REGIONAL CONFERENCE ON BUILDING DEMOCRATIC DEVELOPMENTAL STATES FOR ECONOMIC TRANSFORMATION IN SOUTHERN AFRICA

20 – 22 JULY 2015, PRETORIA, SOUTH AFRICA

An African Developmental State: Ethiopia's Emergent Experience

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Abstract

The notion of the developmental State in Ethiopia and Africa is evolving, still in the making and little known. Four general trends, however, could be identified in the literature on the re-emergence and prospect of developmental States in Africa, including in Ethiopia. The first school of thought downplays the significance of developmental states in Africa and calls rather for a market-led development under the neo-liberal postulation, with limited involvement of the State in development processes. The second perspective argue that the South-East Asian experience of developmental States can be replicated in Africa, given that the key features of the developmental State model are adapted to African realities. The third perspective dismiss the prospect for developmental States in Africa, arguing that the features of the developmental State observed in South East Asian countries have not been replicated in African countries. The non-replicability of the Asian experience is justified based on the unique circumstances of those countries – their cultural homogeneity and the fundamentally altered global political and economic environments. The fourth debate on the re-emergence and prospect of developmental States in Africa focus on the objectives and structures of the developmental State that could be viable for African States. In this regard, some do not see any correlation between the entrenchment of democratic governance and the emergence and sustenance of developmental States. In fact, there is a suggestion that development through a developmental State model conflicts with democratic governance imperatives. While others may argue that it is possible to build an inclusive and democratic developmental State model in Africa, with development enhancing the legitimacy of the State and its institutions. This study will mainly build on the second perspective and partially from the fourth contention. First, the study is based on the perspective that the South-East Asian experience of developmental States can be replicated in Africa, given that the key features of the developmental State model are adapted to African realities. Second, the study argues the importance of democratic developmental State for Africa. It is the contention of this study that a critical examination of the developmental State experience in South-East Asia is essential to adapting the model to the African context. In this regard, democratic developmental State is pertinent and timely to manage the triple objectives of the continent, namely peace and security, development, and democratic governance. The main objectives of this research projects is to investigate the assumptions on which Ethiopia claims to be a democratic developmental State. Using a combination of quantitative and qualitative research methods, this study identifies and analyses the key features of the Ethiopian developmental State against the conventional features of a developmental State. In so doing, it seeks new insights into and perspectives on the nature of the emerging developmental State model not only in Ethiopia but also in Africa as a whole. The research will also make a valuable contribution to development theory and practice by creating a more comprehensive understanding of the developmental State experience in Ethiopia.

Abbreviations and Acronyms

ADLI	Agricultural Development-lead Industrialization
AfDB	African Development Bank (AfDB)
AGR	African Governance Report of UNECA
APRM	African Peer Review Mechanism
AUC	African Union Commission
CSOs	Civil Society Organizations
CUD	Coalition for Unity and Democracy
DRC	Democratic Republic of Congo
EFFORT	Endowment Fund for the Rehabilitation of Tigray
EPRDF	Ethiopian People Revolutionary Democratic Front
FDI	Foreign Direct Investment
GDP	Gross Domestic Product
GTP	Growth and Transformation Plan
HDI	Human Development Index
IMF	International Monetary Fund
MDG	Millennium Development Goals
MOFED	Ministry of Finance and Economic Development
ND	No date
NGOs	Non-governmental Organizations
PASDEP	Plan for Accelerated and Sustainable Development to End Poverty
PSCAP	Public Sector Capacity Building Programme
SAP	Structural Adjustment Programmes
SOE	State Owned Enterprises
TPLF	Tigrayan People's Liberation Front's
UN	United Nations
UNCTAD	United Nations Conference on Trade and Development
UNDP	United Nations Development Programme
UNECA	United Nations Economic Commission for Africa
US	United States of America
WTO	World Trade Organization
ZTE	Zhong Xing Telecommunication Equipment Company

Introduction

For centuries, the State has been the most important socio-economic and political institution in societies, albeit to various degrees. In recent times, there has been renewed and increasing interest in the role of the State in the development process of African countries. The potential of the developmental State to contribute to Africa's development has rapidly and progressively achieved prominence in political and development discourse. This is most crucial at a time and age when there is an urgent need to formulate workable solutions to the challenges of development in Africa. None the less, the role of the State in development varies throughout history and across different countries depending on their level of economic development (Bagchi, 2000; ECA and AUC, 2011: 83). The practice of the developmental State since the fifteenth century in Britain, Sweden, France, Germany, and later in the United States has been acknowledged by different scholars (Kelsall, 2013: 8; Meles, 2011: 156; World Bank, 2013: 69). Bagchi indicated that the developmental State emerged in "the sixteenth century in the northern part of the Spanish Netherlands which, after the re-conquest of the southern part by Spain, evolved into today's Netherlands" (Bagchi, 2000: 400). Nationalism, which helps a State to pursue a cohesive, sustained development-oriented policy, is also an enabling factor for the development of the developmental State (Bagchi, 2000:432, 434).

In Africa, at independence, the anti-colonial movements and parties in many countries, having taken over political power from the colonial administration, faced the responsibility of nation building as well as designing and executing various economic and social development programmes. The weak nature of the indigenous private sector forced the new States to assume a significant role in the economic lives of these countries. Oftentimes, they became the single main economic actor involved in a wide range of activities that included, not only social and economic infrastructure but also the ownership and management of productive industry. History shows that notable achievements were made in social services, such as education and health. None the less, economic development faced hard times during the 1970s. The situation was precipitated by world market conditions in general, and the fall of commodity prices in particular. Against a backdrop of severe balance of payment deficits in the late 1970s and early 1980s, African countries opted for inward-looking, collective self-reliance, as embodied in the Lagos Plan of Action, which allotted African States a primordial role in the development process collectively (Mkandawire, 2001).

Following the economic crisis of the 1970s, however, the prominent role played by the developmental State in Africa was discouraged by institutions such as the World Bank and the International Monetary Fund (IMF). These institutions pushed for structural adjustment programmes (SAPs) as an alternative development paradigm. African countries were forced into adopting a programme, anchored in the neo-liberal economic thinking that rejected the active participation of the State in economic activities. This pro-market programme was under the banner of the Washington Consensus, a set of 10 policies, which the United States Government and those international financial institutions believed, were necessary elements of "first-stage policy reform" that all countries should adopt to increase economic growth. The SAP paradigm represented a serious systematic challenge to the primacy of the State in the development process. As many scholars indicated by the mid-1980s and early 1990s, almost every other African State had adopted one form of SAP or other, with disastrous consequences (ECA, 1989).

The late 1990s saw a shift in understanding the role of the State in development. This new thinking was highly influenced by the experience of State-led development in a number of Asian countries, especially in East Asia. This growing recognition of the role of the State in economic development was most succinctly captured in the 1997 World Development Report of the World Bank, which stated that "an effective State is vital for the provision of the goods and services and the rules and institutions that allow markets to flourish, and the people to leave healthier and happier lives. Without it, sustainable development, both economic and social, is impossible" (1997: 69). The economic rise of Asian tigers - Hong Kong, Singapore, South Korea and Taiwan - as global economic forces led to a re-reading of the role of the State in the development process. These were economies in which the States had "governed markets" to ensure high levels of accumulation, technology absorption and conquest of foreign markets. In the same vein, even though the role of the State in development has been downplayed for decades, a paradigmatic shift and a rediscovery of the importance of the State in the development process and the need for a more capable State has been taking place in Africa since the late 1990s (Mkandawire, 2001: 292; Fritz and Menocal, 2007).

The global financial crisis of 2007, and the associated series of State bailout measures by the developed countries (including the United States) brought to the for the debate on the role of the State in economic development, recognising the importance of the developmental State. As rightly indicated by the UNCTAD report: "What is required is a new developmental State that adapts to the challenges of the twenty-first century; creates and renews the micro-foundations of democratic practice to harness local, bottom-up problem solving and opportunity-creating energies; and embraces a wide range of governance modalities and mechanisms to achieve a national development vision" (2009:15). Accordingly, the role of a strong democratic developmental State in bringing social and economic transformation, which is the post-Millennium Development Goals (MDGs) agenda, is inevitable in Africa.

This research focuses on an African developmental State with a special focus on Ethiopia's emergent experience. It does so by identifying and analysing the key features of the Ethiopian developmental State against the conventional features of a developmental State. In this regard, the study assesses how the Ethiopian Government ensures the existence of a democratic developmental State; and the roles played by the country's institutions in the promotion of that developmental State. The research also seeks an in-depth understanding and analysis of the critique of the Ethiopian developmental State model. In this context, the research provides insights about developmental State in Africa i.e. existing and emerging ones, generate knowledge and contribute on how to build successful democratic developmental State in Africa. The article is organized in such a way that the first section analyses conceptual and theoretical frameworks on developmental State. The second section looks into an African developmental State with particular focus on the Ethiopia's emergent experience. The section also unpack political and economic dynamics in the country as well as challenges against and opportunities in promoting democratic developmental State in Ethiopia. Finally, the article provides concluding remarks.

