

Vanguard Capitalism:
Party, State, and Market
in the EPRDF's Ethiopia



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Abstract

Since the fall of the Derg regime in 1991, Ethiopia has undergone a remarkable economic transformation. Shunning liberal policy advice yet avoiding the pathologies of patrimonialism, its experience is increasingly presented as an example for others to follow. However, there has been surprisingly little research, and even less consensus, on what actually constitutes this 'Ethiopian model.'

The present thesis provides an answer to this question by focusing on the role of the EPRDF – the former insurgency movement which has governed Ethiopia since 1991 – and the fundamental reconstruction of state and market it has overseen. It argues that the resulting political economy is best characterised as a form of 'vanguard capitalism,' which combines the centralising political logic of a Leninist movement party with the expansive logic of capitalist markets. At its base lies the monopolisation of state-society relations by the EPRDF which, in turn, allows for the creation, centralisation and strategic use of economic rents by its administration. The two processes of illiberal state- and market-building are complementary, and their outcomes mutually reinforcing: a state that seeks to derive legitimacy from 'developmental' interventions in the economy, and an economy that advances a particular vision of the Ethiopian state.

To bear out this argument, the thesis traces the evolving relationship between party, state, and market through four distinct periods in the EPRDF's Ethiopia. While the administrative and economic institutions built during the wartime years were all subsumed into the movement's thrust toward military victory, structural adjustment during the 1990s led to a gradual differentiation between party, state, and market. The propagation of an Ethiopian 'developmental state' in the early 2000s implied a re-centralisation of economic rents, yet without a corresponding degree of control over society the party was left vulnerable. After the electoral near-defeat of 2005 the EPRDF thus reclaimed its 'vanguard' role, again fusing party, state, and market into a campaign for economic transformation that it presents as a logical extension of the original struggle for liberation.

The thesis draws on over one hundred stakeholder interviews conducted during ten months of field research in Addis Ababa, Mekelle, and among the Ethiopian diaspora, as well as on extensive archival research.

*The most important political distinction among countries concerns
not their form of government but their degree of government.*

Samuel Huntington, *Political Order in Changing Societies*

Organisation is power [...]

Redwan Hussein, Head of EPRDF Secretariat,
interviewed in the *Ethiopian Herald*, January 21, 2013

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Glossary

AAU	Addis Ababa University
ADLI	Agricultural Development-Led Industrialisation
AISE	Agricultural Input Supplies Enterprise
ANDM	Amhara National Democratic Movement
CBE	Commercial Bank of Ethiopia
CETU	Council of Ethiopian Trade Unions
CSA	Central Statistics Agency
CUD	Coalition for Unity and Democracy
DBE	Development Bank of Ethiopia
EEA	Ethiopian Economics Association
EDU	Ethiopian Democratic Union
EEPCO	Ethiopian Electric Power Corporation
EFFORT	Endowment Fund for the Rehabilitation of Tigray
EHRC	Ethiopian Human Rights Commission
EPLF	Eritrean People's Liberation Front
EPRDF	Ethiopian Peoples' Revolutionary Democratic Front
EPRP	Ethiopian People's Revolutionary Party
ERCA	Ethiopian Revenue and Customs Authority
ERD	Emergency Relief Desk
ESISC	Ethiopian Sugar Industry Support Centre
ETA	Ethiopian Teachers' Association

FDI	Foreign Direct Investment
FEACA	Federal Ethics and Anti-Corruption Agency
FLN	Front de Libération Nationale [Algeria]
FRELIMO	Frente de Libertação de Moçambique
GRIPS	National Graduate Institute for Policy Studies [Japan]
GTP	Growth and Transformation Plan
HIPC	Highly-Indebted Poor Country
IDS	Industrial Development Strategy
IMF	International Monetary Fund
MEISON	All-Ethiopia Socialist Movement [Amharic acronym]
METEC	Metals and Engineering Corporation
MIDROC	Muwakaba for Industrial Development, Research & Overseas Commerce
MLLT	Marxist-Leninist League of Tigray
MoFED	Ministry of Finance and Economic Development
NBE	National Bank of Ethiopia
NCBP	National Capacity-Building Programme
NEBE	National Electoral Board of Ethiopia
NGO	Non-Governmental Organisation
NPC	National Planning Commission
NRM	National Resistance Movement [Uganda]
OECD	Organisation for Economic Cooperation and Development
OPDO	Oromo People's Democratic Organisation
OLF	Oromo Liberation Front

PASDEP	Plan for Accelerated and Sustainable Development to End Poverty
PDO	People’s Democratic Organisation
PFP	Policy Framework Paper
PMO	Prime Minister’s Office
PPESA	Privatisation and Public Enterprises Supervising Authority
PRSP	Poverty Reduction Strategy Paper
PSCAP	Public Sector Capacity Building Programme
RDP	Rural Development Policy
REST	Relief Society of Tigray
RPF	Rwandan Patriotic Front
SAF	Structural Adjustment Facility
SAP	Structural Adjustment Programme
SBG	Star Business Group
SDPRP	Sustainable Development and Poverty Reduction Programme
SEPDF	Southern Ethiopian Peoples’ Democratic Front
SEPDM	Southern Ethiopian Peoples’ Democratic Movement
TDVA	Tigray Disabled Veterans Association
TGE	Transitional Government of Ethiopia
TLF	Tigray Liberation Front
TPLF	Tigray People’s Liberation Front
TTAC	Tigray Transport and Agriculture Consortium
UDJ	Unity for Justice and Democracy
UNHCR	United Nations High Commissioner for Refugees

