

The Role of Developmental State in Development: The Case of Ethiopia

Muleta Yirga Shumuye

School of Public Leadership (SPL); Stellenbosch University, South Africa

Abstract

The East Asian developmental states were so successful to transform their nations from agrarian to most advanced industrial economy. All the developmental states in East Asian fulfil the requirements to be called developmental state. In most of the research works, the success of developmental states is not debating. The debate issue is whether or not the experience from the East Asian developmental states can be replicated in the current developing countries. However, as far as there is committed and strong political leadership the current developing countries would replicate the success stories of East Asian countries according their respective context. Accordingly, the state in Ethiopia shares most of the features mentioned for developmental states and try to practice according its respective context because developmental state paradigm is not implemented “one-size-fits-all approach” rather it implemented in a contextualise manner. Though there are similarities and differences between the Ethiopian and East Asian development model; the former adopted a democratic development paradigm and the latter was authoritarian type of development paradigm. Therefore, Ethiopia registered robust, broad-based, inclusive economic growth praised with unprecedented socioeconomic improvements over the past decade plus since it adapted the developmental state paradigm. But this does not mean that the economic growth recorded yet is enough rather further efforts would require by developmental state to transform the economy into a better standards.

Keywords: Developmental state, Economic growth, Ethiopia

1. Introduction

Almost the whole 20th century, Ethiopia was considered as among the most “starved” and “conflict-prone” country in the world. The country was synonymous with famine, poverty, drought, deprivation, and backwardness. It is only since the last decade of the 20th century that the state marked historic transition from its status as a predatory and quasi-failed state to its status as a more protective and efficient state (Negash, 2011; Nishi, 2013). In particular, the year 1991 was the turning point in terms of social, political, and economic aspects. In the 1980s and early 1990s, for instance, the economy was on a downward trend, with average GDP growth rate of 2.3% and per-capita growth rate of -0.4%. The 1990s and early 2000s have registered relatively better real GDP growth rate an average 3.7% and positive per-capita growth with 0.7% per annum (MoFED, 2002a).

The country was in critical political, social, and economic situation when the current government took power from the socialist/military government. The country was suffering in the command economy closed its door for external market; i.e. the living situation both in urban and rural areas was severe. The first task for the new government was to design policies and strategies that will make a change the history of the country; leading from poverty to sustainable development via making agriculture at the centre of development policy for the last two decades (Melke, 2013). Two basic reasons make the economic policy direction of a country focusing on agriculture: firstly, most of the population lives in rural areas and secondly, the lack of capital (human, physical, and financial) makes difficultly to start from industry. As a result, improvements in food security and the maintenance of relative political stability paved the way for the “miraculous” economic development during the last decade (Nishi, 2013). This indicates the main guiding principle is that political stability and integrity of the state can only achieve through ensuring political and economic rights for the diversified groups of the nation.

The government has taken a series of bold measures over the past twenty years to transform the economy. Since the downfall of the socialist regime in 1991, the new government put in motion a series of policies and development interventions. It abolished the state control economy, shifted towards a market-oriented economy, and opened the door for the private sector to play a considerable role in the economy (MoFED, 2002b). Agriculture is the backbone of the Ethiopian economy; it employs over 80% of the population and dominates GDP contribution (MoFED, 2006). Given the central role of agriculture in the overall economy of the country, the state put formulated a long-term development strategy, the *Agricultural Development-Led Industrialization (ADLI)*, as a means to transform smallholder agriculture and embark on a process of industrialization (MoFED, 2002b).

This paper addresses the role of the emerging developmental state paradigm in development in case of Ethiopia. The paper focused on the ADLI development strategy, which is the long-term development strategy that adopted to transform the smallholder agriculture and put a milestone for industrialization of the economy via a robust sectoral linkage. Further, it addressed about the emergence of developmental state and its role in development and in nurturing the private sector via creating relatively good business environment. Accordingly,

the official documents issued by Ministry of Finance and Economic Development (MoFED), Central Statistical Agency (CSA) of Ethiopia, the World Bank, IMF and other institutions, as well as the development plans and strategies of the developmental state of Ethiopia used as a source of quantitative and qualitative information for this paper.

2. The Emergence of Developmental State in Ethiopia

Debates about the nature of development are still important in Africa where varieties of developmental models have been tested and failed. Recently, one of the development models, which promoted as a panacea for African development problem is the developmental state approach. The role of the state in socioeconomic development cannot doubt (UNECA, 2011). A lesson that learnt from the 20th century developmental states was that state has to be one of the “institutional keystones” needed to bring economic success. The evidence spawned from the recent global economic crisis suggests that unregulated markets are “unworkable and unsustainable in the long run”, and increased role of the state is essential (Evans, 2010; Edigheji, 2010). In the present global situation, the conventionally accepted wisdom of free market-led development as a necessary condition for transforming backward economies to high level can no longer taken at face value. Particularly, the 2007/08 global financial crisis left even many western economies in shambles, which disproved the insight of neoliberalism (UN-Habitat, 2014). Due to this, Western governments themselves were forced to introduce bailout packages and fiscal stimulus programmes to correct the widespread market failures followed the financial crisis (UNECA, 2011).

Therefore, depending only the so-called free market-led development approach could not address all market failures in developing countries; in contrast, it needs an integration of the role of state and market. No nation without an efficient state intervention attained successful economic development. State acting as a vanguard of development has its own advantage in terms of accelerating economic development via addressing market failures and supporting indigenous private sector. In effect, the developmental state model has re-emerged as an alternative development model, which promotes the role of state and market integration. Ethiopia, as one of Sub-Saharan Africa (SSA) countries committed itself to practice the developmental state model via customized the ideology to its unique context. The choice of the developmental state paradigm for Ethiopia is the result of a long process of searching alternative development paths. The model aims to bring structural change through prioritizing and modernizing agriculture and moving towards industrialization (UNDP, 2015).

The core idea of the developmental state model is that the state should make development agenda its top priority and intervene in the economy to facilitate growth and economic transformation. “In terms of ideology developmental state is essentially one whose ideological underpinning is developmentalist in that it conceives its mission to ensuring economic development” (Mkandawire, 2001:291). In this aspect, the Foreign Affairs and National Security Policy and Strategy document indicates, “Lack of democratization, poverty, and backwardness are threats to the national survival of Ethiopian statehood system. There can be no doubt that the attainment of speedy economic development, democratization, and peace is fundamental to the survival of the country, which finds itself in a state of abject poverty and backwardness” (Ministry of Information, 2002).

More specifically, the recent five-year medium-term Growth and Transformation Plan (GTP) also crafted the country’s vision as “to become a country where democratic rule, good governance and social justice reign, upon the involvement and free will of its people, and once extricating itself from poverty to reach the level of a middle-income economy as of 2025” (MoFED, 2010:21). The vision for the economic sector in particular set as: “Building an economy, which has a modern and productive agricultural sector with enhanced technology and an industrial sector that plays a leading role in the economy, sustaining economic development, securing social justice and increasing per-capita income of the citizens” (Ibid). Boosting agricultural productivity and strengthening the industrial base will be essential to transform the economy in a significant manner. Hence, based on the developmental state paradigm, the government has been able to design and implement a pragmatic developmental policies and strategies.

This indicates the developmental state gives top priority to the agenda of poverty eradication and sustainable economy building, which improving the well-being and the living standards of the nation. Then, the developmental state has declared poverty as its enemy number one and its strategy focused on to reduce and eventually eradicate it from the nation. Accordingly, a country has registered double-digit GDP growth over the last decade (Negash, 2011). As a result, level of poverty reduced to about less than 30% in 2011 from where it a higher level about 58% in 1995. Such reduction was achieved through broad-based economic growth, with agriculture making a major contribution, increased and more equitable public spending, and via promoting labour-intensive manufacturing (Africa Progress Report, 2014). This indicates the political leadership and the society almost reach in consensus on the common enemy of the country; “poverty and backwardness”, and then they are committed to override it under the motto of “our enemy is poverty and we will make poverty history”.

