

Prosperity for the Few and the Ethiopian Developmental State

Africa: “Dynamics of Conflict and Promises of Renaissance”

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Part IV of V

“What challenges us is to ensure that none should enjoy lesser rights, and none tormented because they are born different, hold contrary political views or pray to God in a different manner.”

Nelson Mandela

The Doha Conference on Africa in November 2013, tried to understand and create consensus on the governance alternative that enables countries create a foundation for sustainable and equitable development. Although presentations and discussions lacked depth and breadth in comparing a pool of countries within and outside Africa, there was no contest that **good and representative governance is deemed central in achieving sustainability with equity**. All participants agreed on the imperative and nexus of peace, internal security and representative government on the one hand; and sustainable and equitable development on the other. Here in brief is the new narrative at play.

For decades, post independent Africa lagged behind other continents because leaders and parties did not possess the political will to accept and institutionalize democratic institutions. This is changing at a relatively fast pace. However, the political to embrace a growth and development path that is just, fair, equitable and sustainable is not entirely clear. It is certainly not “big man” or single party dictatorship that has been tested and failed. The concern that participants expressed is that government leaders lack the political will to solve income and wealth disparity wherever one looks. Some countries are worse off than others depending on leadership and institutions. For this reason, democratization is a desirable objective. It is, however, not a panacea for social ills. It is not a sufficient condition in addressing disparities in the exploitation, allocation and use of capital and other resources---ingredients and tools for sustainability and equity. Discriminatory and self-serving political elites tend to choose winners and losers at will. These tendencies result in the unintended and often well intended consequence of social fissures and conflicts that end-up catastrophic. For example, an arbitrary government tends to diminish common citizenship and common social purpose deliberately. In turn, this diminishes productivity and shared prosperity. The intent of “divide and rule” on the basis of ethnic and or religious affiliation may be politically valuable for elites who govern. It is hugely costly for the vast majority of the population. A divides society is not optimal.

The result of “divide and rule” is lack of social cohesion and lack of common citizenship and purpose. These are pivotal in achieving sustainable and equitable development. Experts at the

Conference agreed that an arbitrary government administers justice arbitrarily thereby contributing to the confluence of conflicts. Conflicts cost the economy and drives it into a vicious cycle of more violence and more poverty. In other words, social injustice is a primary contributor to instability and to a cycle of poverty. It is a vicious cycle of “one step forward (growth) and two steps backward, poverty.”

In general, the Conference agreed that representative governance refers to the rule of law, press, religious and personal freedom, fair and free elections that emanate from a multiparty system, equitable treatment of all members of society, protection of minority and indigenous rights, independent judiciary, police and election board etc., independent and strong civic institutions, a vibrant domestic private sector and so on. The majority of Sub-Saharan African countries are in the process of establishing governance that mimics good governance. The growth and sustainable and equitable development prospects of countries led by representative governments are far greater and more predictable and reliable than those governed by dictatorial regimes. The former is accountable to the people and the later to governing elites.

By any objective criteria, the Ethiopian developmental state has generated growth when one compares Ethiopia with Ethiopia; the current ruling party with the previous one etc. It started from a low base. When you start from a low base and when you compare yourself with yourself, it is easy to show dramatic changes. The current ruling party does not allow independent verifiability of the elements of growth that affect and impact ordinary people. It creates and produces growth rates and forces us to accept that Ethiopia must be compared with itself and not with its peer comparators in the rest of Africa, East and South Asia and other places. What is undeniable is also this. The current state has produced a few new millionaires directly associated with the governing party while leaving 87-90 percent of the population poor and marginalized. The ILO estimates that at least 20 percent of Ethiopia’s youth, those under age 35, is unemployed and substantially more are underemployed. It means that at minimum 11 million Ethiopians below the age of 35 are chronically unemployed. In the best of times, 10 percent of the population is dependent on international food aid and millions of others depend on the World Bank initiated and led Safety Net Program. An estimated 15 million Ethiopians depend on remittances. In Addis Ababa alone, one million people practically live in shelters or dilapidated homes or in the streets and or a combination of all three. It is thus legitimate to ask what segments of society the developmental state benefits most?

