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TRANSFORMING ETHIOPIA'S DEVELOPMENTAL STATE MODEL FOR THE FUTURE

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Abstract

Inspired by the miraculous transformation achievement of Taiwan and South Korea's developmental state model, in 2001, Ethiopia adopted and thrived by adjusting the East Asian state-led Developmental State Model to reflect its own historical conditions and enhance economic growth and wipe out poverty. As a result, Ethiopia's Developmental State Model has created miraculous economic growth for the last fifteen years. In 2015, however, an increasingly lazy and inept EPRDF began to drag the country into political unrest. Currently, Ethiopia is faced with an abysmal economic, political upheaval, and ethnic strife because the country's chief engine of growth—Ethiopia's Developmental State Model—has been cracking due to administrative obsolescence. If the recent wide-scale economic crisis is not addressed immediately, it could ultimately disrupt Ethiopia's political legitimacy. Therefore, as other developmental countries have done, Ethiopia needs to form a hybrid paradigm where some developmentalist practices coexist with the prevalence of privatization policies to harness a free market operation.

Keywords: Developmental State Model, Transformation, Economic Growth, Hybrid Paradigm

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1. Introduction

Development role of the state with little reliance on market forces was used as the cornerstone for the renaissance of the economically successful Northeast Asian countries, such as Hong Kong, South Korea, Singapore, and Taiwan (Zhang, 2018, Ricz, 2016). Following the spectacular growth of many economies in East Asia, developmental state is increasingly gaining ground in sub-Saharan Africa. For instance, Botswana, Mauritius, Cote d'Ivoire, Malawi, Kenya, Tanzania, Rwanda, and South Africa are labeling themselves as "developmental" (Seshamani and Ndhlovu (2016).

To avoid the colossal failure of famine, insidious civil wars, poor education, and deteriorating healthcare programs that Ethiopia faced during the military rule (Dergue), the Ethiopian People's Revolutionary Democratic Front (EPRDF) established Agricultural Development Led Industrialization (ADLI) in 1991 to deal with socio-economic challenges. According to Lefort (2012), the ADLI was expected to increase the productivity of smallholders involved in subsistence farming and to facilitate national food security in Ethiopia.

An evaluation of the impact of the Structural Adjustment Programs (SAPs), reveals that the SAPs as intended failed to rescue crisis-ridden African countries. Instead, the SAPs ended in disaster and contributed to the lost decades of economic development in Africa (Mukuria, 2014). Given this, it was no wonder that the former Prime Minister of Ethiopia, Meles Zenawi, persuasively argued that neo-liberalism is "a dead end in Africa". Consequently, Prime Minister Meles urged Africa to pursue the democratic developmental state paradigm to free itself from the shackles of perpetual impoverishment and work toward an eventual renaissance (2006).

In 2001, Inspired by miraculous transformations in Taiwan and South Korea, the Meles regime began adopting and adjusting the East Asian Developmental State Model to the Ethiopian economy. Thus, the Ethiopian state developed wide-ranging, pervasive, and discretionary intervention and control over the market to allocate the country's scarce resources and influence the direction of its economic growth and industrialization process.

Retrospectively, the late Prime Minister Meles argued that he implemented the East Asian Developmental State Model to: 1) create state autonomy and have full control over the commanding heights of the economy (i.e., resources, banks, utilities, etho-telecom, and other production sectors) 2) accelerate Ethiopia's economic growth and focus exclusively on value creation, and 3) protect the domestic micro-scale enterprises over foreign direct investments (See for example, de Waal, August 2018).

Realizing the challenge and stress of a shift from an agricultural to industrial ladder, the Ethiopian government allocated twenty percent of its GDP to reengineer its infrastructural services, such as roads, schools, railways, air transport, dams, telecommunication services. Also, it attempted strengthen the backward and forward linkages of agricultural and industrial sectors to promote macroeconomic stability (Johnson, 1982, Desta, 2014, Shumuye, 2017).

