ethiopia is an island of stability in a very troubled region. We look to Ethiopia to help resolve regional conflicts, to contribute peacekeeping forces where those are needed in Africa, and for fighting extremism...The US puts equal emphasis in promoting economic growth and development in Ethiopia while it also underlines promoting democracy, human rights and good governance. Strong democratic institutions including strong civil society organizations, independent and professional media, judiciary as well as respect for human rights will only increase the stability and prosperity of Ethiopia. That is why we engage in those areas. The US will support Ethiopia's economic development effort towards attaining the level of a middle income country. When Ethiopia reaches that stage of development, the situation would, by itself, force Ethiopia towards what America would support. That is realizing democracy and a multi-party system (Awramba Times: No.161 April 2/2011.).

From the Ambassador's interview, it is clear that current U.S policy with regards to Ethiopia is not pro-active in terms of pushing the regime towards democratization. The current U.S policy seems to be built on the analysis that without a strong middle class, the demand for democracy in Ethiopia would not get popular support. According to this line of reasoning, the strength of the demand for political democracy in Ethiopia is dependent on the country achieving the level of a middle income country at the level of which would be created a politically viable middle class, which would serve as a strong social base for supporting the demand for political democracy. This means that in the current Ethiopian situation, where the middle class is very weak in number and influence, and where a substantial number of the population is classified as poor and low income, the demand for democracy would have no viable following in the country.

But this notion is disproved by the events that are currently taking place in the Arab World. The current wave of mass protest, which has been referred to as the Arab democratic awakening, is a product of long-standing frustration arising from unfulfilled political economic and social promises. The governments have failed to deliver equitable growth and social justice. The demand for democracy in the Arab world is neither influenced or actively supported by the middle classes. Accordingly, it would, from the strategic point of view, be wrong to frame U.S policy on Ethiopia on a non pro-active policy for democracy. Like in Egypt, such a policy could get caught unprepared when the mass protest against authoritarian rule and for democracy finally takes place.

According to UN classification, a country's per capita GDP has to reach at least 6000 USD for any country to reach the level of a middle income country. As indicated in this section, in 2009/2010 real per capita GDP of Ethiopia is 238 USD. Twenty years ago this country's per capita GDP was 120 USD. Meaning that in 20 years, it only managed to grow by 118 USD. According to the logic of Ambassador Booth's argument, it is going to take something like 830 years or so before this country could begin to

democratize itself. Or more to the point, terrorism in the Horn region has to stop being a threat to US National interest for the US to pursue a more balanced foreign policy when it comes to Ethiopia.

It seems that both the republican and democratic administrations in the US subscribe to a broadly similar US foreign policy when it comes to the issues of US-Ethiopian relationship. This theory in political science, which equates the readiness of the people in a given country to be mobilized in their multitudes, in demand of their democratic rights, with the existence of a viable middle class is a theory cited in Francis Fukuyama's celebrated book, "The End of History and the Last Man," (1992: 115-116,122-125). The theory which maintains that the demand for democracy cannot arise without the existence of a viable middle class and without this class leading the mass demand for democracy, could have been true for most to the now developed countries, but does not fully correspond to the realities of other developing countries. For instance, the recent democratic awakening of the Arab world was not, strictly speaking, either influenced or led by the middle class in Egypt, Tunisia, Yemen and Libya etc... It was initiated by few young internet bloggers and social media savvies and followed by the masses of unemployed youth. It is also to be remembered that way back in 1974, when Ethiopia's per capita GDP was only around 80 USD, there was a genuine national and popular democratic uprising in Ethiopia, against the imperial system. The democratic aspirations of the Ethiopian people, manifested as they were, in huge and prolonged mass protests for equality and freedom was however, short-lived. It was hijacked by the Military in league with the Marxist political elite that had a strong influence on the military council known as the Derg.

The people of Ethiopia do not have confidence in EPRDF. Hence, the need to pushing for a democratization process in Ethiopia, together with working for regional stability. In the final analysis, the U.S and the Western powers in general, from the stand point of their strategic interest in the region, will have to push for the process of democratization to earnestly start and take effect in Ethiopia. The very strong US message to African leaders (including the PM of Ethiopia who was present at the hall) given by Secretary of State Hillary Clinton, in a speech she delivered to a gathering of African heads of state in African Union Conference hall in Addis Ababa on June 13/2011, seems to be a stiff warning to authoritarian African leaders to mend their ways and move towards democratizing their societies or lose US support. This is what she said:

The Arab uprising has particular significance for leaders in Africa and elsewhere who hold on to power at all costs, who suppress dissent, who enrich themselves at the expense of their own people. To such leaders our message must be clear. Rise to this historic occasion; show leadership by embracing a true path that honors your peoples' aspirations; create a future that your young people will believe in, defend, and help build. Because, if you do not if you believe that freedoms and opportunities that we speak about ad universal should not be shared by your own people, men and women equally, or if you do not desire to help your own people work and live with dignity, you are on the wrong side of history, and time will prove that ... [Hence] the message is clear to us all: The status quo is broken; the old ways of governing are no longer acceptable; it is time for leaders to lead with accountability, treat their people with dignity, respect their rights and deliver economic opportunity. And if they will not, it is time for them to go (The Reporter [English] June 18/2011).

The above message is a sign that the Obama administration is giving weight to US strategic interest over its current tactical interest in US- African, including Ethiopian relationship. Secretary of State Henry Clinton's message seems to override the message given by the US ambassador to Ethiopia, which was given two months earlier. In light of such clear US support to the democratization of Ethiopia, its realization will hence forth depend more on the strength of the democratic opposition in Ethiopia. Given the adverse regional situation Ethiopia finds itself in, US policy towards Ethiopia ought to simultaneously enhance regional stability.

