

Emanuele Fantini

Developmental state, economic transformation and social diversification in Ethiopia

A tale of an African Lion

The category of African Lions, coined in 2010 by the consulting firm McKinsey¹ to highlight the potential and the performance of Africa economic growth, has proved particularly suggestive for commentators and journalists² but rather elusive in analytical terms. Every survey or report presents its own different list of countries belonging to the “awakening”, “rising”³ or “emerging Africa”⁴, according to the focus and indicators adopted. Ethiopia stands among the few countries always mentioned in these analyses, by virtue of *i)* the score of GDP growth at an annual rate of nearly 10 per cent for the last seven years; *ii)* the implementation of development strategies and policies which have set the country among the few African states in track for reaching the MDGs⁵; *iii)* a pattern of political stability that makes it a key ally and an attractive economic partner for the international community in the strategic but volatile Horn of Africa. Building on these records, the Ethiopian Government officially aims at attaining the status of “middle income country” by 2025, as explicitly foreseen in the Growth and Transformation Plan (2010/11-2014/15)⁶.

¹ McKinsey Global Institute, *Lions on the move: the progress and potential of African economies*, Washington, DC, 2010.

² Cfr. *Africa's hopeful economies. The sun shines bright. The continent's impressive growth looks likely to continue*, «The Economist», 3 December 2011; *The lion kings? Africa is now one of the world's fastest-growing regions. A more hopeful continent*, «The Economist», 6 January 2011.

³ *Africa rising. A hopeful continent*, «The Economist», 2 March 2013.

⁴ S RADELET, *Success stories from “Emerging Africa”*, «Journal of Democracy», October 2010, vol. 21, p. 88; Idem, *Emerging Africa. How 17 countries are leading the way*, Centre for Global Development, 2010.

⁵ Federal Democratic Republic of Ethiopia, UNDP, *Ethiopia 2010. MDGs report. Trends and prospect for meeting the MDGs by 2015*, Addis Ababa, September 2010, http://web.undp.org/africa/documents/mdg/ethiopia_september2010.pdf; <http://www.aideffectiveness.org/busanhlf4/en/countries/africa/635.html>.

⁶ Federal Democratic Republic of Ethiopia, *Growth and Transformation Plan 2010/11-2014/15*, MoFED, Addis Ababa, November 2010, <http://www.mofed.gov.et/English/Resources/Documents/GTP%20English2.pdf>.

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ABSTRACT

Unlike the case of many other fastest growing African economies, Ethiopia's exceptional economic growth can be considered the outcome of a developmental model based on a strong developmental state, driving and dominating the economy. Limiting commodities export dependence, the Ethiopian government focuses on public capital investments and productivity growth in key economic sectors, particularly agriculture and manufacturing. This paper argues that despite the federal and decentralized structure of the Ethiopian state, development policies, targets and programs are designed at the centre, authorizing regional and local authorities little room for maneuver, in a centralistic and top-down logic. Furthermore, the active role of the State in enhancing economic growth implies an approach considering development as a quintessential political process, before a socio-economic one. If development measures are conceived as a form of legitimacy by the current Ethiopian leadership, the redistribution of the growing benefits will become a major textbook case in the near future.

Emanuele Fantini University of Turin, Department of Culture, Politics and Society

The opinions expressed herein are strictly personal and do not necessarily reflect the position of ISPI.

The peculiarity of the Ethiopian case lies in the fact that the process of economic growth is not driven by natural resources extraction, as in the majority of the countries included in the statistics about the African lions, like Angola or Chad. On the contrary, the rise of Ethiopian GDP in the last years results from public capital investments (infrastructures like roads, dams and power plants, housing projects) and from productivity growth in key economic sectors, particularly agriculture but also manufacturing. Another peculiarity of Ethiopian public investments and expenditure is that they are concentrated for more than 60 per cent on poverty-oriented sectors and basic services delivery and they mostly take place at decentralised level.⁷

The Ethiopian government, led by the Ethiopian People's Revolutionary Democratic Front (EPRDF) – in power since 1991 after defeating at the end of a 17 years civil war the military regime of the Derg – has achieved these results by adopting a development model based on a strong developmental state, driving and dominating the national economy. In the 1990s the EPRDF strategy opposing structural adjustments and economic liberalisation policies⁸ had been perceived as heretical by International Financial Institutions. Nowadays, however, Ethiopia is presented as a “success story”⁹ and praised by international organisations and donors as a model for the whole continent, in line with the shift in the official discourse of the international development apparatus, “rethinking the role of the state in Least Developed Countries”¹⁰ and rediscovering the importance of its institutions for the promotion of economic growth and development in Africa¹¹. International appreciation for the Ethiopian development strategy has been also a consequence of the political ability and diplomatic skills of Meles Zenawi, who ruled the country as Prime Minister from 1991 until his sudden death in August 2012. In spite of the Ethiopian government controversial record in terms of democracy and respect for civil and political rights, Meles has been acclaimed in international *fora* – like the Commission for Africa created by Tony Blair during the British presidency of G8 in 2005 – as one of the African champions for good governance and development.