Acknowledgements

In his *Minutes of an Ethiopian Century*, Taffara Deguefe, chairman of the Commercial Bank of Ethiopia under Haile Selassie, recounts the purchase of a plot of land in Addis Ababa's Old Airport area with a view to retiring in the peace and quiet of the country.¹ My friends' house nearby, which was home for me during my time in Addis, was built in the same spirit: a pretty red-brick bungalow designed by a leading architect of the imperial era, with a sizeable garden in which my host once buried his gun from the local Derg militia. However, like all of Addis, the place is changing. During my first, lengthy stay, the house next door made way for a prefab 'ground-plus-three' now towering over the premises. By the time of my next visit, an express road had dissected the neighbourhood, linking it to a new suburb of government-built condominiums. One year later, a new shopping complex had opened across the street. My friends added barbed wire to the outer walls of the compound, but theirs was a losing fight.

If one subscribes to the view that social science should seek (to paraphrase Billington) 'tentative answers to fundamental questions, not definitive answers to trivial ones,'² then few topics are more worthy – or more interesting – than the transformations underway in the political economy of present-day Ethiopia. While working on this thesis, the country has been changing before my eyes; over the past four years alone, its GDP has grown by half. With the target moving at this speed, there is little hope for definitive

¹ Taffara Deguefe, *Minutes of an Ethiopian Century* (Addis Ababa: Shama, 2010).

² See James Billington, "The humanistic heartbeat has failed," in *LIFE Magazine*, May 24, 1968.

answers, even when the questions are trivial. We might as well stick with the fundamental questions, then.

I was fortunate enough to have supervisors who did not discourage me from looking at the bigger picture. Dave Anderson has always encouraged his students to savour the complexity of African politics, both past and present, and it was impossible to leave his office without feeling enthused by his genuine interest. Ricardo Soares de Oliveira, who took over when Dave left for Warwick, gave my work whatever coherence and rigour it may have and grounded it in the right debates. More importantly perhaps, his own work stands as an exemplar of what one can hope to achieve as a scholar of African political economies, a comparativist, and a writer.

Many others have helped me make (tentative) sense of a changing Ethiopia. Shiferaw Bekele, Gebru Tareke and Bahru Zewde, Christopher Clapham and John Markakis commented on different aspects and initial ideas; their own writings have let me appreciate the historicity of Ethiopia's institutions. Sarah Vaughan, Alex de Waal and Günter Schröder have known the Ethiopian government better – and longer – than most; their willingness to share insights and, in some cases, their own research materials has been hugely beneficial to me. At Oxford, the 'New Hornographers' – Emma, Alpha, Marco, Jason, Grant, and particularly Magnus Bellander, Arctic Ranger – were great sounding boards and even better company. Three generations of scholars, three sets of perspectives that have shaped my own.

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Ababa University kindly hosted me for a year. They also gave me access to their archives, as did the Addis Ababa Chamber of Commerce, the Ethiopian Economics Association, the Ministry of Finance and Economic Development, and *Fortune* newspaper. At the secretariats of TPLF and EPRDF, I was treated with great courtesy. More generally, I am deeply thankful to everyone who gave their time to be interviewed for this thesis.

To my family, in Neumarkt and Rückersdorf, I am grateful for so much more than babysitting and a place to stay – but also for that. Leslie Horn has been kind enough to proof-read her second thesis within a year. Julianne deserves a sonnet for all she has done, not a mention in the acknowledgements.

Last but certainly not least, I am grateful to the Heinrich Böll Foundation, the British Institute in East Africa, Exeter College, and the Department of Politics and International Relations at the University of Oxford, who together ensured that the only debts I incurred were personal ones.

Like Donald Donham's *Marxist Modern*, what follows is dedicated "[t]o the future, and to my son, Ben."³

³ Donald Donham, *Marxist Modern: An Ethnographic History of the Ethiopian Revolution* (Berkeley: University of California Press, 1999), front matter.

Introduction

*I feel like the party should be – and is –
the vanguard of the development of the country.*

Senior official, EPRDF secretariat¹

In Guba *woreda*,² a sparsely populated district near Ethiopia's border with Sudan, thousands of workers are currently finalising the construction of the Grand Ethiopian Renaissance Dam. With a projected yearly capacity of 6,000 MW upon completion, the dam will be the largest hydroelectric plant on the African continent and the fifth-largest in the world; with a budget of close to US\$ 5 billion, it is also the single largest infrastructure project ever to have been undertaken by an Ethiopian government. More than anything else, it embodies Ethiopia's aspirations to join the ranks of industrialised nations, overcome the extreme levels of poverty with which it has long been synonymous, and usher in a "golden age" – to quote one official³ – for the country in the Horn of Africa.

