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# Eco-Political Development hopes and challenges in Post 1974 Ethiopia

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*Abstract*

*In this article political and economic development in post 1974 Ethiopia have been discussed in line with hopes and challenges. The pre 1974 Ethiopia was known for monarchic political orientation governing economic system in the country. The coming of military 'Derg' in 1974 brought the monarchic rule to an end and marked by significant shift in political and economic reforms in the country. The article relied on qualitative review of literature dealing with political and economic development in Ethiopia. The political orientation in pre 1974 Ethiopia was monarchic and the key economic base, land was purely owned by monarchic rule with restricted right to access and ownership to the rural population with a defined land holding system called 'gult' and 'rist' which privileged the ruling system. The massive revolt inbuilt in the slogan, 'land to the tillers' brought the monarchic rule to an end in 1974. . The Derg regime inclined to socialist ideology imbedded under Marxist-Leninist intellectual discourse. The economic reform, the distribution of land to the tillers was a massive shift in the history of the country the ensured the ownership of land by the peasants. The hopes in economic development remained unmet during Derg regime and the political system began to be threatened by internal revolts and external tensions and pressures from capitalist bloc in the west that led the Derg regime to come to an end in 1991. The EPRDF came to power in 1991 overthrowing Derg regime by weapon. The EPRDF's developmental state mentality rooted in the lessons of Asian development model restructured the country in to new economic system and decentralized political power. The last decade of the EPRDF was said much for its fast economic development but increasing youth unemployment, ethnic based conflicts, corruption and inflation resulted in mass revolt the caused in internal split followed by reform that brought 'prosperity party' to power in 2018. The economic hopes during the EPRDF period was threatened by corruption and poor leadership that significantly affected grand development project in the country such as sugar projects, collapsed and grand renaissance dam project significantly delayed. The hopes after the 2018 began to face challenges regardless of sound distance to travel in terms of political and economic reforms as expected to be realised in the country. The outbreak of COVID-19 which affected global economic performance hampered the economic performance fuelled with recurrent internal conflicts that mainly affected northern part of the country. The skyrocketing market price which threatened the subsistence, persisting conflicts which restricted agricultural production and the government reported political and economic development achievements remained central points of debate. The need for committed political leadership, internal solutions for economic challenges and attention to peace building and national reconciliationare the top urgent priorities in the country.*

Key words: Economic development, Ethiopia, political development

## 1. INTRODUCTION

Ethiopia is one of the countries in Africa with a non-colonial history. The political and economic background in Ethiopia is, therefore, primarily the result of its own internal experiences and to some extent external influences. Ethiopia has experienced a very old and long feudal political orientation, which is mainly monarchic that was ended in 1974 by mass revolt. The successors of the monarchic rule, the military „Derg" and the Ethiopian Peoples" Revolutionary Democratic Front (EPRDF) have led the country through different political and economic experiences. The most recently elected ruling party, the Prosperity Party, is the modified version of EPRDF and is facing several internal instabilities and external tensions.

The pre 1974 Ethiopia was distinguished by monarchic political orientation where land used to play key economic role in the country. The Derg regime which brought the monarchic rule to and end and introduced a shift in a political sphere and landholding was known for economic stagnation. The political and economic background in Ethiopia during the reign of the EPRDF with a focus on ethnic-based political restructuring, economic reforms and developmental state policies and projects was known for contradicting facts with progressive achievements in economic sector reported by the government in one hand and unmet poverty alleviation efforts on the other. The political shift from EPRDF to the Prosperity Party as a ruling party appeared, with few reform agendas hopped to respond to the political and economic expectation in the country which continued to be challenged by the outbreak of COVID-19, internal instabilities and external pressures.

## 2. METHODOLOGY

In pre-1974 Ethiopia, the political rule was a monarchic political rule with hereditary power transition practice in the country. Ethiopia had a very old feudal political orientation, where landlordism and tenancy class arrangements were considered as natural social strata. During this period, the country experienced significant external pressures and internal instabilities. The external and internal factors were the major forces shaping political and economicsituations in the country.

The military coup in September 1974 overthrew Emperor Haile Selassie and marked the end of the old dynasty that claimed to descend from the Biblical King Solomon. The overthrow of the emperor was followed by a series of changes in the political and economic landscape in the country (Kebede 2008). The overthrow of the monarchic rule resulted in the shift from the old „feudal" system towards „socialism". The Derg[1] with its socialist political view was linked to the socialist bloc under the USSR and strengthened its foreign relations with the countries of socialist ideology (Bayeh, 2018).

After an armed struggle, in 1991, the EPRDF became the governing party. The political philosophy of the EPRDF was rooted in the Marxist student movements of the 1960s and 1970s (Vaughan & Tronvoll 2003). The type of democracy preferred by the EPRDF was not the liberal bourgeois variety that was based on individual participation; rather, it was
„revolutionary" democracy that promotes communal collective participation.

