On the Mechanics of Ethiopian Economic Progress, Some Recent Promising Developments, and Some worth of Thinking

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June 24th, 2016

“Learning really means getting out of our comfort zone; in some cases, it can mean suffering before our ideas take off” – Paolo Gallo (2016), “3 Ways to Become a Learning Machine.”

Introduction: Economists and development specialists have long been building models to try to understand the mysteries of what drives economic growth and how it could be sustained such as by culture, by government institutions, or by patterns of industrialization. Ethiopia, sometime used to be crowned with the name of famine despite the fact that it has had economic institutions required for sustained economic progress and was as prosperous as any place in the world in 400 AD, has for some time now been praised for its prudent macroeconomic management and performance. Over the past 25 years, the economy grew at an annual average rate of 8.0 %, with a sustained double digit growth for the past 12 consecutive years (an annual average rate of 10.8%). To sustain the promising progress and ensure its renaissance, the government has also been designing various incentive packages to attract more productive domestic and foreign investors into the manufacturing sector such as tax incentives in some predetermined development priorities – structural economic transformation being at the heart of its development endeavor. It is furthermore aspiring to become a leading industrial hub in Africa in the years to come, especially in that of light manufacturing industry.

Recently, however, the public has come to call out loudly about corruption and rent-seeking, or more generally, lack of “good governance”. But, as I can see, also drawn from several literatures, lack of “good governance” is largely an outcome of inappropriate institutional pillars, in which they would usually require a continual updating or re-installing. More importantly, unless it is about the issue of whether the public, the ruling party, and/or the government of an economy are awakens too early, too late, and somewhere in between, such event is not too strange -- it usually happens in both emerging and developed economies right after an economy has achieved some good economic progress2. Hence such event does not necessarily indicate an erosion of longer term potential, but it

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2 For details see, Olson (1965 and 1982) and Kaufmann and Kraay (2002). Olson has come to remark that even though oppressive or exploitative institutions are changed, self-sustaining good institution will not persist in and of itself, through time new pressure groups would emerge and challenge the quality of institutions. Kaufmann and Kraay have also come to remark similar point in their fairly recent study. They conducted a two-way regression on the nexus between economic growth and good governance and they reported mixed result and conclude: “Finally,
does call for urgent corrective action. In light of this, though arguably it is lately initiated, and its management is to be seen in the years ahead, such as the upcoming institutional pillars or systems that the government would put in place, both the public, the party, and the government are in a promising stage – they have at least started to pin point the potential causes for the observed lack of good governance through nationwide public forums.

Overall, therefore, it would be fairly important to seek, at least some, condensed information about the country’s development pathway which would be drawn from policy documents and research papers as well as some scientific recommendations and observations which are worth of thinking and/or re-thinking. Such condensed information would be helpful to earmark the country’s fair share in making our current world a better tomorrow, and help us to contribute our fair share in sustaining the country’s promising progress. In this context, with a strong belief that there are a lot of wisdons and fats, a lot of bloat, which we could infer from and aspire to ourselves, this small article seeks to review two books written by policy insiders and/or policy monks as well as the government’s four consecutive middle term development plans, including remarks from international organizations and diplomats.

The two books are entitled “Trade Policy and Performance of Manufacturing Firms in Ethiopia”; written By H.E. Dr. Abraham Tekeste (Ph.D.), former State Minster of Ministry of Finance and Economic Development and current Deputy Commissioner of National Planning Commission and “Made in Africa: Industrial Policy in Ethiopia”; written By H.E. Dr. Arkebe Oqubay (Ph.D.), former mayor of Addis Ababa and currently a minister and special advisor to the Ethiopian prime minster. Written by policy insiders/or policy monks, and indeed in an academic manner, i.e., Ph.D. dissertation, both books are inspiring and are even empowering – at least they will be offering us an opportunity to uncover some of the political process of the country’s economic policy reforms and its development pathway. What is more, they are charming --they are similar to that of “relay in race” type of game, which is an invaluable one in an academic research. In a nutshell, while Dr. Abraham Tekeste’s book critically reviewed Ethiopia’s trade policy reforms, trade liberalization, and then estimates the nexus between trade liberalization and technical efficiency as well as productivity of some selected manufacturing industries, and suggests a well-designed industrial policy to compliment trade liberalization, Dr. Arkebe’s eye-catching book took the issue of industrial policy a step forward and argues how possibly could Ethiopia’s industrial sector in general and manufacturing sector in particular led the whole economy and make use of its capability to create a much more spillover effect (linkage effect ) than that of agriculture. On top of that, they come out in a propitious time – when Ethiopia is envisaged to join WTO in the near future and industrialization is at the back of Ethiopia’s development endeavor and the AU 2063’s development agenda. It is