After Ethiopia emerged from the traumatic post-2005-election political crisis between the ruling party, Ethiopian Peoples' Revolutionary Democratic Front (EPRDF) and the opposition; the EPRDF shifted its ideological orientation from revolutionary democratic centralism to Democratic Developmentalism in order to address the effects of soaring political upheavals and embark on the roaring wave of globalization. Instead of continuing as a vanguard party, the EPRDF was also reorganized as a transmission belt and serve as a catalyst. Unlike before, the Ruling Party, EPRDF, promised to expand the country's democratic space by allowing the proliferation of think tanks, including elements of political parties, government departments, corporation and philanthropists. It further initiated Ethiopia's economy to pursue a relatively free and competitive market system (African Development Bank Group, 2011, and Lefort, 2012, de Waal, 2018). Before opening Ethiopian companies to private sector investment, however, the late Prime Minister Meles decreed, with an authorized capital of 10 billion Ethiopian *birr*, to establish Metals and Engineering Corporation (METEC), a military-run industrial conglomerate, to serve as greenhouses or major hub for training highly qualified military force in building factories and infrastructure (Reuters, November 14, 2008). Then, to gradually attract foreign investment, Meles' government not only invested heavily in infrastructure, it also provided macroeconomic stimulations, such as tax holidays, subsidies, R& D support, tax relief on imported capital. Furthermore, he allowed leases on virgin farmlands to foreign investors (Desta, 2014).

Ten years after these economic reforms, an increasingly lazy and inept EPRDF drove the country into political unrest. Consequently, Ethiopia's unemployed and frustrated youth—the *Querro, Fano,* and *Zerma*—began to rise and challenge the ruling party, causing political turmoil throughout the Ethiopian landscape. Whether by design or by default, these popular protests created a golden opportunity for Dr. Abiy to step in and lead the EPRDF Party. On April 2018, Dr. Abiy (hereafter referred to PM Abiy) emerged as Ethiopia's Prime Minister (Gelan, 2018, Desta, 2018).

A cursory view of PM Abiy's actions and speeches over a year suggests that PM Abiy has shifted from EPRDF's ideological platform. Often in defiance of his party members and the Ethiopian Parliament, PM Abiy is unilaterally reversing the country's long-held developmental state. Using the dwindling foreign-exchange reserves as an excuse, PM Abiy is bending to the core tenets of the liberalization and privatization processes. For instance, it surprised Ethiopians to hear PM Abiy, in his inaugural speech, order Ethiopia's Privatization and Liberalization Office to accelerate the sales of minority stakes of some of the country's most prized public assets to foreign investors. More specifically, contrary to the EPRDF's long-standing policy, PM Abiy, in a very noticeable way, is privatizing government owned firms in order to generate foreign exchange. Guided by the liberalization policy, PM Abiy has ordered Ethiopia's lucrative state-owned mega companies, such as Ethio-Telecom, the electrical company, and the booming Ethiopian Airlines, to start liquidating minority stakes to private investors.

To relieve the United States from facing tough competition with China in Ethiopia's priority arena, PM Abiy's regime seems to have practically turned its back on China. Over the years, China has been Ethiopia's major provider of hard-earned strategic and concessionary loans, investments, grants, and aid (Desta, 2018). As a result, despite Ethiopia's failure to meet World Bank standards, the World Bank has promised \$1 billion for Ethiopia's budget support.

Based on Abiy's current tactics, critics could argue that he rejects Ethiopia's Developmental State Model and that he may even plan to replace it with neoliberal model. As a result, a number of African countries wonder why, when the developmental state model has enabled Ethiopia to achieve economic growth in the past, PM Abiy would now consider a shift to Washington Consensus Model as a possible panacea for Ethiopia's future socio-economic development.

Given Ethiopia's current situation, many strategists of the Washington Consensus—a program sponsored by the World Bank and the International Monetary Fund that requires dismantling the developmental state and borrowing countries to have free market, open goods and financial service markets to foreign investors—seem ecstatic. Even though this neo-liberal recipe has already ruined many developing African countries and substantially reduced their social welfare programs (Garcia, 2013, Balayan, 2017 and Gebre, 2018, Stiglitz, July 2016), some former admirers of Ethiopia's developmental model are now re-considering the neo-liberal model as their future path.

When Africa had no other choice, it had to implement the neoliberal or the Washington Consensus-structural adjustment process in order to borrow funds from the IMF. As a result, it lost a quarter century of industrialization. As revealed, the SAPs, didn't restore Africa's internal and external macroeconomic stability. Rather, during the SAPs era, Sub-Sharan Africa experienced a pathetic 0.35% GDP growth. Politically, the SAPs process merely encouraged authoritarian military regimes that ignored basic human rights in most sub-Saharan countries (Kofi and Desta, 2008).