An article entitled Quo Vadis Ethiopia? A paper that was intended to be presented to a Horn of African Conference in Virginia, USA, analyzing this issue of regional stability and what the future holds for Ethiopia in the case of the lack of regional stability, wrote the following:

Stability is very important to every country and all populations of the region. But it is incontestably more important to Ethiopia as growingly adverse regional and international factors compound its already grievous internal situation that threaten its very survival. Given the size and ethno-religious diversity of its population, the existence on the ground of organized and armed secessionist elements supported by foreign forces that loathe Ethiopian unity and who are keen to see it fragmented, the regime's abhorrent policy of political ethnicity, its dubious and relentless efforts at sowing the seeds of suspicion and mistrust among population groups to systematically further divide the people on linguistic and all other lines, coupled with the level of poverty so acutely high and mounting frustrations that could leave a fertile ground for radicalized movements, Ethiopia is in real danger of exposing its people to a messily chaotic situation of civic strife the consequences of which could lead to a bottomless pit of total and uncontrollable chaos, potentially becoming more tragic than anywhere else in Africa (Ayal-Sew Dessye, 2010. Quo Vadis Ethiopia, Part II, page 5).

5.5.2 What the West ought to do with regards to Ethiopia?

As long as the current EPRDF led government retains its firm hold on the military and security apparatus of the country, disengaging with the EPRDF government is not and should not be an option for the US government and other Western powers. Given the anti-liberal nature and its ongoing tendency to establish a proto Chinese type of fusion of party and state, total disengagement by the West could endanger both the country's stability and by extension, the stability of the region as a whole.

The West should play a greater role to encourage the democratization process in Ethiopia if it is serious about the economic development of this region of the world, the extent of misery of which has become a scar on universal human dignity. So, instead of dishing out financial aid in the form that is conducive to further strengthening authoritarian and corrupt African regimes and their failed states, the money could be well spent if it could be diverted to assist the democratization process in Sub-Saharan Africa, including Ethiopia, by-way of reinvigorating the governance structures, democratic and civic institutions of these failed and failing states. In general, the West should work in unison to pressure the current government and engage it to earnestly start the democratization process in Ethiopia. To this end, the writer of this dissertation recommends that the West makes its assistance goal-oriented by:

- Encouraging Ethiopia's authoritarian leaders to strictly abide by the rules of fair and free elections;
- Arranging incentives for Ethiopia's leaders to leave office after a maximum of two terms;

- Encouraging them to build national political institutions and independent civic institutions that help them proceed with the path of nation-building;
- Penalizing the formation and sustenance of party-led, ethnically organized armies and security forces and encourage their reliable transformation into a professional, apolitical and constitutional defense / security force of the nations;
- Instituting negative incentives on the government when it:
 - interferes in the affairs of civil society and prohibits its independent formation;
 - encourages political parties to engage in business activities;
 - embezzles and siphons money to foreign accounts;
- Like economic and social sector programs, the West should design political assistance programs for failed African states, including Ethiopia. Assistance should concentrate on areas like:
 - Reform of the electoral system (this merits especial focus);
 - The establishment of a political and professional army and security forces;
 - Reform and strengthening of the legal system;
 - Strengthening the private/ independent mass media;
 - Civil service reform i.e. making sure that it is merit based.
- By way of improving future election results, once international election observers have determined that elections in the country 'do not meet international standards', the West should help ensure that aid (apart from humanitarian assistance) and abetting such a regime are made conditional on forward movements to democratization and not backward slide into authoritarianism. The West should also withhold formal recognition of results, until election related controversies are amicably settled. Such a decision could bear fruit if and only if the western powers reach a common understanding regarding the root causes of the economic problems of sub-Saharan African countries as emanating, to a large extent, from the political sphere, and help streamline the political process of non-democratic African governments.
- The US and other Western powers should stand united in utilizing their diplomatic, financial and development aid pressure on the government to force it not to back-track on political liberalization and encourage further moves in the direction of the democratization process.

The West should use its economic and financial clout to hold Ethiopia's authoritarian and corrupt leaders accountable for their corrupt practices. To this end:

- The corrupt practice of transferring financial resources to foreign countries should be discouraged by blocking all foreign accounts of government officials and their cronies, pending its return, to

respective national treasuries, upon the assumption of democratically elected and accountable government.

- The current Ethiopian government could easily forfeit assistance directed towards political reform, if it continues to get assistance in the economic and social sectors. To avoid this eventuality, the economic and social assistance programs should be made conditional on proper utilization of political reform programs.
- For the financial pressure applied by the West to be effectively felt by the government, a unified approach by both bilateral and multilateral donors must be adopted.
- If such a unified approach is adopted by the West, and in spite of the Chinese connection which the current Ethiopian government wants to use as a bargaining cheap to stem off what it refers to as “undue interference in the country’s internal affairs”, there is a chance to strengthening the process of political liberalization. The consummation of political liberalization, if properly effected, could move the country towards the process of democratization and hence create a stable and durable condition for economic development in the country.

5.6 Concluding Remarks

As a multi-ethnic country, only democratizing society and instituting a system of justice that fully guarantees equality to all citizens could obviate the need for political ethnisism in Ethiopia. A free society, however, cannot be envisaged without an empowered people. Empowering people is the only sure way that the Ethiopian society can be democratized. Authoritarianism and dictatorships of all sorts flourish and have an easier ride on people that are not empowered. The Ethiopian people must first and foremost be empowered and should be given a chance to democratize as a society for them to choose the type of state structure that would guarantee freedom for the individual as citizen of a country, but at the same time safeguard minority rights within the multi-ethnic Ethiopian society.