The historical trajectory of Ethiopia in the last twenty years can be interpreted through the notion of “Thermidorian situation”¹², elaborated by Jean-François Bayart to analyse in comparative perspective the process of economic liberalization undertaken by post-revolutionary regimes at the time of neo-liberal globalisation. Thus, the Ethiopian case contributes to specify the dynamics of a relatively homogeneous category of African states, like Angola or Mozambique, whose political elites evolved from revolutionary movements with Marxist-socialist background, into professional ruling class, consolidating and reproducing their power by integrating their countries in the neoliberal global economy. In most of these countries – to the list we might add Tanzania, Uganda and post-genocide Rwanda – the processes of economic growth and development are not generated or accompanied by democratic reforms, like preached in the official discourse of international organisations and western bilateral donors. In this perspective, the relations with China, seem going beyond mere geopolitical interests and economic investments of Beijing, to address the issue of the relationships between post-socialist elites and the reproduction or update of their political strategies and repertoires.

⁷ Dom & Lister 2010:26.

⁸ For an account of this dispute cfr J.E. STIGLITS, *Globalisation and its discontents*, New York & London, Noerton, 2002.

⁹ <http://www.irinnews.org/Report/90498/ETHIOPIA-GHANA-MDG-success-stories>

¹⁰ UNCTAD, *The Least Developed Countries Report 2009 - The State and Development Governance*, United Nations Conference on Trade and Development, 2009.

¹¹ UNECA, *Economic Report on Africa*, United Nations Economic Commission on Africa, 2011. See in particular chapter 4 on *The role of the state in economic transformation*.

¹² J.-F. BAYART, *Le concept de situation thermidorienne: régimes néo-révolutionnaires et libéralisation économique*, CERI, Questions de Recherche, no. 24, March 2008.

The Ethiopian approach to the developmental state

The adoption of the developmental state paradigm by ERPDF should be interpreted within the broader tradition of “the politics of emulation” followed by different Ethiopian regimes over history: namely “the attempts by ‘modernising’ Ethiopians to identify the mechanisms of developmental success of countries perceived as having some similarity to their own”¹³. In the past, references to Imperial Russia, the Meiji period of the Japanese Empire, the British Monarchy or the Soviet Union have been central in the discourse of Ethiopian political elites on development, modernity, state reform and country transformation. Similarly, in the last ten years, the adoption of the developmental state model in Meles vision and EPRDF official ideology has been inspired by the experience of East Asian industrialisation in the 1970s and 1980s, quoting Taiwan, Japan and more recently also China.

Nevertheless, the politics of emulation goes beyond the mere adoption of imported political models, authorising practices of extraversion of external paradigms and their hybridisation with autochthonous political repertoires. In particular the adoption of the development state model by EPRDF has been shaped by its coexistence and contamination with the language, imaginaries, practices and liturgies of *i*) the centralised state machinery inherited by the previous regimes, the Imperial Ethiopia and the Derg; *ii*) the revolutionary front where the political elite of the TPLF (Tigray People's Liberation Front), the oligarchy ruling inside EPRDF, was trained and fought for over fifteen years; *iii*) the practices and discourses introduced by the international development apparatus as well as by the paradigm of the new public management.

The Constitution adopted by ERPDF in 1995 introduced in Ethiopia a federal architecture, officially structured along ethnic lines to promote the right of self-determination of nations, nationalities and peoples” living in the country. The Ethiopian federal system grants significant autonomies and prerogatives to national regional states, up to the right of secession. Since 2011, the federal structure of the state has been implemented through a process of devolution and deconcentration of powers and responsibilities at district (*woreda*) level.

However the federal and decentralized structure of the Ethiopian state seems to stand in sharp contradiction with the centralistic and top down logics that inspired the developmental state model and practices. The Ethiopian central government holds the control of the financial fluxes of domestic revenues and international development assistance, as well as of the bank sector. The property of land is retained in public hands, with the official goal of avoiding processes of rural land dispossession, accumulation and consequent uncontrolled urbanisation. The state is by far the main supplier of basic social services (health, education, water and sanitation, food security schemes). These services are usually supplied in the framework of national policies, targets and programs designed at the centre, authorising little marge of manoeuvre for regional and local authorities. The logics and functioning of international donors agencies, negotiating with their Ethiopian counterparts in the capital Addis Ababa, reinforce the top down approach of these policies.