One of the “fastest growing economies in the world” has not yet met the basic needs of the vast majority of the population. On the contrary and to the dismay of most Ethiopians who have no say in setting policy, maldistribution of incomes and wealth is the worst it has ever been. Inequity and social injustice are accepted by the governing party as costs of transformation in the transition phase. The problem is that what is considered a transition to Middle Income Country status has no end that one can justify. **It has created structural and institutional imbalances that will be impossible to rectify over time.** In the USA, the most advanced economy in the world, “trickle down economics” did not boost incomes for the

middle class or eliminate structural poverty. One percent of the population owns 99 percent of the national wealth; and income inequality is widening at a frightening pace. America's huge middle class is shrinking. Ethiopia's nascent middle small middle class is squeezed. Retirees and professionals are unable to cope with rising costs. College graduates will only dream of owning homes. The middle is not expanding at an acceptable rate compared to other African countries. Fundamental and people-centered development will change most of these deficiencies. The fact remains that at the moment, Ethiopia's largest middle class works and lives overseas and remits.

The thesis of this section is that the Ethiopian developmental state is one that has committed itself to the prosperity of a few. Regardless of the growth rate, equitable development won't take roots without broad participation. The current state is neither democratic in the Socialist sense nor revolutionary in terms of commitment to popular will: the poor, the peasantry and the urban middle class; and in terms of unreserved dedication towards distribution and redistribution of incomes and wealth for the vast majority so that there is shared prosperity. Shared prosperity is not altruistic. The country's development and security depend on it. It is when the vast majority, including peasants and other rural folk become wealthier that the middle class will expand at a rapid rate; gross domestic product explode faster; and per capita income with strong purchasing power increase in a sustainable manner. This not the case.

Instead of changing course for the better, the governing party seems to have adopted a form of crony capitalism that serves the rent seeking behaviors of the few. Greed is rampant a new form of rent-seeking globalization is breaking social fabric of Ethiopian society at an alarming rate not because Ethiopians are born greedy or do not like their cultural roots; but the system thrives on it. The system is not Ethiopia and or people anchored. This system is therefore self-perpetuating and not amenable to meaningful reform. Why? Those who benefit from the current system do not see anything morally wrong with it, even if it means that Ethiopia is falling behind most African countries that are growing their middle classes and increasing per capita income at a faster rate than Ethiopia. In light of this, I suggest that the growth architecture pursued by the current government has created and institutionalized social and economic inequities that will be intractable for generations to come. Income and wealth inequalities imply long-term political and social costs even for those who feel safe today because they feel that they command high income and wealth. They live within glass walls and glass wall break rather easily. No one is safe and secure if the majority is not safe secure. The Arab Spring was induced by lack of freedom and justice, gaping income and social inequality, high unemployment, hyperinflation, nepotism, favoritism, corruption, illicit outflow of funds etc. These social ills are pervasive in Ethiopia today.

The developmental state faces an unprecedented social, natural resources mismanagement, demographic and environmental crisis that is self-inflicted and structural in nature: high unemployment and underemployment, hyperinflation, hunger, ill-health, uneven development, environmental degradation, high population growth with no corresponding productive capacity

to meet basic needs, a domestic economy that is thwarted by state and party monopolies, bribery, corruption and illicit outflow of wealth and gaping income inequality evidenced by the concentration of incomes and wealth in a few hands. Between 2000 and 2013, Ethiopia lost \$25 billion in illicit outflow of foreign exchange. Imagine what this sum would do if used to grow the Ethiopian economy by investing, for example, in smallholder farming and in producing fertilizers domestically. Officials of the government and their champions refuse to debate Ethiopia's miracle growth by comparing it with the rest of Africa. They tend to use data when it suits them and refuse to entertain contrary data and views.

The 2013 UNDP Human Development Index for Ethiopia shows lag in achieving major indices and an alarming social, income and wealth inequality, one of the worst in the world. Over the past decade, Ethiopia's average HDI Index is 169 of 178 countries. Poverty reduction has not made a dent in real terms. In 2012, the Fund for Peace identified Ethiopia 17th of failing states. The rule of law, social justice, fundamental freedoms, political and economic competition, the right to live and work in any part of the country, etc., etc., are restricted severely. Ethiopia has more affinity to failed Somalia and failing Sudan (North and South) than to prosperous Mauritius and or high income Botswana.

Cases in other countries that failed in the past such as Ivory Coast, Liberia and Sierra Leone show that similar symptoms in Ethiopia that are potentially as explosive. This social crisis in the making is not acknowledged by the Tigray People's Liberation Front (TPLF)---the core ethnic elite which dominates societal life in the country. The International Crisis Group, Human Rights Watch and others illustrate using first hand evidence that marginalization, exclusion, repression, high unemployment etc. are causing vulnerabilities and political, social and religious fissures that may not be contained. What does Ethiopia need to avert implosion from within in? It requires that the ruling party opens political, social, economic and religious space for all stakeholders now and not decades from now. The Ethiopian Peoples' Revolutionary Democratic Front (EPRDF) government of which the TPLF is the architect argues unconvincingly that Ethiopia is one of the "five fastest growing" economies in the world. This gives it an ammunition to suggest that the country is developing and that ordinary people are better off today than they were under the Socialist regime. In November, Prime Minister Hailemariam Dessalegn opined that Ethiopia will join the club of Middle Income Countries (MICS) in ten years. This may or may not happen.

