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Understanding the Shift in Ethiopia's 'Developmental State' Trajectory: A Political Settlement Perspective

First Name & Family Name:

Tsegab Kebebew Daka

Supervisor:

Professor David Sogge

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Summary

Ethiopia is one of the few countries in Africa which has been studied as part of the growing literature on 'developmental states' (DS). Based on the conceptual framework of developmental states, Ethiopia fulfilled some of the criteria articulated by DS scholars (Routley, 2012). In Ethiopia, the major attribute was the presence of an elite group of leaders with a vision of transforming the country from poverty to prosperity on the basis of a successful policy intervention geared towards growth.

Inspired by the miraculous economic transformations of East Asia, the Ethiopian government attained a measure of success in economic growth and expansion of infrastructure through its intervention and heavy public investment on the economy. However, the political settlement in the country impacted the developmental state which eventually led to a change of leadership by 2018. In April 2018, the reformist Prime Minister Abiy Ahmed's administration began ambitious homegrown economic reform program, which marked a shift from the previous developmental state approach.

With the ambiguous nature of the shift and the unravelling of the political settlement, the question that needed to be answered was whether Ethiopia will continue to be considered a developmental state. Accordingly, the research investigated the reasons why a shift in the 'developmental state' trajectory of Ethiopia transpired post-2018 through the lenses of 'Political Settlement Analysis' framework. The research questions thus were a). What factors internal to Ethiopia explain the shift begun in 2018 towards a new policy approach in pursuing development? and b) How does the political settlement or lack thereof affect the prospects of Ethiopia's developmental aspirations?

The research looked at the characteristics of the Ethiopian developmental state and attempted to identify the attributes, successes and challenges and its prospects. The prospects were assessed through the political settlement framework whereby the country's political settlement of 1991- 1995 was analyzed. The research utilized secondary sources, both quantitative and

qualitative, to analyze the Ethiopian developmental state as well as the evolution of the country's political settlement from 1991-2020.

The investigation has found out the shift in policy post 2018 indicates that the trajectory of the developmental state will continue. The government may not use the term 'developmental state' as before but will continue public investment and government intervention in the economy. It also encourages the private sector to have a strong hand in the economy. It was also found that the nature of the political settlement in Ethiopia, particularly its non-inclusion of relevant actors, has negatively impacted the developmental state trajectory in Ethiopia. Therefore, the determining factor for the successful prospects of the policy shift will be the formation of an inclusive political settlement.

This research will add more insight to the study of the nexus between developmental states and political settlements and highlights the relevance of such a study in the Ethiopian context.

Disclaimer

This thesis represents part of the author's study program while at CERIS. As current government employee, the author wishes to state that the views stated therein are those of the author and not necessarily that of the government of Ethiopia.

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Ethiopia at a glance



Source: Compiled from World Bank <https://data.worldbank.org/indicator/NY.GDP.MKTP.KD.ZG?locations=ET> and UNDP <http://hdr.undp.org/en/countries/profiles/ETH>

Figure 1: Ethiopia at a Glance

CHAPTER ONE

1. Introduction

The Ethiopian People's Revolutionary Democratic Front (EPRDF), the ruling party which had governed the country since 1991 until it transformed itself into the Prosperity Party (PP) in 2019, has shown greater political commitment to the realization of a developmental state (DS) in Ethiopia.

Inspired by the miraculous economic transformations of South Korea and Taiwan, the EPRDF government began adopting the East Asian developmental state model to the Ethiopian economy. The Ethiopian developmental state practiced by EPRDF fulfilled some of the criteria articulated by DS scholars (Routley, 2012). In Ethiopia, this included the presence of an elite group of leaders with a vision of transforming the country from poverty and backwardness towards a middle-income country and a successful policy intervention geared towards growth. There was also a weak and repressed civil society along with increasing identification of the government with a poor record of human rights.

Although, the government was credited for massive public investments and ensuing economic development and economic growth, halving of poverty, and achieving almost all the targets of the Millennium Development Goals, the government's democratic credentials were poor. Issues mainly related to democracy and governance led to massive protests which finally led to the resignation of former Prime Minister Haile Mariam Desalegn in February 2018. EPRDF promised 'deep reform' and installed the reformist Prime Minister Abiy Ahmed in April 2018. When Abiy Ahmed took office, his first course of action was to liberalize the political dispensation i.e., setting political prisoners free, ensuring freedom of the press, allow banned opposition political parties to operate freely, among others.

On the economic front, the administration unveiled an ambitious reform program, the Homegrown Economic Reform Agenda (HERA) which is intended to stimulate private sector growth and address macroeconomic issues. In addition, the administration initiated the process of privatizing some of the country's most prized public assets to foreign investors to generate

foreign exchange. These include Ethiopia's lucrative state-owned mega companies, such as Ethio-telecom, and Ethiopian Airlines which are expected to start liquidating minority stakes to private investors.

Ethiopia has been successful in achieving consistent high GDP growth for over a decade and lifting many of its populace out of poverty. Its massive state investment and heavy dependence on imports for it, however, has resulted in high shortage of foreign exchange; in other words, this model appeared to have reached its limits. The Abiy administration's response to correct course appears to show that the government is shifting from the ruling party's long held ideological position.

1.1. Problem Statement

Ethiopia has come to be researched as a type of developmental state in the past 15 or so years. This is mainly because, in the policies followed by the Ethiopian government, it was seen to be emulating the experiences of the East Asian developmental states particularly South Korea and Taiwan.

Like the East Asian states, Ethiopia had at the helm of leadership a developmental elite which was focused on bringing about rapid development to the country. In the 1990s and early 2000s, the EPRDF government gave much attention to the modernization of agriculture and considered agriculture as a basis for industrialization. The last decade was followed by the implementation of the successive five-year Grand Transformation Plans (GTP I&II) which were focused on development of major infrastructures and manufacturing. These policies were driven by heavy public spending of the state.

With the advent of the new government post 2018, there appears to be a shift from reliance on state led economy towards a centrist approach at the ideological level. The evolving policy shift of the new administration appear to be contrary to previous policy approaches and even appear to portray that the country has made a drastic policy shift (neoliberal developmental approach). At the same time, the country is witnessing various kinds of conflicts and violence between members of the EPRDF, different regions and intra-regional conflict as well as ideological

rhetorical warfare between those supporting the current federal structure and those who are against it. The federal structure is the basis of the political settlement in Ethiopia.

Contemporary studies of developmental states define the nature of developmentalism of a state based on economic policy content, policy-making approaches, and political settlements, of which the last one is regarded as especially important (Booth, 2015). Political settlement is explained as the deal reached among most powerful members of the society (the national elite including its military, civil, economic, and political wings among others) to manage conflict. (Booth, 2015)

Political settlement is essential to the smooth functioning of a developmentally oriented state. In the case of East Asia, the collaboration between the government and the private sector (industrialist), the academia and the ensuing consensus created on development has been useful to running a developmental state. In the Ethiopian context, the consensus among differing groups on the country's future, let alone the developmental state, has not been consistent. The political settlement initially reached between differing groups after the fall of the *dergue* (military regime) in 1991, was based on creating a federation of regional states based on ethnicity. The political settlement had been enforced by threat and use of force instead of negotiation of all concerned stakeholders. Hence the unravelling of the political settlement by 2018.

This assessment of the Ethiopian developmental state will make use of Tim Kelsall's diagnostic method to investigate the making of political settlement and will attach more significance to the latter. In assessing the prospect of the developmental state in Ethiopia, therefore, this research will undertake to investigate not only the policy shift but also the desired political settlement among the various stakeholders to pursue development.

1.2. Research Questions and Hypothesis

This study seeks to answer the following research questions:

- a) What factors internal to Ethiopia explain the shift begun in 2018 towards a new policy approach in pursuing development?
- b) How does the political settlement or lack thereof affect the prospects of Ethiopia's developmental aspirations?

These questions are important to find out the basis of the hypothesis for this research, which is *‘the current policy shift is building upon the developmental state that has been pursued in Ethiopia and not a full departure from it’*. The hypothesis is arguably more interesting because there are counterarguments to it.

Brown and Fisher (2020) argue that the developmental state framework has been jettisoned as it is likely to sit incongruously with a reform agenda focused on democratization and liberalization. In addition, the IMF, as an important promoter of HERA, has commented that the public investment-driven growth model has reached its limits.¹

Investigating the answer for the first question is aimed at identifying the nature of the developmental state in Ethiopia prior to 2018. Accordingly, this research looks at the characteristics of the Ethiopian developmental state and attempt to identify the attributes, successes, and challenges.

The second question deals with the prospects because the political settlement, which is important for the continuation of development, appears to be unraveling. The unravelling of the political settlement of the country which is based on the contentious issues of the country’s constitution and federal system, may frustrate the prospects of the development trajectory.

1.3. Significance of the Study

Ethiopia has been one of the few countries studied as a ‘developmental state’ in Africa. Despite its success in development outcomes, Ethiopia has, for most part of the last decade, been beleaguered with internal conflict and violence. Most studies attempt to analyze the symptoms of the conflict and gloss over how it had impacted the developmental state. This research seeks to study the relevance of the political settlement and its impact on the developmental state and whether it constitutes as a factor to the shift. The research is part of the growing body of research on the role of elites and leadership in the politics of developmental processes. We hope it adds

¹ “IMF Executive Board Approves US\$2.9 Billion ECF and EFF Arrangements for Ethiopia”, Press Release No. 19/486, International Monetary Fund, December 20, 2019, <https://www.imf.org/en/News/Articles/2019/12/20/pr19486-ethiopia-imf-executive-board-approves-ecf-and-eff-arrangements>

value to the domains of political science, development, conflict studies and specific studies on the developmental state in Ethiopia.

1.4 . Research Methodology

This research follows the scientific research methodology procedures.

Data Collection and Analysis

This research utilizes written publications (secondary data sources) in general on concepts of the developmental state as applied by first generation studies on East Asian countries; and on the relevance of the developmental state concept to Africa and Ethiopia in particular. Attributes of the Ethiopian developmental trajectory of the past 15 or so years as well as the country's political settlement and its evolution from 1991-2020 will likewise be scanned and selected from secondary sources, both quantitative and qualitative. The author also uses his observations in his professional capacity as an Ethiopian diplomat for the past 26 years in analyzing the subject at hand. The analysis will focus on elaborating the trajectory, and on that basis mapping out prospects of the developmental state in Ethiopia by way of scenarios.

CHAPTER TWO

2. The Concept of the Developmental State and its Political Dimension

This chapter will attempt to look at the concept and definitions of the classical developmental state as a basis for the discussion on Ethiopia's developmental state. Since the classical school of thought gave a significant attention on the attributes of the state in East Asia and how these countries developed, this study will also look at East Asia as a case in point.

With the evolution of the study of DS, the scope of its focus has expanded to include Africa. Also, the focus has shifted from the study of the state to include wide sectors of society and the "political settlement" they have reached with the state and with each other.

2.1. The Concept and Definitions of Classical Developmental State

At the turn of the millennium the term 'developmental state' has become a "buzz word" (Routley, 2012) in development studies and was used to denote in generic terms states that intervene in economic processes and direct the course of development rather than relying only on market forces. (Ricz, 2019)

Almost all authors give credit to Chalmers Johnson for his pioneering work focused on Japan. (Musamba & Meyns, 2010); (Ricz, 2019); (Singh & Ovadia, 2018); (Mollaer, 2016). Johnson argued that a state-led development strategy could lead to rapid industrialization and high levels of economic growth for late developing countries. This was rendered possible through a "planned rational" strategy of the Japanese state, characterized by an inexpensive, professional, and efficient state bureaucracy. These institutional capacities were projected by the Ministry of Trade and Industry of Japan which planned long-term developmental goals autonomously from political pressures.

Since Johnson's seminal work, a vast array of literature has emerged which has come to be referred as the "Classical Paradigm of Developmental States" (Ricz: 2019). The contributions made by these writers constitute their views on the essence of developmental states which "have differed in their evolution, context, trajectory and manifestations. (Seshamani & Ndhlovu, 2016).

Seshamani & Ndhlovu cite the following passage from the report of the Economic Commission on Africa (2011) which talks about the variances of the discussion on the topic.

“There are therefore cultural and conjectural peculiarities in the emergence and nature of developmental states around the world, and so ‘one size fits all’ cannot apply to the engineering and modelling of developmental states in Africa, as elsewhere in the world. Developmental states have emerged largely through trial and error and learning by doing, which have no formally designed templates that aspiring countries can copy. However, while contexts may differ, the concept of the developmental state is a useful analytical tool in explaining the nature and character of states and the propensity for good economic performance by countries, deployed across time and space. It lends itself to a degree of comparative analysis because developmental states have discernible, common attributes that can be investigated across countries and over time, even against variations in context”. (Seshamani & Ndhlovu, 2016, pp. 759-760)

Other scholars focus on developmental state being an alternative to the dominant neoliberal ideology of the west. The neoliberal approach calls for no or limited government intervention in the market where the market operates under supply and demand principles. Ha-Jun Chang devised the Institutional Political Economy to provide an alternative framework to the neo-liberal paradigm arguing that there is no such thing as a free market and that developing countries should not be pressurized to follow neoliberal policies (Musamba & Meyns, 2010) that today’s high income countries never pursued in their processes of climbing the economic ladder (Chang & Gershman, 2003).