In Ethiopia, the absence of strong institutions has inhibited political democratization and economic development. Weak institutions in an economy in which the state plays a larger role has become the main stumbling block to political and economic progress. In developed countries, success in economic and business ventures mostly depends on private initiative and hard work. In present day Ethiopia however, ethnic affiliation and political contacts make the difference between business success and failure. Equal economic opportunity to all has become an empty phrase. And without a level-ground field for all citizens who earnestly want to improve their lot by working, neither sustained economic growth nor development could be achieved. As is the case in most African countries, the current ruling bureaucratic elite in Ethiopia, its public pronouncements notwithstanding, is afraid of the market system, which by giving equal opportunity to all enables people to succeed in business without relying on the state and its bureaucratic patronage.

Hence, unlike most of the theories of development treated in this dissertation, this writer argues that from the point of view of the development experience of most African countries in general and from the experience of Ethiopia in particular, development should first of all be a political process and then an economic one and not the vice versa, as is commonly thought. In the researcher's contention, it is by adopting this kind of political-economic approach to development theory that Sub-Saharan Africa, including Ethiopia, could effectively deal with problems that development, in its wider sense, purports to address.

The neo-liberal assertion of minimum state intervention in the economy or leaving all the regulatory function of the economy to the market is not workable in light of the conditions in Ethiopia, where there is a relatively large traditional sector in the economy and where the private sector is weak. Political and social development is essential for economic development and that social development cannot be brought about by market mechanisms alone. It is also true that technological capability accumulation is at the center of development in all countries including Ethiopia, and that such development cannot be achieved by market mechanisms alone. Like in many developing countries, market failures are deeper and pervasive in Ethiopia, and that market mechanisms alone cannot bring about accelerated development for Ethiopia. As Mkandawire (2010: 17) put it, neither would the 'anemic regulatory state' and the institutional reform that led to it, would realize the country's developmental requirements.

This does not mean that economic development could be achieved without the market mechanism or the 'infrastructural powers' of the state. An economic policy orientation based on the fundamental tenets of the market calls for getting the nation's politics on the right democratic track and for strengthening weak institutions to enable them undertake large infrastructural developments and invest in areas where the private sector is not able or capable of involving itself. Together with the market, the state should have a stake in the regulation and monitoring of the economy. The state's role should be limited to giving leadership and guidance to the private sector in terms of providing and preventing incentives in line with effecting national development policies. It should not stand on the way of the growth and consolidation of the private sector. Accepting the market mechanism as an engine of growth requires policy orientations that strictly adhere to boosting the private sector. This type of policy orientation also compels governments to be very serious with combating corruption.

In its desire to find viable solutions to the rampant poverty of the continent, the African elite is currently gripped with the doctrine of developmentalism. This doctrine deals with the issue of re-establishing the correct balance between the state and the market on the one hand, and transforming the paternalistic and corrupt African state into a responsible, participatory and legitimate developmental state on the other. This debate is just beginning in Ethiopia.

As a pseudo-revolutionary party with a rigged belief in the superiority of its own political program, EPRDF despises all alternative political and economic policy proposals as unacceptable. For EPRDF, the purpose of the election process is to win at all costs and hence will never allow a truly competitive election

to take place in Ethiopia. That is why EPRDF has been in power for the last 20 years. It claims that it has altered the text book version of democracy. No wonder that its alteration has kept it in power for 20 long years. The EPRDF government is certain it has now altered its course. Thanks to this EPRDF 'panacea,' the state will suddenly be able to solve the problems of the country, without the need of popular mandate from the people.

Since successive authoritarian Ethiopian governments have failed to deliver sustainable economic growth, social development based on social justice and poverty reduction, let alone achieve economic development, and since the current and the previous two Ethiopian governments were neither democratic nor developmental in their nature, it is the contention of this dissertation that a democratic developmental state model for Ethiopia is more likely to become successful in its economic, political and social development endeavors.

Based on the writer's 37 years of political experience and assessment of the prevailing mood of the people, any government leading the Ethiopian state, ought to be taken as legitimate in the eyes of the entire Ethiopian people, for the state to be a real developmental one. And for the current or future government to be taken as legitimate, it should, in the conditions of present day Ethiopia, be democratic. It is the contention of the researcher of this dissertation that the best hope for avoiding the 'uncontrollable chaos' looming over Ethiopia, is to try out the democratic developmental state paradigm.

5.7 Areas of future research

A transition period is essential before the establishment of democratic developmental state in Ethiopia. This is because of the existence of armed opposition groups and political parties legally banned to operate in Ethiopia. A transitional government, composed of representatives from both the armed opposition, political parties based in the diaspora and those opposition parties pursuing the peaceful struggle inside the country, will have to replace the current government. In the case of a political situation in which it is not possible to get EPRDF out of the future political equation completely, it might be necessary to accept its participation in the future transitional government that will replace the current EPRDF government. The brief transition period will be used to organize a constitutional assembly to draft a new constitution or drastically reform the current one and put it to a referendum. Once the reformed constitution is adopted by a referendum, an election should be called, based on the provisions of the reformed constitution. Since the armed opposition groups will be part of the transitional government and will take part in the process of constitutional reform, by the time of the new election, it is hoped that they will put down their arms, organize parties and contest for power through a free and fair election. This would be the ideal scenario for Ethiopia's transition to a democratic state, the attributes of which are described in section 5.4.2.1 above.

Currently, there are a few political parties that have a national agenda. The most numerous political organizations in Ethiopia at present are ethnically organized parties. Several opposition coalitions have also been attempted in the last fifteen years or so. After the brake-up of the former Coalition for Unity and Democracy (CUD) party, due to the imprisonment of its leaders and the mass arrest of its members after the 2005 controversial election, the Ethiopian political landscape has been characterized by one visible feature. The absence of a leading nation-wide political party with a clear theoretical, political and organizational vision. This has become the most crucial challenge facing the opposition in Ethiopia at present.