The emergence of the developmental state paradigm in Ethiopia viewed into two broad contexts such as the country’s successive attempt to emulate the developmental paths of the East Asian countries and the large-scale global reaction on the failure of neoliberal paradigm in developing world, particularly in Africa (Fourie,

2011; Fantini, 2013). The developmental state model in Ethiopia has two unique features such as both developmental and democratic behaviours¹. Therefore, the goal of the democratic developmental state in Ethiopia is to create a modern nation and this can be achieved through building rapid and sustain economic development. To materialise this, the country has already followed a green development path, for instance, most of the power generated in the country already comes from renewable sources, mainly hydropower. In this regard, the democratic developmental state in Ethiopia achieving rapid economic growth so far and paved the way to transform the economy towards industrialization (FDRE, 2011; Balema, 2014).

Even though the Ethiopian version of developmental state shares many of the common features of a developmental state from East Asian countries (such South Korea and Taiwan); the unique features of the country (for instance, the country is a multi-ethnic nation) taking into consideration (Fourie, 2011; Fantini, 2013; Balema, 2014). The state pays due attention for the good practices of success stories and tries to adapt according to the unique context of the country. In addition, the state has also given proper attention to design and development of far-reaching institutions, which are crucial to accelerate the socioeconomic structural transformations. Building an increasingly capable, credible, and committed developmental state with democratic credentials is indispensable to accelerate the development and democratization process (Daddi, 2013; Melke, 2013). Hence, the democratic developmental state model already in place started to achieve its primary goals enhance economic growth and transformation, and reducing poverty (Balema, 2014), though the pace of democratization is not as fast as economic growth. This difference resulted due to the institutional requirements needed to build democracy and achieve economic growth.

After the nation adopted the democratic developmental state paradigm, the state is able to design and articulate its long-term socioeconomic development strategies and programmes. The development policies and strategies have geared towards the priority agenda of reducing multidimensional poverty. Under this priority development agenda, the state has employed several socioeconomic policy instruments to tackle productivity and production challenges in the agricultural sector. Particularly, the agricultural-led development strategy further helps to boost the infrastructure and social services of the rural population consider as cornerstone for structural transformation. As the infrastructure expansion takes place successfully, integrations or linkages created among the sectors of the economy or between rural and urban economy. For instance, in the urban areas the developmental state considers Micro and Small Enterprises (MSE) development to address directly unemployment problems in urban areas. Such efforts of the state enhanced the well-being of the nation by attaining rapid economic growth, promoting social development, freeing millions of poor Ethiopian from the intergenerational cycle of poverty, and improving life expectancy of the nation. This indicates the nation's economy proceeding into broad-based and sustainable economic development by the provision massive infrastructural and social development through extensive public investment.

In sum, besides designing coherent development policies and strategies and inspiring achievements in the economy, the democratic system needs further institutionalisation and practices. In Ethiopia, poverty is the most challenging factor that heavily affects the transition towards democracy. People, who live under difficult situations such as poverty and backwardness, lack the capability and time to practice their rights and responsibilities (Rahmato, et al., 2008; Balema, 2014). However, whatever challenges are there, the process of strengthening democracy has to go hand in hand with poverty eradication or development endeavours. The current economic development practice needs to push further until where it will eliminate major development obstacles in the economy and until realise a dynamic and viable economic environment. Only through significant economic growth, can democracy and economic development be further enhanced and consolidated, and their interrelation and interdependence can be sustained and strengthened. Democracy in Ethiopia is not an option rather it is the only means of survival as a united country (Balema, 2014).

3. Developmental State paradigm and the ADLI Development Strategy

3.1. The ADLI development strategy

Formulating and implementing development policies and strategies directly or indirectly related with the political situation of a given country. The developmental failure of most African countries resulted not only from the technical shortcomings of economic policy but also from political factors such as lack of committed political leadership and political will to promote national development agenda. A consistent political regime with a national development view should put in place before the formulation of concrete policies and strategies.

¹ The democratic developmental model aims to build a political regime unique to Ethiopia, which is different from East Asia's authoritarian developmentalism. In the Ethiopian context, it is difficult to postponed democracy for the sake of development. In the 'multicultural, religious and multi-ethnic' or a highly diversified nations, nationalities and peoples with different linguistic groups, diverse cultures and customs country like Ethiopia, democracy is not an option to achieve sustainable economic development and equitable income/wealth distribution rather it is a must. However, constructing a democratic developmental state is not without its challenges, which a country characterised as multi-ethnic nation with diverse economic and political interests.

Adopting a developmental state paradigm may create suitable conditions for the emergence of such political regime to build effective institutions, policies, and incentive systems to stimulate domestic value creation and economic rent distribution.

Abject poverty has become enemy number one in Ethiopia, the developmental state has declared a campaign on poverty, and the development strategies aimed to reduce and eventually eradicate it from the nation. Eradication of poverty and achieving food security will continue to be at the centre of economic development efforts of the nation. As the majority of the population lives in rural areas, bringing structural change to the rural economy is the primary challenge of the developmental state in Ethiopia (Negash, 2011). In Ethiopia agriculture, especially, smallholder agriculture was neglected almost for the whole 20th century and because of this, food production/supply could not match with population growth/demand. This indicates the problem of the Ethiopian economy was structural in nature and that required a long-term strategy to resolve it. Accordingly, the ADLI development strategy was adopted which takes agriculture as its point of departure and the growth engine of the economy.

The motivation behind adoption of the ADLI development strategy has been the “recognition of Ethiopia as an agrarian society in which the bulk of the population resides in rural areas earning a livelihood from land. Agriculture has long dominated the economy in terms of output, employment, and export earnings” (MoFED, 2002b). Moreover, labour and land are relatively the main and abundant factors of production and their effective use should generate rapid and sustainable development. Furthermore, the ADLI development strategy considered as ‘an evolving development strategy subject to pragmatic experimentation and adjustment’ based on learning by doing approach rather than an immutable approach (Ibid). Therefore, the rationality behind ADLI is “to bring about a structural transformation in the productivity and production of peasant agriculture’ and so to ‘streamline and reconstruct the manufacturing sector” (Chinigò, 2014).

The ADLI development strategy is practiced in Ethiopia as “Core ADLI” (since early 1990s to early-2000s), and as “Enhanced ADLI” since early-2000s (Ohno, 2009). Primarily, ADLI strategy targeted smallholder farms so as to achieve rapid growth in agricultural production, increase income for rural households, attain food self-sufficiency at household and national level and produce surpluses which could be marketed to the urban or domestic industrial sectors (MoFED, 2002b). Smallholder agriculture has a vital role to play in boosting growth, reduce poverty, and ensure food security, alongside medium and large-scale agriculture via producing staple foods for consumption and cash crops as a source of inputs for domestic industries (Africa Progress Report, 2014).

An increase in agricultural output expected to stimulate domestic industrial production by providing food and industrial materials. In turn, the industrial sector could also produce input to agriculture such as fertilizers and farming tools and equipment as well as industrial consumer goods for rural households. This kind of direct forward and backward input-output linkage between the two sectors referred as “Core ADLI” (Ohno, 2009). On the other hand, in the Enhanced ADLI strong emphasis placed on growth acceleration, which can be attained through commercialization of agriculture and private sector development. Policy targets are not limited to smallholder farmers in rural areas. Rather they include large-scale commercial agriculture (including horticulture farms), urban micro and small producers, and medium and large-scale manufacturers (MoFED, 2002b; Ohno, 2009).

The enhanced ADLI operates as the agriculture (Rural) sector can offer surplus labour supply, agricultural land tax revenue, cheap food, and foreign exchange and export earnings for the promotion of industrialization. In turn, the industrial (Urban) sector can transfer resources and technologies through production support, industrial food and service delivery, agricultural protection and public investment (MoFED, 2002b; Ohno, 2009). From this enhanced ADLI it is possible to summarise the following points such as first, ‘Production linkages’ whereby increase in agricultural output lead to greater supply of inputs used in non-agricultural production. Second, ‘Consumption linkage’, whereby increase in agricultural income lead to increase demand for non-agricultural consumption goods. Third, ‘As agricultural productivity growth, the supply of semi-skilled and skilled labour to non-agricultural sector will increase’. This indicates the investment of agricultural surplus incomes in children’s education will ultimately increase the supply of skilled labour to the other sectors.