In addition, inspired by the lessons of Asian industrialisation¹⁴, EPRDF has kept an active role in the economy through two channels. First of all, by managing the public enterprises and utilities that retain monopolistic control of strategic sectors like telecommunication and energy or that represent the main players in others like cement and fertilisers. Secondly, by a vast array of party-affiliated

¹³ C. CLAPHAM, *Ethiopian Development. The Politics of Emulation*, «Commonwealth & Comparative Politics», vol. 44 no. 1, March 2006, pp. 137-150.

¹⁴ H. STEIN, *Asian Industrial Development and Economic Reform in Africa*, paper presented at the Initiative for Policy Dialogue, Africa Task Force meeting Manchester, July 2006, http://policydialogue.org/files/events/Asian_Industrial_Development_and_Economic_Reform_in_Africa_Howard_Stein.pdf.

companies, formally owned by foundations linked to the different political parties that compose the EPRDF coalition¹⁵.

According to the EPRDF ideology, the rationale behind this large public involvement in the economy, lies within the need, in the context of a country with a market economy still at an infant stage, for the developmental state “to engage to the extent possible, in areas where the private sector is unable to engage”, thus addressing “market failures” and contrasting the “rent seeking tendencies of private investors”¹⁶.

Behind the prescription of this active role of the state lies the approach considering development as a quintessential political process, before that socio-economic. As affirmed by Meles: “It has [...] been argued that the key issue in development is the economic issue of improving agricultural productivity and directing the surplus generated as a result of industrialization. Behind the economic process lies a fundamentally political one: that of the coming to power of the political class that has both the will and the ability to bring about the economic process mentioned above. In the end development is a political process first, and a socio-economic process second”¹⁷.

Consequently, while the traditional developmental state model, as theorized from the East Asian experience, relies on an independent state bureaucracy committed to economic growth and transformation¹⁸, within the Ethiopian approach the ruling party overlaps with state administration at all layers. This appears in line with Ethiopian political tradition, where a single Amharic word, *men-ghist*, indicates at the same time the state, the government and the party in power. In particular, in the EPRDF vision, the government and ruling elite should play the role of “political vanguard”, interpreting the needs and aspirations of the poor masses and transforming the country from a pre-capitalist to a “sustainable” market economy.

Two are the conditions considered necessary in order to fulfil this mission. First of all, political stability. In this respect the developmental state offers to the EPRDF a framework to elaborate and legitimize the need for stability and continuity of power in order to carry out successful development, pointing in particular at the experiences of dominant party democracies like “some Scandinavian countries or post Second World War Japan”¹⁹. Following the contested national elections of 2005, it was widely known by the Ethiopian public opinion that Meles had set a temporal horizon of twenty year for EPRDF to carry out unopposed its program of economic transformation of the country.

The second condition relates to state capacity. By adopting the international development assistance narrative on capacity building, EPRDF has put great emphasis on the need to build the capacity of a strong and effective state, and sought in the past ten years to implement different rounds of civil service reform. These highly politicised initiatives have been undertaken with the goal of reshaping and controlling the administrative machinery that EPRDF considers heavily influenced by loyalties and practices of the previous regimes, and therefore oriented by top down, conservative and autocratic logics, reputed as the main obstacle for proper implementation of EPRDF development participatory strategies. Since 2001, responsibility for these initiatives have been

¹⁵ International Monetary Fund (IMF), *The Federal Democratic Republic of Ethiopia: joint staff advisory note on the Growth and Transformation Plan 2010/11 – 2014/15*, Washington, D.C. Report no.11/303- ET, 2011.

¹⁶ These formulas are attributed to Meles and can be found repeated in several party documents as well as in the jargon adopted by the majority of EPRDF cadres and State officials.

¹⁷ M. ZENAWI, *States and Markets: Neoliberal Limitations and the Case for the Developmental State*, in A. NOMAN et al. (eds) *Good Growth and Governance in Africa: Rethinking Development Strategies*, Oxford University Press, 2012, pp. 140-174.

¹⁸ C. JOHNSTON, *MITI and the Japanese Miracle*, Stanford, Stanford University Press, 1982.