For many opposition groupings in Ethiopia, peaceful struggle means to confine the political struggle within the bounds of the rules laid out by the regime. Unless the peaceful political struggle grows to be really national in scope and mass based and goes beyond the confined political rules set by EPRDF, sporadic and isolated cases of political opposition would not bear fruit. In the last eighteen years or so, the huge scarifies paid by the people in their quest for participatory democracy and against political ethnicism have not produced results. This is because of the absence a leading political party and the lack of unity of action among and within the opposition political parties in Ethiopia. This problem in turn emanates from the differences that the current political groupings have in terms of political philosophy and the principles of organizing a political party (i.e. nation - wide non-ethnic party vs ethnically organized parties). In general, party organizational and structural problems, lack of a clear political strategy and tactic, lack of a

determined and politically credible and acceptable leadership are the reasons cited for the failure, on the part of the opposition parties and groupings, to put-up a successful challenge to the ruling party of the EPRDF.

That a mass based national political party with a clear democratic and developmental agenda and with proper political strategy and tactics is essential if a democratic developmental state is to be attained in Ethiopia is not in doubt. The paramount issue at stake is how such a political party could be created in Ethiopia. The opposition, as vociferous and numerous as it is, has for a long time failed to arrive at the right formula for making such a political party a reality. This has been a persistent challenge that needs to be overcome. Through what consecutive political steps this ideal political party could be realized? What type of party structure is required to accomplish this mission? When, and in what condition will a political momentum sufficient enough to tilt the balance for the establishment of a new transitional government without EPRDF will be created? Or failing that, could the momentum led into the current EPRDF regime participating in the future transitional government? Answering these questions is the first area of future research.

In Ethiopia, the very nature of peaceful struggle is not well understood. The regime in power does not give any heed to the respect for the human and democratic rights of the people and does not have a culture of resolving political difference by means of civilized discourse. Under such a situation, no broad-based agreement on the nature of the peaceful struggle to power was able to be achieved among the current political opposition in Ethiopia. These issues are outstanding challenges that need to be resolved. Could the peaceful struggle be sustained under the present conditions in which the current regime has refused to abide by the rules of free and fair elections? In what form and substance could the future peaceful struggle be different from the current ineffectual peaceful struggle undertaken by the legal opposition at present? Finding out viable and workable answers to these questions would be the second area of future research.

There is also another political issue that has to be looked into. In an attempt to recommend a democratic state for Ethiopia, a question could arise as to whether or not such a state would fully occupy the place assigned to it in a liberal polity. This is a controversial issue, especially in developing countries like Ethiopia. Probably, at the initial stages of the democratization process, the state might not fully satisfy the criteria of a full blown liberal state. But once democratic governance is in place and the proper democratic institutions firmly established, such a state is bound to gain legitimacy in the eyes of the people. And with legitimacy, the state would gradually occupy the place assigned to it in a liberal polity. But then, a related question could arise. Is it liberal democracy or social democracy or democratic socialism that could enhance democracy in Ethiopia, given the weight that its historic past bears on its current situation and its current level of political, economic and social development? How and through what mechanism, this choice could be made and realized would be a third area of future research.

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Annex 1

The Ethnic Composition of Ethiopia's Military Command Structure

The United States of America has for the first time accused the Ethiopian government of favoring one ethnicity in appointing government positions. Mr. Douglas M. Griffiths, USA representative in the United Nations Human Rights Council, stated (December 5/2009) that most [senior government positions are overwhelmingly represented by one ethnicity](#). Other countries have also shares USA's stand by emphasizing on the danger of ethnic dominance and importance of an equitable power sharing.

According to VOA, the dominant role of ethnic Tigrayans in the government, especially in the military, has often been a contentious political issue in Ethiopia. Tigrayans make up about six percent of the population.

The hard evidence at Ministry of Defense is top of the iceberg for the argument made by the ambassadors in Geneva. The list of names at the ministry alone makes the fact abundantly clear. It can be said that there is no Ethiopian national army but Tigrean.

1. Chief of Staff, General, Samora Yunus, Tigre
2. Training Department, Lt. General Tadesse Worede, Tigre
3. Logistics Department, Lt. General Geazi Abera, Tigre
4. Military Intelligence Department, Brg. General Gebredela, Tigre
5. Operations Department, Lt. General Gebre Egziabiher, Tigre
6. Engineering Department, Lt. General Berhane Negash, Tigre
7. Air force, Brg. General Mola Haile Mariam, Tigre

Heads of the four commands

1. Central Command, Lt. General AbebawTadesse, Agew
2. Northern Command, Lt. General Seare Mekonnen, Tigre
3. South Eastern Command, Maj. General Abraha W. Gabriel, Tigre
4. Western Command, Brg. General Siyoum Hagos, Tigre

Division Commands

1. 31st Division Commander, Colonel Tsegaye Marx, Tigre
2. 33rd Division Commander, Colonel Kidane, Tigre
3. 35th Division Commander, Colonel Misganaw Alemu, Agew
4. 24th Division Commander, Colonel Work Aieynu, Tigre
5. 22nd Division Commander, Colonel Dikul, Tigre
6. 14th Division Commander, Colonel Woedi Antieru, Tigre
7. 21st Division Commander, Colonel Gueshi Gebre, Tigre
8. 11th Division Commander, Colonel Workidu, Tigre
9. 25th Division Commander, Colonel Tesfai Sahel, Tigre
10. 20th Division Commander, Colonel, Teklai Klashin, Tigre
11. 8th Mechanized Division, Colonel Jemal Mohamed, Tigre
12. 4th Mechanized Division, Colonel Hintsaw Giorgis, Tigre
13. 19th Division Commander, Colonel Wodi Guae, Tigre
14. 44th Division Commander, Colonel Zewdu Teferra, Agew
15. 13th Division Commander, Colonel Sherifo, Tigre
16. 12th Division Commander, Colonel Mulugeta Abraha, Tigre

