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"The Political Economy of industrial policies in Ethiopia: structural change, policy process and the role of donors"

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During the period 2014 – 2020, I worked in Ethiopia, at first for the Italian Development Cooperation and then for UNIDO, and supervised several projects supporting the agro-industrial process of the country, including the design and implementation of Integrated Agro-Industrial Parks.

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Undertaking this research has not been an easy task, because it has forced me to look back and analyse a lengthy policy process, characterised by numerous naïve attempts, several painful setbacks and some promising results. Meanwhile, Ethiopia is undergoing a terrible crisis and people and places that I used to know are no longer there. The words of my grandmother, the example of Enrico and the help of my professor, colleagues and friends gave me the strength to finish what I began three years ago.

ABSTRACT

This study analyses the process of design and implementation of the Integrated Agro-Industrial Parks Programme, which the Ethiopian government has identified as one of the main pillars to achieve agricultural modernisation, rural industrialisation and ultimately the structural transformation of the economy and society in the country. The experience of the Integrated Agro-Industrial Parks is a telling case of the Ethiopian political economy. Hence, the research adopts a political economy perspective to argue that the regime change of 2018, following 2 and a half years of social unrests, opened a window of opportunity for a more constructive policy dialogue that allowed development partners to effectively promote new ideas and government officials to test them. In particular the idea that industrial policy targeting structural change should be designed and implemented adopting a multi-stakeholder and participatory perspective, rather than through the conventional dirigiste, top-down approach that has characterised the Ethiopian developmental state since the late Nineties. Some policy lessons and remarks are drawn in the conclusions.

The results of the study are based on an intense field research, involving semi-structured interviews with key stakeholders and participant observation. Indeed, the thesis has benefited, since 2014, by the participation of the author to the Ethiopian industrialisation process, first as representative of the Italian Development Cooperation and later as technical advisor on behalf of UNIDO.

Partially drawing from this study two papers are to be published, both focusing on the relations between donors and governments and the contribution of industrial policies to the process of structural transformation in Ethiopia.

The first analyses the policy process of industrial policies in Ethiopia, drawing lessons from the case of the Integrated Agro-Industrial Parks design and implementation.

Andrea Ghione, Elena Prodi, Marco R. Di Tommaso. *The Political Economy of Industrial Policy for the Structural Transformation of the Economy and Society in Ethiopia: Lessons from the Integrated Agro-Industrial Parks Initiative*. L'Industria.

The second focuses on the dialogue between donors and government on the decent job agenda in the country and its relevance for the likelihood of success of development aid initiatives intended to support the structural transformation of the Ethiopian economy.

Marco R. Di Tommaso, Enrico Genovese, **Andrea Ghione**, Elena Prodi. *Industrial Policy and Foreign Aid: Promoting Sustainable Structural Changes in Ethiopia*. Structural Change and Economic Dynamics.

Keywords: Developing countries, International aid, Ethiopia, Political economy, Structural transformation, Industrial policy, Policy process, Interests vs Ideas.

“A society ... can be Pareto-optimal and still be perfectly disgusting”

— Amartya Sen. *Collective Choice and Social Welfare*

“A man who calls his kinsmen to a feast does not do so to save them from starving. They all have food in their own homes. When we gather together in the moonlit village ground it is not because of the moon. Every man can see it in his own compound. We come together because it is good for kinsmen to do so.”

— Chinua Achebe. *Things Fall Apart*.

“Ma la poca prudenza degli uomini comincia una cosa che, per sapera allora di buono, non si accorge del veleno che vi è sotto.”

— Niccolò Machiavelli. *Il Principe*.

1. INTRODUCTION

The study investigates the process of agro-industrial development and structural transformation in Ethiopia, with particular reference to the literatures on industrial policy and political economy of developing countries. More specifically, we analyse the policy process of the Integrated Agro-Industrial Parks (IAIPs) programme, which is one of the main pillars of the economic development strategy of the country. The analysis will concentrate on the design and implementation of four IAIPs in the Regions of Oromia, Amhara, Tigray and Sidama/SNNP (Southern Nations, Nationalities and People's).

The IAIPs are Special Economic Zones - SEZs (see UNIDO, 2018 for SEZs in Ethiopia; Farole, 2011a, for SEZs in Africa; Saleman and Jordan, 2014 for SEZs in India; Farole, 2011b; Farole and Akinci, 2011 and Moberg, 2017 for general lessons), designed to attract domestic and foreign investors in agro-processing and spur agricultural development along strategic value chains. The IAIP approach encompasses the construction of agro-parks, which provide state-of-the-art infrastructure, preferential access to utilities and streamlined public services (custom, visa processing, taxation...) to agro-processors, and the provision of goods and services (grading, storage, quality control, access to finance and inputs, training...) to smallholder farmers through a network of 7-8 Rural Transformation Centres located in the main rural town around the parks.

The IAIPs are an industrial policy tool aiming to solve a huge coordination problem in the country. The underdevelopment of agricultural value chains and the underinvestment in agro-processing reinforce each other's and public intervention aiming at supporting the supply (from smallholder farmers) and the demand (from agro-processors in the parks) of agricultural products is a way to solve it.

In the words of Rodrik (1995, pp. 79-80):

“The profitability of the modern [industrial] sector depends on the simultaneous presence of the specialized inputs; but the profitability of producing these inputs in turn depends on the presence of demand from a pre-existing modern sector. It is this interdependence of production and investment decisions that creates the co-ordination problem.”

Other objectives of the IAIPs are to create jobs in agro-industry, increase farmers' incomes (thanks to the increased demand for their products, enhancement of their quality and improvements in the organisation and

efficiency of agricultural value chains), generate export revenues, substitute imports of agro-processed goods and contribute to economic growth and structural transformation.

The design of four pilot IAIPs started in 2014 and their construction in four rural towns of the regions of Oromia (Bulbula), Tigray (Baeker), Amhara (Bure) and SNNP/Sidama ⁽¹⁾ (Yirgalem) in 2017. The process has involved several stakeholders, among which Ethiopian federal and regional authorities, donors (EU-European Union, IFAD-International Fund for Agricultural Development, the development cooperation agencies of Italy, Germany, The Netherland, Denmark and South Korea), development banks (AfDB-African Development Bank, EIB-European Investment Bank, the Korean EXIM Bank) and UN organisations (UNIDO-United Nations Industrial Development Organisation, FAO-Food and Agriculture Organisation, UNDP-United Nations Development Programme and ILO-International Labour Organisation).

The Ethiopian development trajectory has long been in the global spotlight, attracting considerable attentions from economic scholars and international organisations because of its heterodox approach to economic development (inspired by the experience of Asian countries, like Japan in the post-second World War, South Korea and Taiwan in the 1970s and 1980s and China since the late 1970s) (Zenawi, 2012; Fourie, 2015) and its impressive results in terms of economic growth and poverty reduction.

Data from the World Bank (World Bank website) estimate that from 2010 to 2019 Ethiopia's real GDP (Gross Domestic Product) growth has averaged 9.7% per year. Notwithstanding its populous nature, being home to 109.2 million people, Ethiopia's growth in per-capita terms has averaged 7.7% per year, among the highest in the world. This has been achieved mainly thanks to public investments on the demand side and agricultural and service growth on the supply side.

This high level of growth, along with massive public investments in infrastructure (roads, railway, power, markets), education and health, have allowed the country to reduce poverty (the people living on less than USD 1.25 PPP -Purchasing Power Parity- a day passed from 56% in 2000 to 31% in 2011) (World Bank, 2015a) ⁽²⁾ and to reach the Millenium Development Goals-MDGs targets for hunger, education and children's health (National Planning Commission and the United Nations in Ethiopia, 2015). The country

⁽¹⁾ With the creation of the Sidama regional State at the end of 2019, the park is actually located in Sidama, while several Rural Transformation Centres are located in the Gedeo Zone, which is instead part of SNNPR.

⁽²⁾ According to the World Bank (2020b), monetary poverty, based on the national poverty line, further decreased between 2011 and 2016: from 26% to 15% in urban areas and from 30% to 26% in rural areas, despite the El Niño induced drought of 2015.

is also showing progress with regards to the Human Development Index (which passed from 0.292 in 2000 to 0.485 in 2019) (UNDP, 2020) and the Multidimensional Poverty Index (which passed from 0.545 in 2011 to 0.489 in 2016) (UNDP and OPHI, 2019).

Despite these successes, the agricultural sector (which accounts for 33.9% of GDP and employs 65.6% of the workforce) (World Bank website) is characterised by low productivity and underdeveloped and inefficiently loose value chains, while the level of food insecurity among smallholder farmers is still high (World Bank, 2015a; World Bank, 2016).

The structural transformation of the country is still at an incipient phase (UNECA, 2016; Whitfield and Zalk 2020): industry accounts for 24.8% of GDP (manufacturing for 5.6%) and employs 10.4% of the workforce (World Bank website).

Moreover, the youth bulge (according to the Ethiopian Job Creation Commission, every year almost 2 million young Ethiopians enter the labour market -FDRE, 2020-) and the increasing rural-urban migration (due also to a high rate of underemployment among young family labourers) are putting pressure on the government for devising strategies to create jobs.

Smallholder agricultural modernisation and the development of labour-intensive industry (textile, agro-industry and leather) are among the main strategic priorities identified by the Ethiopia's Agricultural Sector Policy and Investment Framework 2010-2020 (FDRE, September 2010), the Agro-Industry Strategy (FDRE, November 2009) and the last Ethiopian development plans: the "Growth and Transformation Plan II/GTP II", 2015/6 - 2019/20 (FDRE, May 2016); the "Home Grown Economic Reform Programme", 2020 (FDRE, September 2019) and the "Ethiopia 2030: the Pathway to Prosperity, Ten Years Perspective Development Plan, 2021 – 2030" (FDRE, June 2020).

These strategies are consistent with the growth path of several Asian countries (Wade, 1990; Campos and Root, 1996; Amsden, 2001; Chang, 2002; Timmer, 2009) and reflect the strength of the Ethiopian State (Kelsall et al., 2013; De Waal, 2015) and its willingness to design and implement selective industrial policies (Noman and Stiglitz, 2015; Oqubay, 2015 and 2019; Hauge, 2019; Whitfield and Zalk, 2020) for the structural transformation of the country.

However, the involvement of the private sector in the design and implementation of such policies has been so far very limited and the public-led economic approach of the country has reduced its contribution to job creation and economic growth (WB, 2016).

Meanwhile, during the last five years, the Ethiopian developmental state (Lefort, 2013; Poulton, 2014; De Waal, 2012 and 2015; Abbink, 2017;

Clapham 2018), characterised by an ethno-federalist political settlement ⁽³⁾ and a party-state apparatus, which limits political rights but drives economic development, has been undergoing a deep transformation.

Indeed, after two and a half years of widespread riots (Lefort, 2016; Human Rights Watch, 2016; Allo, 2017; Záhorkík, 2017; Foreign Policy, 2018a; Lefort, 2018a), led by youths asking for jobs, economic opportunities, transparency and less corruption, in April 2018 a new Prime Minister (PM), Dr. Abiy Ahmed, was nominated and a new political and economic agenda commenced implementation, marking a regime change. The new government has been pursuing political normalisation at home (release of tens of thousands of youths from the prisons, rehabilitation of previously banned political parties, pursuit of corruption) and abroad (peace with Eritrea) and preparing major reforms in the political (new electoral law giving more voice to minorities, freedom of the press, political decentralisation) and economic spheres (business climate improvement, liberalisations and privatisations).

This political and economic liberalisation and the peace with Eritrea (which earned Abiy Ahmed the 2019 Nobel Peace Prize) have been supported by the country's population at large. However, the same political democratisation (which has granted sudden access to the country and freedom of organisation and political campaigning to previously exiled politicians promoting ethnic and religious divisiveness) and economic reforms (which have undermined vested interests of several members of the TPLF, the party that had led the country for almost three decades) ⁽⁴⁾ have contributed to the rise of ethnic and political tensions, culminating in widespread ethnic clashes in several regions (Oromia, Benishangul-Gumuz, SNNPR, Amhara, Tigray, Afar, Somali) and in an armed conflict between the Federal government and the Tigray TPLF-led Regional government (Lefort, 2018b; Tronvoll, 2020; Plaut, 2020 and 2021a).

⁽³⁾ The ethno-federalist settlement, established since 1991, divides the country in 10 regions designed along ethnic lines and holding the right to secession. However, as we will see, while this settlement contributed to redefine the citizens' political identity, the Ethiopian polity in these last three decades has been characterised by increasingly centralising features (Abbink, 2011; Aalen and Asnake, 2012; Lefort, 2013 and 2015).

⁽⁴⁾ The Tigray People's Liberation Front (TPLF) effectively dominated the coalition in power since the beginning of the 1990s: the Ethiopian People's Revolutionary Democratic Front (EPRDF). The EPRDF was composed by four ethnic-based parties issued from the four most populous regions of the country: the TPLF, the Amhara National Democratic Movement (ANDM), the Oromo People's Democratic Organization (OPDO) and the Southern Ethiopian People's Democratic Movement (SEPDM). The EPRDF has been dissolved, after the creation of the Prosperity Party by the PM Dr. Abiy Ahmed in December 2019. The OPDO, ANDM and SEPDM along with the ruling parties of the regions of Afar, Benishangul-Gumuz, Harari, Somali and Gambella merged into the Prosperity Party. The TPLF decided instead not to merge (The Washington Post, 2019).

This research analyses the policy process (Keeley and Scoones, 1999; Sumner et al., 2011) of the design and implementation of four pilot IAIPs, with particular attention to the influence played by the main stakeholders (Federal and Regional governments, donors, UN agencies, investors, farmers organisations) (Binswanger and Deininger, 1997; de Renzio, 2006; Lavers and Hickey, 2016) and to the respective roles of interests and ideas (Rodrik 2014; Lavers and Hickey, 2016).

The research highlights the impact of the new political economy environment of early 2018 - characterised by significant changes in ideological paradigms (from public-led to private-led economic growth) and shifts in the power balance between Federal and Regional governments (with the latter being more empowered), public and private sector (with the latter being finally recognised as an engine for growth), government and donors (both benefitting from a more relaxed and constructive dialogue) - on the strategic direction of the IAIPs design and implementation.

The analysis of the IAIPs experience is grounded on original empirical research based on participant observation and semi-structured interviews to key policy stakeholders conducted between February 2019 and July 2020. In particular, I have been involved in this policy process, first as Senior Economist of the Italian Development Cooperation (from April 2014 to August 2018) and then as Chief Technical Advisor for the IAIP programme on behalf of UNIDO (since September 2018). I have interviewed 22 policy stakeholders, notably senior officials belonging to the Ministry of Trade and Industry, the Agricultural Transformation Agency, the Federal Industrial Parks Development Corporation, the Ethiopian Investment Commission, the Oromia Public Enterprise Supervising Authority, the Oromia Bureau of Industry, the Oromia Industrial Parks Development Corporation, the Oromia Investment Commission, the Italian Agency for Development Cooperation (AICS), the European Union Delegation, the Emilia Romagna Regional Development Agency (ARTER - Attrattività Ricerca e Territorio Emilia Romagna) ⁽⁵⁾, UNIDO, FAO, UNOPS and the international company responsible for the feasibility studies and detailed engineering design of the parks (see Annexes 1 and 2).

Finally, I have conducted in-depth desk research and accessed grey materials concerning IAIPs design and implementation, such as the feasibility studies of the parks produced by Mahindra Consulting Engineering, the value chains studies produced by FAO, the ESIA (Environmental and Social Impact Assessment) studies produced by UNOPS, reports on how to unlock the economic potential of the agri-business sector produced by the Ministry of Trade and Industry, and the national development strategies and plans issued

⁽⁵⁾ ARTER has been founded the 1st May 2019 from the merger of two previously existent agencies -ASTER and ERVET-. Its main goal is to foster the region's sustainable growth by developing innovation and promoting internationalisation.

by the Ministry of Finance and Economic Development as well as by the National Planning Commission.

The questions addressed to the interviewees attempt to reconstruct the whole policy process from different angles as well as to understand the drivers behind key policy decisions, what role different actors played and how influential have been new ideas proposed by development partners in shaping policy changes.

The research is significant for both theoretical and practical reasons.

The regime-change of 2018 marked a turning point of the Ethiopian development trajectory: after three decades of public-led economic development, the government started recognising the need for greater involvement of the private sector and the civil society in the country's development process and for opening of the political space. Albeit the COVID-19 pandemic has led to several restrictive measures impacting the liberties of citizens and the recent political events are raising justified concerns from the international community, the regime change of 2018 allowed for the first time new ideas to be discussed more openly in the streets and by policy makers. According to Lavers and Hickey (2016) it is precisely in these moments of major political change, when the main political actors are redefining their positions, that new ideas are more likely to emerge and influence policy processes. Indeed, we will argue that this new political economy context has impacted the IAIPs policy process resulting in an opening of the "strategy space" (Rodrik, 2014). And that this opening has allowed respectively development partners to successfully promote and government officials to effectively explore alternative approaches and models (more bottom up and private sector oriented) globally perceived as successful (Stone, 2008).

Ethiopia is also a key country for its geopolitical role in a very unstable region (De Waal, 2015; Clapham, 2017), characterised by the expansion of Islamic extremism and by increasing migration flows. The country, which hosts the African Union and the Economic Commission for Africa, has been considered a model of economic and social development during the last decade. However, amid rising ethnic and social tensions, the Ethiopian government is facing a rising demand for the creation of greater economic opportunities and jobs. The capacity of the government to respond to these demands, including with broad economic development fostered by agricultural modernisation and labour-intensive industrialisation is key for the country's stability. This research has some recommendations for policy makers and development partners alike for improving the policy process for the design and implementations of Integrated Agro-Industrial Parks in the country.

The remainder of the study is organised as follows: section 2 provides a short review of the literatures on structural transformation, industrial policy, the political economy of developing countries and the relationship between aid and development in the Sub-Saharan Africa context. These literatures are all relevant for the present study and introduce key concepts for understanding the Ethiopian political-economy context and the country's industrial policies for economic growth and structural transformation, which are the focus of section 3. Since we believe that there is a strong linkage between political dynamics and economic policies (a core feature of any political economy approach) we have provided in chapter 3 some information about the most prominent political actors in the current Ethiopian political landscape, but in order to make the text more focused we have kept most of it in footnotes. Sections 2 and 3 are thus preliminary and necessary steps for the introduction of our analysis of the policy process of the IAIP programme in the country. Section 4 presents the political economy framework applied to the case study. This conceptual framework will allow us to better understand the role played by different stakeholders (such as Ethiopian authorities at federal and regional level, development partners, private sector, farmers' cooperatives and the civil society) and the relative influence of their interest and ideas on the policy process for the design and implementation of integrated agro-industrial parks, in a rapidly changing political economy environment. Section 5 details the methodology used and the case study selection. Section 6 presents the empirical analysis and discusses the main findings. Section 7 concludes, drawing some policy lessons.

2. LITERATURE REVIEW

2.1 Structural transformation: the “renaissance” of industrial policy

Structural transformation

In the economic literature, the term structural transformation refers to the changes in the structural features of an economy and the underlying society. That process of mutation, which in the historical experiences of many countries - first and latecomers, developing and emerging realities - has driven the process of growth and development. The process is characterised by technological progress, sustained productivity growth, and sectoral shifts from agriculture to manufacturing, from manufacturing to a service-sector economy, from rural to urban-based economic systems and societies. These shifts have always been considered key drivers of growth and development processes (Nurkse, 1953; Lewis 1954; Kuznets, 1955 and 1973; Bator, 1958; Hirschman, 1958; UNIDO, 1979; Chenery, 1986, Mellor, 1986). And today modern theories of structural economic dynamics continue to emphasise the relationship between the changing composition of production and the economic expansion of the overall economic system (Timmer, 2009; Andreoni and Scazzieri, 2014; Kelsall et al., 2013; Cardinale and Scazzieri, 2019).

With regards to the triggers of structural change, Robinson (1956) links the shifting proportions among production sectors to demographic growth and technological progress. Kaldor (1967) in line with Young (1928) links structural dynamics to progresses within specific sectors, such as manufacturing, because of its increasing returns to scale, linkage effects and technological spillovers to the rest of the economy, while Lowe (1976) associates structural change to production sectors' responses to external factors, such as the supply of labor, natural resources and technical progress. Pasinetti (1981), similarly to Robinson, considers changing consumers' habits and technological progress as the key determinants of structural change. Quadrio Curzio (1986) shows that complementarities among production processes can foster overall increases of productive efficiency. Prebisch (1950) emphasises import-substitution industrialisation (ISI) as the main strategy for developing countries to kick-start structural transformation in a global trade context characterised by the long-term decline of the price of primary commodities relative to the price of manufactured goods. Hirschman (1968) points out that exports play a strategic role for the economic transformation of latecomers because they can help overcome market size limits, loosen balance of payments constraints and force national industries to reach high levels of efficiency in order to compete in

international markets. Amsden (1989) notes that export-oriented strategies have in many instances been preceded by ISI strategies, an observation that Reinert (2020) considers valid not only for Asian latecomers, but also for eighteenth century England. Ocampo et al. (2009) observe that what really matters is not trade openness, but the way in which each country positions itself in the global market.

Collier (2007), Deaton (2013) and McMillan and Headey (2014), highlight the critical role played by labour intensive industrialisation in the structural transformation process, as it pulled workers from low productivity activities, such as agriculture, to higher productivity and better remunerated activities, such as manufacturing, thus sustaining the increase in income per capita and ultimately fostering structural change.

Johnston and Mellor (1961), Mellor (1986) and, more recently, Hazell (2007), Timmer (2009) and Kelsall et al. (2013) highlight the relevance of agricultural productivity growth as a first step for the expansion of the industrial sector. In particular, Hazell (2007) argues that agricultural modernisation is at the root of economic growth and structural transformation of almost all today's industrialised countries, from the UK to China. According to this literature, agricultural productivity growth in predominantly agrarian contexts kick-starts overall economic growth through strong backward and forward linkages with the rest of the economy (Hazell, 2007), further supports the incipient industrialisation process by freeing labour force from agriculture and reducing the cost of food (and therefore of real wages in the industrial sector) (Irz and Roe, 2005), and is key for reducing poverty (Irz et al, 2001; Diao et al., 2007) and containing the rise in inequality associated with structural change (Timmer, 2009).

Finally, Andreoni and Chang (2017), point out that manufacturing growth has elicited growth in the service sector, through technological progress and linkages with activities such as distribution, marketing, transportation and logistics.

The process of structural transformation is still expected to play a crucial role in modifying the structures of the economies and underlying societies of developing countries (Timmer, 2009) ⁽⁶⁾. While Timmer (2009) points out the possible negative consequences of ungoverned structural transformation processes on rising income inequality; the negative social consequences, in terms of sudden disruption of communities and individual livelihoods, have been vividly described by Polanyi (1944) for the European case and by Myrdal (1968) for British colonial India.

And here lays the main rationale for contemporary industrial policy: governing the structural change of the economy and society with particular

⁽⁶⁾ Later, we will briefly discuss the structural transformation process in Sub-Saharan Africa (chapter 2.2) and in Ethiopia (chapter 3.1).

attention to the linkages between these two complex and highly interconnected processes of transformation (UNIDO, 2017; Andreoni et al., 2019; Di Tommaso, 2020; Di Tommaso et al., 2020).

Industrial policies

Industrial policy is a broad concept rooted in the recognition of the need of state interventions in order to promote economic and societal goals in the face of widespread market failures (see Aiginger and Rodrik, 2020, for a review of the definitions of industrial policy).

The need for industrial policies to foster structural development has been a long-debated issue. Early development economists like Prebisch (1950), Nurkse (1953), Hirschman (1958), Bator (1958) and Myrdal (1968), considered industrial interventions fundamental to foster economic development, as they highlighted the role of the state in correcting market failures, which result in the under provision of public goods, disincentives for innovation, coordination failures, externalities and societal risks.

The protection of infant industry in the manufacturing sector has shaped the industrial policy theory and practice since the early works of Hamilton and List until very recent debates (Ling and Chang, 2009). The importance of fostering technological advancement through industrial policies has been similarly highlighted in the early work of List and later by Kuznets (1966), Kaldor (1980) and Pasinetti (1981). Recently, Cimoli et al. (2009), Mazzucato (2015), Best (2018), Cimoli et al. (2020) acknowledge the key role of the state in fostering innovation in both developing and developed economies. The theory of coordination failures has shaped the theory and practice about the role of the state in underdeveloped economic contexts (Nurkse, 1953; Hirschman, 1958; Rodrik, 1995; Matsuyama, 1996; Hoff, 2001).

The recognition of imperfect information and transaction costs as major factors leading to incomplete or non-existing markets (such as markets for credit and insurance) (Stiglitz and Weiss, 1981; Bardhan, 1989) and constraining smallholder agricultural growth (particularly because of informational barriers on prices and quality) further motivated the design and implementation of industrial policies in the agricultural sector in developing countries (such as provision of agricultural finance and insurance, market information, establishment of grades and standards) (Dorward et al. 2004). The weakness of capital markets in developing countries, has also been at the root of state intervention in order to stabilise prices of food staples (Stiglitz, 1996; Cummings et al., 2006). Studies on the negative impact of land concentration on economic growth (Berry and Cline, 1979; Alesina and

Rodrik, 1994) have informed land reforms in developing countries, albeit with mixed results ⁽⁷⁾.

Industrial policies received international recognition with the unprecedented economic growth and structural transformation of South Korea and Taiwan, which during the 1960s - 1970s, were successful in first developing their agriculture (through land reforms, investments in irrigation schemes, subsidised credit for the adoption of new high yields varieties of cereals by smallholder farmers, provision of research and extension services, establishment of price stabilisation mechanisms) and then promoting their light manufacturing industry (through protection from imports, export support, subsidised credit for capital investments, facilitation of technological upgrade, but also huge investments in infrastructure and education) (see Amsden, 1989 and 2001; Wade, 1990; Campos and Root, 1996; Chang, 1996 and 2002 among others). In this same period, import substitution industrialisation (ISI) strategies were adopted in many countries in Latin America and Africa (Kirkpatrick et al, 1984; Colman and Nixson, 1994).

After the debt crisis of the early 1980s in Latin America and Africa (George, 1992), criticisms of state intervention started to grow in both academy and policymaking circuits: the support of industrial policies started to be supplanted by the new neoliberal paradigm that was against any kind of government action. Economists such as Tullock (1967), Baldwin (1969), Krueger and Tuncer (1982) opposed industrial policies, highlighting how such interventions distort markets, worsening economic growth due to government inability to overcome information asymmetries, bureaucrats' limited capabilities and the presence of partial interests and rent-seekers' pressures. New mainstreamer economists became soon very persuasive in the UK and the US and then in the rest of the world: in the Nineties the "getting prices rights" receipt became the principal policy reference everywhere and in particular in the heterogeneous world of developing countries targeted by the World Bank and IMF structural adjustment liberalisation and privatisation policies (Chang, 2002).

⁽⁷⁾ Campos and Root (1996) point out that land redistribution in South Korea and Taiwan were key in kick-starting these countries' shared growth path. De Janvry and Sadoulet (1989 and 2002a) highlight instead that attempts at reforms in Latin America have been generally unsuccessful. In Sub-Saharan Africa "legal dualism" (Adams and Turner, 2005) is a common feature of land tenure systems: since independence, the State formally owns agricultural land, but in practice smallholder production is carried on under customary rights. In this context, Platteau (2008) argues that current attempts at redefining property rights in the direction of private ownership are not necessarily efficiency enhancing and are risky for vulnerable groups (women, pastoralists, the poorest farmers). However, since the State formally owns agricultural land, smallholders are vulnerable to public expropriation as well. In session 3, we will explore the relevance of land issues (e.g., the 1970s land reform, ethnicity and land, and the political effects of land expropriation) in the Ethiopian context.

This translated as well in a drastic reduction of international aid for agricultural development (which according to Lipton and Waddington, 2004, declined by two third between 1988 and 1998) and in the elimination of subsidised credit schemes, the dismantlement of marketing boards and other price stabilisation mechanisms and the reduction of expenditure on research and extension services. However, in Sub Saharan Africa, where the great majority of the population is still employed in agriculture, the reforms (Berg, 1981; Krueger, 1990) advocated by the Washington-based International Financial Institutions (IFIs) did not translate in improved agricultural growth due to the persistence of market failures, which prevented smallholder farmers to intensify their production (Poulton et al., 2005) and, at the eve of the new millennium, poverty in developing countries was still a predominantly rural phenomenon, with 75% of the world 1 USD/poor living in rural areas in 2002 (Chen and Ravallion, 2007).

The Washington Consensus ⁽⁸⁾ reduced the scope for industrial policy interventions for at least two decades, but it suddenly ended with the outbreak of the 2006-2008 food price crisis and the 2008 financial crisis and related global economic downturn.

Among the long-term drivers of the food crisis were the sluggish growth of agricultural productivity caused by reduced investments in the sector and the concomitant increasing demand for food and animal feed following global economic growth (Piesse and Thirtle, 2009). The 2006-2008 food price spike of staple crops (wheat, maize, rice) caused social unrest in many developing countries (Trostle, 2008, Arezki and Brückner 2011, Brinkman and Hendrik, 2011) and prompted their governments and development agencies alike to undertake policies and programmes aimed at reducing food prices or mitigating their impact in the short run, and at increasing agricultural productivity and production in the long run (World Bank, 2007).

The relevance of industrial policies for smallholder agricultural modernisation, through the provision of public goods (e.g., investments in research and extension, provision of market information, co-ordination of investments to overcome market failures) and other public interventions (e.g., investments in irrigation, market infrastructure and storage facilities, support to farmers' organisations, provision of access to agricultural finance) thus regained centre stage in the development debate (Timmer, 2009; Hazell, 2017; Poulton, 2018).

The outbreak of the 2008 financial crisis when everywhere government policy solutions were urgently demanded, further prompted a change of attitude in

⁽⁸⁾ For further information about the Washington Consensus and its controversial relationship with the structural change of developing countries, see, among others: Chang and Grabel (2004), Saad-Filho (2007) and Stiglitz (2008).

policymaking and inspired a gradual rethinking on the role of industrial policy that was reinforced by the successes of emerging countries like China, which were rapidly pushing industrialisation and structural change with sophisticated and ambitious government plans and policies. The industrial policy instruments implemented in the last two decades to adapt to changing international realities and the financial crisis differed according to each country's level of industrialisation, positioning in the global value chains and political economy situation (see for instance Andreoni, 2016, on the industrial policies adopted by USA, Japan, Germany, Brazil, China and South Africa).

Industrial policy started to be seen again as a key tool to promote structural transformation, technological catch up and to achieve desired societal outcomes in both developed and developing countries (Ocampo et al., 2009; Di Tommaso et al., 2013; Stiglitz and Lin, 2013; Stiglitz et al, 2013; Kelsall et al., 2013; Di Tommaso and Schweitzer, 2013; Mazzucato, 2015; Di Tommaso et al., 2017; Best, 2018; Wade, 2019; Whitfield and Zalk, 2020; Di Tommaso et al., 2020).

Moreover, the historical role of industrial policies in shaping the process of structural transformation in early industrialised countries (Mazzucato et. al., 2015; Best, 2018; Ohno, 2019; Reinert, 2020) and in fostering economic catch-up in late-comers (Wade, 2019; Cimoli et al., 2020) was again receiving central recognition.

An emerging strand of literature started focusing as well on the linkages between the political economy context and the effectiveness of industrial policies for structural transformation, highlighting for instance how political economy variables have shaped the success of industrial policy in East Asia and its weak performance in Latin America and Africa (Khan and Blankenburg, 2009; Khan, 2010). This literature focus in particular on how the distribution of organisational power among elites (the “political settlement”) influences the quality of institutions and the allocation and management of rents, thus shaping the prospect for future development (Khan, 2012; Kelsall et al., 2013).

Other authors, such as Chang (2011) argued for a pragmatic approach to industrial policy, which takes into consideration variables such as production scale, scope for export, bureaucratic capacity and changing global trade and investment rules.

The renewed interest for industrial policies for structural transformation has been acknowledged as the “return of industrial policy” by Rodrik (2010), a sort of “renaissance” by Mazzucato et. al. (2015). This renewed interest has overlapped with an expansion of the scope of industrial policy beyond the correction of market failures and the promotion of selected industries, to

encompass other policy strands, such as environment, health, employment, territorial cohesion (Altenburg and Assmann, 2017; Aiginger and Rodrik, 2020), thus forming a “systemic industrial policy approach” (Aiginger, 2007). Moreover, new challenges arising from the rise in global value chains, disruptive technological change and the reconfiguration of the international division of labour prompted the design and implementation of more sophisticated interventions (Pipkin and Fuentes, 2017; Andreoni, 2017; Bailey et al., 2019; Andreoni et al., 2019).

Finally, the COVID-19 pandemic and the global economic downturns have required governments all around the world to sustain business and people, especially the most vulnerable social groups (UN, 2020; Venkatapuram, 2020). The huge human, social and economic impact of the pandemic is considered by many as an indication of the need to redefine the way our society works (Hepburn et al., 2020; Piketty, 2020; Stiglitz, 2020) and “*what governments are for*” (Mazzucato, 2020), marking an historic turning point towards the redefinition of sustainable structural change, encompassing human development and environmental concerns (Ferrannini et. al, 2020). Within this fragile socio-economic context, characterised by growing poverty and inequality (OECD, 2020), industrial policy is considered a key pillar for the worldwide recovery strategies (Ocampo, 2020).

2.2 Industrial policies for the structural transformation in Sub Saharan Africa

For more than a decade, several economies of Sub-Saharan Africa have experienced a revival of reasonably rapid growth, after a lost quarter century (1980-2005), characterised by a process of deindustrialisation and declining income per capita (Noman and Stiglitz, 2015). According to Noman and Stiglitz (2015) at the root of the recent decade of growth are the commodity boom (including oil, minerals and some agricultural commodities), an improved macroeconomic management, improved policies and debt relief. The contribution of better policies is subject to debate, but is remarkable that among the best African performers there are two countries, Ethiopia and Rwanda, whose growth has not been based on a natural resource boom, but that have pursued selective industrial policies in several sectors of the economy (Kelsall et al., 2013; Oqubay 2015 and 2020; Noman and Stiglitz, 2015; Whitfield and Zalk, 2020).

This sustained growth is reflected in the achievement of several Millennium Development Goals: according to the 2016 Sustainable Development Goals Report, the region has achieved an important decline in the monetary poverty headcount (the proportion of the population living on less than USD 1.90 a day declined from 57% in 2002 to 43% in 2012), a slight improvement in food security (stunting among children under 5 years old declined from 43%

in 2000 to 36% in 2014) and significant progresses in relation to the achievement of universal primary education, access to water and the fight against major diseases (HIV-AIDS, malaria and tuberculosis).

However, the last decade of growth has not been able to produce a structural transformation of the economies, which are still largely agrarian (the agriculture contribution to GDP is very significant and most of the labour force is involved in agriculture) and characterised by a small industrial (and a small manufacturing) sector and a largely informal service sector (Kelsall et al., 2013; Noman and Stiglitz, 2015; Rodrik, 2016; Whitfield and Zalk, 2020).

Smallholder agriculture modernisation

As mentioned above, the 2006-2008 food crisis put back agricultural modernisation in the forefront of the development agenda and African Union member States started investing significant resources (World Bank, 2007), following their pledge to commit at least 10% of their annual budget in the sector (Assembly of the African Union, 2003).

At the same time, leading figures of farmers organisations, such as Mamadou Cissokho, Honorary President of ROPPA (Réseau des Organisations Paysannes et de Producteurs de l’Afrique de l’Ouest) showed renewed interest in collaborating with governments for promoting the transformation of smallholder family agriculture from its subsistence orientation to a modern, market-led sector that could contribute to national economic growth ⁽⁹⁾.

“...nous paysans de l’Afrique de l’Ouest, avons défini ensemble au sein du ROPPA, notre vision de l’agriculture dans un développement à long terme : une agriculture moderne et durable, à même d’assurer les fonctions économiques, sociales et écologiques nécessaires pour la préservation de la solidarité familiale et nationale ; une agriculture qui assure la gestion équitable et durable des ressources naturelles et qui soit capable d’assurer des revenus suffisants, stables et un niveau de vie décent aux exploitation familiales, aux producteurs, une agriculture capable de dégager des surplus pour l’exportation, de contribuer de manière significative à la création de la

⁽⁹⁾ Mamadou Cissokho has been one of the key facilitators of the constitution of the Pan-African Farmers Organization (PAFO) in 2010. The PAFO includes representatives from 5 African regional farmers organisations: ROPPA, the Eastern African Farmers Federation (EAFF), the Regional Platform of Central African Farmers Organizations (PROPAC), the Southern African Confederation of Agricultural Unions (SACAU) and the Maghreb and North African Union of Farmers (UMNAGRI). Its main objective is to contribute to the design and implementation of agricultural policies targeting the sustainable development of family farming in the continent. For more information about PAFO, visit its website: <http://pafo-africa.org/?lang=en>.

richesse nationale et de fournir une alimentation saine à la population nationale et sous-régionale” (Cissokho, 2009, p. 252).

This is in line with the well-known literature on agricultural modernisation, which stresses the fact that smallholder agriculture can play a strong role in agricultural development if adequately supported by public policies (Schultz, 1964; Diao et al., 2003; Hazell, 2005; Diao et al., 2007; Diao et al., 2010). Indeed, while the World Bank (2013) estimates that the African food market will continue to grow from the current 300 billion USD up to 1 trillion USD by 2030, Diao et al. (2007) argue that agricultural growth has a powerful leverage effect on the rest of the economy, especially in Africa, where the sector accounts for large shares of national income and employment. Moreover, Timmer and Akkus (2008) argue that, for poor countries, growth in agricultural productivity is the main driver of poverty reduction in the short to medium term. However, they also acknowledge that government active policies are needed to connect rural economies to dynamic urban economies and achieve long-run solutions to rural poverty.

Nevertheless, despite these huge opportunities for growth and poverty reduction, Africa performance in modernising the agricultural sector has so far been disappointing. According to Hazell (2017) although Africa’s agricultural growth improved after 2005, averaging 7% per year, this was driven more by the commodity price boom and the expansion of the cropped area rather than by productivity improvements. African agriculture is characterised by the prevalence of smallholder farmers - in the continent there are about 51 million farms of which 80% are smaller than 2 ha in size (Lowder et al., 2016) - which, being poor and dispersed, rely on the provision of public goods (roads, research and extension, irrigation, co-ordination for market development) to intensify and modernise their production (Poulton et al., 2006). However, African governments, with some exceptions like Ethiopia, never achieved the level of investment needed, rarely exceeding 5% of their total budgets (Fan et al., 2008), whereas Asian countries in the 1970s and 1980s spent on average 15% of their budgets in the sector (Hazell, 2010). As a result, the gap in land and labour productivity between the two continents widened between 2000 and 2014 and Africa continues to be more and more dependent on food imports, which are currently about 35 billion USD and are expected to rise up to 110 billion USD by 2025 (Adesina, 2017).

Finally, according to some authors, such as Collier (2002 and 2007) and Collier and Dercon (2014), while agricultural growth has played a significant role in poverty reduction, agricultural growth-led strategies are unlikely to sustain economic development in Sub Saharan Africa in the future and resources should instead be devoted to foster the industrial sector and the transfer of labour from subsistence agriculture to manufacturing. These

authors point as well at the worsening agroecological conditions in the continent.

Industrialisation

However, the prospects for rapid industrialisation in the continent are constrained by several factors, such as low “technological capabilities” of African industries and firms (Whitfield and Zalk, 2020) ⁽¹⁰⁾, their low performance in terms of investments, productivity and exports (Page, 2012; Harrison et al., 2014), the small size of domestic markets, and the high level of corruption and low effectiveness of African governments (Mijiyawa, 2017). Whitfield and Zalk (2020), highlight as well that manufacturing development strategies are much more difficult to pursue in the present global context, because global value chains are increasingly dominated by global buyers, which concentrate on higher-value activities (design, branding, marketing), are located in developed countries and are able to capture any productivity increase generated by essentially price takers decentralised firms, which are located in developing countries and focus in the lower-value functions (such as assembly).

Indeed, according to Rodrik (2016), while in the last two decades African economies have grown at 3% per year in per capita terms, their growth pattern has been characterised by sluggish industrialisation (with the manufacturing share of GDP still around 10% in 2010, down from 14% in 1990) and movements of labour from the agricultural sector (which accounted for 50% of employment in 2010, down from about 62% in 1990) to the service sector (which raised its share of total employment from 24% to 37% between 1990 and 2010), but mainly in low productivity jobs, in sharp contrast with the European and Asian experiences. McMillan and Harttgen (2014) and De Vries et al. (2015) found similar results and point out the fragility of this recent growth due to the service sector limited capacity to be an engine of growth in the long run.

In this respect, Stiglitz (2017) recognises the need for multipronged industrial policies to promote industrialisation in the continent and sees in the low levels of diversification, industrialisation and productivity important opportunities

⁽¹⁰⁾ The authors, in line with Amsden (2001) and Cimoli et al. (2020) advocate for a “*technological capability approach to understanding structural transformation*” which “*involves moving the economy away from being a set of assets based on primary products exploited by unskilled labour towards an economy built on knowledge-based assets exploited by skilled labour*”. In this context technological capabilities are “*technical, managerial, and organizational skills that firms need in addition to formal education and scientific knowledge in order to achieve the level of productivity that established firms have achieved, which set the (international) market standard.*” (Whitfield and Zalk (2020, p. 842).

for growth (Stiglitz, 2018). Whitfield and Zalk (2020) advocate for a mix of industrial policies aiming at improving domestic technological capabilities, through the careful allocation and monitoring of learning rents, the promotion of linkages with foreign investors and global buyers, the promotion of local sourcing of intermediate inputs and raw materials and the support to the domestic market demand. However, they stress that very few African countries have been so far able to design and implement such complex industrial policies (Ethiopia being a promising case in point) and diversify their economy away from dependence on few primary commodities. Interestingly, they point out that one of the main constraints relies in the required institutional capacity to efficiently allocate and monitor learning rents, which in turn depends on political stability and the developmental orientation of the political coalitions in power.