¹⁹ M. ZENAWI, *African Development: Dead Ends and New Beginnings*, 2006 (unpublished paper), http://cgt.columbia.edu/files/conferences/Zenawi_Dead_Ends_and_New_Beginnings.pdf.

vested in the influent (super)Minister of Capacity Building²⁰, and corresponding Bureaus at regional and *woreda* level. Through the adoption of the narrative of good governance, of ICTs and strategies borrowed from the new public management, like the Business Program Reengineering, these initiatives have sought to increase the capacity of the political ruling class to control and orientate all layers of the public administration and staff it with loyal party members.

A revolutionary approach to people participation and economic transformation

In order to sustain the agenda of development and transformation promoted by the political vanguard, the EPRDF strategy aims at building a national consensus, relying on administrative decentralisation and different channels to ensure people participation, mobilisation and *encadrement*. This approach stems from the experience of the civil war, when the TPLF gained the indispensable support of the rural peasantry by administering the liberated areas of Tigray and providing basic social services to the population²¹.

In order to promote people participation at grassroots level, the EPRDF has engaged since 2006 in recruiting massive party membership, rising from 760.000 in 2005 to 4 millions in 2010. In parallel the membership of villages (*kebele*) elected councils has been expanded to reach the 300 unities. Beside the party structures and the local assemblies, peasants are pushed to take part to official development programs and initiatives by joining mass associations, development teams, and producers' cooperatives. They are also compelled to participate to "communal" or "development works", contributing in labour, cash or kind to the construction of public infrastructures like roads, schools or health centres.

This strategy remains oriented by a revolutionary ethos. For instance, the "good governance initiative" launched by the government after the contested elections of 2005, in order to re-conquest the support lost in its traditional constituencies, the youth and the rural areas, sets the revolutionary agenda to "create the new man", by defining the "model farmers" and "model *kebele*" adopting the good practices in terms of health, education and rural development. These practices are illustrated to the population during long compulsory training sessions, held by the political vanguard. Accordingly, the official memory of the liberation struggle is re-elaborated, in order to amplify its social dimension, considered "a revolution within the revolution" and to allow "the fight against poverty" taking the baton from "the fight against the Derg". Those who do not adhere and comply with official development policies and guidelines, exactly as in the times of the civil war, are considered as traitors. The discourse about economic development and the fight against poverty become therefore a vector of access or exclusion from the resources controlled by the state²².

Since 2005, the strategy based on the "model farmers" has been instrumental in reorienting the rural development policies of the government and redefining the social basis that sustain these policies. In particular, EPRDF has abandoned its traditional support to small subsistence agriculture practiced by the majority of the rural population and inspired by the notion of food security, to adopt a market oriented approach, driven by the new entrepreneurs commercialising their production. This class composed by the upper group of smallholder farmers has been automatically co-opted within the ruling party as "model farmers", and granted certain privileges like the exemption

²⁰ S. VAUGHAN - K. TRONVOLL, *The Culture of Power in Contemporary Ethiopian Political Life*, Stockholm, Sida, 2003.

²¹ J. YOUNG, *Peasant Revolution in Ethiopia: The Tigray People's Liberation Front, 1975-1991*, «African Studies», no. 91, NewYork, Cambridge University Press, 1997.

²² K. SEGERS *et al.*, *Be like bees. The politics of mobilizing farmers for development in Tigray, Ethiopia*, «African Affairs», 108/430, 2008, pp. 91-109.

from the collective works and a favoured access to government controlled agricultural inputs (land, seed, fertilisers, credit) through the Agricultural Extension Program²³.

The practice of mobilising people for development endeavours by coopting them in party structures in the name of a revolutionary rhetoric echoing the liberation struggle, has gained renovated impetus in 2010, with the launching of several “development armies”, in the field of maternal health, education and youth micro-small entrepreneurship. These “development soldiers” are granted privileged access to government resources and programs and are designated as the “political vanguard” in charge of showing to the rest of the population the worth of EPRDF development strategy.

Behind this developmental strategy lies an ambitious and revolutionary project of social engineering. In this context it seems almost impossible to trace a sharp line between the genuine commitment to promote economic development and social services delivery, on one side, and the determination to discipline and control the population, on the other. Moreover, doubts about the overall efficiency of this strategy have been raised, given the subordination of economic development objectives to political ideology and agenda²⁴. An assessment of whether the Ethiopian economic growth is taking place thanks to or in spite of EPRDF revolutionary development strategy based on model farmers and development army requires a broader inquiry going beyond the scope of this paper. However, it seems clear that at micro-level these initiatives offer political incentives to development brokers and entrepreneurs, legitimise path of social rise and allow practices of economic accumulation, all contributing to the increasing social diversification and stratification within the Ethiopian society, once traditionally divided between an overwhelming majority of rural poor and a tiny economic elite connected to the political power.