I do not know of any country that claims or will achieve MIC status without a robust domestic private sector, high employment, gender equality and a large middle class. The regulatory environment is not pro private sector or shared prosperity or pro poor. The growth path to this ultimate goal that is taking place without an Ethiopian domestic private sector and without growing the country's middle class reflecting Ethiopia's diversity is elite political and economic capture that other African nations are trying to overcome. It is founded on the premise that continued massive state/party-led infrastructural and industrial investment done at the cost of the domestic private sector will do miracles. This sector is among the least developed in the

world. There will no doubt be growth without broad participation and without equity. My argument is that this growth is not socially meaningful for the vast majority of the population left out from sharing the benefits of this growth. It is arguable that Ethiopia will be prosperous with the vast majority left behind and with Ethiopia's youth forced to seek opportunities in the Arab world and the rest. I suggest that growth from a low base and with massive foreign aid, deficit financing, soft commercial loans, FDI and remittances is not that remarkable; it is in fact inevitable. It would be unthinkable if there was no growth. It is equally unthinkable that theft, graft, nepotism, corruption and illicit outflow will not occur in the absence of independent legal and fiduciary institutions, a free press and civic institutions.

It goes without saying that the model which is discussed in detail in the present government transformation and development plan will induce growth. At the same time, it will reinforce the current concentration of incomes and wealth in a few hands. Those with high incomes and wealth will prosper even more and the vast majority will remain poor. Gross social inequity is inevitable. Because the system is not subjected to the rule of law and a competitive national economy. Youth will be forced to seek better opportunities abroad. This is why I contend that the developmental state sustains prosperity for the few and deepens poverty. As a consequence Ethiopia's youth will be worse off in the future than the present and the past. They will not even enjoy the life that their parents enjoyed. The social consequence for Ethiopia and Ethiopians will be catastrophic. The top leadership of the developmental state does not see any problem with this type of "pseudo leftist mantra" that has no soul. It is effectively a neoliberal type model of growing the economy by enriching the few and leaving millions in the dust. The governing party whose roots are leftist does not find it contradictory that prosperity only for the few is the antithesis of the original ethos of Revolutionary Democracy whose popular base is the Ethiopian peasantry.

In its purest form, RD (even if accepted as responsive to today's world) is supposed to empower the peasantry and oppressed "nations and nationalities and lift them from abject poverty. The vast majority of girls and boys who migrate to the Gulf Region, Saudi Arabia, Israel via Sinai and the rest hail from poor rural families. The argument that some farmers have become millionaires misses the social point that most Ethiopian farming families are still poor and millions dependent on emergency food. Ethiopia's structural poverty is real. Instead of transferring and legalizing land ownership by individual farmers, the developmental state owns all lands and other natural resources. It uses political authority to transfer ownership to foreign investors and to elite domestic allies; but does not see the social, political, security and economic merit of allowing private ownership of land by Ethiopians, especially indigenous people whose ancestors enjoyed individual and or communal ownership. The irony is that the government, foreign investors and elites extract rents at will and while dispossessing Ethiopians from the only resource they possess, land. The governing party forces peasants to remain subservient in the same manner as the feudal system. Prosperity for the few using the state as a vehicle to allocate capital and to access investment opportunities--that offer quick profit--creates a pocket of newly vested class interests. These stakeholders see no evil in the model

and defend the system regardless of social consequences and existential threats for the country. At one time, Ivory Coast was the gold standard of growth in Africa. It collapsed overnight. Why? Many reasons. Governance was not representative; development was not people-centered; class stratification was strong; corruption was rampant; ethnic favoritism was pronounced; and inequity was deep. The few rich, including foreigners, saw nothing wrong with the model until it was too late.