1. Conceptual and Theoretical Frameworks

Conceptual Framework on Developmental States

A conceptual framework that enables the study on the nature, dynamics and conditions for the emergence of developmental is assessed and analysed in this section. The conceptual framework of the study identifies three core components. These are (i) Understanding the developmental State; (ii) Features of the developmental State; and (iii) Conditions for the emergence of developmental State.

Understanding the developmental State

There is no agreed definition of the developmental State; rather, the discussion and debate on it is a work in progress. None the less, like other social science concepts, the concept of the developmental State can be defined and conceptualized in diverse ways. The developmental State is defined as "a State that promotes development" while development can, in turn, be defined as "the improvement in human well-being, education, health care, employment opportunities, among others" (ECA and AUC, 2011: 7). The most comprehensive definition of a developmental State is given by the ECA and AUC Economic Report on Africa, which defines it as "one that has the capacity to deploy its authority, credibility and legitimacy in a binding manner to design and implement development policies and programmes for promoting transformation and growth, as well as for expanding human capacities" (2011:7). In terms of overall socioeconomic development, such a State aspires to achieve "long-term growth and structural transformation of the economy, with equity" (ECA and AUC, 2011: 7).

The developmental State makes economic development a top priority of government policy, and designs effective instruments, including appropriate policies, functioning institutions, and formal and informal networks to promote such a goal (UNCTAD, 2009: 30). According to Meles Zenawi, "the motive and source of legitimacy of developmental States is the single-minded pursuit of accelerated development" (2011: 169). The State in such a condition is determined to influence the direction and pace of economic development by directly intervening in the development process rather than relying on the uncoordinated influence of market forces to allocate economic and other resources as well as promote macroeconomic stability. The State establishes an institutional framework that provides law and order, effective administration of justice and peaceful resolution of conflicts. It also ensures property rights and appropriate infrastructure investments, and advances human development (ECA and AUC, 2011: 96). Indeed the ideology of a developmental State is "developmentalist" i.e. promoting accumulation, industrialization and structural change to ensure sustained economic growth and development.

It is important, however, to know what the developmental State is not. It is not about "a State-dominated economic development model … nor is it about a return to the State-dominated economic development model of the 1960s and 1970s" (ECA and AUC, 2011: 111). It is neither "de-linking nor closing the economy to the rest of the world, nor across-the-board opening up of the economy to imports and external capital" (UNCTAD, 2009: 31). The developmental State rather has a developmental ideology and a structure pertaining to the requisite institutions, norms and standards that can support the development process. The raison d'être of a developmental State is building the political, administrative and technical capacity to support development i.e. the software and the hardware of developmental States (UNCTAD, 2009: 31, 97; ECA and AUC, 2011: 97). It has "a process of strategic integration with the rest of the world, in which the timing, speed and sequencing of opening up in relation to different type[s] of international flows was [sic] [are] decided on the basis of how they support the national interest in promoting economic growth and structural change" (UNCTAD, 2009: 31). A developmental State "is not static and can run into problems if it fails to meet the challenges it encounters on its path of development" (Meyns, 2010: 55).

Some scholars also argue about the importance of inclusive and democratic developmental State in Africa to ensure socio-political inclusiveness. This, in turn, enhances the legitimacy of the State and its institutions, giving the State greater authority in managing the triple burden of Africa, which are peace and security, development, and democratic governance. In this regard, Edigheji defines the developmental State as "a state that authoritatively, credibly, legitimately and in a binding manner, is able to formulate and implement its policies and programmes i.e. a state that is capable of deploying the requisite institutional architecture and mobilizing society towards the realization of its developmentalist project" (Edighegi, 2010: 4). This concept sheds light on the linkages between democracy and development, in that "neither development nor democracy can thrive on its own and both must be pursued in tandem in an inter-connected manner. The development process is democratised if it is broad-based, dynamic and equitable and the democratic process is developmental if the marginalized have the economic and social wherewithal to actively shape politics", (Abugre, 2012: 2). This can be termed as a democratic developmental State.

Features of the developmental State

From the above definitions of the developmental State, it is possible to imply the following essential features of developmental States although "developmental States have differed in their evolution, context, trajectory and manifestations" (ECA and AUC, 2011: 97). An in-depth analysis of the success of the recent Asian experiences along with the failures of earlier African experiences with developmental States has helped to identify the key elements required for the success of the developmental State approach to economic growth and development. An efficient and effective developmental State should be built on three pillars, namely people, policy and procedures, and products. With regard to people, all segments of society must be regularly engaged in the process. Non-State institutions have to be part and parcel of any developmental process. Clear and mainstream policies should be in place, with effective mechanisms for accountability, monitoring and evaluation procedures and quality products to be delivered to all citizens in a sustainable manner (ECA, 2013; Tagle, 2012:59).

The presence of development-oriented democratic leaders, relatively uncorrupted, non-predatory or with limited personal ambitions that will not impede investments but rather facilitate the expansion of national productivity is also crucial. In the case of the East Asian developmental States, it has been observed that the political leadership in those countries devised functional State institutions that facilitated both political stability and economic development (UNCTAD, 2009: 33, 46, 51; Leftwhich, 2000:160; Gamora, 2014a). As clearly indicated in the ECA Economic Report on Africa, developmentalist leaders must be able to bring economic growth, industrialization, and development as well as a strong sense of nationalism. To this endeavour:

> *Capable (but not necessarily authoritarian) leadership constitutes a primary agency in the construction of a developmental State. It must be a leadership that defines and articulates a clear developmentalist vision and an economic agenda for the country; outlines plans and strategies for achieving the goals; builds an elite coalition for support and ownership; builds the technical capacity to elaborate and sustain the agenda; and mobilizes popular support. Developmentalist leadership is often underpinned by a strong sense of nationalism - an unabashed commitment to transform's the condition of the country, chang's the structure of production, promot's capital accumulation and fast-track the process of industrialization* (ECA and AUC, 2011: 97).

The other ingredient in building a successful developmental State is relative State autonomy, especially in formulating and implementing policy. State autonomy is about the capacity of the State to formulate policies, independent of contending social forces, to serve the best interests of the country, as perceived by the managers of State power. In real terms, complete State autonomy is ideal. The concept of relative autonomy therefore becomes plausible in the context of a developmental State (UNCTAD, 2009: 35). The ECA and AUC report captures the essence of State autonomy thus: "while the State promotes the capitalist class and is committed to capital accumulation, neither must it become captive to it. The thrust of State policy should have a broad national agenda but should be driven by a clear development ideology" (2011: 98). Leftwich noted that developmental State politics must "have concentrated sufficient power, autonomy, capacity and legitimacy at the centre to shape, pursue and encourage the achievement of explicit development objectives" (2000). Evans reflected that what is needed for a developmental State is not just autonomy but rather "embedded autonomy", a network of ties that bind the State to groups or actors that become allies in the pursuit of developmental goals (1995).

The ability to build transformative institutions, typically a strong and competent merit-based bureaucracy is an important factor for the emergence and growth of the developmental State. The bureaucracy constitutes the "soft underbelly of the State, which [informs] the political executive and formulates and implements public policies." Professionalism, discipline and technical skills are core issues in administrative competence and capability (ECA and AUC, 2011: 98). Some studies attributed the success of the South East Asian developmental countries to the presence and entrenchment of a powerful, highly competent and independent bureaucracy, endowed with a high degree of prestige, legitimacy and authority that enabled it to implement policies and strategies in accordance with nationally defined developmental agendas, including through forging productive ties with the private sector (Johnson, 1982: 49; Evans 1997; UNCTAD, 2009: 34). Consequently, "the bureaucracy was shielded from instrumental manipulation by powerful rent-seeking groups outside the State" (ECA and AUC, 2011: 3). Evans described the strategic function of a capable and meritocratic bureaucracy, with a strong sense of corporate identity and a dense set of institutionalized links with the private sector (1995: 12-14). This enhances the capacity of public institutions to implement policies that effectively deliver development.

There are also other relevant institutions that support the emergence of a developmental State. These are the central bank, and other financial regulatory authorities (UNCTAD, 2007: 65; ECA and AUC, 2011: 99). Such institutions do play developmental roles and support the development strategies of a country. Development experience in England, United States, France and Japan indicates that central banks and the US Federal Reserve are used as agents of development as all financed development, managed exchange rates, and used various policy measures to support preferred economic sectors and industrialization. As the experience in China, India, Indonesia, the Republic of Korea, Malaysia, Taiwan and Thailand in Asia, and Argentina, Brazil, Chile and Mexico in Latin America indicates central banks have played a developmental role. That means central banks employed policies aimed to develop national economies through "selective credit controls, the creation of special credit institutions to cater to the needs of specific sectors in agriculture and industrial development banks, and redistribution of real resources between the public and private sectors" (UNCTAD, 2007: 68).