Ostensibly, the construction of the Renaissance Dam follows a familiar pattern of infrastructure development in the region. The project was commissioned by the federal government and its implementation contracted to foreign multinationals: the Italian firm

¹ Senior official in the EPRDF Secretariat, interviewed by the author in Addis Ababa on February 6, 2014.

² The *woreda*, or district, is the third largest of four administrative units under Ethiopia's federal administrative system.

³³ "Ethiopia sees output at Africa's biggest power plant in 2015," *Bloomberg*, March 20, 2014.

Salini Costruttori was awarded a US\$ 4.3 billion contract in 2011,⁴ while the turbines will be provided by French engineering company Alstom at a price of US\$ 325 million.⁵ But a closer look reveals a much broader range of actors involved in the realisation of the dam, which together form a dense web of economic ties around the core of Ethiopia's ruling party. The board of the Ethiopian Electric Power Corporation (EPCO), the public utility provider that oversees the construction of the Renaissance Dam and retains a national monopoly on the provision of electricity, is chaired by Debretsion Gebremichael. Debretsion is a deputy-prime minister in the government of the Ethiopian Peoples' Revolutionary Democratic Front (EPRDF), a coalition comprising four ethnic-based regional parties,⁶ and vice-chairman of its original core, the Tigray People's Liberation Front (TPLF). The main subcontractor for electromechanical work on the dam is the Metals and Engineering Corporation (METEC), a state-owned conglomerate with close ties to the Ethiopian armed forces. The company is chaired by the Minister of Defense, Siraj Feyisa, who is also a member of EPRDF's executive committee;⁷ the company's senior management includes several military officials from the Tigray region, many of whom started their careers in the TPLF's campaigns against the military regime of the Derg.

⁴ Now Salini Impregilo, after a merger in September 2013. See "Grand Ethiopian Renaissance Dam Project," Salini Impregilo S.p.A., accessed September 24, 2014, <http://www.salini-impregilo.com/en/projects/in-progress/dams-hydroelectric-plants-hydraulic-works/grand-ethiopian-renaissance-dam-project.html>.

⁵ "Alstom to supply hydroelectric equipment for the Grand Renaissance dam in Ethiopia," Alstom, accessed September 24, 2014, <http://www.alstom.com/press-centre/2013/1/alstom-to-supply-hydroelectric-equipment-for-the-grand-renaissance-dam-in-ethiopia>.

⁶ The EPRDF's member parties – the Tigray People's Liberation Front (TPLF), the Amhara National Democratic Movement (ANDM), the Oromo Popular Democratic Organisation (OPDO), and the Southern Ethiopia Peoples' Democratic Movement (SEPDM) – represent the four highland states (or *kilil*) which form the historical core of the Ethiopian polity. The more peripheral lowland states are governed by parties that are affiliated with EPRDF without holding full member status.

⁷ METEC spokesperson, interviewed by the author in Addis Ababa on January 28, 2014.

The cement used in the construction of the dam, a particularly crack-resistant type, comes from Messebo Building Materials.⁸ Messebo, in turn, is owned by the Endowment Fund for the Rehabilitation of Tigray, or EFFORT – a large diversified company whose total assets exceed half a billion dollars.⁹ EFFORT was established and is still controlled (though no longer formally owned) by the TPLF; its current CEO is Azeb Mesfin, the widow of former Prime Minister Meles Zenawi and herself a member of EPRDF's executive committee as well as the TPLF's politburo. Messebo has an exclusive distribution arrangement with two sister companies in the EFFORT holding, Guna Trading and TransEthiopia, the country's biggest logistics firm.¹⁰ Its sales department is located within the headquarters – paid for by EFFORT¹¹ – of the Tigray Disabled Veterans Association (TDVA), an organisation that looks after the needs of the former fighters of the TPLF.

The dam's financing modalities are equally remarkable. Because of the opposition of downstream countries, international creditors have been unwilling to become involved. This has forced the EPRDF to raise the necessary funds – amounting to about 15% of GDP and a much higher percentage of foreign exchange earnings – domestically. Shortly after the plans for the dam were announced, Ethiopia's central bank thus issued a directive obliging private banks to buy five-year treasury bills equal to 27% of each new loan given out, at what were effectively negative interest rates.¹² The government then proceeded to

⁸ "Messebo introduces fourth product," *Capital* (Addis Ababa), December 31, 2012.

⁹ EFFORT CFO, interviewed by the author in Mekelle on July 10, 2013.

¹⁰ Sarah Vaughan and Mesfin Gebremichael, "Rethinking Business and Politics in Ethiopia: The Role of EFFORT, the Endowment Fund for the Rehabilitation of Tigray" (APPP Research Report 02, Africa Power and Politics Programme, London, 2011), 40.

¹¹ Director of TDVA, interviewed by the author in Mekelle on July 15, 2013.