The precise intervention advocated by the proponents of developmental state is that of a market-conforming intervention as opposed to market-substituting. (Seshamani & Ndhlovu, 2016) Essentially, a developmental state economy is a model of capitalism, but it is a special form of capitalism that is sometimes described as ‘state development capitalism’. The late PM of Ethiopia, Meles Zenawi was an ardent proponent of this view which will be discussed in the succeeding chapter.

With regard to the definition of a developmental state, it is generally defined as a state which produces developmental outcomes- achieving significant growth rates and increasing standard

of living for a large segment of the populace- and in the process gains broad-based legitimacy (Routley, 2012). For a state to be recognized as developmental, it must possess and combine two things: developmental structures (state capacity) and developmental roles (Seshamani & Ndhlovu, 2016). 'Developmental roles' has alternatively been explained as 'vision' or 'commitment'. (Routley, 2012) It is critical that the state needs to have both features otherwise it will not be called developmental. Accordingly, using the above features, (Routley, 2012, p. 8) provides her working definition of a developmental state as follows:

"A developmental state has sufficient state capacity to be effective in its targeted areas and has a developmental vision such that it chooses to use this capacity to work towards economic development – In other words, it has developmental structures and performs developmental roles".

In all this, Routley puts a caveat on the definition of a developmental state as a state that is primarily based on its successful developmental outcome. Citing Mkandawire (2001) and Woo-Cummings (1999), she suggests that there should be a possibility that a state could be developmental but not achieve economic growth due to reasons beyond its control and should not be judged by their successes but by their commitment to an ambition of development. (Routley, 2012)

From the definitions mentioned above, the definition that will be used throughout this thesis will be the generic definition, close to that of Routley, of *a state which produces developmental outcomes and, in the process, gains broad-based legitimacy*.

Given the diversity of experiences it is perhaps not surprising that scholars of developmental states differ on their precise composition of the attributes associated with developmental states and what conditions allow developmental states to emerge. Based on the theoretical contributions referred to above and the empirical experiences of East Asian countries studied by DS scholars in the period between 1960s and 1990s, the defining features of the developmental state have been summarized as follows: ((Musamba & Meyns, 2010, pp. 21-26); (Riczyński, 2019, pp. 242-244); (Routley, 2012); (Singh & Ovadia, 2018, p. 1038))

1. A capable, autonomous, and effective bureaucracy (Routley, 2012)

2. A development-oriented political leadership, an elite group guided by a modernizing vision for the whole nation (Musamba & Meyns, 2010)
3. A close relationship between a state agency and key business groups who play a central (economic, political, and social) role (Routley, 2012)
4. Successful policy interventions which promote growth and overall performance-oriented governance (Routley, 2012)(Musamba & Meyns, 2010)
5. A strong, centralized, and authoritarian state with records of repression and poor human rights (Routley, 2012)

Of the attributes mentioned above, those mentioned in no. 2, 4 and 5 which focus on the development-oriented political leadership, vision and authoritarianism are considered crucial to this research.

2.2. The Case of East Asia

The classical definition of a developmental state has usually been associated with the late industrialization and rapid development of East Asian states and has contributed with the original research conducted in the previous century. The notion of the DS took a greater significance because it was considered as having worked in achieving rapid economic development in East Asia.

According to a study conducted by the World Bank, from 1965 to 1990 the twenty-three economies of East Asia grew faster than all other regions of the world (World Bank, 1993). It was stated that a “seemingly miraculous” growth was registered in just eight economies: Japan; the 'Four Tigers'-Hong Kong, the Republic of Korea, Singapore, and Taiwan (China)and the three newly industrializing economies of Southeast Asia, Indonesia, Malaysia, and Thailand.

The impressive and remarkable economic growth registered by these countries and the comprehensive transformations in the livelihood of their people as well as the technological changes in just a time frame of 30 to 40 years has widely come to be known as the “Asian Economic Miracle”. The discussion of the Asian miracle was associated with their common and positive defining features of the classical model of developmental states mentioned above.

The World Bank (1993) study determined that the success of East Asia in achieving high growth was in large parts due to “getting the basics right”. This meant that they directed their attention to increase private domestic investment and utilize their highly growing human capital as an engine of growth, rapid fall in the population growth rates, effective public administration and high levels of domestic finance were further observed.

But a crucial determination for their success was deemed to be the intervention of government in most of these economies. The study report succinctly puts it thus:

“... the government intervened systematically and through multiple channels-to foster development, and in some cases the development of specific industries. Policy interventions took many forms: targeting and subsidizing credit to selected industries, keeping deposit rates low and maintaining ceilings on borrowing rates to increase profits and retained earnings, protecting domestic import substitutes, subsidizing declining industries, establish big and financially supporting government banks, making public investments in applied research, establishing firm- and industry-specific export markets, developing export marketing institutions, and sharing information widely between public and private sectors. Some industries were promoted, while others were not.” (World Bank, 1993, pp. 5-6)

The starting point for the success of state intervention in East Asian nations have been the existence of political conditions which have been instrumental in the development state capacity (Singh & Ovadia, 2018). These necessary political conditions have been identified as: 1). the presence of professionalized, meritocratic bureaucracy (2) a pro-business orientation in policy-making that created a mutually-beneficial alliance between states and big business, notably referred to as ‘embedded autonomy’; and (3) the presence of exceptionally difficult circumstances, which then creates a structural condition in which national elites must deal with their ‘systemic vulnerability’ and hence focus on economic development (Singh & Ovadia, 2018, pp. 1035-1036).

The political conditions mentioned above are essentially the political settlement that has created the conducive environment for the developmental states to prevail and succeed. Political settlement is the formal or informal agreement reached between the elites of a country. (The

important connection between the success of DS and political settlement is discussed in the subsequent sub-section) In this connection, the common element with the political settlement in East Asia, *albeit* some differences amongst each country, was the connection between the state and large business groups. In Japan, the linkages were with private corporate groups, *keiretsu*, which revolved around finance; in the case of Korea, it was with the *chaebols*, or the trading houses; in Taiwan, the industrial structure was dominated by smaller companies, while in Singapore, it was with large state-owned enterprises which has evolved (Ricz, 2019).

Routley, referring to Haggard (2004) says the explicit or implicit political agreements that governments in the (Asian) region reached with segments of the private sector served as the political foundation for rapid growth (Routley, 2014). Although the state in East Asia exerted influence (indirectly including financial suppression) on the private sector, the economies, nonetheless, were mainly dominated by private companies (ibid.) Despite state intervention governments were committed to market principles and therefore the classical model of development based on the East Asia experiences were that of “a state-led market economy, and a capitalist model with substantial economic growth and increasing well-being intended to serve the whole society.” (Ricz, 2019, pp. 245-246)

Some of the regimes in East Asia were authoritarian. Nevertheless, they provided an economic framework that guaranteed economic freedoms and premarket structural institutions required for the economy to flourish that allowed the miracles to happen. (Rao & Bedada, 2017)

Having said all this, however, it should be noted that had it not been for the unique historical and institutional contexts, the overwhelming successes of these countries would not have happened. The global political context of the postwar period was very conducive for the emergence of the national capitalist development concept, economic nationalism as well as the promotion of strategic national industries (Ricz, 2019). The role of Japan as a source of aid, capital, and markets and that of the United States as a lynchpin in ensuring the stability of the region has contributed for the development of the region (Ricz, 2019). The US and the global financial institutions it controlled encouraged many economic policies (protectionism, state intervention, investment in public services etc.) in non-communist Asia during the Cold War years. Those anti-neoliberal

stances were effective for economic growth which were later rejected by the US and its allies in a shift to globalizing neoliberalism.

The prevalence of homogenous societies, the inheritance of extensive and high-quality institutional systems from the colonial period and Asian cultural values are also cited as factors contributing to the miracle.

In conclusion, the relevance of the study of the case of East Asia is to draw parallels with the Ethiopian experience in the significant role of the political conditions there to the flourishing of their developmental state. It should be noted here that Ethiopia took lessons from all over the world in building a developmental state drawing on elements that are most suitable for Ethiopia from different countries around the world and according to Meles including from “the U.S., Germany, China, Korea, wherever.” (Alex De Waal, 2012). Clapham suggests that Ethiopia’s developmental state draws explicitly on East Asian models, with China as the single most important source of inspiration, but seeking to learn, where appropriate, from other cases, including South Korea, Taiwan, and Japan. (Clapham, 2018)

And as noted above, the success of state intervention in East Asian nations have been the existence of political conditions which have been instrumental in the developmental state capacity. These necessary political conditions mainly relate to the meritocratic bureaucracy and the pro-business orientation in policy-making that created a mutually beneficial alliance between states and big business. These political conditions are essentially the political settlement that have created the conducive environment for developmental states to prevail and succeed. On the other hand, the relevance of these political conditions has its own limitations due to the exceptional circumstances that have determined the contexts of East Asia.

2.3. The Political Dimension of Developmental States

With the Asian financial crisis, the demise of the classical developmental state model began and a need for re-thinking of the conceptual framework of developmental states has arisen (Ricz, 2019). New conceptual frameworks came about by synthesizing theoretical results or based on the latest experiences of states who have scored “development success” (ibid.)

The classical DS theories were mainly focused on relations between the state and the industrial capitalist class. In the new DS approach, there is inclusion of wider sectors of society and the desire to build networks of state and society based on social participation and consensus. Accordingly, the new paradigm of DS has resulted in the need to revisit socio-economic alliances and formulate a new social contract (Ricz, 2019).

The new research agenda believes the developmental state model should not be treated as homogenous and avoids a one-size fits all approach to development policy. It argues for the need to build pragmatic and flexible state that can respond to new challenges in a changing international context (Singh & Ovadia, 2018).

At the geographical level, the study of developmental states has evolved to include Africa and other continents and is no longer limited to East Asian or South East Asian states. The core of the new analytical framework is the “development regime” theory and is applied to contemporary developing regions by various authors. David Booth (2017) uses this theory on African developmental exercises. According to him the focus of discussion should be in identifying those regimes that are producing exceptional development performance.

2.3.1. The Concept of Political Settlement

The concept of political settlement is basically the agreement and or coalitions reached by powerful elites to secure access to wealth and power or to advance a national vision without resorting to violence. (Booth, 2015), (Ricz, 2019) (Routley, 2012). Mushtaq Khan (2010) gives the loose definition of political settlement as the ‘social order’ based on political compromises between powerful groups in society that sets the context for institutional and other policies.

Political settlements can play out across multi levels, involving both intra elite and elite-non-elite relations or in other words involving national–subnational relations, whole government–sectoral relations, etc. (Kelsall, 2016)

Political settlements are largely considered most important for developmental states. According to Singh & Ovadia (2018), “the ability of political elites at the apex of power to generate a consensus or ‘political settlement’ is the glue that holds together the relationships between

contending elites – and between states and social forces – that consequently provides an enabling environment for national elites to secure political stability and policy consensus over the trajectory of development planning”.

The general definition of a political settlement is *the processes, agreements and practices that consolidate politics in lieu of violence to deal with disagreements*, which will be used in this thesis. The peaceful resolution of conflicts would mean bringing sustainable peace, promoting reform, development, and poverty reduction – or fail to achieve any such progress. (Department for International Development (DFID), 2010)

The key reason for understanding the concept of political settlement is based on the conviction that to understand development we must understand the politics that shape it. The thesis argues that political settlement is central to shaping development outcomes. Simply put, political settlements matter to create a conducive environment for a common cause (in this case development).

2.3.2. Kelsall’s Political Settlement Framework

For the purposes of this thesis, we would like to look more into Kelsall’s Political settlement framework to be able to clearly understand the nature of Ethiopia’s political settlement and how the settlement affects the prospects of the developmental state.

The relevance of a Political Settlement Analysis (PSA), in the words of Tim Kelsall (2016) is mainly because “societies cannot develop in the midst of all-out violence or civil war” and the way various societies devise the means to solving violence or “the political settlement they craft, creates powerful path dependencies for the way they do or do not subsequently develop.”

Kelsall provides his own definition of what a political settlement is, similar to Singh & Ovadia’s, albeit more precise. According to his definition a political settlement has three elements: **(1) an ongoing, conflict-ending agreement among powerful groups, around (2) a set of political institutions and a distribution of power, expected to deliver, (3) an acceptable distribution of benefits**” (Kelsall, 2018).

Kelsall elaborates 'powerful groups' to mean groups that have the ability to overthrow or seriously disrupt the settlement.; 'Agreements' can be formal or informal, voluntary, or imposed. By 'political institutions' he includes *formal* institutions such as constitutions, electoral systems, electoral regulations and rules around leadership selection and succession; and *informal* institutions such as paradigmatic ideas or ideologies about who is entitled to participate in or benefit from politics. The 'benefits' may be material or non-material, and, if the settlement is to be sustained, their actual delivery must be acceptable to the powerful groups in the agreement.

For developing countries such as Ethiopia, it is critical that these political settlements must be sustained to be considered productive. The manner in which the initial settlement becomes ongoing and sustained is equally significant.