3.2. Developmental state paradigm and the ADLI development strategy

By adopting long-term workable development strategy (the *ADLI*), and democratic developmental state paradigm, Ethiopia intends to transform the existing political economy from a system in which rent seeking is the dominant behavioural pattern to a system in which value creation is central (Ohno, 2009). A state led by strong top leaders based on incentives (“carrots”) and disincentives (“sticks”) measures to strengthen the role of all economic agents/actors to consolidate their value-creation behavioural pattern. For instance, smallholder farmers are the most important partner in political coalition, but even with them the state offers top-down guidance for the improvement of productivity and production through various “carrots”, and responding their

voice in policy formulation in a bottom-up fashion.

However, the East Asian developmental states formed a political coalition with capitalists (i.e. with business sector) instead of smallholder farmers. This indicates East Asian developmental states are therefore often seen to have rested on a narrow, but vibrant, coalition between the state and capitalists (Evans, 1995). In contrast, in Ethiopia, capitalists (both local and foreign enterprises) are not considered as a political coalition. Rather, the developmental state looks at capitalists as an object of policymaking, supporting their value-creation while punishing their rent seeking practices. The relationship between the developmental state and capitalists (private sector) will not be in the form of political coalition but conditional cooperation at arms' length (Ohno, 2009).

In Ethiopia the relationship between smallholder farmers and the developmental can be seen as the most significant and broad-based coalition. Smallholder farmers who account for about 80% of the population are the support base of the ruling party (Ohno, 2009). This is relatively similar to the democratic developmental state of Botswana that built broad-based political coalition with cattle owner farmers. This broad-based coalition of the developmental state in Ethiopia is consistent with Peter Evans arguments, which broader incorporation of social groups is in fact both possible and desirable in newly coming democratic developmental states. The 21st century developmental states need to build close ties and embedded in broad cross-section of society. Such broad-based state-society coalition must be derived from democratically organised public deliberation from the bottom (Evans, 2010). This incorporation, however, requires considerable infrastructural and institutional abilities to create and sustain broad-based developmental coalition (Mkandawire, 2010). This focus on a broader coalition makes the 21st century developmental state as being a capability enhancing state, looking to promote the capabilities of its citizenry through the provision of collective goods such as health and education (Evans, 2011).

The minimum condition for smallholder farmers to accept the political coalition is the perception that the state will not suppress them or drive them into despair. A greater incentive would be the receipt of both conditional and unconditional support for the improvement of their livelihood such as famine relief, food aid, and food for work, and education and health services as well as other conditional and unconditional social security packages (Ohno, 2009). For instance, the developmental state in Ethiopia introduced the Productive Safety Net Programme (PSNP) one of conditional social security programmes targeting to the most drought prone areas that among others made major contributions to public works as well as prevention of environmental degradation (Thorbecke, 2014).

Furthermore, the developmental state provides productive assistance in agricultural technologies, and rural credit services through expansion rural financial institutions. Farmers increase their productivity and income due to such a productive assistance and become commercial producers (Ohno, 2009). To change the life of farmers the developmental state is strongly working at the grassroots level to bring both economic and democratic change from the bottom. The developmental state already launched farmers' movement known as "developmental army building" ('Yelimat serawit ginbata' in Amharic) in main development fronts to boost the role of community in local development programmes.

4. The Role of Developmental State for Development

Many international organizations including the World Bank and IMF have reported the achievements in economic growth and poverty reduction in Ethiopia. The country changed its bad history drought and famine that seriously affected it three decades ago. Accordingly, UNECA (2011) depicts, Ethiopia presents as a success story and praised by international organisations and donors as a model for the whole continent. These institutions/organizations come up with reports that praised the overall changes of the country. This implies directly or indirectly they gave credit to the role of developmental state model, i.e. role of the state intervention. For instance, IMF stated that Ethiopia has been one of the fastest-growing economies in Africa, having registered double-digit GDP growth rate for the last decade (IMF, 2013). Ethiopia's economy has experienced strong, broad-based, and steady growth of real GDP over the last decade. Its economic performance is impressive for a non-oil producing country and it rated as one of the fastest growing economies from not only SSA but also from the world (FAO-WFP, 2012; World Bank, 2012; African Economic Outlook, 2012; IMF, 2013; Africa Progress Report, 2014). This implies Ethiopia's growth prospects remains robust and sustainable, reinforced by sound macroeconomic management, high political leadership commitment, massive investment in infrastructure and human capital development (World Bank, 2013).

Furthermore, the latest of such acknowledgment came from USA president Barack Obama at the end of September 2014 at the bilateral talks with the Ethiopia's high-level official delegation including the Prime Minister during the 69th United Nations General Assembly. Obama, in his talk with Ethiopian leaders acknowledged the tremendous development leaps the country has achieved. He stated as "when I spoke previously at the African summit about some of the bright spots and progress that we are seeing in Africa, I think there is no better example than what has been happening in Ethiopia one of the fastest growing economies in the

world. We have seen enormous progress in a country that once had great difficulty feeding itself⁹. The president further stated “Ethiopia is now not only leading the pack in terms of agricultural production in the region, but will soon be an exporter potentially not just of agriculture, but also power because of the development that has been taking place there”. The Ethiopian economy has experienced strong and broad-based growth for more than a decade since it adopted the developmental state paradigm. Expansion of agriculture and service sectors account for this broad-based growth, while manufacturing sector performance was relatively modest. This economic growth brought with its positive impact in reducing level of poverty (CSA, 2011; African Economic Outlook, 2013).

What makes the Ethiopian economic growth unique is that it is not depending on natural resources such as crude oil or minerals (Africa Progress Report, 2014) like other African countries. This implies the economic progress is not coming through distributing the rent from natural resource rather coming through massive investments in agriculture, in infrastructure and social development sectors. The agricultural sector still has a huge capacity to grow which will infuse further strength to the economy (World Bank, 2013; IMF, 2013; Africa Progress Report, 2014). Ethiopia’s average GDP growth rate (10.6%) since 2003/04, which is above the required estimated growth rate of (7%) to achieve the MDG of halving poverty by 2015. Further, it is above both the East African average (7.6%) and the SSA average (5%) (Nganwa, 2013). This indicates despite some discrepancy over the figure between international institutions and government of Ethiopia, there is a consensus that Ethiopia has registered impressive economic growth for the past decade plus. Therefore, Ethiopia’s development efforts are praised internationally that attained almost many of the Millennium Development Goals (MDGs) and the country will join into middle-income group soon.

However, in comparison to other countries in the region, Ethiopia has one of the lowest shares of industry and manufacturing in GDP in SSA region. Manufacturing, a sector typically associated with structural transformation and productivity gains however, remains relatively small when compared to other countries in the SSA region (Martins, 2014). Table 1) shows that, the structure of the economy has relatively changed considerably predominantly from agriculture to service though agriculture still remains critical for broad-based growth. The economy is not diversified enough into the manufacturing sub-sector; agriculture and the service sectors each contribute more than 40% to GDP, and 80% of employment is still concentrated in agriculture. This indicated the source of growth would have gradually shifted from agriculture to service sector because much of the domestic private sector engaged into the service sector.