¹² "Ethiopia tells private banks to buy bonds to fund infrastructure projects," *Bloomberg*, April 7, 2011. The five-year bonds pay a 3% annual interest, while the average inflation rate between 2011 and 2013 stood at over 20%.

issue a special Renaissance Dam bond, available in small birr denominations that are within the means of domestic savers. Purchasing these bonds was presented as a civic duty, with civil servants and party members each committing one month's salary and private enterprises encouraged to follow suit, while Ethiopians in the diaspora formed committees to market a version of the bond sold in their local currencies.¹³ A National Council for the Coordination of Public Participation was set up to channel these activities, presided over by Demeke Mekonnen, another deputy prime minister and chairman of ANDM.¹⁴

The construction of the Renaissance Dam is significant not just because of the exceptional dimensions of the project, but because its implementation illustrates the peculiar relationship between economic actors and political power in Ethiopia. Other African countries have realised undertakings of a similar scale. Yet few of them – if any – could have done so in the same way. The Renaissance Dam highlights a number of peculiarities: the confidence of multinational companies to enter into a multi-billion dollar venture with the Ethiopian government in the absence of international financial guarantees; the party's own significant stake in strategic sectors of the domestic economy; the government's capability to impose highly onerous measures on the financial sector without being overly concerned about potential repercussions; the state's capacity to mobilise the population around these issues by appealing to a sense of nationalism, both

¹³ See "Collectivism: Raising funds for Renaissance dam," *Horn Affairs* (blog), July 5, 2011.

¹⁴ "About the Council and Office," Office of National Council for the Coordination of Public Participation on the Construction of the Grand Renaissance Dam, accessed September 26, 2014. <http://www.hidasse.gov.et/web/guest/about-gerd-dam>.

genuine and through pressure; and, perhaps most importantly, the coordination of all of these measures by a small group of leaders in the ruling party.

Since overthrowing the military regime of the Derg in 1991 and, under pressure from international financial institutions and bilateral donors, dismantling its command economy during the first half of the 1990s, the EPRDF and its government have thus established themselves at the core of the Ethiopian economy. This is not to say that every sector is equally prone to political intervention. Ethiopia's brewery sector, for example, dominated by a few state-owned companies less than a decade ago, has been fully privatised since, attracting hundreds of millions of dollars from international investors like Heineken, BGI and Diageo. Yet there are few sectors of wider economic significance – what EPRDF officials call “the commanding heights of the economy”¹⁵ – in which state enterprises, companies affiliated with the party, or private entrepreneurs with close links to EPRDF do not play a dominant role.

This dense mesh of business and politics regularly draws criticism, from international financial institutions as well as from the domestic opposition. However, it has undeniably injected new dynamism into an economy that lay moribund at the time the EPRDF acceded to power. According to World Bank figures, the Ethiopian economy (as measured by its gross domestic product) quadrupled in size between 1991 and 2012, growing at an average annual rate of close to 10 percent during the second decade.¹⁶ In 2008 alone, the Ethiopian Investment Agency awarded twice as many investment licenses

¹⁵ Senior adviser in the Prime Minister's office, interviewed by the author in Addis Ababa on January 24, 2014. The term was used by interlocutors in a number of interviews and conversations.

¹⁶ “World Development Indicators,” World Bank, 2014, accessed February 25, 2014, <http://wdi.worldbank.org>.

as it did throughout the entire 1990s.¹⁷ Ethiopia's dollar millionaires doubled in number between 2007 and 2012, outpacing all other African countries,¹⁸ while growth in agricultural productivity also translated into higher incomes for many smallholder peasants.¹⁹ Social indicators are also on an upward trajectory: during the EPRDF's time in government, the average life expectancy has risen by over a decade and under-five mortality has been reduced by almost two-thirds; the number of students in primary and secondary schools has increased from 3 to 20 million, while the number of public universities has soared from 2 to 35.²⁰

Making Sense of Ethiopia's Post-War Transformation

Ethiopia's transition from the ruins of state socialism to a form of illiberal capitalism within the parameters set by the EPRDF is one of the most remarkable developments in post-Cold War Africa. The country is still a long way from the "dynamic structural transformation" some have ascribed to it:²¹ relative to GDP, its industrial sector has declined somewhat over the past decade, from 14 percent to 10 percent, and the country remains among the world's poorest.²² However, that the Ethiopian economy has begun to

¹⁷ Calculations based on official investment data. Ethiopian Investment Agency, "List of licensed domestic investment projects since January 1, 1992," (unpublished database, last modified June 10, 2013), Microsoft Excel file.

¹⁸ See "Ethiopia hailed as 'African lion' with fastest creation of millionaires," *Guardian*, December 4, 2013.

¹⁹ See Fantu Nisrane Bachewe, "Growth in Total Factor Productivity in the Ethiopian Agriculture Sector" (ESSP II Working Paper 37, IFPRI, Washington DC, 2012).

²⁰ "World Development Indicators," World Bank; and "Public Universities," Ministry of Education, accessed September 24, 2015, <http://www.moe.gov.et/English/Information/Pages/pubuni.aspx>.

²¹ Justin Yifu Lin, cited in Arkebe Ouqbay, *Made in Africa: Industrial Policy in Ethiopia* (Oxford: Oxford University Press, 2015), i.