Fortunately, the African continent has been saved from the disgrace that it encountered during SAPs period. As the Chinese economy is transitioning through the "Lewis' Turning Point," the cost of production is gaining in productivities and China is hollowing out of low-end manufacturing and state-driven Chinese investments. As a result, China's investments in Africa are mushrooming (Davis, 2015). It is imperative to stress that, as Ethiopia has pursued its developmental state model, China has played a vital role and given impetus to Ethiopia's industrialization process. Ethiopia has recorded one of the fastest-growing economies in the world largely because China has established cooperative, pro-business investment, which has helped Ethiopia build fundamental infrastructures (Stiglitz, July 2016; Desta, 2014).

While straying from the Developmental State Model that has helped Ethiopia achieve such miraculous economic growth, Ethiopia's most recent GDP data reveals a slide from 8.7 percent in 2014/15 to 7.7 percent in 2017. As noted in *Ethiopia Economic Outlook* on Dec,13, 2018, Ethiopia can attribute this decline to "…softer expansions in the agricultural and manufacturing sectors, while mining activity contracted sharply. Meanwhile, foreign exchange rate shortages plagued dynamics, hampering several sectors…"

More recently, as rampant unemployment, staggering inflation, poverty, and ethno-nationalistic conflict currently plague Ethiopia, Ethiopia's survival as a viable state stands in jeopardy. Instead of focusing of reviving the economy, Abiy's regime depends heavily upon the financial aid of the U.S., Saudi Arabia and the United Arab Emirates. Meanwhile, Abiy's regime creates aimless committees to diffuse the regimes' fundamental leadership crisis and indulges in empty polemics.

Given the economic meltdown, political uncertainties, and numerous ethnic tensions that prevail in Ethiopia, this study will investigate and analyze the status of Ethiopia's development state model as well as offer suggestions to Ethiopian policy makers for the future viability of the Ethiopian state.

The article proceeds as follows: Part One analyzes the economic vitality of Ethiopia's current developmental state. Part Two summarizes the main findings of the paper, and Part Three proposes political and economic suggestions for restructuring Ethiopia's existing developmental state model for the foreseeable future.

2. The Economic Vitality of Ethiopia's Current Developmental State Model

When Ethiopia's military rule (1974-91) is assessed by almost every major index of economic growth, it shows Ethiopia in perpetual decline. Due mainly to poor policies, war, environmental degradation, a rapidly growing population, adverse external development, Ethiopia's per capita income became progressively worse. As persuasively stated by Cole (1992), though some called Ethiopia the breadbasket of the Middle East, the country couldn't even feed its own people.

However, pursuing the developmental state model for the past seventeen years, the EPRDF, though not enough to expand the country's social services, lifted Ethiopia from decades of slow growth under socialist military rule to achieve a record of staggering economic growth. Indeed, the United Nations Development Programme (April 18-20, 2018) persuasively demonstrates that from the demand side of public and private investment, between 2003/4 and 2016/17, Ethiopia recorded a strong growth of about 36.3 percent. From the supply side, the value added in agriculture services and construction sectors grew by 39.3 percent. Overall, between 2003/04 and 2016/17, Ethiopia has achieved over 10 percent growth rate per year in its Gross Domestic Product (GDP).

Though not sufficient for domestic investment, Ethiopia's domestic saving has shown a dramatic swing from 17.2 percent in 2010/11 to 24 percent of its GDP in 2016/17. Consequently, the overall investment in hydro-energy and the reengineering in infrastructures, such as building road networks and improvement in tele-density and airports have greatly contributed to Ethiopia's economic growth.

In social services (such as education, health, water and sanitation, as well as infrastructure—i.e., roads, railways, telecom, and power generation), Ethiopia has demonstrated a phenomenal growth rate. By 2015, access to universal primary education, health coverage, and potable water has accelerated by 100%, 98%, and 65% respectively. Since Ethiopia's Human Development Index (HDI) increased by 16% from 2005 to 2011, the country's life expectancy has risen to around 64.6 years. As a result of this miraculous growth in its economic and social services, Ethiopia's poverty reduction, as measured by poverty head count, has substantially declined from 45.5 percent in 2000 to 29.2% by the end of 2009/10, and 23.5 percent in 2016. Overall, income inequality as measured by the Gini coefficient, Ethiopia has fallen below 30 percent (Shyumuye, 2017). In summary, "Although Ethiopia started from a low base, its investment in pro-poor and agriculture has paid-off and led to tremendous achievements in economic growth and poverty reduction, which in turn have helped improve the economic prospects of its citizens" (Guang Zhe Chen, January 20, 2015).