we speculate as to the potential importance of elite influence and state capture in accounting for the surprising negative effects of per capita income growth on governance, present some evidence on such capture in some Latin American countries, and suggest priorities for actions to improve governance when such pernicious elite influence shapes public policy"
however my optimistic view that a much more mature reflection, including some other exposes of books and articles that you think are worth of reading, would come out sooner.

To begin with, “Trade Policy and Performance of Manufacturing Firms In Ethiopia” (Abraham, 2014), organized into eight chapters, primarily considered six narrowly defined industries -- food, textile and clothing, metal, leather and footwear, printing, and wood -- is designed to help us to understand the trade policy in Ethiopia; the structure of trade protection since 1975; efficiency and productivity of the country’s manufacturing firms; the political economy of the 1990’s trade policy reforms; and the nexus between trade policy and technical efficiency. The book, which is a more of technical and is helpful for young scholars, has demonstrated that the trade regime before 1993 was characterized by significant anti-export bias and significant inter and intra industry variation in protection, whereas the trade policy reforms pursued since 1993 have led to an overall decrease in average trade protection and an overall decline in the anti-export bias, though not yet eliminated completely and has experienced some policy failures.

Particularly, using an econometric approach based on stochastic frontier production models, which is believed to be able to distinguish the analysis of total factor productivity (TFP) into a shift in production function (technical progress) and a movement along production function (technical efficiency), Dr. Abraham Tekeste’s book uncovered that though the trade liberalization in Ethiopia has indeed resulted efficiency-enhancing pressures, it is not yet significant, and in some cases, firms were showing technical regress. For instance, the author remarked that firms were finding it difficult to raise resources for upgrading their skills and technological capabilities and thus they have shown technical regress, including engaging in producing very basic items with non-tradable characteristics (e.g., producing garments and shoes for school, military and work uniforms). He therefore remarked that if the problem of technical progress is not tackled, such as lack of skilled labor and neglect of investment in physical capital so that they could be more receptive to know-how, increase creativity, and identify their commercial potential (emphasis added), deepening trade liberalization could eventually led to the bankruptcy of even potentially viable firms and thus far-reaching socioeconomic and political consequences would occur and it will hinder further liberalization.

The author has thus finally posits some amazing brainteasers and outlooks of economic liberalization in general and trade liberalization in particular. It presses the importance of legal reforms such as the establishment of well-defined property rights before pursuing economic reforms and the need of a well-designed industrial policy to complement the trade liberalization3.

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3 This is an interesting insight, in which it is recently remarked in the Addis Ababa Action Agenda, “Financing for the 2030 Sustainable Development Goals” (page 88). As highlighted in the document, there are two main challenges that would impede the realization of the potential benefits of international trade to sustainable development: (1) how to make it inclusive, and (2) policy coherence at all levels. In the latter case, which is similar to Dr. Abraham’s recommendation, it pointed out that an effective coordination mechanism at the national level is imperative for insuring synergistic interaction between trade policy and other public policies, particularly industrial policy.
“Made in Africa: Industrial Policy in Ethiopia” (Arkebe, 2015): Similarly organized into eight chapters, Dr. Arkebe Oqubay’s eye-catching book has took the issue of industrial policy a step further and scrutinizes problems and prospects of Ethiopia’s industrial sector, and develops noticeable scientific arguments and industrial policy road-map for Ethiopia and alike. The book presumes that economic performance is the outcome of policies and political economy, and address questions such as what does an industrial policy really mean? What makes an industrial policy and/or strategy of industrialization encompass a whole set of policies that are successful in some sub-sectors and failures in others? It specifically dwelled on the Ethiopia’s industrial policy and seeks to learn more from failures and success in the cement, leather and leather products, and floriculture sub-sectors, all of which functioning under a single industrial strategy.