The other essential element to building a functional developmental State is the presence of a production oriented private sector. State intervention in the East Asian developmental States represented a different type of capitalism, where the main goal of intervention was to promote the interest of the business sector and create conditions for capital accumulation and productivity improvement. In pursuit of this goal, the State utilized a whole range of institutional instruments to encourage national business to meet domestic and international business standards, productivity levels, and organizational and technical capacities. These instruments included the selective and strategic use of protectionism, provision of industrial subsidies and programmes tied to performance standards and targets, and the creation of business coalitions among the State, industrial and financial capital. The developmental State guided industrialization in Japan, China, Singapore and other successful Asian countries (Gamora, 2014 a).

As the ECA and AUC report noted "Indeed, the historical evidence shows that all countries that have successfully transformed from agrarian economies to modern advanced economies had Governments that played a proactive role in assisting individual firms in the process of structural transformation" (2011: 90). The report further noted that

...State-guided transformation requires Governments to identify criteria for determining which industries are appropriate for a country's endowment structure and level of development. ... [Most often] State-guided industrial policy targets industries in countries having an endowment structure similar to the nation's and at a level of development not much more advanced than itself. These are industries in which such nations have a competitive advantage and in which they can quickly become competitive domestically and internationally. Certainly, a whole range of conditions and factors, including knowledge and innovation, human capital, institutions, infrastructure and policies, including fiscal, monetary, exchange rate, capital flows and trade policies, are important for such policies to succeed (2011: 90).

Commitment to the expansion of soft infrastructure like human capacity and investment in social policy and programmes as well as hard infrastructure is another feature of the developmental State. Investment in soft infrastructure includes investments in quality education, healthcare services, economic and social infrastructure in some cases, land reform as well as such hard infrastructure as roads, bridges, electricity grids, water, and sanitation. The experience of South East Asian countries confirms this fact (Kelsall, 2013: 7; ECA, 2013; ECA and AUC, 2011: 100). As succinctly noted by Kelsall, "this is demonstrated by the history of today's developed States. Virtually all successful developers have, at one time or another, employed industrial policies that have helped first to raise productivity in agriculture, then to increase the share of manufacturing and services in GDP, and then to move into higher-value areas of manufacturing and services" (2013: 8). He reflected the historical role of the State in developed countries like Britain, Sweden, France, Germany, the United States, Japan, South Korea and Southeast Asian states as follows:

In the 15th century Britain, for example, imposed tariffs on unprocessed wool products, with the aim of developing a textile industry. Sweden in the eighteenth and nineteenth centuries developed a number of strategic industries such as iron and steel, railways, telegraph and telephone, and hydroelectric power through public-private partnership. It also provided some protection for heavy industry. Nineteenth-century France and Germany both used the power of the State to create and protect investments in the period when they were catching up with Britain. Until the early 20th century, the United States was one of the most protectionist countries in the world, and it invested heavily in railways, higher education, research and development… The most recent group of successful developers, Southeast Asian States, poured resources into agricultural research and development and rural development, lifting millions out of poverty in the process (Kelsall, 2013: 8).

The Economist corroborated the same idea as follows "In reality, every rising power has relied on the State to kick start growth or at least to protect fragile industries. Even Britain, the crucible of free-trade thinking, created a giant national champion in the form of the East Indian Company" (quoted in the World Bank, 2013: 69). Meles also indicated in one of his scholarly articles that "The US has developed such a system of first-rate universities, initially public, but with more and more private sector involvement, and engaged, not only in the training of highly skilled workers, but also in research" (2011: 156). He further indicated that "the recognition of the fact that the State has played a crucial role in development and the tentative conclusions about the nature of the State that brings about such change have evolved over time into a well-articulated theory…has been given a specific name [known as] The developmental State" (2011: 168).

Enhanced stakeholder participation is also indicated as the hallmark of the developmental State. Both State and public institutions at the central and local levels and non-State institutions such as the private sector and civil society organizations must get involved in development and governance processes (Gamora, 2014 a; ECA and AUC, 2011: 122, 127). Finally, developmental States adopt a governance system that is performance oriented. The political leadership in emerging East Asian economies demonstrated high levels of commitment to poverty reduction. As a result, the rapid industrial growth in East Asia was accompanied by a fair and equitable income distribution, low unemployment and the near elimination of abject poverty (Musamba, 2010: 21).

Conditions for the emergence of developmental States

Literature indicates that there are some necessary conditions for the emergence and growth of developmental State, including in Africa. A disciplined planning process aimed at transforming the structure of the economy is the major condition for the emergence of a developmental State. This is one of the key lessons drawn from the experiences of such developmental States as Malaysia, Singapore, Japan, South Korea and Brazil. Some of these States transformed their economies successfully within three decades, which was not the case for most African countries (UNCTAD, 2009: 33; ECA and AUC, 2011; Gamora, 2014a). According to the ECA and AUC Economic Report on Africa, "…successful economic transformation was achieved by deliberate State involvement, based on a disciplined planning process aimed at transforming the structure of the economy" (2011: 77). Especially, the report captures in detail the notable experience of Malaysia as follows:

> *Without getting involved in detailed historical accounts, suffice [it] to say that Malaysia's transformation process was a planned one, involving three successive "outline perspective plans" for 1971-1990, 1991-2000 and 2001-2010. The last two were drafted under an overall "2020 vision". Each plan was implemented through medium-term plans, each covering five years and each subjected to a medium-term review* (2011:77). For African States to transform their economies "they need to plan the process; formulating relevant economic and social development strategies and policies; and implement [those] plans and policies" (ECA and AUC, 2011: 83).

Another condition for the emergence of the developmental State is coordination of economic activities and resources. Some identify this phenomenon as "governing the market or developmental governance" (ECA and AUC, 2011: 99). It means "creation of a pro-investment macroeconomic environment, effective supervision and monitoring of financial institutions, fiscal policies that provide incentives to the private sector, domestic resource mobilization and an effective public financial management system" (ECA and AUC, 2011: 99). In this regard, the developmental State employs "a carrot and stick approach to rent distribution, increased productivity and economic growth" (Ibid).

The emergence of the developmental State also required "a national entrepreneurial or capitalist class (in literature, referred to as a national bourgeoisie) as a precondition for domestic capital accumulation and the development of a market economy" (ECA and AUC, 2011: 99). The developmental State should play an active and deliberate role "in expanding and nurturing its bourgeoisie, as it will facilitate industrialization and private sector-led economic growth" (ECA and AUC, 2011: 99). In the South East Asian experience, the State played a conscious role in changing small and medium enterprises to multinational corporations. Zailatsu of Japan and Chaebol of Korea can be cited as good instances in this regard.

Peace, political stability, rule of law and predictability in governance are also considered as a crucial condition for the emergence of the developmental State. For instance, without peace and political stability, investment risks will be enhanced. The rule of law, on the other hand, protects and promotes property rights. Accordingly, predictability in governance system and confidence building amongst different stakeholders are crucial among others factors (UNCTAD, 2009: 33; ECA and AUC, 2011: 111).

The nature of political regimes has shaped and structured the discourse on the prospects of establishing and sustaining developmental States. A developmental State can emerge in different political regimes. Indeed, there is a fierce debate among scholars on the nature of political regimes and economic development. Some argue that the institutions needed for development are incompatible with institutions needed to build and sustain democracy (Leftwich, 2005: 686; & 2002; Meles, 2011: 169) while others argue the importance of democratic principles and institutions for the development of democratic developmental States (Abdellatif, Adel M, 2003; UNDP, 2002: 51-61; Randall, 2007: 635).

Some democratic and authoritarian States have achieved economic development, while others have not. When the developmental State emerged, countries such as the Nordic countries, Brazil and India were democratic. Even among East Asian countries, Japan, for instance was democratic, while others such as South Korea, were authoritarian. Accordingly, to "argue that developmental States are synonymous with authoritarianism is to misread the history of East Asia" (ECA and AUC, 2011: 109) and "for development to be [legitimate], inclusive and sustainable, it must be grounded in a democratic context" (ECA and AUC, 2011: 109). In this regard, democracy helps to create the foundation of legitimacy for development, in which citizens would participate and engage in the development processes, and confers on the State, the authority it requires to propel the development process as well as sustain human-centered development (Edighegi, 2010: 4; ECA and AUC, 2011: 8).

Theoretical Background

Drawing from the literature review, this section of the study maps out the theoretical roadmap of the study, as the concept of the developmental State is rooted in some theories and models. In this regard, some relevant theories and models as well as concepts can be given on the emergence and evolution of the developmental State. No one theory, however, is found that can singularly able to serve as a guiding theoretical framework. Therefore, an integrated analytical framework is designed from capacity-based development theory, political-economic models under the neo-patrimonial theory known as rent management theory, and other theories that promote appropriate policies and institutions that promote developmental State.