The legitimacy of the Ethiopian developmental state and its discontents

In spite of the ethnic federal structure, the developmental state model adopted by the EPRDF has shown significant continuity with the previous regimes in terms of top down attitude of policies and public administration. The wisdom about development and transformation keeps on coming from above, with little recognition for local knowledge or the autonomous aspirations of groups and individuals. The difference between EPRDF and its predecessors lies in the enhanced capacity of the contemporary developmental state in terms of implementing central directives, incorporating the various and sometimes recalcitrant peripheries, capturing their populations and administering their resources. The main interrogative remains therefore up to which extent the political centre is able to fully control the developmental processes and policies it initiated and drives.

Although a general image of solid and autocratic rule, the EPRDF political constellation seems far from being monolithic. In the absence of an effective and credible opposition party or coalition, political dialectic, negotiation and accommodation take place within EPRDF itself and the state institutions. Inside the EPRDF, the death of Meles has opened a season of bargaining and redefinition of political alliances and power relationships, not entirely resolved by the new leadership of Hailemariam Desalegn. The process of internal renewal announced by Meles - so far only partially implemented - with the substitution of senior party figures with a generation of new cadres further complicates the picture. In addition, training, education and capacity building efforts are bearing their fruits in terms of more competent regional political and administrative elites, better equipped to actively engage the federal level. The new Prime Minister Hailemariam himself, once President of the Southern Nations Nationalities and Peoples Regions, is an example of the vitality of regional elites also not from Tigray and the increased opportunities they have to play significant role at na-

²³ R. LEFORT, *Free market economy, Developmental state ad party-state hegemony in Ethiopia: the case of the “model farmers”*, «Journal of Modern African Studies», vol. 50, no. 4, 2012, pp. 681-706.

²⁴ *Ibidem*.

tional level. Finally the reforms introduced at decentralised level, with the massive expansion of *kebele* and *woreda* councils membership, have the potential of redefining local power relations or equilibriums, as well as pattern of accountability.

The economic transformations promoted by EPRDF development strategies have also an impact in terms of increasing diversification and stratification of Ethiopian society. In rural areas, the co-optation of “model farmers” and “development vanguards” authorise process of resource accumulation, with the emerging of a relatively wealthy rural elites, and land dispossession for an increasing portion of the youth. For this category, migration - mainly illegal - towards the Gulf states (for girls) or South Africa (boys) represents a new rewarding coping strategy. In the growing urban centres, economic growth and market opportunities are nourishing the aspiration of an increasing segment of the population that portrays itself in terms of “middle class”. These people are moving from the model of “civil servants middle class” owing their income from the state to a “multitasking middle class”, generating its revenues by straddling between positions in the public, private and NGOs realms²⁵. They express consensus towards the economic policies and overall performance of the Government as long as there is the perception that they can aspire to be part of the opportunities that it engenders. However, the frustration of this rising middle class might also assume the form of or contribute to unprecedented social fractures, like recent Muslim activism and open protests vis-à-vis of government interference in religious affairs or the burgeoning phenomenon of the Ethiopian Pentecostal movement.

The legitimacy of the Ethiopian developmental state and policies has been built on the legacy, and the experience of the liberation struggle. Nowadays this strategy seems marking time, particularly outside Tigray, where collective memory about the struggle is lacking, and among the new generations, born after the end of the civil war (1991) and representing today the vast majority of the population. In the last months, the new Prime Minister Hailemariam and more in general the ruling class, has been constantly referring to Meles, as “visionary leader” and “father of peace and development”, in order to reinforce and legitimise the government²⁶. This expedient might only postpone the main test for the political legitimacy of the current Ethiopian leadership and its developmental state: the choice about which social groups include or exclude from the benefits of the process of unprecedented economic growth and development that the country is currently experiencing.

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ISPI
Palazzo Clerici
Via Clerici, 5
I - 20121 Milano
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²⁵ C. NALLET, *Social Trajectories of the young “Middle Class” in Addis Ababa: “Life is what you make”*, paper presented at the 18th International Conference on Ethiopian Studies, Dire Dawa, 29 oct. – 2 nov. 2012.

²⁶ R. LEFORT, *Ethiopia: Meles rules from beyond the grave, but for how long?*, 26 November 2012, <http://www.opendemocracy.net/opensecurity/rené-lefort/ethiopia-meles-rules-from-beyond-grave-but-for-how-long>