The death of late Prime Minister Meles Zenawi in 2012 resulted in power transition in the same ruling party, which brought Hailemariam Desalegn into power as the prime minister. Shortly after this, the increasing youth unemployment rate and the unsatisfactory response of his government to the social needs resulted in continuous street violence, strikes and boycotts, which were increasingly fuelled by the divisive ethnic discourse that has dangerously shaken the country (Mokkadem 2019). The Government of Ethiopia had been trying to address street violence through frequently imposed states of emergency. However, in 2018, the weakened Government of Ethiopia had become paralysed by nationwide protests and business boycotts, accompanied by acts of sabotage that forced Prime Minister Desalegn to give up.

EPRDF, the ruling coalition party, started to realise and admit its internal problems; the unmet urgent social demands, internal corruption and inefficient leadership at all levels. As a way out of these challenges, the government decided to initiate a critical self-evaluation with the promises of radical reforms and deep leadership renewal; but all in vain, as it was just too little too late compared to the problems occurring in the country. Desalegn, the successor of Zenawi, failed to ease the tensions in different parts in the country and failed to respond to the promised reforms for the never-ending social demands, which forced him to submit a letter of resignation stating that "...he wanted to be part of the solution" (Mokkadem 2019:2). The young Dr. Abiy Ahmed, affiliated with the Oromo People Democratic Party, the former army intelligence officer, succeeded the prime minister position. Since 2018, Dr. Abiy has symbolised a new idea, "unity" equivalent to the Amharic term

„medemr" triggering new hope and redirecting the country from its negative path. The political idea of Dr. Abiy resulted in a new party system, the Prosperity Party (PP). Dr. Abiy has removed the membership[2] requirement barriers of EPRDF, entered a coalition with four member parties from four regions namely, Tigray, Amhara, Oromia and SNNPR, and included all the regions in the country under the Prosperity Party with equal potential for participation in the system. However, TPLF, which had played a central role in the ruling party for over two decades, withdrew itself from the membership of the PP and started to stand against the new party to the extent of conducting regional elections, violating the institutional mandate given to board of election at federal level.

[1] „Derg" is a word taken from Geez (language used by the Ethiopian Orthodox Church) that means „consultation team or committee". Derg is the name given to the military junta that overthrew the imperial regime, and declared a regime known as „Provisional Military Administrative Derg". Thus, Derg is synonymous with Provisional Military Administrative Council (PMAC) (Abebe 2014).

## 3. LITERATURE

### 3.1. The Political Situation in Pre-1974 Ethiopia

The coronation of the emperor, Tewodros II, in 1855 marked the beginning of modern Ethiopian history. The period from 1855 to 1974 was distinguished by major changes in the political, social and economic spheres in the country. Tewodros II introduced three major reforms during his reign (Zewde 2002). First, Tewodros II attempted to introduce modern technology from Europe. Secondly, he attempted to change the landholding system by limiting the size of the land owned by churches and bringing about reforms in the working force with the intention of increasing manpower productivity. Third, Tewodros II attempted to reform the military sector with the objective of modernising the defence forces to protect the country. However, the attempt to modernise the military sector was threatened by both internal and external opposition.

The prevalence of political instabilities and the economic crisis affected the modernisation attempts of Tewodros II and his successors. Territorial expansion by the central government and subsequent opposition from regional governors along with external expeditions like Egypt, Britain and Italy were major external challenges in the political history of the country. The great economic depression of Ethiopia (1888–1892) coupled with foreign aggression worsened the political and economic situation in the country (Zewde 2002). In 1896, Ethiopians confronted Italian troops at the battle of Adwa, that caused losses to both sides,but the Italian troops were defeated.

[2] Membership to EPRDF is limited to only four regions; Tigray, the central role player in the membership, Amhara, Oromia and SNNPR. Other regions in the party‟s code of conduct were given a role of subordinates as they were considered by the party only emerging regions.

The first half of the 20th century was beset with power struggles which resulted in a weakened political and economic situation in the country. In the late 1920s, a second unsuccessful invasion attempt by Italy affected the socio-economic and political situation in Ethiopia. It was a good opportunity for Ethiopia to enter international politics as Haile Selassie; Emperor of the country initiated its membership of the League of Nations in 1920s and the UN in the 1940s. During the late 1940s, internal rebellions began to challenge the monarchic rule in different parts of the country (Zewde 2002). The university students‟ movement against the monarchic rule fuelled the peasant rebellion in Gojam, Bale and Gedeo. The peasant rebellion was accompanied by the slogan called "Land to the Tillers" which resulted in the collapse of monarchic rule in 1974.

### 3.2. Land as Key Economic Base in the Pre-1974 Ethiopia

Historically, Ethiopia has experienced various forms of political and economic systems across different regimes (Bayeh 2018). Before 1974, Ethiopia had an age-old feudal system until the collapse of Emperor Haile Selassie‟s regime by popular revolt. In its long history, feudalism was characterised by a traditional social structure which mainly depended on land as a means of production and agriculture remained the engine of development.