The first is the "capability-based development theory" (ECA and AUC, 2011: 118). The emergence of the developmental State, according to this theory, is grounded in the political will and capacity to articulate and implement policies to expand human capabilities, enhance equity and promote economic and social transformation. This can be done through wide stakeholder consultation, without elite manipulation (ECA and AUC, 2011: 118). Therefore, "a capable State is a developmental State that can deliver sustainable human development" (UNDP, 2010b: 40). According to the World Bank, for instance, economies with high institutional capability combined with good policies grew nearly eight times the rate of economies with low capability and bad policies. According to the Bank, 60% of the superior growth performance of East Asia can be explained by better policies and more capacity to deliver those policies (Australian Aid, 2003).

There are also other emerging political-economic models under the neo-patrimonial theory that can be used as an explanatory factor for the emergence and development of strong economic performance and developmental States. These models are developed from the experience of South-Eastern Asia and some African countries. In this regard, the issue of creating and managing economic rents by policymakers is regarded as crucial to the experience in Japan, South Korea, and Taiwan (Meles, 2011: 169). As Wade noted, "in each of these countries, creating rents (above normal market returns) by 'distorting markets' through industrial policies was an essential factor for stimulating high levels of investment in activities deemed important for economic transformation, and for sustaining a political coalition in support of these policies" (1990 quoted in Kelsall, 2013: 11).

As the practice in the East Asian countries reflected, robust incentives were introduced to boost profits above free-market levels through different fiscal instruments. These are tax exemptions and special depreciation allowances in particular for targeted specific industries to speed up accumulation.Trade, financial and competition policies were also used to generate rents that boosted corporate profits. These policies further include arrays of selective protection polices, interest rate controls and credit allocation, managed competition, protection on entry into specific industries, and screening of technology acquisition among others. To create and sustain a vibrant profit-investment nexus, diverse incentives and measures were also deployed to discourage luxury consumption by potential investors. The experience in these countries also demonstrated that policy measures that link the "profit-investment nexus" to the "export-investment nexus" are pertinent. This is a recognition of the fact that developing countries must also enhance their competitiveness in mature product markets with established firms (UNCTAD, 2007: 62-65).

As Kelsall argues "almost all of the better performing States [Asia and Africa] had been able to centralize the management of economic rents and orient it to the long term, a feat they achieved with the help of strong, visionary leaders, constrained democracy, top-down patron-client relations, and confident and competent economic technocracies" (2013: 16-17). He further goes on to produce four different typologies or models of a rent-management regime, which are used as an explanatory factor for differences in economic outcomes between and among African and Asian countries. The model confirms "the conditions under which neo-patrimonialism is compatible with strong economic performance" and refutes "the conventional wisdom that development is impossible under neo-patrimonial arrangements". The authors contend that "provided the right conditions hold, neo-patrimonialism is good enough governance for economic development, and one that may go more with the grain, and make a better fit with socio-political realities in many African States, than good governance" (Kelsall, 2013: 46-47).

Indeed, the author appreciated the role of policy, especially increasing agricultural productivity, recognizing smallholders and converting the gains from import substitution industrialization to export-oriented industrialization, as practiced by East Asian States. The degree of centralization and the length of time to which rent management is oriented are the two important hallmarks that are able to differentiate the models or the typology (Booth, 2012: 26, 30; and Kelsall, 2013: 17, 24, 48).

The model also presumes four principal factors for achieving strong economic performance. These are the presence of a strong and visionary leader with a good political succession plan; the creation of a single or dominant party system, a constrained, yet inclusive form of political democracy; a top-down patron-client network, and the maintenance of a competent and confident, vertically disciplined economic technocracy, free from the most damaging clientelist pressures (Booth, 2012: 26; Kelsall, 2013: 26). Rents are centralized "when there is a structure in place that allows for an individual or group at the apex of the State to determine the major rents that are created and to distribute them at will" while it is a long horizon "when leaders have a vision that inspires them to create rents and discipline rent-seeking, with a view to expanding income through productive investment over the long term" (Kelsall, 2013: 24).

The rent management model demonstrated how development, workable industrial policy, economic transformation and growth have been possible within the neo-patrimonialism context in Asian and African countries. The model showed the relationships between politics, rent-seeking, and economic performance in such current good African economic growth performers like Ethiopia, Rwanda, Tanzania and Ghana. The models have also shown, not only the down side of developmental patrimonialism but also the challenges that occur when rents are not centralized and not oriented to the long term, or both. The author indicated that "…where rent management was not centralized, economic performance tended to be very poor" (Kelsall, 2013: 17-19). For more information, please see table I below on the four regime type from a rent management perspective called "A typology of rent management".

Table 1 : The four regime types from a rent management perspective called « A typology of rent management »

TIME HORIZON	CENTRALIZATION: Low	CENTRALIZATION: High
Short	*Competitive clientelism* (Not preferred) Centralization= Low Time Horizon= Short	*Non-developmetal kleptocracy* (Not preferred) Centralization= high Time Horizon= Short
Long	*Ineffective developmental State* (less preferred) Centralization= Low Time horizon= Long	*Developmental patrimonialsim* (Ideal) Centralization= high Time horizon= Long

Source: Adapted from Kelsall, 2013: 24

The first type is competitive clientelism or decentralized, short-horizon rent management regimes where no one sees the long-term as illustrated in the above figure. This type is characterized by low-rent centralization, undisciplined rent management and macroeconomic and political instability that do not aim for the long-term and apparently lack the conducive environment to promote investment. This may be because of less leadership interest. If unimpeded, this model "has a tendency to degenerate into spoils politics, characterized by winner takes all, corruption, economic crises, lack of political mediation, repression and violence…endemic instability" (Kelsall, 2013: 17, 24-25). Some of the notable examples of this type are Indonesia in Asia and the First Republics of Nigeria, and the Democratic Republic of the Congo, and Sierra Leone before the first military coup in Africa (Kelsall, 2013: 25, 146).

The second type is the ineffective developmental State. Close observation of the figure reveals decentralized, long-horizon regimes. For this type of model, the leadership had a serious long-term vision for development, but it had been unable to control the creation and distribution of economic rents effectively, by limiting them to maximize its own take or to serve what it views as the interest of society as a whole. The model is not bereft of challenges in that "it lacks the machinery to centralize rents; its ability to implement the long-term view is strictly limited" (Kelsall, 2013: 25). Consequently, there will not be an effective developmental State. Cases in point are Cambodia, from 1970 to 1991; and Nigeria under General Gowon from 1966 to 1975 (Kelsall, 2013: 25).

The third type is non-developmental kleptocracy or centralized short-horizon regimes. In this type of model, the leadership makes substantial achievements in rent centralization, or the executive circle would have the power to limit rent-taking, but because of several explanatory factors such as political insecurity, the leaders do not take the long-term view. Consequently, the leaders engage in kleptocracy, and those with connections at the top are allowed to enrich themselves, almost without limit. Instances of this model are General Abacha of Nigeria, Mobutu of Zaire and Siaka Stevens of Sierra Leone (Kelsall, 2013: 25, 146).

The fourth type is developmental patrimonialism; or in the strict sense, this model is called developmental neo-patrimonial or centralized long-horizon rent management. This model is the most acclaimed among the other models for the reason that the leadership has been able to centralize control over rents, and also take a long-term approach to rent maximization (Kelsall, 2013: 25-26). The model is further characterized by "developmental patrimonial in the sense that the regime retains a neo-patrimonial character, with a more or less systematic blurring of the boundaries between public resources and the private property of the rulers." The system is not bereft of challenges like illegality or corruption, which "may reach quite high levels and may well be the major source of finance for the political activities of the ruling groups" (Kelsall, 2013:146-147). The level of corruptionis not as harmful as the other models as there is concern to grow the economy. Ethiopia and Rwanda are cited as case studies that come closer to the centralized-long-horizon ideal and are more likely to realize their transformative potential as a result (Booth, 2012: 26; Kelsall, 2013: 17). Moreover, in Ethiopia "a centralized structure of rent management has at least created the enabling conditions for productive use of economic rents" (Kelsall, 2013: 114).

Kelsall and others further contend, citing the findings of the University of Leiden's Tracking Development Program on twinned comparisons of South East Asian and African States, that successful management of economic rents under the developmental patrimonialism or the developmental neo-patrimonial model will not work unless there are good policies. These include macroeconomic stability, a favorable investment climate, trade policy, sound fiscal, monetary and exchange policies, economic freedom for smallholders, development of the domestic financial sector and pro-rural spending that took the form of massive government programs to develop the countryside (Kelsall, 2013). They further infer from the Leiden study that sustained growth and efficient rent management require effective policies for industry, not just agriculture.

In this regard, it is important to develop appropriate policies[1] and institutions[2] that facilitate the emergence and development of the developmental State. Trade liberalization

[1]Economic policies refers to principles to guide decisions and the actions that Governments take in the economic field to achieve particular outcomes. Economic policies are instruments for Government to intervene in the economy and facilitate the development effort of a county. It covers different aspects of the economy such as taxation, Government budgets, money supply and interest rates as well as the labour market, national ownership (Nissanke, Machiko, 2014).