Table 1: Average GDP growth rate and the sectoral share to GDP in Ethiopian economy (in %)

Years/ Indicators	2003/ 04	2004/ 05	2005/ 06	2006/ 07	2007/ 08	2008/ 09	2009/ 10	2010/ 11	2011/ 12	2012/ 13	2013/ 14
SSA	7.1	6.2	6.4	7.1	5.6	2.8	5.3	5.2	5.3	5.2	5.4
Real GDP	11.7	12.6	11.5	11.8	11.6	10	10.6	11.4	8.5	9.7	10.3
Agriculture	16.9	13.5	10.9	9.4	7.5	6.4	7.6	9	4.9	7.1	5.4
Industry	11.6	9.4	10.2	9.5	10	9.9	10.6	15	13.6	18.5	21.2
Service	6.3	12.8	13.3	15.3	16	14	13	12.5	11.1	9.9	10.4
% share of sector to total GDP											
Agriculture	46.7	47	46.7	45.9	44.6	43	42	41	43.1	42	40.2
Industry	13.9	13.5	13.3	13.3	13.1	13	13	13.4	11.5	13	14.3
Service	39.4	39.5	40	40.8	42.3	44	45	46	45.4	45	46.2

Source: Compiled from IMF for SSA, MoFED, and CSA for Ethiopia

The public investment is the engine of growth in Ethiopia, flourish from building a road network to expanding basic social services and making a big push in the energy sector. Ethiopia is spending about 20% of its GDP to reengineer its infrastructure, such as roads, schools, health institutions, railways, air transport, hydroelectric and irrigation dams, and telecommunication services (Asayehgn, 2012). The growth quality and availability of infrastructure via extensive public investment in Ethiopia are essential for overall sustainable growth. For instance, in energy sub-sector the construction of the ‘Grand Ethiopian Renaissance Dam (GERD)’ underway on the Blue Nile River based on its ‘green economy development strategy’. It is an impressive self-funded hydropower project indicating the country’s rebirth and driving a consensus among Ethiopian’s and will be the continent’s largest dam with its 6,000MW production capacity upon its completion. This indicates the developmental state is committed in tapping into its vast endowed natural resources and renewable energy potential (such as its hydropower, wind, solar and geothermal power) all of which would deliver electricity at virtually zero Green House Gas (GHG) emissions. To support economic development at an annual growth rate of more than 10% that the government aspires to, it is necessary to expand the electric power supply at a rate of more than 14% per year and the country have enough potential to meet this demand (FDRE, 2011).

As Mark Swilling (2010) states, investing in resource productivity and energy efficiency is being seen as opportunity to create jobs, improve infrastructural services, build new knowledge industries, and rebuild

ecosystem's capacity to support life. For instance, Ethiopia is one of a few African countries that have made substantial commitments to "Green New Deals" aimed at stimulating economic growth through the creation of millions of "Green Collar jobs"². This means, adopting the green economy path promotes socio-economic targets such as rural development, health, and the creation of employment in high value-added production. In addition, Ethiopia intends to be a carbon free country by 2020 via a combination of investments in renewable energy and reforestation which, in turn, could attract substantial carbon finance (Swilling, 2010).

Further, generation of clean renewable energy in the form of hydropower and integrated watershed management, play a critical role in mitigating the impact and adaptation to climate change (World Bank, 2010). Implementation of green economy strategy and huge public investment in renewable energy is consistent with the objective of the country's sustainable and efficient use of resources to build green economy. This will enable Ethiopia to use its huge potential renewable energy for power generation as a means of establishing and sustaining its economic competitiveness. For instance, "greening industrialization will increase energy and material efficiency, thus yielding significant economic gains while reducing ecological and climate change risks" (Benedict, 2014).

Equally impressive the country set a target to become the top electricity supplier/exporter from the renewable energy sources the East African region. However, the country's current generation capacity of power from all sources is only about 5% of 45,000MW hydropower potential. Making intensive investment on energy sub-sector will help the country to generate foreign exchange by exporting hydropower energy to neighbouring countries and paving the way over which the country will become an energy hub the region with its estimated huge potential of renewable energy sources (Negash, 2011). Accordingly, the country set to become a key producer and exporter of power and it has already signed agreements with almost all neighbouring countries to export clean energy. This provides an opportunity to replace electric power generated from fossil fuels, which has significantly higher average costs and significantly higher emissions. Via electricity exports, Ethiopia can share its green development experiences to the region in addition to positively contributing to its balance of trade (FDRE, 2011). The country's economic growth is now getting broad-based, diversified, and inclusive with increasing contributions to the GDP from all sectors of the economy. The state is committed to allocate more resources to build economic and social infrastructure aimed to eradicate poverty, to achieve rapid and sustainable economic growth and development.

Investment in infrastructure has a vital role in the transformation agenda via supporting economic growth, industrialization, job creation, and in reducing poverty and inequality (UNCTAD, 2005; Ajayi, 2006). Though Ethiopia has invested heavily in key infrastructure development and has shown an improvement, still more needs to be done to address the existing infrastructural gap and enhance institutional quality. Substantial public investments are carried out on road, communication, housing, energy, in a few selected manufacturing sectors and recently railway. These investments are expected to boost economic growth in the long-run and obviously the existence of fairly enough infrastructures (both hard and soft) have major impact in development process. However, the current available infrastructure is yet far from adequate to attain the desired socioeconomic changes of the country (Balema, 2014). This indicates there is a lot remaining to accomplish. Therefore, intensive investment in infrastructure is not an option for further economic improvement rather it is necessary. Having adequate infrastructure would be considered as an engine in the economy to attract private sector investment in the productive sectors to accelerate the transformation process.

Investing in better rural feeder roads, for instance, can bring high returns, by dramatically lowering the costs of inputs and marketing, and hence increasing the margins secured by farmers. Even low-quality feeder roads raise more poor people out of poverty for every dollar than high-quality trunk roads, making them a "win-win" partnership strategy for growth and poverty alleviation (Kingombe, 2011). For instance, in Ethiopia access to all weather roads reduced poverty by 7% and increased consumption growth by 16% (Dercon, et al., 2008). This implies investment in infrastructure has a strong direct spillover effect on increasing economic growth and reducing level of poverty, which hugely contributes to the socioeconomic transformation. The other important aspect of economic growth in Ethiopia is its emphasis on wealth distribution among the entire population in egalitarian manner relatively through creating access and opportunity for development. The development projects and its expenditure have geared towards benefiting the lower-income population in order to narrow down the gap in income distribution. This implies the development strategies and public expenditures are both pro-poor and pro-growth in practice under the democratic developmental state paradigm.

² Green jobs, which are "work in agricultural, manufacturing, research and development (R & D), administrative, and service activities that contribute substantially to preserving or restoring environmental quality. The green economy strategy in Ethiopia focuses on four pillars such as: "adoption of agricultural and land use efficiency measures; increased GHG sequestration in forests, i.e., protecting and re-establishing forests for their economic and ecosystem services including as carbon stocks; deployment of renewable and clean power generation; and use of appropriate advanced technologies in industry, transport, and buildings". (See FDRE, 2011:20; Green Economy Strategy of Ethiopia).

Table 2: Trends in pro-poor spending in total public expenditure (in %)

Sectors/Years	2004/05	2005/06	2006/07	2007/08	2010/11	2011/12	2012/13
Education	19.8	21.8	23.7	21.3	24.9	23.9	25.2
Health	4.9	4.6	6.6	7.3	6.7	6.2	7.4
Agriculture	15	15.2	12.9	11.7	8.8	8.9	9.5
Roads	11.3	12.4	14.1	17.7	19.7	23.2	22.4
Water & sanitation	6	6.1	5.7	6.1	6.3	8.2	8.2
Total	57	60.1	62.9	64.1	66.4	70.4	70

Source: Adapted from UNDP (2015) compiled from MoFED

Pro-poor growth increases opportunities for poor sections of the citizen and decreases socioeconomic ills and investments in social sectors and in basic infrastructure are essential in the process of sustainable and inclusive growth. For instance, relatively the most successful campaign has been soil and water conservation work performed every year for 30-40 labour days spent free throughout the country to consolidate natural resource rehabilitation and management. The other campaign is to have one alternative source of water technology for the smallholder farm households that can use either to compensate rainfall shortages or to produce extra products in the dry season. There is ample evidence that public works have contribute such as a large-scale network of rural roads and other physical infrastructures; improvement of household level food security; and asset security and new asset formation. These all indicate creating access and opportunity for the smallholder farmers for development via mobilizing the community at local development programme and increasing the share of pro-poor public investment would help to achieve sustainable and egalitarian economic growth.

In sum, the developmental state has registered encouraging economic performance so far through formulation and implementation of contextualized development policies and programmes as well as put in place relatively workable institutions that support the development process. Growth supported by consistent resource mobilization and allocation in line with carefully formulated development plans, institutional reforms, agricultural modernization, and state-led development public investments. In particular, domestic resource mobilization has received more attention or given priority by government to sustain the current development process. Enhanced domestic resource mobilization increases the ability of the developmental state to achieve its development objectives. Increasing the share of domestic resources could allow the country to rescue from volatility of the external assistance and borrowing and can increase its policy space to strengthen accountability and achieve greater ownership of its development strategies. As a result, the country is making significant strides in both economic growth and social development though it has not been sufficient to address all development ills of a country. Therefore, the developmental state needs to strengthen its effort further by enhancing their inclusiveness and ensuring their sustainability.