With respect to the possible industrial interventions in Africa, investing in special economic zones (SEZs) and industrial parks (IPs) is considered a desirable industrial policy to tackle some of the aforementioned challenges. The main rationale for the early development of SEZs and IPs was to foster domestic economic growth by clustering firms and enhancing their competitiveness through joint action (Schmitz 1995).

Since the 1980s, several developing countries in Asia (Korea, Taiwan, India, Bangladesh, China and South East Asia), Latin America (Dominican Republic, El Salvador, Honduras...), Middle East and North Africa (Egypt, Morocco, United Arab Emirates...) and Sub-Saharan Africa (Mauritius, Ghana, Kenya, Lesotho, Nigeria, Senegal, Tanzania...) have been using these policy instruments to attract FDIs, generate employment and upgrade the domestic production capacity (Farole, 2011a; Farole and Akinci, 2011; Saleman and Jordan, 2014; Moberg, 2017; see also Bräutigam and Tang, 2014 on overseas SEZs promoted by China).

In particular, China currently hosts the largest number of SEZs and IPs in the world (Yu *et al.* 2020).

The performance of SEZs and IPs with respect to the structural transformation of the domestic economy is mixed. The literature has identified several factors that contribute to their eventual success, such as the alignment of the type of SEZ with the location choice (Barbieri *et al.* 2019); the mobilisation of the private sector and the development of synergies with the rest of the economy, which eventually requires significant reforms across the board (Saleman and Jordan, 2014); the setting of an appropriate institutional framework to ensure technology transfer (Hauge, 2019).

Moreover, there are costs associated with the strategy, among which misallocation of resources and distraction of policy makers from more effective reforms (Moberg, 2017). At the same time, SEZs offer a controlled environment where economic, social and environmental reforms can be

experimented and then extended to the rest of the country (Farole and Akinci, 2011). Indeed, the recent literature points at the “experimental” nature of the SEZs considered successful, in which economic activities were carefully controlled by the government, limited in extension and innovative in terms of what was gradually experimented (Di Tommaso et al. 2013).

More recently, the environmental and social sustainability of SEZs and IPs has become a global concern, because of their high environmental footprint, in terms of intensive consumption of natural resources and rise in pollution (Liu *et al.* 2018) and social costs, caused by “the race to the bottom” strategies adopted in several countries, which have sought to deregulate labour markets in order to attract FDIs (Masina, 2015). Since 2013, UNIDO has been promoting an inclusive and sustainable industrial development (ISID) strategy and offering guidance to enhance the contribution of SEZs and IPs to the Sustainable Development Goals (UNCTAD 2015). Within this framework, a “new generation” of SEZs and IPs should encourage and support firms to adopt clear labour standards and effective environmental practices. However, UNIDO reports that most SEZs are not yet promoting environmental and social sustainability, although efforts in this direction are growing.

According to the literature, most African Special Economic Zones have failed to attract significant investments, promote exports, create sustainable employment, and support a successful process of structural transformation (Farole and Moberg, 2014). Farole (2011a) suggests that possible explanatory factors behind their failures are related to insufficient strategic planning, poor choice of location, insufficient social infrastructures outside the zones, weak implementation capacity, poor internal coordination and lack of policy stability. Moreover, according to Farole the scope for traditional export processing zones, based on processing or assembly of imported products, is limited in the African context. This is because Africa faces a highly competitive global environment, with consolidated global production networks and *“has a fundamental competitiveness challenge with respect to manufacturing owing to issues of geography, scale and transaction costs”* (Farole, 2011a, p. 7). In the author’s view, the best option for African countries are SEZs integrated with natural-resource-based sectors (e.g., processing of agricultural products) and with the local industry (to maximise technology and knowledge transfer from FDIs). Finally, Farole (2017) points out that SEZs should be considered as just one instrument of a wider set of comprehensive interventions that target specific areas, arguing that

competitive supply chain, targeted training and skills development, connective infrastructure and regulatory reforms are also necessary steps ⁽¹¹⁾.

The mitigated performance of Sub-Saharan African economies in delivering smallholder agricultural growth, industrialisation and structural transformation has prompted several economists and political scientists to focus on the political economy features of the Sub-Saharan African State. In the next chapter we will present some key findings of this literature.

2.3 The developmental state and the neo-patrimonial state

A general model of political economy

The political economy literature focuses on the interplay between political and economic factors in order to explain the processes of policy *stasis* and change. Common to several models of political economy is a private interest view of state, which is assumed to be led by self-interested politicians that try to achieve or maintain power by promoting policies in order to gather consensus from self-interested voters (Dawns, 1957) and support from self-interested interest groups (Olson, 1965; Stigler, 1971; Peltzman, 1976; Becker, 1976). Those policies can improve the welfare of the society or instead impoverish it (North, 1990), depending on varying factors such as the institutional context (Acemoglu and Robinson, 2013), the ideological paradigms (Hickey, 2013), the structure of the underlying economy (Khan, 2005) and society (van de Walle, 2001).

Drazen (2008) proposed a general model of political economy that in his view could be applied to both democratic and authoritarian political contexts.

The central feature of the model is the recognition that only a part of the population, the “selectorate”, exerts a direct influence over policy makers. According to Drazen (2008, p. 24), the selectorate is the “*group who actually selects leaders or who controls the instruments of power that enable a leader to remain in office*”. In modern democracies the selectorate ideally coincides with the general population (the voters), although in reality interest groups have a direct influence on policymaking as well. In autocratic regimes it can be composed by few members of the political elite, the military and the security apparatus, and few powerful economic groups.

According to Drazen, in order to be selected and stay in power leaders need the support of only part of the selectorate, the “coalition”, which he defines as the “sufficient subset” of the selectorate who actually support the leaders. In modern democracies this ideally coincides with the majority of voters (and

⁽¹¹⁾ We will provide an overview of the experience of SEZs and IPs in Ethiopia in chapter 3.1.

some interest groups), in authoritarian regimes, the coalition and the selectorate are likely to coincide, since autocrats usually get rid of powerful opponents. Finally, the general population, which Drazen defines as the “citizenry” plays only an indirect role in influencing political leaders, inasmuch they need to avoid too unpopular policies that can spark open revolts.

In Drazen’s model, both the selectorate and the political leaders try to maximise their objective functions: in the case of the selectorate, their personal interests in seeing some policies approved as well as their ideological preferences; in the case of leaders, their political (achieve or retain power) or personal (accumulate wealth, enjoy privileges) interests and their ideological preferences. Finally, the way in which the political process plays out is determined by the institutions in place (especially checks and balances in modern democracies) and their effectiveness.

The Drazen’s general model provide us insights for the analysis of diverse political economy contexts that have delivered very different developmental outcomes. Within this framework, in the next two paragraphs we will introduce two political economy contexts, and the specific political economy models that have been used to characterise them, which have led to opposite results in terms of economic growth, poverty reduction and structural transformation in developing countries.

In the next paragraph we will present the developmental state model that has been recognised (Campos and Root, 1996; Poulton, 2014) as a key feature of the Asian economic success. As we will see, the Ethiopian leaders have been trying to emulate this model since the early 2000s.

In the successive paragraph, we will present the neopatrimonial state model, which, according to several authors (Médard, 1991 and 1996; van de Walle, 2001; Lookwood, 2005b; Leonard et al., 2010), characterises the political economy context of most Sub-Saharan African countries and explains, at least in part, their failure to deliver inclusive economic growth and structural transformation.

While these models need to be understood as ideal types ⁽¹²⁾, they are relevant for understanding the Ethiopian political economy context in the last three

⁽¹²⁾ In the Weberian sense of theoretical constructs that help in characterising a concrete situation, rather than as precise descriptions of a given political-economy reality. Indeed, the literature (for a review, see: van de Walle, 2009; Bach and Gazibo, 2012; Kelsall et al., 2013; De Waal, 2015) has variously labelled Sub-Saharan African political economies as “authoritarian patronage”, “competitive patronage”, “electoral autocracy”, “political marketplace”, “developmental patrimonialism” ... all along the spectrum between neo-patrimonial state and developmental state. A detailed discussion about political economy models goes beyond the scope of the present research and we are instead interested in contrasting the prevalent features of these two ideal types to shed light on the Ethiopian political economy context and its evolution over the last 30 years.

decades. As the late Prime Minister and main ideologue of the developmental state in Ethiopia, Meles Zenawi put it: *“One problem we face is that, in common with every other African country, our economy is very small, and the economic power possessed by the government relative to the size of the economy is very great. This creates outside rent-seeking opportunities to those in political office. It’s not a question of whether the state will allocate rents, but how it will do it. Will it be an activist, developmental rent-allocator, or will it be a passive rent-allocator? If the state isn’t activist, the most capable people in the country will congregate around government office and direct those rents into their own pockets, and we will see the state as a network of patronage that facilitates massive corruption and capital flight. The fundamental problem we face is that Ethiopia’s factors of production are so constrained, that we can never compete in a globalized market without an*

The applicability of the Asian developmental state model in Sub-Saharan Africa has been initially questioned by the World Bank (World Bank, 1994; World Bank, 1995) which, while recognising the role of the State for the correct functioning of the market, tended to focus on issues of capacity building and good governance and saw in the weakness of African States and the risk of capture by special interest groups formidable impediments to the kind of industrial policies implemented by the developmental state in Asia. Mkandawire (2001), in light of the post-colonial African development experience highlights instead the relevance of the Asian developmental state model for the continent, pointing for instance at the concrete cases of Mauritius and Botswana.

On a similar vein, Kelsall et al. (2013) argue that while on the one side African countries need more ambitious industrial policies (aiming particularly at solving investment coordination problems, and providing *ex ante*, - e.g., protection of infant industries - and *ex-post* incentives - e.g., patents - to learning and innovation) in order to foster structural transformation, on the other side in most cases neo-patrimonialism is a problem for the effective design and implementation of these policies. However, they point out that this problem is not unsurmountable and under certain conditions neo-patrimonial governance can be combined with sound industrial policies. The authors, in line with Khan (2000b, 2010, 2012) highlight that the smart management of rents can make the difference between development and wasteful rent-seeking. In fact, according to their analysis of the performance of six Asian and six African countries, sound industrial policies are likely to be implemented, even in broader neo-patrimonial contexts, when States *“are able to centralize the management of economic rents and orient it to the long term, a feat they achieved with the help of strong, visionary leaders, constrained democracy, top-down patron–client relations, and confident and competent economic technocracies.”* The authors use the term developmental patrimonialism to characterise these political economy contexts and point at the cases of Ethiopia and Rwanda since the 2000s as examples of centralised-long-horizon ideal of rent management. However, it is worth mentioning that in the chapter of the book dedicated to the Ethiopian case, the authors state as well that *“In light of this array of developmental attributes, some might question whether the Ethiopian developmental experience is ‘patrimonial’ at all”*. The developmental patrimonialism paradigm has been utilised as well to analyse the cases of Malawi and Tanzania (Routley, 2014). It is thus important to highlight that political economy models are malleable and that the concept of developmental patrimonialism (which can be understood as a hybrid between the developmental state and the neo-patrimonial state models) could be very useful in comparing industrial policies performance across the African continent. We will return to this point in the conclusions.

activist state guiding our development. This activist state isn't just investing at micro-scale but is guiding the entire economy, allocating state rents in a strategic manner. (Interview to Meles Zenawi, reported in: De Waal, 2018b, p. 2).

The developmental state model

The unprecedented rapid growth of East Asian countries is a well-known phenomenon, thoroughly studied in the recent years. The rapid growth and structural transformation processes that have characterised those economies are grounded into what many scholars refer to as the “developmental state” (Campos and Root, 1996; Poulton 2014; see also Islam and Chowdhury, 2000, for a review of the debate regarding the successful development experience of East and South-east Asian economies from 1970s-1990s).

Central features of the developmental state model are a political leadership strongly motivated to pursue equitable development, a long-term orientation of the government and a well-developed state apparatus, promoting social development and undertaking selective industrial policies (Deyo, 1987; Amsden, 1989; White and Wade, 1988; Wade, 1990; Mkandawire, 2001), while maintaining regular and constant connections with the private sector, without being captured by rent-seeking coalitions or vested interests (Evans, 1995; Weiss, 1998).

According to the literature (Campos and Root, 1996; Poulton, 2014), the motivation of the political leadership of developmental states to promote pro-poor growth usually has its root in the perceived threats to political stability from abroad (e.g., for respectively South Korea and Taiwan, the 1950s war with North Korea followed by a situation of cold war; and the rising power of Communist China) or from inside the country (e.g., for China, the risk of revolts by the peasantry from the end of 1970s).

According to the literature, the long-term orientation of the government was a consequence of the relative insulation of policymakers and bureaucrats from societal pressures. Indeed, the developmental state in Asia was characterised by authoritarian regimes, capable of foregoing short-term gains in order to aim at greater long-term-benefits (Campos and Root, 1996). This explains as well the high propensity to invest in public goods such as education and infrastructure.

Finally, the strong bureaucratic history and the tradition of meritocratic appointment of bureaucrats positively contributed to the implementation of industrial policies, by strengthening the effectiveness of the bureaucracy and its relative autonomy from political pressures (Campos and Root, 1996; Stiglitz, 1996).

With reference to the general political economy framework proposed by Drazen (2008), we can conclude that the developmental state was generally characterised by political leaders supported by relatively narrow coalitions

(composed by the military, the bureaucracy and only few influent interest groups) but motivated to promote pro-poor and inclusive growth policies in order to be seen as legitimate by their own citizenry. This last aspect has been highlighted by Fukuyama, which argues that “*it is the perceived legitimacy of the government that binds populations together and makes them willing to accept its authority*” (Fukuyama, 2011, p. 10). On a similar vein, Hickey stresses the role of the perceived legitimacy for the establishment of a “social contract” between leaders and citizens: “*Without legitimacy amongst citizens, political elites find it difficult to promote their political projects (e.g. around nation - building or development), whilst popular expectations and demands help establish the norms by which elites operate and to define what is permissible within the broader ‘social contract’ between states and citizens*” (Hickey, 2013, p. 13).

The economic development trajectory of countries like Japan, South Korea and Taiwan (Campos and Root, 1996) and later on China (Dickson, 2003; Gulati et al., 2005) has been characterised by agricultural modernisation (with significant increase in agricultural productivity, income and production) and industrialisation in labour intensive sectors, thus benefitting a large part of the population (Campos and Root, 1996; Gulati et al., 2005). Agricultural modernisation, followed by the expansion of the manufacturing sector are indeed considered essential steps for an economy that ultimately wants to achieve sustained and equitable growth of national income (Hazell, 2007; Timmer, 2009; Kelsall et al., 2013).

Agricultural modernisation and the concomitant increase in productivity have direct effects on poverty reduction, by raising farmers income, lowering the price of food staples and creating economic opportunities in other sectors of the economy through forward and backward linkages (de Janvry and Sadoulet, 2002b). Furthermore, agricultural modernisation contributes to the industrialisation process by freeing labour from agriculture and make it available for the new industries, while at the same time low prices of food staples help moderate the demand for higher wages and boost industrial competitiveness (Irz and Roe, 2005). Finally, increasing agricultural productivity and incomes help moderate the increase in inequality due to the very process of industrialisation, which is associated with shifts in employment from lower to higher productivity sectors of the economy, characterised by higher wages (Kutznet 1955; Mellor, 1986; Timmer, 2009). In this regard, Campos and Root (1996) report low and declining Gini coefficients of income inequality in the growth path of several East and South East Asian economies in the period 1960s-1980s.

The development of these East Asian countries has been characterised as well by widespread state interventions in social and economic sectors. The former, mainly in the education sector aimed at building human capital (Stiglitz,

1996). The latter consisted of investments in key public goods (such as irrigation, roads, ports, electricity), public interventions to solve coordination failures (Rodrik, 1995; Stiglitz, 1996) arising from the necessity of investing at the same time in complementary sectors to spur their growth, land reforms that created the foundation for equitable growth, and other selective industrial policies targeting specific sectors of the economy (research and extension services, generous credit schemes and price stabilisation mechanisms benefiting the agricultural sector, support to and protection of nascent manufacturing industries, support to technological upgrade enabling industries to move to higher value activities or market segments) (Wade, 1990; Campos and Root, 1996; Khan, 2000a; Islam and Chowdhury, 2000; Amsden, 2001; Chang, 2002; Cummings et al., 2006).

Finally, a key point of the economic policy approach highlighted in the literature has been the capacity of the state apparatus to establish productive connections and developmental synergies with business and their representatives in order to expand the industrial capabilities of the economy (Campos and Root, 1996; Bhorat et al. 2017). Among the instruments used were various industrial councils (examples of what Hall and Soskice, 2001, call “deliberative fora”) where policy makers and leading industrialists consulted regularly and designed policies; the conditioning of public support to new industries and firms to their performance (Khan, 2000a) and the setting up of clear benchmarks against which firm performance could be judged (Stiglitz, 1996).

The neo-patrimonial state in Sub-Saharan Africa

The mitigated performance of Sub-Saharan African countries in modernising smallholder agriculture and develop industry and manufacturing has been variously explained by the negative influence of external and internal factors. While we do not dismiss the importance of external factors - such as the challenging geography of the continent (Sachs and Warner 1997; Sachs, 2005), the variability of commodity prices (Maizels, 1994) and the globalised and more competitive world economic context which make it harder for latecomers to industrialise (Rodrik, 2016; UNCTAD, 2016) - we explore here the domestic political economy determinants of poor performance.

An influential stream of literature points to the characteristic of the State in Africa to explain their low performance in delivering equitable growth and structural transformation. States in Sub Saharan Africa have been described by van de Walle (2001) as neo-patrimonial - a hybrid of formal rules emphasising due process and informal behaviour driven by patronage.

“My starting point is the argument that political authority in Africa is based on the giving and granting of favors, in an endless series of dyadic exchanges that go from the village level to the highest reaches of the central state. Under this general rubric of clientelism can be placed a wide variety of practices involving the giving and receiving of favors, almost invariably based on corruption. Clientelism can be associated with corruption simply because the former relies on privileged access to public resources and some kind of conflict of interest. Although different terminologies have been adopted to characterize political systems in which clientelism is endemic, the most broadly accepted and perhaps most useful from a comparative perspective is the Weberian influenced notion of neopatrimonialism. The term captures the thesis that most African states are hybrid regimes, in which patrimonial practices coexist with modern bureaucracy. Outwardly the state has all the trappings of a Weberian rational-legal system, with a clear distinction between the public and the private realm, with written laws and a constitutional order. However, this official order is constantly subverted by a patrimonial logic, in which officeholders almost systematically appropriate public resources for their own uses and political authority is largely based on clientelist practices, including patronage, various forms of rent-seeking and prebendalism.” (van de Walle, 2001, pp. 51-52).

According to van de Walle (2001) the centrality of patronage to African politics can be ascribed to the need to hold states together in the face of considerable ethnic diversity, a weak sense of nationhood (which is in turn the legacy of artificial borders designed by colonial powers) and weak economies that limit the benefits that governments can generate through economic growth.

Leonard et al. (2010) argue that patron client-relationships in African rural areas are a consequence of imperfect insurance markets and very high levels of poverty: rural dwellers are vulnerable to multiple uninsured risks (high rainfall variability, pests, crops’ prices fluctuations, health) that could destroy their livelihood. Thus, they offer political support to patrons, in exchange for help in times of crisis, while they would have a common ground and it would better serve their long-term interest to ally among themselves and ask for better policies; but this last strategy is very difficult to implement given the depth of poverty and marginalisation of African smallholders.

From a different, more sociological, perspective, Hyden (2008) sees as well informal institutions as the main determinants of political behaviour and conceptualises power in Africa as *power over people*, rather than *power residing in formal institutions*.

Other authors (Lipton, 1977; Bates, 1981), have highlighted how the weakness of rural dwellers (mostly dispersed and poorly educated farmers, integrated in very unequal patronage networks) and the higher organisational capacities of urban populations (which are instead concentrated in the capitals and can more easily mobilise and riot if dissatisfied) have led to an urban bias of public interventions across the African continent. Indeed, in their view, policies such as the control of food prices through marketing boards, export taxes on cash crops and overvalued exchange rates have harmed rural producers, while subsidies for food and energy have advantaged the better off urban dwellers in most African countries.

In light of these considerations, and looking at the general political economy model introduced by Drazen (2008), the neo-patrimonial state could be characterised as a context where a very narrow elite and coalition (composed by the military and some urban based interest groups) dominates the political arena and by the very low influence of the citizenry, composed mainly by rural dwellers trapped in unequal patronage networks.

According to several authors (van de Walle, 2001; Bates and Block, 2009; Poulton, 2014), the costs of patronage politics are very high and have hampered pro-poor growth policies in the continent.

Firstly, a low propensity to invest in public goods which generate benefits for large numbers of people and cannot be redistributed to political supporters (such as research and extension services, staple crop price stabilisation schemes and irrigation infrastructure) (van de Walle, 2001, Poulton, 2014). Secondly, the tendency to pursue inefficient agricultural policies, which favor the political and ethnic base of those in power at the expense of the overall population (e.g., in an influential research, Bates and Block, 2009, found that policies that support the production of cash crops tend to favour specific ethnic groups and regions).

Finally, weak state capacities following the politicisation of the civil service. In the words of van de Walle (2001, pp. 129-134):

“Turning to the evolution of state capacity over time in postcolonial Africa, a central paradox confronts us: at independence, most countries in Africa could count only a handful of native college graduates. The colonial administration was almost entirely in the hands of Europeans, with Africans holding at most clerical posts. ... Four decades later, the number of college graduates can be counted in the hundreds of thousands, following a prodigious effort by African individuals and their families, supported by an array of government and donor programs. ... Yet, and therein lies the paradox, there is much evidence that the capacity of African governments to design, implement, monitor and evaluate policy actually declined between the early independence era and the 1990s, despite this dramatic change in skills

available to governments. ... The first blows against state capacity came early after independence. Patronage exigencies led many governments to allow the excessively fast growth and africanization of their administration. ... The actions of African leaders undermined the quality of the civil service in other ways as well. The prospects for effective civil services ... are enormously enhanced by meritocratic hiring and promotion practices. ... In Africa, these principles were directly undermined by governments in the years after independence.”

Interestingly, similar insights on the costs of political patronage come from the literature on clientelism in Latin America (Fox, 1994; de Ferranti et al., 2003; Vanden, 2007; Stahler-Sholk et al., 2007), which points as well at the low propensity of investing in public goods, inefficient and elitist agricultural policies and weak state capacity as its major shortcomings.

A related stream of literature examines the impact of the relatively recent democratisation process on the capacity of African states to deliver pro-poor growth. Indeed, according to early political economy models, such as the median voter theorem of Downs (1957), holding democratic elections should lead to policies that favor the median voter, which in the continent is still poor and rural.

According to Bates and Block (2009), while in the 1970s-1980s the majority of Sub-Saharan African political executives were either not elected or elected as the sole candidate, by 2005 in the majority of countries candidates from multiple parties were able to contest Presidential elections. However, according to the authors, which focus on agricultural taxation and the influence of Presidents on the taxation of cash crops produced in their region of provenance, democratic elections have not produced the expected outcomes on pro-poor and pro-agricultural policies, mainly because of the social realities described above.

On a similar vein, Poulton (2014) considers whether the introduction of competitive, multi-party elections has improved the incentives for politicians to invest in public goods that could benefit the majority of smallholder farmers and conclude that, so far, it has not done so. This is because rural voters are still likely to vote on the basis of ethnic identity and patronage relations with local politicians. However, according to Poulton (2014), strong political commitment to invest in agricultural modernisation is observed in countries like Rwanda and Ethiopia, where regimes are under sustained politico-military threats. In fact, as we will see later, the political economy model of Ethiopia is akin to the Asian developmental state of the 1970s-1980s, and the leaders of the country have been inspired by the Asian developmental trajectory.

Van de Walle (2007) similarly highlights that democratisation in ethnically divided and economically weak contexts is unlikely to change, at least in short

term, the dynamics of policy making: political campaigns are more likely to be conducted around ethnic identity rather than around programmatic lines and genuine pro-poor policies tend to emerge only slowly. Collier (2007), argues that the simple fact of holding competitive multiparty elections does not enhance growth or poverty reduction in bottom billion countries, the poorest countries in the world, most of which are in Africa. If instead democratisation leads over time to popular demands to place effective restraints over governments, democracy can have a positive effect. What really counts are therefore institutional checks and balances, such as parliamentary control over the executive, independent judiciary systems, and a free press.

Interestingly, the literature on political patronage in Latin America highlights as well that democratisation is not a sufficient condition (de Ferranti et al., 2003) for bringing changes in policy outcomes (namely pro-poor growth). Indeed, consistently with Leonard et al. (2009), Stahler-Sholk et al. (2007) see the creation of a new collective identity amongst disadvantaged groups as key for challenging entrenched patterns of clientelism. Vanden (2007) further notes that democratisation helped the emergence of social movements (which were instead key in bringing policy changes), but this happened in a context characterised by higher levels of literacy (also thanks to education initiatives inspired by the liberation theology and Paulo Freire's "grassroots education" principles) and lower levels of poverty and vulnerability (which tend instead to reinforce the insurance argument for patronage politics set out by Leonard et al., 2009).

Finally, from a different perspective, Khan (2005) argues that in high income countries where the formal economy generates enough taxation resources for funding a large public budget, politics is led by programmatic parties that can legitimately focus on how to raise taxes and how to spend public funds. In contrast, in low-income countries, where the tax basis is narrow and the budget is small, politics is led by clientelist parties which tend to reward supporters through the allocation of economic rents "*using a combination of legal, quasi-legal or even illegal means*" (Khan, 2005, p. 719). This has negative effects on economic growth, among others the instability of property rights (that can be easily expropriated and redistributed to political supporters), which discourages private sector investments.

While analysts of the neo-patrimonial state converge on the need to strengthen democratic institutions (and particularly check and balances) in order to foster pro-poor economic growth, Khan is more skeptical and argues that strong states and insulated bureaucracies (a political economy model akin to the authoritarian regimes of East Asia in the 1960s-1980s) capable of

efficiently allocating economic rents ⁽¹³⁾ for the promotion of economic development and effectively protecting property rights are key for pro-poor economic growth (Khan, 2000b and Khan, 2005).

2.4 Development aid and economic progress in Africa

In this chapter we focus on development aid, its modalities and its role in fostering economic development and structural transformation in Sub-Saharan Africa. We will explore the interface between aid and the developing country State and highlight that the political economy context can highly influence the impact of international aid.

Aid modalities

Development aid has undergone a deep transformation during the last half century.

State-led development involving extensive government intervention in the economy and society was the dominant model during the 1960s and 1970s (Foster, 2000). This was justified on the ground of widespread market failures and the weakness of the private sector in the continent. Moreover, the newly independent countries were facing the heavy task of building new nations, despite the inherited artificial borders. However, this approach translated in top-down development interventions with little involvement of the intended beneficiaries (Korten, 1980; Chambers, 1983). As mentioned above, another common feature across the continent was the urban bias of public interventions: resources were consistently syphoned off from rural areas and used instead to promote industrial development or to protect urban elites from rising food and energy prices (Lipton, 1977). However, this translated in a heavy rate of taxation of the agricultural sector (through marketing boards, export taxes and overvalued exchange rates), that eventually hampered agricultural modernisation (Bates, 1981; Anderson and Master, 2009).

The structural adjustment programmes of the 1980s assumed that State withdrawal would enable markets to play their role and that the private sector

⁽¹³⁾ Khan (2000b) defines rents as super-normal economic returns that can be obtained from a particular activity as a result of a policy intervention. Rents can arise from the allocation of property rights or from subsidies. In his view rents can contribute to economic growth if properly managed: in particular, Schumpeterian rents (which rewards innovation *ex post*, such as patents), learning rents (which are offered *ex ante* in order to encourage technological upgrading) and rents for good management (related to labour motivation) can significantly contribute to economic growth. Monopoly rents carry deadweight losses, but might be unavoidable (e.g., natural monopolies) and can be regulated in order to enhance welfare; natural resource rents arising from the right to exploit a given resource are necessary when the alternative is open access; transfer rents (i.e., subsidies funded from general taxation) are generally inefficient, but can contribute to capital accumulation.

would fill the gap and foster economic growth. Aid was conditioned to the attainment of specific objectives by the recipient countries, such as macro-economic stability, privatisation and liberalisation of key sectors of the economy. This approach delivered poor development results. Smallholder agricultural modernisation did not happen, because producers found themselves trapped between the failure of the markets and the withdrawal of the States (Poulton et al., 2005); economic growth did not trickle down to the poor, who found themselves more and more exposed to livelihood risks and deprivations due to the reduction of basic services (education, health, social protection) (Barrientos and Hulme, 2009); the principle of conditionality undermined governments ownership and accountability towards the local society, and led to poor implementation of donor recommended policies (Killick, 2004; Collier, 2007). Finally, the main instrument for aid delivery, “the project”, led to a multiplication of interventions which were poorly coordinated and were drawing significant human resources from the state bureaucracy, thus undermining state capacities (Foster, 2000; Devereux et al., 2005).

Rising concerns for better aid effectiveness in the second half of the 1990s, culminated with the endorsement of the Paris Declaration on Aid Effectiveness in 2005. This translated in the recognition of the principle of country ownership of development programmes, donors’ coordination and alignment around country’s strategies and in a more balanced approach between the role of the state and the role of the private sector. Indeed, since mid 1990s, donors have increasingly recognised that state capacity needed to be strengthened in order to enable markets to play their role (Fukuyama, 2004).

During the 1990s, several UN summits (the Children’s Summit, 1990; the Earth Summit, 1992; the World Conference on Human Rights, 1993; the International Conference on Population and Development, 1994; the World Summit on Social Development, 1995; the IV World Conference on Women, 1995) contributed to form a consensus on multidimensional poverty eradication as the priority for the development process (Hulme, 2007).

At the same time, the World Bank Development Report of 1990 stressed the need for economic reforms and social policies to end poverty, and the first Human Development Report of 1990 focused on human development.

Indeed, at the end of the 1990s, 1,087 million people were living on less than USD 1 PPP a day, representing 22.1% of the population of developing countries (Chen and Ravallion, 2007).

This process led to the development of two intertwined parallel initiatives, respectively led by the UN and the World Bank: the international agreement over a common set of development goals and targets, the Millennium Development Goals (MDGs) to significantly reduce multidimensional

poverty (monetary poverty, hunger, lack of education, gender imbalances, poor health, environmental degradation) by 2015; and the promotion of Poverty Reduction Strategy Papers (PRSPs) as the main tool for the design of developing countries strategies to foster economic development and reduce poverty.

The MDGs placed multidimensional poverty reduction at the centre of the developmental agenda and were a response to the failure of the IMF and WB structural adjustment policies that focused on economic growth as means to reduce income poverty (Hulme, 2007).

According to Hulme (2007), the MDGs had limited influence on the emerging economies of Asia and Latin America, which pursued their own economic and social strategies, but were influential in shaping the PRSPs of low-income countries.

Indeed, since 2000 the redaction of those strategic plans became an obligation for developing countries that were seeking support from the WB and the IMF. The PRSPs are in principle country-owned, involving broad-based participation by the civil society in their formulation, are based on a long-term perspective for the reduction of multidimensional poverty and are partnership oriented. However, in practice, their formulation in the 2000s did not usually involve the civil society, and responded more to the expectations of the IFIs and other donors, and at the implementation level national priorities as perceived by the elites often took the precedence (Whitfield, 2010).

Finally, according to the MDGs Report 2015, while significant progress has been registered between 2000 and 2015 in relation to access to universal primary education, access to water and the fight against major diseases (HIV-AIDS, malaria and tuberculosis), the substantial reduction of monetary poverty (the number of people living in extreme poverty has fallen from 1.9 billion in 1990 to 836 million in 2015) and hunger (the proportion of undernourished people in the developing regions has fallen from 23.3 per cent in 1990–1992 to 12.9 per cent in 2014–2016) has much to do with the rapid economic growth in Asia, while SSA has not reached these targets, despite sustained economic growth since the 2010s (UN, 2015b).

The MDGs and the PRSPs have nonetheless been influential in increasing the Official Development Assistance (ODA) ⁽¹⁴⁾ and in catalysing donors support to certain sectors, such as education and health perceived as critical in tackling poverty.

The world had significantly changed between 2000 and 2015 and this has had

⁽¹⁴⁾ According to Organisation for Economic Cooperation and Development (OECD), the OECD-DAC net ODA to developing countries (in constant 2018 USD) reached USD 131.6 billion in 2015 from USD 54 billion in 2000, thereby increasing by almost 144% in real terms (OECD website).

some relevance for the post-2015 agenda.

While the economic development of Asian and Latin American countries has contributed to global poverty reduction, the persistence of large pockets of poverty in these continents shifted the international focus on issues of national income distribution (Sumner, 2010). Indeed, the international policy discourse increasingly recognises the growing inequality within states (Piketty, 2014).

In the development debate, it is also widely recognised that the private sector and the civil society have a critical role to play in promoting growth and poverty reduction (Ladd, 2015). Support to smallholder agriculture as a strategy for poverty reduction and inclusive growth (Diao et al., 2007; Timmer, 2009) is now back at the centre of the development agenda. Moreover, the new development agenda recognises the need for inclusive and sustainable industrialisation processes, as the evidence has shown the existence of several types of unsustainable growth, such as socially unequal, environmental unfriendly, jobless and peaceless growth (Fukuda-Parr, 2007; Masina, 2015).

Finally, the global challenges related to climate change, and the regulation of global food and financial markets have been growingly recognised during the last 15 years, and particularly so after the food crisis of 2007 and the financial crisis of 2008.

The process of devising the post-2015 agenda started in Rio de Janeiro at the UN Conference on Sustainable Development of June 2012 which recommended the establishment of an Open Working Group to prepare a proposal on Sustainable Development Goals (SDGs) for the UN General Assembly.

Meanwhile a process of consultation has been led by the UN, which organised several regional and thematic consultations involving governments, parliamentarians, business people, academics and the civil society, as well as a global survey of 7.5 million people on what they want to see in the new set of SDGs (Ladd, 2015).

The post-2015 agenda has been shaped by two major agreements between UN member States reached during the year 2015.

At the III Conference on Financing for Development (FfD) held in Addis Ababa in July 2015, a compact for a global partnership (the Addis Ababa Action Agenda) has been adopted ⁽¹⁵⁾: the compact stresses the principle of mutual responsibility between developing countries and donors for development outcomes, which are to be achieved through increased mobilisation of domestic resources, the improvement of public spending

⁽¹⁵⁾ I have been associated to the Italian delegation in that process and I have participated to several meetings of the EU member States, as well as to the general meetings with other UN countries.

effectiveness and the support of development aid. This last should be seen as complementary and should play a role in catalysing private investments through mechanisms of blended finance and public-private partnership (PPP). This will in turn require an improvement in the business climate of many developing countries. Furthermore, international cooperation on tax matters as means to reduce tax evasion and illicit transfers by multinationals (evaluated at USD 50 billion per year for SSA) will be strengthened and private remittances will be facilitated through the reduction of transaction costs. Finally, an equitable and open trade system and the proper functioning of global commodity and financial markets are considered central in reaching the SDGs (UN, 2015a).

At the UN Sustainable Development Summit held in New York in September 2015, UN member States adopted the 2030 Agenda for Sustainable Development with its 17 Sustainable Development Goals. The SDGs represent a *universal agreement on common principles and aspirations and apply to all countries in the world*; they are grounded in the concept of sustainable development, integrating four interdependent dimensions: economic, social, environmental and governance; they reflect a broader agenda than the MDGs and focus on the role of inclusive and sustainable economic growth in delivering development outcomes (General Assembly of the United Nations, 2015).

To sum up, international aid since 1960s has been characterised by a growing recognition of the principles of countries ownership of their developing trajectories, donors' coordination around government programmes, mutual accountability for development outcomes and a more balanced approach between the role of the state, civil society and the private sector in the process of sustainable economic growth and multidimensional poverty reduction.

Aid, economic growth and structural transformation

The impact of international aid on economic growth and structural transformation has been the object of a lively debate among scholars and development experts.

Despite the little reliance on aid of Asian countries during their industrialisation process, the relevance of aid in promoting the Asian green revolution, which kick-started their process of economic and structural transformation, has been recognised by several authors (Cummings et al. 2006; Fan et al., 2007). However, the literature shows mixed result concerning the Sub-Saharan African context.

According to Mekasha and Tarp (2013), Dreher and Lohmann (2015), Arndt et al. (2016), Jones and Tarp (2016), Galiani et al. (2017) aid has a positive

effect on growth, albeit heterogeneous and depending on recipient characteristics, aid modalities and donor motives. The expansion of physical infrastructure is considered one of the prominent channels through which aid can affect growth, particularly in the short-term. In the long-term, aid contributes to the accumulation of human capital, through investments in education and health.

Collier (2007, p.100) states that: “*a reasonable estimate is that over the last 30 years [aid] has added around one percentage point to the annual growth rate of the bottom billion*” making the difference between economic stagnation and economic decline in the poorest countries of the world, most of which are in Sub-Saharan Africa.

Similarly, after reviewing a wide literature, McGillivray (2004) concludes that aid positively contributes to growth.

On the contrary, Rajan and Subramanian (2008) found no significant effect of aid on growth, irrespectively of aid modality, policy and geographical context. Doucouliagos and Paldam (2011), after reviewing over 100 studies show a negative effect of aid, also because of its fungibility. However, they highlight the possibility that aid can be effective in specific situations, such as emergency food aid and debt relief.

The effects of aid on structural transformation in Africa is also debated. According to Arndt et al. (2015), in the long-term aid positively contributed to growth and poverty reduction for the 1970-2007 period, and fostered as well the expansion of manufacturing, thanks to investments in human capital and infrastructure.

On the contrary, the Dutch disease is often cited as an example of how aid negatively affects structural transformation. Indeed, the appreciation of the real exchange rate due to aid inflows hampers the international competitiveness of the domestic manufacturing sector, thus leading to a deceleration of the process of structural change (Adenauer and Vagassky 1998; Rajan and Subramanian, 2011). However, Collier (2007) argues that the Dutch disease phenomenon can be mitigated by using aid inflows to pay for foreign technical assistance or import capital goods needed in the industrialisation process (thus involving outflows of foreign currency and the consequent depreciation of the real exchange rate).

With respect to the destination of foreign aid, Page (2012) argues that, since the 1990s the impact of aid on structural transformation in the continent has been negligible, because of the excessive donors’ attention to governance and investment climate, and the relative neglect of infrastructure and skills development. However, he concludes that aid still plays a positive role on structural change, through the support of nontraditional export sectors, industrial agglomerations and regional trade integration.

Finally, Banerjee and Duflo (2012), point out that the focus on the effects of aid on economic growth and structural transformation is actually wrong and

highlight instead the role of aid in fostering innovation by concentrating on targeted interventions which can ultimately improve development outcomes such as health and educational achievements.

Part of the uncertainty with regard to the impact of aid on economic growth and structural transformation is due to the heterogeneity of aid modalities, its different destinations, and the different institutional capacities across donors and recipient countries.

Indeed, McGillivray et al., 2006, observe that since 2000, most of the literature on aid and development tends to focus on the conditions under which aid promote economic development rather than whether or not it does. According to the authors, this emerging focus is a response to the World Bank's 1998 report "Assessing Aid", which asserted that the impact of aid depends on the policies in place in recipient countries, thus implicitly giving prominence to domestic factors over donors' influence (World Bank, 1998).

Aid and governments

A growing stream of literature has focused on the domestic determinants of the outcomes of international aid.

This literature generally acknowledges what de Renzio (2006) called the primacy of domestic politics: donors may be influential in determining the official aims of development aid (such as market liberalisation, poverty reduction, inclusive economic growth), but in the end actual policy implementation responds primarily to domestic political dynamics.

This principle can account for the general failure of the policy conditionality during the structural adjustment reforms of 1980s and 1990s and the weak performance of the process conditionality embedded in the Poverty Reduction Strategy Papers process ⁽¹⁶⁾.

As for the first, several authors have highlighted the limits of the conditionality imposed on recipient countries by the IMF and the WB during the structural adjustment era. According to Killick (2004, p. 8) conditionalities can be described as "*actions, or promises of actions made by the recipient governments only at the insistence of aid providers*". Collier (2007) sees several problems with this approach: on the one hand it leads to a psychological resistance from the recipients and diminishes its accountability towards the local society, on the other hand, the time

⁽¹⁶⁾ We refer here to the fact that the eligibility for donors' financial support to the implementation of PRSPs is *formally conditioned* by the effective involvement of the civil society and the private sector in their design, monitoring and evaluation by the recipient country.

inconsistency between funding and implementation of the required conditions has resulted in several broken promises. Both Collier (2007) and Killick (2004) conclude that policy conditionality failed to achieve its objective, namely the implementation of the desired reforms.

According to Biswanger and Deininger (1997), while IFIs were able to exert considerable influence at the beginning of the structural adjustment process, in times of acute fiscal crisis, this rapidly diminished with the restoration of macroeconomic and fiscal stability.

Finally, according to van de Walle (2001) and Lookwood (2005b), African political elites could persistently ignore policy conditions without significant penalties in terms of aid reduction, and “sovereignty expenditures” (such as funding for the military and the security apparatus) actually increased during the structural adjustment period, despite the budget austerity imposed by the IFIs (van de Walle, 2001).

As for the process conditionality introduced with the PRSPs’ practice since 2000, several authors have pointed out that genuine country ownership (which encompasses broad participation by the civil society and the private sector in their design and M&E) has not materialised in practice (Lockwood, 2005a; Driscoll and Evans, 2005; Booth, 2005).