In this connection, (Kelsall, 2016) provides a diagnostic tool in identifying the nature of political settlements in a given country. He says there are three parameters in which a political settlement can be identified i

). The degree of elite inclusion ii). The pathway (means) of inclusion and iii). Bureaucratic culture. In a 3-D space or cube, three diagnostic questions are asked to plot the location of a country's political settlements. These are:

- 1. How inclusive/exclusive is the political settlement?**

Responses to the question can range from *Inclusive*, meaning the majority of elites accept the settlement and have foresworn the use of violence to achieve their aims or *Exclusive*, that is only a minority of elites accept the settlement, meaning most remain willing to use violence to achieve their aims.

- 2. What motivates elites to accept the political settlement?**

Responses to the question can range from *coordinated* around a common purpose at one extreme to sharing of *spoils* at the other.

- 3. By what norms is the bureaucracy governed?**

Responses to the question can range from *Impersonal* rule-following and meritocracy at one extreme to *Patron–client* relations and nepotism.at the other.

The degree of inclusion refers to the portion of elites that accept the settlement and level of use of violence. The pathway of securing inclusion of elites could be through provision of access to economic rents (spoils) or coordination for some common purpose or vision. The bureaucratic culture refers to the norms the bureaucracy is governed, whether it is impersonal, and merit based or whether personalized norms, such as nepotism, clientelism and patronage are widely used. These three parameters are then placed in a cubic sphere at horizontal and vertical levels and then analyzed. (Kelsall, 2016)

Kelsall argues the more inclusive, coordinated, impersonal-type settlements are the best suited for developmental outcomes though these are not particularly common in today's developing world, but classic developmental states of the post-war era, such as South Korea, approximated this model. (Kelsall, 2016)

We believe that this framework could be useful to identifying the nature of the political settlement in Ethiopia by asking the three questions above. In the Ethiopian context, taking into consideration the temporal factor in the political settlement, it should be questioned whether the political settlement still holds firm, is currently ongoing and if not why?

This thesis, will therefore ask a fourth question as follows:

4. How has the Political Settlement been maintained?

Responses to the question can range from *Negotiated and peaceful* at one extreme to *Repressive and violent* at the other.

The idea for this fourth question is informed by Kelsall's (2018) discussion of 'disruptive potential' in laying the social configuration of the political settlements. This is essentially how a state deals with those groups whose agreement or acceptance of the settlement is important to its reproduction. At this juncture, we would like to emphasize the significance of democracy in sustaining the political settlement because the issue of democracy appears to be an element that is underappreciated in understanding/conceptualizing political settlements.

In conclusion, the study of the political settlement is useful because the nature of the political settlement shapes a country's possibilities. The best kinds of political settlement are generally

supposed to produce better outcomes by enabling the elites in power to undertake long term projects or investments with slow payoffs.

Kelsall, more relevant to the Ethiopian case, provides a working definition of a PS to be an agreement between elites around political institutions in which they derive benefits. Kelsall's approach of posing questions to identify the nature of the political settlement of a country could be useful in understanding Ethiopia's case. Not limiting ourselves to three questions (or necessarily to a 3D cube), the four questions in relation to Ethiopia could be useful to analyze the extent to which the PS has impacted (positively or by putting constraints) on Ethiopia's developmental state. It will also help in understanding the country's development trajectories.

2.4. Concepts of the Developmental State and the Political Settlement: Conclusions

This chapter has presented the conceptual framework of DS and its relevance to Africa. The classical DS, which had its origins with the seminal works of Chalmers Johnson and his study of Japan, provides a generic definition of a developmental state as one which produces developmental outcomes and, in the process, gains broad-based legitimacy. The attributes of a developmental state have been drawn from the usually successful development outcomes seen in countries in East Asia. In the past 20 years, the literature on DS has evolved to include the political dimension of the state-society relations, in other words the political settlement reached between various actors.

The discussion on the evolving definition of DS, in particular the nexus between political settlement and policy content are significant in studying the internal factors that have induced the shift in the case of Ethiopia. We believe Kelsall's diagnostic questioning best serves in analyzing the nature of the political settlement in Ethiopia, a crucial factor affecting the trajectory of the developmental state in Ethiopia.

Based on the study of the conceptual framework of classical DS as indicated in the above sub-sections, this thesis aims to clarify the extent to which Ethiopia after 1991 may be termed a developmental state, characterized by these three attributes: Firstly, the presence of development-oriented political leadership , elite group guided by a modernizing vision for the

whole nation; secondly, successful policy interventions which promote growth and overall performance-oriented governance and thirdly, a strong, centralized, and authoritarian state with records of repression and poor human rights. The empirical support for this assumption will be discussed in the following chapter

CHAPTER THREE

3. The Ethiopian Developmental State and Political Settlement Context

In discussing the developmental state in Ethiopia, it is imperative to assess the nature of the state itself. Ethiopia has a long tradition of statehood. Unlike other African countries, state formation was not influenced by colonialism. Its independence has afforded it to develop a state capacity through an indigenous process.

Modern Ethiopia took its shape at the end of the 19th century by Emperor Menelik II who incorporated different ethnic groups and their regions into one state entity characterized by centralized rule and cultural assimilation. The country, under the reigns of Emperor Haile Selassie and the military regime, sustained the centralist unitary-state model (Institute for Peace and Security Studies, 2020). After 1991, a new political dispensation, featuring federalism and after the millennium a 'developmental state' policy was introduced.

Following the approach of second-generation DS scholars to making relevant the study of developmental states in Africa, we will analyse the contents of the developmental state policy in Ethiopia and the political settlements as it applies in Ethiopia. Since the developmental state in Ethiopia is the brainchild of the late Prime Minister Meles Zenawi, it will only be just to initially take a look at the theoretical framework in the Ethiopian context.

3.1. Ethiopian Developmental State Assumptions under Meles

Meles' ideas of economic development which were first articulated during the liberation struggle of Tigray People Liberation Front (TPLF), reject the 'Washington consensus' model of development as a 'dead end' (Abebe, 2018).

Meles (2006) authored his ideas in a monogram entitled, *African Development: Dead Ends and New Beginnings*. He argued that reforms imposed by Bretton Woods institutions upon Africa have not worked instead they have led them to new dead ends. He says the reforms were based on wrong assumptions that African governments are worse than African markets. Their assumption is that markets are "better on their own however imperfect they might be, that in

the end the markets will come through, work their magic and bring about economic transformation” (Zenawi, 2006).

Meles’ thesis was that intervention by the African state (which he characterized as predatory state) had miserably failed to bring about development in Africa. He is referring to interventions made by African governments prior to the World Bank and IMF reforms. Since the ‘Washington Consensus’ was also a failure, he warns Africa should not go back to both failed exercises. According to Meles, the failure of the neo-liberal paradigm in Africa has rendered the continued marginalization of Africa in an increasingly globalizing environment. Since the neo-liberal paradigm is not working in Africa, he emphasizes that a “third way” or a developmentalist state of the type that appeared in Korea and Taiwan is the only way out (Zenawi, 2006).

According to Meles, the reason why neo-liberal ideals do not work is due to the failure to understand the economic context of developing countries. He says that the widespread poverty and the absence of a democratic civic culture render neo-liberalism incompatible with the realities of poor countries. Meles argues that democratic reform is only to be undertaken after some degree of economic development is primarily achieved (Abebe, 2018).

For Meles, the definition of a developmental state requires three components. First it must be autonomous from the private sector but should guide it. For this he recommends that the state should be in control of what he calls the “commanding heights” of the economy such as banks and utilities; second it must be obsessed with development, that development should be its “overriding priority” and thirdly the hegemony of developmental discourse should be incorporated in the norms and value system of the society (Waal, 2012).

3.2. Policy Contents and Achievements

In order to understand the policy contents in the Ethiopian developmental state context, it would be good to look at the public policy making space in EPRDF Ethiopia. Starting from 1991 when EPRDF took hold of power, public policy making has been characterized by three issues, which later turned out to be constraints to effective implementation of those policies.

According to Wolde (2005), the nature of policy making is described as follows:

“Firstly, the emergence and consolidation of party and executive leadership (policy elites) has been the dominant phenomena over the last thirty years, with the ruling party institutions invariably overlapping with the formally constituted policymaking government structures. Secondly, not only ideology played a critical role in the choice of public policies and institutional instruments for implementing them, but also provided policy elites with the latitude to justify their claims on policy actions, although ideological values served to preclude the non-state players from making legitimate claims on policymaking. Lastly, the expansion of the powers of the party and the executive seemed to have taken place without a corresponding development of extra-bureaucratic institutions (i.e., elections and functioning legislatures) and civil societal associations, and which in turn boils down to the exclusion of the bulk of the Ethiopian public from playing its legitimate role in the policymaking process.”

The EPRDF has always had a leftist inclination and advocated an ideology of revolutionary democracy. The tenets of revolutionary democracy have been borrowed from Marxist/Leninist ideals of a transition for a society and in Ethiopia’s case, a tool for transition to capitalism. EPRDF saw itself as the single most revolutionary democratic organization that has defended the interests of the peasantry and therefore the gist of EPRDF’s ideological orientation in its policy making approach rested on its economic and agricultural policies (Wolde, 2005).

Consequently, prior to 2005, almost all socio-economic policies in Ethiopia were tied up with rural and agriculture-related policies and strategies. The EPRDF basically considered the peasantry as its constituency and drew legitimacy from this main bloc. Some of the ways the government protected the interests of the peasantry was for instance by prohibiting private ownership of land. It was meant to protect the small holder farmer from selling off plots to capitalists and remain poor. Rural and agricultural development policies were designed at improving productivity, modernization of farming, provision of improved seeds and other inputs such as fertilizer, access to finance and capacity building. The latter was done through agricultural extension workers who were assigned to villages across the country.

The main policy instrument was the Agricultural Development led Industrialization (ADLI) which was implemented in the mid-1990s. ADLI had become the centerpiece of EPRDF commitment to

the peasantry, and thus the cornerstone of government policies and strategies (Wolde, 2005). ADLI aimed at structural transformation of the economy whereby a rapid growth of the agricultural sector is envisaged to raise the 'share of industry and social services in terms of output and employment' (Ibid.).

The 2005 elections proved to EPRDF that urbanites and city dwellers have felt neglected by the undue policy orientation towards rural areas. Residents of Addis Ababa and major cities of the country voted against the EPRDF. Due to the contestation of the results of the election and ensuing crackdown, the winning party refused to take its seat in the Addis Ababa City Council. EPRDF took lessons from this debacle, began to shift its focus to pro-poor policies and address youth unemployment that was rampant in the cities.

Subsequent five-year plans, such as the Sustainable Development and Poverty Reduction Program (SDPRP) and the Plan for Accelerated and Sustained Development to End Poverty (PASDEP), elaborated the ADLI strategy, and thus laid the groundwork for the strong industrialisation focus of the Growth and Transformation Plans I and II (GTP I and II) which materialized after 2010. These plans were designed to capitalize on the youth-bulge and focus on establishment of labour-intensive manufacturing industries.

After 2010 onwards, the policy orientation changed to industrialization. Recognizing the decades-long industrialisation experiences of East Asian countries, and the fact that Ethiopia is a "late-late starter", the push towards industrialization was made primarily by encouraging export-oriented industries and the establishment of industrial parks (Akileswaran, et al., 2020).

During GTP I and II, expansion of physical infrastructure through public investments to transform the country into a manufacturing hub was made. By June 2020, 12 government owned industrial parks have been constructed or are under construction (Industrial Parks Development Corporation (IPDC) , n.d.). There are also 7 private-owned industrial parks, one under construction. According to the Ethiopian Investment Commission, 8 of the 12 government industrial parks and 6 of the private owned ones are operational (Ethiopian Investment Commission (EIC) , n.d.). By June 2018, total capital invested in industrial parks during the preceding three-year period was approximately \$540 million, or \$180 million per year—

accounting for roughly 5% of annual FDI inflows in recent years (Akileswaran, et al., 2020). According to data from the Ethiopian Investment Commission website, 90,000 jobs had been created across industrial parks by February 2020. And in 2019 exports from the industrial parks amounted to 112.1 million USD (Ethiopian Investment Commission (EIC) , n.d.).

During the PASDEP and the GTP years spanning some 15 years, Ethiopia has registered remarkable economic growth. According to data published in the website of the World Bank (2020), Ethiopia's economy experienced strong, broad-based growth averaging 9.8% a year from 2008/09 to 2018/19, Ethiopia's real gross domestic product (GDP) growth rebounded to 9% in 2018/19 (World Bank, 2020). Clapham calls Ethiopia's remarkable growth of the period from 2000 to 2013 "startling" as the GDP growth rate it had registered was the highest in Sub-Saharan Africa second only to Angola whose growth could be ascribed to hydrocarbons (Clapham, 2018).

According to the Ethiopian government,² the successes³ that were achieved prior to 2018 can be classified broadly into three categories:

1). **Consecutive Economic growth**- the country has registered relative per capita income growth and achievements in poverty reductions. From 2004-18, a double-digit growth and over six-fold increase per capita was registered. The rate of poverty was reduced from 39% of population in 2004 to 24% in 2015. In fact, the poverty levels were halved from 45% in the 1990s to less than 20% by 2018.