He thus demonstrated that despite promising growth in overall industrial sector, Ethiopia’s industrial policy has resulted in an uneven outcome in different sub-sectors and fickle performance in most of the industrial sub-sectors. He articulated that while leather and leather products have been characterized by “erratic and sluggish growth”, cement and floriculture sub-sectors have been doing well. The author’s core thesis for the success of the two sub-sectors is reported to be the government’s industrial policies, through direct and indirect intervention. But, due to lack of timely intervention and a long term strategy, cement sub-sectors has been for instance subject to volatility – sometimes working under excess capacity and sometimes under shortage. More importantly, I would say, the author reminds us that the industry has a history of undesirable anti-competitive behavior in some other countries such as the U.S., India, Pakistan, and South Africa, and conditions that led to such behavior are also present in Ethiopia and the upcoming industrial policies should prevent such undesirable oligopolistic outcomes.

Derived from an academic definition of economic structure (Ocampo et al., 2009:7) and structural change (Pasinetti 1993:1), cited by the author, the book also concludes that industrial policies should be designed and measured with the aim of bringing economic transformation and structural change. In doing so, however, the book boldly challenges the conventional wisdom on the pathways to industrialization, and argues that industrialization requires a strong and development-oriented state with a long-term vision of structural transformation, a highly committed political leadership, and effective transformative institutions.

The book thus finally posits the need of a sector-wise industrial policies which considers an appropriate interaction between three very important factors – “industrial structure, linkage dynamics, and political economy/politics” as well as policies that maximize synergies between the export and domestic markets. Dr. Arkebe’s book has also remarked the need to promote policy capabilities and adaptive capacity, including developing multiple policy institutions. On top of that, the book claimed that for a policy decision to achieve a more ambitious result, charting a long-term perspective plan, but cautiously – that considers the effect of joining WTO – is imperative.
Summary of the books: All in all, both books have highlighted that Ethiopia pursues the gradual approach to liberalization; its development pathway has been unique in its policy orientation; it is very important to preserve ‘policy space’ and thus experiment unorthodox policies; and the importance of learning by doing, among others. In building a robust market economy, moreover, both books appears to celebrate the necessity of stringent reciprocity mechanisms, i.e., incentives should have to be managed on the base of performance — good incentive for productive and good performers and sanction for those who are not productive and bad performers. Furthermore, both authors have also stressed that Ethiopia, as WTO applicant and still has higher tariff rate than many SSA countries, will be expected to reduce its tariff rate.

Some Reflections, Brief Review of Ethiopia’s Development policies and Plans, and Some worth of Thinking: In general, though I am too young to reflect on, in order to share some of my preliminary thoughts about Ethiopian economy and encourage readers to come out with a much more mature reflection, reading the aforementioned two books coupled with the country’s past three medium term plans and the current one, I have got the impression that Ethiopian policymaking unit seems to be not a good student to be an example for the famously quoted John Maynard Keynes’s statement: “The idea of economists and political philosophers, both when they are right and when they are wrong, are more powerful than commonly understood. Indeed the world is ruled by little else. Practical men, who believe themselves to be quite exempt from any intellectual influence, are usually the slaves of some defunct economists”. Indeed, in a 171 pages working paper, the World Bank Group (2016) has also recently publicized about Ethiopia’s economic strategy entitled “Ethiopia’s Great Run – The Growth Acceleration and How to Pace It”. The document articulated that Ethiopia’s economic strategy was unique -- it has come to call it “The Ethiopian Way”.

In a political perspective, moreover, U.S. Ambassador Donal Yamamoto has remarked that “To understand Prime Minister Meles Zenawi is to understand one underlying, the inviolable premise of his leadership philosophy — Ethiopia would not be governed from outside. Whether it was the Ambassadors Group in Addis, the U.S. Congress in Washington, D.C. or the European Union in Brussels, Meles would not submit to international pressure to sacrifice Ethiopia’s long term democratic development for the mob justice of international public opinion. On his point, he was steadfast”. To make sure, if not the above statement is too personalized, that is what I can infer from the two books and the country’s medium term development plans. Other things remain constant, at least the arguments for and against the main policy instruments, as I can see, the government has been pursuing its own political economy and mixed policy instruments with a gradual shift from a more of demand side economics to a more of supply side economics.