Writing on developmental states, Zhang (2018) argues that developmental states generally contribute to positive economic outcomes, facilitate the minimization of social problems, and avoid dependence on the Western industrial powers. Given Zhang's line of reasoning, the ruling party in Ethiopia has used the developmental state model to harness political stability, achieve extraordinary economic growth and transform the country into Africa's economic-powerhouse.

In other words, given the core matrix of Ethiopia's Developmental State model is economic growth, Ethiopia remains a compelling example of how an African country has achieved a steady state-directed economic growth for the last fifteen years. In recent years, however, the Federal Democratic Republic of Ethiopia is faced with high youth unemployment, rampant inflation, superfluous extensive foreign debt, and profound environmental challenges.

2.1.Youth Unemployment:

Although there are variations in the measurement of unemployment rate, over fifty percent of young Ethiopians (ages 15-24), with secondary and higher education in Ethiopia, though willing to work, are either actively seeking jobs or have given up looking for work (Badalau, 2012). Types of unemployment generally include cyclical or demand deficient unemployment (caused by falling output during an economic recession), structural unemployment (results from a mismatch between training and job placement, and frictional unemployment (arises due to labor turnover or the continuous flow of workers from one job to another).

By and large, youth unemployment in Ethiopia can be attributed exclusively to structural factors. Put simply, schools fail to meet the needs of the labor market, resulting in structural unemployment. Meanwhile, the longer the youth remain unemployed, the more likely they indulge in illegal activities such as robbery, kidnapping, drug trafficking, and prostitution. For example, in Ethiopia, the school systems lack the capacity to provide adequate information on job vacancies to their students. This inadequacy in employment information has increased the waiting period of the certified to attain productive employment. As a result, many unemployed Ethiopian youth, aimlessly roam the streets of Addis Ababa and other cities and towns (The Ethiopian Herald, Addis Ababa, April 18, 2018). *The Ethiopian Herald* (April 18, 2018) documents how these highly-trained but unemployed Ethiopian youth—blocked from attaining their goals by flaws in the system—fall prey to drug addiction, face depression, vandalize private and public properties, and generally disrupt Ethiopia's peace and tranquility.

If the present political upheaval and trends in massive unemployment in Ethiopia continue unchecked, Ethiopia's sustained productivity and economic growth over last fifteen years will gradually diminish. Also, the wasting of highly trained and qualified young workers due to structural limitations will deprive the country of the valuable skills knowledge, and services they could be providing.

By and large, the unemployed youth in Ethiopia who inadvertently created the opportunity for Abiy to come to power have turned to violence because they see that both the educational system and labor markets are distressed. More particularly, higher educational institutions in Ethiopia have seriously failed to meet the challenges of the new millennium. In particular, the universities and TVET (Technical Vocational Education and Training) programs have seriously failed to create the necessary structured experiential learning or internship programs to provide the graduates with current knowledge and skills. Instead, they have abandoned their graduates to swim aimlessly, looking for jobs they're not qualified to fill (Nwogwugwu and Irechukwu, 2015).

2.2. Inflation

With accelerated economic growth, inflation-- a continuous rise and fall in the prices that consumers pay for a standard basket of goods has remained a scourge of the Ethiopian economy. With a sustained economic growth, Ethiopia has been experiencing an unsustainable double-digit increase in the price of goods that averaged 16.12 percent from 2008 until 2018 (Ethiopia Government Statistics). Overall, the rampant inflation in Ethiopia is due to demand-pull (the availability of too much money but too few goods), cost-push (acceleration in production cost), and structural inflation (i.e., deficiencies in food production with inefficient distribution system) proliferates inefficiency and disrupts investment and results in currency devaluation (Desta, 2009, Biresaw, 2013).

More specifically, for the last several years, Ethiopia has been driven into an inflationary trap of about 15 percent per annum due the lack of articulation between demand-pull and cost-push factors, monetary phenomena (qualitative easing or increase in the quantity of money that encourages imprudence among banks that lend at a massive scale), and budget deficit. As established by Barro (1996), since the rate of inflation in Ethiopia exceeds 15 percent of the break-even point, inflation will most likely damage Ethiopia's economic growth. The rise in inflationary pressure generates distortions in the allocation of resources and reduces the purchasing power of the *birr*. Thus, with the current increase in inflation, Ethiopians now suffer from expected inflation and a loss of confidence in the stability of the Ethiopian *birr.* Therefore, if uncontrolled, Ethiopia's current inflation will most likely deter savings and prohibit productive investments.