²² "World Development Indicators," World Bank.

transform in a broader sense – grow, diversify, and integrate into global markets – is readily apparent. During the final days of the Derg regime, Ethiopia was synonymous with abject poverty and famine – the country where, according to Bob Geldof’s *Band Aid*, “nothing ever grows, no rain or river flows.” At the time of Meles’ unexpected death in 2012, the country had established a burgeoning floriculture industry, and it was gearing up to become an exporter of hydroelectric power. Little wonder, then, that others are increasingly looking to Ethiopia for insights. “Forget China,” one South African paper recently commented; “Ethiopia is the business model [South Africa] needs to follow.”²³ In the same vein, Clapham and Mills have drawn a whole range of “lessons for Africa” from the Ethiopian case.²⁴ Others have variously described Ethiopia as an “African model,”²⁵ a “role model,”²⁶ and “a model for [its] neighbours.”²⁷

These examples point to a growing interest in learning from Ethiopia’s experience. However, relatively little is known about what, exactly, this ‘Ethiopian model’ is. What logic underlies the close relationship between the EPRDF, its government, and the national economy? How did this relationship evolve over time, and how does it differ from the dynamic in other countries? As the following pages will show, there has been surprisingly little systematic research, and even less consensus, on these issues in the literature on post-Derg Ethiopia. At the same time, broader explanatory frameworks that have emerged in

²³ “Forget China. Ethiopia is the business model SA needs to follow,” *Rand Daily Mail*, September 2, 2015.

²⁴ Christopher Clapham and Greg Mills, “Ethiopia’s Compelling Rise: Lessons for Africa” (Discussion Paper 2, Brenthurst Foundation, Johannesburg, South Africa, 2015).

²⁵ “Ethiopia seen as African model as key summit to fund \$2.5-tn growth gap opens in Addis Ababa,” *Mail and Guardian*, July 13, 2015.

²⁶ “Role model Ethiopia,” *Deutsche Welle News*, August 20, 2015.

²⁷ “Ethiopia’s light rail system - a model for neighbors,” *Ethiopian Broadcasting Corporation*, November 1, 2015.

the context of a return to economic growth on the African continent fail to adequately capture the dynamics of the Ethiopian case. The present thesis seeks to close this gap by proposing a structured account of Ethiopia's economic transition under the EPRDF, built around the concept of 'vanguard capitalism.'

The Literature on Ethiopia under the EPRDF

The TPLF's original logo, a triangular crest with a hammer and machine gun crossed at the centre, proclaims that "Political power grows out of the barrel of a gun."²⁸ Although it quickly fell into disuse, the emblem captures the essence of the movement's rise, which culminated in tanks circling in on the presidential palace after 15 years of guerrilla struggle. Building up economic control, on the other hand, is a much less scripted process. It requires a fundamental reorganisation of a country's economic structure in favour of the new regime: state enterprises must be brought under the management of trusted individuals, ties with the private sector forged and deals with organised labour struck, old elites must be side-lined and the emergence of a new commercial class favourable to the regime facilitated. These strategies are more complex and less obvious, yet arguably they are as important for consolidating power over time as military prowess and popular support are for seizing it.

Considering Ethiopia's growing profile in debates – including academic ones – on the politics of economic growth in Africa, it comes as something of a surprise that there

²⁸ The emblem is on display at the TPLF Martyrs' Memorial Museum in Mekelle. The inscription is in Tigrigna and English; the English version reads "Political power grows out of the barrel of agan" [sic]. Personal observation in Mekelle, July 8, 2013.

exists not a single comprehensive, research-based account of the country's economic transition since the end of the civil war. Other states governed by former armed insurgents have attracted greater attention, and their transitional experiences are well documented. Pitcher's *Transforming Mozambique* captures the reorganisation of the Mozambican economy under the direction of Frelimo.²⁹ Hodges' *Anatomy of an Oil State*, as well as Soares de Oliveira's *Magnificent and Beggar Land* discuss the establishment of an oil-fuelled form of elite capitalism by the Movimento Popular de Libertação de Angola (MPLA).³⁰ Crisafulli and Redmond's bestselling *Rwanda, Inc: How a Devastated Nation Became an Economic Model for the Developing World* belongs more to the genre of political fan fiction, but is indicative of a wider interest in Rwanda's economic resurgence.³¹ In anglophone Southern Africa, the yield is greater still; in addition to many individual studies, Southall's *Liberation Movements in Power* offers a comparative view of this body of work, exploring the political economies of Namibia under SWAPO, Zimbabwe under ZANU-PF, and South Africa under the ANC.³² For the EPRDF's Ethiopia, on the other hand – the continent's second-most populous country, and its fourth-largest economy – no study of similar scope exists to date.

This is not to say, of course, that post-Derg Ethiopia has generally been overlooked by researchers. There is a sizeable literature – some of it of excellent quality – on the country's political development since 1991, and the analysis of EPRDF politics and

²⁹ Anne Pitcher, *Transforming Mozambique: The Politics of Privatization, 1975-2000* (Cambridge: Cambridge University Press, 2002).

³⁰ Tony Hodges, *Angola: The Anatomy of an Oil State* (Oxford: James Currey, 2003); Ricardo Soares de Oliveira, *Magnificent and Beggar Land: Angola since the Civil War* (London: Hurst, 2015).

³¹ Patricia Crisafulli and Andrea Redmond, *Rwanda, Inc.: How a Devastated Nation Became an Economic Model for the Developing World* (Basingstoke: Palgrave Macmillan, 2012).