With regard to Ethiopia, Borchgrevink (2008) highlights that donors’ conditions have generally failed to influence the country’s policies in these last three decades. In the period 1993-1997, the Ethiopian government was ready to accept very significant aid cuts from the WB and the IMF, because the conditions attached (related to private sector development, continued privatisation and liberalisation of the financial sector) were not in line with the country’s development strategy. In the period 1998-2000, during the war between Ethiopia and Eritrea, aid remained stable because of poor coordination among donors, which chose different courses of action, some freezing aid (Norway) or continuing development assistance only in some sectors (Canada), other honoring existing contracts, but avoiding entering into new agreements (EU and Sweden), others continuing to sign new agreements as well (USA, Finland, Ireland)⁽¹⁷⁾. Donors’ funding, especially from the US and the WB increased substantially during the 2000-2005 period, as a result of increasing humanitarian needs, donors’ support to the first PRSP and the key role of Ethiopia in the “war against terror”. After the 2005 elections’ crackdown, the EU and the US released a joint statement expressing concerns

⁽¹⁷⁾ Thus, some donors practiced what has been labelled “*negative peace conditionality*’ by *reducing aid to seek to influence the warring parties*” (Borchgrevink 2008, p. 204), while others maintained or increased aid levels, arguing that local people were experiencing even harsher conditions due to the war.

about the human rights situation and the Donor Assistance Group (DAG) ⁽¹⁸⁾ issued a strong statement indicating that the main donors were collectively reviewing development cooperation modalities with the country. Some key donors (WB, EU, AfDB, UK, Canada, Ireland, Germany, Sweden) switched their ODA from budget support to project support (particularly to the Protection of Basic Services Programme-PBS), while others (such as the US, which is one of the largest donors, but doesn't provide any budget support) continued their activities without major changes. According to Borchgrevink (2008, p. 212), “Overall, aid to Ethiopia remained quite stable in 2006 (up from USD 1,910 million in 2005 to USD 1,947 million).”. At the same time, the Ethiopian authorities did not show willingness to compromise over political issues and in fact increased the authoritarian features of the regime. Indeed, according to the authors, geostrategic considerations, namely the role of a stable Ethiopia with respect to the radicalisation of neighboring Somalia prevailed in donors' decisions. From a different perspective, Brown and Fisher (2020) point out that the capacity of the government to deliver in terms of shared economic growth and poverty reduction and to articulate a coherent developmental strategy, embodied in the “democratic developmental state” model, respectively motivated donors to continue supporting the country and provided them the necessary narrative to justify their support at home.

This brief excursus on the application of conditionality to the Ethiopian case shows that government assertiveness, capacity to deliver value for money, narratives about developmental models, strategic considerations and coordination among donors are all key factors in influencing the effectiveness of conditionality.

Finally, the literature on the neo-patrimonial state in Sub-Saharan Africa provides further insights on the relations between international aid and patronage domestic politics. Indeed, according to van de Walle (2001) and Lockwood (2005b), while the political economy context of the neo-patrimonial state hampers aid effectiveness, the same aid flows have been used by local political elites to strengthen their patronage networks and stay in power in times of economic stagnation.

However, this argument is controversial and Collier (2007) pointed out that aid flows to bottom billion countries have had a much more positive impact on growth than oil revenues to the same countries, a finding which highlights the positive role of aid agencies in making the most out of their investments.

⁽¹⁸⁾ The DAG is the most important forum of bilateral and multilateral development agencies in the country.

3. CONTEXT

3.1 Socio-economic progress, industrial policies and structural transformation in Ethiopia

An arduous path

Over the past decade, Ethiopia has been hailed as one of the faster growing economy in Africa. The rapid pace of its economic growth, coupled with encouraging trends in poverty reduction, has drawn international attention on this country that aims to become an industrial hub and reach the middle-income status by the end of 2025 (as stated in the 2015-2020 Growth and Transformation Plan II - FDRE, May 2016).

Industrialisation in Ethiopia is largely a post-world war II phenomenon, even though it is possible to trace back some major events that influenced its future path, such as the construction of the Ethio-Djibouti railway (1897-1917), which influenced the pattern of international trade and prompted the creation of new towns and industries along that corridor and the construction of a 6,000 km road network and several factories by the Italian invaders (Oqubay, 2019).

During the Imperial era (1950-1974) the Ethiopian government pursued an ISI strategy, attracted foreign capital and invested directly in large projects, such as utilities, services, factories, and commercial farms (Oqubay, 2019). These strategies brought benefit in terms of employment creation, particularly in the textile sector, however most industries were concentrated in the three cities of Addis Ababa, Asmara and Dire Dawa, dominated by foreign investors, and oriented towards the domestic rather than the export market. Another fundamental problem was the complete neglect of the agricultural sector, which was still dominated by feudal exploitative practices (Markakis, 2011).

The subsequent Marxist-Leninist Derg regime (1975-1991), which took power after the famine of 1973 implemented a radical land reform under the motto “land to the tillers”. Land was nationalised (and still is in rural areas) and the power of the feudal aristocracy broken forever. However, several misguided policies, such as the overemphasis on state farms and the neglect of smallholder farmers (which were forced to organise in producers’ cooperatives and sell at low prices to the national marketing board) prevented the agricultural sector to develop. Moreover, the civil war in the north of the country (in present Eritrea and Tigray), which drew farmers out of their occupation to join the military effort, the destruction of rural markets and other infrastructure, and policies such as forced resettlement and villagisation completely disrupted the rural economy and society, leading to the

catastrophic famine of 1984 (Giorgis, 1989; Tiruneh, 1990; Zewde, 2011). Moreover, the “red terror” unleashed in urban areas against political opponents caused a huge brain drain (Oqubay, 2019). With regard to industry, the regime nationalised all firms and established SOEs in sectors such as food and beverages, textiles, leather, cement and chemical. However, their performance was poor and the country experienced limited structural change (Manyazewal and Shiferaw, 2019).

All in all, the almost 20 years of the Derg regime brought a prolonged economic recession (Cheru and Pausewang, 1992; Chole, 2004), profound social disruption and huge human losses (Zewde, 2011).

The regime was eventually overthrown by the joint efforts of several guerrilla movements, among which the most prominent were the EPLF (Eritrean People’s Liberation Front), the TPLF (Tigray People’s Liberation Front) and the OLF (Oromo Liberation Front), all active since early 1970s ⁽¹⁹⁾.

In 1991, the Ethiopian Transitional Government implemented a series of economic policies in cooperation with development partners with the aims to switch from war to a peace time economy, restore macroeconomic stability and rebuild damaged infrastructure. It was only in 1995, when Meles Zenawi (1995-2012) officially took power as Prime Minister that the government started to embrace a strong developmental vision to bring about agricultural modernisation and industrial development.

Addressing the agricultural crisis was perceived as the highest priority by the new coalition in power and in 1994 the government adopted an Agricultural Development-Led Industrialization (ADLI) strategy, aiming at the promotion of smallholder agricultural growth and committing towards the creation of inter-sectoral linkages between agricultural and industrial sectors, mainly in labour intensive manufacturing (such as leather and leather products, textiles and apparel, food processing and beverage).

This comprehensive policy, which was renewed for more than 20 years, contributed to agricultural modernisation through a combination of public interventions, such as the provision of key public goods (construction of roads, irrigation infrastructure and rural markets, investments in education, research and extension services) and the provision of subsidised credit and support to the farmers’ cooperative system.

In parallel, the government reorganised and expanded state-owned enterprises (SOEs) in sectors deemed strategic for the country, such as telecommunication and energy, air travel, railways, import of fertiliser,

⁽¹⁹⁾ The EPLF led Eritrea to formal independence in 1993, the TPLF led the EPRDF government coalition in Ethiopia since 1991 for almost three decades, while the OLF withdrew from the Ethiopian Transitional Government in 1992, was then outlawed and started carrying on guerrilla operations until its rehabilitation by Abiy’s government in August 2018.

production of sugar and cotton. The government established as well a tight control over the financial and banking sector, which by law are still reserved to domestic investors, and are dominated by the public Ethiopian Development Bank (EDB) and Commercial Bank of Ethiopia (CBE). Other sectors of the economy, such as logistics, domestic transportation and retailing were also reserved to domestic investors. Another feature of the Ethiopian economy has been the relevance of military owned enterprises, such as METEC (Metal and Engineering Corporation), and party owned enterprises, such as the TPLF owned EFFORT (Endowment Fund for the Rehabilitation of Tigray) ⁽²⁰⁾.

The government thus followed an original approach that combined a strong and activist state and the gradual opening of the economy often departing from the Washington Consensus paradigm (Stiglitz, 2002b; Oqubay, 2015 and 2019). Indeed, in the views of its leader and main ideologue, the head of the TPLF and the EPRDF coalition, Meles Zenawi “*both the ‘predatory state’ of Africa’s first post-colonial decades, or simply ‘allowing the market to rule’ (the ‘Washington Consensus’) were ‘dead ends’.*” (Lefort, 2013, p. 460). Only a strong and activist state could deliver development, by centralising state rents and reallocating them productively (e.g., for investments in public goods, such as infrastructure, education and health) and by guiding the private sector towards value creation and away from rent seeking (Zenawi, 2012).

The first two Poverty Reduction Strategy Papers, the Sustainable Development and Poverty Reduction Programme - SDPRP (2002/3 - 2004/5) and the Plan for Accelerated and Sustained Development to End Poverty - PASDEP (2005-2010) (FDRE, 2005) aimed to achieve the Millenium Development Goals and echoed the principles and objectives of the ADLI strategy. They paid particular attention to smallholder agricultural modernisation and the development of supply value chains through the creation of inter-sectoral linkages, for instance by encouraging domestic raw-material producers (e.g.: horticulture, barley, wheat, sesame) to supply the agro-industry sector (Poulton, 2018). These programmes delivered important results, such as the reduction of absolute poverty, which according to the World Bank (2015a) passed from 56% in 2000 to 31% in 2011, and the attainment of the MDGs targets for poverty, hunger, education and children’s health (National Planning Commission and the United Nations in Ethiopia, 2015).

⁽²⁰⁾ For an interesting comparison between Ethiopia and Taiwan with regard to party-owned enterprises, see: Abegaz, 2011. The author sees party-state capitalism as a part of the drive by vanguard parties to centralise rents in weak market economies. However, its long-term impact (in terms of creation of shared prosperity or fueling of clientelism and corruption) is a disputed issue, “*which adds an important dimension to the debate on developmental states and neo-patrimonialism in Africa*” (Abegaz, 2011, p. 56). On the METEC experience in Ethiopia, see: Abebe, 2020.

Moreover, they have been in general successful in raising agricultural yields and reducing poverty in the rural areas of Ethiopia (Berhanu and Poulton, 2014; Pankhurst, 2017). However, as pointed out by Lefort (2012b) and by Berhanu and Poulton (2014) for the extension programme, political considerations (such as the use of extension services to vehicle political messages) have often reduced the developmental impact of public investments.

The parliamentary elections of May 15 2005 marked a turning point in the Ethiopian political economy. For the first time in the Ethiopian history, opposition parties were able to campaign and local media to inform about the ongoing political debate. This is because on the one hand the ruling EPRDF coalition was confident to win the elections given the tangible results in achieving poverty reduction, on the other hand the international community had been very vocal about the need to hold free and fair elections (The Economist, 2005; Lefort, 2007). However, while the EPRDF ruling coalition managed to keep the power at national level, its difficulty to intercept the needs of more complex urban realities yielded a political defeat in Addis Ababa ⁽²¹⁾ and in the major cities of the country (Abbink, 2005).

From a political perspective, as we will see below, the elections marked a setback of the democratisation process: protests by opposition parties leaders and common citizens about the fairness of the official electoral results ⁽²²⁾ released the 5 September 2005 were handled by the government with a heavy hand, leading to hundreds of deaths and tens of thousands of arrests, including the jailing of opposition leaders (Abbink, 2005; Human Right Watch, 2006); afterward the state-party apparatus increasingly restricted the political space and the freedom of the press (Aalen and Tronvoll, 2009; Abbink, 2011; Lefort, 2013; Allo, 2017; Dejene and Cochrane, 2018).

From an economic perspective, as pointed out by Fantu et al. (2019, p 9), the decline of the political consensus of the ruling coalition unveiled “*the limits*

⁽²¹⁾ For instance, the pan-Ethiopian and liberal oriented Coalition for Unity and Democracy (CUD) won all 23 House of Representative’s seats in the capital and 137 over 138 seats of the Addis Ababa City Council. The newly elected City Council nominated the deputy chairmen of the CUD, Dr. Berhanu Nega, Mayor of the capital. However, following the protests of October 2005, Dr. Berhanu Nega and other leaders of the CUD were arrested and charged with treason (Abbink, 2005; Aalen and Tronvoll, 2009). After being released from prison in 2007, Dr. Berhanu Nega left the country for the USA, where he founded the opposition movement Ginbot 7 (meaning 15 May in Amharic), which, outlawed during the EPRDF regime, was rehabilitated by the political reforms of 2018. Dr. Berhanu Nega is now the leader of the opposition party, Ethiopia Citizens for Social Justice (ECSJ) (The Africa Report, 2019).

⁽²²⁾ According to these results, the EPRDF gained 371 seats over 547 in the House of People Representatives. The main opposition parties, the CUD and the UEDF (United Ethiopian Democratic Forces) won respectively 109 and 52 seats (Abbink, 2005).

of smallholder-dependent agricultural-led industrialization” and “Henceforth the government consciously pursued structural transformation by improving the productivity and competitiveness of smallholder agriculture, as well as promoting industrialisation, value addition and export development”. According to Clapham (2018), this is when the Ethiopian leadership started to articulate a coherent development strategy, closely resembling the developmental state model, which continued to promote productivity improvements in smallholder agriculture, but placed greater emphasis on the creation of the conditions for industrialisation in the country, namely through massive investments in transport infrastructure, hydroelectricity, education, health and the implementation of selective industrial policies.

In this sense, Meles Zenawi publicly declared its aspiration to follow the developmental model characterising some East Asian countries, such as Japan in the post-second World War, and South Korea and Taiwan in the 1970s and 1980s (Zenawi, 2012; Aaron, 2017) ⁽²³⁾.

The last decade

Whilst the major focus of the PASDEP 2005-2010 was still revolving around the effort of eradicating poverty in the country, the 2010-2015 Growth and Transformation Plan/GTP I (FDRE, November 2010) and the following 2015-2020 Growth and Transformation Plan II/GTP II (FDRE, May 2016), contain a mix of policy instruments explicitly targeting industrial and export growth and employment creation.

Under GTP periods, specific manufacturing industries have been targeted (Oqubay, 2015; Whitfield and Zalk 2020). Such strategic sectors were mainly light-manufacturing, labour-intensive industries, e.g., textile, garment and apparel, leather, agro-processing, along with cement production, metal and engineering, chemical and pharmaceuticals which were also addressed. Under GTP II, the number of targeted industries has extended to include ITC and electronics, petrochemical industry and biotech. The GTP II places greater emphasis on the transformation of the country in an industrial hub, the expansion of the network of industrial parks to attract foreign investors, upgrade the domestic production capacity and increase exports, the promotion of micro, small and medium enterprises (MSMEs) to create jobs, as well as the expansion in access and quality of public education and health (Oqubay, 2015; Haile 2015; ISPI, 2015b).

In both GTP periods, agro-processing has been the industry that was targeted to reach the highest percentage share of GDP, notably 3,8% and 5,5% in GTP I and II, respectively.

⁽²³⁾ In this last decade, Ethiopia has been looking more at the Chinese growth experience (Tronvoll, 2020). On the influence of the Chinese model on Ethiopian policymakers, see: Fourie (2015).

Given the country structural deficit in its trade balance (IMF, 2018 and 2019a), these ambitious plans have been funded principally through three sources: domestic savings, the mobilisation of FDIs and donors' aid (Clapham, 2018). Remittances have played as well a significant role in sustaining private consumption and relieving pressure on the balance of payment.

As for the first, the government has consistently sought to raise capital in the domestic economy, through the extraction of profits from public monopolies in the telecommunication and air service sector, and through the request to domestic banks to hold public bonds ⁽²⁴⁾.

A second source of capital has been the mobilisation of FDI, whose annual inflows have passed from 288 MUSD in 2010 to 2,516 MUSD in 2019 (UNCTAD, 2020). Foreign direct investments started in the floricultural sector in the early 2000s and then spread across the leather, textile, garment and apparel sectors. In these last sectors, they are concentrated in SEZs and IPs (Deloitte, 2019). The government has been active as well in promoting foreign investments in large-scale agriculture through generous land lease (Abbink, 2011; Lavers, 2012), mainly in the lowlands of the country (e.g., in parts of Oromia, Gambella, Benishangul-Gumuz and SNNPR), but also in Tigray and Amhara ⁽²⁵⁾. However, the lack of coordination between federal authorities (which negotiated the leases) and regional authorities (which were not involved in the negotiations, but still had to effectively expropriate and allocate the land), the lack of appropriate infrastructure in the selected areas and open revolts by dispossessed communities resulted in a general failure of that policy (Clapham, 2018; Cochrane and Legault, 2020; The Economist, 2020b) ⁽²⁶⁾.

⁽²⁴⁾ A key instrument in that sense was the so-called “27% rule” introduced in April 2011 by the NBE directive MFA/NBEBILLS/001/2011. The rule requested all domestic banks to invest 27% of every new loan in 5 years NBE bills, remunerated at 3%, well below the inflation rate. The World Bank and several other donors had consistently pointed out that this rule had a negative impact on private sector access to finance, because it reduced the lending capacity of private banks which are the major providers of finance to the private sector (World Bank, 2014b). The rule has been repealed under the new Abiy government in November 2019.

⁽²⁵⁾ The GTP II aimed at leasing 3 million hectares of land in 5 years. How much land has been actually leased is not clear (and is a contested issue), due also to the lack of transparency on this matter. According to the World Bank (2015b), 1.33 million hectares of land had been transferred to 6,612 commercial farms which were operational in 2013/14. However, 55% of the land transferred remained unutilised.

⁽²⁶⁾ However, the social cost of these policies has been huge, in the words of Abbink (2011, p. 610): “*The options for local people are to move out and migrate to other areas, or to become (low-paid) labourers on the newly established mega-farms, taken out of their social fabric and networks. Alternative areas or facilities are not prepared for them and many are lost and become destitute.*”

Donors' finance has been key in securing capital for development of economic and social infrastructure. Indeed, despite the evident shortcoming in democratic good governance, multilateral (such as the World Bank, IFAD and the African Development Bank) and bilateral donors (such the OECD countries and China) have been keen to support the Ethiopian government in its modernisation effort ⁽²⁷⁾. This has been due in part to the geopolitical role of Ethiopia, as a stable country in an unstable region, a reliable partner in the global war on terror, a major host of refugees and a source of potential migrants to Europe. On the other hand, the success of the Ethiopian government in significantly reducing poverty and attaining several MDGs has attracted donor funding on the ground that it delivers “value for money” (Clapham, 2018).

Finally, the Ethiopian government has devoted significant efforts in attracting remittances from its large diaspora, particularly in the USA and Europe: World Bank data estimate private remittances received in 2019 at 531 MUSD, representing 0.6% of GDP (World Bank website).

Several industrial policy instruments have been utilised to promote the prioritised manufacturing sector (Oqubay, 2015, 2019; Hauge, 2019).

The expansion of infrastructure, especially energy, railways and roads have received prime attention in order to create a favourable business environment for industrial development and generate employment (Bigsten and Soderbom, 2011; Tassinari et al., 2018). Major projects have been realised with government funding and donors support (mainly China, but also the African Development Bank for the road network).

In the energy sector, large investment projects in hydropower generation have been launched with the strategic aims to support industrial growth and eventually export energy in the neighboring countries. Among the main projects are the realisation of the Gilgel Gibe III dam on the Omo river (1.87 gigawatts) and the construction of the Grand Ethiopia Renaissance Dam (GERD) on the Blue Nile, in the Benishangul-Gumuz Region of the country, both involving the Italian group Webuild (formerly Salini Impregilo). The construction of the GERD started in 2011 and has reached 75% of completion. The dam, which is expected to provide electricity for 6.45 gigawatts, has been fully financed by Ethiopia through the emission of public bonds and is proudly considered by the large majority of the population as a symbol of national progress. However, the GERD has raised concerns from Egypt and Sudan, which are still unsolved and could be a cause of instability in the coming years (The New York Times, 2020a; Foreign Policy, 2020c;

⁽²⁷⁾ Data from the World Bank estimate that net ODA was at 4.9 billion USD in 2019, representing 5.85% of GDP. Between 2009 and 2018, net ODA represented on average 6.94% of GDP (World Bank website).

Tronvoll, 2020) ⁽²⁸⁾. Parallely, the government has invested in the expansion of the national grid, leading to an increase in access to electricity from 32.3% in 2009 to 44.9% in 2018, and from 21.6% to 32.7% in rural areas during the same period (World Bank website).

The transport network has been improved with the aim to better integrate the domestic economy (for instance by strengthening rural-urban connections) and the country as a whole with regional and global markets.

One of the major investments in railways is the high-speed line connecting the capital Addis Ababa to the port of Doraleh Djibouti (759 km), which is operational since 2018 and provides the country direct access to the sea. Other ongoing railway projects are the construction of the Mekele-Hara-Gebeya (Waldya) line (268 km) and the Hara-Gebeya-Semera-Assayita line (229 km) (Tassinari et al., 2018).

The expansion of the road network is also significant, with all-weather roads increasing from 26,000 km in 2005 to 121,000 km in 2016 (FDRE, September 2019). Among the main projects, it is worth to mention the highway which connects Addis Ababa to the Dry Port of Mojo (a major logistical hub) and Adama (the Oromia capital) which is already operational, and the construction of the highway that connects Addis Ababa to Awassa (the Sidama capital) through Mojo and Ziway (which is under implementation and is part of the broader Mombasa – Nairobi – Addis Ababa highway). These major transport infrastructures are meant to improve the competitiveness of the local economy (horticulture and floriculture all along the Rift Valley, textile and garment, leather and leather products, agro-processing in special economic zones, including the IPs in Adama and Awassa, the Mojo leather city and the IAIP in Bulbula).

The government has as well fostered the development of priority sectors with more selective (or vertical) policy interventions (UNECA, 2016).

Among them the expansion of the industrial bureaucracy, with the establishment of coordinating bodies and several specialised agencies (Oqubay, 2019; Hauge, 2019).

⁽²⁸⁾ In an interview broadcasted by Al Jazeera (2010), PM Meles Zenawi, explained that the construction of the GERD was a national development priority for Ethiopia and therefore could not be stopped by Egypt or by the withdrawal of funds from donors. What could instead be achieved was a win-win solution with Egypt and Sudan over the operation of the dam. In an interview with Alex De Wall, Meles Zenawi further highlighted that Ethiopian foreign policy and national security had undergone a paradigm change. In his words “...*national security is now based on our own national goals, and that is achieving economic development*”, marking a departure from “*the old way of thinking, which was to identify threats one by one and figure out how to defend ourselves*” (reported in: De Waal, 2018, p.7).

The Ethiopian Investment Board (EIB) and the National Export Council (NEC), both chaired by the Prime Minister, have directed and supervised the overall investment and export strategies.

The Ethiopian Investment Commission (EIC) and the Ethiopian Industrial Parks Development Corporation are specialised agencies responsible respectively for FDI attraction and the development and management of Federal Industrial Parks. Several institutes have been established under the Ministry of Trade and Industry in order to provide capacity building, facilitate technology transfer and promote the effective coordination of value chains⁽²⁹⁾. Finally, the Ethiopian Horticulture Development Agency (EHDA) has been established in 2008 as an autonomous agency under the Ministry of Agriculture for the promotion of the horticulture export industry.

Subsidised credit has been made available to priority industries and in general to export oriented industries by the public owned Development Bank of Ethiopia (which provides mainly investment capital loans) and the Commercial Bank of Ethiopia (which provides working capital loans and leasing services). Subsidises land has also been made available to export oriented firms and FDI (Hauge, 2019).

Exchange rate policy, such as the devaluations of 2010 and 2017, have contributed to improve the competitiveness of export manufacturers in the global market (Oqubay, 2019).

The Ethiopian government has also protected nascent industries, by raising tariffs and banning imports in the case of the cement industry (Oqubay, 2019). Export promotion through subsidised credit, exemption from import duties and access to subsidised land has advantaged the floricultural industry (Gebreeyesus, 2014).

Fostering linkages with other sectors of the economy has been a key strategy for the successful development of cement and floriculture (Oqubay, 2019).

FDI attraction, pursued also through fiscal incentives, such as tax breaks, exemption on import duties for capital goods and exemption from export taxes, particularly in the textile, garment and leather industries has been a key element of the industrial push, because of the need to attract capital and technology (Hauge, 2019)⁽³⁰⁾. As we will see later in more detail, the construction of industrial parks has contributed as well to the attraction of foreign investors (Hauge, 2019; UNIDO, 2018).

⁽²⁹⁾ Among these, the Ethiopian Textile Industry Development Institute (ETIDI), the Ethiopian Leather Industry Development Institute (LIDI), the Ethiopian Food, Beverage and Pharmaceutical Industry Development Institute (EFBPIDI), the Ethiopian Meat and Dairy Industry Development Institute (EMDIDI).

⁽³⁰⁾ The major sources of FDI in the country are China, Saudi Arabia, Turkey, the US and India (US Department of State, 2020).

Oqubay (2015 and 2019), highlights some weaknesses with regards to the implementation of policy instruments. Firstly, export-promotion schemes required a great deal of interagency coordination and qualified staff but these were frequently lacking. Secondly, the implementation capacity of different agencies has been heterogeneous: some of them, such as the DBE did not have the required sectoral expertise, while others were unable to attract qualified staff required to provide an effective support to private firms. Thirdly, the policy dialogue between government and business has been at times limited, also because of mutual suspicion and the ineffectiveness of some industry associations. Finally, the lack of coordination between the federal and regional levels of government have negatively affected the competitiveness of several firms.

In addition to the considerations above, Hauge (2019) points out that while Ethiopian FDI policies have been successful in attracting investments (which have increased from 570 million USD in 2007/2008 - representing 2.5% of GDP - to 3,712 million USD in 2016/2017 - representing 5.1% of GDP) and increasing manufactured exports (which according to the WTO have been led by the textile and leather sectors and have increased from 21 million USD in 2004 to 389 MUSD in 2017), they have so far been inadequate to ensure technological transfer and creation of linkages (especially backward linkages) with local firms. Indeed, foreign firms dominate manufacturing exports, which indicates that little technological transfer has taken place, while Ethiopia's dependence on import of fabric for the garment and apparel industry has increased significantly (Staritz et al., 2016). In Hauge's view, the multiple incentives accorded to FDIs (among which tax exemption, subsidised land leases and favorable access to infrastructure, including industrial parks) have not been accompanied by effective policies and practices aiming at setting targets and monitoring compliance. In his words, contrary to the South Korea and Taiwan experience, which was characterised by "*an intricate carrot-and-stick strategy with respect to attracting manufacturing FDI...*" "*Ethiopia has implemented the carrot, but no stick*" (Hauge, 2019, p 13). For this reason, the Home Grown Economic Reform Agenda aims at reviewing the incentive package offered to foreign manufacturing firms, with the aim of increasing technological transfer and linkages with the local economy (FDRE, September 2019).

In addition to the limits of some industrial policy instruments, there has also been a variation in the industrial outcomes across sectors. For example, floriculture, cement, metal & engineering, leather and apparel sectors performed differently (Gebreeyesus, 2014, Oqubay, 2015 and 2019; Whitfield and Zalk 2020).

The development of the flower industry was initially fostered by private entrepreneurs (most of them foreign firms from The Netherland, Israel and

India) around the 2000s (Gebreeyesus, 2014). A key factor for the development of the industry has been the establishment of an effective industry association, the Ethiopian Horticulture Producers Exports Association (EHPEA), which has facilitated coordination among members and the design of appropriate industrial policy instruments (Altenburg, 2010). Among these, exemption from duties on imported capital goods and construction material, provision of subsidised land and long-term loans. Thanks to a combination of favourable agro-ecological factors and policy instruments, by 2008 the industry became one of the top five export commodities of the country and was employing around 50,000 workers (above 70% women) (Gebreeyesus, 2014).

Moreover, the floricultural sector spurred the growth of the horticulture sector (fruits and vegetables), which uses similar technologies and the same pool of trained workers (Oqubay, 2015). Indeed, the non-floriculture horticultural sector employed more than 130,000 workers by 2015/16 (Oqubay, 2019).

Finally, the flower industry was a relative success also thanks to the improvement of cold-chain practices and the enhancement of linkages with packaging and air freight (Oqubay, 2019). However, the sector is at the centre of controversies with regards to: arbitrary expropriation of land ⁽³¹⁾; depletion of natural resources (water, soil, biodiversity) and water pollution (Getu, 2013); low wages, poor working conditions and difficulty of association and collective bargaining (Dibaba, 2020).

Cement is a capital-intensive industry with large economies of scale and has been targeted by several Asian countries (Whitfield and Zalk 2020) as a springboard for industrialisation.

In 1992 there were only two firms operating in Ethiopia, a SOE and a firm linked to the TPLF. Since 1992, the sector has been opened to foreign investors and promoted with fiscal incentives (tax holidays and exemptions from import duties on equipment), provision of subsidised land and electricity, long term loans and preferential access to foreign currency and trade protection. As in horticulture, policymakers have fostered the development of linkages with related sectors, such as transport, building materials and the construction industry, where the government has undertaken large scale public housing, transport and hydropower infrastructure programs (Oqubay, 2015 and 2019).

Between 2002 and 2012 several new firms entered the market, by 2012 domestic demand was satisfied entirely by domestic production and in 2017, the seventeen companies active in the sector (with domestic companies accounting for 55% of the market), had an installed capacity of around 16.7

⁽³¹⁾ Indeed, the destruction of flower farms has been a constant feature of the youths' riots in the Oromia Rift Valley in these last 5 years (Ethiopia Insight, 2021a).

million tons, making Ethiopia one of the top-three cement-producing countries in Africa (Oqubay, 2015 and 2019; Whitfield and Zalk 2020).

The metal and engineering sector strategy has been identified as a major industry for import substitution industrial development since 2010 (Gebreeyesus, 2014). Among the major objectives identified in the sector strategy were the increase in domestic production and in the share of domestic supply of spare parts and components to other industries, such as leather, textile, sugar, cement and agro-processing. The sector has been supported through a mix of policy interventions, involving the creation of a specialised agency to promote private investment and technological upgrade ⁽³²⁾, the provision of incentives to foreign and domestic firms (subsidised land and credit, exemption from import duties on capital goods and raw materials, and tax holidays) and direct government intervention. With regard to this last element, in 2010 the government re-organised 15 SOEs, most of which were providing inputs to the Defense Industry into a large conglomerate, the Metal and Engineering Corporation (METEC), which has maintained a tight connection with the Military (Abebe, 2020) ⁽³³⁾. However, the sector has not grown according to expectations and its share within the medium and large manufacturing enterprise remains low and stagnant (Gebreeyesus, 2014). Among the factors explaining this poor performance are the absence of a strong industry association (which was created by the government, not by private investors as in the case of the horticultural sector) and the failure to foster linkages with other sectors of the economy (the government is the main buyer, but most SOEs tend to prefer imports over domestic products).

According to Oqubay (2015 and 2019), the leather sector provides another example of industrial “failure”. Its contribution to total merchandise exports fell by half from 8 to 4% between 2004 and 2016, despite large foreign firms entering the industry. At the root of the failure are the fragmented industrial context, dominated by strong tanneries and the failure of the industrial policies in stimulating backward linkages with the abundant livestock sector. Indeed, the presence of strong tanneries, some of them foreign owned, with diversified interests, is a significant source of the difficulties faced by major industrial projects, such as the creation of a dedicated industrial zone in Mojo, while linking industries to the pastoralist system of production, which is still

⁽³²⁾ The Metal Industry Development Institute established in 2010, under the Ministry of Industry.

⁽³³⁾ According to Abebe (2020), METEC had 17 subsidiaries in 2017, employing 19,000 people. The conglomerate has been granted access to several public mega-projects, such as sugar and fertiliser factories and the Grand Ethiopian Renaissance Dam. Abebe (2020), argues that the METEC experience has been unsuccessful, mainly because of the opacity of the conglomerate (due also to national security issues) and the lack of competition from the private sector.

poorly understood by the government (Rettberg, 2010a, Markakis, 2011) and account for the great majority of livestock produced and traded in the country (Behnke and Metaferia, 2011; Aklilu and Catley, 2014), has proven to be very challenging.

The apparel sector has been showing impressive growth rates and rising exports (from USD 13 million in 2010 to USD 117 million in 2017) (Whitfield and Zalk 2020). In the last 10 years, the government has pursued a strategy aimed at promoting exports by both foreign and domestic firms. Several incentives have been offered to that purpose, such as technical support from ETIDI, subsidised land, tax breaks and exemption from imports of capital goods.

A more recent key policy tool has been the establishment of industrial parks (among which those in Bole Lemi, Awassa, Mekelle, Kombolcha, Adama, Jimma, Dire Dawa, Bahir Dar concentrate on textile, garment and apparel) involving linkages with global buyers, which in turn encouraged their suppliers to invest in Ethiopia. At the same time the government has encouraged local firms to establish in the parks with targeted incentives (long term loans, subsidies for workers training and hiring of expatriate managers) in order to foster linkages with foreign firms and global buyers. As we will see later in more detail, Industrial Parks offer as well a state-of-the-art infrastructure and streamlined public services (custom, visa, revenues).

Whitfield and Zalk (2020), highlight the novelty of this strategy, that goes beyond the simple establishment of industrial zones in the apparel sector, since it targets the upgrading of local firms as well. According to the authors, while so far very few local firms have successfully entered the apparel export market, some promising factors are the extensive mandate given to the Ethiopian Investment Commission in monitoring the performance of local firms established in the parks and the possibilities for technological transfer from FDI to local business given their proximity. However, as mentioned above, Hauge (2019) points out that in the absence of the right institutional framework this is unlikely to happen.

From this brief analysis, we can conclude that beyond the financial incentives and protection of selected industries, fostering linkages between the targeted sectors and the rest of the economy and public-private dialogue through dedicated public agencies and strong industry associations have been key factors in explaining their performance (Oqubay, 2015 and 2019).

Job creation and structural transformation

During this last decade, the government has increasingly focused on job creation in order to meet the raising demand for labour coming from educated youths (the government estimates that almost 2 million youths enter the

labour market every year - FDRE, 2020). Two key strategies have been pursued in order to create economic opportunities and jobs: the promotion of Micro, Small and Medium Enterprises (MSMEs) and the establishment of Industrial Parks (IPs).

MSMEs are considered key actors in creating job opportunities (Tewabe, 2016) and several measures have been adopted to that end, including the provision of training, business development services and the dissemination of new technologies through dedicated public agencies, such as the Federal Small and Medium Manufacturing Industry Development Agency (FeSMMIDA) and the Federal Urban Job Creation and Food Security Agency (FUJCFoSA). In 2019, the government, with support from UNIDO and UNCTAD developed a National National Entrepreneurship Strategy (NES), which focuses on creation of rural-urban linkages, women and youths' entrepreneurship and green economy.

Finally, with the establishment of the Jobs Creation Commission (JCC), directly accountable to the Prime Minister Office, the government explicitly targeted the creation of sustainable and decent jobs: the JCC ambitious plan of action aims to create 14 million jobs between 2020 and 2025 ⁽³⁴⁾.

A recent research (Gerbreyesus et al. 2018) on MSM manufacturing enterprises operating in the ten largest cities of the country ⁽³⁵⁾ fills an important knowledge gap about the sector. The main findings point at some limits and constraints to the development of its full potential. Among the main limits are the relatively low education level of entrepreneurs (despite the massive effort of the government in expanding secondary education and technical and vocational education and training); an important gender gap (81% of entrepreneurs are male); poor working conditions and the prevalence of informal arrangements with employees rather than formal job contracts (however the average salaries, estimated at 96 USD in 2016/17 are more than double the average salaries offered by manufacturing enterprises located in industrial parks); and the little reliance on the trainings offered by the aforementioned public agencies (which were attended by 47% of the entrepreneurs). The research shows that entrepreneurs have been capable to innovate and improve the variety and quality of their products, but very few MSMEs are integrated in industrial value chains (only 6% are subcontracted

⁽³⁴⁾ According to the National Bank of Ethiopia, 110,000 MSMEs have been established in 2018/2019, creating more than 880,000 jobs (NBE, 2019).

⁽³⁵⁾ The research provides information about more than 8,000 MSMEs established in Addis Ababa, Adama, Jimma, Bahir Dar, Gondar, Dessie, Dire Dawa, Jijiga, Mekelle, and Hawassa. In the sample 40.5% are microenterprises (employing up to 5 people), 55.7% small enterprises (employing 6-30 people) and 3.8% medium enterprises (employing more than 30 people). More than 60% of the MSMEs focus on furniture and wood working, food and beverage, and metal working (Gebreyesus et al., 2018).

by bigger enterprises) and the great majority (70%) rely on their own funds rather than on credit to make the necessary investments, because of the lack of required collateral to access formal financial services. Other constraints mentioned are the lack of adequate working premises and unreliable power supply.

On a similar vein, the World Bank (2014b) points out that the expansion of MSMEs has been hindered by several obstacles to private sector development. In the first place, the general business environment in the country is considered an obstacle to private entrepreneurship. Indeed, Ethiopia ranks 159th over 190 countries in the ease of doing business, the main obstacles being complex administrative procedures and access to finance (World Bank, 2020a). This last aspect penalises particularly small and middle enterprises, which do not have the necessary collateral requirements to access banks loans and are too big to be served by microfinance institutions. The World Bank (2014b) further argues that this “missing middle” in access to finance is mainly induced by the public sector dominance of the financial market and the prioritisation of SOEs in the allocation of public loans.

The expansion of the network of industrial parks across the country has been a pillar of both GTP plans. In particular, under GTP II, the government envisaged the creation of almost 30 industrial parks (IPs), mainly in the textile, leather, agro-processing and pharmaceutical sectors. This strategy aims at attracting FDIs, create jobs, increase export and foreign currency earnings and enhance the domestic productive capacity through technology transfer from FDIs and the development of backward and forward linkages with local firms.

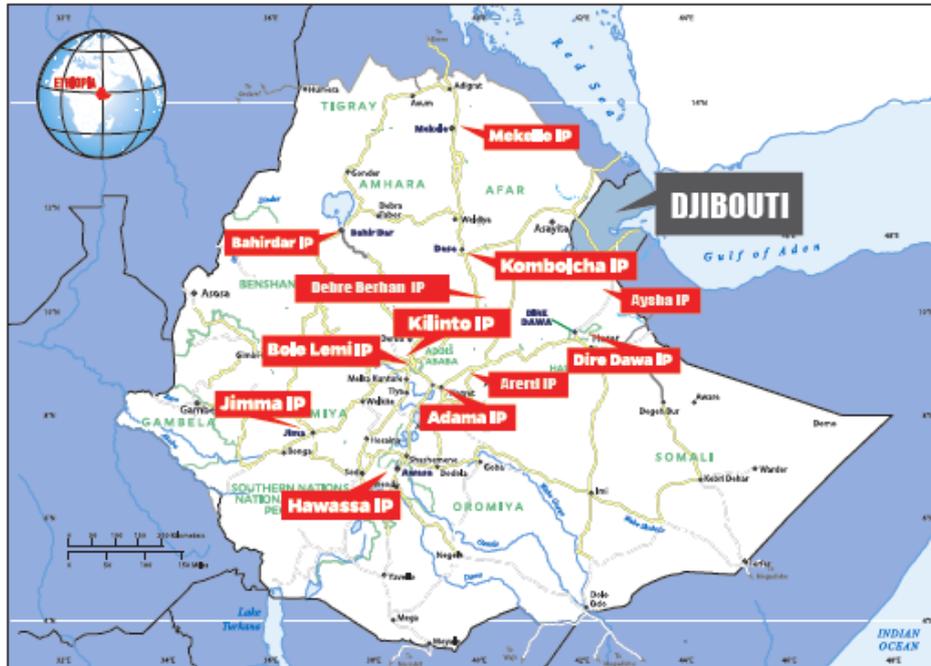
In 2019 at least 12 industrial parks were either operational or under construction (see Figure 1), providing jobs for over 70,000 people (Cepheus, 2019). Most of the active firms (81 out of 141) focused on textile, garment and apparel, while 12 were involved in metal products and 6 in leather and leather products (Cepheus, 2019).

The rationale for creating SEZs in a country with limited infrastructure and a poor investment climate is straightforward: by concentrating enterprises in a single location, these will be able to exploit economies of scale and agglomeration. Moreover, infrastructure and public services are more easily provided at a single point, and the business climate can be improved in an *ad hoc* manner (e.g., by simplifying customs, taxation and visa procedures for the enterprises located in the parks). FDIs and domestic firms targeting the export market are thus offered, along with several financial incentives ⁽³⁶⁾,

⁽³⁶⁾ Among the financial incentives there are: income tax exemption for up to 10 years, exemption from import duties on capital equipment (vehicles, machinery, construction materials, spare parts...) and raw materials (cotton, yarn, fabric...), exemptions from taxes

access to state-of-the-art infrastructure and streamlined administrative services through one stop shops.

Figure 1: Existing and planned IPs in Ethiopia



Source: UNIDO

However, the experience with IPs so far operational in Ethiopia is mixed (UNIDO, 2018). In the country there are private (occupied mainly by Chinese investors) and public IPs, including the widely known Awassa IP (which focuses on textile, garment and apparel).

While IPs are considered successful in creating jobs, attracting FDIs and improving exports; the capacity of the government in directing investment policies in private IPs is considered poor (UNIDO, 2018). Moreover, IPs generally suffer from low integration with the local economy (most raw materials and intermediate goods are imported), limited technology transfer, labour issues (high rates of workers’ turnover, low wages, few Ethiopians in management positions, strikes) and lack of basic services and infrastructure for workers (housing, utilities, transportation, social services) (UNIDO, 2018).