The significant dependence of the poor on agriculture as a means of subsistence makes land in rural areas an important tool of economic development and poverty alleviation (Kebede 2008). In the pre-1960s, land reform in Ethiopia did not consider land as a tool for achieving economic development and social justice (Dunning 1970). Land as a base of the economy in Ethiopia was controlled by the ruling monarchy and the farmers were deprived of landholding rights. The landholding right in pre-1974 Ethiopia was either „Rest‟[3] or „Gult‟[4] right. „Rest‟ is the right to claim land from landlords on an hereditary basis and „Gult‟ is a non-hereditary right (Abebe 2014; Zewde 2002,).

Landholding and the economic system during pre-1974 Ethiopia was centralised and sought to maintain control by central government and extract rents from land via a feudal system of land management, military mobilisation and political loyalty (Van Veen 2016). The local peasantry was subjected to serfdom and the right to the land was defined by clear requirements for taxes and services that mainly served the monarchy. In the process of imperial expansion and consolidation, entire sultanates, principalities, and even population groups were eliminated and deprived of the rights to access land and social services as need dictated (Van Veen 2016). Land as a key economic tool and failure to respond to the questions of individuals and collectives like farmers, students and elites resulted in popular revolt and paved the way for the military regime to take over.

[3] A lineage system of land ownership, giving usufruct rights to the claimant (Zewde 2002)
[4] Non-hereditary right to collect tribute, bestowed on the members of the nobility and clergy by the king (Zewde2002)

### 3.3. The End of Monarchic Rule and Political Shift

The political transition from the feudal system to the military regime introduced changes to the landholding system (Zewde 2002). Following the overthrow of monarchic rule, Ethiopia stood at the crossroads of international relations with the competing western capitalist camp and the eastern socialist bloc. The socialist bloc under the Soviet Union won the foreign relations ties with Ethiopia. This was a significant turning point in Ethiopian history as major political reforms took place in terms of the landholding system.

The revolutionary regime did away with landlordism in a swift move that surprised even its severest critics. The Derg also tried to address the question of illiteracy with unprecedented passion and intensity (Zewde 2002). The Derg secured the largest mass mobilisation for the first time in the country‟s history. The essence of nationalism, though not new to Ethiopia, was replaced by secularism dissociated from the church and extended to the economically enfranchised South. To preserve its political ascendancy, the Derg tried to combine Nationalism and Marxism which was the foundation of the dominant Marxist-Leninist intellectual discourse. However, the Derg regime failed to respond to the genuine needs of the people, and opponents began to challenge the military regime which was overthrown in May 1991 in an armed struggle led by the Tigray People‟s Liberation Front (TPLF). That endedthe socialist ideology in the country.

## 4. RESULTS AND DISCUSSION

### 4.1. Major shift in land holding system and economic stagnation

The 1950s and 1960s were successive decades where the monarchic dynasty had faced mass oppositions from different corners of the country. The central element of the opposition was the economic question; for instance, the peasant rebellion in Gojam and Bale was based on the quest for landholding rights (Zewde 2002). In 1974, the revolution erupted as the rebellion reached its peak with the engagement of elites and university students under the banner of „Land to the Tillers‟. In the same year, taking advantage of the massive opposition, the military regime, Derg came to power overthrowing the monarchic regime and realised the change in landholding system (Zewde 2002). A year later, the Derg ensured landholding rights for peasants through redistribution of land owned by the government.

Nevertheless, the Derg regime, regardless of major changes in landholding, has been called the „lost period‟ because of economic stagnation where the average GDP growth in the country between 1974 and 1990 decelerated to 2.3% from 4% between 1960 and 1974 (Oqubay 2018). During the two decades of the Derg regime, the defence industry was given priority and capital investment was geared towards defence needs. Central planning, social ownership, self-reliance and import substitution industrialisation were the key principles of the Derg economic policy (Oqubay 2018:6).

The Derg regime launched the National Revolutionary Development Campaign in 1978 with the aim of mobilising all available resources for the economic transformation of the country under the guidance of the Central Planning Supreme Council (Zewde 2002). After the rigorous exercise, the Derg devised the ten-year plan (1984/85 to 1993/94) with the aim of accelerating economic growth based on the development of

agriculture and the expansion of industry. However, the anticipated GDP growth of 6.5% and the rise in per capita income by 3.6% never materialised. The 1984 famine was the worst natural disaster that occurred during the Derg regime leading to an economic crisis as nearly eight million people were affected and about one million died (Zewde 2002:263). The military regime began to collapse due to worsened poverty and opposition from different corners of the country that helped the EPRDF to emerge as the ruling party in 1991.