2). **Growth in the social sector**- the mortality rate for children under five was reduced from 123 per 1000 live births in 2005 to 55 in 2018 . Similarly, increase in life expectancy at birth from 56 years in 2005 to 66 years in 2018 was registered. In the same time period, school enrolment at primary education increased from 79% in 2005 to 100% in 2018 and secondary from 25 to 78%.

3). **Expansion of infrastructure**- Expansion of roads and communication services, access to energy/electricity as well as access to clean water are notable. In this connection, access to

² PowerPoint presentation made by Ethiopian government official to staff of the Ethiopian Ministry of Foreign Affairs on 28 August 2020 in Bishoftu, Ethiopia.

³ It is remarkable that the government presents both the successes and failures of pre-2018 reform in a bid to show that it wants to continue with the successes and correct the failures. It is a departure from previous approaches where former regimes were discredited and new policies glorified.

electricity grew from 14% in 2005 to 43% in 2016. Access to potable water from 36% to 66% and length of all-weather roads from 36,000kms to 121,000kms in the same time period.

Clapham attributes the country's significant growth to the massive investment to public infrastructure development that was undertaken by the government. Clapham also emphasizes the three elements of the public investments as significant, i). the expansion of the communications network, expansion of the road and railway network; ii). the development of human capital, notably the higher education program; and iii). the investment in energy particularly generation of power from hydroelectricity, and to that end the construction of various dams, the centrepiece of which is the Grand Ethiopian Renaissance Dam (GERD) being built on the Blue Nile river (Clapham, 2018).

By 2018, while its policies were essentially sound, the government became hostage to its achievements. The high public spending has in the end led to a very unhealthy economy, which is responsible for the dissatisfaction among a wide populace of the society leading to the changes in 2018 and the shift in policy thereafter. According to information from the website of the Ministry of Finance, inflation averaged about 15½% a year during 2005-19, with wide ranging economic consequences such as dwindling purchasing power of consumers, in particular the poor and middle class, negative saving rates, thereby discouraging financial saving, appreciating real exchange, thereby eroding external competitiveness.

In addition, the high demand for imports and poor export performance resulted in large current account deficits and significant foreign exchange shortages. As a result, foreign exchange shortage has become one of the main binding constraints to business, which had to compete for same with the government's public investment projects. The rapid increases in external debt in the context of poor project execution and disappointing export performance led to high risk of debt distress. By 2018, the debt level has prompted the IMF and World Bank to rate Ethiopia's external debt burden as a high risk of distress undermining the country's credit standing and borrowing ability (Ministry of Finance , n.d.)

Moreover, productivity growth was constrained by structural and institutional bottlenecks. Apart from foreign exchange shortages, access to and reliability of electricity, corruption and

government inefficiency, poor internet service, and access to finance are cited as the most problematic factors to doing business (Ministry of Finance , n.d.)

In conclusion, the main attribute that the Ethiopian developmental state had was the presence of a development-oriented elite leadership, of which Meles was pre-eminent. This attribute may not be unique to Meles or EPRDF leadership. In fact, Ethiopian leaders from the imperial era up to the EPRDF have applied what some call a “high-modernist” approach to legitimize their rule by instituting development policies, programs, and projects. (Fantini & Puddu, 2016). The commitment of many of the leaders to see the country performing well was commended by bilateral and multilateral donors and partners. In my professional capacity, I heard foreign investors praising ministers who would spare time for a meeting as early as 07:00 hrs (“before the sweepers came to the office building”) to resolve issues.

The achievements of the developmental state in Ethiopia, however, revolved around the high GDP growth that was registered for over a decade, growth in the social sector and expansion of infrastructure and poverty reduction. In a project appraisal document, the World Bank observed, “despite substantial investments in infrastructure to support future growth, Ethiopia’s recent economic success has occurred in a context of modest structural economic transformation and private-sector development. Growing macroeconomic vulnerability and reducing fiscal space threaten the long-term sustainability of Ethiopia’s growth model” (World Bank, 2018, p. 3)

Although, the economic growth made progress on poverty reduction, not everyone benefited equally; compared to rural areas, there was stronger poverty reduction in urban areas (World Bank, 2019). In addition, after the death of Meles Zenawi in 2012, corruption, state capture by party and affiliated conglomerates, wastage and poor execution of public projects became the norm rather than the exception. With the rise of perceived inequitable growth among regions, pursuit of inclusive growth together with the unresolved political issues, all led to social disruption and eventually the shift in 2018.

3.3. Political Settlement in the Ethiopian case

As we have discussed in Chapter Two, the general definition of a political settlement is the processes, agreements and practices that consolidate politics in lieu of violence to deal with disagreements which will be used here. This sub-section will use the application of Kelsall's approach in analyzing the political settlement of Ethiopia as well as its eventual unravelling.

After the fall of the military regime in 1991, Ethiopia reached a "fairly stable" political settlement in the transitional period between 1991–95 (Veen, 2016). This political settlement can be said to have been reached by the Ethiopian People's Revolutionary Democratic Front (EPRDF) together with other members of the Council of Representatives of the Transitional Government of Ethiopia (TGE) who drew up the current Ethiopian Constitution in 1995, introducing a decentralized federal system of government premised on ethno-linguistic considerations and devolution of power into regional states.

To emphasize, the major point of departure of the political settlement is the agreement to establish a federal structure (see map on p.5) based on creation of regional states instead of the former unitary system. What is usually called as 'ethnic-based Federalism' was thought to be the best solution for the country as there are over 80 ethnic groups in Ethiopia to redress historic ethnic grievances or the so called 'national question'.

By the 1995 constitution of the Federal Democratic Republic, the federal state was composed of nine territorial units or regional states which were granted regional autonomy and self-government of their respective regions including the right to secession. According to the constitution⁴, regional states of the federation were determined based largely on language and identity.

3.3.1. Application of Kelsall's Approach to the Ethiopian Context

Inspired by Tim Kelsall's *Thinking and working with the political Settlement* approach, we will attempt to identify the political settlement that took place in Ethiopia from 1991-95. Kelsall's

⁴ Art. 46.2 of the constitution states that "States shall be structured on the basis of settlement patterns, language, identity and consent of the people."

approach utilizes a diagnostic tool in identifying the nature of political settlements in a given country (Kelsall, 2016). In this thesis, we ask similar questions to identify the nature of the PS and how it affects development. Unlike Kelsall's cube, we use a scale of 1 to 10, ranging from a low of 1 to a high measure of 10, to identify the nature of the political settlement.

1. How inclusive/exclusive is the political settlement?

To answer this question, one has to identify the main actors of the political settlement. One main actor was the Ethiopian People's Revolutionary Democratic Front (EPRDF). The EPRDF was a coalition of four political organizations representing four regions, the Amhara (Amhara National Democratic Movement (ANDM)), Tigray (Tigray People's Liberation Front (TPLF)), Oromia (Oromo People's Democratic Organization (OPDO) and the SNNPR (Southern Ethiopian People's Democratic Movement (SEPDM)). Included in the formation of the TGE was the Oromo Liberation Front (OLF), which considers itself the flag-carrier of the Oromo struggle.

Those excluded included Amhara elites, the urban, professional middle class in Addis Ababa, and by 1992 the OLF itself was cast out of the TGE.

Although, the ANDM, a key member of the EPRDF, was organized to represent the Amhara community in the northern Ethiopia regions, Amharas in the capital and diaspora mistrusted the TPLF and the EPRDF (Paul, n.d.). The Amhara opposition (organized under the All-Amhara People's Organization (AAPO)) deeply resented their exclusion from having a say in the transition and it led to many of them to adopt a strategy aimed at discrediting and de-legitimizing the TGE. The OLF also mistrusted the TPLF and resented the creation of the OPDO as a legitimate representative of the Oromo cause (Paul, n.d.).

In Addis Ababa, most of the professional, commercial, and civil service classes were suspicious of the motives of the TPLF. Addis is a cosmopolitan city and a melting pot where ethnicity is not regarded highly. Residents of Addis deplored the TPLF's emphasis on ethnicity as the new basis of politics and national identity as divisive.

A US Department of Justice report to 'address the information needs and issues of concern to U.S. Asylum Officers and other Immigration Officers', stresses that the legitimacy of the EPRDF

is “tainted by its failure to follow through with the negotiated settlement” and lists COEDF, the opposition umbrella group formed in Washington DC as excluded along with OLF and AAPO. COEDF is a coalition of political parties including the EPRP, MEISON [Amharic for All-Ethiopian Socialist Movement], the Ethiopian People's Democratic Alliance [EPDA] and a faction of the Ethiopian Democratic Union [EDU]) (US Department of Justice, 1994, p. 8)

Although there were considerable number of elites who were initially part of the TGE, the government that was eventually formed was composed of the elites of the EPRDF coalition. The inclusivity of elites in the political settlement could be fair/medium (by a measure of 1 to 10, with 10 being high, could possibly be 5)⁵

2. What motivates elites to accept the political settlement?

The political settlement that took place from 1991-95 can be considered to have largely been done with the elites coordinated around a common purpose.

The political groups that met in Addis for a political settlement all had some form of grievances against former regimes, with most tracing their grievances on a project of ‘Amharization’ (assimilation to the ruling Amhara culture) and inability to exercise their own cultural and linguistic freedom. The armed struggle waged by the TPLF and the OLF among others were based on these grievances.

The new political settlement was overseen by the TPLF, the dominant party of the EPRDF. The ideas the TPLF brought along with regards to ethnic federalism was not only acceptable to the other members of the Front but also to the OLF. It can be said that the TPLF leaders have transformed ethnic and regional grievances into an acceptable ideology palatable to political movements organized under ethnic ‘domination vs subjugation’ agenda.

Of course, ethnic organizations from five other regions were incorporated into the political settlement. These are known as ‘partner’ or ‘affiliate’ organizations, which have not been included into the EPRDF but became governing parties of their own regions. Ideology was not

⁵ Kelsall grants that it is certainly possible to conduct very meticulous research into political settlements, but ‘good enough’ answers to these questions can also be obtained.

only the only the primary motivation for the coordination around a common purpose but also the desire for exercise of self-rule.

But as the political settlement evolved and the centralization of power from the federal government increased, the elites have been co-opted into submission. EPRDF's centralized hold on power is based to a large extent on generating legitimacy through output in terms of social service delivery and economic growth, and therefore, to maintain loyalty to the party economic and security incentives have been used (Veen, 2016) by way of provision of 'spoils' such as ministerial appointments and other forms of exercising power.

The elites can be said to have accepted the political settlement initially by the ideological demand to address real and perceived grievances of former regimes. The judgement for coordination around common purpose is high. (by a measure of 1 to 10, with 10 being high, could possibly be 7.

3. By what norms is the bureaucracy governed?

Ethiopia has a century of tradition of civil service *albeit* not a progressive one. Although the modernization of the civil service begun in the 1960s, it has always suffered from political influence by Ethiopian governments. During the imperial regime, despite the modernizing arrangements, high regard was given to political loyalty in assigning civil service posts which also affected service delivery (Assefa, 2018). During the military regime (1974 – 91) civil service professionalism deteriorated and became highly politicized with most top- and middle-ranking civil servants being members of the regime's Marxist party. The absence of merit-based recruitment and promotion as well as poor pay led to an increasing amount of corruption, inefficient service delivery and the 'routine neglect of the due process of law in matters of public concern'(Assefa, 2018).

Consequently, the civil service inherited by the EPRDF government was weak in its capacity to implement government policies and to deliver public services. Although the Ethiopian government introduced several reforms to create an efficient and productive civil service, the same problem that the civil service had in previous regimes, i.e., political interference of government rendered it to be non-neutral, weak, inefficient, and incapable of delivering

developmental outcomes required by the developmental state. As compared to other African countries donors and outsiders believed that the strong central state of Ethiopia had higher capacities in terms of policy implementation (Fantini & Puddu, 2016). We argue that it is the presence of strong-willed leadership and not a neutral, efficient, and capable bureaucracy that collaborated with government to execute developmental policies. The bureaucracy for the most parts lacked commitment and understanding of missions and policies of government essential for executing policies. According to an Ethiopian researcher, pillars of the developmental bureaucracy including “shared values, consensus on objectives and esprit de corps” were absent in some of the Ethiopian government Ministries he studied and firmly states “the implementation of developmental policies is being undertaken by people of least competence.” (Assefa, 2018, p. 185)

The norms that governed the Ethiopian bureaucracy at the time of the political settlement was a largely non-meritorious and inefficient civil service. (by a measure of 1 to 10, with 10 being high, could possibly be 3.5)

4. How has the Political Settlement been maintained?

Ethiopia’s political settlement shows that the EPRDF has acquired and maintained a significant level of control over the structures, resources, and instruments of the Ethiopian state. Given the party’s monopolistic hold on political power, party and state have become indistinguishable. The party also has a centralized control of the security services.

The parties to the political settlement of 1991, did not enjoy their autonomy powers through centralization of powers by the party. As Veen (2016) observes the “combination of de facto centralization of authority and security with de jure decentralization of autonomy to Ethiopia’s regions, in recognition of their social and developmental diversity” has created inconsistency in strategic matters such as security. As a result, the regional leaders, and elements of the population in Ethiopia’s periphery (especially those regions whose leadership is not part of EPRDF) felt dissatisfied with the dominance of the country’s core.