2.3. External Debt

Short of internal low income and relatively low domestic savings, a country—provided it can make future payments on its debt—can borrow funds from external sources, such as bilateral institutions, multilateral institutions, and international capital markets to gain the necessary resources for internal capital formations and to harness economic growth. For example, during the Dergue's era, the military government relied on domestic sources (such as the capital of nationalized firms, taxes, domestic loan,) and external sources (mainly from foreign remittance and loans from the Soviet Union and other socialist countries) to finance its military missions and domestic projects (Adugna, 2015).

Therefore, to restore economic growth battered by civil wars, droughts, and the previous military regime's mismanagement, to facilitate social services (education and health) to the vulnerable groups of the Ethiopian society (African Development Bank Group, 2000), and to transform the country from central planning to market economy, Ethiopia has to date borrowed US $63.55 million (i.e., 69 % of the funds were from the International Development Agency-IDA) from the World Bank's soft window. Meanwhile, Ethiopia borrowed an additional 24% of the funds from the African

Development Fund to implement the Structural Adjustment Program (SAP) from 1993-1996.

Following the loan period and the full implementation of the EPRDF's developmental state model, on the basis of growth expectations, Ethiopia's external debt dramatically increased by 41.8%, 26.9%, 20.5%, 27.4%, 31.8%, 34.9% and 33.5%, in 2006, 2008, 2010, 2012, 2014, 2016, and 2017, respectively (Trading Economics.com, 2018). Due to rapid inflation, bad harvests, and deterioration of export earnings, Ethiopia's total debt service (% of exports of goods, services, and primary income, including the sum of principal repayments and interest) dramatically increased from 3.95 % in 2010 to 21.01% in 2016 (IMF, 2016). Similarly, Atingi-Ego etal, (2017) argue that Ethiopia's exports in 2016/17 deteriorated "…due to a weak external environment and delays in completing key export-oriented projects, and the maturing of non-concessional borrowing contracted in the last 5 years."

As stated above, Ethiopia has used most of its external loans on productive projects. Nonetheless, Ethiopia currently carries heavy debt, either because the overvalued *birr* might have choked off the country's exports, the borrowed funds were mismanaged to run inefficient state-run companies, or they were invested on over-ambitious infrastructural projects or other capital intensive projects. Thus, Ethiopia's external debt crisis can be systematically attributed to a combination of imprudent lending (supply side), internal mis-management of borrowed funds, and international economic conditions that deal with interest rates on borrowed funds, terms of trade, and the prices of oil imports (Desta, 1993).

Nonetheless, to enhance its capacity to service its external debt, Ethiopia must undergo macroeconomic adjustments to leverage its export earnings or reduce its debt burden through rescheduling, refinancing, or spreading its debt obligations. However, as suggested by Lovejoy (1984), one of the most innovative strategies to alleviate external debt crisis would be for Ethiopia to deliberately swap its external debt for sustainability projects.

In other words, Ethiopia could avoid defaulting on its loans and gain access to further external loans, provided some philanthropic, environmental non-government organizations (NGOs) could buy Ethiopia's loans at substantial discount from private creditors. Then, the NGOs could negotiate with the Central Bank of Ethiopia to issue the face value of the total external loan in domestic currency, or *birr*, and earmark the total loan for the environmental protection or conservation projects.

2.4. Environmental Degradation

Over the years, partly conditioned by the law of diminishing returns, Ethiopia's rapid economic growth has simultaneously contributed to massive degradation (Desta, 2009). Aklilu (2001) argues that environmental degradation in Ethiopia could be explained by the interplay between physical environment and population. With the increase in population, Aklilu states that the limited land holding, mass land degradation, soil nutrient depletion, and inefficient production techniques play a major role in explaining Ethiopia's environmental degradation.