17. 32nd Division Commander, Colonel Abraha Teslim, Tigre
18. 6th Mech. Div. Commander , Colonel Gebre Medhin Fekad, Tigre
19. 23rd Division, Commander, Colonel Wold Beilalom, Tigre
20. 43rd Division Commander, Colonel Wodi Abate, Tigre
21. 26th Division Commander, Colonel Mebratu, Tigre
22. 7th Mech. Div. Commander, Colonel Gebre Gebre Mariam, Tigre

Defense Ministry Departments and other specialized Units

1. Agazi Commando Div., Commander, Brg. General Muhamed Aisha, Tigre
2. Addis Ababa Security Division, Colonel Zenebe Amare, Tigre
3. Palace Security Force, Commander, Colonel Geresenay, Tigre
4. Banks' Security Force, Commander, Colonel Hawaz Woldu, Tigre
5. Engineering College, Commander, Colonel Halefom Ejigou, Tigre
6. Heath Science College, Commander, Colonel Tesfaye Giday, Tigre
7. Mulugeta Buli Technical College Commander, Colonel Meleya Amare, Tigre
8. Resource Management College Commander, Colonel Letayi Tigre
9. Staff & Command College, Commander, Brg General Tesfaye Giday Tigre
10. Bilate Training Center, Commander, Colonel Salih Berihu, Tigre
11. Hurso Training Center, Commander, Colonel Negash Hiluf, Tigre
12. Awash Arba Training Center, Commander, Colonel Muze, Tigre
13. Bir Shelko Training Center, Commander, Colonel Negasi Shekortet, Tigre
14. Head of Admin., the Ministry of Defense, Brg.Gen. Mehari Zewde, Tigre
15. Dejen Defense Aviation, Head, Brg General Kinfu Dagenew, Tigre
16. Defense Ministry, Head of Research, Brg. Gen. Halfom Chento, Tigre
17. Defense Ministry, Head of Legal Affairs, Colonel Askale, Tigre
18. Head of the Office of the Chief of Staff, Colonel Tsehay Manjus, Tigre
19. Head of Indoctrination Centre , Brg. General Akele Asaye, Amhara
20. Head of Communication, Colonel Sibhat, Tigre
21. Head of External Affairs, Colonel Hasene, Tigre
22. Head, Special Forces coordinating Center, Brg. Gen Fiseha Manjus, Tigre
23. Head of operations Department, Colonel Wodi Tewik, Tigre
24. Planning and Program Department Head, Colonel Teklai Ashebir, Tigre
25. Defense Industry Coordinating Head, Colonel Wodi Negash, Tigre
26. Head of Finance in the Ministry of Defense, Colonel Zewdu, Tigre
27. Head of Purchasing in the Ministry of Defense, Colonel Gidey, Tigre
28. Head of Budget Department, Ato Brehane Tigre

more hard evidences about tigrean domination in the economy and top government position can also be produced.

At the ministerial levels, there are few Amharas, Oromos, Southern, and individuals from the plethora of ethnic groups of Ethiopia holding formal (symbolic) positions, yet the real decision makers, movers, and shakers are Tigrayans.

Strictly speaking, the Ethiopian armed forces are Tigrean no less than the TPLF is Tigrean. The following list makes this argument abundantly clear.

Ministry of Defense

Source:- Posted on Current News, December 14/2009. The earlier version was found at: <http://www.ethiomeia.com/articles/977>
[Downloaded 8/24/2007].

Annex – 2 EPRDF’s Business EMPIRE and the List of Companies under AI’Amoudi

A 2.1 List of Companies under EFFORT

	Name Of Company	Date Of Registration	Paid up Capital [in birr]
1	Addis Consultancy House p.l.c	1995	10,000,000
2	Addis Engineering Consultancy p.l.c	1995	25,000,000
3	Addis Pharmaceutical Production p.l.c	1995	53,000,000
4	Africa Insurance S.C	1995	30,000,000
5	Almeda Textile Manufacturing S.C	1995	180,000,000
6	Berehane Bulding construction p.l.c	1995	10,000,000
7	Berehe Chemical S.C	1995	25,000,000
8	Dedebit Credit & Saving Institution S.C	1995	60,000,000
9	Dessalegn Veterinary Drug & Inputs Supply p.l.c	1995	15,000,000
10	Dilet Brewery p.l.c	1995	15,000,000
11	Experience Ethiopia Travel p.l.c	1995	26,600,000
12	Express Transit Service Enterprise p.l.c	1995	10,000,000
13	Ezana Mining Development p.l.c	1995	55,000,000
14	Ethio Rental S.C	1995	10,000,000
15	Fana Democracy Publishing p.l.c	1995	60,000,000
16	Global Auto Spare Parts Sales Company	1995	26,000,000
17	Guna Trading House S.C	1992	10,000,000
18	Hi – Tech Park S.C	1996	10,000,000
19	Hiwot Agricultural Mechanization S.C	1993	25,000,000
20	Mega-Net Corporation S.C - Mega Creative ARTS Center - “ Distribution Enterprise - “ Studio Enterprise - “ Printing Enterprise - “ Transit Service - Kuraz Publishing Agency - Radio Fana - Shala Advertising Enterprise	1993	10,000,000
21	Mesfin Industrial Engineering p.l.c	1995	500,000,000

*As of 2007 the paid up capital of Wegagen Bank has been raised to Birr 200,000,000