### 4.2. Ethnic-Based Political Restructuring

The EPRDF restructured Ethiopia into regions, where language and geography were the main factors in the restructuring. The national-question-comes-first-wing of the student movement had won over those who claimed that class and economy were the crucial issues in Ethiopia and "self-determination for the nationalities", implying federalisation along ethnic lines, was introduced (Aalen 2002:1). Tigray, one of the nine regions in Ethiopia (see Figure 1.1 in Chapter 1) had been part of the Abyssinian ruler complex since 1888, but a junior partner to the Amhara. It was economically neglected during the Haile Selassie and Derg regimes. The TPLF was officially established in 1975, which took power and led the country to becoming an ethnic-based federal state after 1991 as encapsulated in the 1995 Constitution.

In Ethiopia, ethnic federalism as an institutional set-up favoured ethnicity as one marker of identity over many others like economic status, citizenship, occupation, religion, class or gender. Ethnicity became the dominant marker of identity, or rather encouraged people to identify themselves in ethnic terms (Abbink 2011). The EPRDF version of pan-Ethiopian national discourse, developed notably after the Ethio-Eritrean war in the late 1990s, and is seen in symbolic celebrations of "unity in diversity" such as Flag Day and Nations, Nationalities and Peoples" Day, an annual celebration of the ethnic group traditions of Ethiopia. The manifesto of TPLF for an independent republic of Tigray was later modified to cultural and political autonomy for the region within a united Ethiopia. There were also competing factions within the movement, disagreeing on whether the front should be exclusively Tigrayan with nationalist aims or an ideologically based nationwide organisation. In 1985, Meles Zenawi and his Marxist-Leninist League of Tigray emerged as the winner in the internal struggles with the aim of building a multi-ethnic Marxist-Leninist party against the Derg, although only nationally based movements were allowed to be included (Aalen 2002). The federal and regional elections in 1995 marked the end of the transition period in Ethiopia and consolidated the dominant party system under EPRDF.

### 4.3. Economic Reforms and Developmental State Politics

According to Lie and Mesfin (2018), contemporary Ethiopia is known by two contrasting features, namely, poverty and economic growth. The prevalence of poverty is the more pronounced feature in the rural hinterlands whereas economic growth is taking place in the central and urban areas. However, urban poverty and inequalities are exacerbated by proliferating urbanisation and unemployment rates. According to the report of MoFED (2002), in the 1980s and early 1990s, the Ethiopian economy was on a downward trend, with the average GDP growth of 2.3% and per capita GDP growth of -0.4%. The economic reforms taken

by the government following social and political transformation, resulted in positive growth in the 1990s and 2000s, with an average real total and per capita GDP of 3.7% and 0.7% per annum respectively (MoFED, 2002).

The EPRDF focused on the achievement of the broad-based, accelerated and sustained economic growth so as to eradicate poverty (MoFED 2010). It designed strategies, policies and plans to ensure the overall development in the country. The Plan for Accelerated and Sustained Development to End Poverty (PASDEP) was the first development plan designed for three years which served as the foundation for succeeding development plans. During the PASDEP years, high and sustained economic growth and significant social and humandevelopment were realised (MoFED 2010).

The accelerated economic growth experienced in Ethiopia marked its achievement in poverty reduction goals and was referred to as the „Great Run", similar to the case of the Asian Tigers (Lie & Mesfin 2018). The government has been striving to lift the country from being among the poorest countries in the world to a middle-income country by 2025. Ethiopia"s accelerated economic growth has been concentrated in the agricultural and service sectors, with agriculture the mainstay of the government"s poverty alleviation and growth strategy.

According to World Bank Group, economic growth in Ethiopia has been remarkably rapid and stable over the last decade (World Bank 2016). The real GDP growth averaged 10.9% during 2004–2014, which exceeded the per capita growth rate of 4.5% achieved in the first decade after the country"s transition to a market economy (1993–2003). It was –1.0% during the Derg regime (1974–1991) and 1.5% during the monarchic Haile Selassie regime (1951– 1973). The volatile growth pattern prior to 2004 was believed be the result of droughts and military conflict, but rapid and stable economic growth has been occurring since then (World Bank 2016).

Since 1991, Ethiopia has pursued a policy of Agriculture Development Led Industrialisation (ADLI) as a main economic strategy, which was rooted in the development theories of the 1960s. ADLI gives attention to the agricultural smallholdings that need to be developed first to facilitate industrialisation through demand creation for industrial commodities and inputs (World Bank 2016). The promotion of light manufacturing with the intention of supporting structural transformation and exports began to complement the efforts of ADLI in the mid- 2000s. ADLI focuses on product diversification to ensure commercialisation of agricultural smallholdings. Its focus has also shifted to higher-valued crops and niche high-value export crops. The development of large-scale commercial agriculture, effective integration of farmers with domestic and external markets and tailoring interventions were major strategies ADLI identified to support in line with the specific needs of the country's varied agro- ecological zones (Environmental Protection Authority EP 2012).