³² Roger Southall, *Liberation Movements in Power: Party and State in Southern Africa* (Woodbridge: James Currey, 2013), chapters 9 and 11.

economic change presented in this thesis takes up many of its insights. The reorganisation of state and administration along ethnic lines has produced a large body of work on the project of 'ethnic federalism.'³³ Other authors have instead emphasised the continuities of the Ethiopian administrative system under the EPRDF, especially in the relations between the central government and the peripheral parts of the country.³⁴ While the history of the TPLF has been recorded relatively well, in-depth studies of the EPRDF as a party organisation are noticeable by their absence.³⁵ However, there are good accounts of the party's ideology and its evolution,³⁶ and of the authoritarian political culture that continues to permeate it.³⁷ The literature has also followed the dramatic arc of political events since the fall of the Derg, from the political transition and the institutional reforms

³³ See, for example, Lovise Aalen, *Ethnic Federalism in a Dominant Party State: The Ethiopian Experience, 1991-2000* (CMI Report 2002:2, Chr. Michelsen Institute, 2002); Sarah Vaughan, "Ethnicity and Power in Ethiopia" (PhD dissertation, University of Edinburgh, 2003); David Turton, ed., *Ethnic Federalism: The Ethiopian Experience in Comparative Perspective* (Oxford: James Currey, 2006), and Asnake Kefale, *Federalism and Ethnic Conflict in Ethiopia: A Comparative Regional Study* (London: Routledge, 2013).

³⁴ See John Markakis, *Ethiopia: The Last Two Frontiers* (Oxford: James Currey, 2011); Wendy James et al., *Remapping Ethiopia: Socialism and After* (Oxford: James Currey, 2002); Dereje Feyissa, *Playing Different Games: The Paradox of Anywaa and Nuer Identification Strategies in the Gambella Region, Ethiopia* (New York: Berghahn Books, 2011).

³⁵ See John Young, *Peasant Revolution in Ethiopia: The Tigray People's Liberation Front, 1975-1991* (Cambridge: Cambridge University Press, 1997). Aregawi Berhe, the TPLF's chairman until a leadership purge in 1985, laid down his perspective on the movement's early years in Aregawi Berhe, *A Political History of the Tigray People's Liberation Front (1975-1991)* (Los Angeles: Tsehai, 2009). The best account of the TPLF's transformation into a country-wide coalition of ethnic movements is found in Sarah Vaughan, "Ethnicity and Power in Ethiopia," chapter 5.

³⁶ See the contributions to the 2011 special issue of the *Journal of Eastern African Studies*, "Ethiopia's Revolutionary Democracy, 1991-2011," particularly the introduction by Abbink and Hagmann and the articles by Sarah Vaughan and Jean-Nicholas Bach.

³⁷ Sarah Vaughan and Kjetil Tronvoll, "The Culture of Power in Contemporary Ethiopian Political Life" (Sida Studies 10, Swedish International Development Cooperation Agency, Stockholm, 2003).

of the mid-1990s³⁸ to the Eritrean-Ethiopian War³⁹ and the crisis in the TPLF's leadership that followed,⁴⁰ on to the contested elections of 2005,⁴¹ the subsequent retrenchment of democratic space,⁴² and the re-establishment of single-party rule.⁴³

Similarly, there is no shortage of literature on particular aspects of the Ethiopian economy. In contrast to other African countries, structural adjustment in Ethiopia did not leave a major paper trail.⁴⁴ Since then, however, Ethiopia has become a central fixture in several debates in the field of development economics, most importantly agricultural development and industrial policy. The former has produced a sizeable literature on issues such as land tenure systems, agricultural marketing, soil erosion and conservation, microfinance and extension services.⁴⁵ More recently, the focus has broadened to the manufacturing sector, with a lively debate on the limits of agriculture-led growth and the

³⁸ Sarah Vaughan, "The Addis Ababa Transitional Conference of 1991: Its Origins, History, and Significance" (Occasional Papers 51, Centre of African Studies, University of Edinburgh, 1994); Marina Ottaway, "The Ethiopian Transition: Democratization or New Authoritarianism?," *Northeast African Studies* 2, no. 3 (1995); Theodore Vestal 1996, "An Analysis of the New Constitution of Ethiopia and the Process of Its Adoption," *Northeast African Studies* 3, no. 2 (1996).

³⁹ Tekeste Negash and Kjetil Tronvoll, *Brothers at War: Making Sense of the Ethiopian-Eritrean War* (Oxford: James Currey, 2001); and Dominique Jacquin-Berdal and Martin Plaut, *Unfinished Business: Ethiopia and Eritrea at War* (Trenton: Red Sea Press, 2004).

⁴⁰ Medhane Tadesse and John Young, "TPLF: Reform or Decline," *Review of African Political Economy* 30, no. 97 (2003); Paulos Milkias, "Ethiopia, the TPLF, and the Roots of the 2001 Political Tremor," *Northeast African Studies* 10, no. 2 (2003).