[2]Institutions are collections of agreed norms, rules, procedures and routines and are formally established and written down or informally embedded in the culture. The formal rules are set by the State through laws and regulations while the informal rules come from the culture, history and experience of a society and are reflected in codes of conduct and belief systems. Institutions express and sustain powers that shape the

and related export promotion policies have been important ingredients for the rapid development of East Asia's n newly-industrialized economies (NIEs)[3] since the 1960s. The rapid growth of these economies was influenced by market led outward-oriented development policies that guaranteed optimal allocation of resources. Government policies in the areas of "skills acquisition, technological progress, and financial and labour markets" were instrumental (UNCTAD, 2007: 58). Diverse industrial policy measures were also used in these countries to direct resources away from less productive to high productive industries in order to alter their long-term development trajectory. These policies and institutions helped to ensure that "subsequent economic rents were marshaled to address the objective of rapid economic growth and supported their strategic and systematic integration into the global economy" (UNCTAD, 2007: 58). As NIE experiences go liberalization and export strategies were selected in such a way as to first ensure the development of a competitive sector before opening up to the outside world.

An institutional interventionist strategy is pursued in developmental States and underpinned by the principle of reciprocity. Through the principle of reciprocity, Governments give assistance such as subsidies to the manufacturing sector expecting a performance standard, for instance, export targets. Furthermore, State institutions such as the legislative, the judiciary and the executive should operate in an independent, accountable and transparent manner. The parliament and the judiciary should perform the law making and law interpretation tasks respectively. The executive branch of Government should also handle the task of executing policies and laws. For this, it needs an efficient, transparent and motivated civil service. Non - State institutions should also be empowered in order to hold Governments accountable and reflect the demands of their constituencies. In order to provide services and engage in production, the private sector requires an enabling environment in which the rule of law prevails and a conducive regulatory framework facilitates competitiveness and productivity. Good industrial policies and the promotion of enabling conditions for efficient and effective use of credit are equally important. In this regard, as noted above, the development of a domestic entrepreneurial class into large diversified corporate groups and multinationals as in Japan and the Republic of Korea, and large public owned enterprises as in Taiwan, are important to guaranteeing the successful outcome of these policies (UNCTAD, 2007: 62-63).

However, critics from an orthodox policy standpoint argue that creating and managing rents would be risky and questionable. They reason that "rents, if not managed properly, could become permanent and not only weaken entrepreneurship but also smother

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behavior of individuals and hence determine outcomes. Institutions create the framework or the rule of the game, but collective action takes place within organizations. Accordingly, institutions are the rules of the game while organizations are the players of the game that can act as agents of institutional change. In this context, institutions are essential to economic development. Institutional quality is measured by bureaucratic efficiency, absence of corruption, the protection of property rights, and the rule of law among others (Nissanke, Machiko, 2014; Gedion Gamora, 2014a).

[3]The first level NIEs are Hong Kong (China), Taiwan Province of China, the Republic of Korea and Singapore; and the second level NIEs are Malaysia, Thailand, and Indonesia (see UNCTAD, 2007: 102).

productivity growth in the long run" (UNCTAD, 2007: 63). Care must therefore be taken to ensure that policies and institutions that create the initial rents to kick-start the development process are ultimately withdrawn. Recipients of rents are expected to conform to such international market-based disciplines, as have to do with meeting a combination of performance criteria such as export targets (Ibid).

2. An African developmental State: Ethiopia's Emergent Experience

Snapshot of an African developmental States: The Case of Botswana, Mauritius and South Africa

In order for African countries to successfully transform their economies, they need to demonstrate a development-oriented State. This means that Africa requires strong and visionary leadership, for private sector development. Each State has to implement nationally-adapted policy measures to achieve stable macroeconomic indicators as well as efficient and effective public service delivery. Gharni, Lockhart and Carnahan (2005) confirm that a developmental State calls for two key attributes, which are infrastructure development and political commitment. They also highlight that the State should have adequate control over the geographical territory, whilst showing capacities to design and implement sustainable policies. Moreover, Gharni, Lockhart and Carnahan identify several characteristics of a developmental State. The characteristics which are relevant to African countries are: investment in human capital; robust Public Financial Management (PFM); market formation and maintaining the rule of law.

The 2011 Economic Report on Africa (ERA) publication further indicates that Africa has a need for positive and strong State intervention, in order to address market failures. Indeed, although the public sector should not be the only engine of growth, it should facilitate economic processes and market functions. In this regard, Rodrik (2006) has argued that efficiently-run institutions contribute in sustaining long-term economic growth. In the African context, this also implies having institutions that ensure transparent checks-and-balances so that resources are being allocated in the most efficient manner. The South East Asian countries provide examples of the feasibility of structural transformation, through a developmental State. For instance, Johnson (1982) associates the success of Japan's structural transformation on the State's ability to provide independence to the economic bureaucracy. He also highlights that the leadership ensures that there is a continued developmental ethos in key institutions.

The need for developmental States in Africa is also critical to ensure good governance in the process of structural transformation. In this regard, it is important to mention the experience of Botswana, Mauritius and South Africa as success stories in economic transformation. **Botswana** is often cited as a leading example of Developments State on the continent. The country has earned itself a notable reputation for its sound management of mineral resources revenues. Diamond revenues have been used to diversify the economy. In this context, the country moved from one of the world's poorest countries in 1966 (ranked 25th poorest) to upper middle income status, within 30 years.

Mauritius continues to be a commonly cited success story, with the island moving from a low-income to a middle-income country. Structural change in Mauritius has been led by a highly productive services sector. The Mauritian economy is highly diversified and its industrial and services sectors account for 95.4% of GDP composition. Mauritius has been able to develop and expand its tertiary sector, based on high labor-productivity activities. The island's transformation has been backed by robust institutions, such as the Mauritius Export Development and Investment Authority (MEDIA) and the Export Processing Zone Authority (EPZA). These institutions ensure competitiveness, stability and re-investment of export earning in productive sectors.

Post-apartheid **South Africa** has shown strong patterns of development and structural change in its economy. In terms of the country's GDP composition, Services account for an estimated 65% and its industrial sector accounts for 31.6%. South Africa has a robust mixed economy, which includes mining, manufacturing, food processing, clothing, and telecommunications. Since 2009, the State-owned Industrial Development Corporation (IDC), approved more than USD 45 billion in funding to the industrial sector for projects in agro-processing, automobile, steel and engineering. South Africa has taken advantage of its domestic mining industry to initiate development of its own local technological expertise. In this regard, it is now recognized as a net exporter of equipment and specialist services.

The Reemergence of Developmental State in Ethiopia

The first attempt to adopt a developmental State model in Ethiopia dates back to the Haile Sellasie regime in the 1920s. Negadras Gebre Hiwot Bykedagne, Blatten Geta Hiruy W/Silassie, Dr. Martin Workneh, Ato Kebede Michael and others, the country's intellectuals of the day, who were known as the "Japanizers", were passionate about the Japanese development model. For instance, in his book titled "How did Japan Modernize" (1954), Ato Kebede Mikael reflected on how he had been much inspired by Japanese civilization and how that country had managed to develop in a short period of time. In October 1931, the imperial Government in Ethiopia sent a group of Government officials and intellectuals to Japan to study different aspects of that country's development for use as a development model (Zewde, 2002: 3-70). The first Ethiopian Constitution of 1931 closely modeled Japan's Maji constitution of 1890. Blatten Geta Hiruy, the then Ethiopian Foreign Minister, had this to say when he met the then Japanese Emperor Hirohito:

> *"…on behalf of Emperor Haile Selassie, that only the two countries in the world, that is, Ethiopia and Japan, have 'unbroken lines' of imperial rule, and that Haile Selassie had been determined to follow the model of Japan's charter to develop his country" (quoted in Kebede, 1999: 272).*

Several factors influenced the Ethiopian regime to choose the Japanese experience for the country's development model. The two countries had historical, socio-economic and political similarities. They had uninterrupted imperial regimes and a history of independence and isolationism. The two countries also had a warrior and patriotism culture . Rather than importing commodities from Europe, Japan had focused on importing knowledge and appropriate technology. Japanese industrialization had been carried out by a modern State and taken a short period of time, compared to Europe's industrialization, which had taken much longer . The State in Japan had also the backing of the people in its development effort. Contrary to European history, Japan had been modernized not through without a social revolution that mandated change, but through the vision and impetus of its Emperor (Kebede, 1999: 271).

However, Ethiopia's attempt to adapt the Japanese development State model was not successful for various reasons. The most notable one is the fact that the Ethiopian intellectuals and the "Japanizes" did not conduct an in-depth study of the Japanese model. The Government did not also have the required commitment to implement the model, beyond some superficial references (Bekele, 1994: 112-13). While there were a few similarities between the two countries, the social and technological gap was so wide that the Japanese development model remained a subjective urge, which was not supported by the objective reality (Zewde, 1990: 11). Some other external factors that contributed to the unsuccessful attempt to adopt the Japanese model included the Italian invasion and occupation of Ethiopia from 1936 to 1941, and the eruption of the Second World War in 1939.