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4 See http://www.strathink.net/, entitled “Understanding Meles Zenawi: Conversations with U.S. Diplomats (Part 2)”. 
Initially, however, as articulated in Dr. Abraham’s book, several scholars, including insiders, were unsure whether the Ethiopian People Revolutionary Democratic Party (EPRDF) led government would pursue reforms that deviate from the preceding command economy or not because EPRDF itself was subscribed to a ‘state-socialist’ perspective. But later on it has come to be evident that the government has pursued various reforms to reversing the then command economy. As pointed out by Dr. Abraham, such a shift has been justified for three basic points. (1) Due to the realization of the inevitability of the role of market mechanism; (2) liberalization; and (3) the country’s urgent need of aid and the associated pressure. In a nutshell, maximum tariff rate reduced from that of 230% in 1993 to 35% in 2011 and number of tariff bands are reduced from 25 to 6 during same period (Abraham 2014 and Arkebe 2015); the remarkable privatization made between 1994 and 2011 (i.e., 312 firms were privatized, of which 264 were transferred to domestic investors and 31 to foreign investors, cited in Arkebe 2015: 98). In doing so, however, the gradual approach to liberalization has been deployed (for reviews of the detailed policy changes, see Dr. Abraham Tekeste’s book, pp: 141-144).

During the first generation reform period, i.e., between 1992/93-2001, stabilization and structural adjustment program was formally adopted under the auspice of the IMF and the World Bank without a notable opposition. As condensed in Dr. Abraham’s book, such smooth reforms happened for four main reasons. (1) the party dominated the political process as well as the government, and opposition political parties were not seen as a threat to the EPRDF; (2) the management of most state-owned enterprises was in favor of gaining greater autonomy in decision making than trade protection; (3) trade unions were not opposed effectively, and (4) opposition from private sector was minimal at least at the beginning of the reforms - they might see it positively because the reforms packages were generally intended to remove discrimination in the allocation of imports and foreign exchange and generally encourage private sector.

Some major political economy problem had however reflected in the second generation reform, i.e., since 2001, which were a more radical and were likely to affect various interest groups. Although the argument in favor of market-oriented economic system finally gains the first hand, the author remarked that, a group of senior ideologues and leaders of the ruling party have challenged the adoption of structural adjustment program and the abandonment of its socialist principles. The resultant outcomes, as emphasized by the author, are two main folds – the dissenting members were expelled from membership of the party and a new inside-out paradigm but within the market-economy framework has evolved, i.e., “democratic developmental state”.

In 2002/03, therefore, based on its broader vision -- Agricultural Development Led Industrialization (ADLI) -- the government has formulated a comprehensive Industrial Development Strategy (IDS). ADLI underlines that agricultural development should play a leading role for a full-fledged industrialization, and the IDS ascribed itself to the linkage between agriculture and industry, with a great emphasis on labor-intensive industries and export orientation – aimed to exploit the untapped land and the comparative advantage of large and cheap labor that the country is endowed with. The
overriding development agenda of the government being focused on poverty reduction and its ultimate elimination, the IDS recognizes the role of the private sector as an engine in the industrialization process, but arguably largely influenced by the East Asian experience than that of the conventional neoliberal policies – government would need to take a leading, not merely facilitating role.

The IDS has thus been supported by consecutive middle term developments plans, started from a more of demand side economics in the first middle term plan called “Sustainable Development and Poverty Reduction Program (SDPRP) (2002/03-2004/05), and increasingly focused on a more of supply side economics. SDPRP clearly articulated that while some countries primary goal is economic growth, and poverty reduction is to be achieved through measures complimentary to growth, Ethiopia’s primary goal is poverty reduction, and “economic growth is the principal, but not the only, means to this objective” (MoFED 2002: 36). However, the second middle term plan for poverty reduction, the “Plan for Accelerated and Sustained Development to End Poverty (PASDEP)” (2005/06-2009/10), ascribed its strong orientation towards diversification and commercialization of agriculture as well as private sector development as the main means of accelerating growth and alleviating poverty (MoFED 2005). More importantly, though it clearly articulated that PASDEP will continue to pursue the ADLI strategy and will build on the development strategies pursued under SDPRP (i.e., expanding education, strengthening health service provision, fighting HIV/AIDS, food security program, capacity building as well as decentralization), it has come to emphasize that “there is now a consensus that growth is of the essence, and an accelerated growth strategy is at the core of PASDEP” (MoFED 2005: 46).