⁴¹ René Lefort, "Powers – Mengist – and Peasants in Rural Ethiopia: the May 2005 Elections," *Journal of Modern African Studies* 45, no. 2 (2007); Jon Abbink, "Discomfiture of Democracy? The 2005 Election Crisis in Ethiopia and its Aftermath," *African Affairs* 105, no. 419 (2006).

⁴² Lovise Aalen and Kjetil Tronvoll, "The End of Democracy? Curtailing Political and Civil Rights in Ethiopia," *Review of African Political Economy* 36, no. 120 (2009); Jon Abbink, "The Ethiopian Second Republic and the Fragile 'Social Contract'," *Africa Spectrum* 44, no. 2 (2009).

⁴³ Kjetil Tronvoll 2010, "The Ethiopian 2010 Federal and Regional Elections: Re-establishing the One-Party State," *African Affairs* 110, no. 438 (2011).

⁴⁴ The exceptions are Willem Naudé, "On Ethiopia's Economic Transition and Beyond," *African Development Review* 10, no. 2 (1998), as well as Mekonnen Tadesse and Abdulhamid Bedri Kellow, "The Ethiopian Economy: Problems of Adjustment" (paper presented at the Second Annual Conference of the Ethiopian Economics Association, Addis Ababa, 1994).

⁴⁵ One standout study is Desalegn Rahmato, *The Peasant and the State: Studies in Agrarian Change in Ethiopia, 1950s-2000s* (Addis Ababa: Addis Ababa University Press, 2010).

need for industrial policy,⁴⁶ as well as important empirical work on Ethiopia's emerging private sector.⁴⁷ Both in the literature on agricultural economics and in the new work on Ethiopia's urban economy, the focus lies on identifying effective development interventions – not surprising, considering that the majority of studies cited above stem from donor-funded research projects.

What is largely missing, however, is an acknowledgement of how closely political and economic developments are intertwined in the EPRDF's Ethiopia. The few studies that do look at the ways in which the party has managed the dual process of economic and political reform – and, as a result, reshaped “the structural relations between accumulation and domination,” to use Munro's definition of the term ‘political economy’⁴⁸ – are either written from a partisan perspective⁴⁹ or little more than chronological accounts.⁵⁰ More recently, several authors have begun to draw attention to the ways in which market processes in Ethiopia are embedded within wider structures of political power, focusing on a range of issues such as the endowment companies,⁵¹ agricultural

⁴⁶ The most significant contribution to this debate comes from a longtime member of the TPLF's politburo and leading economic adviser in the Ethiopian administration: see Arkebe, *Made in Africa*. See also Tilmann Altenburg, "Industrial Policy in Ethiopia" (Discussion Paper 2/2010, Deutsches Institut für Entwicklungspolitik, Bonn, 2010); Mulu Gebreeyesus, "Industrial Policy and Development in Ethiopia: Evolution and Present Experimentation" (Working Paper 2013/125, UNU-WIDER, Helsinki, 2013); and Stefan Dercon, Ruth Vargas Hill and Andrew Zeitlin, "In Search of a Strategy: Rethinking Agriculture-led Growth in Ethiopia" (informal working paper, Centre for the Study of African Economies, University of Oxford, 2009).

⁴⁷ Most importantly, see John Sutton and Nebil Kellow, *An Enterprise Map of Ethiopia* (London: International Growth Centre, 2010).

⁴⁸ William Munro, "Power, Peasants and Political Development: Reconsidering State Construction in Africa," *Comparative Studies in Society and History* 38, no. 1 (January 1996), 122.

⁴⁹ See Addis Alem Balema, *Economic Development and Democracy in Ethiopia* (Trenton: Red Sea Press, 2014). Addis is a former member of the TPLF's central committee and currently director general of the Ethiopian Commodity Exchange Authority. He describes political and economic reform as two parallel, strictly technical processes.

⁵⁰ See Kinfu Abraham, *Ethiopia: From Bullets to the Ballot Box* (Trenton: Red Sea Press 1994), and *Ethiopia: The Dynamics of Economic Reforms* (Uppsala: Nina Press, 2001).

⁵¹ Vaughan and Mesfin, "Rethinking Business and Politics."

extension services,⁵² and the introduction of the 'model farmer' system.⁵³ However, these studies are concerned with particular aspects of Ethiopia's political economy today, rather than with the emergence of the structures themselves over time. Vaughan and Mesfin Gebremichael thus sum up the problem succinctly: "Political economy and sociological studies of business and economic growth in Ethiopia are few and far between, and as the economy expands and foreign direct investment escalates, this is becoming a more and more significant research lacuna."⁵⁴

Narratives of African Economic Transformation

If the academic literature on Ethiopia fails to provide a coherent account of the country's economic transition, the dominant narratives in the current debate on economic transformation in Africa are of limited help as well. GDP growth in Sub-Saharan Africa has been on an upward trajectory over the past two decades, from an average of 1.8 percent during the 1990s to just over 5 percent during the 2000s.⁵⁵ This has fundamentally altered the discourse on African economies and led to headlines of a new, dynamic and prosperous 'Africa Rising.'⁵⁶ Ethiopia, which has well outperformed the continental mean

⁵² Kassahun Berhanu and Colin Poulton, "The Political Economy of Agricultural Extension in Ethiopia: Economic Growth and Political Control," *Development Policy Review* 38, no. 2 (2014).