Recent events in Saudi Arabia against Ethiopian immigrants from all segments of Ethiopian society remind us how far Ethiopia is in meeting the basic expectations and needs of the vast majority of the population. A major part of the problem is skewed distribution of incomes, income generating opportunities and lack of access to knowledge, credits and loans and lands. Not all Ethiopians are treated equal under the law. The immortal icon of freedom, Nelson Mandela, reminds us how critical it is for any government to ensure that it treats all citizens fairly and affords them equality of access to economic and social opportunities. He felt strongly that all citizens must enjoy the same rights and must have access to the same jobs, educational and other opportunities as everyone else within their own homeland. This icon stood for and institutionalized freedom and genuine equality among South Africans by reconciling ethnic, religious and racial differences that the TPLF elite pronounced “irreconcilable.” Prosperity for a few and “irreconcilability among ethnic and religious groups” go hand and in hand. Mandela, who I had the privilege of meeting in Cape Town at a World Conference on Racism, had the capacity to think and operate beyond race, religion, gender, wealth, personal status and privilege, power and party. This is the hallmark of his legacy from which each one of us and especially top leaders of Ethiopia’s ruling party can draw lessons. [Ethiopia’s tragedy is that it lacks government leaders who believe in this type of legacy of pursuing the common good.](#)

I should like to remind readers that Mandela did the unthinkable not only for Africa but also for the entire world. He stood firm for the common good. His commitment to love, justice, human dignity, the rule of law, citizenship, unfettered access to opportunities, freedom and reconciliation is beyond imagination. I suggest that it is this legacy that will endure for eternity. It is from this that we can draw invaluable lessons to improve life in Ethiopia for all Ethiopians. In high school and college, I used to wonder whether or not Alan Paton’s famous book on South Africa, “Cry My Beloved Country” would ever be redressed. It was; because of Nelson Mandela. He sacrificed his life, fame, wealth and power by injecting an idea that no African or other world leader believed possible: a multiracial and democratic South Africa.

At the Doha Conference, experts from South Africa acknowledged that South Africa is the largest economy in Africa. However, Mandela’s legacy of justice and equality in accessing economic and social opportunities is illusive. Income and wealth inequality is as wide or wider than ever. At the same time, this country is home to hundreds of thousands of Africans including Ethiopians. Why? Because the country is democratic and open. It offers better opportunities than the rest of Africa. However, we need to recognize that xenophobia is on the rise. Xenophobia is a form of hate exemplified most prominently by inhumane treatment of

Ethiopians in the KSA. In my estimation, this incident is the tip of the iceberg. The same can happen even in South Africa. This is the reason why Ethiopians should be weary of a developmental state model that serves the few and leaves out the majority to fend for themselves. The root cause of massive human capital exodus is the socially dysfunctional developmental state that is not people-based. It is designed by ethnic elites for elites and their allies. A change in policy with singular focus on Ethiopians (people-centered development) and especially Ethiopia's youth will alleviate the problem dramatically. Preoccupation on the part of top leaders of the governing party with fear, hate, insecurity, a false sense "of terror" in every home and region, greed and power will only aggravate the current social and political tensions. My advice is that we all learn from Mandela and change for the sake of the greater good.

Mandela abhorred hate based personal, group, ethnic and state philosophy. "No one is born hating another person because of the color of his skin, or his background or his religion. People must learn to hate, and if they can learn to hate, they can be taught to love, for love comes naturally to the human heart than the opposite." Unfortunately, ethnic elites in Ethiopia and others who espouse their ideology are wedded to the philosophy of hate and division because these serve them best in seeking power and a sense of entitlement; and in marginalizing others. The consequence of marginalization is marginal participation and productivity, flight of human and financial capital, concentration of income and wealth in a few hands and social, political and existential vulnerability for the country and its people. I am not aware of any country that innovates, creates and produces without its most critical asset, educated and well trained human capital. Ethiopia is not growing at a rate its potential would permit because of internal divisions, lack of freedom and participation, rent seeking tendencies, social and real capital flight, the crowding out of the Ethiopian private sector etc., etc.

Ethiopia is far from the world Mandela espoused. Favoritism and nepotism are rampant and conflict-ridden. There is no contest that the system is flawed irreparably and needs reform before it implodes. No reasonable person can contest the fact the new generation of Ethiopians faces hard choices. For example, the choice between freedom and the quest for meaningful life within the country for tens of millions. Sadly, Ethiopians face a dual dilemma of "no bread and no freedom." This is the root cause for continued exodus to the Middle East and other countries. In November this year, the large Ethiopian Diaspora across the globe rose in unison; shamed the Kingdom of Saudi Arabia (KSA); and forced the Ethiopian government and the KSA to respond to the crisis to which both contributed. Despite the massive airlift of thousands of Ethiopians from Saudi Arabia, the root causes remain intact.

There is no guarantee that---unless substantial investments are made by the government and the donor community to create meaningful employment opportunities for those who returned and will soon return from Saudi Arabia and for millions others in similar condition---the exodus will persist for decades to come. This is the reason why a people-centered development alternative in place of the developmental state model is critical. At the core of this people-centered alternative is human freedom, a subject that I intend to cover in Part V.