According to the World Bank (2016), the key characteristics of the Ethiopian economic model can be summarised and understood in terms of the role of government intervention,economic development policy of the country, and financial and monetary sectors (WorldBank 2016).

#### 4.3.1. Role of government intervention

- Production: The government produces some goods and services with the rationale of encouraging competition, addressing insufficient capacity in the private sectors and meeting social objectives.
- Credit and foreign exchange: The Commercial Bank of Ethiopia (CBE) and the Development Bank of Ethiopia (DBE) serve as the state channels for the majority of credit and foreign exchange. The CBE largely supports public investment and the DBE supports long-term private investments.
- Protected sectors: the government gives protection to the key service sectors of finance, telecoms and retail trade logistics based on the argument that the infant domestic private sectors are in their early development stage and are not strong enough to withstandforeign competition.
- State monopoly enterprises: Despite privatisation of some State-Owned Enterprises (SOEs), major state monopoly companies remain under government control like electricity production and distribution, telecoms, railways, sugar corporations and air transport (Ethiopian airlines).
- Capital account: It is closed. Access to foreign capital markets is limited for the domestic residents and banks. Moreover, it is difficult to repatriate profits from FDI.
- Land: The government owns all the land and land users can only buy and sell lease rights.

#### 4.3.2. Economic development policy

- Public investment: The government decided to facilitate the public investment through a mix of heterodox policies. Provision of low or negative interest rates, allocation of credits and foreign exchange, appreciation of real currency, limiting recurrent expenditure and reducing low international reserves were key policy measures taken by the government asa promotion of economic development policy.
- External borrowing: China has been considered as an alternative source of finance through non-concessional credits in a bilateral modality. In addition, the Government of Ethiopia has given attention to sovereign bond financing.
- DLI: It has been designed as the main economic development focus of the government to stimulate growth in the industrial sector through emphasising smallholder agricultural growth.
- Sectoral policies: The development emphasis is given to the agriculture and manufacturing sectors. Little attention has been given to the services sector except for exports. On the other hand, with the intention of creating competitive advantage, attention is given to key sectors such as leather, textile, metal, cut flowers and agro-industry.
- Structural transformation: In line with the Lewis model of economic development (Lewis 1954), the structural transformation of the government gives emphasis to industrialisation as a potential absorber of surplus labour from the agricultural sector.

#### 4.3.3. Financial and monetary sectors

- Absence of key financial markets: the price mechanism fails to clear the market credit and the demand for credit is excessive as there are negative real interest rates, and rationing is preferred as a means of clearance for the credit market. As a result, the black market premium where foreign currency is bought and

sold at a much higher rate than that set by National Bank, dominates as there is excess demand for foreign currency.

- Printing money and the seignorage[5]: During the past decade, the Government of Ethiopia has experienced a very high level of inflation. As a result, the government has relied on seignorage as a substantial source of finance and the central bank serves as a source of federal budget through direct advances.
- Savings: For major infrastructure projects like the Grand Ethiopian Renaissance Dam, the government has raised money using bonds. In addition, the CBE has promoted a housing saving scheme that tended to ensure savings.

Ethiopia under its broad development framework introduced a three-year development plan known as the PASDEP as a development road map. PASDEP lasted from 2008 to 2010 and laid the foundation for the succeeding development plans in the country, Growth and Transformation Plan 1 (GTPI 2010/11–201415) and GTPII (2015/16–2019/2020). The GTPs have been aligned with the Millennium Development Goals (MDGs) and Sustainable Development Goals (SDGs).

[5] It is the difference between the value of currency/money and the cost of producing it. It is essentially the profitearned by the government by printing currency (The Economic Times).

### 4.4. Growth and Transformation Plan I (2010/11-2014/15)

According to MoFED (2010), during PASDEP, pre-2010, the country achieved double-digit economic growth per annum. The lessons drawn from PASDEP laid the foundation for the GTP I. During the PASDEP years, the government considered two GDP growth scenarios: a base case scenario, where the achievement of MDGs at 7% average annual economic growth was necessary; and the high case scenario where the target seeks to exceed the MDG target, namely, 10% annual economic growth. Table 3.1 shows, the GDP during PASDEP and the main sectors‟ share of the GDP.

**Table 3.1: Growth in GDP and main sectors' share as percentages of the GDP**

| Sector | Average growth target planned (2005/06–2009/10) | | Average growth achieved (2005/06–2009/10) | Percentage share of real GDP (2009/10) |
|---|---|---|---|---|
| | Base case | High case | | |
| Real GDP | 7.0 | 10.0 | 11.0 | 100 |
| Agriculture | 6.0 | 6.4 | 8.4 | 41.6 |
| Industry | 11.0 | 18.0 | 10.0 | 12.9 |
| Service | 7.0 | 10.3 | 14.6 | 45.5 |

