Democracy and the Future of Ethiopia’s Developmental State

Conference Outcomes White Paper
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The rise of Prime Minister Abiy Ahmed in 2018 unleashed an unprecedented series of political reforms in Ethiopia. Following years of unrest and a prolonged state of emergency, the opening up of the political sphere has led to concrete results, including peace with neighboring Eritrea, the release of political prisoners, the repeal of restrictive media and civil society laws, and the return of exiled political opposition parties. However, little has been said about the economic vision of Ethiopia’s new generation of leaders. Former Prime Minister Meles Zenawi was a strong advocate of a “democratic developmental state,” an ambitious program of centrally coordinated, top-down industrial transformation deriving its legitimacy from broad-based economic growth rather than from competition between opposing parties and interests. This approach to economic governance, stemming from the ruling party’s revolutionary guerrilla roots, has overseen a remarkable reversal of fortunes for the Ethiopian economy. However, its limitations have also become obvious: macroeconomic imbalances are piling up, while the authoritarian nature of the Ethiopian developmental project played a major factor in the regional unrest around the country.

As a new generation of leaders is taking over at the helm of Ethiopia’s economic institutions, the issue of Ethiopia’s future economic model is again on the agenda. Prime Minister Abiy’s government has taken a pragmatic approach, combining a rhetoric of reform with de facto continuity in many areas. But what does the long-term policy framework look like?

In an effort to address this pivotal question, the Centre for International Private Enterprise (CIPE) and the Forum of Social Studies (FSS) hosted a conference on Democracy and the Future of Ethiopia’s Developmental State on June 11th in Addis Ababa, Ethiopia. The event’s keynote speech was delivered by renowned political scientist and Stanford University Professor Francis Fukuyama.

Key Panels and Discussion Sessions included:

- Lessons Learned from Ethiopia’s Developmental State
- Ethiopia’s Transition from Developmental State to the Political Marketplace
- The Role of the Private Sector in the New Ethiopia
- Balancing Public Participation with Economic Planning
- Empowering Regional Economic Policymaking in a Federal Ethiopia

This conference set out to foster a productive exchange of ideas on a wide array of practical economic and political challenges facing decision-makers in the coming years, and kick-start a much wider conversation about the future modalities of Ethiopia’s developmental path. The conference offered an opportunity to have an in-depth policy debate around the complexities of Ethiopia’s new political economy between civil society, the private sector, and government. The conference also provided platforms for public engagement between high-ranking government officials and high-profile academics.

Conference attendees included business leaders, entrepreneurs, policymakers, academics, researchers, and students interested in the future of Ethiopia’s developmental state, the dynamics around building business ecosystems, the potential for public private partnerships, and the role of the private sector in Ethiopia’s future.

This white paper highlights the key takeaways and outcomes of the conference.
Key Takeaways

The following points were highlighted in the main panels, breakout sessions, and Professor Francis Fukuyama’s keynote address of the conference on *Democracy and the Future of Ethiopia’s Developmental State* held on June 11th, 2019 in Addis Ababa, Ethiopia.

The panels included experienced academics and development practitioners taking stock of Ethiopia’s developmental experience and the issue of devolution of decision making. The breakout sessions involved the participation of government officials, practitioners, and academics.

Panel and Breakout Session Takeaways

*Evaluating the Ethiopian developmental state*

- If one is to adopt Thandika Mkandawire’s framework of evaluating the developmental state, there are two angles to look at – one is **ideological** and the other is **state structure**. In view of the ideological aspect, a developmental state is essentially one whose ideological underpinning is “developmentalism” and in that it conceives that its mission is ensuring economic development. In this regard, Ethiopia’s experience was successful. On the other hand, in view of the state structure aspect of the framework, which entails the capacity to effectively implement economic policy, the Ethiopian experience has been one that such capacity is affected by institutional, technical, administrative, and political factors.