5. The Role of Developmental State in Nurturing Private Sector

The private sector is an engine of economic growth and no country has achieved industrialization without the existence of competent and successful private sector. It is, therefore, imperative that developmental state nurtures the private sector through creating conducive business environment. For instance, as experiences from Japan and South Korea point out, the role played by the state to develop an indigenous private sector was a critical factor in the industrialization of these countries. These indigenous private sectors overtime grew into some of the most powerful companies in the global economy. Both governments used a mixture of protectionism, subsidized credit and so on for domestic private sectors to develop an indigenous technological base and then they had allowed them to compete in the global market (Chang, 2003). However, the role of state should not be limited only to providing support (incentive) to the private sector. State should also challenge the private sector to perform better and become competitive in export markets and state support is conditional on the achievement of certain policy objectives. The relationship between the state and the private sector could depend on a forward-looking performance direction under the “carrot” and “stick” approach.

This indicates a productive private sector constitutes a major pre-requisite for the overall success of the emerging developmental states in developing countries like Ethiopia. This is because the private sector has considered as a significant role player in realizing sustainable development and structural transformation. The state could engage in two major ways: “At the broader level, the state should develop strong relationships with the private sector and its constituent businesses, especially domestic firms”. In specific aspects, “the state should help empower domestic businesses through the provision of various incentives such as tax holidays, tax breaks and concessional loans” (Kieh, 2015). In turn, private sectors (both domestic and foreign) could contribute for job creation and domestic capital formation via engaging in manufacturing and commercial farming sectors. Accordingly, public investments in infrastructure and human resource development expansion will make the private sector more profitable and hence ‘crowd in’ them in development process. The existence of modern infrastructure and effective institutions are crucial for the private sector to take investment risks in productive

sectors and therefore increasing public expenditure on infrastructure and nurturing well-functioning institutions are critical issues for the state of Ethiopia.

ADLI is the fundamental cornerstone of industrial development in Ethiopia and the industrial development policy emanated from the broader development vision of the ADLI development strategy. Obviously, formulation of national industrial policy and strategy will vary among countries, based on the needs of the private sector, resource endowments and national development objectives. The key to industrial policy becomes part of the regular decision-making mechanism of government and becomes no different from more broadly accepted fiscal and monetary policies. Doing this, government will have to ensure that special interest groups do not capture the economic benefits and make sure that spread inclusively among the broad sections of the population (Alladin, 1986). The philosophy of ADLI is that agricultural development plays a leading role in the industrialization process by preparing various conditions for full-fledged industrialization. To realize this, the private sector will promote and can play a significant role in encouraging industrialization. To ensure fast and sustained industrial development the main focus will be on industries that are labour-intensive, have broad linkages with the rest of the economy, use agricultural products as inputs, export-oriented and import substituting, and contribute to rapid technological transfer (MoFED, 2002a).

Therefore, private sector investment particularly in manufacturing and commercial farming has promoted and supported by the developmental state. This indicates the state recognized the private sector as an engine of growth and has continued its support to enhance the competitiveness of the sector via providing basic infrastructures, institutional supports and other incentives. Since lack of infrastructure and effective institutions have resulted high transaction cost for the private sector, the state is the only institution that can take the responsibility to invest in physical infrastructure, direct credit to strategic industries, and provide protection to infant industries at the initial stage of industrialization (UN-Habitat, 2014). Without having such well-developed infrastructure and effective institutions, it would be unthinkable for the active involvement of the private sector in the economy.

In the manufacturing sub-sector, the state has been providing substantial incentives to textiles and garment, leather and other agro-processing industries, which have a direct linkage with the agriculture sector. These sectors also employ substantial amount of labour force and boost export earnings and further the state has been working on import substitute domestic industries (MoFED, 2006; Ohno, 2009). These industries promoted to replace imports that “drain-off” the scarce foreign exchange earnings. It receives similar support as the export promoting strategy to enhance the contribution to the transformation process. Considerable efforts mainly exerted on promoting the MSEs that would be also the base for medium and large-scale indigenous private sector enterprises. The state played its role in organizing, training, availing working places mainly shades, providing access to loans and market connection to these enterprises. The practice of promoting and supporting of the MSEs is consistent to the experiences of some East Asian developmental states such Japan, South Korea and Taiwan to create domestic private sector initially and will grow later into medium and large-scale powerful companies. These MSEs have been playing relatively a significant role in creating job opportunities and means of earning income for thousands of other jobless in urban areas.

In order to enhance the role of the private sector, there is a high-level systemic government and private sector dialogue and cooperation are conducted regularly. The government and private sector’s consultation and cooperation has enhanced to exploit the development opportunities, to develop the institutional capacity and to develop new development sub-sectors in the economy. For instance, the government’s recent efforts to develop industrial zones need to get better momentum and the zones will play a major role in attracting foreign investment to the country (Balema, 2014). Such systemic state-private sector dialogue and cooperation would help to the state to intensify its efforts to address the problems related to infrastructure, institutional, bureaucracy and credit (especially for small and medium size enterprises) issues to promote further the role of private sector in the priority areas, manufacturing sub-sector. Competitive cheap labour, energy costs, duty and quota free access to the US and EU markets, tax exemption, and holidays, and building consumer markets are the key pull factors for foreign direct investment (FDI) in Ethiopia (US Department of State, 2014). Therefore, the private sector is expected to exploit this investment opportunities and aligning its investment projects with the priority areas, which have significant socioeconomic benefits and thereby play a greater role in accelerating growth.

This indicates the state should be taken regulatory and operational measures to strengthen the role of private sector via providing some basic incentives. The developmental state is committed to improve the business climate to enable the private sector to growth and employment creation. Trade and credit policy incentives, investment in key infrastructure, reform in the property rights regime, along with the commitment to maintain macroeconomic stability have been extensive. Overall, the state provides generous incentives and support programmes to build the capacity of private sector (“carrots”) and at the same time it introduced a number of measures (“sticks”) alleging to discipline the foundation of the private sector. These efforts have positively contributed to economic growth and increased the inflow of FDI into the economy (MoFED, 2013).

These “carrot” and “stick” measures are not new practice for Ethiopia rather the East Asian developmental states were widely practiced to nurture their domestic private sector.

Box-1: Examples of carrot and stick measure in Leather Industry

The strategy in which a strong state mobilizes incentives and disincentives to induce economic agents to create value observed most vividly in the leather and leather product industry. The goal of this industry as set by the government is to supply finished leather or finished leather products to export and domestic markets by acquiring management and technology capabilities to process what has hitherto sold as raw or semi-finished leather. As ‘carrots’, a series of policies have been offered to the industry including:

- ‘Establishment of the Leather and Leather Product Technology Institute (LLPTI) to provide training, quality tests and some production processes’;
- ‘Donor assistance, foreign advisors and twinning with a British institute for LLPTI;
- ‘Preferences in finance and foreign currency allocation’;
- ‘Business matching between domestic shoe producers and European firms’; and
- ‘Monthly government business meetings to promote the industry and remove its barriers (Ohno, 2009);

As a “sticks, the ban on raw leather (crust leather) export and high tax about 150% tax on exports of crust or semi-finished leather which represented about 40% of Ethiopian leather exports in 2011 to protect domestic market” (World Bank, 2014).

However, there are critics the “carrot” and “stick” instruments are not transparent, and the policy makers and implementers tend to patronize the private sector instead of encouraging competition and innovation. Despite tremendous efforts by government to support private sector development, the policy mix that fostering high public investment and economic growth has the unintended consequences of crowding-out the private sector in land, credit, and foreign exchange market. The public investment rate of the country is the third highest in the world and such high public investment has had a negative impact on the distribution of credit, land and foreign exchange (World Bank, 2013).