	Name Of Company	Date Of Registration	Paid up Capital [in birr]
22	Meskerm Investment S.C	1995	40,000,000
23	Rahwa Sheep & Goat Exports S.C	1995	25,000,000
24	Segel construction S.C	1995	10,000,000
25	Selam Bus line S.C	1995	10,000,000
26	Sheba Tannery Factor S.C	1995	40,000,000
27	Star Pheormaceuitical and medical supply S.C	1997	25,000,000
28	Sur construction S.C	1992	150,000,000
29	Tesfa Livestock Development S.C	1995	25,000,000
30	Trans Ethiopia S.C	1995	100,000,000
31	Almeda Garment Factory	1995	660,000,000
32	Blue Nile Transport S.C	1993	10,000,000
33	Dashin Brewary S.C	1995	45,000,000
34	Zelege Agricultural Mechanization S.C	1996	27,000,000
35	Wegagen Bank S.C*	1997	200,000,000
36	Sunshine construction p.l.c	1995	8,000,000
37	Tana Trading House	1995	50,000,000
38	Mesobo Cement Factory	1995	240,000,000

Annex 2 *continued*

A 2.2 EFFORT companies that did not make their paid-up capital public

1. Ambassel Commerce
2. Amhara Meleso MaquaQuam
3. Saba Ebnebered
4. Adwa Flour Factory
5. Sebhat Nega PLC
6. Dima Honey Processing Plant
7. Aberdele Animal Export Company
8. Dinsho Share Company
9. Guna Trade Services
10. Wendo Trading
11. Tikal Agri Tigray
12. Addis Transport
13. Maichew Particle Board
14. Tigray Tagai Association
15. Tigray Development PLC
16. Biftu Dinsho
17. Shala Advertisement
18. Walta Industry
19. Tikur Abbay Transport
20. Brook Chemical Share company
21. Computer Networking Technology
22. National Electromechanical
23. Oromia Credit Bank
24. National Geo-Textile
25. Alage Forest Products
26. Martha Poultry
27. Beruk Tesfa Plastic Factory

NB: a) The above 66 Companies under EFFORT are party parastatals nominally owned and managed by ethnic Tigrayans.

b) The amount of capital shown above were initial starting capitals registered in 1995. The total net worth of the parastatals at present (2009) could have increased by much more.

Annex 2 continued

2.3 AL-Amudi Business Empire			
	MIDROC (Mohammed International Development & Research oriented company) Scandinavia Akliebolaget - Ethiopia Branch	1996	USD 500,000
	MIDRO Ethiopia p.l.c	1996	Birr 43,000,000
	Addis Real Estate p.l.c (Air Taxi service)		
	Aerial Service Enterprise p.l.c		
	Akaki Modern Hide & Leather Products p.l.c	1993	Birr 16,000,000
	Al-Mesh p.l.c (mechanized Farming)	1994	Birr 88,150,000
	Dashin Bank S.C	1995	Birr 50,000,000
	Daylight Engineering p.l.c	---	-----
	East-West Ethio Transport p.l.c	1995	Birr 5,000,000
	Equatorial Business Group p.l.c	1995	Birr 10,000,000
	Komobolcha Steel Products Industry p.l.c	1996	Birr 32,000,000
	Mamco Paper Products p.l.c	1995	Birr 3,500,000
	Midroc construction Ethiopia p.l.c	1996	Birr 43,000,000
	Midroc Travel Agency	1995	Birr 21,000,000
	Moha Soft Drinks Industry S.C	1996	Birr 105,000,000
	National Mining Corporation p.l.c	1995	Birr 43,000,000
	Nyala Insurance S.C	1995	Birr 25,000,000
	RIAD p.l.c (Import-export)	1992	Birr 5,000,000
	Selam Health Care p.l.c	1991	Birr 10,000,000
	Star Technical Trading p.l.c	1996	Birr 2,000,000
	Addis Gas & Plastic Factor	1996	-----
	Wanza Wood Work Enterprise	1996	Birr 2,000,000
	Sheraton Addis Hotel	2000	
	Modern Building Industries P.L.C	1995	Birr 21,000,000
	Nani Building	2006	

Sources:

1. Assefa Negash. 1996. *The Pillage of Ethiopia*. Addey Publishing Company, Los Angeles,
2. Anonymous Document. September 1996. Ethiopian Non-Governmental Business - A Preliminary Survey of companies controlled by or associated with EPRDF-member Organizations and The Al-Amoudi Family, Addis Ababa Ethiopia
 - Apart from the names of companies, the compiled document includes the name of Interlocking Board Member organization & individuals the amount of share of each shareholder, detailed company profiles name of G/M etc...

Annex – 3

The amount of money and the list of high ranking officials that keep money in foreign accounts

Addis Ababa (June 23) -Prime Minister Meles Zenawi and 14 of his top officials have stashed away at least \$238 million dollars out of which Meles, the mayor of Addis and a top confident of the premier have a combined deposit of \$100 million in overseas banks, a VOA radio broadcast reported on June 28/2005.

Meles, Addis Ababa Mayor Arkebe Ekubai, and TPLF founder and Meles Zenawi's mentor Sebat Nega were having their deposits in Bank of Malaysia and Deutsche Bank, Tensae Radio reported yesterday.

The radio said it has the evidence which verifies the loot of the Ethiopian treasury by the topnotch of the regime which is trying to contain public protests through killings, detentions and prolonging a state of emergency. Reported in the loot of treasury of one of the world's poorest countries is also the president of the Addis Ababa University, Prof. Endreas Eshete as well as Education Minister Genet Zewde, all with close ties to the ruling party.

The radio said the officials had a history of stashing away the funds and depositing them under the names of their direct family members.

Meles and his ruling party own a chain of multi-million-dollar business establishments registered as "endowment funds" and are exempted from taxation.

Almost all of Meles Zenawi's officials were defeated in elections held in May 2005 but subsequent decreeing of a state of emergency and the brutal killings of unarmed demonstrators in Addis on June 8 has cast uncertainty about the future of the country, prompting observers to ask whether the looters would rely on violence to continue as government, or flee the country as most of the officials have their families settled in western capitals.

One of the poorest countries in the world, Ethiopia has received about \$3 billion a year in humanitarian and development aid in recent years.