Source: MoFED 2010

The achievements of the PASDEP served as a learning ground and baseline for the GTP I. According to MoFED (2010), major challenges which served as valuable lessons for GTP I included a low implementation capacity of leadership at all levels; low mobilisation of domestic financial resources; a significant increase in inflation; erratic rainfall for mainly rain-dependent agriculture; and the under-performance of the industrial sector due to inadequate technical and managerial skills in the sector; foreign exchange shortages to import essential raw materials, spare parts and other inputs; and power distribution and shortages (MoFED 2010:20). An 11% GDP growth rate and attainment of MDGs such as expanding and ensuring the quality of education and health services were key focus areas included in the GTP I. In addition, creating a stable democratic and developmental state was regarded as a means of building a sustainable nation through creating suitable conditions. The stable macroeconomic framework was regarded as an umbrella for achieving the developmentobjectives so as to ensure sustainability of growth.

The seven strategic pillars on which GTP I achievements depended included (MoFED 2010:22):

- sustaining rapid and equitable economic growth;
- maintaining agriculture as a major source of economic growth;
- creating conditions for the industry to play a key role in the economy;
- enhancing expansion and quality of infrastructure development;
- enhancing expansion and quality of social development;
- building capacity and deepen good governance; and
- promote gender and youth empowerment and equality.

**Table 3.2: GTP I Target by selected sector indicators**

| Sector | Baseline (2009/10) | Target (2014/15) |
|---|---|---|
| Economic development | | |
| Agriculture | | |
| Agricultural and allied activities‟ growth (%) | 7.6 | 8.7 |
| Crop productivity (qt/ha) | 17.0 | 22.0 |
| Flower (mln stem) | 2748 | 5859.1 |
| Coffee exports (tonnes) | 319647 | 600970 |
| Meat export (000 metric tonnes) | 10.18 | 111 |
| Number of households participating in the productive safety net programme (mln) | 7.1 | 1.3 |
| Industry | | |
| Sugar production (000 tonnes) | 314.5 | 2250 |
| Sugar export (000 tonnes) | 0 | 1246.3 |
| Textile and garment industry exports (USD mln) | 21.8 | 1000 |
| Leather and leather products‟ industry exports (USD mln) | 75.73 | 496.87 |
| Total cement producing capacity (mln tonnes) | 2.7 | 27 |
| Infrastructure | | |
| Roads | | |
| Total roads length/road network (000 km) | 48.8 | 64.5 |
| Construction of new all-weather road that connect all rural kebeles with main roads (km) | 0 | 71523 |
| Water | | |
| Overall potable water coverage (%) | 68.5 | 98.5 |
| Urban population with access to potable water within 0.5 km distance (%) | 91.5 | 100 |
| Rural population with access to potable water within 1.5 km distance (%) | 65.8 | 98 |

Source: MoFED 2010

The government has given attention to agriculture and rural development as a key strategic direction that integrates agricultural and rural development through increasing the capacity and extensive use of labour, proper utilisation of agricultural land and linking specialisation with diversification. In addition, emphasis has been given to strengthening the agricultural marketing system and effective implementation of the scaling up of best practices for betterresults in the agricultural sector (MoFED 2010:45). Furthermore, smallholding agriculture and pastoral development with the main focus on livestock resources gained considerable attention as key strategic directions in agricultural sector during GTP I.

### 4.5. Growth and Transformation Plan II (2015/16-2019/20)

Sectoral policies, strategies and programmes, and lessons drawn from the implementation of the GTP I laid a foundation for GTP II and the post-2015 SDGs (National Plan Commission 2016). Accordingly, the Government of Ethiopia considered itself as a developmental state which is fully committed to mobilising the required resources and establish capacity for the implementation of the Plan set under GTP II. Significant attention towards a shift in export development as a core element was given in GTP II to modernising agricultural sector and industrial development expansion with an emphasis on light manufacturing. The overarching objective of GTP II is to sustain the accelerated growth and lay a foundation for economic structural transformation, thereby realising the national vision of becoming a lower middle- income country by 2025 (National Plan Commission 2016).

GTP II was framed under the following nine pillars (National Plan Commission 2016:81):

1. Sustain the rapid, broad-based and equitable economic growth and development witnessed during the past decade;
2. Increase the productivity and efficiency of the agricultural and manufacturing industry sectors to reach the economy‟s production possibility frontier through improved quality, productivity and competitiveness;
3. Speed up and catalyse the transformation of the domestic private sector through capacity development;
4. Enhance the capacity of the domestic construction sector and narrow critical infrastructure gaps with the particular focus on ensuring the quality of services through strengthening the implementation capacity of the sector;
5. Properly manage and administer the continuing rapid urbanisation to unlock its potential for sustaining growth and the structural transformation of the economy;
6. Accelerate the human capacity development and enhance technological capacity to ensure sustainability;
7. Enhance the implementation capacity of the public sector and mobilise participation for the establishment of democratic and developmental good governance;
8. Promote women and youth empowerment, ensure their participation in the development process and enable them to benefit equitably from the outcomes of development; and
9. Build a climate-resilient green economy.