In rural areas, the use of dung for fire, the use of dry aquifers, or the overuse use of chemical fertilizers are the main causes of environmental degradation. In urban Ethiopia, smog release of carbon dioxide from old cars and outdated industries causes particular concern. As Edwards pinpoints (2004), through the misguided application of chemicals, Ethiopia has accumulated one of the largest stockpiles of obsolete pesticides on the African continent. Specifically, the use of agro-chemicals such as herbicides, pesticides, and fertilizers for horticulture commodities—all designed to earn foreign exchange—has flooded Ethiopia with hazardous waste (See Edwards 2004, and Desta, 2009). Thus, if Ethiopia is to improve its degraded environment in a sustainable way, Aklilu (2001) persuasively suggests that it can be "…accomplished effectively through education to create awareness and shape the capacity of people's attitudes in such a way they would use environmental resources without damaging the resource base and compromise the needs of the next generation to make use of the same resource base."

3. Conclusion

Inspired by the miraculous transformation achievement of Taiwan and South Korea's developmental state model, in 2001, Ethiopia adopted and thrived by adjusting the East Asian state-led Developmental State Model to reflect its own historical conditions and specific context. As a result, Ethiopia's Developmental State Model was designed to have a preponderance of discretionary intervention and control over the market to allocate its scarce resources and influence toward economic growth and industrialization. In short, Ethiopia adopted its Developmental state model with the belief that the state economic intervention could enhance economic growth and wipe out poverty. Specifically, the Ethiopian state exerted strong control on natural resources, land, infrastructure development, airways, credit, agriculture, manufacturing and investment, foreign trade, foreign currency transaction, and on the international movement of capital by both firms and individuals.

In addition, to address the wave of globalization and adjust to the post-2005-elections political crisis that arose between the ruling party—the Ethiopian Peoples' Revolutionary Democratic Front (EPRDF)—and its opposition, the EPRDF shifted its future ideological orientation from revolutionary democratic centralism to a Democratic Developmental State. Modifying itself from a vanguard party to a transformation belt, the EPRDF Party began encouraging the proliferation of think tanks that included elements of political parties, government departments, corporations and philanthropists.

In economic terms, the ruling Party promised to pursue a freely competitive market system (African Development Bank Group, 2011, and Lefort, 2012, de Waal, 2018). To induce direct foreign investment, the ruling party invested heavily in rebuilding its infrastructure. Furthermore, the Ethiopian state promised to provide tax holidays, tax relief on imported capital, various investment incentives, and to allow foreign ventures to lease virgin farmlands (Desta, 2014).

At the time, Ethiopia recorded the fastest-growing economy, and it emerged as a hub of economic engine in sub-Sharan Africa. In 2015, an increasingly lazy and inept EPRDF began to drag the country into political unrest. Protests by the angry and increasingly unemployed youth cost the ruling party its power and control over Ethiopia's landscape. Either by design or default, these popular protests opened the door for Abiy to become not only the chair of the EPRDF, but also Ethiopia's Prime Minister on April 2018, (Gelan, 2018, Desta, Ethiopian Observer, 2018).

To the surprise of some party members, PM Abiy took an ideological turn after he became Prime Minister. In opposition to his party members and the Ethiopian Parliament, PM Abiy began unliterally reversing the country's long-held developmental state. Imagining that implementation of liberalization and privatization could succeed and using the dwindling foreign-exchange reserves as an excuse, PM Abiy ordered Ethiopia to start opening its doors to world investors to purchase publicly-owned stocks.

As stated above, Ethiopia's Developmental State Model has created miraculous economic growth for the last fifteen years. And yet, as if PM Abiy had not been part of the old process, he currently ridicules and openly questions Ethiopia's economic successes.

However, due to political instability, ethno-nationalistic conflict, and communal strife's, the Ethiopian topography has made it almost impossible for citizens and merchants to move freely from one ethnic-zoned region to another. In addition, exporting of processed goods by the recently erected industrial parks and competitive firms to foreign countries has become unmanageable. Domestic merchants and entrepreneurial farmers have also struggled to sell their products in Ethiopia's other regional states. Consequently, a gradual decline in the GDP, rampant poverty, inflation, external debt, and unemployment have led to an inevitable demise of Ethiopia's developmental state model.