The EPRDF turned out to be a partnership of unequals. Veen (2016) uses the illustration of concentric circles to show the balance of powers within EPRDF, with the TPLF at the core of power

and dominating the EPRDF coalition, followed by a second ring, composed of the ANDM, OPDO and SEPDM, which act as more junior partners of the EPRDF, and a third ring made up of EPRDF affiliate parties. As Veen (2026) elaborates: “The second and third rings are said to enhance ethnic representation and government authority, but to enjoy a decreasing measure of status, representation and influence in how Ethiopia is ruled.”

In addition, there was high “disillusionment among the other political parties-cum-powerful groups incorporated in the EPRDF (the ANDM, OPDO and SEPDM). This is because of their limited role in the country’s government compared with that enjoyed by the TPLF, which has never been openly addressed (Veen, 2016). They kept their frustrations to themselves for fear of TPLF and from being purged. As it has transpired, some of these leaders colluded with the ‘Oromo Protest’ leaders to take down TPLF/EPRDF and bring about the change in 2018. After the death of Meles Zenawi in 2012, the dynamics of co-operation and dominance within EPRDF have become less TPLF-directed and more competitive with each other and the ‘affiliate’ parties developing a more assertive stance of their own as well (Veen, 2016).

The authoritarian nature of the regime limited meaningful political competition. As the 2005 election’s contested outcomes and the crackdown that followed has proven, dissent is not tolerated. The enactment of draconian anti-terrorism law and proclamation on charities and civil society organizations were used to restrict exercise of fundamental rights of expression and association. Opposition leaders have been imprisoned and subjected to abuse and their parties prevented from operating.

Political settlement has generally been maintained by a top-down approach and party loyalty. There is a direct and indirect use of repression and violence on both the included and excluded parties of the political settlement. The judgement for maintenance of political settlement is repressive. (by a measure of 1 to 10, with 10 being high, could possibly be 2.

3.3.2. Unravelling of the political settlement (2005-18)

Ethnic-based federalism remains a contested and controversial EPRDF policy. For some it is the panacea for holding multi-ethnic Ethiopia together, recognition of group rights, and creation of

ethnic based regions as right approach for defusing ethnic discontents. Whereas others believe it is an extremely dangerous notion that balkanizes the country. (Crisis Group Africa Report, 2009)

While it has not resolved the “national question”, ethnic federalism has decisively transformed politics, (Crisis Group Africa Report, 2009). According to Abbink (2006), in post-1991 Ethiopia, although ethnic tensions between communities are quite frequent, there is a move to localization of conflicts away from challenging the central state, and to an ‘essentialization’ of ethno-cultural or linguistic differences, which has come to (re)define local group relations. He cites Clapham (2004) who contends that the redefinition of Ethiopia along ethnic lines has created conflicts of its own, especially over the demarcation of the territories of the different federal units. (Abbink, 2006).

What is considered problematic in the ethnic-based regions is that these are seldom homogenous. Major ethnic groups such as Tigray, Amhara, Oromo, and Somali states are thought to be dominated by one ethnic group (as their names imply) but host others. And granting self-administration to these dominant ethnic groups has created new minorities.

Similarly, in the Southern region, Gambella, Benishangul-Gumuz and Harar there are multiple ethnic groups living in those regions. The populations which have become minorities have been excluded from land and other civil rights. (Crisis Group Africa Report, 2009) Consequently, communal conflicts sparked by reason of ethnicity and resources have become common, involving killings, displacement, and property destruction, but usually are not directed against the federal government. (Ibid.)

Ethnic federalism has empowered some groups, who have had historic grievances against other ethnic groups but since it has not been accompanied by dialogue and reconciliation, grievances have been replaced with feelings of unresolved victimhood and in some cases of vengeance. As a result, ethnonational rebellions, and armed struggles by the ONLF, OLF and others against the EPRDF government continued to be waged. (Crisis Group Africa Report, 2009)

Another problematic issue at the core of the ethnic federalism concept in Ethiopia is the unconditional right to self-determination, including and up to secession. This idea is encapsulated in Article 39 of the Ethiopian constitution. The fact that this right is granted to all the nationalities

in Ethiopia appears that discontent groups and regions could at any time leave the federation if they so wish. In practice, however, the EPRDF never gave any concession to such demands, continued to wage war against the OLF and ONLF whose struggles included demands of secession. According to Aregawi Berhe, the founder and former leader of the TPLF (who was later exiled), the EPRDF does not provide a clear explanation to the “riddle” for the hypocrisy in theory and practice of Article 39 nor to a number of pertinent political and economic questions (Berhe, 2001).

Consequently, ethnic federalism has sharpened differences among groups, and ethno-nationalist grievances with the nation-state. And in doing so, it has powerfully promoted ethnic self-awareness among all groups (Crisis Group Africa Report, 2009). Self-actualization from own ethnic vantage point and the lessening in importance of the collective national identity appears to be the end result of the ethnic federalism experiment in Ethiopia.

This is not meant to say that all of Ethiopia’s problems have emanated from ethnic rivalries. Besides ethnicity, another element affecting political settlements is the issue of democracy. The issue of democracy in the Ethiopian context is important because as we have established earlier that the maintenance of the political settlement was done through repression, exclusion, and marginalization.

The centralized leadership style of the EPRDF, particularly in its relations between the federal government and the regions, was in direct contradiction with the principles of federalism as enshrined in the constitution. (Daba & Mulu, 2017). The Ethiopian state used top-down logic to design development policies and targets at the center for implementation by the regions despite the federal and decentralized structure of the country (Ibid.) The EPRDF’s ability to influence local decisions stemmed from its involvement in the establishment of the regional parties.

The developmental state model that was promoted and fully articulated by Meles Zenawi was intended to be both developmental and democratic to be considered “successful” (Brown & Fisher, 2020). However, the Ethiopian state was not able to get the full support of the educated elite, businesspeople, middleclass, technocrats and the Diaspora (Abebe, 2018). Repressive laws

such as the Anti-terrorism proclamation and the Charities and Civil Societies Organizations proclamation had inhibited growth of democracy and democratic institutions in Ethiopia.

The single party system that had prevailed for close to three decades has had profound implications on governance in Ethiopia. According to a report by the Crisis Group, the EPRDF firmly monopolized political representation (with near 100% parliamentary seats), decision-making and public space. The fact that EPRDF promised multi-party elections and democratic developmentalism but becoming a single party state has been a glaring contradiction and a defining trait of politics since 1991. This has led to ‘tensions between the government and the opposition, communal and inter-ethnic animosities and armed conflict between ethno-national rebels and the government, culminating in the 2005 election crisis.’ (Crisis Group Africa Report, 2009).

The contested elections of 2005 brought EPRDF and the opposition to direct conflict. The crackdown on the opposition, human rights activists and journalists became a watershed mark. When the opposition rejected the election results as bogus and started a civil disobedience movement the EPRDF viewed this action as a threat to its survival, fearing a color revolution (Crisis Group Africa Report, 2009). Soon after violence ensued whereby hundreds of civilians were killed; opposition leaders were imprisoned.

The public space became narrower when the government earnestly began to control the civil society. When the House of Peoples’ Representatives passed a law regulating civil society organizations in 2009, the government was granted “broad powers to oversee, sanction and dismantle entities it considers troublesome”, requiring them to distance themselves from advocacy and human rights work (Crisis Group Africa Report, 2009). The media were not left out either, with the parliament adopting a restrictive press law in July 2008. Many publishers were arrested and charged with violation of the press law and “outrages against the constitution” As a result, the critical private media virtually disappeared. Online opposition websites and blogs were continuously surveilled and blocked thanks to the use of electronic monitoring and control software.

While the democratic space was getting narrower by the day, the government continued to be credited for economic growth and the expansion of public services. However, due to festering grievances over land, unemployment, inclusive development and economic benefits, the government's successes and rhetoric failed to translate into popular support. In Gambella region, forced villagization to clear people from their lands for investment was very unpopular. International activists such as the Oakland Institute raised their voices in defense of the indigenous people (Mittal, 2018).

Protests erupted in November 2015 by Oromo youth who expressed their discontent over the "Addis Ababa Integrated Master Plan," widely believed to be a plan for expansion of the capital to neighboring districts of Oromia. The intermittent unrest and parallel crackdown on protestors continued up to the *Irrechaa* festival of October 2016 when the tension ratcheted-up between the government and protestors. The initiative of the Addis Ababa masterplan was shelved but the government's aggressive response to the protests saw them spread to the Amhara region. Hundreds of protestors were killed, and the violence escalated into a wave of protest of tyranny instead of just the land dispute. Unprecedented attacks against foreign investors cast a shadow on the country's image as a potential investment destination and harmed the reputation of the country. More than two dozen foreign companies, including flower farms and other agribusinesses suffered millions of dollars in damage, some pulling out of the country after their businesses were attacked. Foreign investors were targeted because they were the "source of legitimacy for the government" (Aglionby & Honan, 2016)

In conclusion, the political settlement of Ethiopia's modern history (of the past 30 years) took place from 1991-95 with the adoption in 1995 of a constitution that legitimizes ethnic federalism, formation of nine regional states on the basis of ethno-language criteria and with EPRDF as the main governing actor in the Ethiopian political landscape. The EPRDF drew support from the peasantry and as such the political settlement included this constituency. On the other hand, city dwellers and elites who were generally opposed to ethnic federalism on the premise that it will destroy the country's interwoven social and cultural fabric, were largely excluded. These included political organizations which were organized under ideological and or citizenship banners,

Amhara political organizations (who usually advocated Ethiopian nationalism, flag, and unity), civil society, media, diaspora, and business community, among others.

Those that were part of the political settlement were initially motivated by a common cause of upholding the right to exercise use of own language and promote culture and equal citizenship in the republic. Gradually ethnic conflicts over resources, territorial disputes, minority rights etc. emerged. With the 2005 elections, the dispute with the previously excluded parties exploded into the open. The government resorted to the use of force to silence dissenting voices. The draconian anti-terrorism law and proclamation on charities and civil society organizations were enacted to further restrict these political parties, the media and civil society from the public space.

By early 2018, the political settlement reached by EPRDF had unraveled. The other members of the Front turned against the dominant TPLF, ethnic federalism has become the cause of unprecedented tension and conflict amongst ethnic groups as well as unprecedented tension among regional states of the federation. In addition, the elites in the cities, diaspora, businesspeople, the civic society, religious groups, media had become alienated with the EPRDF.

3.3.3. Impact of the Political Settlement on the Ethiopian Developmental State

In this section, we will attempt to highlight the impact of the political settlement on the Ethiopian developmental state. Accordingly, we will look into the positive aspects (strengths) and the limitations (constraints) of the political settlement in Ethiopia and its effect on the DS.

With regards to the strengths of the political settlement, the following could be considered as positive attributes:

Firstly, ethnic federalism has **empowered the various ethnicities** (as the constitution refers to them the nations, nationalities, and peoples) to exercise rights to use their own languages in schools and administer their regions. There is a greater respect and recognition of the rights of the nations and nationalities of Ethiopia, that Ethiopia is a nation of diversities and legal frameworks have been made to ensure representation of minorities in the federal government

institutions. The government has even set a day to celebrate Ethiopian Nations, Nationalities and People's day.

Secondly, the relative **Peace and security** that Ethiopia has enjoyed for quite a long time is as a result of the arrangement. Prior to 1991, Ethiopia had been engaged in a long-drawn out civil war. The strong security infrastructure the country had was more or less utilized to calm down the volatile and insecure nature of the region in which the country is situated.

In addition to sending peacekeeping troops to almost all its neighbors, Ethiopia's heavy security infrastructure quelled violent cross-border activity, territorial disputes and the illicit movement of people and goods across porous borders, among others.

Thirdly, the political settlement impacted enormously and positively the **image** of the country, which was known for civil war, famine etc. As Veen (2016) observes: "present day Ethiopia is a world away from the country in 1991 that was suffering the effects of decades of civil war, droughts and poor governance. In a single generation, Ethiopia has become a fairly secure, economically fast-growing and well-regarded member of the international community."

With regard to the limitations and constraints that have impacted the developmental state, the following can be mentioned:

In the first place, the **Ethiopian bureaucracy** did not really fit the East Asian ideal of a "capable, autonomous and effective" bureaucracy. Although Ethiopia has more than a century of tradition of civil service, it has not modernized through the years. This bureaucratic system that was overseen by the Federal Civil Service Agency, the former Central Personnel Agency was too archaic and non-responsive to the technological and social changes that took place for decades after its establishment in the early 1960s. The EPRDF government had made several civil service reforms but has not been effective in changing the system. (Debela, 2009).

The main reason is the interference of the EPRDF into the affairs of the state in which party and state became literally inseparable. The EPRDF's engagement in recruitment and boosting of party membership among civil servants resulted in compromise of merit. Abebe (2018) argues that "after the adoption of the developmental state, TPLF/EPRDF has practically used the civil service

as a party apparatus. The tendency of compromising the competence of the civil service in favor of political loyalty greatly undermines the effectiveness of the civil service” p.132.