Name of EPRDF Official	Stashed Fund Amount	Name of Bank
Prime Minister Meles Zenawi	\$41 million	Bank of Malaysia
Amb. Berhane Gebrekirstos (Ambassador the US)	\$19 million	New York city Bank
Abadi Zemo (former police commissioner)	\$ 22 million	Swiss Bank
Sebhat Nega (TPLF politburo member)	\$ 29 million	Deutsche Bank
Tefera Walewa (Minister of capacity building)	\$ 9 million	Bank of Canada
Shimelis Kindie	\$12 million	Bank of Canada
Addisu Legesse (Deputy Prime Minister)	\$ 14 million	New York City Bank
Prof. Endrias Eshete (University President)	\$ 7 million	New York City Bank
Arkebe Ekubai (Mayor of Addis Ababa)	\$ 29 million	Bank of Malaysia
Abai Tsehaye (Minister of Federal Affairs)	\$ 19 million	Bank of Malaysia
Genet Zewdie (Minister of Education)	\$ 6 million	New York City Bank
Amb. Mohammed Duri (Minister of Mines and Emergy)	\$ 4 million	New York City Bank
Dr. Maru Yirdaw	\$ 11 million	Deutsche Bank
Bereket Simon (Minister of Information)	\$ 10 million	Deutsche Bank
Kuma Demeksa (Minister of Defence)	\$ 6 million	Bank of Canada

Source:- [www.aeup.org/new/static/Ethiopia% 20 loot-htm](http://www.aeup.org/new/static/Ethiopia%20loot-htm)(downloaded 7/1/2005

Annex - 4

The legal system, Property Rights and contract enforcement in Ethiopia

(The writer's own experience)

Case No. 4.1

This case is about the legal system failing its duty of contract enforcement in a case of individual verses the state.

My wife rented a store for her fruit and vegetable business from the government housing agency. The rental arrangement took place by way of an auction. The rent she offered per sq. meter was a winning offer. So, she won the auction and signed a rental agreement with the government agency for the Administration of Rented Houses on March 28/2002. Upon signing the rental agreement, she paid an advance of six months rental payment, since this clause was part of the rental agreement.

After accepting the key and thoroughly inspecting the store, she realized that the sanitary and electrical systems needed a complete overhaul and that the roof had leaks in several spots. According to the rental agreement the responsibility for renovating the store and making it functional for the tenant squarely falls on the landlord, in this case, the government's housing agency. In the rental agreement there is a clause that ambiguously states that for the period of renovation, the tenant will not be liable for the rent.

The renovation was unduly delayed through the fault of the land lord. The tenant wrote several letters to the agency protesting about the delay of the renovation. After a delay of about four months, the housing agency started the renovation. Half way into the renovation and an additional three months after the start of the renovation, the agency pulled its maintenance crew out.

The Housing Agency claimed that it had completed the renovation and that the store could be functional. The tenant claimed that the renovation had not been completed and could not be used for the purpose it was rented. The disagreement comprising the shuttling of letters and counter – letters and the face to face meetings took another four months.

At this point, my wife lost hope and handed the key of the store back to the landlord i.e. to the Rental Houses Administration, without using the store even for a single day.

A couple months later, i.e. on March 4/2003, the Agency for The Administration of Rental Houses took my wife to court. Both sides, through their lawyers, presented their cases to the court. The presiding judge gave a one month deferment to study the case. On the date of the appointment, the judge heard the oral arguments presented by the plaintiff's and defendant's lawyers. At the end of the hearing he asked the plaintiff to present his witness for the next hearing, which was scheduled three weeks from the date of the

first hearing. My wife's lawyer pleaded the court that he should also be allowed the same right of presenting his witness to the court. The judge denied him this right.

During the second appointment, the court heard the testimony of the witness of the plaintiff and deferred the case to the next appointment i.e. to August 6/2003. The witness of the plaintiff was none other than the maintenance head that came to renovate the store. He testified before the court that the renovation was one hundred percent complete four months after the defendant was given the key from the rental agency.

On August 6/2003, three months after the start of the trial, and on the third appointment, the judge ruled the defendant to be at fault. The verdict was given to the effect that the defendant (my wife) should pay the rental arrears. The six months advance payment was deducted. The court ruled that my wife pay Birr 207,049.79 (two hundred seven thousand forty nine and seventy nine cents) plus interest on the above amount in lieu of rental payment for the store for 15 months.

All in all, in this particular case, in which the state is the plaintiff and a private person the defendant, the court trial took only three months before the final decision was given by the court. The defendant was denied the rightful request of presenting her witness before the court. Her lawyer could have taken the case to a higher court in the form of an appeal. But, since he knows from practice, that in the case of the state vs an individual, even the Higher Court of Appeal invariably rules in favor of the state. He advised her not to spend any more money as extra payment for him for a case he has very little chance to win. So, she dropped the case. She pleaded the court to give her a six month period to finish the payment. The court granted her this request. She paid the 200,049 Birr, without using the storage.

Case No 4.2

This is a case of the legal system failing its duty of protecting property rights in Ethiopia.

A title deed for an urban piece of land was given to me on February 23/2005. Before building a residential house, I wanted to fence the area as per my title deed. In order to fence an urban land you need to get a building permit from the Land Use Office of the city municipality. I got this permission on March 24/2005 and immediately contracted a mason to build the fence around my holding. As soon as the mason started building the fence, my neighbor handed to me a restraining order from the local city dwellers association. This was on April 16/2005. By then the fence was built almost halfway.

Apparently, this neighbor of mine, who has no title deed to the area he claims to be his own, had underhandedly managed to obtain a restraining order from the local dwellers association called the kebele administration in Ethiopia. Once he stopped my construction, he proceeded to open a law suit against me at the district level first instance court to block me from proceeding with my construction work. In his law suit,

he claimed that I have pushed into his holding by one meter. What he has presented to the court to show that he is entitled to the area adjacent to my holding is a municipality receipt for a yearly land rent.