According to the World Bank, during the last decade Ethiopia’s real GDP growth has averaged 9.5% per year (World Bank website). However, this

on exports and subsidised land lease (Hauge, 2018). As mentioned above, domestic firms targeting the export apparel market are offered as well long-term loans, subsidies for workers training and hiring of expatriate managers (Whitfield and Zalk, 2020).

sustained economic growth has not been accompanied by the envisaged structural transformation. Indeed, while the agricultural sector contribution to the overall national GDP has decreased (from 45.5% in 2010 to 33.9% in 2019), the growth in industry (which has passed from 9.4% of GDP to 24.8% in 2019) has been driven by the expansion of construction, rather than manufacturing (which has passed from 3.9% of GDP to 5.6% in the same period). Furthermore, since 2014, the service sector started to dominate the economy (and represented 36.9% of GDP in 2019), rather than industry. The Ethiopian economy continues to be largely agrarian (agriculture accounted for 65.6% of national employment in 2019, while service and industry represented respectively 24% and 10.4%) and the development of the manufacturing sector still constitute a key challenge (Tassinari et al., 2018). Moreover, manufacturing's share of merchandise export is still very low (5.8% in 2018, albeit as shown in Table 1 here below, some sectors, such as textile and garments and food and beverages exhibit positive trends) and the narrow export base, which is still dominated by agricultural commodities (such as coffee, oilseed, chat, pulses and cut flowers) and minerals (gold and zinc ore) cannot make a significant contribution to structural change (WB, 2014a; UNECA, 2016).

Table 1: Main Ethiopian export commodities in MUSD (representing over 75% of merchandise exports)

Products/years	2015	2016	2017	2018	2019
Coffee	782	699	860	637	837
Soybeans	12.7	33.4	23.5	29.8	56.7
Other Oily seeds	413	465	399	316	347
Dried legumes	197	238	230	188	125
Animal products	135	120	122	121	84.6
Cut flowers	86.1	89.3	95.2	103	238
Gold	638	494	525	242	256
Minerals	445	274	282	367	309
Animal hides	107	86.6	92.5	68.6	85.6
Textile and garment	161	150	171	179	332
Footwear	50.2	59.3	63.3	54.9	39.4
Processed food and beverages	16.6	22.7	34.8	25.7	29.5

Source: Author's elaboration from OEC website

Indeed, according to ACET (2014), Ethiopia scores below its peer Sub-Saharan African countries on several structural transformation indicators, such as productivity, diversification, export competitiveness and technological upgrading.

In this respect, the International Monetary Fund and the World Bank have been advocating for economic reforms in the country during these last ten years. The IMF (2018 and 2019a) has been highlighting that the rigidity of the exchange rate system (which is administrative controlled) causes an over-evaluation of the exchange rate and a loss of competitiveness of Ethiopian firms targeting export markets. Moreover, in the IMF views the lack of transparency with regard to the level of indebtedness of the SOEs is a major cause of concern (IMF, 2018). Indeed, the structural deficit in the trade balance and the increasing level of public and external debts were among the major factors motivating Ethiopia's degradation into the ranks of high-risk countries in 2017 (IMF, 2018). The World Bank (2016), while recognising the pivotal role plaid by the state in the equitable growth path of the country, has been promoting broad reforms, such as the liberalisation of the financial and telecommunication sectors and the privatisation of SOEs.

In the next chapter, we will turn to the political economy context of the country, which could offer further explanations for this limited performance in industrial development and structural transformation.

3.2 The Ethiopian developmental state and the regime change of 2018

Developmental state in the Horn?

During the last two decades, Ethiopia struggled to replicate the successful experience of East Asian countries through the implementation of industrial policies targeted at agricultural modernisation and industrial development. The political economy model of country resembled as well the Asian developmental state of 1960s-1980s (De Waal, 2012; Poulton, 2014; Clapham 2018). Its main features were the presence of a vanguard programmatic party with a strong ideological commitment towards inclusive development, the pervasive role of party and state in the economy and a constitutional federal system designed along ethnic lines (Gebregziabher, 2019).

Several studies have pointed out how the dominating party in the EPRDF coalition, the TPLF, originally built its political strength from the support of the Tigray's peasantry during the civil war in the 1970s-1980s and the 1984 famine (Segers et al., 2018). Once in power, the TPLF prompted the EPRDF coalition to make of the promotion of smallholder agricultural modernisation a national priority (Tiruneh, 1993; Young, 1997) and after the 2005 election, started promoting pro-poor industrial growth in labour intensive industries with selective industrial policies (Clapham, 2018; Oqubay, 2015; Oqubay, 2019). Ethiopia is also well known for its extensive system of food security and social protection (Cochrane and Tamiru, 2016; Lavers, 2016; De Waal,

2018a and 2018b) ⁽³⁷⁾. This development trajectory is in stark contrast with the great majority of Sub-Saharan African states, which until the late 1980s exhibited a high level of taxation of the agricultural sector and a strong urban bias in development policies (Lipton, 1977; Bates, 1981). Moreover, since the 1980s most Sub-Saharan African countries have followed more orthodox neo-liberal policies in the economic and social realms, characterised respectively by a low propensity to design and implement selective policies for the promotion of industrialisation (Stiglitz, 2002a, Stiglitz 2002b) and by a low level of expenditures in several narrow and poorly coordinated social protection schemes (Niño-Zarazúa et al., 2012).

The EPRDF government has limited citizens' rights and political competition, but has produced remarkable pro-poor policies. Probably, as Poulton (2014) pointed out, the political incentives of a relatively narrow coalition (in particular, the TPLF electoral basis in Tigray represents around 6% of the country population) for promoting pro-poor policies lie in internal and external threats, as in Asian developmental states. Ethiopia is a Federal state; the ten Regional states that compose the federation hold the constitutional right to self-determination and secession; the country has suffered several attacks in the countryside by hostile political movements ⁽³⁸⁾, some of them supported by neighboring countries. Ethiopia relations with Eritrea were inimical since the war of 1998-2000 until the peace process of 2018 and the country confronts the threat of Islamic extremism infiltrations from Somalia.

While Poulton (2014) explanation of the emergence of the developmental state in Ethiopia points at the role of political actors' interests (such as retaining power in a context of actual and perceived threats), several authors have analysed the role of ideological paradigms in shaping the Ethiopian political economy context. For instance, Gebregziabher (2019), points out that the trajectory of the TPLF (and since 1991 the EPRDF coalition) has been characterised by several shifts in ideologies, corresponding to concomitant political junctures and leading to new forms of power consolidation by the party (and the state) over the society.

According to the author, before its rise to power, the TPLF passed from an ethnonationalist ideological paradigm (i.e., pursuing self-determination for Tigray, which was the dominant paradigm in the early years of the civil war against the Derg regime), to Marxism-Leninism (linked to the emergency of

⁽³⁷⁾ According to De Waal (2018a and 2018b), the Ethiopian food security programme and the readiness of the government to put its resources up front to catalyse donors funding, have been key in averting a national food crisis, following the catastrophic El Niño induced drought of 2015.

⁽³⁸⁾ Prominent among them, the Oromo Liberation Front (OLF) and the Ogaden National Liberation Front (ONLF) (Kelsall et al., 2013).

Meles Zenawi in the party's internal struggle and used to consolidate the TPLF control over its members and more generally over the peasantry).

Since 1991, because of the changing international reality after the end of the cold war and the ambition of the regional-based TPLF to govern the country, the party shifted to a new ideological paradigm: Revolutionary Democracy (RD). RD emphasised party vanguardism, state intervention in the economy and the rights of the different nationalities composing Ethiopia.

According to Meles Zenawi, liberal democracy in Sub-Saharan Africa was not sustainable, because the underlying society was characterised by pervasive rent seeking, and in that context political parties competing for elections would easily become patronage mechanisms. He favored instead a political system where the peasants would be the “*bedrock of a stable developmental coalition*” and where a party which had a knowledge of the prevailing social reality in the countryside (the vanguardism element) could promote broad based economic growth and build human capital, thus creating “*the basis for democratic politics that is relatively free from patronage*” (Zenawi, 2012, p.10). Therefore, at least in the long term, Meles Zenawi envisaged a transition to a liberal democratic system, since by promoting broad based development and building human capital, the state would eventually undermine its own social basis (De Waal, 2012, p. 155). Interestingly, Meles Zenawi highlighted as well on the one hand, the imperative for the country's economy to growth fast, because “*The pressures for a conventional liberal democracy are there and cannot be contained*” and on the other, the need to build a democratic ethos, since modern Ethiopia inherited an authoritarian political culture from its “*feudal past*” (Interview to Meles Zenawi, reported in De Waal, 2018b, pp. 5-6). However, as mentioned above, the May 2005 contested elections (Lefort, 2007) marked a halt to any democratisation effort in the country (Aalen and Tronvoll, 2009; Abbink, 2011; Lefort, 2013; Allo, 2017; Dejene and Cochrane, 2018).

Indeed, in practice the RD ideological paradigm translated in a top-down rule of the party-state over the society, as recognised by one of the party founders (Berhe, 2009). According to Lefort (2013, p. 462) the country hierarchical political culture, compounded by the practice of democratic centralism within the TPLF played a great part in determining that outcome: in his words “*centralism overtook democracy, leading to an ‘elitist centralism’*”⁽³⁹⁾.

The new ideological paradigm led also to the establishment of a federalist political settlement, designed around ethnic lines (Abbink, 2015), with far

⁽³⁹⁾ On the controversial relation between the TPLF and its political basis in the Tigray's countryside see: Segers et al. (2008). According to the authors, Tigray smallholder farmers were caught between their historic allegiance to the Front (that liberated Tigray from the Derg regime and save many of them from the 1984 famine) and the limited room for bottom-up development initiatives (due the party's control of public services to agriculture and its top-down approach to rural development).

reaching consequences. Indeed, ethnic-federalism institutionalised ethnicity by dividing the country in ethnic regions, zones and districts and by giving to 64 “nationalities” the right to establish self-governments and to 22 “minority nationalities” the entitlement to a seat in the House of Representatives⁽⁴⁰⁾. The ethno-federalist settlement had been justified by the necessity to provide a stable solution to the longstanding “national question”. Ethiopia was seen (and is still seen by many politicians and a great part of the population) as a polity where the Amhara/Tigray highlander political elite had conquered the rest of the country since the late XIX century and had imposed the Amhara culture and language at first to the Oromo communities and then to the societies of the lowlands (Markakis, 2011). Thus, a federal system recognising the cultural, economic and political rights of the many historical groups composing the country would have provided concrete solutions to their historical grievances. However, several authors have pointed out that the ethnic-federalist settlement has been instrumental to consolidate the TPLF power over the State: the TPLF was by far the better organised party (and liberation movement), but had a relatively small electoral basis in the Tigray region⁽⁴¹⁾; thus, by forming a coalition (the EPRDF) with much weaker ethnic parties representing Oromia, Amhara and SNNPR, the TPLF could dominate the political landscape for the next three decades (Lefort, 2013;

⁽⁴⁰⁾ The 1995 Constitution of the Federal Democratic Republic of Ethiopia (FDRE, 1995) states that “*All sovereign power resides in the Nations, Nationalities and Peoples of Ethiopia.*” (ART 8) and recognises their right to self-determination and secession (ART 39). Ethiopia has a parliamentary form of government (ART 45), characterised by an imperfect bicameralism system. The House of Representative, composed by at most 550 members elected for a period of 5 years (ART 54) is responsible for the enactment of laws (ART 55) and the nomination of the Prime Minister (ARTT 72-73). The House of Federation is composed by 122 members nominated by the regional councils, with their number of seats determined by the weight of each regional population in the total population (ART 61). The House of Federation decides on issues related to the disputes between regional states, and the rights of nationalities to self-determination and secession (ART 62). The Prime Minister is the Chief Executive, the Chairperson of the Council of Ministers, and the Commander-in-Chief of the national armed forces (ART 74). The President is formally the Head of State (ART 69) and is elected by both Houses in joint session for a duration of six years and a maximum of two terms (ART 70). The President has the power to proclaim the laws approved by the House of People Representatives (ART 71).

⁽⁴¹⁾ According to the World Population Review website, the Ethiopian main ethnic groups in 2020 were the Oromo (accounting for 34.4% of the population) and the Amhara (accounting for 17% of the population). Other major ethnic groups were the Somali (6.2%), Tigray (6.1%), Sidama (4%), Gurage (2.5%), Wolayta (2.3%), Afar (1.7%), Hadiya (1.7%) and Gamo (1.5%).

Clapham, 2018; De Waal, 2021a) ⁽⁴²⁾ ⁽⁴³⁾. Moreover, according to Abbink (2011) the ethno-federalist settlement politicised ethnicity, thus fueling conflicts between different ethnic groups over internal border issues (e.g., between Somali and Afar, Oromo and Somali, Tigrayan and Amhara) and between majority and minority ethnic groups (including Amhara, Tigray and Oromo migrants) sharing the same territory ⁽⁴⁴⁾. In his view, the new political

⁽⁴²⁾ The parties forming the EPRDF coalition competed in “their” respective regions, which are the four most populous of the country. The EPDRF then struck alliances with parties representing the other regions of the country, the so called “*agar*” parties. In this respect, Markakis (2011) notes the exclusion of the pastoral lowlands from the coalition in government, ideologically justified by the fact that their people were not peasants, but reflecting the long stand marginalisation of the lowlands by the highland political elite.

De Waal (2021a) further highlights how the TPLF undermined the federal democratic process since its very beginning, by creating the OPDO (which was initially composed by Derg military prisoners) in 1990 as a proxy party to control Oromia and by sidelining the grassroots-based OLF, whose candidates were harassed in the regional elections of June 1992. As we mentioned above, the OLF withdrew from the Ethiopian Transitional Government in 1992, was then outlawed and waged guerrilla war in Oromia until 2018.

Other factors contributed to the dominance of the TPLF over the EPRDF coalition and the State. To begin with, the four parties composing the EPRDF had the same representation in its politburo, regardless of the large differences in their electoral basis.

Moreover, as highlighted by Bayeh (2018), the *first-past-the post electoral system* (which disadvantages minority parties), the *parliamentary system of governance* (whereby the Parliament elects the Prime Minister, who’s the head of the executive power) and the *extensive powers of the PM over the nomination of judges* (which have hampered the independence of the judiciary) have *de facto* reinforced a single party dominance in the country. Abebe (2012) further argues that these elements coupled with several *repressive laws* enacted after the May 2005 contested elections (such as the laws on mass media, on charities and societies and on antiterrorism) converted the principle of the “rule of law” into the “rule by law”. Finally, van Veen (2016, p.4), in his analysis of the Ethiopian political settlement and the organisation of the country’s security apparatus, points out that the EPRDF/TPLF strategically controlled the state security forces, which served the national interest *as defined by the party in power*, and that the top ranks of security forces *tended to be dominated by ethnic Tigrayans*.

⁽⁴³⁾ However, in his contribution to the drafting of FDRE constitution, Samuel Paul Huntington (1993), noted that while drawing regional boundaries along ethnic lines could have “a *disastrous effect on national unity and political stability*” (Ibidem, p. 16), ethnicity was already central to Ethiopian politics and attempts at suppress it would likely be counterproductive. Instead, in his view “*If a broad-based, ideological party exists which appeals across ethnic lines, then ethnic territorial lines can be tolerated.*” (Ibidem, p. 16).

⁽⁴⁴⁾ As argued by Befekadu Hailu, Executive Director of the Center for Advancement of Rights and Democracy (CARD) in Ethiopia, this is not to say that ethnic conflicts did not exist before the adoption of the ethno-federalist constitutional settlement, but that they have been amplified by it (Ethiopia Insight, 2020g). A good case in point is the 2017 clash between Oromo and Somali, which started as a localised conflict over resources (water, pasture) between the pastoralist Borana clan of Oromo and the Garre clan of Somali and ended with massive killings (perpetuated as well by the Somali special police) and the displacement of 242,600 Somali from Oromia and 136,400 Oromo from Somali. While Borena and Garre clans have a long history of conflicts, the 2017 clash was politicised and mediated and thus became a regional issue, with people being killed *all along the border between the two regional states*, and including in the Somali capital, Jijiga, which is 500 km away from where

settlement put ethnicity before citizenship, with the result that 20 years later “*Common citizenship is still underdeveloped, because it is not the basis of constitutional sovereignty and rights as ethnicity is the prime basis of people’s identity: for voting in elections, for party membership, and for identifying yourself when you come to a police station to report a stolen object*” (Abbink, 2011, p. 612) ⁽⁴⁵⁾.

The “democratic developmental state paradigm” appeared in 2001 in the context of a harsh debate within the TPLF following the war with Eritrea and consolidated after the 2005 elections. This last paradigm highlights the role of the state in promoting accelerated and broad-based economic growth through the centralisation of rents and their smart allocation for the country’s development. This in turns requires the state to be autonomous from societal pressures (Zenawi, 2012; De Waal, 2012; Clapham, 2018).

The 2001 party’s debate had its roots on different views about the management of the Ethio-Eritrean conflict (Milkias, 2003; Tadesse and Young, 2003), then took an ideological turn and eventually prompted a split

the conflict started. To end the conflict, the Ethiopian army had eventually to intervene and seize Jijiga in August 2018, leading to the then Somali President, Abdi Iley resignation and arrest.

Moreover, as already noted by Huntington (1993), in the absence of a strong federal programmatic party, the ethno-federalist settlement has the potential to destabilise the whole federation. Indeed, Befekadu Hailu argues that the current conflict in Tigray is another good case in point: after the regime change of 2018, the TPLF decided not to join the newly created Prosperity Party and to refocus instead its attention to the development of Tigray. However, the tension between the two parties (over federal economic policies, federal anticorruption campaigns, the report of the federal and regional elections of 2020 due to the COVID-19 Pandemic and the holding of the Tigray regional elections of 2020 in spite of the federal decision to report them) led to a devastating confrontation between the *Federal army*, supported by the *Amhara security forces*, and the *Tigray security forces*.

Finally, according to Befekadu Hailu, ethnic-federalism has led to an increase in conflicts between “native” communities and minorities (including several Amhara, Tigray and Oromo settlers). This is because native communities assume the control over the local administration through their ethnic parties and have the opportunity to use public resources, including the local militia (which depends on the district - *woreda* - head) to expel people perceived as “settlers”. This dynamic characterises the ongoing conflict in Benishagul-Gumuz, where Oromo and Amhara settlers are being killed and expelled.

⁽⁴⁵⁾ Interestingly, in an interview with Alex De Wall (reported in: De Waal, 2018b, p. 7), the PM Meles Zenawi, acknowledged that during the industrialisation process, greater people’s mobility and change in societal values would eventually reshape the ethno-federalist politics. In his words: “*We are considering making the EPRDF into a single unified national party. This would be a logical step, but it needs to be taken at the correct time with all the necessary preparation.*” However, commenting the recent democratisation process in the country, De Waal (2018b, p. 15), argues that because of the fragmentation of the public sphere in different ethnic constituencies and the politicisation of ethnicity through the establishment of ethnic-based parties (including those forming the EPRDF coalition), “*identity politics is ripe for tactical manipulation by populist leaders*”.

within the party, which strengthened the leadership of Meles Zenawi (De Waal, 2012; Clapham, 2018). In that debate, Meles Zenawi, which was being accused of “*having been soft on Eritrea*”, confronted his opponents in the TPLF Central Committee arguing that the party’s mission was to “*build a capitalist state*” and that “*rent seeking and patronage within the ruling party posed the key dangers to this objective, and they needed to be thoroughly stamped out*” (De Waal, 2012, p.151-152). According to Clapham (2018, p. 1155), this ideological turn was prompted by the same war with Eritrea which led to the resurgence of a “*common Ethiopian nationalism*”, and “*drew attention to the need for a national project, transcending ethnic federalism, on which the country’s internal integrity and external security would ultimately depend, thus securitising the development process*”. Eventually, the debate “*prompted a deep split within the TPLF itself, from which Meles only narrowly emerged as the victor, but which then enabled him to sideline rivals in the party*” (Clapham, 2018 p. 1155) and allowed him to “*implement his theory of ‘democratic developmentalism’*” (De Waal, 2012, p. 152) in the following decade ⁽⁴⁶⁾.

The contested elections of 2005 further prompted the state-party apparatus “*to attempt to achieve ‘performance legitimacy’ through the benefits derived from its developmental success*” (Clapham, 2018, p. 1155) at the expenses of basic democratic political freedoms. In fact, in Meles Zenawi views, the legitimacy of the “democratic” developmental state was founded on its success in the promotion of accelerated development (Zenawi, 2012), rather than on electoral consensus, since (in line with the arguments used to justify revolutionary democracy, which we have mentioned above) “*there is no sustainable democracy in a society characterized by pervasive rent seeking*” (Meles Zenawi, cited in De Waal, 2012, pp. 153) ⁽⁴⁷⁾. Finally, Meles Zenawi

⁽⁴⁶⁾ According to Tadesse and Young (2003), the 2001 crisis marks a watershed in the party’s history, with far reaching consequences, such as the end of collective leadership and the emergence of a one man’s rule within the party, the abandonment of early revolutionary ideals such as changing the position of women in society, the role of religion and implementing true federalism. While the authors acknowledge that this trajectory is in line with that of many guerrilla movements’ which became governing parties, they highlight as well the negative role played by the authoritarian Abyssinian political culture. In their words: “*...the idealism and revolutionary fervour of the TPLF cadres ran up against the brick wall of the deeply entrenched conservatism of Abyssinian culture. The heroic period of the TPLF is thus over.*” (Ibidem, p. 401).

⁽⁴⁷⁾ Brown and Fisher (2020) observe that the developmental state narrative has provided as well an “*attractive and malleable imagery and language*” (Ibidem, 186) through which donors could justify their financial support to the country, despite the worsening democratic and human rights conditions since 2005. However, they argue that donors’ common understanding of the “developmental state”, as a “*strong regime, with political will, and a non-negotiable approach to domestic governance*” (Ibidem, p. 185) is superficial, while the savvy use of this concept by Ethiopian authorities has led several development partners to

saw the need for “*state action to lead the private sector from its preference (rent seeking) to its long-term interest (value creation)*” (Meles Zenawi, cited in De Waal, 2012, pp. 153).

This approach legitimated the party-state to mobilise all natural, economic and human resources in pursuit of its long-term goals (Gebresenbet, 2014), however, it led to the centralisation of the decision-making process at federal level (Abbink, 2011; Aalen and Asnake, 2012; Lefort, 2013), in potential collision with the ethno-federalist system, and to an even stronger top-down approach to policy implementation at local level (Lefort, 2007; Lefort, 2015). In the words of Lefort (2015), this “*transformed the Front [i.e., the party] into a multi-tentacled channel for the communication of orders from above – penetrating the remotest hamlet – and into an organ of control of the population*”.

Despite the developmental successes already mentioned, such as the accomplishment of sustained economic growth and eventually poverty reduction, several authors have pointed at major shortcomings in the developmental state model adopted in the African Horn; shortcomings which, in line with Lefort (2013), can be seen as having limited its very potential to achieve the structural transformation of the country ⁽⁴⁸⁾.

Firstly, Ethiopia lacked a well-prepared and autonomous bureaucratic apparatus able to nurture productive connections with the private sector. Indeed, Amsden argued that what made South Korean industrialisation successful (and different from many other economies which failed notwithstanding state intervention) was “*the discipline its state exercised over*

disengage from meaningful attempts at promoting human rights and democratic reforms and has eventually weakened their influence with respect to those core issues.

⁽⁴⁸⁾ Lefort (2013), in line with De Waal (2013) acknowledges the originality of the Ethiopian developmental state model and its positive economic and social achievements. However, he highlights as well that “*Its top-down, authoritarian, centralist, intrusive, and overly uniform approach*”, which he sees as a legacy of the millennial authoritarian political culture of the country has “*not allowed the country's full potential for ‘value creation’ to be realized*” (Lefort, 2013, p. 467). While we broadly agree with this statement, we recognise as well that other political cultures have influenced the political economy context of the country, such as the Marxist-Leninist ideology and practice (which has always been very influential among the TPLF cadres), political ethnicism (which is undoubtedly on the rise all over the country), other traditional political cultures (such as the Oromo Gadaa traditional system of governance, which relies extensively on elders for mediating political conflicts – in this regards the Oromo elders have been recently involved in the mediation between OLF and the government over the disarmament of former OLF fighters), and increasingly the global culture of the youths, which according to Lefort’s himself “*have broken from the peasant economy and the traditional values of the previous generation*” and are “*open to ideas and images of the world thanks to their mobile phones and increasingly the web*” (2018a). Lately, Lefort has highlighted as well the influence of Pentecostalism on Abiy’s political culture (Ethiopia Insight, 2020f).

private firms” (Lin 2017, 79). This condition has not been part of the Ethiopian experience. Authors like Oqubay (2019), have highlighted that scarcity of resources and capacities (skills, technologies, connections) have challenged the implementation of policy initiatives related to the industrialisation agenda. More fundamentally, Altenburg (2010) pointed out that since 2005, party affiliation and loyalty among civil servants were increasingly given precedence over merit, thus undermining the effectiveness of the civil service. On a similar vein, according to Vaughan and Gebremichael (2011) and Lefort (2013) the combination of professional competence and autonomy of the bureaucracy has not been realised in practice. In the words of Vaughan and Gebremichael (2011, p 16) “*Civil service morale and willingness to ‘speak truth unto power’ were both dented in the wake of post-election controversy in 2005. The broad scope and regular recycling of political appointments across all levels of government service, combined with longstanding hierarchical patterns of Abyssinian socio-political culture that do not encourage dissent, challenge the strength of Ethiopian technocratic integrity.*”⁽⁴⁹⁾. In line with this, Lefort (2013, p. 465) observes that “*from the initial stages of the decision-making process through to the final assessment, technical input is at best deficient or simply absent, because the technocracy does not dare to warn political leaders when they are embarking on misguided projects*”, thus leading to “*decisions that can be inappropriate as well as both erratic and contradictory, and which fail to reflect either the needs or the capacities of the supposed beneficiaries*”.

Furthermore, notwithstanding both GTP plans explicitly acknowledge the potential role of the private sector as an engine of economic growth, in practice the Ethiopian state apparatus has long mistrusted the capacity of the domestic private sector to promote development, limiting any attempt of meaningful dialogue with domestic investors (Altenburg, 2010; Kelsall et al., 2013, Clapham, 2018)⁽⁵⁰⁾. At the same time the contribution of the domestic private sector to overall economic growth is still very limited (World Bank, 2012; Lefort, 2013; Gebreeyesus, 2019).

Indeed, according to Clapham (2018, p.1159-1160), “*the Ethiopian government has looked to FDI more than to domestic entrepreneurs as the main engine for growth*” and “*despite the regime’s formal recognition of the need for the private sector to assume a dynamic role in expanding the economy, its underlying attitudes remain instinctively statist, and*

⁽⁴⁹⁾ By the word ‘Abyssinian’, the authors refer to the Amhara/Tigray highlands political culture, which provides the background for understanding the Ethiopian political culture, since these two ethnic groups have been historically associated with the control of the Ethiopian state.

⁽⁵⁰⁾ This aspect is gradually improving since the regime change of 2018, however, efforts to involve business representatives in the design and implementation of industrial policies are still at an early stage.

correspondingly suspicious of private businesses, which are subject to an uncertain regulatory environment and readily targeted as ‘rent-seekers’”. This is in part due to the historical weakness of domestic business (which has been for long time dominated by Muslim small traders and the single Gurage small ethnic group) and in part to the Marxist-Leninist heritage of party’s cadres and by extension policy-makers and bureaucrats. Moreover, during the 2005 election the domestic business community had largely supported the opposition camp ⁽⁵¹⁾, and has since then been perceived as a potential political threat (Clapham, 2018).

Similarly, Lefort (2013, p. 466) points out that “*While the developmental state is supposed to ‘guide’ the private sector, in reality it keeps it on a short rein, using the stick more often than the carrot. As a result, the private sector remains ‘anaemic’.*” Finally, Gebreeyesus (2019) argues that some structural features of the Ethiopian growth model, such as the state preferential allocation of credit and foreign exchange to SOEs and FDIs are increasingly constraining domestic private business, which “*has not yet vigorously entered the productive sectors (e.g., manufacturing and agriculture) and the export market, which are perceived as critical pathways towards industrialization and structural transformation.*” (Gebreeyesus, 2019, p. 700). Indeed, according to the World Bank (2012) the domestic private sector is dominated by the informal sector, with the formal sector generating only 2.7% of the country’s GDP and employing just 5.8% of its workforce.

Finally, from a more socio-political perspective, Vaughan and Tronvoll (2003), Abbink (2006), Lefort (2007 and 2012a), Markakis (2011), Dejene and Cochrane (2019) highlight that Ethiopia has a strong hierarchical political tradition which is deeply entrenched in the mindset of policy makers, bureaucrats and citizens alike.

To begin with, Lefort (2007) in his analysis of the May 2005 elections in rural Amhara, points out that the Amharic traditional notion of power (*mengist*) is fundamentally absolutistic. Indeed, according to the great majority of Lefort’s interviewees, *mengist* (a term which is used to indicate power, but also the State and the government) cannot be contested or shared, “*because it is divine by essence*” (Ibidem, p. 258). Submitting to the absolutism of *mengist* “*is simply to respect divine will*” and is essential for the authority to accomplish its “*prime mission: to assure civil peace and maintain law and order, which means above all to ensure security of persons and judicial settlement of land conflicts*” (Ibidem, p. 258). According to the author, the 2005 elections, which were marked by a relatively open political environment allowing candidates of the opposition to hold meetings and speak freely down to the village level, resulted in a political dilemma for rural dwellers, who perceived those new

⁽⁵¹⁾ And particularly, the nationalist and liberal oriented Coalition for Unity and Democracy (CUD).

freedoms as an evidence of the fact that the incumbent government had lost its power (since it was not exercising it) and prompted several to shift allegiance ⁽⁵²⁾. In conclusion, Lefort (2013, p. 465), explains that in this socio-political context “*orders are carried out, no matter how inappropriate or unrealistic they might be*” resulting in the implementation of misguided policies and a disincentive for creative thinking.

On a similar vein, Vaughan and Tronvoll (2003 p. 32), highlight that the “*‘Abyssinian’ political culture emphasises a strict hierarchical understanding of society, where each member’s socio-political position and status is clearly defined and understood*”, while “*The pattern of social interaction in Ethiopia hence sustains a strictly hierarchical stratification of society, where one is constrained, by a largely invisible but rigid system of collective sanctions, to obey the ‘orders from above’...*”. The authors stress also that as corollary “*...there is a powerful weight of inertia in the pre-existing social and cultural arrangements, which counteracts the attempts of any force (be it ruling or opposition party, or civil society group) committed to their reform.*” (Ibidem, p. 35). Lastly, they point out that this hierarchical political culture leads to various patterns of exclusion (of minority ethnic groups, lowlands inhabitants, the powerless smallholder farmers and women factory workers, opposition parties) and to the polarisation of the political debate, where government and opposition “*communicate against each other, rather than to each others*”, eventually contributing to the rise of violent means of political expression (Ibidem, p. 35) ⁽⁵³⁾.

Interestingly, Dejene and Cochrane (2019), see the Ethiopian developmental state as the latest manifestation of a millennial, elitist, top-down and authoritarian tradition, and point out that this has negatively affected the capacity of the government to peacefully manage conflicts at home (among different ethnic groups) and abroad (they cite the examples of the Eritrea war and the rising tension with Egypt over the GERD) and have led to a pattern

⁽⁵²⁾ Interestingly, Abbink (2005, pp 173-4), commenting on the government reaction to the results of the 2005 elections argued that “*...the authoritarian political tradition in Ethiopia asserted itself again in the reluctance of the incumbent government to allow re-elections in contested constituencies or to hold dialogue with opposition groups, in rigid responses on the part of the opposition, and in violent repression of post-election dissent and mass arrests of perceived opponents*”.

⁽⁵³⁾ It worth noting that, Tobias Hangmann (2006), in his reply to Abbink (2005) analysis of the May 2005 elections, warned against the uncritical use of the concept of political culture, and specifically to the Ethiopian authoritarian political tradition, on the ground that “*the image of a stable and monolithic Ethiopian Polity and identity is ahistoric*” (p. 609) and that it could lead to the teleological conclusion that Ethiopian history is predetermined as a Greek tragedy. The author highlights instead the role of agency by political actors, citizens, the diaspora and the international community (which has very high stakes in the country’s stability). As already mentioned, we do recognise that multiple political cultures coexist in the country, but we acknowledge as well, in line with most political economy analysisists, the profound influence that the authoritarian traditional political culture of the Axumite kingdom still have on the country’s policy making process.

of unequal growth among the different regions of the country (with the lowlands being the most disadvantaged).

Finally, Markakis (2011), sees in this hierarchical and non-inclusive political tradition the root causes of the low level of integration of the Oromo community in the national policy-making process and the adverse incorporation of the lowlands (which represent around 60% of the Ethiopian territory and significant portions of the regions of Afar, Somali, Oromia, Gambella and Benishangul-Gumuz) in the national development project.

According to Lefort (2013, p. 465), this hierarchical political culture and the ensuing top down and non-inclusive approach has limited the “*space for ideas and information*” thus leading to several policy failures. Among these, we will briefly mention - for their relevance for our work - the attempts at fostering the development of pastoral areas (which are key from an agro-industrial and political economy perspective) and the lack of implementation of the decent job agenda (which is seen as a key factor threatening the sustainability of special economic zones and industrial parks in the country).

Attempts at developing Ethiopian pastoral areas have generally suffered by lack of constructive dialogue between policymakers and local communities, and according to the literature this has led to the design and implementation of misguided policies (Hagmann and Mulugeta, 2008; Rettberg, 2010a; Abbink, 2011). The pastoralist system of production dominates the lowlands and accounts for the great majority of the livestock traded in the country (for consumption, utilisation as drought animals, and for the production of leather and leather products) and exported abroad (Behnke and Metaferia, 2011; Aklilu and Catley, 2014).

The pastoral system is characterised by the centrality of herders’ and livestock’s mobility along traditional routes, because of the high level of rainfall variability. In this context, the provision of infrastructure (such as livestock markets and water points) and services (such as veterinary services and supply of fodder) along the pastoral routes are deemed essential for increasing livestock productivity, production and trade (Devereux and Scoones, 2006; Hagmann and Ifejika, 2010; Little et al., 2010b).

However, instead of promoting investments based on pastoral realities, the government, which has been so far dominated by highland elites (Markakis, 2011), has consistently tried to settle pastoralists and their livestock (Little et al., 2010a) and encroached pastoral areas with irrigation schemes aimed at the production of cotton and sugar, which have proven to be economically inefficient and environmentally unsustainable (Hundie, 2010; Rettberg, 2010b, Headey et al., 2012).

This has resulted in pastoral communities’ increased vulnerability to climate change (Flintan, 2013) and in lost economic opportunities for pastoralists and the country as whole (Aklilu and Catley, 2014).

Finally, from a political perspective, Markakis (2011) argues that the inadequate integration of the lowlands in the national development debate is one of the major political shortcomings and potential destabilising factor for the country.

The decent job agenda is poorly implemented in the country, also because of the marginalisation of trade unions (Markakis, 2011, pp. 251-252), an unfavorable legal framework, which provides few restrictions to private enterprises in setting wages, hiring or firing (Blattman and Dercon, 2018), and an attitude generally hostile to unionisation by the private firms (Hardy and Hauge, 2019). As a result, trade unions are weak and ineffective ⁽⁵⁴⁾, salaries in the manufacturing sector are low ⁽⁵⁵⁾ and declining in real terms ⁽⁵⁶⁾, working conditions are source of serious health risks (Blattman and Dercon, 2018). In this context, workers manifest their discontent by leaving their jobs, which results in very high turnover rates ⁽⁵⁷⁾, or by striking ⁽⁵⁸⁾, in both cases affecting the productivity of the manufacturing sector.

This is threatening the sustainability of the country's ambitious industrial parks programme (see Barrett and Baumann-Pauly, 2019 on the flagship Awassa industrial park), in a context already characterised by the inadequate provision of accommodation, utilities and transportation around the industrial areas ⁽⁵⁹⁾. (The Guardian, 2017).

⁽⁵⁴⁾ Data from ILO indicates that unionisation is at 9.6% while the coverage of collective bargains is at 9.8% (ILOSTAT web site). According to Hardy and Hauge (2019), trade unions have a little role in bargaining, and play instead a mediation role *after* labour conflicts arise.

⁽⁵⁵⁾ As low as around 20 USD per month according to the Industrial Federation of Textile, Leather and Garment Workers. The IFTLGWU has 55.000 members, 56% of whom are women (Barrie, 2018).

⁽⁵⁶⁾ According to a study commissioned by JICA and undertaken by the Ethiopian Inclusive Financial Training and Research Institution (2015), real wages between 2010/11 and 2014/15 have felt by 23% in the leather and leather products sector, and by 18% in the textile and garment sector.

⁽⁵⁷⁾ In their study, Blattman and Dercon (2018) find out that turnover in the manufacturing sector was at 77% per year. The study covers five firms in the light manufacturing sector and use a randomised control trial design. According to the authors, low skilled workers, mainly women, see industrial jobs as a safety net and return to informal employment or self-employment when possible. This is also because of the low wages and health risks (e.g., stress, kidney and respiratory issues).

On a similar vein, Destre and Henard (2014), Fukunishi and Machikita (2017) report that the lack of decent job opportunities is forcing thousands of youths to search for informal jobs, often in the form of self-employment.

⁽⁵⁸⁾ Strikes in the manufacturing sector have significantly increased since 2017 (Admasie, 2018). Admasie (2018) argues that this is also due to the diminished capacity of the security apparatus to control workers, amid the widespread civil riots of 2016-2018.

⁽⁵⁹⁾ According to a recent study on women in manufacturing in Ethiopia (FDRE and UNDP, 2018) the combination of low wages and lack of affordable housing poses another gender-based challenge for women workers, which tend to co-habit with male partners, and are thus exposed to sexual harassment and violence.

The lack of dialogue at both national and grassroots level is a key issue here, as demonstrated by the emergence of different models of industrial organisation in the garment sector. For instance, in the city of Mekelle, while several factories in the textile, garment and apparel industrial park are offering the equivalent of 30 USD per month to their workforce (composed predominantly by women), on the ground that salaries must be kept low in order to compensate for low levels of productivity, an Italian firm is offering higher salaries (starting from 75 USD per month), technical training and better working conditions (from very basic things, such as more aerated and luminous working environments and larger bathrooms, to more sophisticated incentives, such as increase in salaries linked to good performance and opportunities for career advancement). The results in terms of efficiency are patent: while the former enterprises suffer from very high levels of turnover (sometimes higher than 100% per year) and absenteeism, the latter has a level of turnover of around 5% per year, a contained level of absenteeism (mainly due to water borne diseases, which are widespread in the areas surrounding the factory) and a production efficiency that has reached 90% of the Italian branches (Personal communications by the CEOs of 3 enterprises in Mekelle, which I visited the 10th of April 2018). According to UNIDO experts working in the region, the lack of dialogue and understanding of workers' realities are key factors in explaining the behavior of the low paying enterprises and for that reason UNIDO and ILO, in partnership with the local government, ETIDI (Ethiopian Textile Industry Development Institute) and several private enterprises, among which H&M, Velocity, DBL, Strathmore and MAA garment, have set up a coordination committee on labour relations and decent job.

Finally, from a macro perspective, according to ILO (2017) the predominance of informal jobs and the incapacity to generate formal and stable employment are challenging the structural transformation of the country.

Interestingly, while the new Ethiopian Labour Proclamation 1156/2019 of July 2019 does not involve major shifts in the conceptual framework with respect to the previous 2003 law, it introduces for the first time ever provisions against sexual harassment and violence, increases maternity leaves, and gives mandate to the Council of Ministers to establish a Wage Board, composed of representatives of the Government, employees and trade unions to carry on appropriate studies, set and periodically revise minimum wages (African Legal Network, 2019b).

In conclusion, the limits of the Ethiopian developmental model have weakened the outcomes of industrial policy interventions over the past decade and the country is still far from achieving the conditions needed to sustain a process of structural transformation (UNECA, 2016).

A new course?

The same Ethiopian developmental state has been undergoing a profound transformation during these last 5 years.

To begin with, from the end of 2015 until April 2018 the country witnessed increasing protests from the civil society and the youths, mainly because of rising discontent about political oppression and economic marginalisation, perceived high level of corruption of public officials and, lack of jobs and economic opportunities (Lefort, 2016; Human Rights Watch, 2016; Allo, 2017; Záhorský, 2017; Foreign Policy, 2018a; Lefort 2018a) ⁽⁶⁰⁾.

⁽⁶⁰⁾ In a prescient article, Lefort (2014) highlighted already in July 2014 several key threats to the stability of the regime: a weak leadership (the PM Hailemariam Desalegn) with no significant political constituency; the division within the TPLF between the old guard (Sebhat Nega, Seyoum Mesfin, Abay Tsehaye and Tsegaye Berhe), which were critic about bad governance and corruption in Tigray and several other TPLF members holding key positions in the Federal government, which were instead concentrated in retaining their power in Addis Ababa; growing inflation and unemployment; increasing corruption; growing ethnicization of attitudes and resentment against Tigrayan domination of the political and the economic domains; the lack of capacity of the federal government to reform the state-led and highly centralised development model. Lefort (2018a) saw then in the youths' protests the catalysing element that brought to the regime change: at first because the federal government proved incapable of responding to the youths demands, if not with violent repression, and then because the heavy-handed way with which the protests were handled during 2016 and 2017 prompted divisions among the parties within the EPRDF and eventually the collapse of the coalition itself.