In this regard, the very arrangement of the state on an ethnic basis compromises “establishing highly competent bureaucracy due to the ethno-language criteria for recruitment” (Daba & Mulu, 2017). Particularly, in the regions the use of such criteria for appointment to federal government posts was significant. Besides, the lower-level structure of the public administration is “highly charged with the tension of the ethnic politics” that affected the creation of “civic country wide citizenship for successful developmental state” (Assefa, 2018, p. 180)

Loyalty trumped over merit which affected performance and hence corruption, negligence and other forms of bad governance ensued. Timely service delivery was put in abeyance for lack of decision making and red tape (Fick, 2018). The Ethiopian bureaucracy was therefore tainted with the image of inefficiency, indecisiveness, unaccountability, irresponsibility, corrupt practices and much worse. It should be noted also that the professionals in the system (not affiliated with party and therefore loyalty) felt excluded with many leaving demoralized.

Secondly, the critical challenge facing the Ethiopian developmental state was while the state had fulfilled its obligations in providing the appropriate infrastructure, it was confronted with a **weak private sector** which was unable to provide the productive capacity on which success of the developmental state project must depend on (Clapham, 2018). In addition, the underdeveloped nature of the private sector had affected the country’s trade competitiveness and resilience to shocks (World Bank, 2020). Ethiopian businesses have long faced shortage of capital, due not least to the government’s success in competing for funds within the domestic economy to support its infrastructural drive (Clapham, 2018) which could be a possible cause for the limited competitiveness, (innovation and technology) in the development of manufacturing, the creation of jobs and the increase of exports (World Bank, 2020)

Consequently, the Ethiopian government has looked to FDI to expand the private sector and through development of industrial parks, a response to the historical weakness of local businesses and the desire to make Ethiopia’s growth momentum more sustainable (World Bank, 2020) (Clapham, 2018).

Further to the weakness of the private sector, the government was also heavily involved in running huge state-owned enterprises which have turned out to be less successful. Some of these enterprises were given free rein to engage in several “developmental” projects with a view to enable local capabilities. The Metals and Engineering Corporation (METEC), which originated as a supplier of defence equipment to the armed forces became a supplier of turbines for the Grand Ethiopian Renaissance Dam (GERD) project and machineries for strategic industries. It also expanded its role into civil engineering such as building the locomotives for the newly constructed Ethio-Djibouti railway. Under the guise of development, the military affiliated leaders of the METEC went on in unchecked corruption, embezzlement, and waste of public funds (this particularly happened after the death of Meles) and were charged of these and other charges after the reform (Reuters, 2019).

Other major enterprises, which under the Ethiopian developmental state thinking, were given a privileged position include the Endowment Fund for Tigray (EFFORT); the endowment fund from the Amhara region (TIRET) and the MIDROC group, owned by the Ethiopian/Saudi entrepreneur Mohammed Al-Amoudi (Clapham, 2018). The endowment companies (technically considered as private enterprises), particularly EFFORT, derived access to funds, markets, and had monopolistic approaches because of its political connections. (ibid.)

Rather than helping to create a conducive investment environment for the private sector, the government relied heavily on party affiliated companies and public enterprises to achieve its developmental objectives (Abebe, 2018). Inevitably discriminatory practices such as access to forex to these companies in exclusion of other private businesses and foreign direct investments were reported. In addition, news reports of senior government officials rewarding “developmental businesses” (ostensibly penalizing others) must have created a gap between the government and the private sector.

In fact, the alliance between government and the domestic private sector that has been identified as a key driver of Asian developmental state was conspicuously missing (Clapham, 2018). In the end, the Ethiopian political and economic environment operated as a centrally planned economic

system rather than adhering to the principles of the (classical) developmental state paradigm (Abebe, 2018).

Thirdly, the **undemocratic and exclusionary nature** of the regime bred along with it issues of bad governance, corruption, and ultimately political disruption. Meles had envisioned a democratic developmental state. The Ethiopian reality, however, was different. According to some scholars it was developmental indeed but not democratic enough.

Instead of promoting democratic values, the Ethiopian state as a state used developmentalism to promote repression (Abebe, 2018). In practice, it undermined pluralism, endangered human rights, entrenched a single-party authoritarian rule, leading to rampant corruption, and intensifying arbitrary intervention in the life of citizens (Bayeh, 2018).

Donors and academics who were mesmerized by the intellect and philosophizing of Meles turned a blind eye to the excesses of the state. The researcher for the International Crisis Group, Williams Davison blames academics who have given the “Meles approach” some credibility so as donors would give their dollars despite the humanitarian record (Davison, 2019). He refers to the developmental patrimonialism school of thought as essentially consolidating the claim that undemocratic approaches could still be developmental (Ibid.).

In relation to governance there was no common understanding of the developmental state both by donors and Ethiopian officials. While the donors were mouthing vague notions of a strong, reformist government meriting support, official Ethiopian articulations of what the developmental state concept has been “remarkably fluid and inchoate” (Brown & Fisher, 2020). The lack of clarity led to self-interpretation of the ‘developmental state’ as an ideology that ensures development including by using repressive means with some associating it with leftist ideology.

Fourthly, **the economic inequality and youth unemployment** has been a significant factor impacting the political settlement. The Ethiopian ‘developmental state’ had been pre-occupied with achieving high growth but not attending to inequality and equity in wealth distribution among different groups and ethnicities downplaying political grievances.

Kelsall's approach may not be adequate to analyze inequality and unemployment, fundamental elements of social justice and a social contract, as there is no explicit mention of these issues in his applicable works. However, these issues merit to be analyzed here as the research points out that there have been real or perceived inequality among regions and the population as a whole.

The centralized, top-down leadership of the EPRDF, noted in the previous sub-section, did not fully bring about devolution and decentralization to the regions. However, there was a perception that particular states, that were affiliated with the ruling clique were perceived to have developed extensively than others while others have been neglected which has been a source of angst by some corners of the population.

The capital-intensive farming projects (mainly in Oromia, Gambella and SNNPR regions) which have been given out to both domestic and foreign investors in the past two decades had been causes in aggravating poverty and inequality. Many of the decisions surrounding the allocation of land to developers followed a top-down approach that created resentment from local community and regional states and came with little or no compensation to the displaced. This move increasingly exposed local community to food insecurity, joblessness and persistent dependency which forced the disaffected youth to resort to informal migration and violence (Institute for Peace and Security Studies, 2020)

Notwithstanding its rapid economic growth and relative success in reducing absolute poverty over the past two decades, a significant segment of the Ethiopian population still lives in absolute poverty. The registered growth also came with soaring inequalities – at both vertical and horizontal levels. In addition to the inequality, the imbalance between economic growth and the actual living standards of the people was a source of discontent among the youth (mostly the urban youth estimated at 17%) who are largely unemployed (Institute for Peace and Security Studies, 2020).

In conclusion, the impact of the political settlement in the developmental state has been both positive and negative. With regards to the strengths of the political settlement, the empowerment of various ethnicities, the peace and security that Ethiopia has enjoyed, and the building of the country's image can be cited.

However, the political settlement has made significant constraints over the developmental state. The non-responsive and ineffective bureaucracy characterized by the symbiotic relationship of the party and state has led to absence of efficient and responsive state institutions; lack of transparency and accountability in managing public affairs ; exacerbated by poor governance and corruption; the weak private sector and the unholy alliance of the party and party affiliated enterprises in running strategic industries; economic exclusion, soaring inequality, high rate of youth unemployment, and failure on the part of the state to adequately respond to these problems contributed to the shaping of the 2015 protests in the Oromia and Amhara regions and the subsequent nationwide escalation that rocked the fabric of socio-economic and political life in the country.

The massive protests in 2005 and later from 2015-18 were met with brutal force. Hundreds were killed and scores were jailed. The state had to acknowledge the grievances of its citizens, underwent a “deep reform” process, held parliamentary election, and voted Abiy Ahmed as Prime Minister in April 2018.

CHAPTER FOUR

4. Post-2018 Developments

This chapter will attempt to look at the current situation that has transpired after the emergence of a new leadership in early 2018. With the advent of PM Abiy Ahmed, a wind of change began to breathe in the political, economic, and social spheres of the Ethiopian society.

Due to the short life span of this government and ongoing reforms, an overview is made on the policy content. The objective is to test the hypothesis that the shift that has happened in 2018 is building on the developmental state or whether it is a departure.

The chapter will also look at the post-2018 condition of the political settlement to find out how it affects the prospects of Ethiopia's developmental aspirations.

4.1 . Homegrown Economic Reforms: The new policy approach

After the advent of the new administration of PM Abiy and the ensuing wind of change by his reforms, the prospects of the developmental state have come to be under the microscope (Davison, 2019) (Mekuria, 2019). Questions have arisen on whether the developmental state is “alive or dead” (Mekuria, 2019). This was questioned supposedly because of its departure from its original underpinnings. While some describe the approach under Abiy as a radical neoliberal departure, Davison says that it is more of a “pragmatic affair, involving significant continuity as well as novelty” (Davison, 2019).

It appears that the idea of a ‘developmental state’ holds a negative connotation to some sections of the society. There is a perception that the notion of a developmental state is associated with a repressive state and undemocratic practices among some Ethiopians. This is deduced from public discourses in the media and writing by Ethiopian scholars who argue that the DS was used as a rhetorical mechanism for repression.⁶ That may be the reason that in the months following his accession to the premiership, Abiy distanced his administration from ‘a range of EPRDF

⁶ See Abebe (2018) for instance from works cited here.

“sacred cows,” including the developmental state contending that pursuing a multiparty democracy supported by strong institutions that respect the rule of law is not an option to Ethiopia (Brown & Fisher, 2020, p. 189).

Brown and Fisher argue that the ‘developmental state framework has been jettisoned – at least discursively – from within the EPRDF leadership as a partisan legacy of a deposed faction....[because] the authoritarian centrism around which the country’s “developmental state” has been constructed is likely to sit incongruously with a reform agenda focused on democratization and liberalization.’ (Brown & Fisher, 2020, pp. 189-190).

Indeed, there is a shift in approach to development in the Ethiopian state. However, looking at the reforms underway, which the government calls its Home-grown Economic Reforms Agenda (HERA), features of a developmental state as well as neo-liberal views of the economy are incorporated. The government is following a pragmatic, centrist approach to a vision of prosperity of the country. The reforms do not jettison and do away with past policies but build on the successes and correct the failures of the past.

According to a document available on the rationale and objectives of the HERA from the website of the Ministry of Finance, the objective of the reform is to leverage the achievements of the past decade for high quality growth in the future. It acknowledges that Ethiopia has made significant strides in infrastructure and human capital over the past decade and that there is a need to leverage these successes for private sector development. The goal that is envisaged is to “generate high quality jobs, sustain economic growth, and create fiscal space for further public investments on infrastructure, human capital, and institution building.” (Ministry of Finance , n.d.).

The current government’s analysis of the state-led economy of previous years is that the overall health of the economy was not good. Such self-criticism has been reported in internal party meetings in previous years, but criticisms of this magnitude, consistent with intentions to publicly correct failed policies of past is a first-time, commendable shift. The government admits that its interaction between itself and other actors of the economy (private sector, Civic organizations,

and educational institutions) was not balanced and had caused the stifling of the growth of the market besides the limitations of the private sector and low productivity.

The Ministry of Finance further admits that public sector investments have led to a growing macroeconomic imbalance even though they have achieved the intended objectives of building human capital and infrastructure and reducing poverty. In addition, it is confirmed that the financing of public investment programs by directing domestic financial resources to public and priority sectors was done with poor project execution leading to rapid accumulation of debt. In the end, the economy was straddled with macroeconomic imbalances, ranging from foreign exchange imbalances, external debt burden, limited private sector access to finance as well as high inflation (Ibid.).

Since the aim of the reforms is to sustain the success of the past decade, the homegrown economic reforms are expected to correct emerging macroeconomic imbalances, ease structural bottlenecks and create new opportunities and sources of growth. Accordingly, macroeconomic, structural, and sectoral reform measures are envisioned. Macroeconomic reforms will aim at correcting imbalances and safeguarding macro-financial stability. The structural reforms are expected to create an enabling environment for investment by streamlining bureaucratic and regulatory procedures, improving governance at public institutions, improving power reliability and access, implementing the telecom sector reform, etc. The sectoral reforms will focus on key sectors where Ethiopia has great potential, which include agriculture, manufacturing, mining, tourism, and ICT. (Ministry of Finance , n.d.)

In conclusion, based on the above government's published views and public discourse, the trajectory of the developmental state will continue. The government may not use the term 'Developmental State' as before but will continue public investment and government intervention in the economy. The private sector will also play a major role in the economy. In all, the government will not be strapped to a 'state-led' or 'market-led' ideological fixation but will follow a 'golden middle way', what it calls a pragmatic capitalist market system (Ministry of Finance , n.d.).

True to Fantini and Puddu's (2016) assertion that Ethiopian political elite have usually 'high modernist' tendencies, this government will also continue to be developmental, in line with the hypothesis of this thesis.