In the contemporary era, the resuscitation of the developmental State in Ethiopia has been influenced by five principal interrelated factors. The first was the1998-2000 Ethio-Eritrea War. One of the assumptions of the Eritrean Government was that Ethiopia was a country of fragmented nations, nationalities and peoples without a strong centripetal force. None the less, the unity of the Ethiopian peoples, nations and nationalities against the common enemy was one underlying reason for defeating the Eritrean army. This opened the eyes of the Ethiopian Government to the fact that the different nations, nationalities and peoples actually had a common sense of identity, a fact that was neglected after the institution of the federal arrangement. That heralded the current Grand National vision of the Government of Ethiopia. As Clapham noted "the sense of outrage throughout Ethiopia that greeted the Eritrean seizure of Badme not only astonished the Eritreans and ultimately accounted for their defeat but may also have come as a surprise even for the Government in Addis Ababa" (2013:2).

The second reason for the re-emergence of the developmental State in Ethiopia was the 2001 crisis within the Tigray Peoples Liberation Front (TPLF) and the resultant split. Some of the divisions within the party stemmed from differences in ideology and on development strategies, not to mention the war with Eritrea. The victorious group that stayed in power under the late Meles Zenawi came up with its revisionist idea, declaring its commitment to building a developmental State in the country (EPRDF, 2006; Clapham, 2013:2). In this regard, it is important to note that the country has been able to register significant economic growth since 2002.

The third factor was the lesson drawn from the 2005 national elections. EPRDF had recognized that its programmes were not well received by the people and that the party was expected to come-up with new national development-oriented programmes to win the hearts of the people. To this effect, the late Meles Zenawi's Government instituted the idea of a democratic developmental State, as opposed to their earlier ideology of a revolutionary democracy (Kelsall, 2013:99). As captured succinctly by Clapham “The election [2005] likewise shocked the ruling party by revealing that its programme [revolutionary democracy] had failed to generate the support it had simply [taken] for granted. The Coalition for Unity and Democracy (CUD), the party that palpated greater emphasis on Ethiopian national identity, had gained very significant ground on EPRDF” (Clapham, 2013:2). As Negash indicated “TPLF’s revolutionary democracy has worsened both rural and urban poverty. This policy was tested at the first competitive multiparty election [in 2005]” (2012: 10). Consequently, the ruling party-EPRDF- in 2014 has officially claimed change of ideology from ‘revolutionary democracy’ to ‘developmental democracy.’

The fourth factor was the failed ideology of neo-liberalism, which has been promoted by Western countries and their institutions. As the late Premier Meles Zenawi of Ethiopia noted repeatedly both at national and international meetings, the neo-liberal paradigm had led Africa into another economic dead-end and into a fragile, unstable democracy. He said, on one occasion: “the key message is that the neo-liberal paradigm, which has devastated our economies over the past decades and which has now come back home to roost needs to be discarded before we can do any of the things that we need to do to transform our economies…we need to free ourselves from the constraints of that ideology and pragmatically select our own path of development, based on an empirical evaluation of what works and does not work for us” (ECA and AUC, 2012: 26). In this regard, the re-emergence of the developmental State in Ethiopia “is a result of a long journey in search of alternative path of growth which suits the country’s immediate and strategic interests” (Wolde-Gabriel, 2013: 2).

The Ethiopian model is drawn from South Korea, Taiwan and China, on the premise that the path to accelerated economic growth is through a strong developmental State that creates policy space, encourages and directs investments, and promotes a strong work culture and ethics among the population. In this regard, the late Prime Minister wrote, “there has to be more political space for experimentation in development policy than has been the case so far in Africa …The international community has a role in creating such a space by tolerating development paradigms that are different from the orthodoxy preached by it. Africans have to demand and create such a space” (ND: 39). Six of the 21 chapters of Meles’s monograph analysis focus on the social, economic and political histories of East Asian developmental States, such as South Korea and Taiwan. Indeed, a close observation of the Ethiopian developmental State model reveals an emulation of the Chinese model, in that there is a de facto one-party State, which prioritizes economic development over the democratization process.

The fifth factor, Meles' monograph, justified the existence of a strong Ethiopian State, capable of halting rent seeking in the private sector and promoting value creation by that sector. In the absence of comparative advantages in the productive sectors in Ethiopia in particular and Africa in general, the private sector, rather than try to create value, turns to rent seeking as an easy way of making money. According to Meles, this was why Ethiopia had not privatized land, telecommunications and the financial sector (De Waal, 2012: 3-4). In this regard, the autonomy of the State from the private sector was indispensable to guide the private sector away from rent seeking to value creation. Meles noted that developmental States must be "autonomous from the private sector; and have the motive, the incentive, and the means to reward and punish the private sector in order to promote desired behaviour and activity" (2011: 169).

Political and Economic Dynamics in the Country

Since the 1991 regime change Ethiopia introduced four important reforms. These are the introduction of federalism (mainly ethnic), the democratization of politics and liberalization of the economy as well the introduction of democratic developmental State (since 2001 party reform) (Kelsall, 2013: 95-96). The federal arrangement is based on the notion that "the model of imposed central statehood had comparatively failed, whether in its imperial or in its revolutionary form, and that Ethiopia's survival depended on reconstituting the country as a voluntary union of equal peoples" (Clapham, 2012: 145). On the positive note, the adoption of ethnic federalism constitutes "a refreshing approach to governance. This is because it moves away from regarding ethnicity as a negative or dysfunctional political and socioeconomic social force. Instead, it emphasis the positively creative, crosscutting utilitarian value of ethnicity for democracy and development…" (APRM Ethiopia Report, 2011: 25).

With regard to the democratization process, there exist constitutional and statutory guarantees relating to respect for civil and political rights, human rights and effecting punishment against perpetrators of violations. Indeed "not only is democracy critical for Ethiopia but it is also the sole guarantee for the survival of this multi-national, multi-religious and multi-cultural national/ state" (APRM Ethiopia Report, 2011: 31). Nonetheless, there is gap in translating the laws into action in the country. For instance, the electoral system and process have been underpinned by diminishing political space for opposition parties, and irregularities and deficiencies (UNECA's Ethiopian African Governance Report, AGR, 2004). Following the 2005 elections, there has been democratic reversal in that the regime passed legislation restricting the press and civil society as well as the election board is highly controlled by the regime. Almost 65 % of the experts interviewed for UNECA's Ethiopia governance report, 2013, opined that the procedures involved in appointing and removing electoral offices are largely marked by absence of openness, transparency and credibility.

Since 1991, there was a wide range of policy reforms in the economic sphere including liberalization of the economy in Ethiopia, which have produced remarkable achievements. In capturing the developments since 1991, Kelsall noted that

> *Since coming to power in 1991, and especially after the post 2001 party renewal, the Ethiopian regime has dedicated itself to an ambitious program of economic transformation. Although receiving large amounts of aid from the West, it has eschewed a Washington based development program, preferring to look east for inspiration. Japanese and Korean advisors have assisted with development policy, and more recently the prime minister has lauded the achievements of China, claiming that the process of reform and development in China has provided an alternative paradigm for Africa's development* (2013:99).

The Ethiopian take on this is known as Agricultural Development Led Industrialization, laid out in the Industrial Development Strategy (2002) and the Plan for Accelerated and Sustainable Development to End Poverty (2006-10), now concealed by the Growth and Transformation Plan (2011-15) (APRM Ethiopia Report, 2011: 28). GTP envisages a doubling of agriculture output, an increase in per capital GDP from $ 400 to $ 700, 2,000 kilometers of new railway line, a quadrupling of electricity generation, a quadrupling of mobile phone density, a tripling in the length of the road network, and instituting a stable democratic and developmental state needed to facilitate sustainable development (MOFED, 2010: 10). It focuses resources on rural areas, aiming to improve agriculture, rural infrastructure, and agro-based industries. In addition to the Asian experience, the policy is inspired by the Tigrayan People's Liberation Front's (TPLF's) own experience of organizing the war against the Dergue in the 1980s. This is reflected in the government's commitment around 64 percent of its budget on pro-poor sectors like education, health, agriculture, water, and roads as well as giving incentives for large-scale commercial farming (Kelsall, 2013: 100). There are also some achievements with regard to Public Sector Capacity Building Programme (PSCAP) specifically in the financial sector reform. As Kelsall noted

> *The government has devised a public financial reform program to build on what already existed, marshaling foreign technical assistance only as and when needed. Today Ethiopia apparently has the third-best financial management system in Africa, something which has allowed for the decentralization allocation and management of the rapidly growing governments block grants for service delivery to district level* (2013:102).