The receipt is a single receipt which was supposed to indicate only a one year rent for the land. Instead, the single receipt that he presented as evidence shows that the payment received by the branch of the municipality based in the local dwellers association is not only for one year but for ten years, i.e. between 1991 and 2000. The payment is effected at once, at the end of the tenth year on 2000, while legally; it should have been paid at the end of each year. Moreover, the amount of land area for which the above rental payment is made is not specified on the receipt.

The irony of the whole thing is that at the bottom of the receipt is printed the following: “this receipt only serves as evidence of payment. It cannot be taken as a title deed’.” This is a direct translation from the Amharic version, the national working language in Ethiopia. It was not proper for the Court Registrar to have accepted this receipt as documentary evidence of urban land holding in the first place. In the final analysis, the court’s decision will have to be based on this fact, unless of course, my neighbor fails to bribe, or as it is euphemistically referred to in Ethiopia, as ‘hand greasing’ the judge. Furthermore, my neighbor has only put a container on the holding he claims to be his own. The ‘holding’ was not given a house number, since there is no building of any sort on it.

The first court appearance was on June 24/2005. Between June 2005 and April 2008, me and my neighbor appeared at the district level first instance court 16 times. All these time, the case was seen by the 5th presiding judges only partially. In the sixteen times that we appeared before the court, we have encountered five different judges. Judges in Ethiopia are routinely changed from one court to the other probably every six months. The official reason given is to minimize corruption in the legal system.

Four of the judges have not been able to see the legal arguments presented in a written form by our lawyers. The judges complain that there is too much backlog of files they have to review and not enough time available. So, even though me and my neighbor, together with our lawyers, have appeared before the court for the fifteenth time. Every time we appear, we are given an appointment for another date. In the more than two and half years that has elapsed so far, no judge has been able to deliberate on the issue and pass judgment on the case. Our next appointment, was for May 24/2008. A ruling was finally given in my favor in October of 2009. The ruling simply said that the plaintiff had no legal holding and hence is not entitled to stop my construction. The ruling did not mention anything about the plaintiff compensating the defendant for the financial loss incurred as a result of the delay in construction.. The issue is, with a legal title deed and an official construction permit in my possession, a person without a title deed, and without any legal right to take me to court has managed, with the aid of a non-functioning legal system, to block my investment decision to build a house for close to four years. I have thus lost at least three years rental income.

According to my earlier plan, the house would have been finished in one year, and would have fetched rental income for the second year. As it is presented here, this seems to be an isolated, individual case. But it is not. When the free press was functioning in this country, abuses and delays within the legal system use to appear in print all the time, indicating the presence of a failed judicial system in Ethiopia.

In our country at present, private to private litigation takes a very long time. If one considers the right of appeal to a higher court, it takes years and years. This is a case in point, in which a non-functional legal system affecting private investment decision. But the legal system does not stand in isolation from the political system in our country. It is a reflection of the political system. Even though the independence of the Judiciary is alluded to in the Constitution of the Federal Democratic Republic of Ethiopia (1995: Chapter 9, Articles 78 – 84), most of the provisions are not practically implemented. To begin with, it is only members of the ruling party who are allowed to serve as judges. If professional and well experienced judges do not follow the views and orientations of the ruling party, and are not willing to become members of the ruling party, they are not allowed to stay as judges. It is on the basis of this fact that previous judges have been replaced by new, younger and party recruited judges. It is not an isolated case to see young people of 22 to 25 year olds serving as judges in Ethiopia. A careful glance at the Constitution of the Federal Democratic Republic of Ethiopia would show that no separation of power between the executive, legislative and Judiciary branches of government really exists.

For economic reform or development to succeed, it is essential that a comparable system of administration of justice, which stands for the protection of property rights and enforcement contracts be in place.

The lack of separation of powers is not limited to the lower courts. Starting from the President and vice – President of the Federal Supreme Court to Federal judges their appointment is undertaken by the head of government. The Constitution states that they are appointed by the legislature upon the recommendation of the Prime Minister. Since the EPRDF government took power 20 years ago, there have been three legislative elections. The first two were boycotted by major opposition groups. The Third one was the May 2005 elections which was heavily rigged, and results overturned.

By means of the 2010 fraudulent election, the governing party controls over 99.7% of the legislature. It is the legislatures that proclaims new laws and mollify those the ruling party no longer wants. Even though, the Constitution of the Federal Democratic Republic of Ethiopia, (1995:127) states in Article 79 sub article two: “Courts at any level shall be free from any interference of influence of any government body, government official or from any other source,” this assertion does not hold water. Because the constitution is, in effect, a nominal and fictive constitution. It contradicts itself in art. 81 (1) by the fact that the Federal Supreme Court President as well as Vice-President, federal and state judges are recommended by the executive branch and appointed by the legislative branch, which itself is controlled by the same ruling party.

ART 81 (2) *Regarding other Federal judges, the Prime Minister shall submit to the House of Peoples' Representatives for appointment candidates selected by the Federal Judicial Administrative Council [itself nominated by the President of the Supreme Court and appointed by the Legislature]*

ART 81 (3) *The State Council shall, upon recommendation by the Chief Executive of the state, appoint the President and Vice-President of the state supreme court.*

The lack of separation of powers inherent in military dictatorships and authoritarian one – party states is typical of many African regimes. That is why citizens are very apprehensive of their governments in Africa. Lack of faith in the justice system entails disinterest and apathy towards the political system. The Impairment of the legal system and the brake down of the judicial process has negatively impacted on the property rights of the people, resulting in the absence of legitimacy of governments in most of sub-Saharan Africa. As the above seemingly isolated case shows, this intern will affect investment decisions and hence economic growth and development.