Looking forward

Over fifteen years, Ethiopia's economic growth has enabled it to become Africa's greatest success story. However, Ethiopia now faces a decline in GDP, rampant inflation, and gradually rising unemployment. If the recent wide-scale economic crisis is not addressed immediately, it could ultimately disrupt Ethiopia's political legitimacy. Instead of using the achievement of the previous Ethiopia's Developmental State model as a base to create future harmony, PM Abiy's regime is undoing past successes and sheltering Ethiopia under the hegemony of the U.S. and U.S, Arab Allies, guided by the Washington Consensus paradigm. As chronicled by Stiglitz (2016), the neo-liberal model has damaged the economic health of many nations. Given the experience of other developing countries, observers can reasonably predict that if Ethiopia pursues the neo-liberal model, Abiy could harm his country politically, economically, and socioeconomically.

Instead of sticking to an ideological premise that politics will determine a large aspect of the Ethiopia's economy, it is high time that PM Abiy should follow the advice of Bert Lance: "If it isn't broke, don't fix it" (May,1977). Ethiopia currently faces an abysmal economic decline, political upheaval, and ethnic strife because the country's chief engine of growth—Ethiopia's Developmental State Model—has been cracking due to administrative obsolescence.

Tragically, the Ethiopian federal government has remained indifferent when residents, because of their ethnicity, are butchered, killed, harassed, and beaten with batons. Angry protesters are burning down churches and residential homes. Innocent victims who manage to escape on foot to other regions are found starving while sheltering in crowded churches, mosques, or other dilapidated buildings. Meanwhile, as ethnocentric outlaws and myopic bandits deliberately block inter-regional roads, Ethiopia's Federal

Government seems to turn a blind eye. Consequently, merchants, farmers and various entrepreneurs from local areas are prevented from crossing inter-state roads to offer their commercial operations. Sadly, starvation has become rampant in many communities.

In its current state of anarchy, where citizens literally slaughter one another, Ethiopia has become number one globally in terms of internally displaced people and human misery (Abraham, 23 Nov. 2018). Given this horrible truth, PM Abiy's regime has no choice but to take responsibility and enforce peace, stability, and legitimacy so the Ethiopian people can move freely between regions and interact peacefully without fear of atrocities.

To honor the Federal and state governments' promises to foreign investors who have invested in the various Industrial Parks by bringing new technology, acted as incubators for new entrepreneurs, and promoted just-in-time export of the internally produced products to the outside world, PM Abiy's regime should realize the economy's hard infrastructure (road network, buildings, power supplies, water, sewer systems, railways, airports, internet services), and the soft infrastructure (educational, legal framework, security, labor force) are malfunctioning in some parts of the country.

Hoping that peace and tranquility would thrive in Ethiopia—and using the same methods Japan, South Korea, Taiwan, Malaysia, and other countries undertook to tackle the "Asian Crisis of 1997" (Ginsburg, 2002)—PM Abiy's regime must conduct a systematic analysis of the Strengths, Weaknesses, Opportunities, and Threats (SWOT) for Ethiopia's Developmental Model. The results of the SWOT analysis could then be used as foundational base to sagaciously redesign an ongoing dynamic adaptive post-developmental model (Cai, 2010). Furthermore, using this type of analysis, Ethiopia could skip shock therapy and smoothly traverse the era of globalization to achieve dynamic, long-term growth.

Modifying the premise of Ethiopia's existing Developmental State model so the embedded state autonomy is primarily tailored to achieve economic growth, PM Abiy's regime must surge forward and apply a competitive market; this market must be driven by sweeping privatization that Ethiopia could take advantage of backwardness in its industrial upgrading process (Lin 2011). Given this, future Ethiopia could design its post-developmental reform to incorporate the three pillars: i.e., the economic, social, and environmental factors sustainable development.

In other words, from the core contents and strategies of the current Developmental state model, PM Abiy's regime doesn't need to sell the stocks of some of the profit-making state-owned enterprises (SOEs), such as Ethiopian Airlines, Ethio-telecom, and others to private investors because they have a solid history of surviving tough competition in the global markets. However, to minimize the monopoly power that these big companies have long entertained, as state-owned enterprises, in tandem with market liberation principles, they must be encouraged to compete seriously with other global investors. That is, PM Abiy's government must gradually reduce the various domestic subsidized credits and foreign currency that the SOE's monopolies have been collecting at no cost from the government budget, as well as the artificially repressed interest rate loans they accessed for many years. It is time that the SOE's monopolies be charged to pay the market-determined interest rates for funds borrowed for investment and/or to lower operational expenses.

To transit from the patterns that prevailed during the earlier developmental state period to the proposed post-reform state with a well -functioning market economy, PM Abiy's regime would have to remove the structural imbalances and distortion in finance and natural resources (except for the command-quality standards and control-negative externalities regulations) (Cai, 2011, Maman and Rosenhek, 2012).