Some political analysts, like Tronvoll (Ethiopia Insight, 2021b) have characterised *the 2015-2018 protests* as led by the *Queerro*, the unmarried youths' age group in the Oromo Gadaa traditional system of governance. Others, have highlighted the role of the diaspora (see BBC, 2016) and particularly the growing influence of Jawar Mohammed, the founder of the USA-based Oromia Media Network (OMN), which has a strong Oromo nationalist stance (The Guardian, 2018). However, as acknowledged by Lefort (2018a) *in the absence of field research*, it is difficult to point at a single prominent actor and the initial protests of late 2015-mid 2018 are probably better characterised in terms of dissatisfied youths rather than on ethnic basis. Indeed, the author recognises that the *Queerro* did play a role, but describes the rioting youths as “*Essentially, inhabitants of cities and towns (the urban population has quadrupled in 30 years), who have broken from the peasant economy and the traditional values of the previous generation, largely undereducated (though secondary school enrolment has also quadrupled over the same period, the quality of education has not kept pace) and therefore underemployed and frustrated, and, by contrast with the parochialism of the previous generation, open to ideas and images of the world thanks to their mobile phones and increasingly the web.*”. Záhorský (2017) characterises the initial protests as a revolt of the periphery against the center, “*if one considers the EPRDF government and its repressive forces as representing the ‘center’ and the protesters as the marginalized ‘periphery.’*” (Ibidem, p. 258). He stressed the relevance of three factors underlying the protests: land since “*Oromo protestors view the Addis Ababa Master Plan as an attempt by the government to grab the land of the Oromo people in order to marginalize them even more.*” (Ibidem, P. 264), the socio-economic situation of the youths “*especially university graduates, who very often remain unemployed and frustrated because their expectations have not been fulfilled.*” (Ibidem, P. 264-265), and ethnicity “*with the Oromo people claiming that*

There is a widespread consensus in the literature (Aalen and Tronvoll, 2009; Abbink, 2011; Lefort, 2013; Allo, 2017; Dejene and Cochrane, 2018) about the fact that after the 2005 contested elections, the party-state apparatus has been increasingly limiting the political space and enhancing its control over the society. In this regard, the “Freedom of the Mass Media and Access to Information Proclamation” of December 2008, the “Charities and Societies Proclamation” of February 2009 and the “Anti-terrorism Proclamation” of August 2009 have been key instruments in muzzling opposition parties and local media. As a result, in the subsequent national elections of May 2010 only two candidates non-affiliated to the EPRDF coalition (and its allied *agar* parties) were elected, while in May 2015 the EPRDF coalition (and its allied parties) took all the seats in Parliament. Reflecting these facts, Freedom House (website), ranked the country as “not free” in 2018, in terms of press freedom and net freedom (with a score of 12/100), political rights (4/40) and civil liberties (8/60) ⁽⁶¹⁾.

Parallely, the already mentioned centralisation of power at federal level (Aalen and Asnake, 2012; Lefort, 2013; Clapham, 2018) along with an increasing top-down approach to policy making (Lefort, 2007; Lefort, 2015; Dejene and Cochrane, 2019) and the lack of capacity of the TPLF (which dominated the EPRDF coalition, as well as the federal state apparatus) to establish a constructive dialogue with the regional governments (Foreign Policy, 2018a) has resulted in rising political and economic marginalisation of powerless local actors (namely smallholder farmers and pastoralists). As Abbink (2011, p. 609) pointed out “*The recent emphasis on, if not obsession with, “development”, in the sense of grand infrastructure investments (hydropower schemes) and commercial agriculture ventures by foreign*

they have been marginalized, if not oppressed, by three consecutive regimes [i.e., Imperial, Derg and EPRDF] led by ‘Northerners.’” (Ibidem, p. 265). The author further highlights that “While the Oromo diaspora’s approach to ethnicity seems to be essentialist and has supported calls for an independent Oromia since the 1990s, the protesters have been more focused on “regime change.” (Ibidem, p. 269).

Interestingly, in a meeting with the Italian Ambassador, held in January 2017, the Oromia Regional President Lemma Megersa told us that in his view the main causes of social instability in Oromia were a gap in the representation of Oromo in the Federal government and the lack of jobs and economic opportunities for the youths. He also stressed the fact that the Federal government was perceived by the population in Oromia as too distant from their socio-economic realities and aspirations.

According to several sources, Jawar Mohammed has plaid an important role in mobilising Oromo youths, but principally *after mid 2018* when he returned from exile to Ethiopia and established the OMN headquarters in Addis Ababa (BBC, 2020a). As we will see later, *since the second half of 2018, after Abiy’s political liberalisation*, ethnic protests have been widespread all over the country.

⁽⁶¹⁾ These indicators have only slightly improved as of 2020: Ethiopia is still ranked as not free and scores 29/100 in net freedom, 10/40 in political rights, 14/60 in civil liberties (Freedom House website). In the indicators: 0=least free; 100=most free.

investors being given large tracts of land, has increased the grip of the federal government, bypassing the regional states and the local populations. Land is state property and can be easily expropriated and used for state or foreign investment.” (62).

Indeed, according to some political analysts (Foreign Policy, 2016) it was the combined effect of increasing authoritarianism and disempowerment of local people that led to youths’ protests in Oromia at the end of 2015. Particularly, Oromia smallholder farmers felt dispossessed by state-led development projects that expropriated their land. In this case, the Addis Ababa master plan, which envisioned the expropriation of lands around the capital, proved to be the final straw (63). According to Allo (2017), ancient land contests between Amhara and Tigray, along with a sense of political and economic marginalisation were at the root of the ensuing protests in Amhara as well (64). In this latter case, the arbitrary arrest of the “*Welkait Committee*”, the Amhara steering group in charge of the management of disputes over land sparked the beginning of youths’ protests since July 2016 (Allo, 2017) (65).

(62) On a similar vein, Záhořík (2017, p. 261) points out that “*the developmental policy, which was based on the implementation of infrastructure projects, the construction of huge condominiums, and the introduction of policies allowing foreign investors to gain access to land and business*” contributed to fueling discontent among disposed communities in the periphery.

(63) According to OPride (2017) the Addis Ababa master plan was openly rejected by the regional authorities as well, as the words of the at the time Speaker of the Oromia State Assembly and later Regional President, Lemma Megersa testify: “*As for the Integrated Addis Ababa Master Plan, even if it is for the benefit of the Oromo people; even if it were to pour gold on us, it will not be implemented if rejected by the public; it will not be implemented. The sky does not break up, nor does the earth burst.*” According to OPride (2017), Lemma Megersa made this declaration at the Oromia State Assembly on November 30, 2015. Lemma Megersa became the Oromia Regional President and the OPDO chairperson on October 23, 2016. He played a key role in the process that led to the removal of thousands of corrupted OPDO and local government officials and to the more assertive stance of the Region towards the Federal government (Foreign Policy, 2018b). The Addis Ababa master plan was eventually withdrawn by the Federal government in January 2016.

(64) In their study of the Tana Beles irrigation project, overseen by the State owned Ethiopian Sugar Corporation and located at the border between the Amhara and Benishangul-Gumuz regions, Fantini et al. (2017) highlight how economic growth and popular discontent can go hand to hand, when mega development projects are designed and implemented without meaningful consultation with local communities, despite the fact that they involve the expropriation of farmland, the displacement of tens of thousands of smallholder farmers and the encroachment of pastoral land. The Tana Beles project aims at fostering the production of sugar in the country, however in the eye of the local communities it assumes “*the face of the authoritarian and unpredictable mengist*” (Ibidem, p. 16). On the present difficulties faced by the project, see also: Bloomberg, 2018.

(65) Land issues have sparked conflicts in both Oromia and Amhara, and are still a key factor underlying ongoing ethnic conflicts in the country (The Economist, 2020d). Indeed, Levy (2000) highlights how the strong cultural linkage between land and ethnicity in agrarian

With regard to corruption, Lefort (2013 and 2015) points out that the massive increase in the EPRDF membership after the 2005 election, turned a “militant party” of 300.000 members into a “catch-all” party of 7 million members. In his views, at the top the former revolutionary elite had become an oligarchy “*through the primitive accumulation of capital that is possible because of the very fact of holding power ... through the straddling of institutional, familial, and business positions*”, while at the bottom, party membership was becoming a necessity in order “*get a civil service job, to run a business successfully, or, in rural areas, to improve the chances of getting fertilizer or loans*” (Lefort, 2013, p. 467). In this context, corruption had reached alarming levels ⁽⁶⁶⁾ and among the party’s old guard, critiques about bad governance were growing, as testified by the call for a “*campaign of “renewal” (“Tehadso”)*” by one the TPLF founders and leading figures, Sebat Nega (Lefort, 2015). On a similar vein, Abbink (2006), argued that the Ethiopia political economy since mid-2000 was increasingly exhibiting neo-patrimonial features, with authority exerted via clientelist networks linked to the coalition in power ⁽⁶⁷⁾.

Meanwhile, the state-led economic model had probably reached its limits ⁽⁶⁸⁾. The current account of the balance of payments was in structural deficit, due to high level of imports, especially from SOEs, not matched by exports; the exchange rate was under pressure; the external (22.5% of GDP) and public

societies can lead to political conflicts when particular groups feel marginalised or threatened with regard to their land possessions.

⁽⁶⁶⁾ According to transparency international the corruption perception index of Ethiopia in 2018 was at 34/100, making the country the 114th over 198. Already in 2007, according to the Economist Intelligence Unit, the corruption in the country was “rampant” (The Economist Intelligence Unit, 2008).

⁽⁶⁷⁾ For a different opinion, see De Waal (2018b), who argued that “*Ethiopia is not a political market place.*” (Ibidem, p. 15). This doesn’t mean that corruption was not an issue in the country, but that politics still followed a different logic, that of the developmental discourse. In De Waal’s words: “*What best protects Ethiopia from the marketization of politics are its institutions and rules. These can be restrictive and indeed oppressive, but their value will be recognized if they are gone.*” (Ibidem, p. 17). On a similar vein, Kelsall et al. (2013) commenting on the Ethiopian “*centralized rent management system*” argued that this has allowed the country “*to put some limits on corruption, petty and grand*” and that “*there is little evidence to date to suggest that industrial policy initiatives have fallen prey to the kinds of unproductive rent-seeking the conventional wisdom associates with neo-patrimonial states...*”

⁽⁶⁸⁾ In a prescient article, The Economist (2015), foresaw the crisis of the Ethiopian development model, which it considered no longer adapted to the changing socio-economic, cultural and demographic realities, epitomised by the growing discontent among the youths about political authoritarianism and lack of jobs. In the journal’s view, Ethiopia was in urgent need of political and economic reforms, however, since Meles Zenawi’s death in 2012 the government no longer had the capacity to innovate and “*the fear of being overthrown looms behind the elite’s reluctance to reform.*”.

debts (54.6% of GDP) were on the rise; and the rationing of foreign exchange (worth 3 months of imports) was stifling the investment capacity of the private sector (IMF, 2018). Moreover, despite the change in rhetoric from state-led to private sector led economic growth, the government was facing enormous challenges in creating enough decent jobs for the almost 2 million youths entering the labour market every year (Lefort, 2013, p. 469) ⁽⁶⁹⁾.

Finally, and related to the points mentioned above, several Regions, such as Oromia, Amhara and part of SNNP (Sidama), were becoming more and more assertive about the determination of their development trajectories ⁽⁷⁰⁾ and the need to make federalism work (one of the constraints being the limited power of autonomous taxation) ⁽⁷¹⁾. Indeed, as Abbink pointed out, despite the ethnic-federal settlement, which has made of ethnicity “*the dominant rhetorical figure in political discourse in Ethiopia and has permeated people’s identities*” (Abbink 2011, p. 597), “*...The actual power and interference of the federal government in regional and local affairs has become stronger than under any previous regime*” and “*the party [i.e., the EPRDF] retained all real power at the centre and has not sufficiently “democratized” the federal structure: the say of the regions and the zones on any policies is very limited.*” (Abbink 2011, p. 604).

Riots erupted in several towns in November 2015 and during all 2016 (The New York Times, 2016), followed by the proclamation of the State of Emergency from October 2016 to August 2017, and again from February to June 2018.

These protests were initially dealt with a heavy hand by the state security apparatus, leading to hundreds of dead and tens of thousands of arrests (Human Rights Watch, 2016). Only in January 2018, the PM Hailemariam Desalegn openly recognised that mistakes had been made in the management of the protests and that the country needed national reconciliation and more political freedom. But that acknowledgment and the ensuing liberation of opposition leaders ⁽⁷²⁾ and about 6,000 protesters (Foreign Policy, 2018b)

⁽⁶⁹⁾ Using data from the Urban and Unemployment Survey, Franklin (2014) estimates that unemployment amongst urban youths (aged 15-29) was at about 25% in 2012.

⁽⁷⁰⁾ This process, has been mirrored by a parallel process whereby the parties composing the EPRDF coalition have become both more attentive to regional issues - as mentioned above for the OPDO - and more assertive with regard to the TPLF dominance of the coalition (Planel and Lefort, 2018).

⁽⁷¹⁾ On the lack of meaningful fiscal decentralisation in the country, see: Ethiopia Insight, 2021g.

⁽⁷²⁾ Among them, Dr. Merera Gudina, chairman of the Oromo Federalist Congress (OFC) and former deputy chairman of the UEDF, which competed in the 2005 elections. Dr. Merera Gudina has been released the 17th January 2018. He had been arrested in November 2016, after criticising the Ethiopian State of Emergency in an address to the European Parliament (BBC, 2018; The Economist, 2018).

came too late, when it was already clear that the protests could not be stopped unless major political and economic reforms were put in place (Foreign Policy, 2018a).

The eventual resignation of the PM Hailemariam Desalegn and the nomination of Dr. Abiy Ahmed (a former Federal Minister and at that time a high official in the Oromia Regional government) as Prime Minister in April 2018 marked the beginning of a new political page.

The country started a process of normalisation of its relations with Eritrea, thus closing a terrible page of its history (2 years of war - see Tekeste and Tronvoll, 2001 - and 18 years of no war, no peace). The peace with Eritrea has been supported by the overwhelming majority of the population and is likely to open economic opportunities and change the future of both countries and the geopolitics in the Horn of Africa.

New policies started being designed and implemented in the political and economic spheres. Among the political initiatives undertaken were the liberation of political prisoners, journalists and about 60.000 protesters, and the rehabilitation of previously banned political parties ⁽⁷³⁾. Repressive laws have been reviewed, such as the “Charities and Societies Proclamation” and the “Anti-terrorism Proclamation” and significant steps have been undertaken with regard to the freedom of the press ⁽⁷⁴⁾. The Federal government recognised for the first time since 1995, the right of self-determination *in practice* by allowing the Sidama zone of SNNPR to hold a referendum the 20 November 2019 and become a new Region with capital Awassa (The Economist, 2019b) ⁽⁷⁵⁾. Other announced reforms were a new electoral law giving more representation to minority parties ⁽⁷⁶⁾ and a revision of the federal system to strengthen the power of the Regions ⁽⁷⁷⁾. These reforms are likely to redefine the balance of power between majority and opposition in

⁽⁷³⁾ Prominent among them the OLF (Oromo Liberation Front) and Berhanu Nega’s Ginbot 7 (Al Jazeera, 2018b; Reuters, 2018c).

⁽⁷⁴⁾ In its review of the freedom of expression in the country after one year since Abiy nomination as PM, Human Right Watch (2019) noted that: “*In one year, Ethiopia has gone from being one of the leading jailors of journalists in Africa to having no journalists in jail for the first time since 2004.*”...“*Diaspora media outlets previously banned in Ethiopia operate freely and journalists report few threats from the government’s security services.*”. However, the review also highlighted the rise in hate speech on social media amid growing ethnic tensions.

⁽⁷⁵⁾ However, as reported in Ethiopia Insight (2018l) the creation of a new region has prompted other ethnic groups (Gurage, Wolayta, Kaffa) in SNNPR (which has around 50 recognised “nations, nationalities and peoples”) to request the creation of their “own region”.

⁽⁷⁶⁾ In particular, reforming the current first-past-the-post electoral system towards a proportional system.

⁽⁷⁷⁾ In particular, increasing the power of autonomous taxation by the regions.

Parliament, the state and the civil society, the Federal state and the 10 Regional states.

The announced economic reforms mark a profound discontinuity with the ideology and the practice of the previous government and are likely to change the role of the private sector in the economy.

The Home Grown Economic Reform Programme (FDRE, September 2019) has been presented to the donors' community in September 2019 (see: ECA Official Video Channel, 2019a). The Programme recognises the achievements of the past 15 years with regards to economic growth, poverty reduction, building critical transport and energy infrastructure and expanding access to education and health (although quality in these last sectors still needs to be improved). It acknowledges as well that the public sector led growth model is facing increasing challenges (such as foreign exchange shortage, crowding out of the private sector, rising domestic and external debts). For these reasons it highlights that a new paradigm, where the private sector will lead economic growth and the public sector will facilitate it is needed. The Programme envisages macro-economic reforms (such as evolving towards a more flexible exchange rate regime, increasing the involvement of FDIs in key infrastructural projects, enhancing the efficiency and transparency of SOEs, strengthening the instruments available to the NBE for controlling inflation, financial deepening through the creation of treasury bills, bonds and stock markets), structural reforms (such as privatisation of SOEs and liberalisation of the transportation, logistics, telecommunications and banking sectors, improvements in the business climate, regional trade integration, accession to the AfCFTA and the WTO) ⁽⁷⁸⁾ and sectoral reforms

⁽⁷⁸⁾ The government envisages to fully privatise the Ethiopian Sugar Corporation, the Ethiopian Railways Corporation, several hydro plants and industrial parks and to sell a minority share of Ethiopian Airlines, Ethio Telecom and the Ethiopian Shipping & Logistics Service Enterprise (Bloomberg, 2020a; Bloomberg, 2020b; US Department of State, 2020). In September 2018, the Ethiopian Investment Board, chaired by the Prime Minister, opened the logistics sector to foreign investors, which are allowed to invest in joint venture with domestic companies at up to 49%.

The Communication Service Proclamation 1148/2019 of June 2019, opened the telecommunication sector to foreign and domestic private investors and established the Ethiopian Communication Authority, responsible for the regulation of the sector and accountable to the Prime Minister Office.

The Investment Proclamation 1180/2020 and the Investment Regulation 474/2020 (adopted the 7th September 2020), marked a shift to a "Negative List" approach, whereby sectors reserved to public or domestic investors are *explicitly mentioned*. The new Regulation opened to foreign investors the transport sector (including air, railway, ground and marine transport), where foreign companies are now allowed to invest in joint venture at up to 49% with domestic companies. Among other sectors liberalised there are: cement manufacturing, wholesale and retail trade via electronic commerce, provision of health care and education.

(such as reforming the legal framework for financial and extension services in agriculture -e.g., by legally recognising contract farming arrangements-, reviewing the incentive package in manufacturing in order to ensure technology transfer and the development of backward linkages by FDIs, reforming the labour law in order to ensure fair pay and minimise disruptions, developing ICT towards a digital economy and implementing measures intended to promote a green economy).

The special advisor to the PM, Dr. Arkebe Oqubay argues in a broadcasted interview (Policy Center for the New South, 2019) that the intended reforms in reality are not motivated by an ideological shift, but by pragmatic concerns. In his view, the public monopoly in the telecommunication sector, which has been so far used to raise funds to finance major infrastructure projects (such as railway construction) needed to be opened to FDIs (up to 49%), because of its inefficiency (high prices and low-quality services) and in order to upgrade its technology to international standards. Moreover, the telecommunication sector itself must be opened to competition to further improve efficiency. The logistic sector needed to be opened to foreign investors in order to improve the competitiveness of the manufacturing sector and more generally the export sector. Ethiopian Airlines is already a well-managed business venture, but will be privatised (up to 49%) in order to raise funds for increasing the fleet and position the company among the top 20 in the world.

The government estimates that the Home Grown Economic Reform Programme will need substantive additional investments, evaluated at 10 billion USD over three years (6 from FDIs and donors, 4 in the form of foreign debt relief) ⁽⁷⁹⁾. The donors' community reacted positively to the reform agenda, but highlighted few major points which are deemed key for its successful implementation: the need to ensure coordination among the three pillars (macro, structural and sectoral) and over time, the need to improve institutions (such as the SOEs and the NBE) in order to ensure that the current

Finally, in March 2019, the Ethiopian Parliament ratified the agreement on the African Continental Free Trade Area (AfCFTA).

On the economic reforms in the country, see among others: Reuters (2018a), Bloomberg (2018), Xinhua (2019), US Department of State (2019 and 2020), African Legal Network (2019a and 2020), Bloomberg (2020c), Ethiopia Insight (2020e).

⁽⁷⁹⁾ On December 20, 2019, the IMF Executive Board approved a USD 2.9 billion three years financial agreement with the Ethiopian Government aimed at supporting the implementation of the Home Grown Economic Reform Programme. Specifically, the IMF will support the Ethiopian government in implementing tax reforms, strengthening oversight over and management of SOEs and reforming the monetary policy framework (IMF, 2019b). The World Bank is supporting the Reform Programme through grants and loans estimated so far at 750 MUSD and aimed at implementing reforms in the energy, telecommunication, financial and logistics sectors (WB, 2020c, 2020d).

imbalances are ‘permanently fixed’, the need to design milestones and indicators in order to evaluate the reform process and inform its sequencing, the need for transparency and institutionalised dialogue with the private sector and the donors community (see: ECA Official Video Channel, 2019b).

The new government signaled also a new way of doing politics, with the nomination of women in key positions (the Ethiopian President, the Head of the Election Board, who had been exiled by the previous regime, the Head of the Supreme Court, and half of the Ministers). Moreover, Abiy’s ideological reference to “*Medemer*”, an Amharic term meaning “unity” or “adding together” different political sensibilities and ethnicities in a process that would enrich the Ethiopian polity marked a profound shift away from the political ethnicism that had characterised the previous country’s political economy context (Foreign Policy, 2018e; Foreign Policy, 2019d).

Finally, the investigations on police abuse on thousands of youths, which led to the discovery of a dozen of underground secret prisons where torture was practiced, and the investigations on political corruption, which led to the arrest of many politicians (including several members of the TPLF) and entrepreneurs (even within the all-powerful public conglomerate METEC)⁽⁸⁰⁾, profoundly discredited the former regime.

These events have eroded the ideological paradigm of the previous regime, marking a profound discontinuity in the country’s political economy.

The new regime seemed to be undertaking the right steps to face what Clapham (2018, p. 1162) considered the two major challenges of the Ethiopian developmental state: making the transition “*to a political system in which the state itself becomes liable to a level of accountability that no Ethiopian regime has yet been able to tolerate*” and to an “*economy where the major initiatives come from the private sector*”.

⁽⁸⁰⁾ The military-run industrial conglomerate METEC has been at the centre of several investigations since 2018. According to Bloomberg (2019a), the group held 9% of Ethiopia’s external debt and sought to write off USD 2.4 billion ahead of its envisaged privatisation. Since 2018, METEC former CEOs, along with numerous high-level officials have been arrested for corruption and several contracts have been canceled for delays and failures to comply, including the GERD, a fertiliser complex and three sugar factories (see also: Bloomberg, 2018, 2019b and Reuters, 2019a).

Three years of ethnic and political conflict

However, according to Tronvoll (2020) these same political and economic liberalisations have happened too fast, without a clear timeline and the right institutional framework in place ⁽⁸¹⁾.

For instance, the political democratisation (which has granted sudden access to the country and freedom of organisation and political campaigning to previously exiled politicians promoting ethnic and religious divisiveness) has led to political assassinations ⁽⁸²⁾ and rising ethnic clashes in several regions of the country (Oromia, Benishangul-Gumuz, Amhara, Harar, Dire Dawa, SNNPR, Tigray, Afar, Somali), causing thousands of dead and huge internal displacements ⁽⁸³⁾.

⁽⁸¹⁾ On the need to set up the right institutional framework, *before implementing reforms* in the Ethiopian context (characterised by ethnic diversity, poverty and inequality), see the very interesting article of Dr. Abdissa Zerai, in: Horn Affairs, 2018.

⁽⁸²⁾ Among these, the killing of the President of the Amhara Region (and former Federal Ministry of Industry), Ambachew Mekonnen, in a foiled coup the 22 June 2019. The alleged mastermind of the coup, the Amhara Security Chief, General Asamnew Tsige was himself killed while trying to escape from security forces. General Asamnew Tsige had been released from prison one year earlier in the amnesty following Abiy's nomination as PM. According to government sources, President Ambachew Mekonnen was assassinated by an armed mob while he was chairing a meeting to discuss how to put a stop to the violent ethnic rhetoric and open recruitment of ethnic Amhara militias by the same General Asamnew Tsige (Reuters, 2019b).

The assassination of President Mekonnen spurred mutual accusations between the ANDM and the TPLF (both member of the EPRDF coalition at that time and governing respectively Amhara and Tigray), the former accusing the TPLF to be involved in the foiled coup with an aim to destabilise the country, the latter accusing ANDM of using an increasing ethnic discourse, which had been "*instrumental in creating a fertile ground for extremist forces*" (Ethiopia Insight, 2019e).

Tom Gardner and Lule Estifanos (in Foreign Policy, 2020b) provide an overview of high profile political violence in the country during these last three years, including the attempt on PM Abiy's life during a public speech in Addis Ababa in June 2018, the death in July 2018 of Simegnaw Bekele (the chief engineer of the Grand Ethiopian Renaissance Dam), which was eventually ruled a suicide, the assassination of Amhara President Ambachew Mekonnen and General Seare Mekonnen (Army Chief of Staff) in June 2019, and the assassination of the Oromo iconic singer Haacaaluu Hundeessa in June 2020. The authors highlight the opacity surrounding these acts of violence, the fact that they have led to mutual accusations by government and opposition parties (OLF, TPLF) and that none of them has been convincingly ruled.

⁽⁸³⁾ In 2018, according to the Internal Displacement Monitoring Centre (IDMC), ethnic clashes along three Oromia regional borders with respectively Somali, Benishangul-Gumuz and SNNP caused the displacement of 2.9 million people, by far the highest figure registered in the last decade. In SNNPR, ethnic violence arose as well in June 2018 around the constitution of the Sidama regional state (Ethiopia Insight, 2018a). Ethnic clashes arose also at the border between Tigray and Amhara in the contested Raya and Wolkait areas (Ethiopia Insight, 2018h). At the end of 2018, there were 2.1 million IDPs in the country.

The situation has been, and still is, particularly worrying in Oromia, where a failure to reach an agreement between the regional authorities and military commanders of the OLF about the disarmament and integration of former OLF fighters into the local police has prompted the resurgence of armed conflict between the regional forces and the OLA (the Oromo Liberation Army, a splinter group from the military wing of the OLF) in the West (in the Zones of Western Wellega, Kellem Wellega, Eastern Wellega and Horo Guduru Wellega) and South (around Moyale in the Borena Zone) of the region ⁽⁸⁴⁾ (see Figure 2).

According to several sources, the OLA has been involved as well in ethnic violence against non-Oromo living in these areas and at the border between Benishangul-Gumuz and Oromia (Ethiopia Insight, 2018f; Ethiopia Insight, 2019a).

Eventually, to restore security the government has established command posts (whereby the military takes over the functions of the civil authorities) in both West Oromia and part of Benishangul-Gumuz (Ethiopia Insight, 2020a; Foreign Policy, 2021a).

In 2019, ethnic clashes in Oromia, Amhara, Somali and SNNPR caused over a million new displacements. The number of internally displaced people at the end of 2019 was 1.4 million, considerably fewer than one year before: the decrease is in great part explained by the implementation of a plan devised by the Federal Ministry of Peace, which allowed 1.2 million people to rejoin their areas of origin by end 2019. However, ethnic tensions and displacements led the government to post-pone the 2019 national census (a crucial step before the planned elections of May 2020) because security concerns made holding it “*almost impossible*” (The Economist, 2019a).

In the first semester of 2020, 68,000 people were displaced due to inter-ethnic violence at the border between Afar and Somali, in the Bale Zone of Oromia and around Addis Ababa.

In the second part of 2020, ethnic tensions in SNNPR, around the creation of a new Wolayta region, forced the deployment of the military (Africa Confidential, 2020a). Data for 2020 need to be considered with caution and are probably underestimated due to limited access to IDPs’ camps following COVID-19 related restrictions of movement.

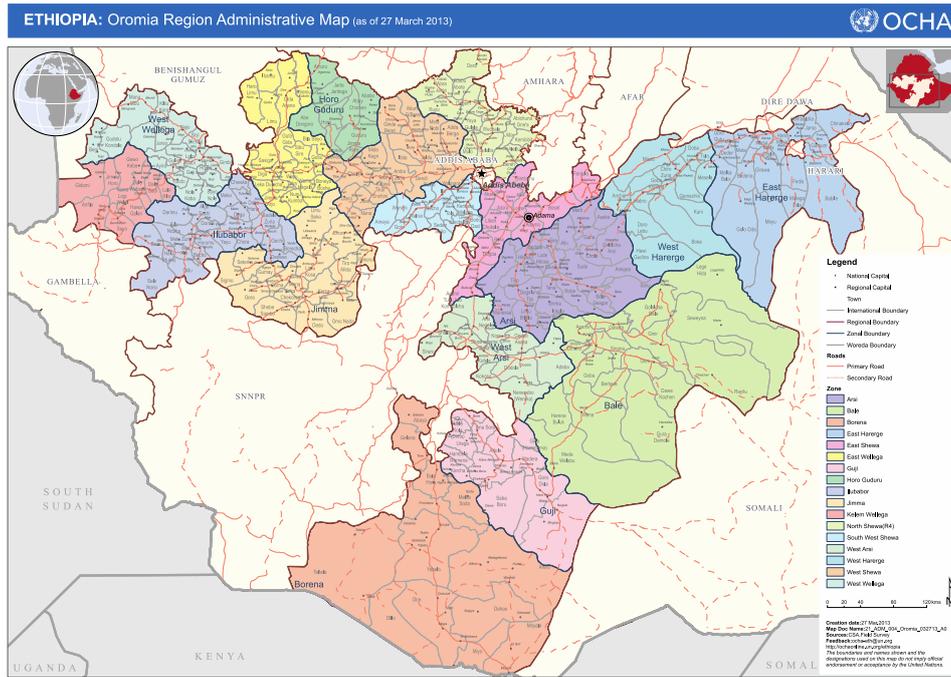
Foreign Policy (2021a), The New York Times (2021a), Al Jazeera (2021f) and The Conversation (2021) report rising ethnic violence between the end of 2020 and the beginning of 2021 in the Benishangul-Gumuz region. In this last case, attacks are being carried on by armed people from the local Gumuz ethnic group against Amhara, Oromo and Shinasha minorities. As a result, more than 100,000 people have been displaced and 7,000 have already fled into neighboring Sudan. Al Jazeera (2021i) reports as well of increasing violence since the beginning of March 2021 in Oromia’s Horo Guduru Wellega zone, targeting ethnic Amhara. Meanwhile, Awol Kasim Allo (2021) reports of ethnic violence targeting Oromo in the Wollo area of the Amahara region.

On rising ethnic violence during these last three years, see also: Reuters, 2018b; BBC, 2019a; Foreign Policy, 2019a; Foreign Policy, 2019c; Al Jazeera, 2020a; The Economist, 2020a; Amnesty International, 2020; Internal Displacement Monitoring Centre web site.

⁽⁸⁴⁾ According to Amnesty International (2020a), both members of the OLA and the security forces have been responsible of serious human rights violations. On the conflict between local enforcement and OLA in Oromia, see also: Ethiopia Insight, 2018b; Ethiopia Insight, 2018i; Ethiopia Insight, 2019a; Ethiopia Insight, 2020a; The Economist, 2020a; and BBC, 2021b.

Finally, in September 2018, clashes between Oromo youths and non-Oromo residents resulted in several deaths in Addis Ababa (Ethiopia Insight, 2018e), in a pattern of violent incursions in the capital that was to be repeated in October 2019 and June 2020 ⁽⁸⁵⁾.

Figure 2: Administrative Map of Oromia



Source: OCHA

⁽⁸⁵⁾ In October 2019, three days of deadly riots erupted in Addis Ababa and several towns in Oromia, after the Oromo activist Jawar Mohammed accused the security forces of plotting an attack on him. Supporters of Jawar Mohammed, who announced his intention to run for the 2020 elections, have been accused by security forces and eyewitnesses of attacking non-Oromo and Orthodox Christian civilians (The Guardian, 2019; Reuters, 2019c).

At the end of June 2020, riots led by Oromo armed youths, sparked by the 29 June assassination of the Oromo iconic singer Haacaaluu Hundeessa, caused several hundred dead (mainly Amhara residents of Ziway, Shashamane and Arsi Negelle) and the destruction of hotels and floricultural farms in East Shewa, Arsi and West Arsi (Ethiopia Insight, 2021a). Riots erupted as well in Addis Ababa, where non-Oromo civilians were attacked and killed and Orthodox churches burned (The Economist, 2020d). Following the riots, the government arrested nearly 5,000 people, including leaders of the OLF (Mikael Boran, Lammi Begna and Gemechu Ayana) and the OFC (Bekele Gerba, Dejene Tafa and Jawar Mohammed) all accused of instigating ethnic violence against non-Oromo, but also the writer and leader of the Balderas for True Democracy Party, Eskinder Nega, accused of instigating violence against Oromo. The government closed as well the Oromia Media Network and shut down internet for almost three weeks (Amnesty International, 2020b; Al Jazeera, 2020c; The Washington Post, 2020a, 2020b; Ethiopia Insight, 2021a; Ethiopia Insight, 2021e). The murder of Haacaaluu Hundeessa is still an unsolved case (Ethiopia Insight, 2021j).

Moreover, according to Lefort and Tronvoll, the country's political landscape is increasingly characterised by a dangerous ethnic rhetoric among existing and newly constituted political parties ⁽⁸⁶⁾.

All this violence reminds us the warning words of Abbink (2011) about the potential pitfalls of ethno-federalism in the absence of basic democratic checks and balances ⁽⁸⁷⁾ and of Lefort (2012a) about the limited scope for democratic reforms in an ethnically divided country with an entrenched authoritarian political culture ⁽⁸⁸⁾.

It also reminds us that democratisation in Africa is a slow and complex process, as authors like van de Walle (2001, 2007), Khan (2005), Collier (2007) and Poulton (2014) pointed out ⁽⁸⁹⁾.

⁽⁸⁶⁾ Both authors (Ethiopia Insight, 2019c) mention the radicalisation of the political debate in Oromia (which led to increasing tensions between the OLF and the new federal government) and Amhara (where the new National Movement for Amhara, but also the ANDM were reclaiming the Raya and Wolkait areas of Tigray). At the same time, according to Lefort (2018b), in Tigray the TPLF was increasingly seen as the only rampart against the Amhara expansionism, with the result that "*The fusion between the Front and the population is now almost total.*" (Lefort, 2018b). Tronvoll (in Addis Standard, 2020) highlighted as well the constitution of new political parties in Tigray (Salsay Weyane, Baitona and the Tigray Independence Party) with an explicit ethnic agenda. He also stressed the role of the Diaspora, in raising the attention of the Tigray regional government on how "*to secure the protection of hard-won political autonomy*".

Finally, Lefort and Davison (in: Ethiopia Insight, 2019e) warned against the reinforcement of the regional special police in Somali, Amhara and Tigray, which they saw as a sign of "*incipient balkanization*".

⁽⁸⁷⁾ "*Ethiopian ethno-federalism is a "container federalism", based on fixed ethnic entities. The federal structure is precariously democratic and generates competition between the NNPs (or ethnic groups), specifically their aspiring elites, about "resources" land, water, minerals, federal funds and about communal or religious identity. In other words, they have a political interest to take position against each other.*" (Abbink, 2011, p. 607).

⁽⁸⁸⁾ "*For a whole section of opinion, in particular within the diaspora, the major challenge that the regime will need to tackle and which will inevitably demand change is "the widespread democratic aspiration of Ethiopians". But the scope and nature of this aspiration is open to question. The traditional and historical culture, which permeates the overwhelming majority of Ethiopian society, is still hierarchical and authoritarian... With very few exceptions, the demand for a "strong leader", who guarantees "peace and security", is a national constant. Weak leadership opens the door to power struggles, which inevitably leads to "disorder" and the suffering that arises from it. Even the emerging middle class, usually seen as the spearhead of opposition to authoritarian regimes, largely shares this view. Whatever its criticisms of the regime, it desires stability above all. It largely believes that the country is too divided to undergo profound change without the risk of tragic turmoil.*" (Lefort, 2012a).

⁽⁸⁹⁾ Commenting on Ethiopia's recent democratisation process, De Waal (2018b, 12-13) argues that "*in countries that have not attained a certain level of economic development, and/or those in which the political 'rules of the game' are not settled*" democratisation processes in the absence of strong institutions tend to lead to political markets (in which

Parallely, while the Ethiopian “Home Grown Economic Reform Programme” endorses several recommendations from the WB and the IMF, such as the gradual opening of the telecommunication and financial sectors, and the movement towards a more flexible exchange rate regime, the reform package still lacks a clear framework with milestones, indicators and targets to track the reforms and their impact.

Moreover, so far, the policy making process has been marked by lack of transparency and communication with the private sector, as well as lack of sufficient engagement with the public to share information and handle expectations.

All this points to the resilience of the Ethiopian top-down political culture, as highlighted by Vaughan and Tronvoll (2003), and to need to fundamentally change the country’s policymaking approach and make it more inclusive in order to improve its intended outcomes ⁽⁹⁰⁾.

money combines with identity politics), authoritarian systems or civil war. The author, further cautions that *“the reforms of PM Abiy may have the unintended consequence of facilitating a political marketplace system in Ethiopia. Rather than a dynamic market economy and a flourishing liberal democracy, Ethiopia runs the risk of having a façade of these characteristics, while forfeiting many of the gains of sustainable development, social welfare, functioning institutions and foreign policy autonomy”* (Ibidem, p. 19).

On a similar vein, Lefort (2018b) notes that Abiy’s political reforms have been carried on without due consideration for the institutional framework, resulting in rising ethnic outbreaks *“rooted in age-old conflicts between communities, stemming from disputes over borders or land access, sometimes triggered and manipulated by local politicians eager to make their mark by playing upon and even eliciting these populist flareups.”*

Finally, Dawit Wolde Giorgis, Ethiopia’s Relief and Rehabilitation Commissioner during the 1980s and then prominent exiled figure under the Derg regime, argued already in April 2019 that Ethiopia could be categorised as a “failed State” because of its inability to ensure security amid rising ethnic clashes (Giorgis, 2019). In his view, ethnic violence arose to unprecedented levels in 2018-2019 because, in a context whereby ethnic identity had been strengthened as a result of the *misguided ethno-federalist constitutional settlement*, the *new government opened the political space without a clear road map* and allowed insurgent movements (such as the OLF) and divisive figures (such as Jawar Mohammed and its Oromia Media Network) to return to the country *without previously agreeing on the terms and conditions for their return.*

⁽⁹⁰⁾ De Waal (2018b, p.11), recognises that economic reforms are necessary, since the character of the Ethiopian economy has changed and state control is becoming less necessary and less effective. However, in his view the institutional framework, pace and sequencing of reforms will likely determine the very nature of the Ethiopian political economy in the future. In his words: if the reforms *“...lead to a broad-based shareholder economy and the growth of national class with a stake in Ethiopian corporate capitalism, they will definitely be a step in the right direction. On the other hand, if the reforms are managed with an eye to short-term gains, the likely outcome will be takeovers by those with an eye on windfall profits and future rent-seeking through access to influence over the state.”*

At the same time, the economic reforms so far undertaken and particularly the dismantlement of SOEs, have undermined vested interests of several members of the *ancient regime*, particularly within the TPLF (Foreign Policy, 2020g).

Moreover, the creation of a new political party in December 2019, the Prosperity Party led by the new PM and characterised by a pan-Ethiopian vision and a philosophy of unity in diversity (*Medemer*) (Al Jazeera, 2019b; The Washington Post, 2019; Foreign Policy, 2020a) ⁽⁹¹⁾, has spurred harsh opposition from the Tigray-based TPLF ⁽⁹²⁾ and the Oromia-based OLF ⁽⁹³⁾,

⁽⁹¹⁾ Three of the four parties composing the former EPRDF ruling coalition merged in the Prosperity Party (OPDO, ANDM and SEPDM). The ruling parties of the regions of Afar, Benishangul-Gumuz, Harari, Somali and Gambella merged as well. The TPLF decided instead not to merge. It's worth mentioning, that Lefort and Davison (in: Ethiopia Insight, 2019e) highlighted that the EPRDF "*eventual demise*" was already clear since its August 2019 Executive Committee meeting. The authors characterised the political landscape as divided between three clusters of parties: 1. Those advocating for geographic, rather than ethnic federalism (the champion being Dr. Berhanu Nega's ECSJ); 2. Those advocating for ethnic federalism with strong regions (OLF, NaMA, TPLF, and part of the OPDO, particularly the group led by Lemma Megersa, at that time Ethiopian Minister of Defense and former President of Oromia during the troubled period that led to the formation of the new government in 2018; 3. Those advocating for ethnic federalism with a strong federal government (ANDM, and part of OPDO, particularly the PM Dr. Abiy Ahmed led group). The split between and among the 4 members of the EPRDF (TPLF, OPDO, ANDM, SEPDM) was therefore evident. At the same time, the convergence between the OPDO Dr. Abiy Ahmed-led group and the ANDM laid the ground for the foundation of the Prosperity Party. As we will see later, Lemma Megersa, was instead eventually sidelined.

⁽⁹²⁾ According to René Lefort (in Ethiopia Insight, 2020b), at the end of 2017 the TPLF went through a thorough self-critical Central Committee meeting, where past mistakes were admitted (including bad governance and suppression of democratic rights) and the party priorities were reoriented towards ensuring Tigray's regional security and development and the establishment of a constructive dialogue with the federal government. The Central Committee elected a new leadership composed by chairmen Dr. Debretsion Gebremichael (at that time Federal Minister of Communications and Information Technology) and deputy chairwoman Ms. Fetlework Debremichael (at that time Federal Minister of Trade and Industry) and suspended Ms. Azeb Mesfin (the former first lady and chairwoman of EFFORT) from all party activities.