The private sector in Ethiopia obviously has not yet reached the stage that playing a visible and dominate role in the economy, though there are a number of policy incentives and supports. The private sector is dominated by risk averse behavior that does not want to engage in productive economic sectors. At the same time, state bureaucracy and institutions are not reached at a level that the policy direction put in place demanding to support the private sector. The issue of competent bureaucracy and well-functioning institutions are some of the main challenges for the state apparatus. Therefore, intervention measures in the overall development strategy and sector programmes to assist the private sector and promote economic development should be carried out more vigorously and persistently (Balema, 2014) via improving state bureaucracy and institutions.

Conducive business environment accompanied with macroeconomic stability is indispensable for attracting investment (both domestic and foreign) that contribute for employment creation and poverty reduction. For instance, the amendment of Ethiopia’s investment proclamation No.769/2012 introduced provisions for the establishment of industrial development zones, both state and private run, with favourable investment, tax, and infrastructure incentives for the key priority investment areas. The government established an institution, the Ethiopian Industrial Zone Corporation, under the Ministry of Industry to oversee the construction and regulation of the industrial zones and parks. The key priority areas in industrial sector are textile and garment, leather, sugar, cement, metal and engineering, chemical, pharmaceutical and agro-processing (FDRE, 2012).

Box-2: Industrial Zones Development

“Aware of the problem of land supply, the government has invested in the development of industrial land for private investment. In 2012/13, demand based industrial zones were developed in different regional states and city administrations with configuration of the entire necessary infrastructure. A total of 3,537 hectares of land was prepared for establishment of industrial zones in Addis Ababa, Kombolcha, Dire-Dawa, and Hawassa. From the five industrial sites, construction has started in Bole Lemi industry zone site in Addis Ababa, which is known as the Addis Industrial Village. Privately owned industrial zones are also under development around Dukem and Finfine areas of Oromia Region. These include Eastern Industrial Zone around Dukem, which owned by a Chinese investor, and Sendafa Industry Zone, which is owned by a Turkish investor. Furthermore, a company called Huijan International Shoe City has requested 320 hectare of land to establish an industrial zone. All these initiatives expected to result in the expansion of private investment particularly in manufacturing” (MoFED, 2014). The establishment of industrial development zone creating and enabling competitive conditions to integrate manufacturing sectors based on valued creation as well as to attract and expand investment.

Therefore, the industrial zones expected to provide high potential for growth and value addition as well as for strong forward and backward linkage among firms, suppliers, and service providers. The industrialization packages and the development of the industrial zones have in effect created another enclave for international capital in the form of FDI to boost the national economy. However, establishment of Industrial Zone in Ethiopia is not new practices rather it is in line to the experiences of the East Asian developmental states as well as

Mauritius from SSA built “Export processing zones (EPZs)” or “Special Economic Zones (SEZs)”. These EPZs or SEZs set up to attract labour-intensive and export based manufactured FDI via granted various preferential treatments (Kimura , 2006). Such FDI-led “take-off” at the beginning stage of catch-up has been effective in the labour-abundant emerging economies subject to advanced industrialization depends increasingly on knowledge and demands sophisticated approaches.

FDI is obviously an important source of private capital and has the potential to promote economic growth and diversification, enhance skill development, facilitate the transfer of technology and access to foreign markets, improve the competitiveness of domestic firms by creating capacity for value-addition and spawn the development of new manufacturing and service sectors. For instance, Mauritius and the second-tiers of the Southeast Asian developmental states used FDI successfully in this way, including public investment in infrastructure, training, and skills to attract it into sectors producing goods and services with a high value-added component (UNCTAD, 2005; Ajayi, 2006). Hence, to attract FDI the developmental state of Ethiopia gives special investment incentives to create a favourable environment for foreign capital such as leasing virgin farmlands and bestowing tax holidays and tax relief to foreign investors to promote large-scale commercial farm in addition to the manufacturing sub-sector.

Table-3: Summary of the democratic development state practice in Ethiopia

Indicators	Explanation/Description
The role of state	<ul style="list-style-type: none"> ▪ Intervened in the market for the sake of economic development ▪ Established institutions for building democracy ▪ There is a gap between the political leadership and civil servants; this indicates there is lack of building strong bureaucracy yet ▪ Pilot agency: National Plan Commission ▪ Build broad cross section of state-society cohesion/coalition with the rural population
The role of agriculture	<ul style="list-style-type: none"> ▪ Agriculture (smallholder agriculture) is the backbone of the Ethiopian economy ▪ Development policy: ADLI since 1990s which helps to transform the agriculture and the agriculture sector is expected to be the base for industrialization ▪ The agricultural policies and strategies have similarities with that of Taiwan and South Korea; the difference lies in the outcome of the policies that depends on the implementation capacity and other factors ▪ The developmental state still needs to see how to use modern technologies for smallholder agriculture
Industrial policy	<ul style="list-style-type: none"> ✓ The industrial sector development operates within the framework of the country’s overarching economic development policy, ADLI ✓ The state endeavours to fulfil all the necessary infrastructures and establishment of industrial zones is already started and plan to expand it ✓ Protects and nurtures some industries like the East Asian developmental states did; the centre of support lies basically to domestic private firms ✓ There is fertile ground to give much emphasis for industrialization based away from emphasis to agriculture
Policies towards private sector & FDI	<ul style="list-style-type: none"> ▪ Designed good policy for the development of FDI via allows different incentives for the investors; for instance, land is owned by the government, and this gives opportunity for the developmental state to use the land for economic development ▪ Since the bank is not liberalized, the developmental state is using the Ethiopian development bank to give loan for investors ▪ There is professional and institutional support at different levels for the firms which are committed to invest and invested ▪ State-private sector relationship is based on “carrot” and “stick” measures in a systematic and softened way as a democratic developmental state
Policies for export-led growth	<ul style="list-style-type: none"> • There are trade policies that favour export-oriented and import substituting industries including incentives tax exemptions, import duty free, tax holidays... • Designed programmes to reward successful industries in the export sector and punish the rent-seekers though the outcome of the export sector is far behind from what targeted by government
Policies towards build skilled labour force	<ul style="list-style-type: none"> ▪ The government developed the education and training policy in 1994, and launched consecutive the Education Sector Development Program ▪ The emphasis given to education is almost similar to the East Asian countries, and the attention first is for primary education, then to secondary, and finally to tertiary level ▪ Value and moral education has already started both in a formal way in the school and informal trainings ▪ The government considered human resource development programme via strengthens both formal education and trainings as engine of the sustainable development and build broad-based democracy

6. Discussion and Synthesis

The backbone of the East Asian developmental state success is the existence of committed political leadership and strong bureaucracy or state institutions are few among others that contributed for the success of the

developmental state paradigm. The political wing in these countries gave relatively full autonomy to civil servants or state bureaucracy and they have the right to decide in economic issues (Johnson, 1982; Asayehgn, 2012). In Ethiopia, the developmental state tried to include the civil servants in the movement towards eradication of poverty and transformation of the nation. Moreover, the civil servants playing their role in the developmental army building process in major development fronts at the community level. However, the link between the civil servant and the public is weak and it has not reached to the level at which the East Asian developmental state was and considerable effort is needed to strengthen the linkage at all levels (Asayehgn, 2012; Melke, 2013).

For instance, as a recent study by the World Bank on the public sector reform programme in Ethiopia reveals that, there is an overall improvement across the various levels of government bureaucratic institutions with some capacity limitation (World Bank, 2013). Civil servants have clearly divided functions, they are recruited based on meritocracy, manage the Ethiopian bureaucracy, and have improved their skills via various experiential learning seminars and trainings (Asayehgn, 2012). However, it is difficult to conclude that these bureaucratic institutions are purely autonomous rather influenced by the ruling elite. This implies it is not reached to the levels of Botswana and Mauritius democratic developmental states and the previous East Asian developmental states as Johnson (1982) termed a notion “politician reign” and the state “bureaucratic rule”.

Today, Ethiopia adopted a democratic developmental state model to attain favourable socioeconomic development transformation via its long-term ADLI development strategy to build a stable democratic framework; a competent state bureaucracy; autonomous institutional environment that less likely influenced by the ruling political elites. In addition, the country making tremendous efforts to build robust and inclusive capitalist economy via crowd-in the private sectors to play a crucial role for sustain economic development process; combat poverty and to achieve near full employment. The existence of committed political elites and strong political commitment in developmental state set the stage for a well-conceived development policies and strategies.