- **Local government** is what the overall developmental practice boils down to. But as they stand, Ethiopia’s local governments are neither local nor government, in both constitutional as well as practical terms. In the constitution, there is no explicit recognition of the local government as an autonomous and democratic structure of government. Practically, due to the democratic centralism principle of the ruling EPRDF, wherein decisions are made at the federal level and just channeled to local governments. In such a framework, local governments are just implementers of the decision and their developmental role is significantly hampered.

*The role of money in politics*

- The relationship between **money and politics** in Ethiopia is complicated. The impact of money on political decisions has been limited until now. But it looks like a new trajectory is emerging. As such, we have to be very careful about what sort of relationship between capital and politics emerges in the next 5 to 10 years. That, probably, is going to be the relationship that continues for a long time. But this trajectory is also aligned with the journey in the transition to a non-ethnic political party system.

- The **role of money in politics** could be downsized by way of encouraging the masses to take part in politics. Putting a check on big corporate interests will also be important. And important aspect in that regard is funding from trade unions, which has been a contentious aspect of party financing in democratic societies. Ethiopia could not get away from such debates. They will definitely be surfacing in the years to come.
Public participation in development

- On public participation, there is this myth that public participation hinders or complicates speed of government execution. But this is not true. The more people participate with a plan, the more flux we would have and the more outcome we would gain. The less people participate in a long-term plan, both in its initiation, conceptualization, and implementation, something would give it an end and there will be regression. So, any kind of participation helps the success rate and the speed of execution of long-term plans.

- Public participation in development helps to allocate resources in a more equitable manner. And it also helps us to allocate resources in a prioritized manner. Participation also brings local knowledge, preference, and promotes inclusiveness in the development process. Without public participation, whatever would happen will be the intents, goals, and objectives of planners. And a development obtained through such a process will not be sustainable.

- The way the developmental state policies have been implemented over the years was largely aligned with the power spectrum, wherein the highland core imposes its policies on the lowland peripheries. Typical examples were the large-scale agricultural projects, such as the establishment of Sugar Factories, that were initiated in the lowland areas of the country, without consultation with the local people. And this was done although the local people have a pastoral lifestyle and have different production systems. By way of securitizing poverty, which was justified through the developmental state model, the highland core was using administrative structures to impose its policies. But if growth is to be inclusive and sustained, this ought to change. We might agree on the importance of national development, but part of how to get there need to be left to the regions. This is particularly true with peripheral areas of the country.

Ethiopia’s economic realities

- We all agree that there has been a remarkable economic growth over the last decade. And that has to be celebrated. That said, both versions of the Growth & Transformation Plan (GTP) call for an enhanced participation of the private sector. This is a natural trajectory. And we need to include the private sector in certain areas because of the macroeconomic imbalances that have already been observed. The debt threat needs to be addressed. We have to create millions of jobs for the youth that could also mean we need to crowd-in the private sector; and give it its rightful share in the economy. Our export performance has been dismal. It has been actually declining over the last five years. So, any intervention that looks to address this poor macroeconomic performance has to be seriously looked at.

- Agriculture will continue for some time to provide an important source of livelihood for many people, but it is going to decline overtime. Land tenure is a hugely important policy issue and one that the government will have to increasingly confront. It is talked about in certain groups in Ethiopia that allowing liberalization would necessarily lead to a large number of people leaving when there are not employment opportunities elsewhere. Industry is growing moderately promisingly, but it can only be part of the solution. At best, it is going to be 10 to 15 percent of the Ethiopian work force which is going to be absorbed within the manufacturing sector in the best-case scenario. As such, it is important to move beyond the policy approaches.
**Innovation and youth engagement**

- Ethiopia’s developmental experience has been laudable. And in it, the government has been doing what needed to be done in terms of establishing key platforms. The ability to disengage and allow the private sector to come forward is where the gap was. What is needed is to create a space for the private sector to grow and thrive. And **youth** is where the private sector and the demographic dividend meet. With all its gaps, we do have connectivity much higher than what we used to. We have youth that do not see themselves as any different than an upstart entrepreneur in Mumbai, Tel Aviv, or Silicon Valley. But the key question is how are we confronting a 5G youth/world with a 3G government? This is where Ethiopia needs to work – to bridge the obvious gap between expectation and reality.