In October 2018, after a partial reshuffling, the TPLF Executive Committee was constituted by several high-profile figures, including Dr. Debretsion Gebremichael and Ms. Fetlework Debremichael, Getachew Assefa (former head of the National Intelligence and Security Service, who was re-elected despite being under a federal arrest warrant for violation of human rights), Dr. Addisalem Balema, Asmelash Woldeselassie (a TPLF veteran), Getachew Reda (Former Federal Minister of Communication), Ms. Keriya Ibrahim (at that time spokesperson of the House of Federation) and Dr. Abraham Tekeste (former Federal Minister of Finance). The speech of the TPLF Chairperson, Dr. Debretsion Gebremichael at the 2018 party's congress in Mekelle made very clear the assertive stance of the party in relation to the "national question" (Ethiopia Insight, 2018g).

⁽⁹³⁾ The OLF and the OFC (Oromo Federalist Congress) are now the main opposition parties in Oromia. The OLF is led by Dawud Ibsa. The OFC is led by Dr. Merera Gudina and counts among its members Bekele Gerba and Jawar Mohammed (Addis Standard, 2021).

which have instead strong ethnic-regionalist agenda (Foreign Policy, 2020i; World Politics Review, 2020; Al Jazeera, 2020d) ⁽⁹⁴⁾.

It is worth mentioning that conflicting views about the Medemer philosophy and the creation of the Prosperity Party arose as well within the OPDO (VOA, 2019). As reported by AP (2020), disagreements on those issues and on the management of ethnic clashes in Oromia by the new federal government led to the dismissal of Lemma Megersa from his post of Ethiopian Minister of Defense in August 2020.

In a recent interesting article, Østebø and Tronvoll (2020), characterise the Oromo *peoplehood* as historically divided in three camps: the unitarists, which have sought integration with the Ethiopian state and assimilation into an Amharised national culture since the XVII century, when the Oromo of Shoa were part of the state-building elite; the secessionists, historically represented by the Oromo Liberation Front (OLF); and the federalists, which emerged with the 1990s federalist political settlement and advocate for better representation in the Federal government and genuine self-rule in Oromia. The authors ascribe these internal division as resulting from the Gadaa egalitarian traditional system of governance (in line with the seminal work of Levine, 1974), which allows different groups to form within the same *peoplehood* and from the “*vast geographical, socio-cultural, and religious terrain inhabited by the Oromo...*”, which “*is in itself an impediment to creating a unified and robust supra-political front*” (Ibidem, p. 616).

According to the authors, these three groups have undergone some reconfiguration over time, and particularly since the 1990s when their focus shifted on different interpretation of Ethiopian federalism (regional vs ethnic) and of the struggle against the Federal government (armed vs pacific). Moreover, according to the authors the Oromo current political landscape is highly influenced by issues such as clan provenance (Borana, Macha, Tulama, Guji, Arsi, Karrayu...) and religion (according to the 2007 Census, Oromo are 50% Muslim, 27% Orthodox, 18% Protestant Christian, and 4% *Wakeffana* – the Oromo Traditional Religion -), both of which highly influence citizens’ choices. Thus, while the Prosperity Party and the Medemer philosophy are broadly perceived by Oromo opposition parties as falling within the tradition of the unitarist group and as a threat to Oromo self-determination, these same opposition parties have very different constituencies (the OLF being traditionally dominant in Wellega; the OFC in West Shewa, and since Jawar Mohammed, who is Muslim, joined the party in late December 2019, also in Harerghe, Arsi and Bale, where Muslim Oromo are well established). Meanwhile, the Prosperity Party has a strong constituency in North Shewa and among North Shewa Oromo settlers in Arsi and Bale (which represent more than 10% of the population and were given land in those areas by Emperor Menelik at the end of the 19th century as a reward for their contribution to the Arsi conquest campaign).

Finally, while according to the authors the resurgence of the OLA insurgency in West Oromia may be interpreted as an expression of the secessionist discourse, the OLF and OFC have a similar (ethnic) federalist ideological stance.

⁽⁹⁴⁾ The “national question” is without doubt at the centre of the current Ethiopian political debate. An Afrobarometer survey realised between December 2019 and January 2020, showed that 61% of Ethiopians prefer a federal over a unitary system of government (the change to a unitary system is supported by 37% of the total population - 40% of the urban population and 37% of the rural population -). If Ethiopia was to retain a federal system, 49% of the interviewees said the regions should be based on ethnicity, while 48% that regions should be based on geography. Urban residents favour (54% vs 44%) a shift to a geographic federalist arrangement, while rural dwellers favour (51% vs 47%) the current ethnic federalism system (Afrobarometer, 2020).

The future of Ethiopian federalism is a debated issue among political analysts as well, with some contending that “true ethnic federalism”, which has been hampered during the authoritarian EPRDF regime is a rampart against the dissolution of the country (see for

Finally, the COVID-19 pandemic has led the federal government to declare the State of Emergency between April and August 2020, encompassing several restrictions affecting the rights of common citizens and politicians alike (such as the rights of travel and hold meetings) and to report to June 2021 the general and concomitant regional elections of August 2020 ⁽⁹⁵⁾.

However, in what has been seen as an act of defiance by the Federal authorities (Ethiopia Insight, 2020d), the Tigray Regional State held regional elections the 9th September 2020, which the incumbent TPLF won with 98.5% of votes ⁽⁹⁶⁾.

instance, Alemayehu Weldemariam in: Ethiopia Insight, 2019b); while others arguing that the ethnic federalist arrangement needs to be fundamentally reviewed to avoid the eventual collapse of the country (see for instance, Mahmood Mamdani in: The New York Times, 2019; Befekadu Hailu in: Ethiopia Insight, 2020g; and Addisu Lashitew in: Foreign Policy, 2019d and Foreign Policy, 2021b). In this last article, Addisu Lashitew (research fellow at the Brookings Institution) suggests as a way forward a constitutional reform, which would devolve political power to the 68 Ethiopian Zones (currently the third tier of government) - thus following a model similar to the Kenyan 2010 constitution, which has instituted 47 Counties - and maintain the existing Regions as “*cultural entities charged with cultural stewardship and the pursuit of interethnic harmony*”- similarly to constitutional models existing in Nigeria and Ghana.

It’s worth mentioning that, already in September 2018, Leenco Lata (co-founder of the OLF in the 1970s and key figure of the Ethiopian Transitional Government until the banishment of the OLF in 1992) highlighted that Ethiopia was at a critical juncture of its history, and while political parties disagreed on basic issues, such as the kind of democracy and federalism they wanted, they must reach a compromise or else the alternative would be “*a total breakdown of order*”. Leenco Lata, which returned in the country in 2018 after 25 years in exile and is now the leader of the Oromo Democratic Front, further asserted that the reform wing of the EPRDF must be supported with all means available to benefit from the historical window of opportunity the country was experiencing (Ethiopia Insight, 2018d).

⁽⁹⁵⁾ See among others: The Economist, 2020c; Financial Times, 2020a; ISPI, 2020a; Al Jazeera, 2020f. According to Human Right Watch (2020) both the State of Emergency provisions restricting media reporting on the pandemic and the new Hate Speech and Disinformation Prevention and Suppression Proclamation of March 2020 “*contain vague, undefined language that make it difficult for journalists, activists, and anyone posting on social media to know what speech or reporting would violate the law and increases the risk of misuse by authorities*”. René Lefort highlighted that the postponement of the elections and the management of humanitarian aid through the State apparatus (including health material and food to mitigate the impact of COVID-19 and the concomitant locust invasion in the countryside) provided the Prosperity Party a “political opportunity” to organise and show its capacity to deliver assistance to common citizens (Ethiopia Insight, 2020c).

⁽⁹⁶⁾ About the elections in Tigray and the national political context in which they were held, see the broadcasted interview of Dr. Abraham Tekeste, head of the Tigray Bureau of Trade and Industry and former Ethiopian Minister of Finance in: Tigray TV, 2020a. In the interview Dr. Abraham Tekeste highlighted that the elections were a much-needed step to renew the leadership of the region, that the federal government was no longer legitimate since its mandate had expired and appealed for an all-inclusive national dialogue to determine the way the country was to be governed until the next national elections. He also stated that the recent federal government decision to hold the transfer of block grants to the region (and divert them instead directly to the Tigrayan districts) “*amounts to declaring war to the Tigrayan People*”.

These elections were declared null and void by the Federal government, which refused as well to recognise the newly elected leaders. Conversely, the TPLF-led Regional government refused to recognise the legitimacy of the Federal government because of the report of the general elections of August 2020 (Quartz Africa, 2020).

These factors have contributed to increased tensions between the Federal government and the Tigray TPLF-led Regional government, culminating in an open armed conflict ⁽⁹⁷⁾ at the beginning of November 2020.

According to Government sources (Al Jazeera, 2020b; Reuters, 2020a), the Ethiopian Defense Forces, with the support of Amhara special forces and militia have carried on a “law enforcement operation” with “limited and achievable objectives” against the “illegal TPLF junta” and after one month of battle with the Tigray special forces and militias were already in control of most of the region. However, several sources point to the involvement of Eritrean (De Waal, 2021b; Ethiopia Insight, 2021k) and Somali (AP, 2021b) armed forces ⁽⁹⁸⁾ and highlight that the conflict has been brutal (Human

See also the interview of Mulugeta Gebrehiwot Berhe, Senior Fellow at the World Peace Foundation, in: De Waal (2020).

⁽⁹⁷⁾ Martin Plaut (2020 and 2021a), former BBC World Service Africa editor and senior research fellow at the Institute of Commonwealth Studies, offers two synthetic and precise accounts of the conflict, its root causes and its huge humanitarian consequences. He also elaborates on the regionalisation of the conflict in a broadcasted interview (TRT World, 2020).

For different perspectives on the conflict, see the broadcasted interviews of BBC Newshour, 2020, with Dr. Berhanu Nega (former deputy chairmen of the CUD, founder of Ginbot 7 and now leader of the opposition party ECSJ) and of Al Jazeera, 2020b, with William Davison (International Crisis Group Ethiopia’s senior analyst), Awol Kasim Allo (senior lecturer in law at the University of Keele), Martin Plaut and the Ethiopian Minister for Democratization, Zadiq Abraha. On this issue, see also: Manek, 2019; BBC, 2020b; Reuters, 2020b; Foreign Policy, 2020d; ISPI, 2020b; Financial Times, 2020b; Ethiopia Insight, 2021b.

⁽⁹⁸⁾ Mulugeta Gebrehiwot Berhe, in a telephone interview from the mountains of Tigray held in late January 2021, provides a firsthand account of the conflict (De Waal, 2021b). Paulos Tesfagiorgis (in: Ethiopia Insight, 2021k) draws an interesting parallel between the current conflict and the 1970s-1980s Derg’s regime attempt to conquer Eritrea (which was at that time part of the country).

The presence of Eritrean troops in Ethiopia had been denounced *before the conflict started* by Dr. Seyoum Mesfin, former Ambassador to China and former Ethiopian Minister of Foreign Affairs, in an interview broadcasted by Tigray TV (2020b) the 12 October 2020. At the beginning of January 2021, *after the Ethiopian Army had already conquered the Tigray capital Mekelle*, Maj. Gen. Belay Seyoum, new Head of the Northern Command of the Ethiopia Defense Forces acknowledged the presence of “uninvited Eritrean forces” in Tigray (AP, 2021a). The PM Abiy Ahmed, admitted for the first time the involvement of the Eritrean Army and the occurrence of massacres in a speech to the Parliament the 23th of March 2021. In his words: the “*Eritrean people and government did a lasting favour to our soldiers*”...“*However, after the Eritrean army crossed the border and was operating in Ethiopia, any damage it did to our people was unacceptable*”...“*We don’t accept it because*

Rights Watch, 2021; BBC, 2021e; The New York Times, 2021b; The Guardian, 2021a) ⁽⁹⁹⁾, is far from over (The Guardian, 2021b) ⁽¹⁰⁰⁾ and the humanitarian situation in the region is appalling (OCHA, 2021; International Crisis Group, 2021) ⁽¹⁰¹⁾.

it is the Eritrean army, and we would not accept it if it were our soldiers. The military campaign was against our clearly targeted enemies, not against the people.” (Al Jazeera, 2021). Martin Plaut (2021c), in a recent article analyses the possible scenarios following the mounting international request for the withdrawal of the Eritrean Army from Tigray. On the involvement of Eritrea, see also: BBC, 2020c, The Economist, 2021 and De Waal, 2021c; on the reasons behind it, see: Foreign Policy, 2018d, The Guardian, 2020 and Foreign Policy, 2021c; on the dire consequences for Eritrean refugees living in Tigray, including forced repatriation and the destruction of two camps, see: The New York Times, 2020c; Al Jazeera, 2021b and Bloomberg, 2021b.

⁽⁹⁹⁾ About the violence perpetrated against civilians see: Al Jazeera, 2020e; Ethiopia Insight, 2021d; Los Angeles Times, 2021; AP, 2021c; WION, 2021; Human Rights Watch, 2021. On the destruction of hospitals, health centres and medical equipment and the near collapse of the primary health care and disease prevention systems in the region, see: Ethiopia Insight, 2021h; BBC, 2021e. On the destruction and looting of religious sites, see: The Telegraph, 2021; The Guardian, 2021a.

According to the CNN, the 23 March 2021 the PM Abiy Ahmed declared that “*any soldier responsible for raping our women & looting communities in the region will be held accountable as their mission is to protect*” (CNN, 2021b).

During his testimony to the US House of Representatives’ Foreign Affairs Committee the 10th of March 2021, the US Secretary of State Tony Blinken denounced “acts of ethnic cleansing” by Ethiopian forces and Amhara militia in Western Tigray, an historically contested area, now occupied by Amhara forces (The New York Times, 2021b). These allegations have been rejected by the Ethiopian Minister of Foreign Affairs (Bloomberg, 2021d). However, the fate of disputed territories in Western Tigray (including the districts of Welkait, Tegede, Humera, Telemte and Raya) remains unclear: indeed, the spokesman of the Amhara government has recently declared that they will return to Amhara (Bloomberg, 2021e).

⁽¹⁰⁰⁾ So far, several leaders of the TPLF have been killed (Asmelash Woldeselassie, TPLF veteran and member of the party’s executive committee; Dr. Seyoum Mesfin, former Ambassador to China and former Ethiopian Minister of Foreign Affairs; Abay Tsehaye, TPLF veteran and former Ethiopian Minister of Federal Affairs) or arrested (Sebhat Nega, one the party founders; Abay Woldu, former Tigray regional President; Dr. Abraham Tekeste; member of the party’s executive committee and former Ethiopian Minister of Finance; Dr. Addisalem Balema, member of the party’s executive committee; Ms. Keriya Ibrahim, member of the party’s executive committee and former spokesperson of the House of Federation) (BBC, 2021c). However, according to The Guardian (2021b) the conflict seems far from over, as more and more young Tigrayan are enrolling in the military wing of the TPLF.

⁽¹⁰¹⁾ On the humanitarian crisis triggered by the conflict, see: OCHA, 2021; Reuters, 2021a. and the broadcasted interviews with Chris Melzer (Senior External Relations officer of UNHCR in Ethiopia), in: DW News (2021); and with Alex de Waal, in: International Crisis Group, 2021. In a recent article (BBC, 2021d), Alex De Waal points out that while the risk of famine in the region is increasingly acknowledged, aid agencies are caught in a political dilemma about formally declaring that a famine is actually ongoing.

While these facts point to important lessons for the prospects of democratisation ⁽¹⁰²⁾ and economic reforms ⁽¹⁰³⁾ in the country and have raised justified concerns of the international community ⁽¹⁰⁴⁾ about the

⁽¹⁰²⁾ Here we take the long-term view and we are interested in and refer to the difficult transition of a poor and ethnically divided country with a strong authoritarian tradition into a democratic country, as pointed out (from different perspectives) by several authors, such as van de Walle (2001, 2007), Khan (2005), Collier (2007), Leonard et al. (2010), Lefort (2012a), Poulton (2014), De Waal (2018b).

In the short-term, some political analysts like Fasil Hailu (in Ethiopia Insight, 2021c) have argued that the 2021 elections are very likely to lead to a single party dominance in the country, since the Prosperity Party is well rooted in different regional states (a similar reach being achievable only by Dr. Berhanu Nega's ECSJ), has a clear advantage in the media (it dominates the public media, while some very influential private media like the Oromo Media Network have been shut down following the ethnic unrests of the last 3 years), has an unmatched capacity to raise funds (also due to the absence of institutions regulating fundraising for political campaigns), faces a fragmented political opposition (composed by no less than 52 parties), while the TPLF has been dismantled and several opposition leaders are in jail (among which, the leader of the Balderas for True Democracy Party, Eskinder Nega, the OFC leaders Bekele Gerba, Jawar Mohammed and Dejene Tafa, and the OLF leaders Gemechu Ayana, Mohamed Ragasa and Murataa Sabaa) or are under house arrest (the former Oromia President Dr. Lemma Megersa - see: Kichuu Info, 2020).

It's worth mentioning here that Bekele Gerba and Jawar Mohammed, which are in prison since July 2020, have started a hunger strike at the end of January 2021: they demand the authorities to stop the harassment of Oromo opposition politicians and improvements in their detention conditions (AFP, 2021). On the upcoming elections, see also: Ethiopia Insight, 2021i.

⁽¹⁰³⁾ The conflict in Tigray is likely to negatively affects ODA to the country, at least in the short term. As mentioned before, the IMF and the WB have already pledged resources to support the implementation of the Home Grown Economic Reform Agenda. Moreover, Ethiopia is seeking an agreement on a debt restructuring plan within the G20 framework (Bloomberg, 2021c). However, the lack of transparency with respect to Chinese loans and the fact that India and Turkey, which are among its main creditors, are not part of the G20, may complicate an Ethiopian restructuring (The Africa Report, 2021). Furthermore, at the IMF mission's debriefing held the 1st March 2021 (IMF, 2021), the IMF and the WB manifested their intention to shift part of their support for the economic reforms to the recovery in Tigray; the EU confirmed stated that its budget support has been halted and that it will closely follow the Tigray crisis and the general political situation, including the holding of free and fair elections in June 2021; UK, France, and Germany likewise manifested their uncertainty surrounding future commitments; while Sweden manifested its intention to channel its support through the UN system. Meanwhile, the US have suspended assistance for most programmes in the security sector (Reuters, 2021b).

As mentioned above, the success of the reforms process in the long-term will likely depend on the inclusiveness, transparency, and sequencing of the process. We will return to this point in the conclusions.

⁽¹⁰⁴⁾ For different perspectives on the possible role of the international community, see the articles respectively written by Alex De Waal (Research Professor at the Tufts Fletcher School of Law and Executive Director of the World Peace Foundation) in: Foreign Policy, 2020f; by the late Prime Minister, Hailemariam Desalegn in: Foreign Policy, 2020h; and by Jon Abbink (senior researcher at the African Studies Centre and professor of Politics and

consequences for the civilian population, the stability of the country ⁽¹⁰⁵⁾ and the whole the region ⁽¹⁰⁶⁾, they do not change the reality that during 2018

Governance in Africa at Leiden University, The Netherlands) in: IPI Global Observatory, 2021.

On the position of the EU, which in mid-January 2021 postponed its budget support to the Ethiopian government until access for humanitarian aid operators to Tigray was reestablished, see the declaration by the EU High Representative for Foreign Affairs and Security Policy, Josep Borrell (EU, 2021). See also Euroobserver, 2021, on the recent visit to Ethiopia (7 - 11 February 2021) of the EU envoy and Finland Foreign Minister, Pekka Haavisto. The EU envoy warned his colleagues in Brussels about the risk of a refugee crisis (60,000 people had already fled to neighboring Sudan), triggered by a conflict which *seems out of control*. In his view, even Ethiopian authorities in Addis Ababa don't have a clear picture of the situation on the ground, particularly in areas controlled by Eritrean forces. In this regard, the UK has requested the Eritrean troops to withdraw from Tigray (Plaut, 2021b). On the position of the US, which in late January asked for the immediate retreat of Eritrean troops from Tigray, "*full, safe and unhindered humanitarian access*" and highlighted that "*dialogue is essential between the government and Tigrayans*", see: Al Jazeera, 2021d. Lately, the US Secretary of State, Tony Blinken, has urged "*the immediate withdrawal of Eritrean forces and Amhara regional forces from Tigray*" (CNN, 2021a).

As a response, Russia's Foreign Ministry spokeswoman, Maria Zakharova has requested the US to stop interfering in Ethiopian domestic affairs (FBC, 2021).

At the beginning of March 2021, the UN Secretary-General Antonio Guterres asked the Eritrean troops to leave Tigray, while the UN High Commissioner for Human Rights, Michelle Bachelet, urged an independent investigation on human rights violations in the region. Eventually, the UN Security Council met the 5th of March 2021 to discuss a joint statement calling for an end to violence in Tigray, but did not reach a consensus (Al Jazeera, 2021g; AP, 2021d).

⁽¹⁰⁵⁾ Africa Confidential (2020b) provides an account of the internal political implications of the conflict, among others the increase in ethnic violence in other parts of the country (Oromia, Benishangul-Gumuz, SNNPR, Afar, Somali and Amhara) due to the reduced presence of the military, which is mostly deployed in Tigray.

As reported in Al Jazeera (2021e), the conflict in Tigray is having negative repercussion on the freedom of the press as well, with several journalists being arrested and harassed because of their reports. Several cases of ethnic profiling and discrimination of people of Tigrayan origin in the civil service, state owned enterprises (Ethio Telecom Ethiopian Airlines) and the Military have been also denounced (The New York Times, 2020b).

⁽¹⁰⁶⁾ On the risk of the conflict to escalate beyond Ethiopia, see: Foreign Policy, 2020f.

On the strategic role of Sudan, which shares a 1,600 km long border with both Tigray and Amhara, see: Foreign Policy 2020e. The conflict and the inflow of refugees from Tigray have revived tensions between Sudan and Ethiopia, revolving around the sovereignty over the contested Al-Fashaga triangle and the management of the Grand Ethiopian Renaissance Dam (BBC, 2021a).

On the tension at the border between the two countries, which has led to armed clashes, see: Al Jazeera, 2021a, Bloomberg, 2021a, Arab News, 2021a, Arab News 2021b and the broadcasted interview with Alex De Waal, Muaz Tongo (Head of the Sudanese National Border Commission), and Samuel Getachew (Journalist of The Reporter), in: Al Jazeera, 2021c. In this regard, Ethiopia has recently sought the mediation of Turkey (Anadolu Agency, 2021b). However, according to the UN, since the beginning of March 2021, Eritrean troops have been deployed at the border with Sudan, along with Ethiopian and Amhara forces (Bloomberg, 2021f).

Ethiopia has witnessed an unprecedented period of political freedom, as recognised by the same Tronvoll (2020) and by many other experts of Ethiopian politics (¹⁰⁷).

On the increasing tensions between Ethiopia and Sudan over the GERD, see: Al Jazeera, 2021h.

On the role Egypt has been playing before and during the Tigray conflict according to Ethiopian authorities, see: Anadolu Agency (2021a).

(¹⁰⁷) For a brief overview of the novelty represented by Abiy's Government, see ISPI, 2015a; Foreign Policy, 2018c; Foreign Policy, 2018e; The New York Times, 2018; Al Jazeera, 2018a; ISPI, 2018; Allo, 2019; Al Jazeera, 2019a; BBC, 2019b; ISPI, 2020b. See also Abiy Ahmed's first press conference of 25 August 2018, in Ethiopia Insight, 2018c.

4. RESEARCH QUESTIONS

This study analyses the policy process related to the design and implementation of the IAIPs initiative, in a rapidly changing political economy context, and answers two questions:

1. How have different stakeholders influenced the policy process of design and implementation of the IAIPs?
2. Have major policy decisions been influenced primarily by stakeholders' interests (political, personal, institutional) or ideas (ideological paradigms, policy models, evidence)?

The analysis of the role of the major stakeholders will focus on issues of ownership of development programmes and influence over their design and implementation, with a particular attention to the role of governments and development partners. We will look at different aspects, such as the selection of the participants in the policy process, the setting of the agenda, the coordination and alliances between different stakeholders, the funding of the initiative.

We acknowledge in principle the primacy of domestic politics (de Renzio, 2006) in the determination of policy choices, but this case study allows us to investigate how, beyond the role of fiscal crises in strengthening donors' influence (Binswanger and Deininger, 1997), also political change can open new spaces for policy dialogue and thus increase their role (Lavers and Hickey, 2016). This is particularly relevant in the Ethiopian case, where, as Borchgrevink (2008) and Brown and Fisher (2020) point out, meaningful policy dialogue between donors and domestic authorities has been usually limited, because of a combination of several factors, such as the relevance of the country in geo-political terms, the strong assertiveness of the government with respect to the determination of the country's development path, its capacity to deliver in terms of broad based economic growth, the poor coordination among donors and their lack of capacity to reach domestic civil society organisations, all of which result in the weak donors' influence over government policies ⁽¹⁰⁸⁾.

⁽¹⁰⁸⁾ Interestingly, according to Brown and Fisher (2020), because of their historical weakness in engaging Ethiopian authorities on governance and human rights issues the donors' community was "*blindsided by the resignation of Meles' successor Hailemariam Desalegn...and his unexpected replacement by a reformer, Abiy Ahmed*" (Ibidem, p. 189) and their influence is very weak "*at a time when the Ethiopian regime is debating major political reform.*" (Ibidem, p. 185). In a similar vein, a recent UNDP memo to the UN Secretary General, while highlighting that both federal government and TPLF bear a share of responsibility for the devastating conflict undergoing in Tigray, stressed that the international community failed to understand the implications of the TPLF intransigent and counterproductive position against the new government over the past two years (Foreign Policy, 2021d).

The literature on policy processes in developing countries (Keeley and Scoones, 1999; Sumner et al., 2011) has variously identified as the main drivers of policy decisions the interests of powerful stakeholders, the policy ideas/discourse/narratives and the role of institutions. This literature departs from the traditional government centred, technocratic and linear model of the policy process and recognises instead that there are multiple sources of policies in a process that has been described as “...*a chaos of purposes and accidents.*” (Clay and Schaffer, 1984 p. 192).

This literature highlights as well the relevance of global policy processes which have emerged in these last two decades with governments, international organisations and non-state actors trying to answer to transboundary problems (such as migrations), common property problems (such as climate change) and simultaneous problems of nations experiencing similar development challenges (Deacon, 2006). These processes have led to new forms of ‘soft’ authority that complements the traditional ‘hard’ authority of states (Arthur, 2001) and to increasing ‘policy transfer’ (Evans, 2004) and reference to international policy models perceived as successful (Crewe and Young, 2002). Finally, the literature highlights the role of new players, such as international actors-networks - composed by international agencies, international non-governmental organisations and business networks - (Keeley and Scoones, 1999) and epistemic communities - that can build alliances with the other actors - (Stone, 2008), as well as the role of their agency in changing policy narratives (Sumner et al., 2011).

We will thus take an actor-oriented approach (Sumner et al., 2011) and explore the different strategies employed by development partners in a more open “strategy space” (Rodrik, 2014): mainly the mobilisation of transnational actor-networks (in our case study, like-minded donors, development banks and UN organisations) and epistemic communities (in our case study, academic and policy makers involved in agro-industrial development in Europe) to advocate for different approaches and models.

The political economy literature has long focused on the role of interests in the determination of policy outcomes.

Anthony Downs in his seminal book “An Economic Theory of Democracy” (1957) argued that in multiparty democracies politicians seek a place in government not with the intent to maximise social welfare, but rather to pursue their own selfish motives (which could include the pursuit of power, income or prestige) and formulate policies in order to win elections. On the other hand, voters support the politicians which formulate policies that provide them with the highest possible satisfaction. Thus, the political arena is characterised by self-motivated individuals that exchange policies for votes. In Downs view’s ideologies play an instrumental role, as by embodying the policy positions of political parties on various issues, they can reduce the

costs faced by voters for seeking information about the different policies promoted (Downs, 1957).

The role of interests has been central in theories of interest groups, since the seminal work of Mancur Olson, “The Logic of Collective Action” (1965). According to Olson, the existence of common interests is not a sufficient condition for the formation of effective interest groups, rather self-interested individuals join interest groups only if the expected benefits (such as cheaper access to good and services, material benefits derived from policies implemented thanks to the lobbying activities of the group) outweigh the cost of membership (such as time, effort, acquisition and dissemination of information). However, Olson recognised as well the fulfilment of ideological objectives as intangible benefits.

Finally, the economic theory of regulation (Stigler, 1971; Peltz, 1976; Becker, 1976) highlights how voter maximising politicians and rent seeking interest groups interact in the political market arena.

Interests are at the centre of Niskanen (1973) model of bureaucracy: bureaucrats are self-interested, looking for power, wealth and privileges, all factors that are associated with a higher budget for their agencies. Thus, bureaucrats seek to maximise budgets, which lead them to actually pursue institutional interests.

The role of interests in explaining the behaviour of policy makers is an essential part of Drazen (2008) general model of political economy: interests can be political (achieve or retain power) or personal (accumulate wealth, enjoy privileges). In the model, also the personal interests of the selectorate and the coalition that support the policy makers play a key role in determining policies. However, Drazen recognises as well the role of ideological preferences in the utility functions that both policy makers and selectorate try to maximise.

The well-established literature investigating the rise of the developmental state model in East Asian countries has highlighted the pivotal role played by internal and external political threats to shape the rise of autocratic governments and to spur their initiatives to achieve developmental goals. For instance, the threat of communism, in the forms of either the rise of foreign economic powers or the rebellion of the domestic peasantry, has been variously identified as the main drive behind the nature of policy choices made by political elites, interested in retaining their power but also securing economic and social stability (Campos and Root, 1996; Islam and Chowdhury, 2000; Poulton, 2014; Clapham, 2018). However, as Hickey (2013, p. 16) points out “*Ideas and ideology have also emerged as significant in studies of elite commitment...*” in developmental states. Moreover, as we

have seen above, Gebregziabher (2019) analysing the Ethiopian political economy context, pointed out that different ideological paradigms arising during key political junctures, contributed to legitimise and strengthen the power of the state over the society.

Finally, the literature on politics and development (Di John and Putzel, 2009; North et al, 2009; Khan, 2010; Khan, 2012; Acemoglu and Robinson, 2013) focuses on how political bargaining leads to the establishment of political settlements which determine the quality of institutions and the allocation of rents, thus shaping the prospect for future development. This last stream of literature has put elites' political interests at the centre of the development process. However, according to Lavers and Hickey (2016, p. 393) it has downplayed the role of ideas in policy determination and "*is unable to predict which policies (economic or social) will actually be selected by a particular coalition*".

The relevance of ideas in shaping policies is being re-evaluated by several authors.

Rodrik (2014) argues that taking ideas into account along with vested interests, "*allows us to provide a more convincing account of both stasis and change in political-economic life*" (Rodrik 2014, p. 190). He points out that ideas can influence the basic building blocks of the political economy: the objective function of political actors ("who we are?"), their perception of the reality and the constraints under which they operate ("how the world works?") and their perception about feasible policies or the "strategy space" ("what can be done?").

Indeed, ideas about nationalism, class, ethnicism can shape the narrative around the objective function of political leaders. Ideological paradigms, such as the Washington Consensus, the developmental state model, the international consensus around the need for both stronger states and markets, can influence their perception of the reality.

Finally, in relation to the strategy space (i.e., what choice sets are available with which to maximise the objective function?), innovative policies are similar to innovative technologies: they can move a society closer to the production possibility frontier, without threatening the current and/or future power of the political elites. Innovative policies can thus result in policy change that improve social welfare. In the words of Rodrik, "*New ideas about what can be done - innovative policies - can unlock what otherwise might seem like the iron grip of vested interests*" (2014, p. 194) and "*Just as we think of technological ideas as those that relax resource constraints, we can think of political ideas as those that relax political constraints, enabling those in power to make themselves (and possibly the rest of society) better off without undermining their political power.*" (2014, p. 197).

In Rodrik's view, the world is replete with examples of innovative policies, especially in processes that led elites in power to promote industrialisation, despite the perceived threat that newly empowered economic actors could replace them. In this regard, Rodrik (2014, p.199) mentions the cases of England, Germany and Japan where *“State-directed industrialization, gradual concessions to the rising industrial classes, diversification into commerce and industry, alliance with industrial interests, and similar choices ensured elites could benefit from industrialization while retaining much of their power”*.

Another interesting example of innovative policies is the dual-track reform process in China, implemented in both the agricultural and industrial sectors (Rodrik, 2014, pp. 199-200). In the agricultural sector, China's elites had a strong interest in maintaining the compulsory delivery of grains at controlled prices, because this allowed them to raise taxes and ensure urban workers access to cheap food. At the same time price liberalisation would generate significant efficiency gains in the countryside. Therefore, starting in the late 1970s, they allowed farmers to sell at market prices, *only after they made the planned deliveries at state-set prices*. This *“shielded the prevailing stream of rents from the effect of the reform”* (Rodrik, 2014, p. 200), thus relaxing political constraints on policy change.

According to Rodrik (2014, p. 200), *“China's special economic zones functioned similarly. Rather than liberalize its trade regime in the standard way, which would have decimated the country's inefficient state enterprises, China allowed firms in special economic zones to operate under near free-trade rules while maintaining restrictions elsewhere”* ... *“This enabled China to insert itself in the world economy while protecting employment and rents in the state sector. The Chinese Communist Party was strengthened and enriched, rather than weakened as a result”*.

According to Rodrik (2014), innovative policies arise because of perceived inefficiency of actual policies, learning by doing, crises and emulation. Finally, the author stresses the role of “political entrepreneurs” (Rodrik, 2014, p. 2002) in developing efficiency enhancing proposals that take political feasibility into account. Indeed, while inefficiency creates opportunities for political entrepreneurship, the role of political entrepreneurs in producing change points at an action-oriented approach to explain policy processes.

In his critique of the power-centred approach of the political settlement literature, Hickey (2013) highlights the role of perceived legitimacy amongst citizens as a determinant of political stability, the importance of elite commitment for explaining national development, the influence on policies of transnational flows of ideas and epistemic communities, and the role of political change as source of new ideas.

Political instability and change are also key factors for explaining policy

change according to Lavers and Hickey (2016, p. 394): “*It is only during periods of institutional instability or ‘Knightian uncertainty’ - when agents are not only unsure of how to achieve their interests, but also unsure of what their interests are - that actors re-evaluate the core paradigms that guide their decision making and seek new approaches*”. In the words of Blyth (2007, p. 762) “*in moments of uncertainty, crisis-defining ideas not only tell agents ‘what has gone wrong’ but also ‘what is to be done’.*”

Drawing from this conceptual framework, the present research analyses the policy process of design and implementation of the IAIPs initiative. In particular, we’ll focus our analysis over a period of rapidly changing political-economy context and social and political turmoil (2014-2020) to highlight whether and to what extent policy stakeholders’ interests and ideas have shaped policy *stasis* and change.

5. RESEARCH METHODS AND CASE SELECTION

The IAIPs initiative has been selected as the focus of this research for several reasons. To begin with, in the recent history of Ethiopian industrialisation, industrial parks have represented an important tool of industrial policy. Second, as highlighted above, the agro-business sector has been the industry targeted to reach the highest percentage share of GDP, notably 3,8% and 5,5% in GTP I and II, respectively.

Third, the programme, is one of the biggest in the country, with a budget of more than 1 billion USD in public investments, and is considered by both government and donors as a key pilot initiative for the development of other integrated agro-industrial parks in the next years ⁽¹⁰⁹⁾.

Hence, the study of the design and implementation of agro-industrial parks in the agro-industry sector is a representative case of major programmes created in the recent decade by the Federal Ethiopian government to foster productive development and industrialisation in the country and is relevant for drawing lessons that will inform other similar initiatives in the future.

Fourth, the IAIPs initiative is a telling case about the explicit role played by vested interests and ideas of major policy stakeholders to shape policy *stasis* and change. Indeed, to our knowledge, this case represents an unprecedented shift in the conventional way the Ethiopian policymakers used to frame policy choices, since at some point (notably in correspondence of the political and social crisis and the following regime change of 2018) the policy process has departed from the traditional dirigiste, top-down approach towards policy design and implementation towards a more inclusive and bottom-up approach.

As it is a pioneering case, it is important to understand it in details. Given the government actors and the development partners involved, the relevance of the experience in relation with the industrialisation agenda and the context of political instability and crisis in which the program has been devised and implemented, the IAIPs initiative is the ideal case for applying our conceptual framework and exploring the research questions stated above.

The methodology of research involves a case study (Bryman, 2012; Yin, 2014) through which I have conducted an in-depth analysis of the design and implementation process of four pilot IAIPs and their related networks of

⁽¹⁰⁹⁾ Indeed, the regional authorities of Oromia and Amhara have already requested UNIDO assistance for the development of two additional IAIPs. Furthermore, the Kenyan government and UNIDO, with funding from China, have recently started the feasibility study for the development of one integrated agro-industrial park in the country.

RTCs in four Regions of the country (Oromia, Amhara, Tigray and Sidama/SNNPR). The analysis of the policy process is based on participant observation and semi-structured interviews with key policy stakeholders.

Indeed, during all the design phase of the parks, Italy was the main donor supporting the initiative and from 2014 to 2018, as Senior Economist of the organisation, I represented the Italian Development Cooperation in the steering committee of the programme. Between 2016 and 2018, as co-chair of the Agricultural Growth Technical Working Group (chaired by the State Minister of Agriculture) and the Private Sector Development Working Group (chaired by the State Minister of Industry), I have actively promoted the IAIPs among the donors' community. In September 2018, I have been recruited by UNIDO as Chief Technical Advisor of the IAIPs programme and since then I have continued to follow the work of the Steering Committee and contributed to the design and implementation of three new projects, intended to support IAIPs development, respectively funded by the European Union, the African Development Bank and the Italian Agency for Development Cooperation. I have thus closely followed the process of design and implementation of the IAIPs during these last seven years.

Between February 2019 and July 2020, I have conducted several semi-structured interviews to the key policy stakeholders (see Annex 1), such as the Minister, the State Minister and the Director of Agro-Processing of the Ministry of Trade and Industry; senior officials of public specialised agencies, such as ATA (the Agricultural Transformation Agency), the Federal Industrial Parks Development Corporation and the Ethiopian Investment Commission; senior officials of the government of Oromia, such as the Oromia Public Enterprise Supervising Authority, the Oromia Bureau of Industry, the Oromia Industrial Parks Development Corporation, the Oromia Investment Commission; senior representatives of development partners, such as the Italian Agency for Development Cooperation, the European Union Delegation, UNIDO, FAO, UNOPS, the Emilia Romagna Region Development Agency (ARTER) and the CEO of the international firm responsible the feasibility studies and detailed engineering designs of the 4 parks.

Nineteen semi-structured interviews (see Annex 2) were conducted in person while three of them via on-line platform. The questions addressed to the interviewees attempt to reconstruct the whole policy process from different angles as well as to understand the role of different policy stakeholders, the drivers behind key policy decisions, and what prompted the change in the policy process towards a more inclusive and bottom-up model of agro-industrial development.

I have conducted in-depth desk research and accessed grey material concerning IAIPs design and implementation, such as the feasibility studies of the parks produced by Mahindra Consulting Engineering, the value chains studies produced by FAO, the Environmental and Social Impact Assessments produced by UNOPS, the Investors Surveys realised by UNIDO, technical reports on how to unlock the economic potential of the agri-business sector produced by ATA and the Ministry of Trade and Industry, and the national development strategies and plans (ADLI, PASDEP, GTP I and II, the Home Grown Economic Reform Agenda, and Ethiopia 2030: the Pathway to Prosperity, Ten Years Perspective Development Plan, 2021 – 2030) issued by the Ministry of Finance and Economic Development as well as by the National Planning Commission.

It's worth mentioning that in some cases, I have drawn from my direct work experience in relation to various fields pertaining to the country's development agenda. However, I have also explored the relevant literature to complement and inform my understanding of those issues.

First, while working at the Italian Development Cooperation, I have been associated to the Italian delegation at the III International Conference on Financing for Development (FfD) held in Addis Ababa in July 2015 and this has allowed me a better understanding of the positions of EU member States, USA, emerging countries (in particular Russia, China and Brazil) and developing countries in the complex process of negotiation of the final compact for a global partnership (the Addis Ababa Action Agenda).

Second, since 2016, I represented the Head of the Italian Agency for Development Cooperation (AICS) ⁽¹¹⁰⁾ in Ethiopia at the Donor Assistance Group (DAG) meetings and, from September 2017 to August 2018, I was a member of its Executive Committee. The DAG is the most important donors' forum in the country and its Executive Committee has regular meetings with Ethiopian high-level officials. I have therefore had access to significant information about the political change happening in the country.

Third, while working at the Italian Agency for Development Cooperation, I took part in the EU promoted "Job Compact" process, which aimed at creating over 100.000 jobs (among which 30.000 for refugees) in the textile, garment and apparel sectors, through the construction of 3 industrial parks in the country ⁽¹¹¹⁾. Furthermore, I have visited several industrial parks located in Addis Ababa, Awassa and Mekelle. There, I could talk with government officials (in particular the Director of ETIDI), managers of foreign and

⁽¹¹⁰⁾ The Italian Agency for Development Cooperation (AICS) has replaced the Italian Development Cooperation (IDC) in the design and management of development initiatives since January 2016.

⁽¹¹¹⁾ The Job Compact started implementation in December 2017 and is funded by the government of Ethiopia, EU, EIB, WB and DfID.

domestic manufacturing firms and local staff of development partners (in particular ILO and UNIDO). This has provided me interesting insights on the complex issue of the application of the decent job agenda in the country.

Fourth, while working at AICS, I supported the Italian Embassy in the dialogue on economic issues with the Intergovernmental Authority on Development-IGAD (composed by Ethiopia, Sudan, South Sudan, Somalia, Eritrea, Kenya and Uganda) and particularly on the implementation of a common strategy for the development of pastoral areas (the IGAD Drought Disaster Resilience and Sustainability Initiative-IDDRSI). The IDDRSI, which is implemented in Ethiopia through programmes funded by the World Bank, the African Development Bank, the German Development Cooperation and AICS, acknowledges the need to strengthen local pastoral systems starting from the recognition of the validity of the principle of mobility of pastoralists and their herds (Intergovernmental Authority on Development, 2013). Although part of the Ethiopian Government is still promoting the settlement of pastoral communities, the Ministry of Agriculture has recognised the relevance of the IDDRSI strategy at least in principle. The participation to several IGAD meetings and to the quarterly meetings of the Ethiopian Livestock Technical Committee (which is chaired by the State Minister of Livestock and which I have co-chaired during part of 2016) has provided me several insights into the political economy of and agricultural policies for pastoral development.