4.2 . Political Settlement Post 2018

With various internal conflicts and contradictions simmering inside for almost 25 years since EPRDF took power, they reached to a boiling point with the 'Oromo protests' in 2015, which led to the resignation of the former Prime Minister and reform of EPRDF in 2018. As mentioned in the previous chapter, by early 2018, the political settlement reached by EPRDF has unraveled.

In this connection, this sub-section will deal with the main tendencies of the post 2018 (from April 2018 to October 2020) the political settlement after the advent of PM Abiy Ahmed's administration. In the first few months of the duration of the administration, major reforms regarding freedom to political parties, media and civic society materialized, *inter alia*, with the repeal of the Anti-Terrorism and Civil Society Laws. With visits overseas by the PM himself and direct appeal to members of the diaspora to unite and contribute to Ethiopia's development and progress, the diaspora has generally become supportive of the Ethiopian leadership. (Protests against government have arisen in due course by some sectors of the diaspora supporting their ethnic affiliations whenever there are inter-ethnic conflicts or when government has not done enough to keep the peace and security of the land)

However, the two-and half-year period has seen unprecedented tension and conflict amongst members of the EPRDF, ethnic groups and among regional states of the federation themselves or against the federal government.

4.2.1. Division among EPRDF

The most significant event post 2018, has been the dispute between TPLF and the other members of the EPRDF. As a political party that was instrumental in the formation of the other EPRDF coalition members and EPRDF itself, TPLF had largely dominated the Front since its establishment, providing ideological and leadership direction. However, TPLF's influence began

to wane as a result of the post 2015 protests which proceeded to become a nation-wide resistance (Institute for Peace and Security Studies, 2020).

Subsequently, the relations between the coalition parties deteriorated, notable of which is the open rivalry between the TPLF and the ANDM, renamed Amhara Democratic party (ADP). The dispute reached its height following TPLF's open criticism of EPRDF's merger into one party. The new party, named Prosperity Party (PP), consisting of three of the coalition members (with the exception of TPLF) and five of the 'affiliate' parties that altogether govern eight of the 10 regional states in the country, was expected to ensure inclusive and fair representation by bringing affiliated parties to an equal footing with the core EPRDF members (Institute for Peace and Security Studies, 2020).

TPLF declined to join PP citing procedural and legal mishap and officially broke away from the ruling party in January 2020, indicating its resolve to work along with other like-minded federalist parties to contest in the upcoming elections (Institute for Peace and Security Studies, 2020).

1991 July	Transitional Government of Ethiopia (TGE) established, National Charter adopted
May 1995	Ethiopian Constitution of Ethiopia comes into force
May 2005	Ethiopia holds third general elections which leads to violent protests
July 2008	Mass Media and Freedom of Information Proclamation introduced
February 2009	Charities and Societies Law` introduced
August 2009	Anti-Terrorism Law introduced
November 2015	Oromo protests started
July 2016	Expansion of Oromo protests to Amhara and other regions
April 2018	Abiy Ahmed sworn in as a Prime Minister of Ethiopia
July 2018	Three prominent opposition groups formerly classified as "terrorists" legalized

July 2018	Advisory Council to reform the country's restrictive laws, including the anti-terrorism law established
December 2019	Prosperity Party formed following EPRDF merger
August 2019	New electoral and political parties' registration law adopted
January 2020	TPLF rejects joining Prosperity party

Table 1: Political Settlement Evolution Timeline (1991-2020)

In the following section, we will make an overview of the tendencies in the political sphere to be able to assess the political settlement and suggest corrective remedies in our recommendations in the next chapter.

4.2.2. Ideological Rhetorical Warfare (Ethnic Federalist Vs Unionist⁷)

The battle lines have long been drawn between mostly urbanites and segments of the diaspora who believe that ethnic federalism will break-up the country and those who believe that such federalism would save the country from breaking up. These two forces gained ground post-2018 with the entry of radical elements from overseas. These two forces have not entered into direct conflict themselves but in some instances rhetoric from one side may have contributed to violence against the other side. However, these two forces are expected to dominate the political stratosphere as the country heads to elections.

What we call the 'ethnic federalist' forces strongly support the federal structure which is based on ethno-language criteria. The other group is the 'unionist' or forces that criticize the federal structure for undermining the country's unity.

For the unionist group, the federal system is the cause of ethnic conflicts and has eroded national unity. The lack of trust among ethnic groups and the unleashing of minority-majority tensions; the unfolding of several inter and intra-ethnic conflicts across and within regions since the

⁷ Some refer to the 'ethnic federalist' forces as 'ethnonationalist', 'centrifugal' while the 'unionist' as 'unitarist', 'centripetal' etc.

adoption of the federal structure is attributable to the federal system (Institute for Peace and Security Studies, 2020).

The ethnic federalist forces, however, attribute much of these challenges to the failure of the ruling party to effectively implement the federal system. According to this group the federal governance structure is merely a paper tiger. They claim, in practice, power is highly concentrated at the center, with little authority devolved to the regions (Institute for Peace and Security Studies, 2020).

In this regard, the two sides seem to advance irreconcilable positions on key issues ranging from the national flag, language (one vs. multiple languages at national level) and ‘ownership’ of the capital city among others (Institute for Peace and Security Studies, 2020).

Regarding the capital city, Addis Ababa, the recognition by the constitution⁸ that Oromia has a stake in the capital has exacerbated the rhetorical conflict between the two sides. Residents of Addis Ababa and opposition parties gathered under the banner of ‘citizenship’ as opposed to ethnic identification, argue that Addis Ababa belongs to all and no particular ethnic group can lay claim to it. In addition, there is a long-running essentialist Oromo identity narrative that is articulated by some Oromo elites which has continued to fester into the political discourse. This includes the alleged aggression inflicted by former Ethiopian emperors in their southward expansion of territory and occupation of Oromo lands, forced assimilation into Amhara dominated identity culminating, in some cases, resistance to children learning Amharic, the national language, in Oromia (Woldemariam, 2019).

4.2.3. Regional Power and Conflict Dynamics

The post-2018 period has witnessed dramatic spike of conflicts among regions. The growing deterioration of security gained momentum with the apparent weakness of the ruling party and rising ethno-nationalist sentiments. (Institute for Peace and Security Studies, 2020). As the ruling

⁸ Art. 49.5 of the Constitution states that “the special interest of the State of Oromia in Addis Ababa, regarding the provision of social services or the utilization of natural resources and other similar matters, as well as joint administrative matters arising from the location of Addis Ababa within the State of Oromia, shall be respected. Particulars shall be determined by law.”

party weakened and the state's capacity to provide security declined, several underlying disputes over issues of identity, resource and territory have surfaced. The growing nationalist sentiment, further, facilitated the intensification of intra-regional, inter-regional power struggles in and among the regions and also between the regional and federal governments. The alarming race between regions to reinforce the number and capacity of their security forces, which resulted in the proliferation of ethnic militias, was a major manifestation of this rivalry. (Institute for Peace and Security Studies, 2020). Following are some of the major conflicts observed.

Oromia: intra-regional conflict

Although, the Oromia state was a larger region exercising full autonomy with local governments using their own language and promoting their cultural values, there is a strong sense that it has not benefited under the leadership of the Oromo People Democratic organization (OPDO) while Oromia has been the major resource for the whole of Ethiopia.

The ascent of PM Abiy Ahmed into the premiership as the country's first leader from the OPDO, representing an ethnic group that accounts for around 35 per cent of Ethiopians was believed by many to redress a historical imbalance in power dynamics that had favoured the people of the northern highlands (Soliman & Demissie, 2019).

However, with the opening of the political space and the entry into the country of previously banned armed groups such as the OLF and Oromo protest resistance leaders from the diaspora such as Jawar Mohammed increased the rivalry among Oromo elites themselves.

In particular, the OLF-Shane (a militant wing of the OLF which had returned from exile) started guerrilla warfare in Oromia killing both Oromos and targeted killings of other ethnic groups and is still in confrontation with the Oromia regional government.

In June 2020, violent protests sparked by the killing of Oromo musician Hachalu Hundessa, led to the deaths of more than 180 people and massive destruction of properties. The government arrested thousands of people allegedly involved in the unrest and activists including the now prominent opposition figure Jawar Mohammed were charged with terrorism and other crimes in connection with the protest and violence.

Tigray vs Federal Government

But the most serious one is the open conflict that emerged between the Tigray regional state and the Federal government. The leadership of TPLF, who blame Abiy for its loss of dominance in the EPRDF have left the federal government and camped at Mekelle, the capital of Tigray. TPLF refuses to recognize the Abiy administration stating that it had lost its mandate after October 5, 2020 (the date the previous parliament term ends). The Tigray regional state, in defiance of the government's decision to postpone the 2020 election, held its own local elections highlighting a perennial debate over regional rights to self-determination. The move prompted Ethiopia's parliament to vote to sever ties with the regional government and withhold federal funding, except for funding for basic services to be done through local administrative structures. By November, the hostility deteriorated to a three-week military confrontation between the federal government and Tigray region. For the first time after the 1995 political settlement, a regional state rebelled against the federal government, and provoked fighting by attacking government military base, all wanting to control power in the centre (reason unrelated to the principle of self-rule or even secession established in the constitution). The government took law-enforcement measures for the sake of ensuring the country's unity and sovereignty and in the process removing TPLF.

Amhara: Power Politics

Aside from the Oromo protests, separate protests, in Amhara sparked by the arrests of members of the Welkait Amhara Identity Committee, erupted in July 2016 but had been quelled down. The committee which had been advocating autonomy to Welkait people, insists that the identity of Welkait is Amhara and opposes their administration under the jurisdiction of Tigray. The government has struggled to manage social and political tensions including the Kemant and Welkait people's question in the Amhara region. In an attempted coup d'état in Amhara in 2019, the regional president and other top officials as well as the country's army chief were assassinated by a rogue security chief of the region and a former prisoner freed by PM Abiy (Felter, 2020).

Inter-regional conflict

The post 2018 rise in ethno-nationalism and on-going inter-regional power struggle has emboldened regional governments to strengthen their security forces in terms of number/recruitment, training, and sophistication (Institute for Peace and Security Studies, 2020).

With the opening of the political space and the weakening of the central government, ‘all sorts of latent disputes over power, resources, identity and territory have resurfaced’ (Pilling, 2019). The violent confrontations between regional security forces as seen in the case of Oromia-Somali, Amhara-Tigray and Benishangul–Oromia regional border tensions are notable (Institute for Peace and Security Studies, 2020). The Amharas are also resentful of the Oromo narrative that Amhara leaders were oppressors and under Emperor Menelik II brutally conquered Oromo territory.

Questions of Autonomy

Another bone of contention is the issue of minorities within the regions seeking autonomy (regional status). Issues of persecution of minorities living in the larger regions are reported. According to some reports, there are at least thirteen ethnic groups demanding more autonomy or regional status: key flashpoints include Kemant, Welkait and the Raya areas which are contested by Amhara and Tigray region, as well as areas in the borders between the Somali, Oromia and Afar regions (Woldemariam, 2019). In the SNNPR, the region which is home to 56 nations and nationalities, 13 zones have requested to become regional states. (Institute for Peace and Security Studies, 2020)

The Sidama which were the largest and most dominant group have (post 2018) attained statehood. The aspiration for more substantial self-rule/greater autonomy is believed to have acquired momentum as regions became more assertive and began to flex their muscles post-2018. (Institute for Peace and Security Studies, 2020)

In conclusion, the political settlement post 2018 has worsened in the past two and half years. What is glaringly observable is the pull and push among the original parties to the political settlement-the EPRDF members. Regarding the federal structure, the tendencies which have

transpired can be categorized into three broad categories: 1). Power conflict between intra-regions and inter-regions 2). Questions of Autonomy and Self-determination and 3). Ideological rhetorical warfare (ethnic federalism Vs Unionist).

Considering the apparent lack of elite consensus at the central and regional levels, and the rivalry and propagation of hateful rhetoric by the stakeholders mentioned above, could pose a threat to the country's unity. All this negatively affects the prospects of development and have to be addressed at the earliest.

4.3. Upcoming Elections of 2021

Ethiopia's parliamentary elections which are usually held every five years was expected to be held in August 2020. However, due to the onset of COVID-19, it is postponed to be held in the year 2021.

The 2020 elections were anticipated to be highly competitive, with the return of exiled opposition party leaders to the country and some of them being immensely popular with the voters. This was despite the fact that there are 76 political parties that are registered to run, with most parties being weak and disjointed.

The atmosphere of a strong, competitive, eagerly awaited 2021 election appears to have shifted with some of the major parties and personalities out of the running. Notable is the open conflict between the TPLF and the federal government which descended to armed conflict. By 2021, TPLF will no longer be a viable political party. The leaders of the Oromo Federalist Party, Jawar Mohammed and Bekele Gerba are imprisoned and facing an ongoing trial for their alleged involvement in the unrest following the killing of the renowned Oromo musician Hachalu Hundessa in June 2020.

Nevertheless, the upcoming election will essentially be a competition between unionist and ethno-federalist forces. As mentioned in the earlier section, the unionist forces are composed of individuals/ groups of different ethnicities who place less emphasis on the issue of identity and call for a federal structure that looks beyond ethno-linguistic lines and advocate for a strong central government. Whereas the ethno-federalist forces represent a single ethno-national

group centering their argument around identity and contending for greater autonomy/self-rule and power devolution to the regions (Institute for Peace and Security Studies, 2020).