**Table 3.3: Selected GTP II Targets**

| Sector | Baseline 2016 | Target (2019/20) |
|---|---|---|
| Economic development | | |
| Agriculture | | |
| Major crop productivity (qt/ha) | 21.5 | 27.3 |
| Cane productivity (qt/ha) | 29.0 | 42.6 |
| Coffee productivity (qt/ha) | 7.5 | 11.0 |
| Coffee production (1 000 tons) | 420 | 1 045.1 |
| Cereals productivity (qt/ha) | 21.1 | 31.0 |
| Pulses productivity (qt/ha) | 17.2 | 23 |
| Industry | | |
| Share of industry in GDP (%) | 15.1 | 22.3 |
| Share of manufacturing industry in GDP (%) | 4.8 | 8.0 |
| Share of the medium and large-scale industry in GDP (%) | 3.8 | 5.9 |
| Employment opportunities created by the medium and large manufacturing industries (Number) | 380 000 | 758 000 |
| Infrastructure | | |
| Roads | | |
| Length of all-weather roads (km) | 110 414 | 220 000 |
| Roads in acceptable condition (percent) | 70 | 80 |
| Road density (km/1 000 population) | 1.2 | 2.3 |

| | | |
|---|---|---|
| Water | | |
| Overall potable water coverage as per GTP II standards (%) | 58 | 83 |
| Urban potable water supply coverage as per GTP II standards (%) | 51 | 75 |
| Rural potable water supply coverage as per GTP II standards (%) | 59 | 85 |

Source: National Plan Commission 2016

### 4.6. The Grand National Projects and Related Challenges

As part of the country‟s renaissance, Ethiopia has launched a series of Grand National projects, with mainly internally mobilised financial resources. The Great Ethiopian Renaissance Dam (GERD) and sugar projects are the key projects. These grand projects are

being challenged by internal technical and financial capacity limitations and geopolitical tensions mainly from Egypt on the Nile River as an external challenge to the GERD.

#### 4.6.1. Great Ethiopian Renaissance Dam and related challenges

Ethiopia is identified as a water tower[6] in the Horn of Africa but the energy grid is accessible for only half its population (Chen & Swain 2014). Due to rapid urbanisation, population growth and economic development, the energy demand is bound to increase rapidly. GERD has been launched as one of the millennium projects in the country and the intention is finance it mainly from internal financial sources and contract local firms to do the construction. The on-going construction of the controversial GERD on the Blue Nile River has been on the Ethiopian Government‟s drawing board since the 1960s, but it was officially launched in April 2011 and is the largest engineering project ever planned in the country. The GERD with an estimated budget of $4.8 billion and an installed capacity of 5 250 megawatts is situated in northwest Ethiopia; about 40 km from the Sudanese border. The GERD project has huge potential to be a massive source of sustainable energy production for energy-starved Ethiopia. It is also believed that it will help to facilitate economic development not only in Ethiopia, but also in the region (Chen & Swain 2014).

The Government of Ethiopia has initiated internal resource mobilisation mainly through selling of bonds managed by the CBE. The government has also outsourced segments of the project to local contractors. That has led to several challenges including delays and low technical capacity to run such a huge project.

The GERD construction, which has secured mass public support through resource mobilisation attaching its significance to national sentiment, has faced both external tension and internal problems threatening its timely completion and quality issues. The external problem is mainly coming from Egypt as it has depended on the Nile River for its economic and cultural importance. Internally, low capacity and limited experience of the contractors in the sector and corruption are major challenges faced by GERD.

- would be difficult to imagine a viable Egyptian civilisation without the Nile (Wagasa 2016). The Nile not only influenced the civilisation of Egyptians, but also significantly shaped it to a great extent. In the contemporary Nile River Basin political economy, each of the riparian countries along its banks lays some claim to the river‟s waters. The legal scheme that governs the use and allocation of the waters of the Nile River was determined by colonial-era agreements, which effectively reserved virtually all of the Nile‟s

waters for Egypt and Sudan. Egypt has been privileged with historical hegemonic position over the Nile River and wants to retain a veto power over upstream countries, which has been one of the sources of tension after the launch of GERD in 2011 (Wagasa 2016).

- Complaint from Egypt: The Nile River is the reason for the existence of both modern Egypt and the biblical Egypt of the Pharaohs. Egyptian political, economic, social and cultural lives are so intertwined with the Nile that it is not an exaggeration to say that it

[6] Water tower: Ethiopia is identified as a water tower in East Africa as it contributes largest share of water in the region through its cross-border rivers; 86-95% of water to Nile River comes from Ethiopia (Chen & Swain 2014).