National consensus in many of the developmental projects among the nations was one of the great contributing factors for the success of their economic development and transformation of many of the East Asian developmental states. National consensus in countries like Ethiopia where there is diverse ethnic groups is paramount and necessary but it is not an easy task. The developmental state in Ethiopia tried to build national consensus for instance against fighting poverty and natural resource conservation through soil and water conservation campaign to build a green economy. However, there are individuals or groups of individuals who move against the direction of the developmental state and this indicates there is a need further efforts to narrow the gap via creating consensus in many of the development projects. Such gap should narrow down via accelerating the development process and improving the well-being by creating equal development opportunities for all. Strengthening the broad cross-section ties of state-society, which helps to boost the participation of citizens in planning, implementation, and evaluation process will be crucial.

Creating national consensus is very essential to make the general population rally behind the developmental state policies and strategies. Accordingly, the nation injecting billions of capital in the form of public investment for building basic infrastructure such as energy, rail and road transport to create conducive environment to the development process. Indeed, implementing pro-poor and pro-development policies have been the biggest catalyst for the nation’s high growth rate and laid the foundation for the national consensus on the need of development to eradicate poverty. The developmental state has been pretty clear about what it needs and how it would satisfy the need of the economy via the integration of state and market, which help to mobilize resources in efficient manner for the betterment of the poor.

Accordingly, expansion of both hard (tangible), and soft (intangible) infrastructure as component of the economy’s endowment could be used as a cornerstone for further expansion of the economy via allowing the private sector to invest in the productive subsectors and to improve the well-being of the nation. For instance, the expansion of energy sector has a positive spillover effect to support the overall economic growth and facilitate the transformation of the economy from being dependent on agriculture to a broader productive industry and service sectors. Since the country’s energy depends on renewable resources that helps to achieve its green economic development goal and greening the development process can enable the economic and employment growth crucial to be environmental sustainable. The developmental state strengthens its investment further in expansion of human capacity or capability to sustain the development process and strengthen the consensus on the developmental state projects. Therefore, the state should invest in R&D, science and technology to satisfy the required human capacity to accelerate industrialization and sustain economic development.

The developmental state furthermore tries to build competitive economy via encouraging the private sector enterprises; boosts public investment in infrastructure and institutions to create conducive investment environment; promoting economic diversification and create employment opportunity to address the existing unemployment, and to assure egalitarian resource distribution both in rural and urban areas. Creating such an opportunity is a kind of economic rent distribution, which is very relevant for the accumulation of social,

physical, and human capitals through promoting public and private investment. The accumulation of such capitals which play a critical role in accelerating economic growth, increasing returns to scale in the economy and improving the standards of living. Therefore, a developmental state must be able to be directed and supported economic development through building a strong public bureaucracy, creating an investment friendly environment for the private sector, supporting small business development such as MSE development, and using state owned enterprises effectively in the economy. This indicates state has to play a critical role in keeping economic competitiveness to use the resources (physical and human) efficiently for development that enable to fulfil the national development interest.

7. Conclusions

Ethiopia is one of the emerging democratic developmental states in Africa that largely satisfy the prerequisites of democratic developmental state paradigm. A few among them are the presence of development-oriented and committed political elites, commitment to build vibrant and far-reaching institutions, state bureaucracy and the adoption of long-term development plan to achieve its long-term grand objective; i.e. to join into the middle-income club by 2025. Furthermore, agricultural land distribution/reform, rapid and sustainable economic growth, fight against corruption and rent seeking incidences, promotion of egalitarian economic growth via the pro-poor and development intervention, create development opportunity for all, reducing level of extreme poverty almost by half yet, provision of basic social services up to the village level are a few among others. This implies Ethiopia registered robust, broad-based, inclusive economic growth praised with unprecedented socioeconomic improvements over the past decade plus since it adapted the developmental state paradigm.

The political elites under the developmental state paradigm are relatively committed to achieve a sustained economic growth and development in the context of the consecutive mid-term five-year development plans. Ethiopia's economic development is impressive and the country is praised with unprecedented economic growth since it adapted the democratic developmental state paradigm. Ethiopia becomes one of a few fast growing countries in the world and its growth success is peculiar to other emerging African lions in many respects. Firstly, it is one of the African countries, which achieved a remarkable economic growth without having extracting natural resource; i.e. its economic development is more or less people centred. Second, it is one of the African states that reduced level of extreme poverty by half, which is the result of the tremendous efforts exerted economic and social sectors via pro-poor and pro-development policy innovations. Third, the existence of committed and developmental-oriented leadership guided by realistic vision and long-term and five-year mid-term development strategies. However, economic development achieved yet is not adequate to ease the poverty burden of the country. Further efforts required to accelerate socioeconomic progress with poverty reduction endeavours at the centrepiece of its development strategy.

The practice of context specific development approach, that build democratic developmental state based on the consent of its people has enabled the country to establish a stable political economy and register high economic growth. Hence, Ethiopia is in a process of democratization and its democracy is so young that it needs to strengthen further via the involvement of all stakeholders and strengthen its human capital and institutional capacities at all levels. Ethiopian's participatory political culture is growing from time to time that they pay due attention to political participation as effective mechanism for peace, stability and development. Ethiopia's democratization process and accelerated development are two sides of the same coin, which tried to implement simultaneously under the democratic developmental state paradigm. For Ethiopia, which is a highly diversified nation democracy is not an option rather it is necessary to sustain unity in diversity.

References

- Africa Progress Report. (2014). *Grain Fish Money Financing Africa's Green and Blue Revolutions*. Geneva: Africa Progress Panel.
- African Economic Outlook. (2012). *African Economic Outlook 2012: Ethiopia*. AfDB, OECD, UNDP, UNECA. Paris: Organization for Economic Cooperation and Development. Retrieved from www.africaneconomicoutlook.org
- African Economic Outlook. (2013). *Structural Transformation and Natural Resources*. AfDB; OECD; UNDP and UNECA. Paris: Organization for Economic Cooperation and Development. Retrieved from www.africaneconomicoutlook.org
- Ajayi, S. (2006). *FDI and Economic Development in Africa*. Tunis: Unpublished Paper for presentation at the ADB/AERC International Conference on Accelerating Africa's Development Five years into the Twenty-First Century November 22-24, 2006.
- Alladin, M. (1986). Economic Development in Plantation Economy: The Decline of the Sugar Industry in Mauritius. *Studies in Comparative International Development*, 88-106.
- Asayehgn, D. (2012). The Continuing Saga of Globalism: Comparing Ethiopia's Developmental State Strategies to those of Malaysia. *International Journal of Management Sciences and Business Research*, 1(11), 87-

103.