Fifth, in these last two years, as a member of the Executive Committee of the Private Sector Development Working Group (which is chaired by the State Minister of Industry), I have had frequent discussions with the government and development partners alike, about the ongoing economic reforms. This has provided me insights about the aims and method of the reforms process. Finally, during this last year, I have been involved in the design and organisation of the survey carried on by UNIDO and FAO on the impact of COVID-19 on agro-processing in the country. While the research, which concerns several Sub-Saharan African countries, has not been yet published, some key findings point at a negative impact of the pandemic on agro-processors.

The field work has focused primarily on the Oromia IAIP, because of several limitation on travels in the country during these last 3 years (the Oromia RIPDC is based in Addis Ababa and data are therefore more accessible). Nonetheless, the Oromia IAIP is of particular interest because of the agricultural potential of the area, which covers the Rift Valley (where horticulture and maize production are well developed) and the Arsi and Bale plateaus (where the cultivation of wheat, teff, barley and beans is practiced with a mixed livestock-crop production system). The area is also logistically well connected, being in proximity of the Dry Port of Mojo (where most of the import-export trade of the country transits) and of many consumption

markets (Addis Ababa, Mojo, Ziway, Bishoftu, Adama, Shashamane, Awassa) ⁽¹¹²⁾. Furthermore, the Oromia Region has been one of the more assertive with respect to the implementation of decentralisation and federalism in these last years.

The Table 2 here below summarises the different occasion where I have been directly involved in the agro-industrial policy process of the country.

Table 2: Author's involvement in agro-industrial policy making in the country

ACTIVITIES	PERIOD	FREQUENCY OF MEETINGS	OBJECTIVE
IAIP Programme Steering Committee	2014 - 2021	Quarterly (2004-2016) then bi-annual	Represent IDC/AICS, then UNIDO
IGAD platform on IDDRSI	2014-2019	Annual	Support the Italian Embassy
Visits to Industrial Parks in Addis Ababa, Mekelle, Awassa	2014-2018	3 Visits	Represent IDC/AICS
III International Conference on Financing for Development	July 2015	1 conference (3 days)	Support the Italian delegation
Livestock Technical Committee (DAG)	2016	Quarterly	Co-chairing

⁽¹¹²⁾ The IAIP targets both domestic (e.g., pasta, tomato sauce) and export (e.g., meat, processed vegetables) markets. A recent study (FDI Consulting Services GMBH, 2021), carried on by an international consulting firm, in cooperation with UNIDO, the 4 RIPDCs and the EIC has identified the following focus areas which (a) exhibit a competitive advantage (because of both agro-ecological conditions and available services), (b) are likely to attract investors and (c) would benefit the region (in terms of technology transfer and creation of linkages with the local economy): 1. Canning processing (Canning of beans); 2. Potato processing (Potato chips production; French fries manufacturing; Dehydrated potatoes production; Production of potato starch); 3. Tomato processing (Production of canned tomatoes; Tomato juice manufacturing; Tomato ketchup production; Tomato paste production; Tomato purée production; Tomato sauce production); 4. Flour milling & malting; 5. Pasta production; 6. Bakery operation (Biscuit production; Bread production); 7. Production of edible oil (Pressing of edible oil from oil seeds); 8. Production of animal feed; 9. Production of dairy products (Milk production; Butter production; Yoghurt production; Cheese production; Cream cheese production); 10. Egg processing; 11. Fish farming & processing; 12. Honey processing (Honey extraction and packaging; Wax production; Processing of honeycomb by-products; Production of honey/wax-based products); 13. Livestock processing (Abattoir; Meat processing; Hides processing; Blood and bone fertilizer production; Glue production from cattle hooves; Button production from animal by-products).

Donor Assistance Group (DAG)	2016-2018	Monthly	Member (representing AICS) from 2016 to 2018; Ex Com Member from September 2017 to August 2018
Agricultural Growth Technical Committee (DAG)	2016-2018	Quarterly	Co-chairing
Private Sector Development & Trade Sector Working Group (DAG)	2016-2021	Quarterly	Co-chairing (2016-2018); member of the Executive Committee (2019-2021)
First International Agro-Investment Forum	October 2016	1 Forum (3 days)	Support the Italian delegation (headed by the AICS Director General, Ms. Laura Frigenti)
EU Job compact process	2017	Several meetings in Addis Ababa	Represent AICS
Institutional meetings with Oromia authorities	2017	Meetings with Regional President (2) and Head of Industry Bureau (1)	Represent AICS; Facilitate dialogue with other development partners (EU, EIB)
Second International Agro-Investment Forum	March 2018	1 Forum (3 days)	Support the Italian and Emilia Romagna delegation
Regional IAIPs Stakeholders Workshops	October 2018 – May 2019	4 workshops at the regional capitals (Awassa, Mekelle, Bahir Dar, Adama) and field visits at IAIPs and RTCs	Discussions about the IAIP Initiative with major stakeholders (federal, regional, development partners, private sector, civil society)
I Mission to Emilia Romagna	8-12 October 2018	1 Mission	Support the Ethiopian delegation
Mission of ARTER delegation to UNIDO Head Quarter in Vienna	20-21 February 2019	1 Mission to UNIDO HQ in Vienna	Discuss cooperation modalities between UNIDO and ARTER in Ethiopia
International Conference on Sustainable Industrial Areas (SIA)	April 2019	1 Conference (4 days)	Attend to high level international conference organised by the GoE, WB, BMZ/GiZ and UNIDO
II Mission to Emilia Romagna	9-10 May 2019	1 Mission	Support the Ethiopian delegation

Coordination of the study on the impact of COVID-19 on agroprocessing in Ethiopia	June - August 2020	Continuous	Coordination of the interviewers
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Source: Author

Considering my double role as a researcher and at the same time as a professional involved in the policy process under analysis, I have tried to minimise both the impact of my professional position on the interviewees responses and the impact of my subjective understanding of the context on the research outcomes (Mosse, 2006).

My position as a representative of a donor country (from April 2014 to August 2018) and then as UN technical advisor (since September 2018) has facilitated my work with regard to the *identification of* and *access to* key stakeholders and relevant background documents. However, the interviews were held at a time (between February 2019 and July 2020) when *the design phase was already finished* and *I was no longer working for the Italian Development Cooperation, which moreover was no longer the main donor*. Furthermore, several officials I have interviewed, where either *no longer part of the policy process or had changed their position*, essentially because of the government reshufflings since April 2018. Thus, I believe, the impact of my professional role on the genuineness of the interviewees' responses has been fairly limited.

On the other hand, in order to minimise the impact of my subjective understanding of the policy process on the objectivity of the research's results, I have shared drafts of the study with and sought feedbacks from other stakeholders' representatives involved in process, representing respectively UNIDO and the Italian Agency for Development Cooperation. This has confirmed some finding, nuanced others, and helped me as well in gaining insights about the strategic positioning of these two organisations in the policy process *over time*.

Finally, this work shows a few limitations. First, although I have had access to several senior informants, my understanding of Ethiopian politics inevitably remains that of an outsider and, therefore, at best partial.

Second, as mentioned above the fieldwork has been primarily conducted in the Oromia Region: hence, although the analysis focuses on the initiative as a whole, part of the data, informative details and illustrative examples reported in the analysis revolve around the experience of the Oromia Region. Third, the program is still ongoing, hence no results with respect to the effectiveness of different approaches to industrial parks design and implementation can already be identified. However, some trends can be pointed out and compared with the general recommendations of the literature on SEZs and IPs. Moreover, the aim of the present study is not assessing

policy outcomes, but rather analysing, through the lenses of the political economy, how the policy process has been deployed and the respective influence of policy stakeholders' ideas and interests on policy *stasis* and change.

6. EMPIRICAL ANALYSIS AND DISCUSSION

6.1 Empirical analysis

The design phase (2009-2016): the Ethiopian developmental state at work

The Ethiopian Agro-Industry Strategy (FDRE, November 2009), jointly elaborated by the Ministries of Industry and Agriculture, with support from UNIDO, FAO and UNDP, indicates a road map for the integration of smallholder agriculture and agro-industry and identifies the Integrated Agro-Industrial Parks as the main tool to achieve agricultural modernisation and rural industrialisation. This is in line with Farole (2011a) recommendation for Sub-Saharan African countries to depart from the traditional export processing zones, based on processing or assembly of imported products, and test instead industrial zones models integrated with natural-resource-based sectors and with the local industry.

The IAIPs are meant to attract domestic (including private and farmers' cooperatives) and foreign investors and generate jobs in agro-industry, while at the same time exerting a pull factor on the agricultural system, which would eventually lead to higher productivity, quality and higher farmers' revenues. At a macro-level, IAIPs contribute as well to increase exports and substitute imports of agro-industrial products.

Investors in the parks benefit from financial incentives ⁽¹¹³⁾, access to state-of-the-art infrastructure (roads, power, water, warehouses, cold storage facilities, training centres, laboratories...) and streamlined administrative services (customs, visa processing, tax administration) through one stop shops ⁽¹¹⁴⁾. They benefit as well from opportunities for joint training, extension services and other synergies which can arise from shared efforts. Furthermore, the agglomeration of FDIs and domestic firms generates a conducive environment for technology transfer and the upgrading of domestic production capacities. Finally, the clustering of firms provides the critical mass needed to make possible services such as efficient, eco-friendly waste recycling and disposal, which could not be provided effectively to widely dispersed firms.

⁽¹¹³⁾ Currently, the package of financial incentives available to investors in traditional IPs in the textile and garment sector (described above) is applicable as well to the IAIPs. However, the EIC with technical support from UNIDO is working to fine-tune the incentive package to the reality of agro-processing and agriculture.

⁽¹¹⁴⁾ Some social infrastructure, such as kindergartens, primary schools, health centres, kitchens... is also available inside the parks.

The IAIPs system provide farmers access to goods (seeds, fertilisers, equipment) and services (grading, storage, market information, credit, extension) through several Rural Transformation Centres (RTCs), located in the main commercial towns around the parks. Private investors and farmers cooperatives are expected to invest in the RTCs, along with providers of agricultural inputs, machinery, financial services, certification of quality for agricultural products. The public sector is expected to play a significant role in the provision of training, market information and quality certification.

Again, in line with Farole (2017) recommendation to consider SEZs as just one instrument of a wider set of comprehensive interventions, the Ethiopian Agro-Industry Strategy highlights the need to strengthen the capacities of public institutions dealing with FDIs, reform the public extension system and implement contract farming agreements (which embed private extension services, credit provision and input supply to farmers), reform the technical and vocational training and universities curricula to match the labour demand of the industries, set up a decentralised food safety system to ensure quality and traceability of agricultural and agro-industrial products. According to the strategy, the private sector should be involved as a crucial partner along the whole policy process. Business involvement in terms of investor and manager of the IAIPs/RTCs is indeed deemed to be pivotal for the eventual success of the parks. This reflects as well a general consensus in the literature on SEZs and IPs (Farole, 2011b, Farole and Akinci, 2011, Moberg, 2017).

Several development partners and aid donors have been actively involved in the initiative since its inception, offering generous funding and technical advice in order to maximise the economic benefits from the investment and support the country industrialisation process towards the growth of adding-value activities. The Italian Development Cooperation (IDC), UNIDO, FAO and UNDP have been the main development partners taking part into the policy process since its early stage. IDC supported the design process with a grant of 350.000 Euro for the realisation of the feasibility study and business plan of 1 pilot park. This initial grant was complemented by a second grant of 1.450.000 Euro for funding the necessary detailed studies for the development of the park (engineering design, environmental and social impact assessment, value chain studies...) and technical assistance provided by UNIDO and FAO ⁽¹¹⁵⁾. According to our interviews, the intention of IDC was to test a new partnership model involving two Ministries (Industry and Agriculture), two UN organisations (UNIDO and FAO), farmers cooperatives and private investors. According to the then Senior Economist of IDC, the government made clear that it would play a key role in driving the process,

⁽¹¹⁵⁾ The project funded with this last grant has been closed in December 2019. As we will see, two new Italian funded projects started implementation in December 2019 and a third one is to start in the first semester of 2021.

but acknowledged, at least in principle, the need to involve the private sector in the key decisions.

In a later stage, the Emilia-Romagna Region and the University of Ferrara have been actively involved in the design phase of the programme and shared their expertise on agro-business development with the Ethiopian policymakers.

Since 2016, the Italian Agency for Development Cooperation (AICS) was involved as well in the EU-led process towards the definition of a “Job Compact”, which aimed at creating 100.000 jobs (of which 30.000 for refugees), mainly for young women in the textile, garment and apparel sector, through the construction of 3 new industrial parks in the country (on the initiative see also Foreign Policy, 2019b). AICS decided however to prioritise the IAIP process, because of the higher expected impact on poverty reduction through linkages effects with agriculture. AICS saw another advantage of IAIPs over traditional IPs in the textile, garment and apparel sector, in the fact that the formers were to be constructed in rural areas, thus contributing to rural development, while the traditional IPs are usually concentrated around urban areas, thus contributing to migration flows from rural areas to underserved peripheries around the main towns of the country (see on this: The Guardian, 2017; UNIDO, 2018; Barrett and Baumann-Pauly, 2019). Table 3 here below schematically summarises the main differences between the IAIPs and the traditional IPs models.

Table 3: Comparison between IAIPs and IPs models

IAIPs	IPs
<u>Local ownership</u> : since 2016 IAIPs are managed by regional public corporations under the supervision of the Ministry of Industry. This is likely to have a positive impact on their sustainability (re: site identification, better coordination with agencies responsible for monitoring of environmental issues and with agencies responsible for local planning of housing, transportation and utilities for workers).	<u>Federal ownership</u> : IPs are managed by a Federal Agency, the Federal Industrial Park Development Corporation.
<u>Adaptation to local reality and more flexibility</u> : plans are adapted by the regional public corporations to local needs and characteristics (also contribute to sustainability)	<u>More top-down approach</u> .
<u>Linkage agriculture – industry</u> : IAIPs are situated in rural areas, source their raw material locally and have positive spillover effects on the development of	The IPs are situated in the <u>peri-urban areas</u> of the main Ethiopian towns (Addis Ababa, Awassa, Mekelle...) and have <u>lower linkages with the</u>

agriculture and the rural economy (higher agricultural yields, better quality of products, better prices at farm gate, more jobs in agriculture). This is also a guarantee of sustainability in the long run.	<u>local economy</u> , since, on the basis of the existing experience, most of the raw material is sourced abroad and most of the finished goods are exported.
Investments in the value chains are needed: in order to properly function, the agricultural value chains in the procurement zones of the parks have to be strengthened. This is likely to <u>improve the livelihood of local farmers' communities</u> .	Investments in cotton production are needed, however their welfare impact is debated (re: negative environmental impact, encroachment of pastoralist areas).
Most of the labour is generated outside the parks (in agriculture: for land preparation, weeding, tillage, the demand of which increase with increasing yields; labour in the service sector is also likely to increase: for transportation of raw materials, storage, marketing). Labour in the park can be more easily sourced in the local areas.	Most of the labor demand is generated in the park and is likely to cause <u>massive migration flows from rural areas</u> .

Source: Author (Aide-memoire prepared for the Director General of the Italian Agency for Development Cooperation, Ms. Laura Frigenti, who participated to the I International Agro-Industry Investment Forum, held in Addis Ababa the 5 October 2016).

AICS pointed out as well two major risks involved in the development of IPs in the textile, garment and apparel sector and specifically targeting employment creation for refugees. The first was the dependence of the country on import for cotton and the concerns about the fact that the planned expansion of cotton production ⁽¹¹⁶⁾, namely along the Awash and Omo rivers might have negatively impacted the pastoral communities in Afar and SNNPR ⁽¹¹⁷⁾.

Moreover, targeting refugees in a situation of poor job conditions seemed to be a risky strategy. As mentioned above, the high turnover rate in the textile, garment and apparel industrial parks is a symptom of low wages and poor working conditions, prompting workers to leave their jobs and look for

⁽¹¹⁶⁾ According to the GTP II policy matrix (FDRE, August 2016, p.28) the production of cotton in the country should have passed from 0.16 to 1.37 million tons from 2014/5 to 2019/20).

⁽¹¹⁷⁾ See for instance, Mousseau and Martin-Prével, 2016, on the impact of sugar plants and related irrigation projects on the local communities around the river valleys of Awash and Omo. Benedikt Kamsky, similarly to Fantini et al. (2017) for the Tana Beles project, highlights also the numerous difficulties faced by the Omo-Kuraz 1.2 billion USD sugar plantation and refineries project, which are mainly related to the top-down approach to project design and the lack of involvement of negatively affected local communities (Ethiopia Insight, 2019d).

alternative opportunities. However, since the refugees in the country need a special permit to work and since the permit can be withdrawn by the Ethiopian authorities if the employee quit her job or is otherwise dismissed, AICS was worried about the fact that enterprises in the parks could have exploited refugee workers, which, in contrast to Ethiopian workers, faced the alternatives of working in the parks *or returning in a refugee camp*.

Government's commitment to the development of IAIPs across the country began in the conventional top down and non-inclusive fashion that had characterised public interventions over the previous 3 decades.

According to our interviews, the blueprint of the IAIPs envisioned by the Ministry of Industry drew inspiration from the experience of the agro-industrial parks in India (Rao, 2006). The decision of the Ethiopian policymakers to emulate the Indian experience was taken after a study visit to India, organised by UNIDO in 2012. During this visit, high-level government officials appreciated the way in which the concept of agro-industrial parks had been implemented, particularly their purpose of helping smallholder Indian farmers to integrate into local supply chains with food processors. Once the decision had been made by the Ethiopian government, UNIDO started working closely with the Ministry of Industry, the Ministry of Agriculture and FAO to produce a project document envisioning the piloting of one IAIP in the country. As mentioned above, this project received funding from IDC and started implementation in early 2014.

The first step has been the establishment of a Steering Committee tasked with directing the whole policy process. Specifically, the Committee appointed by the government had the role of monitoring the design phase, approving the feasibility study and managing the implementation of the pilot IAIP once the design phase had been completed. The Committee was composed by representatives of the Ministry of Industry (MoI) and its specialised institutes (Food, Beverage and Pharmaceutical Development Institute, Meat and Dairy Development Institute), the Ministry of Agriculture (MoA), the public Agricultural Transformation Agency (ATA), FAO, UNIDO, UNDP and IDC and was chaired by the State Minister of Industry, Dr. Mebrahtu Meles.

Between the publication of the 2009 Ethiopian Agro-Industry Strategy and the establishment of the Steering Committee, two major institutional developments occurred in the field of SEZs and IPs in the country. These were the creation of the Federal Industrial Parks Development Corporation - FIPDC (Regulation n. 326/2014) and the Ethiopian Investment Commission - EIC (Regulation n. 313/2014), both *previously specialised agencies under the Ministry of Industry*, as *new autonomous bodies* responsible respectively

for the development of IPs and the attraction of FDIs, and *directly accountable to the Prime Minister Office*.

According to our interviews, this institutional development created frustration within the Ministry of Industry, because it resulted in a reduction of its mandate with respect to the development of IPs in the country. Nevertheless, the Ministry of Industry decided to continue the development of IAIPs on the ground that it would contribute to the development of agro-processing, which was still under its mandate. However, the two processes, respectively IPs and IAIPs development, proceeded without mutual exchange: the FIPDC and the EIC focused on the development of IPs in the textile, garment and apparel sector; while the Ministry of Industry decided not to include them as members of the IAIPs Steering Committee. This actually deprived the IAIPs policy process of the expertise and valuable contribution of two highly specialised agencies (EIC and Federal IPDC), which, under the guidance of the Special Advisor to the Prime Minister, Dr. Arkebe Oqubay completed the Awassa Industrial Park in the record time of 9 months.

Moreover, the Regions didn't participate in the Steering Committee ⁽¹¹⁸⁾ and the participation of the Ministry of Agriculture never was at the high level expected ⁽¹¹⁹⁾. ATA withdrew from the process in December 2014, according to our interviews because of conflicting views about the role and governance of the Rural Transformation Centres ⁽¹²⁰⁾. Finally, the private sector and the cooperative movements were not represented, notwithstanding development partners considered their involvement essential to achieve policy goals. According to our interviews, the argument in favour of their involvement originated by the international, extensive experience of development partners in implementing industrial policy across several countries and it was corroborated by the extant literature on industrial parks and development. The government acknowledged the importance of the point raised by the partners, but *de facto*, officials did not take the necessary steps in the direction suggested.

The first matter at hand was the choice of the location of the IAIP, which followed several steps.

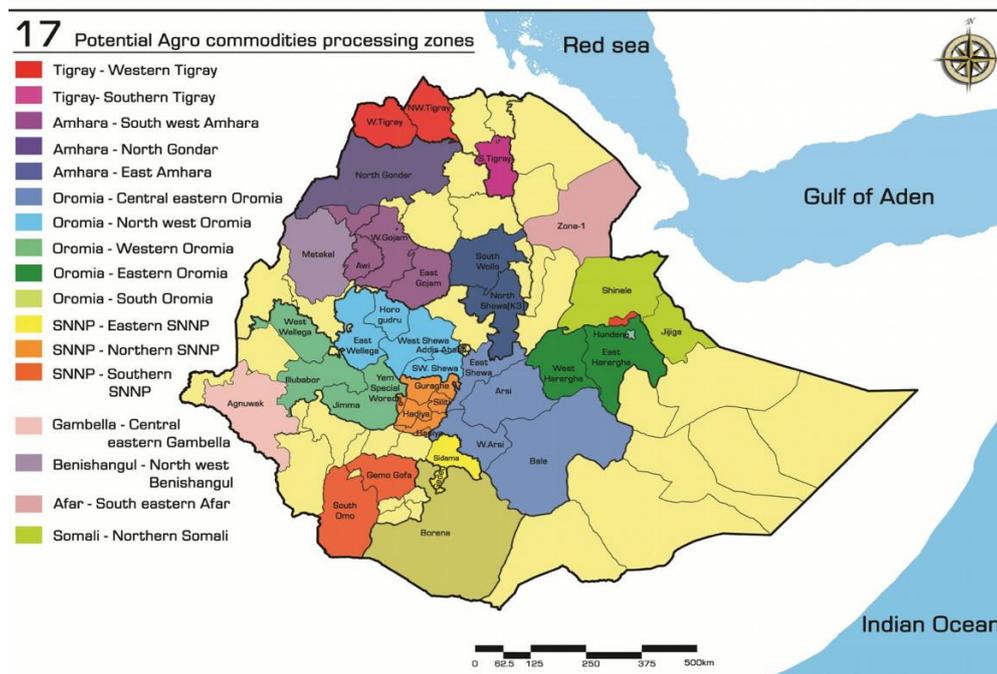
⁽¹¹⁸⁾ Regional representatives were invited during the site selection process at the 6th and 7th Steering Committees. The Regions eventually became full members of the Steering Committee during the implementation phase.

⁽¹¹⁹⁾ Between 2014 and 2016, which correspond to the design phase, the State Minister of Agriculture never participated and the Ministry was represented only three times at Director level.

⁽¹²⁰⁾ As we will see later, ATA eventually rejoined the process during the implementation phase.

The first was the identification of Agro-Industry Growth Corridors (AIGCs) in the country, by a team of experts from ATA, FAO, UNIDO and the Ministry of Industry. In line with previous studies realised by ATA (Agricultural Transformation Agency, 2014) and by regional authorities, 17 corridors were identified in the country (Ministry of Industry, 2014). Their identification (see Figure 3) has been done following technical criteria, such as the presence of strategic agricultural commodities for industrial processing, the existence of infrastructure to support their development and the actual and potential private sector investments.

Figure 3: Agro Industry Growth Corridors



Source: UNIDO

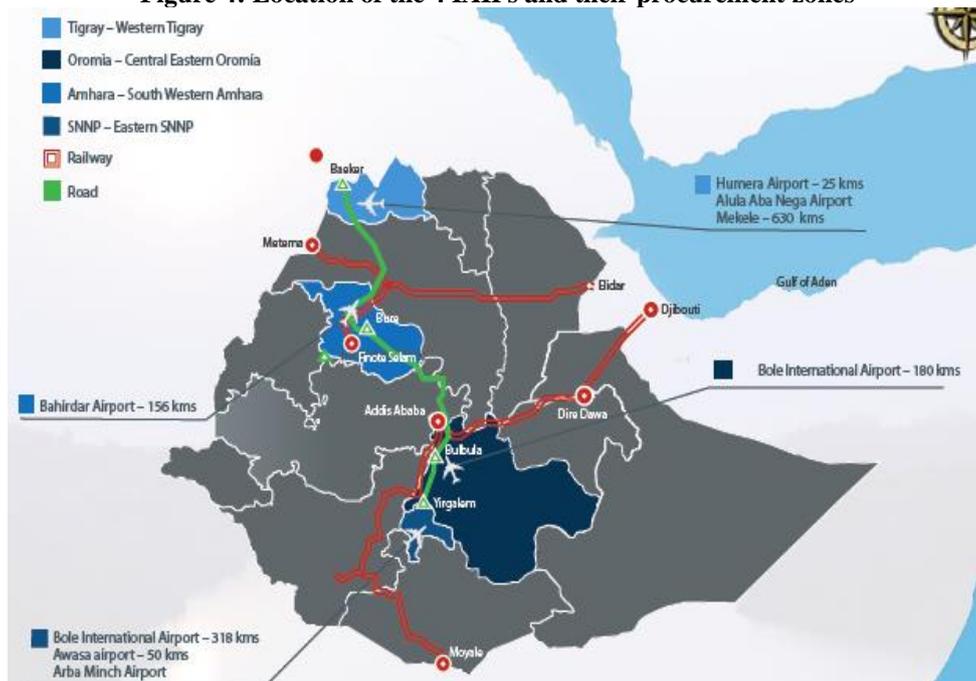
The second step was the selection of the Agro-Industry Growth Corridor where the park would be piloted. Again, the team of experts provided its recommendations on the basis of technical criteria (agricultural production potential; inter-industry linkages & triggering effect; infrastructure facilities; market potential; access to commercial & support services; and concentration of enterprises and attractiveness for investors) previously endorsed by the Steering Committee.

The fourth Steering Committee, held on July 7th 2014, approved the proposed ranking of AIGCs and the choice of Central Eastern Oromia (comprising the administrative zones of East Shewa, Arsi, West Arsi and Bale), as the area where the park would be built. *However regional authorities were not involved in the selection process.*

At the fifth Steering Committee meeting, held the 8 September 2014, the chairman reported that the Government had decided to extend the scope of the programme to 3 more IAIPs, which were to be located in South West Amhara, Eastern SNNPR and Western Tigray.

The Government motivated its decision by the high agro-ecological diversity of the country and the need to improve the chances of success of the piloting exercise. This is seemingly convincing, but we also notice that the proposed areas scored 2th, 7th and 10th in the formal ranking, but were all the first classified of their respective region (Amhara, SNNPR and Tigray). What's more, Amhara, SNNPR and Tigray, together with Oromia were the regions where the parties forming the EPRDF coalition came from. We can therefore suppose that equity considerations among the most powerful regions of the country weighed in that decision. Still, the Steering Committee agreed on the proposal and FAO and UNDP made available additional funding of respectively 175.000 USD and 100.000 USD for the realisation of the feasibility studies and business plans for the three additional parks (see Figure 4 for their selected location).

Figure 4: Location of the 4 IAIPs and their procurement zones



Source: UNIDO

The third step, the selection of the sites where the parks would actually be built, involved for the first time the regional authorities in the decision-making process (they had so far only been informed). Indeed, they were asked to propose a list of possible locations, to be analysed according to technical criteria, and then to validate the final choice.

However, the selection process didn't go as smooth as planned. For instance, in Oromia, land expropriation was a sensitive topic triggering frequent political and social turmoil. Indeed, as mentioned above the youths' riots that erupted in Oromia in November 2015 and eventually led to the change in government in April 2018, were sparked by the envisioned expropriation of Oromia land by the new Addis Ababa masterplan for the expansion of the capital which is an enclave inside Oromia (The New York Times, 2016).

Moreover, the Regional government was required to identify a site for a project managed by the Federal Ministry of Industry, in an area that they wouldn't have chosen in the first place (according to our interviews, the preference of the local authorities would have been for Western Oromia, around the city of Jimma). They considered Central Eastern Oromia to be already well developed, but fragile from an ecological point of view. Horticulture and floriculture are indeed well developed in the zone, but the environmental footprint of irrigation in the Rift Valley was already considered a problem.

The site selection in Oromia was realised between the end of 2014 and the beginning of 2015 and involved preliminary consultations with local authorities and the creation of a mixed team of experts (from UNIDO, FAO and regional authorities) that visited the sites indicated by the local government. The main criteria for the site selection were availability of land, connectivity, physical features, availability of infrastructure, environmental and social considerations and business considerations.

However, according to our interviews the political and social cost of expropriating land ⁽¹²¹⁾, instead of the maximum expected return from the investment turned out to be the key criteria for regional authorities concerning the location of the park. Eventually, the lack of active involvement of the regional authorities in the policy process generated a sub-optimal decision to locate the park in the water stressed zone of Bulbula ⁽¹²²⁾.

The feasibility studies and business plans of the four IAIPs and related RTCs were undertaken between the end of 2014 and mid 2015, by Mahindra Consulting Engineering, an Indian company contracted by the Ministry of Industry. The feasibility studies identified the main agricultural supply chains in each agro-commodity procurement zone (ACPZ) around the parks ⁽¹²³⁾ and provided the blueprints for the parks and the rural transformation centres (see Table 4, which shows the main agricultural supply chains identified by the

⁽¹²¹⁾ The land to be expropriated was evaluated at 250 ha for the park and 10 ha for each of the 8 planned Rural Transformation Centres.

⁽¹²²⁾ Indeed, three years later the Federal government would have to allocate funds to the Region for the construction of a 60 km pipeline to bring water to the IAIP of Bulbula.

⁽¹²³⁾ The ACPZs correspond ideally to the area around the park defined by a radius of 100 km. In reality, they almost coincide with the AIGCs.

studies; and Figures 5 and 6 which show the blueprint for the park and the RTCs in Central Eastern Oromia).

Table 4: List of main commodities for each agro-commodity procurement zone

ACPZ	Commodities
South West Amhara (Bure ACPZ)	Maize, sorghum, barley, fava beans, chickpeas, haricot beans, sesame, red pepper, potatoes, cattle, sheep, goat, dairy, meat, poultry and honey
Central Eastern Oromia (Bulbula ACPZ)	Cattle, sheep, goat, poultry, dairy, meat, honey, wheat, barley, fava beans, haricot beans, potatoes and tomatoes
Western Tigray (Baeker ACPZ)	Cattle, sheep, goat, dairy, meat, poultry, honey, sorghum, maize and sesame
Eastern SNNP (Yirgalem ACPZ)	Cattle, sheep, goat, dairy, meat, poultry, honey, maize, barley, haricot beans, potatoes, bananas, pineapples, Ethiopian cabbage and coffee

Source: Mahindra 2008

Figure 5: The IAIP model in Central Eastern Oromia



Source: Mahindra (2018)

Figure 6: The RTCs model in Central Eastern Oromia



Source: Mahindra (2018)

At the 7th Steering Committee, held in June 2015, Mahindra Consulting Engineering presented the first draft of the feasibility studies.

At this meeting some developmental partners raised concerns, revolving around two major issues.

Firstly, the Italian Development Cooperation and FAO pointed out the fact that the feasibility studies had not involved the potential tenants: the domestic as well as international investors and the farmers' cooperatives active in the area. The studies were based on a technocratic analysis of the agricultural potential of the zones around the parks without enough consideration for the real actors in the field and their capacities and needs.

In this regard, IDC highlighted that Central Eastern Oromia, where Italy had been investing for rural development during the previous 20 years, is characterised by the presence of strong cooperatives, representing hundreds of thousands of farmers, working on the same value chains identified by the study (horticulture in Arsi and West Shewa, wheat and beans in Bale) and several domestic agro-processors (producing pasta, biscuits and canned vegetables) working in the main cities (Adama, Bishoftu, Asella, Robe, Ziway, Meky) of the zone (for a review of the Italian funded interventions in the durum wheat and pasta value chain in Oromia, see Biggeri et al., 2018; for a general review of the horticultural and wheat value chains around the park in Oromia, see Brasesco et al, 2019a, b, e). According to IDC and FAO the development of the IAIP and RTCs should have capitalised on this economic reality, also for increasing the likelihood of its success.

On a similar vein, IDC highlighted that, despite the fact the feasibility study identified livestock and livestock products as strategic supply chains in Central Eastern Oromia, it included no policy measures intended to strengthen the linkage between the local livestock markets (such as Metehara in East Shewa) with the predominant pastoralist system of production in the areas surrounding the ACPZ (e.g., to the north the Afar Region, to the south the Borana Zone in Oromia). Indeed, as mentioned above, most of the livestock traded in the country come from lowland pastoralist areas and therefore strengthening the linkages with those areas, for instance through institutional support and provision of access to trade finance for pastoralist cooperatives supplying livestock to local markets, would have benefitted the IAIP (for a review of the live animals, read meat, milk and dairy value chains around the park in Oromia, see Brasesco et al, 2019c and d).

Therefore, IDC and FAO, asked for an institutional analysis of “who does what” and “where the capacities need to be strengthened”.

The second issue, related to the first, was the design, ownership and management of the RTCs. According to the feasibility studies, 7-8 RTCs located in the main rural towns of the Agro-commodity procurement zones around the IAIPs, would link farmers to the industries in the park. However, the relation between farmers’ cooperatives, local agro-processors and RTCs was not developed, the ownership and governance of the RTCs was unclear and there was no provision to involve local actors in their design. IDC and FAO strongly advocated for the involvement of cooperatives and agro-processors in the design, ownership and management of RTCs.

According to our interviews, the lack of involvement of the Ministry of Agriculture (and its key Federal Cooperative Agency), and of the Ethiopian Investment Commission, the withdrawal of ATA from the process and the political pressure on the Ministry of Industry to quickly complete the design and start the construction of the parks, due to the mounting discontent in the country, explained many of the inaccuracies of the feasibility studies ⁽¹²⁴⁾.

The final draft of the studies, presented at the 8th Steering Committee held in March 2016, did not provide clear answers to the previous concerns, except for the recognition of the possibility to involve cooperatives and private investors in the ownership and management of the parks and RTCs through Public Private Partnership arrangements. Unfortunately, as the State Minister of Industry made clear, there was no time for further consultations, youths were protesting, especially in Oromia and Amhara and the government needed to provide quick answers and jobs. Indeed, youths’ protests were

⁽¹²⁴⁾ For an overview of the Central Eastern Oromia IAIP feasibility study, see: Mahindra Consulting Engineers (March 2018). While this is an updated version of the previous 2015 and 2016 drafts, most of the weaknesses we have highlighted are still present.

fuelled by rising unemployment, as unveiled the interviews conducted to the development partners:

“every year, almost 2 million young people entered the labour market, but the focus of the developmental state on the construction of public infrastructures, coupled with the little support provided to the private sector, hindered the creation of new and decent jobs”.

Finally, the increasingly assertive stance of some Regions (Oromia, Amhara and part of SNNP, i.e., the Sidama Zone) led to an unexpected twist of plans. Indeed, contrary to the views prevalent at that time within the Ministry of Industry, which saw the parks as public enterprises supervised by the Federal Ministry itself, the PM Hailemariam Desalegn, under request of the Minister of Industry, Ahmed Abtaw, opted for the regionalisation of the ownership and management of the IAIPs. The Proclamation n. 886/2015 created new regional bodies, the Regional Industrial Parks Development Corporations (RIPDCs), tasked with taking the lead of the construction and management of the parks, and directly accountable to regional boards. Officially, the decision was motivated by the fact that the agro-processing industry is strictly tied with the agricultural sector, whose production is location specific and therefore would be better managed by regional authorities. The Proclamation put the governments of the Regional states and the newly created RIPDCs in a key position of the ongoing policy initiative, whose governance went partly under their jurisdiction. At the same time the Regional governments and the newly constituted RIPDCs did not have the necessary experience to manage a task of that magnitude. However, as we will see, this institutional development contributed to the emergence of a novel, unprecedented, bottom-up approach towards policy interventions related to the development agenda.

The implementation phase (2017-2020): unprecedented departure from the conventional, dirigiste approach informing policy interventions related to the developmental agenda

The social turmoil that almost paralysed the country during 2016 and 2017 ended up with the resignation of the PM Hailemariam Desalegn, and the ensuing nomination of Dr. Abiy Ahmed. As already mentioned, the new PM started the implementation of a broad economic reform agenda, pursued peace abroad and justice at home. This new political course opened up a new era of hope for the development of the country. It also opened a policy or “strategy” space (Rodrik, 2014) where donors and government officials alike could test different approaches and reconsider policy choices.

Indeed, this period marked the beginning of an unprecedented attitude of government officials involved in the IAIP policy process, distinguished by their availability and high propensity to listen, discuss and take into

consideration different policy options proposed by both regional authorities and development partners ⁽¹²⁵⁾. In fact, there were some remarkable changes in the administration ⁽¹²⁶⁾, but most of the key public officials retained their position. This notwithstanding, developmental partners took advantage of the window of opportunity for speaking out their concerns over the parks with renewed strength and spirit. In particular, the Italian Agency for Development Cooperation, which until then had provided the higher share of donor funding, started an intense dialogue with the Federal and Regional governments emphasising the importance to consider the point of view of local investors and cooperatives in the design and implementation of the parks and RTCs. Moreover, in this complex context AICS swiftly undertook three major initiatives aimed at:

1. Supporting with new soft loans, grants and technical assistance the development of the 4 IAIPs in the country;
2. Promoting the IAIPs among the donors' community;
3. Supporting federal and local authorities to anchor external knowledge and expertise on bottom-up approaches to agro-industrial growth.

The first initiative materialised in the joint formulation with federal and regional authorities of three different projects supporting from several perspectives the development of the IAIPs and RTCs.

The first project aimed at developing strategic agricultural value chains (wheat in the Bale plateau and tomato in the Rift valley of Oromia; avocado and pineapple in SNNPR) in the ACPZs around the parks of Oromia and Southern Nations with a strong emphasis on business models that link agricultural cooperatives to agro-industries and financial institutions ⁽¹²⁷⁾.

The second project aims at strengthening the coordination between the education system and the private sector and building the capacities of TVET- Technical and Vocational Education and Training- centres, through activities such as the reform of curricula and the establishment of internships in

⁽¹²⁵⁾ This is in sharp contrast with the generally limited propensity of Ethiopian authorities to engage in policy dialogue (as pointed out by Borchgrevink, 2008, and Brown and Fisher, 2020) and more specifically with the previous experience in the IAIP policy process.

⁽¹²⁶⁾ Among the most relevant changes, the State Minister of Industry, Dr. Mebrahtu Meles was replaced in May 2018, by Mr. Bogale Felleke; the Vice CEO of the Oromia IPDC, Ms. Lelise Neme, became the CEO of the Federal IPDC; the CEO of the Federal IPDC, Mr. Sisay Gemechew, became the Vice Head of the Oromia Bureau of Industry. The latter has been recently appointed as CEO of the Oromia RIPDC. During 2019 and 2020, the former State Minister of Industry, Dr. Mebrahtu Meles has been supervising the implementation of the IAIP in Tigray as a high-level official of the regional Bureau of Industry. Since mid 2020, Ms. Lelise Neme has become the CEO of the EIC.

⁽¹²⁷⁾ The project is implemented by the Ministry of Agriculture, ATA and the regional authorities with technical assistance from FAO. It is funded by a soft loan of 30 million Euro and a grant for technical assistance of 4 million Euro. It started in December 2019 for a duration of 3 years.

manufacturing industries active in the parks (¹²⁸).

The third project aims at strengthening the capacities of the newly created RIPDCs, promoting private domestic and foreign investments and technological transfer, setting up a food safety and quality system at regional and local levels and facilitating a favourable working environment, especially for women, and decent job conditions (¹²⁹).

The drafting of these initiatives in collaboration with Ethiopian authorities has been critical for showing the Italian commitment, despite the previous critiques, in a time of social turmoil and political uncertainty.

As for the second initiative, AICS, the Italian Embassy, the Italian Trade Institute and UNIDO, started promoting the concept of IAIPs among other development partners, thereby building an international actor-network (Keeley and Scoones, 1999) of like-minded donors. This endeavour targeted mainly the European Union, the African Development Bank and the European Investment Bank. In the meetings with these donors, the original idea of IAIPs as instruments of integration between agriculture and industry and the role of cooperatives and private investors were a central part of the narrative. AICS facilitated as well meetings with the Regional government of Oromia (¹³⁰). A consensus around the adoption of a more flexible model of agro-parks, departing from early top-down approach, was thus emerging

(¹²⁸) The project is funded by a soft loan of 8 million Euro and a grant of 2.5 million Euro and is implemented by the Federal TVET Agency (responsible for technical and vocational education and training in the country) for a period of three years, starting in December 2019.

(¹²⁹) The project is funded by a soft loan of 22 million Euro and a grant of 2 million Euro for technical assistance. It will be implemented by the Ministry of Trade and Industry, the Ethiopian Investment Commission and the 4 RIPDCs, with UNIDO technical assistance for a period of three years, starting in the first semester of 2021. The Emilia Romagna development agency, ARTER, will contribute in setting-up the food safety system and strengthening the capacities of the RIPDCs. UNODC will contribute to gender mainstreaming and to build systems for the prevention of gender-based violence in and around the parks.

(¹³⁰) Two high level meetings kick-started this process. In a preliminary meeting held in January 2017, with the President of Oromia, Dr. Lemma Megersa, the Italian Ambassador presented the Italian strategy for the development of the IAIP in the region. The regional President agreed with us that the newly founded Oromia RIPDC would work with AICS and other development partners to draft the three initiatives mentioned above. He also remarked that the development of the IAIP was seen as a priority by his government, in light of the political instability and the need to create jobs and economic opportunities for the youths.