- Low technical capacity and corruption: Internally, GERD has faced low technical capacity and corruption as the biggest challenges. Metals and Engineering Corporation (METEC) under the defence ministry has been awarded the electro-mechanical part of GERD. Low technical capacity on one hand and corrupt leaders on the other have affected the progress of the GERD construction as the combined challenges resulted in delays in the project and discouraged the internal resource mobilisation. GERD has been facing challenges that have continued for about a decade. The PP has tried to address these challenges and reactivated the construction of GERD.

### 4.6.2. The Sugar Development Projects and related challenges

The Government of Ethiopia under GTP I intended to increase sugar production and assigned the Ethiopian Sugar Corporation (ESC) to increase the production and processing capacities of sugarcane in order to meet a threefold objective: to meet the growing domestic demand; to create employment opportunities in „structurally weak" regions of the country; and to boost foreign currency earnings from the export of sugar (Kamski 2016). In 2011, the Government of Ethiopia allocated more than 245 000 hectares of land to the ESC in SNNPR alone for the sugarcane plantation for the newly initiated Kuraz Sugar Development Projects (KSDP) in the region. Although the land is deemed suitable for sugarcane cultivation in the South Western lowlands, later on the size was officially reduced to 175 000 hectares. However, the KSDP still made up more than half of the total cultivation area envisaged by the ESC; including five factories (Kuraz I–V) with a combined processing capacity of 84 000 tonnes per day. If their projected installed capacity is fully utilised, these new estates projected in South Omo, Maji, and Keffa Zones of SNNPR, the KSDP would increase the country"s processing capacity sevenfold and sugarcane cultivation by more than 90% (Kamski 2016).

The challenges in the development of sugarcane cultivation and processing in the lower Omo Valley have come from several directions. The remoteness of the project site and lack of transportation infrastructure, combined with the immense initial investments needed, have been major factors contributing to the failure and lagging behind schedule for ESC in achieving the objectives of the sugar projects. Furthermore, the pressure to achieve the GTP I targets has forced the ESC to skip important preparatory work (Kamski 2016). The KSDP has thus suffered from poor planning; lack of experience of the key planners and contractors involved has resulted in considerable modifications to the project in terms of size andprocessing capacity.

The involvement of METEC in the construction of sugar projects with limited capacity and a weakened management system due to corruption has contributed to either delay of collapse to the development projects. The competing interest between GERD and the sugar projects is another challenge as GERD has had most attention from the government.

## 5. CONCLUSION

This chapter focused on the political and economic development in Ethiopia. Pre-1974 Ethiopia was known for a very old feudal political system, where hereditary power transfer was practised in the country. In 1855, after his coronation, the emperor Tewodros II introduced major political reforms aimed at modernisation. External and internal confrontations threatened the modernisation attempts of Tewodros II and his successors. Great Britain, Egypt and Italy were major external opponents to Ethiopia. Aggression attempts by Italy in the late 19th century and the 1920s were aimed at colonising the country and resulted in significant loss in terms of life and property although Ethiopia won all the battles. After the late 1940s, the monarchic rule began to face internal mass revolts like the peasant rebellion in Gojam, Bale and Gedeo, which had been fuelled by the university students and intellectuals‟ movements that ended the old monarchic rule in the country. Agriculture was the mainstay of the economy and land was the major economic base.

The military Derg overthrew the monarchic rule and took power with a socialist political orientation. The Derg reign combined Marxism and Nationalism but it failed to respond to the genuine needs of the people. The Derg reign is known for major changes in reforming landholding rights but also for economic stagnation. The EPRDF, a coalition of four parties from Tigray, Amhara, Oromia and SNNPR, which grew out of Marxist student movements came to power in 1991 overthrowing the military regime by armed struggle. The EPRDF

introduced ethnic-based political restructuring. During EPRDF, economic growth showed progress as the country recorded double-digit economic growth for several successive years. Following the death of Meles Zenawi and the installation of Hailemariam Desalegn as a prime minister, the increasing unemployment rate and failure of the government to the demands of the people resulted in continuous street violence, boycotts and mass revolts across the country. This resulted in the emergence of new „Reformist PP‟ under Dr. Abiy Ahmed who became the prime minister in 2018. Dr. Abiy symbolised a new idea, „unity‟, equivalent to Amharic term „medemr‟ triggering new hope and redirecting the country from its negative path.

Foreign aid flow to Ethiopia across regimes has been tied to the poverty alleviation agenda. The volume of aid and its role in contributing to poverty alleviation depends on the way the governments in different times use aid to address their respective development goals. The most recent purpose of aid is attached to international development agendas, the MDGs and SDGs.

## 6. POLICY IMPLICATIONS

The political and economic development in the country has been criticised for failing to achieve the desired

results. With the changing regimes nothing happened as positive in terms of political and economic developments in the country. The country remained experiencing challenge after challenge with the changing regimes and the political and economic developments in Ethiopia are left to be addressed. The leadership commitment is inevitable to transform the political bottlenecks, ensure peace and security, fight against corruption, and address economic challenges in the country.

## 7. COMPETING INTERESTS

The author has declares that no competing interests exist.

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