Consequently, in the past one decade Ethiopia has been one of the world's fastest non-oil growing economies in Africa averaging 10.7 percent per year compared to the regional average of 5.4 percent. If the country continues its impressive economic growth, it could potentially reach middle income status by 2025 (The World Bank, 2013: 6, 8; APRM Ethiopia Report, 2011: 29, 55). As Kelsall confessed "growth has been broad based, with agriculture, industry, and services all recording double-digit expansion for much of the past decade" and "FDI has been comparable to that of Tanzania and Uganda, and better than that of Kenya" (2013: 116). The poverty reduction in the country is impressive "in 1995 some 61 percent of the population were estimated to be below a $ 1.25 a day poverty line, but by 2010 that had fallen to 29 percent". With regard to MDGs as a result of the growth and effective social spending, the government is on track to reach MDGs 1, 2, 4, 6 and 7, yet challenged to achieve goals 3, and 5 (UNDP Ethiopia, MDGs Report, 2013).

The country interestingly has done this by ignoring a great deal of conventional donor advice, claiming to be following an Asian development model instead (Kelsall, 2013: 92). The country also put in place a structure for centralizing rent management and gearing it to the long term though formidable concentration of political and economic power. This was done through political appointments and by creating super ministries created at federal level for capacity building latter replaced by ministry of civil service, infrastructure development, rural development and federal Affairs. The expansion of service delivery has remained high and centralized. The executive is highly centralized enough that deconcentrated power throughout the different tiers of government. This has helped it to operationalize an ambitious industrial and development policy (Kelsall, 2013: 93, 100, 101).

In recent years Ethiopia appears outpacing some developed and developing countries posting annual growth rates of over 10 percent. The IMF forecasts that some African countries including Ethiopia will occupy seven of the world's top ten growth spots over the next five years (Economist 2011). The success on economic growth poses a question whether Ethiopia is an example for modern day "development patrimonialism" or not (Kelsall, 2013: 48). The government has retained a great deal of control over the principal levers and strategic sectors of the economy, rather in the manner of an East Asian developmental state. For example, the State-Owned Enterprise (SOE) sector remains comparatively large, comprising around 130 companies. Key fields such as telecoms, utilities, civil aviation, and financial services remain solely or largely in the public sector. In 2006 State Owned Enterprises (SOEs) accounted for some 72 percent of total manufacturing value-added. The government also influences the strategic direction of economic development through party-linked holding companies, or 'endowment companies', as they are known in Ethiopia. As Kelsall described the nature and origin of these companies as follows:

> *these are private businesses started by members of the ruling party during the transition from the Dargue, building on resources captured during the war. In 1995 they were transformed into charitable trusts, but they continue to play an important strategic role in the governmnt's overall policy…they have invested in areas where the private sector has been reluctant, and some of them seem to demonstrate high standard of business probity and payments of taxes. The best-known endowment company is the Endowment Fund for the Rehabilitation of Tigray (EFFORT), which has investments in a wide range sectors, including cement, pharmaceuticals, and textile production, engineering and construction, and crop marketing and transport (2013: 103).*

With regard to the companies relations with the incumbent party specially TPLF, "Although the company is formally delinked from the TPLF, coordination of aims and activities is secured through overlapping membership of both organizations" (Brhanu Abegaz, 2011: 41), which makes politically unsanctioned commercial activity unlikely

(Kelsall, 2013: 103). The financial sector is also tightly controlled. The three largest banks namely the National Bank of Ethiopia, Commercial Bank of Ethiopia and Development Bank of Ethiopia are state owned, although some have had foreign, private managers (Kelsall, 2013: 103). However, critiques argues that the economic plain field is not open to all players rather it favours business that are affiliated to the parties as "the party is deeply involved in micro-finance, with nearly 90 percent of the gross loan portfolio accounted for the five biggest micro-finance institutions, all of which are institutions with close connections to the ruling coalition" (Kelsall, 2013: 103).

The current Ethiopian regime envisages itself as an East Asian-style developmental State, and it plays a correspondingly active role in industrial policy. Not only is it providing large-scale infrastructural and educational investments with a view to boosting the overall investment climate, it is also actively undertaking a number of interventions to encourage private investment in sectors regarded as having special development significance or growth potential such as floriculture, lather products, endowment companies (Kelsall, 2013: 108-111). For instance, at least 60 % of Chinese and Turkish investments to Ethiopia are in manufacturing and these investments are growing significantly. For instance, Huajian Group of China, a shoe-manufacturing firm has invested in Ethiopia and employed more than 800 workers and produces over 2,000 pairs of shoes per day for export valued at US $ 1 million per month (Gedion Gamora, 2013: 15). The success in these sectors "demonstrate an ability to move into higher-value-added sectors, and suggest an impact for industrial policy on technological upgrading" (Kelsall, 2013: 116). China is a key player in infrastructural development and manufacturing by opening special economic zone south of Addis Ababa around a small town called Dukem typically The Eastern Industrial Zone and the Zone is expected to create 20, 000 new jobs (Ibid).

3. Challenges and Opportunities in Promoting Developmental State in Ethiopia

Challenges against the Promotion of Developmental State in Ethiopia

Ethiopian government officially announced that it is using democratic developmental State model. There are, however, several challenges that Ethiopian governments would need to address as the preconditions for establishing a democratic developmental state. The most notable political problems are weak commitment to the democratization process, corruption and weak civil liberties. As Kelsall rightly indicated, "although the regime is making strong progress on addressing the social and economic dimensions of development, it performs consistently poorly in the field of civil liberties" and "at some stage the regime need to open up (Kelsall, 2013: 119). As the Ethiopian ARPM report noted "reports of journalists, editors and publishers being harassed and prosecuted for alleged violations of press laws are still common" (2011: 27). The country's federal arrangement is also criticized for "essentialising" ethnic identities, privileging them over other identity types and in the process heightening tension and conflict" (APRM Ethiopian Report, 2011: 25).

There is apparent challenge with regard to political parties and civil society freedom in the existing Ethiopian developmental State especially after the 2005 elections. As noted in UNECA's Ethiopian governance report, "the EPRDF, however, does not seem to have a genuine belief that opposition parties can play positive roles that could contribute to acceptability and predictability of the political system in a manner that positively impacts on regime stability and consensus building" (2012: 51). The report further quoted one of the interview conducted with a representative of EPRDF from Pausewang and Aalen, 2001: 19 as follows "We fought for 20 years, and it is not fair that any party born yesterday should compete with us. We (the EPRDF) will fight to keep the power" (2012: 51).

NGOs and civil society organizations, meanwhile, have been firmly into line with government's policy through the 2009 Charities and Societies Proclamations, which curtails the scope of their activities if they receive more than 10 percent of their operating budget from foreign sources. Freedom of expression and assembly are further constrained by the Mass Media and Freedom of Information of 2008, and the Anti-Terrorist Proclamation of 2009. As Kelsall noted citing Economic Intelligence Unit, 2008 "the country has one of the worst records of press freedom on the continent, and journalists and editors are frequently harassed or subject to arrest" (2013: 101). UNECA's Ethiopian governance report, 2012, also corroborate the same idea indicating that the role of non-State actors like CSOs, the media, and the private sector in promoting accountability, transparency, enjoying freedom and participating in policy making is very minimal. On the contrary, critique argues that Meles Zenawi had been a promoter of democracy and human rights. As noted by Abugre (2012:4):

> *contrary to popular belief, Zenawi passionately believed in democracy and human rights-both civil/political and social and economic rights. Two things are critical for democracy in a democratic developmental state. Firstly, the need to address the powerless of the atomized peasant…to acquire economic power…to access technology and pricing problems. The second task, Znawi would argue, is the need for a hegemonic party not only to support this process of organizing for economic participation and value added growth but also to educate in order to advance the hegemonic ideology…*

Similarly, rampant corruption would pose a problem in the development prospect of the country. According to the Transparency International's Corruption Perception Index, the performance of Ethiopia like many African countries in corruption control barely improved in the past seven years. Since 2005 the country is perceived to be corrupt and failed to improve its ranking considerably.[4] Hence, corruption diverts resources that can be utilised to satisfy the basic needs of Ethiopia and achieve sustainable development. Especially in Ethiopia "new areas of economic opportunity, such as telecommunications and pharmaceuticals, appear to be particularly vulnerable, while land management, tax, procurement, and custom are other problem areas. While there is anecdotal evidence that

[4] See Transparency International Corruption Perception Index from 2005-2013.

egregious offenders are quietly disciplined, a certain level of 'enrichment' is widely regarded as acceptable" (Kelsall, 2013: 106).

This is because, as has been argued, the elites use the state as the principal vehicle for accumulating wealth through an assortment of corrupt methods, including the embezzlement of public funds, requiring and receiving bribes from both citizens and foreigners, who conduct business with state institutions, and extortion. Thus, a new visionary and committed leadership would have to take steps to reduce the scourge of corruption. The new move in fighting corruption by the new premier of Ethiopia Ato Hailemariam Desalegn is very encouraging if it will be sustained. Other argues that the Ethiopian system is not harmful as noted by Altenburg "Ethiopia is anything but a predatory state whose government pillages the economy. There is no hard evidence of systematic abuses of political regulation and support programs for illicit personal enrichment of political elites" (quoted in Kelsall, 2013: 104).