In a subsequent meeting, held in February 2017, the at the time Head of the Oromia Industry Bureau and current Prime Minister Dr. Abiy Ahmed advised us (AICS, EU and EIB) to focus our support at first on one IAIP (not necessarily the one in Oromia), since the country did not have experience of agro-parks until then, and later extend it to other parks. He also stressed the need to recognize the role of the regions in the process and to build the capacities of the newly created RIPDCs.

among key donors. In 2020, donors funding ⁽¹³¹⁾ has reached an amount of around 563 million USD in soft loans and grants, while the Ethiopian government has so far invested an additional 540 million USD in block grants transferred to the four Regional governments. While government funding is primarily dedicated to the construction of IAIPs and RTCs infrastructure, donors funding is targeted to the construction of waste management infrastructure, capacity building of Ethiopian authorities, setting up of a decentralised food safety and quality system, improvement of access to finance for investors and smallholder farmers, improvement of agricultural productivity and strengthening of agro-industrial value chains, strengthening TVET and Universities, attraction of FDIs, gender mainstreaming and promotion of the decent job agenda.

As for the third initiative, a strategic alliance between the Ethiopian Government and the Emilia Romagna Region had been promoted by AICS, the Italian Embassy, the Italian Trade Institute and the University of Ferrara (which was already implementing an Italian funded joint university project with the Business College of Addis Ababa). This move was motivated by the desire to mobilise an epistemic community (Keeley and Scoones, 1999; Stone, 2008) with strong expertise on agro-industrial development that could provide evidence-based knowledge and promote more flexible models.

Within this framework, study visits started in March 2018 with an explorative mission that brought Emilia-Romagna Region officials from the regional development agencies ERVET (Emilia Romagna Valorizzazione Economica del Territorio) and ASTER ⁽¹³²⁾ and professors of the University of Ferrara, as well as members of the Agro-food ClustER (an institutional network that gathers all the private and public regional stakeholders in the field of agrifood) to the II International Agro food Forum held in Addis Ababa. There, the Emilia Romagna model of agri-business industry had been introduced in presence of Ethiopian federal and regional authorities and development partners. Three more study visits followed: one visit of the aforementioned representatives from Emilia Romagna at the Business College of Addis Ababa in December 2018, and two more study visits (in October 2018 and May 2019) of Ethiopian senior officials (the State Ministers of Finance, Industry and Agriculture, the four CEOs of the RIPDCs, representatives from the Regional Bureaus of Industry and Agriculture of the four Regions). In particular, the study visits in Emilia Romagna allowed the Ethiopians officials to get familiar with the agro-industrial model of the region, based on the concept of agrobusiness clusters (networks between farmers cooperatives, agro-industries, research centres, universities and public development authorities), rather than on agro-park infrastructures. The Ethiopian

⁽¹³¹⁾ The main donors are EU, EIB, IFAD, AfDB, Italy, The Korean EXIM Bank, The Netherlands, Denmark, Germany and South Korea.

⁽¹³²⁾ The consortium for innovation and technology transfer in Emilia-Romagna.

authorities drew important lessons on the role played by networks involving local actors to effectively drive agro-industrial development, on the importance of having a well-trained class of public managers as well as on the role of public agencies to ease the mobilisation of private investments and channel them towards the growth of the local industry.

Put in the words of one of the ARTER officials:

“We have tried to raise their awareness about the fact that building just infrastructures, such as agro-industrial parks, using a top-down approach falls short from the expected aim of fully developing a given sector and creating value-adding activities. This aim requires the deployment of a set of integrated policy initiatives within the framework of multi-level, participatory policy making and governance. The Emilia-Romagna Region has long used this approach to develop most of its prosperous regional industries and we have attempted to pass this concept and the principles distinguishing our modus operandi to the Ethiopian officials”.

During the second visit in Italy, Ethiopian and Emilia Romagna authorities agreed to cooperate for the development of IAIPs in Ethiopia through the capacity building of public managers (to be realised by a newly created School of Policy), the setting up a decentralised food safety and quality system and the organisation of trade missions.

These steps taken by Italy prepared the field for further development of initiatives supporting the IAIPs.

The EU initiated programme, Promotion of Sustainable Ethiopian Agro-Industrial Development (PROSEAD) is the result of a joint effort of the Government of Ethiopia, EU, AfDB, IFAD, EIB, GiZ - Deutsche Gesellschaft für Internationale Zusammenarbeit, the German Agency for Development Cooperation - and UNIDO.

PROSEAD provides a substantial contribution to IAIPs development in areas like park-related infrastructure and capacity building of public institutions at federal and regional levels (this component is co-funded by EU, AfDB and the Korean EXIM Bank and is implemented by the Ministry of Trade and Industry and the 4 RIPDCs with UNIDO technical assistance), access to finance (this component is co-funded by EU, EIB and IFAD and implemented by the Development Bank of Ethiopia and several other banks and microfinance institutions), value chain development (this component is co-funded by EU, The Netherlands and Denmark and implemented by the Agricultural Transformation Agency), skill development (this component is co-funded by EU and Germany and implemented by GiZ) and agroindustrial governance (this component is funded by EU and implemented by UNIDO).

PROSEAD started in June 2019 with a timeframe of 5 years and an overall budget of 405 MUS\$.

The Special Initiative (SI) for Job creation and Skill Development funded by the German Federal Ministry of Economic Cooperation and Development (BMZ) is contributing to IAIPs development through three projects, currently under implementation and led respectively by UNIDO, GiZ and ILO.

The UNIDO led project aims at creating jobs through the attraction of quality foreign investors, the promotion of technology transfer to domestic investors, the development of forward and backward linkages with local SMEs around the parks, the clustering of SMEs and the improvement of their access to finance. The GiZ led project aims at creating jobs through support to private sector investors in specific agro-industrial value chains, while the ILO led project aims at improving working conditions along strategic agro-industrial value chains in the IAIP catchment areas.

Meanwhile, the construction of the IAIPs and of six pilot RTC (3 in SNNP/Sidama, 1 in Oromia, 1 in Tigray and 1 in Amhara) started during 2017 and is at present estimated at 90%. Regrettably, the construction of the 4 parks and 6 pilot RTCs has been done with a one-size fits all and top-down approach following the blueprints provided in the Mahindra Consulting Engineers' feasibility studies (¹³³).

In the case of the parks, since potential investors were not consulted during the design phase, the RIPDCs took the decision to not construct shades, but only key common horizontal and vertical infrastructure. The shades will be built instead by the investors.

In the case of the pilot RTCs, since private investors, cooperatives and communities at large had not been consulted, duplications with aggregation and marketing activities already undertaken by local cooperatives have arisen. Indeed, the RTCs are very complex institutions, where multiple services (storage, grading, quality analysis, supply of inputs, finance, market information) are provided in the same place. While the rationale is clear (Ethiopia rural areas need infrastructure to develop their agricultural value chains), their design should involve local actors which are expected to invest in them.

(¹³³) The Central Eastern Oromia revised feasibility study (Mahindra Consulting Engineers, 2018) produced after the Environmental and Social Impact Assessments (ESIA), estimates the cost of the IAIP in Bulbula at 238.62 million USD, and the overall cost, including construction of RTCs, external connectivity and offsite infrastructure in Central Eastern Oromia at 372.72 million USD.

In light of the new models proposed by development partners, a consensus over a more inclusive approach to the design, ownership and management of the RTCs has materialised at the Steering Committee of the 8 July 2019. The next RTCs will be designed with the main economic actors operating in their areas, will be value chain specific and will target precise constraints (storage, cold chain issues, grading, pre-processing) for the development of selected value chains. Their ownership and management will be open to cooperatives and private investors, also in PPP with the RIPDCs.

This new approach is being implemented for the construction of 22 RTCs (which is estimated at present at 20%). For that purpose, the RIPDCs have organised RTC workshops (so far in Oromia: Shashamane, Meki, Robe; SNNP/Sidama: Dilla and Bensa Daye; Amhara: Motta) gathering local communities, representatives of farmers organisations and private investors, which can explore opportunities and provide inputs for the development of the infrastructure ⁽¹³⁴⁾.

As an example, following these workshops, the Oromia RIPDC started consultations with the Cooperatives Unions in Meki (in the Rift Valley) and in the Bale zone (in the wheat plateau) over the design, property and management of the RTCs located respectively in Meki and Robe (see Figure 7 on the localisation of the IAIP and RTCs in Central Eastern Oromia). Indeed, the Meki Batu Cooperative Union, which gathers the majority of agricultural smallholders in the area, will likely install an industrial processing plant for tomato in the RTC and work with a private investor in the park. Also, the cooperatives of the Bale plateau, which are already selling wheat to several pasta and biscuits factories, plan to invest in the RTC located in Robe, which would become an aggregation platform for storing their members' crops.

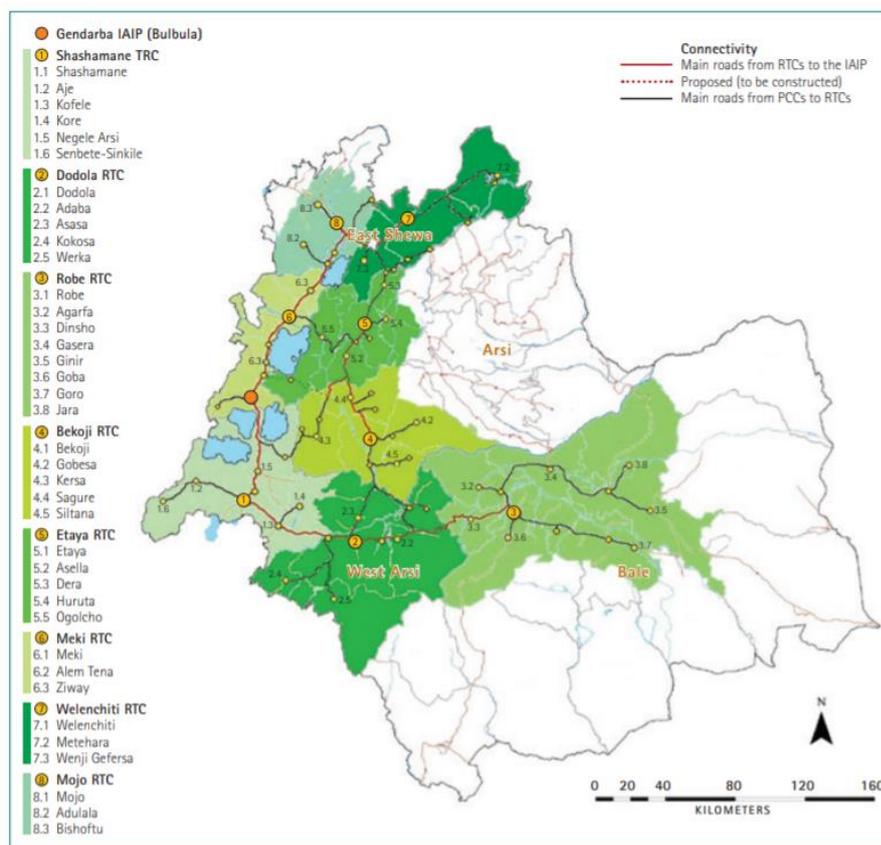
Furthermore, the Bale cooperatives envisage to use the Robe RTC warehouses as a springboard to get access to finance through commodity collateralised financing arrangements with financial institutions and collateral managers and with technical assistance from IFC and UNIDO. Commodity collateralised financing (CCF), which has been recently introduced in the country, would allow the wheat cooperatives to access credit, by collateralising their stocks of grains in the RTC's warehouses. The stock, which is supervised by a private collateral manager, can be sold some months

⁽¹³⁴⁾ The organisation of these workshops has been slowed down by the COVID-19 pandemic, ethnic unrest in Oromia and the conflict in Tigray. In this last region, the RTC workshop in Maikadra, planned for December 2020, has been postponed *sine die*. Maikadra has indeed been the theatre of one of the most atrocious massacres in the region (Amnesty International, 2020c). During the turmoil of June/July 2020, following the killing of the Oromo iconic singer Haacaaluu Hundeessa, the local population boldly protected the RTC in Shashamane arguing that the infrastructure had been constructed for the benefit of the community.

after harvest, when the prices are higher, in order to pay back the credit. The funds received from the bank would be used by the cooperatives to purchase the grains from their members in the first place. This kind of arrangement increases the capacity of the cooperatives to buy and sell their members products and improve their revenues (since the crops are marketed at higher prices and post-harvest losses are reduced). The arrangement contributes as well to the effectiveness of the wheat value chain, since the products sold by the cooperatives are tested for quality in the RTC (unlike those sold directly by the farmers to small traders). In the long term CCF contributes as well to the stabilisation of the price of grains during the year (since the reduction of the offer of grains at harvest increases their prices when they are at their lowest, but the increase in the offer some month later reduces them, when they are at their highest level) (Varangis and Saint-Geours, 2017).

These concrete examples show how the inclusion of local communities, the private sector and farmers organisations is contributing to the programme, departing from the previous dirigiste, top-down approach that had informed its whole design phase.

Figure 7: Location of the IAIP and related RTCs in Oromia



Source: FAO

At the same time, the RIPDCs and the Regional Investment Commissions are collecting and analysing demands from prospective investors. As shown in Table 5, so far 203 investors have been registered by the four RIPDCs, 52 of which are considered by them as potential investors (according to criteria such as capital availability and experience in the proposed business), and 12 have signed an agreement (8 domestic, 2 FDIs from China and Saudi Arabia, 2 joint ventures between Ethiopian and foreign firms coming respectively from China and The Netherland) to operate in the parks. Of these 12, four have built their sheds and are operational (see Table 5).

Table 5: Investors in the four IAIPs

Regions and IAIPs	Registered investors	Potential investors	Investors who signed contracts with RIPDCs	Major Investment sector
Amhara - Bure	13	13	3	Agro -Processing
SNNP - Yirgalem	9	2	5	Agro -Processing
Oromia - Bulbula	29	2	4	Agro -Processing
Tigray - Baeker	152	35	-	Agro -Processing
Total	203	52	12	

Source: UNIDO IAIPs' Investors Survey

The 12 investors who signed agreements are expected to invest a total amount of USD 106,807,388 and create 2,103 job opportunities. These investors will operate in the production of organic avocado, coffee products (roasted coffee, capsulated coffee), milk products (pasteurised milk, yoghurt and fresh milk), tomato products (juice, ketchup and paste), edible oils, packed juice and animal feed. While, they are all expected to source raw materials from local producers, they will target both export (East and West African markets, South Africa, USA, Austria and Germany) and domestic markets.

According to the information gathered, the investors are requesting several types of support: 10 seek capacity building for management, technical expertise and technology transfer, 9 request financial support in term of loans, leasing or investment capital, 6 support for certification of their products.

While the figures related to investors, investments and jobs are far from the aspirations of the Ethiopian authorities (the feasibility studies realised by Mahindra Consulting, estimated that the 4 IAIPs and related RTCs would attract 400 companies and create 400.000 direct jobs), we need to consider that the political instability of the last three years and the COVID-19 crisis of 2020 have negatively impacted both foreign and domestic investments in the

country. With regards to the global pandemic, according to the rapid assessment of the impact of COVID-19 on agro-processing SMEs in Africa (forthcoming), carried on by UNIDO, FAO and the African Union Development Agency (AUDA) in 6 Sub Saharan African countries, Ethiopian agro-processors faced on the one hand increased inputs prices and reduced supply of raw material, mainly due to government restrictions on the movements of goods within the country, on the other hand reduction of orders from the domestic and the international markets (¹³⁵).

From the beginning of the year 2019, following the previous recommendations to broaden the policy dialogue, the policy process has been involving new actors such as the Ministries of Finance and Agriculture, the Federal Cooperative Agency, the vice presidents of the 4 Regions and the CEOs of the four RIPDCs, the Agricultural Transformation Agency, the Ethiopian Investment Commission, the Federal TVET Agency and the Federal Chamber of Commerce. Moreover, the Federal Industrial Parks Development Corporation is now working closely with the RIPDCs in issues such as building public management capacities, environmental regulations and selection of private investors. The Steering Committee of the programme, which met twice in this last year 2020, include as well new donors, such as EU, AfDB, EIB, IFAD and Germany, and new development agencies, such as GiZ and ILO. In addition, regional Steering Committees, presided by the regional vice-presidents and gathering local line ministries, the RIPDCs, the regional cooperative agencies, the regional investment commissions, development partners and the regional chambers of commerce are the tasked with the provision of strategic direction and the supervision of all projects contributing to the development of IAIPs in their respective regions.

Finally, new topics are now emerging in the policy dialogue, mostly related to the social and environmental sustainability of the IAIPs.

Indeed, while the Environmental and Social Impact Assessment Studies (ESIA) commissioned by UNOPS in 2017 recommended several measures to mitigate the environmental and social impact of the parks (ETWRDEC et al., 2018), they did not tackle broader topics such as the concept of eco-parks, the decent job agenda and urban planning.

For instance, with respect to the park in Central eastern Oromia and the RTC located in Shashamane, the ESIA identified as main environmental impact: the loss of agricultural land, the loss or degradation of natural wetland habitat and biota (which were considered irreversible, but acceptable in a transformation project of that magnitude, that would create job opportunities,

(¹³⁵) The survey in Ethiopia has been realised between June and August 2020 and has targeted 103 enterprises.

improve agricultural practices, farmers' income and food security), the contamination and lowering of groundwater levels, and the solid waste impact on the environment. In this regard, the ESIA recommended measures, such as recycling of water, constant monitoring of the groundwater levels and the operation of a zero-waste discharge facility. These activities are being undertaken by the RIPDC with funds made available by AfDB and the Korean EXIM Bank in the framework of PROSEAD.

With respect to the social impact, the ESIA noted that in the short term the project would negatively affect 322 households (including 84 which would be physically displaced), but that the RIPDC paid fair compensations, provided substitute land to displaced farmers, provided technical and entrepreneurship training to the negatively affected people, and gave them priority in job recruitment in the parks. In the medium term the ESIA highlighted that the inflow of workers would have added pressure on the existing community infrastructure, such as health facilities, schools, potable water and roads. In this respect, the park provides basic social infrastructure (kindergartens, schools, health centres), the road network has been strengthened and, due to the high-level content of fluoride and sodium in the groundwater, the Ethiopian government has made available funds for the construction of a 60 km pipeline that brings water directly to the park.

However, broader issues are emerging in the IAIP policy process agenda, based on the experience of the Industrial Parks already active in the country: among these, the need to promote circular economy practices, to fully implement the decent job agenda, to protect women against gender-based violence and to provide housing and public services to the workforce living in the surroundings of the parks.

In this regard specific initiatives are being devised by government authorities and some of the donors, such as AICS and EU. Indeed, the aforementioned AICS funded project, which will be implemented by UNIDO in cooperation with ARTER and UNODC (United Nations Office on Drugs and Crime) will promote circular economy practice following UNIDO guidelines on eco-industrial parks and tackle the issue of gender-based violence by, among other activities undertaking community risk mapping, changing women workers shifts to avoid them return home at night, promote mixed (men-women) police patrols and support the provision of lightening around the parks. On the other hand, the EU envisages to fund a second phase of PROSEAD, which would concentrate on urban planning and strengthening social services around the parks.

These remarkable developments in the policy process and in the implementation of IAIPs and RTCs towards a more inclusive and bottom-up approach are the result of the more constructive dialogue established between

development partners, regional and federal authorities since the beginning of 2018.

6.2 Discussion: the role of the main stakeholders and the role of interest vs ideas in shaping the policy process

The Ethiopian government has retained control over the policy process since its very beginning. Key policy decisions like the selection of participants in the Steering Committee, the extension of the pilot to three more regions and the rapid closure of the design phase due to the pressure of social unrest have been taken by the government and accepted by the other stakeholders.

The socio-economic instability and the ensuing political changes have provided the developmental partners with the opportunity to encourage the Steering Committee to depart from the conventional top-down, dirigiste approach informing early policy design and expand the profile of actors involved in the process and the approach to its implementation.

The visit in Emilia Romagna played a key role in preparing the field for a new approach to IAIP development. Ethiopian authorities could appreciate a different model of agro-industrial development. They also realised that most of the ingredients (especially strong cooperatives, dedicated public institutions and specialised universities) were present also in Ethiopia; what mattered was finding a way to capitalise on what existed and improve what didn't. This included enhancing the quantity and quality of supply of agricultural raw materials, attracting quality FDIs and promoting technology transfer and linkages with the local economy, devising institutions that connect agro-processors with smallholders' cooperatives (like contract farming), improving access to finance for farmers, cooperatives and agro-processors, setting up a decentralised food quality and safety system, building the capacities of the RIPDCs, ensuring that technical schools and universities provide the kind of workers that the private sector needs. These are indeed the priorities identified by the 3 Italian funded projects, PROSEAD and the BMZ Special Initiative.

It is important to acknowledge here though, that this window of opportunity has been exploited by both development partners and government officials, which were still under pressure for results, but benefitted from a more open "strategy space" (Rodrik, 2014) allowing them to embrace new, more inclusive models of agro-industrial development with more chances to deliver results. At the same time, with the start of the implementation phase, regional authorities were facing some key problems, such as the duplication of functions between already well-established cooperatives and the pilot RTCs, these latter's unclear managerial structure and the difficulty to induce cooperatives and the private sector in investing in them, since they had been designed and built without their consultation. The regional authorities thus

started looking as well at alternative options, more inclusive and more private sector oriented.

Finally, even after a consensus had emerged towards a more inclusive and bottom-up approach, the Ethiopian government has continued to invest significant amounts of funds (540 million USD have been so far allocated to the Regions in three instalments: 53% of them in 2017/2018, 32,5% in 2018/2019 and 32,5% in 2019/2020), making of the IAIPs one of the main Ethiopian programmes for agro-industrial development in the country.

It is therefore probably fair to conclude that the principle of government ownership has been the guiding one all along the policy process.

Drawing from our conceptual framework introducing the role of interests and ideas in influencing the policy process, it is worth to note that interests have played an important role in the whole policy process.

To begin with, the IAIPs were promoted, in the inception phase of the policy, as a tool to create jobs and increase rural income in a critical moment for the country. Policies that promote pro-poor growth are perfectly consistent with the developmental state model and serve also the political interest of those in power to continue to stay in power (Poulton, 2014; Clapham, 2018).

The need to ensure equity among the most powerful Regions of the country led to the decision to widen the scope of the programme from one to four IAIPs.

The increasingly assertive stance of Oromia, Amhara and part of SNNPR (Sidama) in demanding the decentralisation of the country's political system eventually led to the regionalisation of the parks.

The perception of the federal government about the increasing social unrest influenced the policy process, reinforcing the need for expediency at the cost of critically reviewing the IAIP model.

While there was no obvious political interest at stake in the approach of the Ministry of Industry towards the design and implementation of the IAIPs, we could see an institutional interest in retaining control of the process, against other constituencies, like the Federal IPDC and EIC and the Regions (until the Proclamation n. 886/2015). This would be consistent with the Niskanen model of budget maximising bureaucracies (Niskanen, 1973).

The issue of land expropriation has played a pivotal role in the choice of the location of the IAIP of Bulbula, in a period where the political cost of appropriating farmers' land was high, so as to spark social unrest.

Development partners have consistently pursued their main interests, such maximising the returns on their investments and retaining their strategic role in the policy process, all along the design and implementation of the IAIP programme, but with more effectiveness only from the period of regime change and thanks to their capacity to exploit the broadened "strategy space" (Rodrik, 2014) to mobilise effective coalitions of like-minded actors (Keeley and Scoones, 1999) and epistemic communities (Stone, 2008) and change the

narrative around policy models for agro-industrial development (Keeley and Scoones, 1999; Sumner et al., 2011).

Ideas, in the form of ideological paradigms, policy models and evidence, have been very relevant during the whole policy process.

To begin with, the hierarchical political tradition of the country (Lefort, 2007; Markakis, 2011) and the ideological orientation of the Ethiopian developmental state were determinant in shaping the top-down, state-led approach followed during the design phase. Almost all the people we have interviewed agreed upon the fact that the process should have been more inclusive since its inception, especially with regards to the private sector and the cooperative movement.

Again, ideas in the form of international policy models (Lavers and Hickey, 2016), have been very relevant in shaping the policy process. The policy model of the IPs has been key in shaping all the discourse around the IAIPs, probably distracting policymakers from the fact that the issue at hand was much more complex, because it involved primarily the integration of agriculture and industry, which can happen only if policies oriented towards the development of agricultural value chains and the improvement of the business climate for agro-processors are devised. But this challenge needs holistic thinking, is very context specific and is much more time consuming than building traditional IPs for textile, garment and apparel. As we have seen, insights from the policy model of Emilia Romagna based on agro-clusters put the concepts of “flexibility”, “local actors” and “networking” at centre of the narrative since 2018.

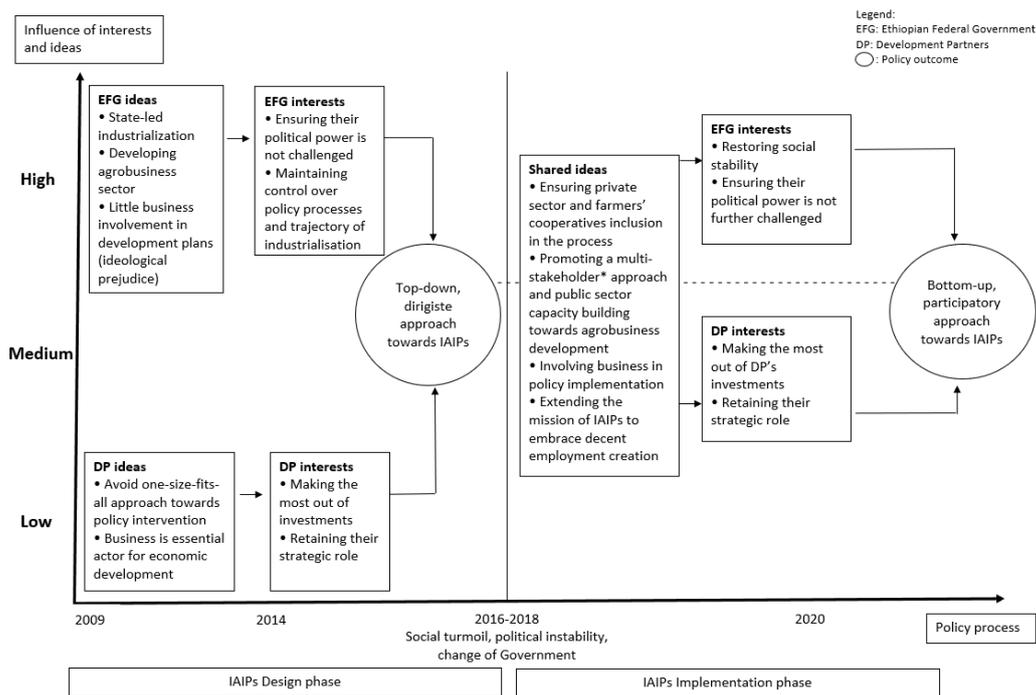
Finally, ideas in the form of “evidence” have also influenced the process. The identification of the Agro-Industry Growth Corridors was done according to objective criteria, even if the selection of the four AICGs where the IAIPs would be located was done according to political considerations. Again, the identification of the sites for the IAIPs followed objective criteria, but the political cost of expropriating land was the determining factor, at least in Oromia. We see here a pattern: evidence received primary consideration only when political interests were not at stake.

The decision to put cooperatives and private investors at the centre of the project followed a different path. Resisted at the beginning, on the ground of expediency motivated by the mounting social unrest, it has been eventually endorsed. Several factors contributed to this policy change. As anticipated, we believe the most important were the opening of the “strategy space” (Rodrik, 2014) brought by broader political change (Lavers and Hickey, 2016) and the role of international actor-networks and epistemic communities in modifying the narrative (Sumner et al, 2011) and showing that the best interest of Ethiopian policy makers was to follow a more bottom-up and inclusive approach that had better chances to result in successful agro-industrial parks. Looking at the framework of Rodrik (2014) we could

interpret this new approach as an “innovative policy” (that improve social welfare, without threatening the interest of those in power): the advantages in terms of economic growth and sustainability of involving cooperatives and private investors in the design, ownership and operational choices have been eventually recognised (and are likely to increase social welfare); the threat that these actors represent for those in power must have been judged as low - cooperatives have close links with local government agencies (Berhanu and Poulton, 2014), the government can still exert a certain degree of control over private sector in IPs (this is in line with Farole and Akinchi, 2011, p.16, considerations about China SEZs experience) - in any case lower than the failure of the parks (which would have meant further social unrest because of unemployment).

In line with the considerations above, Figure 8 summarises the evolution of the whole policy process as well as to what extent the respective interests and ideas of both the Ethiopian government and development partners have shaped the phases of design and implementation of the IAIPs so far.

Figure 8: The influence of stakeholders’ interests and ideas over the policy process



* Multi-stakeholder approach means involving in the process (at different levels: federal, regional and grassroots) essential actors previously not included, such the Ministry of Agriculture, the Ethiopian Investment Commission, the Federal Cooperative Agency, the Federal TVET Agency, the Regional governments, the private sector, farmers cooperatives and the local communities.

Source: Author

7. CONCLUDING REMARKS

The present research has investigated the relative influence of policy stakeholders (Federal and Regional governments, donors, UN agencies, investors, farmers cooperatives, local communities) as well as the role played by their respective interests and ideas in shaping the process of design and implementation of four Integrated Agro-Industrial Parks in Ethiopia. Particular attention has been paid to the Ethiopian political-economy context, characterised by significant changes in ideological paradigms (from state dirigisme to a gradual *ouverture* to the private sector) and shifts in the power balance between Federal and Regional governments, public and private sector, government and donors. The fieldwork has allowed to reconstruct the phases of policy *stasis* and change, and the respective role played out by interests and ideas of policy stakeholders in each stage of the policy process, notably the design and the following implementation.

Some policy lessons can also be learned from this case study. Lessons that can be relevant for both the industrial policy and the development policy theories.

Firstly, while the government of Ethiopia has retained control all along the policy process, the influence of development partners has changed over time. In particular the regime change of 2018 has allowed them to effectively promote their ideas (and interests) among the country's policy makers. Their capacity to exploit windows of opportunities and to mobilise broader coalitions of like-minded actors and epistemic communities (Sumner et al., 2011) has been key in re-shaping the policy process and its outcomes towards a more inclusive model. This more open "strategy space" (Rodrik, 2014) has benefitted the Ethiopian policy makers as well, allowing them to explore new ideas and approaches. Stakeholders' agency (Keeley and Scoones, 1999; Sumner et al., 2011) and their capacity to read the changing political realities and act swiftly have thus been key elements in explaining the IAIPs policy process.

Secondly, the policy process for the development of IAIPs in the country has been characterised by a sort of discontinuity between the design and the implementation phases. The former has involved few actors and has been carried on with a technocratic and top-down approach. The latter has seen the expansion of the actors involved and the endorsement of more inclusive and bottom-up approaches to agro-industrial development. Here the lesson learnt is that policy formulation and implementation should not be handled separately, since they are part of the same process. Moreover, policy formulation should not be left only to ministers and few international

officials, but representative of all stakeholders involved in the implementation of a new policy should participate since its inception (Andrews et al., 2015). Indeed, unless those supposed to implement and to be affected by a new policy are involved in its formulation, the implementation phase will inevitably be confronted with misunderstanding and obstacles ultimately hampering its success (Boario and Gabusi, 2020).

Third, in light of the considerations of Kelsall et al. (2013) about the likelihoods of developmental outcomes to materialise even in neo-patrimonial contexts, if effective institutions, capable of smartly allocating rents for development purposes are established, the Ethiopian experience might have something to offer to other African countries in their path towards structural transformation. In particular, the strengthening or creation of specialised autonomous bureaucratic bodies, coupled with a bottom-up and inclusive approach to industrial policy design and implementation could make a difference in African countries' agro-industrialisation processes.

A first example, related to our case study is the extension of the mandate of the Ethiopian Investment Commission to the management of incentives for investors in industrial parks (Whitfield and Zalk, 2020). A second example is the constitution of Regional Industrial Parks Development Corporations, which know better the local realities than the Federal IPDC, and while accountable to regional authorities, enjoy a high *marge de manoeuvre* with respect to operational choices, such as the selection of investors and the negotiation of PPP agreements.

Fourth, promoting economic development and structural transformation means encouraging the growth of value added across several sectors of the economy. The complexity of this task is mirrored in the multifaceted nature of adding-values sectors and activities, which requires the integration of different skill caches and expertise. Economic development thus requires holistic and context specific thinking and relies on a wide array of thoroughly intertwined complementary policy interventions.

As for the case under analysis, it can be said that notwithstanding the change of pace and direction recently undertaken in the implementation of the IAIPs, it is recommended that the Federal Ethiopian government devise a more holistic policy mix: in particular, encompassing all the challenges at all levels related to the creation of adding value activities in sectors such as crop and livestock production, services and agro-processing and accounting for their specific features in the Ethiopian context. In this view, new policy interventions should receive adequate consideration, such as the improvement of the business climate in the agricultural sector, the reform of the agricultural extension system, the coordination between trade and industrial development policies, the design of institutional mechanisms that can better link industries with the pastoralist system of production.

For this to happen, “*it is important to identify those institutions and departments dealing with industrial policy design and implementation at all levels of government, i.e. in charge of translating the challenges and priorities into specific tools and targets for intervention*” (Ferrannini et al., 2020, p.11) and to involve a broader array of actors, such as farmers’ representatives, leaders of pastoral communities, representatives of foreign and domestic investors in a comprehensive multi-stakeholder approach.

Fifth, the process of structural change of the economy associated to high-productivity sectors growth is interrelated with fundamental shifts in living standards, working conditions, employment creation across communities, cities, regions and the nation as a whole (Di Tommaso et al., 2020). In other words, the structure of societies underlying an economy changes as the economy changes. Therefore, successful industrial policy and government intervention on production and industrial dynamics upgrade must be able to acknowledge and “*mitigate the potential ecological, economic and social threats to system sustainability that could characterize the process of structural change*” (Ferrannini et al., 2020, p.8). As for the specific case of Ethiopia, more attention should be paid in the future to social issues such as decent job conditions, housing and access to utilities and other public services, gender mainstreaming and provision of security for the workforce living around the parks (especially for women). These issues have been entering the policy dialogue in the last year, achieving these results however will require a strong dialogue at grassroot level, further compounding the need for a multi-stakeholder approach.

Sixth, the political events during these last troubled years seem to confirm several insights from the literature on the democratisation process in Africa and on state building in Ethiopia.

As Tronvoll (2020) pointed out, political reforms in Ethiopia have happened very fast and without the right checks and balances in place. In particular, formerly exiled politicians with ethnic divisive agendas have been able to exploit the new political freedom in the absence of adequate control mechanisms: during the last three years political mobilisation around ethnic identity has been on the rise and the country has experienced a recrudescence of ethnic violence (BBC, 2019a; Foreign Policy, 2019a; Foreign Policy 2019c; Al Jazeera, 2020a; Internal Displacement Monitoring Centre web site, 2020). All this reminds us the considerations of van de Walle (2001, 2007) and Poulton (2014) about the potential of democratic reforms in developing countries. Indeed, both authors argued that democratisation in ethnically divided and economically weak contexts are more likely to spur, at least in the short term, political mobilisation around ethnic identity rather than around programmatic lines. Furthermore, both authors recognised that, whilst democratisation should gradually change the dynamics of policymaking,

genuine pro-poor policies tend to emerge only slowly. Other authors, such as Leonard et al. (2010) and Khan (2005) argued that only significant changes in the structure of the society and the economy can bring about the change from clientelism to programmatic politics. Thus, while the reform process in the direction of more political freedom is *per se* valuable, we should be cautious about its results in the short term.

Another stream of literature, contends that state building in Ethiopia has been characterised by a slow process of conquest and assimilation of the southern, eastern and western parts of the country (encompassing the actual regions of Oromia, SNNPR, Sidama, Somali, Gambella and Benishangul-Gumuz) by the Amhara speaking elite of the northern highlands (Hassen, 1994; Zewde, 2001; Marcus, 2002; Markakis, 2011). This literature highlights as well the centralistic features of the Ethiopian Empire and the Derg regime and contrast them with the federal settlement brought by the EPRDF coalition (Fontrier, 2012). However, Markakis (2011) in his seminal book, “Ethiopia: The Last Two Frontiers”, has pointed at two unsolved political problems in the Ethiopian polity, even under the EPRDF federal settlement: respectively the low integration of the Oromo community (the biggest in the country) in the national policymaking process (the first frontier) and the lack of understanding by the highland elites of the lowland realities (encompassing the pastoral areas of Oromia, Somali, Gambella, Benishangul-Gumuz and SNNPR) (the second frontier).

The national - regional debate is considered by some analysts (Foreign Policy, 2020i; World Politics Review, 2020; Al Jazeera, 2020d) at the centre of the political frictions between the new PM Dr. Abiy Ahmed and its Prosperity Party, which tend to utilise a national discourse, and political parties such as the OLF and the TPLF, which have instead a strong regional agenda. In our view, finding the right balance between national and regional powers and the right institutional mechanisms for integrating previously neglected communities is probably a pre-condition for effective democratic reforms in the country.

Finally, while assessing the impact of the new economic reforms is a premature exercise, some preliminary considerations can be made.

The Ethiopian “Home Grown Economic Reform Programme” is well aligned to the World Bank and the International Monetary Fund recommendations over the last decade for improving the country’s economic performance. In particular, the emphasis on the role of the private sector, the movement towards a more flexible exchange rate system, the opening of the telecommunication sector and the financial deepening are all part of the reform package. However, similarly to the case of the political reforms, the economic transformation is happening without a clear timeline and there is still no clear framework with milestones, indicators and targets to track the

reform process and its impact. Moreover, a structured dialogue with the private sector as the driving force of the economy has not yet emerged, thus weakening a key principle of the reforms.

Here, once again and at a larger scale, more efforts are needed in order to involve all relevant stakeholders in a truly participatory policy process.

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ANNEXES:

1. LIST OF INTERVIEWEES

1. The former Minister of Industry
2. The former State Minister of Industry and chairmen of the Steering Committee
3. The Director of Agro Processing at the Ministry of Industry
4. The Senior Director of Agribusiness & Markets of the Ethiopian Agricultural Transformation Agency
5. The CEO of the Federal Industrial Parks Development Corporation and former Vice CEO of the Oromia Industrial Parks Development Corporation
6. The Deputy Commissioner, Head of the Industrial Parks Division of the Ethiopian Investment Commission
7. The Head of the Oromia Public Enterprise Supervising Authority
8. The Head of the Oromia Bureau of Industry
9. The Vice Head of the Oromia Bureau of Industry and former CEO of the Federal Industrial Parks Development Corporation
10. The CEO of the Oromia Industrial Parks Development Corporation
11. The Investments Director of the Oromia Investment Commission
12. The team leader for investment protection of the Oromia Investment Commission
13. The President and Chief Operating Officer of Mahindra Consulting Engineers
14. The FAO IAIP project manager
15. The present Senior Economist of the Italian Agency for Development Cooperation, who use to be as well the Senior Economist of the Agency until the end of 2013
16. The former UNIDO IAIP National project coordinator
17. The present UNIDO IAIP National project coordinator
18. The Head of Programs at UNOPS, Ethiopia Office
19. The Team Leader-Rural Transformation and Resilience, of the European Union Delegation
20. The Attaché Agricultural Growth, Rural Transformation and Resilience Team, of the European Union Delegation
21. The Head of European Union, Territorial and International Cooperation, Social Innovation Unit of ARTER - Emilia Romagna Region.
22. A Project Manager employed by the Italian Agency for Development Cooperation involved in the Steering Committee

2. CHECK LIST FOR INTERVIEWS

PERSONAL AND INSTITUTIONAL ROLE

1. Can you briefly describe your role during the process of IAIPs design and implementation since 2014?
2. Was the institution you represent today involved in the design of the IAIPs? To what degree? Is this going to change now? Why?

FEDERAL STATE AND REGIONAL STATE

3. What do you think about the respective roles attributed to the federal and regional states in the design and implementation of the IAIPs and RTCs?

DEVELOPMENT PARTNERS

4. What do you think about the role played by the development partners in the design and implementation of the IAIPs and RTCs?

N° OF IAIPs

5. At the time when the GoE decided that 4 IAIPs would have been piloted, did you agree? Why?
6. In your opinion, what were the main drivers of the GoE decision at that time (2014)?
7. What do you now think about the number of pilot IAIPs?
8. [If respondent has changed his/her mind]: What evidence or other factors have caused you to change your view regarding the number of pilot IAIPs?

IAIPs SITE SELECTION

9. At the time when the Mahindra feasibility studies recommended the site selection for the IAIPs (2016), did you agree? Why?
10. In your opinion, what were the main drivers of the site selection at that time (2016)?
11. What do you now think about the site selection of the IAIPs?
12. [If respondent has changed his/her mind]: What evidence or other factors have caused you to change your view regarding site selection for the IAIPs?

IAIPs MODEL

13. Did you agree with the IAIPs model (public owned and managed, multipurpose, linked to RTCs for the provision of raw materials) when it had been proposed by Mahindra (2016)? Why?
14. In your opinion, what were the main reasons for proposing that specific model at that time (2016)?
15. What do you now think about the IAIPs model?
16. [If respondent has changed his/her mind]: What evidence or other factors have caused you to change your view regarding the model IAIPs?

RTCs MODEL

17. Did you agree with the RTCs model (7-8 rural transformation centers per park, public owned and managed, centers of aggregation, pre-processing and service for the farmers linked to the IAIPs, located in the main towns around the IAIPs) when it had been proposed by Mahindra (2016)? Why?
18. In your opinion, what were the main reasons for proposing that specific model at that time (2016)?
19. What do you now think about the RTCs model?
20. [If respondent has changed his/her mind]: What evidence or other factors have caused you to change your view regarding the model RTCs?