As far as I can imagine, this is an indication of shifting from a more of demand side economics to that of a more supply side economics – arguably to build a robust market economy. But, as it is called that there is disadvantage in any advantage and vice versa, though the country has been prized for the higher growth rates recorded afterwards and Ethiopia is still amongst the most equal countries in the world, the idea of promoting shared prosperity has not been achieved up to the mark. To make sure, studies have been demonstrated that the consumption growth of the bottom 40 percent was higher than the top 60 percent prior 2005 while it has reversed afterwards. Although, the World Bank Group (2016:5) has articulated that such outcome can largely be explained by the effect of rising food prices in 2011 which hurt the real income of marginal farmers and the urban dwellers, I have got the impression that the shift to a supply side economics may have also played a greatest role at least in an unintentional manner.

The good news, however, is that, although the policies pursued since 2005 would need a further scrutiny and improvement, the third middle term plan (i.e., the Growth and Transformation Plan One (GTP-I) spanned from 2011/12 to 2014/15), had some indications for the idea of promoting shared prosperity. The plan has the intension to serve as a spring board for structural transformation by adequately supplying inputs necessary for industrial growth and thus employment creation (Cf.
MoFED 2010: 23ff) in which there is nowadays a consensus that policies that could result such structural changes are the remedies for the root cause of poverty in Africa.

Although the policies pursued during the PASDEP period would still need a further scrutiny and improvement, building on GTP-I’s performance and the idea of stringent reciprocity mechanisms, the fourth mid-term plan (second Growth and Transformation Plan (GTP – II) which will span from 2015/16-2019/20), speaks out that GTP-II is a make or break moment for manufacturing sector’s development and thus transforming the basic structure of the economy while at the same time addressing some short-term and more pressing development issues like that of hard currency shortage and massive employment creation. As indicated in the document, domestic private sectors seem to be firmly encouraged but they will not be tolerated. As I can see, these all developments are promising to sustain the progress and ensure the idea of promoting equity – would help the economic actors to be a more purposeful, disciplined, and industrious.

Hence, if it is implemented effectively, for instance if it’s able to manage vested interest groups properly, I would say that the economy is in a promising trajectory to build a robust market economy backed by its own political economy called “democratic developmental state”. It has designed various incentives packages for productive investors such as the implementation of tax incentives for predetermined high-priority areas: income tax exemptions for several years, export tax free for proceeded goods, and duty free imports for capital goods and raw materials, among others. The priority areas are: agro-processing industry; chemical and allied activities; textile and apparel industry, leather and leather product industry, metal and engineering industry, ICT and electronics industry, petrochemical industry, and biochemical industry, and the recently energized industrial parks development, are assumed to boost the manufacturing sector -- some of them will be functional right now and some others would lay foundation for the long run.

Interestingly, the idea of building a robust free market economy has also been accompanied with the establishment of various important regulatory bodies/institutions. A case in point is the establishment of “Trade Competition and Consumer Protection Authority” in 2010, which I believe is very important. Indeed, as pointed out by Adam Smith, the pioneer of the modern economics, “People of the same trade seldom meet together, even for merriment and diversion, but the conversation ends in a conspiracy against the public or in some contrivance to raise prices”. Similar remarks have also been made by some well-known politicians. Franklin D. Roosevelt’s remark is for instance cited in several competition economics literature. He stated that “Competition has been shown to be useful up to a certain point and no further, but cooperation, which is the thing we must strive for today, begins where competition leaves off”. Hence, the competition authority would play a great role in creating and strengthening a proper functioning market economy, but of course depending on its capabilities.

The State’s development projects (comparative advantage) and the timely incentive packages for the private sector’s development are however to be seen well in the years to come. But it is my belief
that if the state continues to intervene wisely, but in a more proactive mechanism than that of more defensive, it can well support the journey; will continue to become a source of economic growth. Indeed, as pointed out in the very beginning of this article, the government has for some time now been receiving praise all over the world for its prudent macroeconomic management and good economic performance – its policies and strategies have already started to earmark their fair share in making our current world a better tomorrow, which is encouraging.

Nevertheless, as there is the word “if” inside the so-called “life”, I cannot claim that the promising progress is not irreversible. As articulated by Professor Costantinos Berhutesfa (2015), taken directly, what State failures teach us is that any society, which is not based on strong institutional pillars and robust meritocracy in its distribution of social and economic benefits, is bound to fail. Indeed, Optimistic views will come true whenever we are capable of acting proactively and gently. Ethiopia has thus far been and is crafting various bankable projects like that of mega infrastructural projects as well as the 70/30 education system, but lack of profitable operations, at least up to the mark, have been observed.