In light with this argument there is a debate whether the Ethiopian system is patrimonial while some literatures argue that the Ethiopian system exhibit neo-patrimonial dimension in the way that "…on the concentration of power around the person of prime minister [the late prime minster Meles Zenawi], long-standing traditions of hierarchy and secrecy, a large state apparatus in which patronage is used as a resource for securing political support, and a blurring of the lines between the public and the private spheres" (Kelsall, 2013: 105). There is also "a prevalence of deeply personalized politics based on close-knit patronage systems around a small group of key individuals and families" (Vaugham and Tronovoll, 2003: 125 quoted in Kelsall, 2013: 105). There is still further argument that "the country and its politics are treated as the privilege domain of power holders who operate in an informal and often non-transparent manner, and over which the formal institutions do not have a decisive say" (Abbink, 2006: 196 quoted in Kelsall, 2013: 105).

Another challenge is that, with very few exceptions, an African State including Ethiopia does not have the institutional architecture that would constitute the foundation of a democratic developmental State. As has been discussed, State institutions in Africa are, for example, bloated, weak, ineffective, and lack the administrative, managerial and technical skills that are required for the effective functioning of a democratic developmental state. So, as has been suggested, the transformation of the institutional architectures of African States is a major prerequisite for the establishment of a democratic developmental State (See the Freedom House Index and Moi Ibrahim Foundation, UNCTAD, 2009: 20). In this regard, the Ethiopian institutions especially the bureaucracy is not bereft of challenges in the way that "civil service reforms have not met their highest ambitions, for example, doubts remain about the extent to which the ruling party really desires a competent civil service. There is a general perception that party affiliation and loyalty have become even more important since the 2005 events" (Kelsall, 2013: 105). The ethno-linguistic criterion of the Ethiopia Federal arrangement also discourages the free movement of labor and capital, which has its own challenges for the country's developmental State project.

On the economic front, Ethiopia has several problems that challenge the prospect for democratic developmental State. The most notable are lack of economic transformation, poverty, unemployment, and weak private sector. The structure of the economy remains virtually unchanged in the past two decades. The economy is reliant on agriculture, which contribute significant share of the GDP and lacks an industrial base as well as the required focus on the creation of wealth for the purpose of promoting internal development. Accordingly, domestic capital formation is negligible, which has adverse effects on financing and promotion of developmental state project. Ethiopia is still one of the poorest countries in the world. Many are still mired in poverty and tens thousands of Ethiopians are living below poverty level. Unemployment is another formidable challenge in the country. Between 2 and 2.5 million young people are entering the labor market every year. This scenario demands as many high-quality jobs as possible (The World Bank Report, 2013: 27).

It can also be argued that the Ethiopian developmental State is not friendly to the private sector. As Kelsall succinctly noted "one of the distinctive features of the Ethiopian brand of developmental patrimonialism and arguably one of its weaknesses, is its generally antagonistic relations with private business" (2013: 106). The "predominance of party-owned companies in key sectors is bitterly resented by independent private entrepreneurs" (Kelsall, 2013: 106). On the converse, government's relations with foreign private investors appear to be more cooperatives- Saudi Arabian, Indian, and Chinese among others. These countries do have investments in electronics, textiles, agro-processing, energy, infrastructure, tourism and mining (Kelsall, 2013: 106). Finally, the establishment of a functioning and capable democratic developmental State in Africa and Ethiopia would encounter several challenges at the global level. Chief among these are the inherent unjust and unfair nature of the global trading system; the institutionalization of the dominance of the North through economic institutions like IMF, World Bank and WTO and the other major challenge is the current global economic crisis and its adverse effects on African countries including Ethiopia given the nature of the economies. Nevertheless, the effect of financial crisis in Ethiopia has not been visible as such (UNECA, 2013: 56-57).

Opportunities to Promote Developmental State in Ethiopia

There are some major opportunities and achievements in the emerging Ethiopian development state. Internally, there is an impressive GDP growth in the past one decade, which has spillover effect like a reduced level of poverty. Poverty in Ethiopia is reducing at one of the fastest rates in the world. The percentage of the population living below the poverty line also declined from 44 percent in 2000 to 29 percent in 2010 (UNDP, HDI, 2010). The country is also seeking to create a middle income society and a green economy in 2025. In its vision to become a middle income country by 2025, Ethiopia has embarked on ambitious national programmes to accelerate economic growth with poverty alleviation as pillar of its development strategy. Since 2003 the government has been working on important plans that brought significant economic growth in the country. These are Sustainable Development and Poverty Reduction Programme followed by the

Plan for Accelerated and Sustainable Development to End Poverty (PASDEP), MDGs-based plan and the current plan called the Growth and Transformation Plan (GTP) (from 2011 to 2015).

Efficient use of material and human resources at hand to achieve maximum efficiency and maximize profits to create wealth is crucial. As the country's development is progressing fast the expansion of quality higher education and producing a more professional, university trained work force in the country holds great promise and returns. In this regards, the government of Ethiopia has massively expanded public universities from two public universities in 1980s to 35 today. At the same time, the number of students in each university has doubled and is expected to double again. For instance, public universities in Ethiopia aimed to increase the number of undergraduate students in take from 185, 788 in 2010 to 467,000 in 2015. Private higher education has also increased as part of a general liberalization of part of the economy (MOFED, 2010; Kate, 2010).

The GTP aims to foster broad based development in a sustainable manner to achieve MDGs. The strategy is not agriculture rather building up on the growth in the service sector and strengthening the sluggish growth in the industrial sector. The economic infrastructure like roads and railways are the focus of some major investment plans as the driver of this ambitious growth strategy which at the end of 2025 is expected to propel Ethiopia among the Middle Income countries (MOFED, 2010). In this regard, thousands of miles of roads have been built to connect all regions of the country. The number of mobile phone users has increased to eight million and is expected to be more than double in the next few years. This will significantly increase the flow of information, thus, helping create a more enlightened citizen. There is also growing private media print and electronic. There is also a health centre within 20 minutes of every citizen as the government indicated (UNDP Ethiopia, 2012). The country is on track on five of the eight MDGs by 2015 save gender equality, maternal mortality rate and environmental sustainability (UNDP Ethiopia, MDGs Report, 2012). The encouraging changes reflected in Ethiopia are evidenced in the Human Development Index (HDI). The index ranked Ethiopia as the 11th fastest mover of human development globally, having recorded a significant increase in the HDI from 0.250 in 2000 to 0.328 in 2010 (UNDP, HDI, 2010).

Concluding Remarks

In conclusion, it is important to note that the neo-liberal development model has failed and did not bring the expected development outcomes in particular for poor and underdeveloped countries of the world. Thus, it would be appropriate for African States to experiment with the democratic developmental State model. Another opportunity is for African States including Ethiopia to increase sub-regional and regional integration, through sub-regional and regional organizations, African States could collectively invest in technological development for the purpose of establishing an industrial base as the process of industrialization is an expensive one, collaboration would therefore reduce the cost. In addition, through the various subregional and regional organizations African States could undertake joint development projects that would benefit the member States such as energy generation, trans Africa road construction and also in the areas of education and health. At the continental level, Africa has currently half a trillion dollars in reserves, strictly around $ 510 billion, which is greater than that of India and Brazil. Africa then must invest some amount of its reserves in an Africa infrastructure Bond, prioritized by the Regional Economic Communities and managed by the African Development Bank (AfDB) or with other arrangement. Moreover, African countries may learn lessons since they have shared experiences like colonialism, postcolonial state experiment especially from the two notable developmental State experiences of Botswana and Mauritius.

African countries including Ethiopia can also benefit a lot from the emerging South-South cooperation in many ways. First, African States can learn from the developmental States experiences of East Asian countries like China, Hong Kong, South Korea, Taiwan, Malaysia, and Japan as well as other emerging economies like Brazil and India, that have made remarkable progress in the area of industrialization and democratization. Second, African States including Ethiopia may get cooperation assistance for infrastructure, industry through investment and agriculture as well as human resource developments from emerging economies from the South. For instance, the development assistance from China and India to Ethiopia is hailed as the answer to Ethiopia's key economic challenges, especially in the country's massive infrastructure deficit. In the transportation sector, currently over 70% road Construction projects in Ethiopia are financed and carried out by Chinese construction Companies. In a similar vein, the Chinese telecom companies namely ZTE and Huawei are enhancing the country's communication capacity by providing telecom equipment. India is also emerging to be a major player in the Ethiopian economy, particularly in sugar development, infrastructure and agriculture sectors. Third, African states could collaborate with the other states in the South in developing and strengthening the bargaining position with the countries of the North in the effort to restructure the global political economy.

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