As other developmental countries have done, Ethiopia could form a hybrid paradigm where some developmentalist practices coexist with the prevalence of privatization policies to harness a free market operation. Thus, the Ethiopian state could strategize the:

1) entry of joint venture investors, joint production, and wholly-owned green investment (with new production facilities), facilitating cheap inputs, lower operational costs, liberal exchange rates, and providing incentives like lower taxes and free land;
2) entry of investors in telecommunication, power, internet services;
3) entry of foreign banks to invest in Ethiopia;
4) privatization of the state-owned commercial banks;
5) efficiency of market forces to determine interest rates and the exchange rate on the Ethiopian currency (*birr*);
6) upgrading of the regulatory and supervisory capacity of the National Bank of Ethiopia to facilitate efficiency in the banking sector (Bezabeh and Desta, 2014);
7) development of small local banks which could extend credit to small household farms and small and medium-sized manufacturing enterprise; and
8) Privatization of depleted urban public houses (nationalized by the Dergue to fulfill

   the pillars of socialist welfare ideology that propagated that housing is not a commodity with an exchange value, but must instead be provided by the state at a nominal rent); and sold to current residents at approximately 25 percent of their monthly income amortized by public banks for thirty years. The privatization of public houses could not only help refurbish the depleting houses but also improve the infrastructures (i.e., pipes, sewer systems, powersupplies) that residents lack. The privatization of public urban houses could also harness employment and contribute to economic growth. In addition to the current, meager, urban safety nets designed to help unemployed youth search for jobs, PM Abiy's regime must reform the country's educational quality in order to prepare graduates with skills suited to the modern labor market, in lieu of the fact that employment is a cardinal human right, as stated in my book (2017) Re-thinking Ethiopia's Ethnic Federalism:

a) in collaboration with Technical and Vocational Education and Training (TVET) institutions, the current government must integrate an "Employer of last Resort" (ELR) model to retrain unemployed youth on sustainable projects and expose them to work in community-based, environmentally sensitive public services across a wide range of institutional settings.

b) To control the inflationary pressure in Ethiopia, the fiscal budget must be tightened. The National Bank of Ethiopia must be immune from political pressures in order to tighten monetary policy by auditing financial institutions; this would maintain reserve requirements and help encourage more prudent lending procedures.

To Achieve optimal sustainable development, and thereby feed its people, Ethiopia must focus on an integrated, environmentally sensitive, and cooperative agro-industrial style of development. By improving its environmental quality, Ethiopia can venture into the proposed post-developmental state era. However, to adopt a green development path, each state in Ethiopia must consider green technology development necessary as engines for economic growth, employment, and innovation (Mazzucato, 2013 and Ricz, 2016).

Currently, political cadres recruited from various ethnic groups run the Ethiopian Government. To make it efficient, governmental recruitment needs to be intensively competitive. Once recruited, in addition requiring each recruit to undergo a political orientation, government employees must act as autonomous civil servants—primarily recruited on merit and obliged to their institutions as opposed to their own political ends. Instead of recruiting state employees from a single ethnic group or based on political connections, PM Abiy can best serve the public by hiring people with technical expertise in order to professionalize the federal state bureaucracy and fully realize Ethiopia's post-developmental model.

However, for fundamental change to occur in Ethiopia, the existing mono-party system must give way to multi-party system. With the new political atmosphere, Ethiopia's journey toward autonomous democratic federalism can become a reality if it redesigns its form of federalism and practices predictable and transparent democracy incorporating adequate checks and balances. For example, the decentralization system promulgated by the Ethiopian government in 2001, a democratic self-rule of *woredas* could serve as the organizational structure for Ethiopia's federal system. Transferring political authority to local government through the establishment of democratically elected local government would propel direct citizen participation and accountability in Ethiopia.

Therefore, as this author suggests (Desta, 2017), to implement true democracy, the election system in Ethiopia must follow a proportional electoral system that allows multiple ballot choices to all Ethiopian citizens. Under this broad electoral spectrum, no Ethiopian eligible to vote can be left out. Proportional representation also minimizes the rampant ethnic tensions in Ethiopia. Therefore, with adequate public participation using the proportional electoral system, Ethiopia would undoubtedly remain stable as it marches peacefully toward the proposed post-development state paradigm.

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