Overall, therefore, as I can see, the following points are worth of thinking/re-thinking. First, we need a clear articulation of the success and failure of the country’s decentralization programs -- which have been taken primarily the form of “devolution” -- and then design appropriate remedies/systems to make it a more responsive and effective. This is due to the fact that while the EPRDF led government’s policies and strategies are by their very nature in favor of the rural population, and are its popular support⁵, there has been the temptation to downgrade the governance system. Hence, ranging from top administrative bodies to bottom ones, some of the operating systems would need to be updated while others would totally need a re-installation. Second, public project appraisal as well as its management would need to be re-visited. For sure, it is not only about bankable projects that an economy would require, but making sure whether profitable operation is taken place or not is also equally important, if not the most important. Third, analysis of earning dynamics would be worth of thinking -- It seems that there has been an indication to downgrade the value of education and professional development. Although the young people would need to lower their sights to fit with the vision that policymakers and development professionals would have in mind, change in mindset would therefore need to start from the government and its bureaucracy – they would require closing the “imagination gap” to match the enthusiasm, idealism and aspiration of the young people they are seeking to support.

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⁵ See, for instance, the Economist’s article, May 20th 2004, p.3. It has articulated that “Meles Zenawi, the prime minister of Ethiopia, has the most insightful, indeed ingenious, ideas about rural development of any leader in that country’s modern history”. Available from http://www.earthinstitute.columbia.edu/sitefiles/file/about/director/pubs/economist052004.pdf
On the economic policy front in which the country is on the verge of industrialization and structural transformation, it is fairly important to note that, as also stated in various stages, financing for development projects would highly demand domestic resource mobilization – government revenues and private savings. To make sure, unlike the orientation of Millennium Development Goals (MDG’s), which have been primarily designed to the least developed and developing economies, the 2030 agenda for Sustainable Development Goals (SDG) has a global orientation and it is fairly easy to speculate that foreign source of financing would be too challenging. The great policy divergence between the U.S.’s Federal Reserve (FED) and the European Central Bank (ECB) would also be another interesting case in point. As articulated by Mohammed A. El-Irian (2015), among others, there would be international repercussions as FED and ECB moves in opposite directions - the Fed raised interest rates for the first time in almost ten years while the ECB introduced additional unconventional measures to drive rates in the opposite direction. Overall, therefore, Ethiopian financial systems, especially that of capital and credit market, are worth of thinking and/or re-thinking, and need to come into the public discourse boldly.

**Summary:** This article aims to share some reflections about Ethiopia’s development pathway and pose research and/or discourse areas that I thought are worth of thinking and/or re-thinking, drawn from two books written by policy insiders and/or policy monks as well as the country’s four consecutive medium term development plans and some other articulations made by foreign diplomats and international organizations. In a nutshell, drawn from these sources and own reflection, Ethiopian development pathway appears to be unique. To twist one of John Maynard Keynes’s famous remarks, its development policymaking unit seems to be not usually the slaves of some defunct economists and political philosophers. To make sure, even though ADLI’s mission, the government’s broader policy strategy, is not yet finalized (i.e., agricultural capabilities are not yet developed up to the mark in which its success story largely relied on the usage of improved seeds and fertilizers supported by agricultural extension workers) the current government has been prized for its most insightful, indeed ingenious, ideas about rural development. It would therefore be fairly noticeable that ADLI has largely been on the mechanics of its remarkable economic progress though public investment in infrastructure, education, and health may have been playing their fair share. Up to now, ADLI has furthermore been supported by industrial development strategy focused on a linkage between agriculture and industry with a great emphasis on labor-intensive and export orientation as well as four consecutive medium term development plans which have been initially focused on a more of demand side economics and then shifted to a more of supply side economics since 2005. Even though it seems to me that the shift to a more of supply side economics has played a role on the challenges in terms of promoting shared prosperity that has observed since then, and the policy instruments would need to be re-visited comprehensively in order to ensure no one is left behind, the government has arguably been too busy to build a robust market economy.
Since recently, moreover, as articulated on the ongoing middle term development plan for 2015/16-2019/20 (GTP II), the country is aspiring to become a leading industrial hub in Africa in the years to come, especially in that of light manufacturing industry. To ensure the vision, the government has been designing various incentive packages to attract productive domestic and foreign investors into the industrial sector – structural economic transformation being at the heart of its development endeavor. It has been and is determined to manage corporate income tax exemptions for several years, export tax free for proceeded goods, and duty free imports for capital goods and raw materials. During the course of industrialization, furthermore, domestic private sectors seem to be firmly encouraged but they will not be tolerated. As emphasized in both books that are reviewed in this article and the current medium term development plan, the necessity of stringent reciprocity mechanisms -- good incentive for productive and good performers and sanction for those who are not productive and bad performers – seems to be the guiding principle of the country’s industrialization.