- Balema, A. A. (2014). *Democracy and Economic Development in Ethiopia*. Trenton: The Red Sea Press.
- Benedict, A. (2014). Africa at Cross-Roads in Her Development: The Urgent Need of a Developmental State for Africa. *Journal of Social Science for Policy Implications*, 2(2), 91-108.
- Chang, H.-J. (2003). The Market, the State and Institutions in Economic Development. In H.-J. Chang (Ed.), *Rethinking economics* (pp. 41-60). London: Wimbledon Publishing Company.
- Chinigò, D. (2014). Decentralization and agrarian transformation in Ethiopia: extending the power of the federal state. *Critical African Studies*, 6(1), 40-56.
- CSA. (2011). *Ethiopian Welfare Monitoring Survey 2011 Summary report*. Addis Ababa: Central Statistical Agency (CSA).
- Daddi, T. D. (2013). *The Emergence of Democratic Developmental States in Africa: The Ethiopian Experience*. Bahir Dar: Bahir Dar University.
- Dercon, S., Gilligan, D., Hoddinott, J., & Woldehanna, T. (2008). *The Impact of Agricultural Extension and Roads on Poverty and Consumption Growth in Fifteen Ethiopian Villages*. IFPRI Discussion Paper 00840. Washington, D.C: International Food Policy Research Institute (IFPRI).
- Edigheji, O. (Ed.). (2010). *Constructing a Democratic Developmental State in South Africa: Potentials and Challenge*. Cape Town, South Africa: HSRC Press.
- Evans, P. (1995). *Embedded Autonomy: States and Industrial Transformation*. Princeton, New Jersey 08540.: Princeton University Press.
- Evans, P. (2010). Constructing the 21st Century Developmental State: Potentialities and Pitfalls. In O. Edigheji (Ed.), *Constructing a Democratic Developmental State in South Africa: Potentials and Challenge* (pp. 37-58). Cape Town, South Africa: HSRC Press.
- Evans, P. (2011). *The Capability Enhancing Developmental State: Concepts and National Trajectories*. Discussion Paper No. 63. Seoul: Center for Studies on Inequality and Development.
- Fantini, E. (2013). *Developmental state, economic transformation and social diversification in Ethiopia*. Turin: ISPI-Analysis; No. 163.
- FAO-WFP. (2012). *Special report of FAO/WFP Crop and Food Security Assessment Mission*. Rome: Food and Agricultural Organization and World Food Programme.
- FDRE. (2011). *Ethiopia's Climate Resilient Green Economy: Green Economy strategy*. Addis Ababa: The Federal Democratic Republic of Ethiopia (FDRE).
- FDRE. (2012). *Negarit Gazeta of the Federal Democratic Republic of Ethiopia (FDRE): Investment Proclamation No. 769/2012*. Addis Ababa: Berhanena and Selam Printing Press.
- Fourie, E. (2011). *Ethiopia and the Search for Alternative Exemplars of Development*. Trento: Africa and International Studies Working Group. Presented in Panel: 'An Emerging Post-Washington Consensus?'.
Washington, D.C: International Monetary Fund (IMF).
- IMF. (2013). *The Federal Democratic Republic of Ethiopia: Staff Report for the 2013 Article IV Consultation*. Washington, D.C: International Monetary Fund (IMF).
- IMF. (2014). *The Federal Democratic Republic of Ethiopia: Staff Report for the 2014 Article IV Consultation*. Washington, D.C: International Monetary Fund (IMF).
- Johnson, C. (1982). *Ministry of International Trade Industry (MITI) and the Japanese Miracle: The Growth of Industry Policy, 1925-1975*. Sanford, California: Stanford University Press.
- Kieh, G. (2015). Constructing the social democratic developmental state in Africa: lessons from the “Global South”. *Bandung: Journal of the Global South*, 2(2), 1-14.
- Kimura, F. (2006). International Production and Distribution Networks in East Asia: Eighteen facts, mechanics, and policy implications. *Asian Economic Policy Review*, 1(1), 326–344.
- Kingombe, C. (2011). *Achieving pro-poor growth through investment in rural feeder roads: the role of impact evaluation*. London : Overseas Development Institute.
- Martins, P. (2014). *Structural Change in Ethiopia: An Employment Perspective*. Policy Research Working Paper No.6749. Washington, D.C: World Bank.
- Melke, D. A. (2013). Promising democratic developmental state in Africa: Evidences from Ethiopia. *International Journal of Educational Research and Development*, 2(7), 168-177.
- Ministry of Information. (2002). *The Federal Democratic Republic of Ethiopia Foreign Affairs and National Security*. Addis Ababa: Ministry of Information Press & Audiovisual Department.
- Mkandawire, T. (2001). Thinking about Developmental States in Africa. *Cambridge Journal of Economics*, 25(3), 289-313.
- Mkandawire, T. (2010). From maladjusted states to democratic developmental states in Africa. In O. Edigheji (Ed.), *Constructing a Democratic Developmental State in South Africa: Potentials and Challenge* (pp. 59-81). Cape Town, South Africa: HSRC Press.
- MoFED. (2002a). *Ethiopia: Sustainable Development and Poverty Reduction Program (SDPRP)*. Addis Ababa: Federal Democratic Republic of Ethiopia, Ministry of Finance and Economic Development (MoFED).

- MoFED. (2002b). *Government of the Federal Democratic Republic of Ethiopia: Rural Development Policy and Strategies*. Addis Ababa: the Federal Democratic Republic of Ethiopia; Ministry of Finance and Economic Development (MoFED).
- MoFED. (2006). *Ethiopia: Building on Progress; a Plan for Accelerated and Sustained Development to End Poverty (PASDEP) 2005/06-2009/10*. Addis Ababa: The Federal Democratic Republic of Ethiopia, Ministry of Finance and Economic Development (MoFED).
- MoFED. (2010). *Growth and Transformation Plan (GTP), 2010/11-2014/15*. Addis Ababa: The Federal Democratic Republic of Ethiopia, Ministry of Finance and Economic Development (MoFED).
- MoFED. (2013). *The Federal Democratic Republic of Ethiopia: Annual Progress Report for F.Y. 2011/12 Growth and Transformation Plan*. Addis Ababa: The Federal Democratic Republic of Ethiopia; Ministry of Finance and Economic Development (MoFED).
- MoFED. (2014). *Federal Democratic Republic of Ethiopia Growth and Transformation Plan Annual Progress Report for F.Y. 2012/13*. Addis Ababa: Ministry of Finance and Economic Development.
- Negash, F. (2011). *Managing water for inclusive and sustainable growth in Ethiopia: key challenges and priorities*. Addis Ababa: Ministry of Water and Energy.
- Nganwa, P. (2013). *Ethiopia, Resources for poverty eradication: A background paper*. Addis Ababa: Development Initiatives; Africa hub.
- Nishi, M. (2013). Problems and Possibilities of Democratic Developmentalism in Ethiopia. *56th Annual Meeting of the African Studies Association, November 21–24, 2013* (pp. 1-30). Baltimore: Unpublished Conference Paper.
- Ohno, K. (2009). *Ethiopia: Political Regime and Development Policies*. Tokyo: Graduate Institute for Policy Studies (GRIPS). Presented at Policy Dialogue on Industrial Development in Ethiopia, Addis Ababa.
- Rahmato, D., Bantirgu, A., & Endeshaw, Y. (2008). *CSOs/NGOs in Ethiopia: Partners in Development and Good Governance*. Addis Ababa: Unpublished Research Report Prepared for the Ad Hoc CSO/NGO Task Force.
- Swilling, M. (2010). *Africa 2050-Growth, Resource Productivity and Decoupling*. Stellenbosch: Unpublished Paper, Stellenbosch, South Africa.
- Thorbecke, E. (2014). *The structural anatomy and institutional architecture of inclusive growth in sub-Saharan Africa. WIDER Working Paper 2014/041*. Helsinki: UNU-WIDER.
- UNCTAD. (2005). *Economic Development in Africa: Rethinking the Role of Foreign Direct Investment*. Geneva: United Nations Publication.
- UNCTAD. (2009). *The Least Developed Countries Report 2009: The States and development governance*. New York and Geneva: United Nations.
- UNDP. (2015). *National Human Development Report 2014 Ethiopia: Accelerating Inclusive Growth for Sustainable Human Development in Ethiopia*. Addis Ababa: United Nations Development Programme (UNDP).
- UNECA. (2011). *Economic Report on Africa 2011: Governing development in Africa the role of the state in economic transformation*. Addis Ababa: United Nations Economic Commission for Africa.
- UN-Habitat. (2014). *Structural Transformation in Ethiopia: The Urban Dimension; Building 'Economically Productive, Socially Inclusive, Environmentally Sustainable & Well Governed' Cities*. Nairobi: UN-Habitat.
- US Department of State. (2014). *Department of State: 2014 Investment Climate Statement*. Addis Ababa: US Department of State.
- World Bank. (2010). *Economics of Adaptation to Climate Change: Synthesis Report*. Washington, D. C: World Bank.
- World Bank. (2012). *Ethiopia Economic Update: Overcoming Inflation, Raising Competitiveness*. Washington, D.C: World Bank.
- World Bank. (2013). *Ethiopia Economic Update II: Laying the Foundation for Achieving Middle Income Status*. Washington D.C: World Bank.
- World Bank. (2014). *The 3rd Ethiopia Economic Update: Strengthening Export Performance through Improved Competitiveness*. Washington D.C: World Bank.