The topmost contentious issue in the upcoming election is expected to be the federal structure as evidenced by ongoing elite/political polarization and alliance formation across parties (Institute for Peace and Security Studies, 2020). To put it differently, what is going to be contested is the political settlement agreed in 1995 by way of the adoption of the constitution.

In previous elections, EPRDF being an ethno-federalist party and exerting much influence all over the country together with majoritarian electoral system, the existing political settlement was able to continue. Now, however, with the leadership of Abiy Ahmed, the newly transformed Prosperity Party (PP), is expected to advance centrist, strong government, Ethiopian unity agenda while maintaining the current federal structure.

There are indications that the government wishes to change the electoral system with a suggestion for a mixed system that would possibly see compensatory seats introduced based on a proportional representation in conjunction with the existing plurality/majority system (National Election Board of Ethiopia, n.d.). This is because Ethiopia follows First Past the Post (FPTP) electoral system which generally favors and gives rise to single-party governments. According to ACE Electoral Knowledge Network, the disadvantages of FPTP include the exclusion of smaller parties, minorities, and women from ‘fair’ representation.⁹ If the government proceeds with this electoral reform, then it would necessitate a revision of the 1995 Constitution but would possibly allow for smaller parties and coalitions to have seats in parliament.

4.4. Conclusion on the post-2018 period

This chapter discussed the shift in policies and political settlement post 2018. In summary, from the government’s published views and public discourse, the trajectory of the developmental state will continue. Government may not use the term ‘Developmental State’ as before but will continue public investment and government intervention in the economy. The objective of its reforms is to correct the mistakes committed by previous governments. But at the same time the

⁹ See other disadvantages and details at <https://aceproject.org/ace-en/topics/es/esd/esd01/esd01a/esd01a01>

private sector will be strongly encouraged to play a significant role in the economy. The government does not want to be strapped to a 'state-led' or 'market-led' ideological fixation but will follow a 'golden middle way', what it calls a pragmatic capitalist market system.

The political settlement post 2018 has worsened in the past two and half years. There has been unprecedented tension and conflict amongst members of the EPRDF, ethnic groups and among regional states of the federation themselves or against the federal government. The upcoming elections will likely be dominated by fierce competition between the unionist and the ethno-federalist forces.

No matter how sound and acceptable the developmental trajectory is post-2018, the lack of political settlement among the major elites and cross-sections of society will make its prospects gloomy. The various regions that are promoting their regional identity and the people of the Ethiopian federation appear to have lost 'shared meanings' at the national level (Woldemariam, 2019). Some researchers argue that the challenge of citizens linking themselves with their ethnicity instead of the national identity in Ethiopia has been detrimental to the flourishing of the developmental state as it has eroded national consensus, the core element for its success (Daba & Mulu, 2017).

Without the revision of the constitution, and by extension the federal structure, the possibility of inclusive and sustained development is difficult to imagine. The current attachment to identity created by the federal structure has limited both domestic and foreign investment in regions by other ethnicities and even foreigners. This must be corrected, and a new political settlement has to be enacted. Recommendations for policy makers will be made in the succeeding concluding chapter.

CHAPTER FIVE

5.1. Main Findings and Conclusions

The main objective in writing this thesis was to research the shift in the ‘developmental state’ trajectory of Ethiopia that has transpired post 2018. The research was based on two main questions: a). What factors internal to Ethiopia explain the shift begun in 2018 towards a new policy approach in pursuing development? and b) How does the political settlement or lack thereof affect the prospects of Ethiopia’s developmental aspirations?

In order to provide the answers to these questions, the thesis began to explore the conceptual framework of the ‘Developmental State’ (DS), the case of East Asia as having exhibited a successful outcome of DS, concept of the Political settlement and the developmental state in Africa. In the third and fourth chapters, the policy contents of Ethiopia’s developmental state and its political settlement were investigated.

Testing the hypothesis that we set out at the beginning, the **shift in policy post- 2018 indicates that the trajectory of the developmental state will continue**. This validation is reached based on the reforms underway. The government may not use the term ‘Developmental State’ as before but will continue public investment and government intervention in the economy. It also encourages the private sector to have a strong hand in the economy. However, the determining factor for the **successful prospects of the policy shift will be the formation of an inclusive political settlement at the earliest**.

Such determination was made based on the research done in the preceding chapters, which reached to the following conclusions:

- The study of the conceptual framework of classical DS has indicated that the Ethiopian ‘developmental state’ has these three attributes: Firstly, the presence of development-oriented political leadership, elite group guided by a modernizing vision for the whole nation; secondly, successful policy interventions which promote growth and overall

performance-oriented governance and thirdly, a strong, centralized, and authoritarian state with records of repression and poor human rights.

- The Ethiopian 'developmental state' was successful in as much as its achievements revolved around the high GDP growth that was registered for over a decade, growth in the social sector and expansion of infrastructure. But it should be noted that the Ethiopian 'developmental state' did not conform to the principles of the (classical) developmental state paradigm as its operations resembled that of a centrally planned economic system.
- The shift in policies post-2018 (homegrown economic reforms) has shown that the developmental trajectory will continue but the government would not use the term 'Developmental State' to describe the form of state and its governance. This is because the term 'Developmental State' was perceived to have an ideological anti neo-liberal connotation.
- The Political Settlement in Ethiopia has largely negatively impacted the 'developmental state' in Ethiopia. The 'developmental state' was characterized by non-responsive and ineffective bureaucracy (due to the symbiotic relationship of the party and state); absence of efficient and responsive state institutions; lack of transparency and accountability in managing public affairs; poor governance and corruption; the weak private sector compounded by unholy alliance of the party and party affiliated enterprises in running strategic industries; economic exclusion, soaring inequality, high rate of youth unemployment, and failure on the part of the state to adequately respond to these problems.
- In analyzing the political settlement of Ethiopia, we have observed that the issues of economic exclusion, inequality and unemployment which constitute the basis of a social contract between state and citizens, and the extent and quality of democratic practices, have been weak elements in governmental performance. We have noted that the tools of analysis for such issues are not adequately addressed by conventional Political settlement analysis frameworks, which necessitates further research.

- As a result of the connection between development and political settlement, the prospects of Ethiopia's developmental aspiration i.e., the success of the shift in policies will be determined by a political settlement among the major elites representing cross-sections of society. The challenge of citizens linking themselves with their ethnicity instead of the national identity in Ethiopia has been detrimental to the flourishing of the 'developmental state' as it has eroded national consensus, the core element for its success. Without the revision of the constitution, and by extension the federal structure, the possibility of sustained development will be difficult.

5.2. Scenarios and Recommendations

The key conclusion and lesson that we can take away from Ethiopia's experiment in 'developmental state' is that development through repression and exclusion is possible but is not sustainable. It requires an ongoing political settlement by powerful representatives of the society around a set of political institutions (in Ethiopia's case the constitution) for distribution of benefits. Since the settlement must be ongoing the fires that stoke the settlement have to continue burning. Hence the need to revisit the original political settlement and correct the current problems. Unless the political settlement is agreed upon, the developmental trajectory will remain in jeopardy. There cannot be development amidst active violence.

In the case of Ethiopia, political settlement requires **Reconciliation and National Dialogue** and for this full-fledged exercise of **Democracy**. Reconciliation because differing groups claim historical grievances, real or perceived injustices, some going back to a hundred and fifty years. Some may require others or the government to admit guilt and issue a national apology for national healing. The government has set up a Reconciliation Commission but the way it is set up is criticized by some observers. They say the body was set up without broad-based public consultation, its mandate is unclear, and some members lack the necessary technical expertise to effectively carry out the body's fact-finding mission (Bader, 2020). Though the Commission has been set up in 2018, it has not made public any reports of what it has done so far.

Dialogue because Ethiopian elites do not agree on seemingly simple but common issues related to Ethiopian identity. Dialogue should lead to nation building, the development of common Ethiopian values, identity, and destiny. Ethiopians should reach at a consensus on the crucial issue of federalism. The author believes that for a country of more than 80 different ethnic groups, federalism is the appropriate structure, that it should be one where ‘unity in diversity’ is celebrated, a multicultural country where both ethnic identities and ‘Ethiopianness’ are respected. But Ethiopians should agree on what kind of federalism they need to build. Ethiopia needs to take lessons from other countries such as Nigeria who have redesigned their constitution and their federal system, creating a much larger number of small and multi-ethnic states which has been vital for the political stability of the country and to avoid another Biafra type debacle (Department for International Development (DFID), 2010).

Issues that have to be looked into include the federal structures, the boundary demarcations, power relationship between the federal government and the regional states, the national flag, federal languages etc., all issues that a consensus should be reached at by ‘powerful groups’ (including elites from political parties, ethnicities, civic society, traditional and religious leaders, business community, women, youth, etc.) For political settlements to be durable, inclusion should not be limited to elites but should be sensitive to inclusion of informal institutions such as elders, religious leaders etc. so as “the relations between the state and society – ‘the social contract’ – to be robust and legitimate”. (Department for International Development (DFID), 2010)

Democracy is a key element of the political settlement required to ensure common benefits from Ethiopia’s development. In this connection, the upcoming elections of 2021 will be a good ground to exercise the right to vote for representation.

Taking into consideration the significance of the election for the future of the nation, the following scenarios can possibly be foreseen.

- A. Based on a successful outcome for the current administration at the elections, it pursues the policy shift that is aimed at correcting course with government continuing interventionist approach and private sector playing a significant role. More

importantly, the incumbent will pursue a political settlement that it has started already.

- B. With a change of electoral law, the current majoritarian electoral system will give way to a more inclusive representation in parliament. In such a scenario, the incumbent party could be forced to form a coalition government. If there is a coalition government with like-minded opposition parties, the likelihood of a 'high modernist' government with developmental aspirations can materialize and Ethiopia's development trajectory will continue. This could also change the dominant party culture of the country and can have a positive effect in enhancing democracy and a government with a high degree of political legitimacy in resolving the various contested issues on the table. The culture of formation of coalitions or grand elite bargains could pave the way for a more inclusive, consultative political settlement process.

The most likely scenario will be A. This is because it would be unlikely that the electoral system can be changed in less than a year (assuming elections take place in mid-2021). In addition, the spectre of electoral reform happening in an election year may not be logistically feasible as it may require strong reinforcement of the NEBE, orientation of the public and political parties of the changes, etc.

The author believes realizing Scenario B is paramount for the future of a democratic Ethiopia. This also requires political parties (particularly in the opposition) to unify along similar ideologies (instead of ethnic affiliation), correct internal weaknesses and present themselves as formidable opponents with alternative policy designs.

Given the increasingly polarized political landscape driven by seemingly irreconcilable narratives, we recommend the following to policy makers:

- Home grown economic reform can only be successful with political settlement; for political settlement, reform of democratic institutions is essential, and therefore government should undertake electoral reforms.

- Reconciliation should precede national dialogue for healing; evaluate the performance of the Reconciliation Commission, reconstitute if need be, and should expeditiously engage itself.
- Legal frameworks should be utilized for resolution of boundary disputes between regions,
- Government should convene a national dialogue platform, being extra sensitive to avoiding exclusion and accommodation of differing viewpoints; topics for discussion having determined scope (selected few topics) but bringing to the table all 'sacred cow' political issues with a "no-holds-barred" attitude.

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Annex

Abbreviations and Acronyms

AAPO	All Amhara People’s Organization
ADLI	Agricultural Development led Industrialization
ADP	Amhara Democratic Party
ANDM	Amhara National Democratic Movement
BPR	Business Process Reengineering
COEDF	Coalition of Ethiopian Democratic Forces
DS	Developmental States
EFFORT	Endowment Fund for Tigray
EDU	Ethiopian Democratic Union
EIC	Ethiopian Investment Commission
EPDA	Ethiopian People's Democratic Alliance
EPRDF	Ethiopian People’s Revolutionary Democratic Front
EPRP	Ethiopian People’s Revolutionary Party
FDI	Foreign Direct Investment
FTPT	First Past the Post
GDP	Gross Domestic Product
GERD	Grand Ethiopian Renaissance Dam
GTP	Grand Transformation Plan
HERA	Homegrown Economic Reform Agenda
ICT	Information Communication & Technology
IMF	International Monetary Fund
IPDC	Industrial Parks Development Corporation
MEISON	All-Ethiopian Socialist Movement
METEC	Metals and Engineering Corporation

MIDROC	Mohammed International Development Research and Organization Companies
MDGs	Millennium Development Goals
NEBE	National Election Board of Ethiopia
ONLF	Ogaden National Liberation Front
OLF	Oromo Liberation Front
OPDO	Oromo People's Democratic Organization
PASDEP	Plan for Accelerated and Sustained Development to End Poverty
PM	Prime Minister
PMO	Prime Minister's Office
PP	Prosperity Party
PS	Political Settlement
SEPDM	Southern Ethiopian People's Democratic Movement
SNNPR	Southern Nations, Nationalities & Peoples Region
SDPRP	Sustainable Development and Poverty Reduction Program
TPLF	Tigray People Liberation Front
TGE	Transitional Government of Ethiopia