In a fast and changing global economy, however, in order to speed up the promising socio-economic progress and achieve its aspiration, in addition to the interesting insights articulated by H.E. Dr. Abraham Tekste and H.E. Dr. Arkebe Oqubay such as the need of manufacturing firms to invest in human and physical capital so that they could be more receptive to know-how, increase creativity, and identify their commercial potential (the underlined is mine), the need of a well-designed industrial policies to complement trade liberalization as well as the need of charting long term perspective plans which considers an appropriate interaction between industrial structure, linkage dynamics, and political economy, the government would need to think and/or re-think its institutional pillars in each and every of its branches while Ethiopian scholars and partners should not have time to waste to improve the functioning of the economy. In a nutshell, therefore, this paper has four main points and/or observations which are worth of thinking/re-thinking, and are very heterodox in their very nature.

1) Since the public has called out loudly about lack of good governance, we would need to clearly articulate the success and failure of the country’s decentralization programs in a fresh eye – there could be a call for updating or re-installing institutions and/or rule of the game in town;

2) Since there have been an indication to downgrade the value of education and professional development, we would need to scrutinize labor market’s earning dynamics;

3) In order to have a more bankable development projects and ensure whether profitable operation is taken place or not in each of them, we would need a more astute mind than ever in appraisal and management – when an economy grow, its complexity too. Hence, most critical institutions such as National Planning Commission, Investment Commission, and Development Bank of Ethiopia should put in place rigorous economic criteria and work in a synchronized manner. In developing economies like Ethiopia, such institutions would need to be like that of Ministry of Finance and/or European Central Bank in the EU
and like that of the U.S. Department of Treasury and/or the Federal Reserve (FED) so that they could head their economies to the next best level.

4) Since the recent interest rate policy divergence between the FED and ECB as well as the SDGs global orientation would result the need of developing economies to focus on domestic resource mobilization more than ever — on government revenues and private savings — governments would need to think and/or re-think about their respective financial development policies. Hence, even though it’s my belief that it’s wise to exploit existing systems to their level best before commencing new ones, with the interesting insight made by Dr. Abraham Tekeste in mind — the need of a well-designed property rights before economic liberalization — the issue of joining WTO as well as capital and credit market in Ethiopia would need to come into public discourse boldly, and take shared values and plan for the near future. It would also be interesting to think about the country’s banking sector in general - as I can see, it would be nice to have a call for merger either through policy and/or market driven.

All in all, as articulated by Paolo Gallo (2016), taken directly, learning really means getting out of our comfort zone; in some cases, it can mean suffering before our ideas take off. Learning however becomes difficult when there are long delays between action and consequences, “as when we try to regulate the water temperature while in the shower” (Haussmann 2016). Haussmann added that “when reaction times are slow, exploring the heterodox is necessary, but should be done with care. When all orthodoxy is thrown out the window, you get the disaster that was the Chinese Cultural Revolution — and that is today’s Venezuela”. To make sure, these statements are however not directly relevant to the Ethiopian economy, at least at this stage. The government has even been witnessed its pragmatism right after it came to power – a shift from a ‘state-socialist’ to a market economy. As a matter of fact, with a gradual approach to liberalization in mind than a ‘big-bang’ approach, Ethiopia has been using market mechanism and aspiring to build a more robust one to achieving social goals than repressing it like that of Venezuela. The author, however, is desired to give an emphasis that the government would need whole-rounded and timely discussions about its economic institutions such as credit, capital, and labor market regulations in a fresh eye so that its scholars could take homework for identified shared values and speed up the progress.

References