- In a country where about 70 percent of the population is **youth**, we have to create an **innovation ecosystem**. The decision to privatize and liberalize the telecom industry will go a long way in providing that environment where there is a competitive, efficient service provider that can accommodate the demand that digital economy requires. Similar measures will be taken in some other state-owned enterprises, but the liberalization of these sectors is meant again to crowd in the private sector to come and invest in these areas.

**Looking to the future**

- The **sustained growth** of the private sector cannot be expected unless the private sector is involved. It is not because of anything else but just that the structural setup of the government does not allow the efficiency of services for its citizens. What needs to be clear is that there is a role for the government and there is a role for the private sector. And there should be a platform for the government and the private sector to discuss why, how, when, and where the government should intervene in the economy.

- The country’s **reform efforts** need to be **inclusively** guided. And according to Sarah Vaughan (PhD), this needs a mandate. As such, Dr. Vaughan suggested that the best way for the new administration of Abiy Ahmed (PhD) to effectively run its reforms is to seek for a mandate by holding elections on time. The fantastic move by the administration to invite different political forces back to the country cannot stick without elections. But even for that to happen, ensuring law and order in all parts of the country is important.
**Keynote Takeaways**

The conference Keynote address was given by Professor Francis Fukuyama (PhD), the Olivier Nomellini Senior Fellow at the Freeman Spogli Institute for International Studies (FSI) and the Mosbacher Director of FSI’s Center on Democracy, Development, and the Rule of Law at Stanford University. Professor Fukuyama has written widely on issues in development and international politics. His newest book, *Identity: The Demand for Dignity and the Politics of Resentment*, was published in September 2018.

In this address, Professor Fukuyama analyzed the successes and failures of the developmental state model around the world and made several recommendations for the future of Ethiopia’s developmental model.

The full transcript of Professor Fukuyama’s address is available online; below is an excerpt from the keynote’s concluding remarks:

"The major things...lacking in terms of Ethiopia’s developmental state are three:

1. Ethiopia needs a **modern state**. It needs a bureaucracy that is meritocratic, technocratic, high capacity, and insulated from politicization.

2. Secondly, Ethiopia needs a **unifying identity**....One of the bottom lines of my last book on identity is that if you have a highly diverse society, you need to decentralize important forms of political power and give people local autonomy....That can coexist with an overarching sense of common nationhood in terms of the stories and symbols that people hold such that they actually believe that they are part of a larger enterprise. That is a formula that is extremely hard to achieve in a country as diverse as Ethiopia, but I think that it is necessary.

3. Finally, Ethiopia needs **democracy**.... One of the bad consequences of the developmental state is its concentration of power in an executive. That was necessary for the developmental aims that Ethiopia was seeking, but at a certain point, it becomes counterproductive... It is basically trying to suppress social forces that are active on the ground and that are not happy with that kind of dictatorship."
About CIPE

The Center for International Private Enterprise (CIPE), an affiliate of the U.S. Chamber of Commerce, strengthens democracy around the globe through private enterprise and market-oriented reform in order to expand access to opportunity for all citizens and create “democracy that delivers.” By improving the business climate for entrepreneurs and tearing down legal and regulatory barriers through policy advocacy, CIPE has supported the private sector around the world to be driving forces for reform.

By working with private sector organizations in Ethiopia, CIPE is helping businesses find their voice in policymaking at a time when Ethiopia is witnessing large shifts in economic and political spaces. CIPE’s work in Ethiopia underscores the crucial role for the private sector at the forefront of policymaking efforts to sustain growth and make development more inclusive.

For more information about CIPE’s work in Ethiopia, contact Hailemelekot Asfaw Reda – Director, East Africa Regional Office, Center for International Private Enterprise.

Center for International Private Enterprise
East Africa Regional Office
Addis Ababa, Ethiopia

hasfaw@cipe.org

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