⁵³ René Lefort, "Free Market Economy, 'Developmental State' and Party-State Hegemony in Ethiopia: the Case of the 'Model Farmers,'" *Journal of Modern African Studies* 40, no. 4 (2012).

⁵⁴ Vaughan and Mesfin, "Rethinking Business and Politics," 12.

⁵⁵ Calculation based on data for subset 'Sub-Saharan Africa (developing only)', in "World Development Indicators", World Bank, 2014.

⁵⁶ The term was popularised by Vijay Mahajan, *Africa Rising: How 900 Million African Consumers Offer More Than You Think* (Upper Saddle River: Pearson, 2008). Much of the media attention to African economic growth stems from a series of reports by major management consulting firms: see *The African Challengers: Global Competitors Emerge from the Overlooked Continent* (Boston: Boston Consulting Group, 2010); *Lions on the Move: The Progress and Potential of African Economies* (New

over the past decade, is one of the main engines of this upswing; however, its developmental path does not fit the modal pattern of growth described in the 'Africa Rising' literature. The continent's recent economic successes, this literature concurs, are a late effect of structural adjustment during the 1980s and 1990s: Africa is growing because its governments have finally adopted liberal economies, if only as a conditionality of foreign aid.⁵⁷ The driving force of the new economic dynamism are natural resources on the one hand, which profit from a period of high prices in global markets, and the newly liberalised service industries – especially finance and telecommunications – on the other. Thus, among the 'African challenger' businesses identified by the Boston Consulting Group (i.e. African-owned companies shaping up to compete in global markets), more than 60 percent operate in mining, finance and IT, while less than 15 percent are manufacturers.⁵⁸ These major players are complemented by a vibrant culture of bottom-up entrepreneurs, with people at the "bottom of the pyramid"⁵⁹ making the best of the economic opportunities presented to them.⁶⁰ In short, this literature sees African economies as messy but dynamic, expanding rapidly although in an initially chaotic manner now that market forces have finally been unleashed.

"If there was ever a country that embodied the optimism of the 'Africa rising' narrative, it would be Ethiopia,"⁶¹ one recent article argues, and indeed the EPRDF

York: McKinsey & Company, 2010); and *Africa on the Move: The Quest for Sustainable Growth* (London: Ernst & Young, 2013).

⁵⁷ *Lions on the Move*, 10; see also Shantayan Devarajan and Wolfgang Fengler, "Africa's Economic Boom: Why the Pessimists and the Optimists Are Both Right," *Foreign Affairs*, May/June 2013.

⁵⁸ *The African Challengers*, 2.

⁵⁹ For this term, see C.K. Prahalad, *The Fortune at the Bottom of the Pyramid: Eradicating Poverty through Profits*, 2nd ed. (Upper Saddle River: Pearson, 2010).

⁶⁰ Mahajan, *Africa Rising*, 17.

⁶¹ "Ethiopia: From Lion of Judah to economic lion," *CNN* (online), October 20, 2015.

government has appropriated the 'Ethiopia Rising' theme, too.⁶² Yet as will already have become clear, the Ethiopian case differs from this particular ideal type. While the EPRDF government did embark on an ambitious range of donor-approved economic reforms during the 1990s, it never intended to follow liberal economic dogma, and it retains a high level of political control over the markets it created. Similarly, Ethiopia's economy is not driven by resource extraction, which accounts for a minor share of domestic production; its banking and telecom sectors remain largely under state control and lack both the vibrant competition and quality of service found elsewhere on the continent. Small and informal businesses, while proliferating across the country, are held back by strict regulatory and licensing practices. Instead, the EPRDF government has favoured a strategy of managed industrial transformation fuelled by high state investment in physical infrastructure, with an emphasis on increasing agricultural productivity and attracting foreign investment in light industries, including from Asian countries with rising labour costs. While Ethiopia has grown faster than most economies on the continent, it thus challenges the characterisation of African economic growth as market-driven, bottom-up and spontaneous.

An alternative interpretation of Africa's accelerated growth, put forward by a group of 'heterodox' thinkers, questions the centrality of liberal reforms. These authors argue that it is the shift from wasteful to productive forms of economic clientelism, not the introduction of free markets and impersonal governance, which unlocks economic potential. Thus, the most successful African economies are not those that have made the most progress in battling corruption, but those that have managed to concentrate it at the

⁶² See "The Logic of 'Ethiopia Rising,'" *Ethiopian Herald*, September 5, 2015.

highest echelon of the political elite.⁶³ Sustainable growth springs from informal coalitions – political settlements – between members of this elite and local capitalists.⁶⁴ Considering the lack of a strong indigenous class of domestic capitalists in most African countries, it is neither surprising nor wrong that Africa’s political and business leaders tend to spring from the same elite circles.⁶⁵ Policies for economic growth in Sub-Saharan Africa must therefore follow a “with-the-grain approach,” which “conceives of change in evolutionary rather than engineering terms and so directs attention away from the search for ‘optimal’ policies.”⁶⁶

Like the liberal account of ‘Africa Rising,’ this alternative perspective does not capture the essence of Ethiopia’s economic transformation. In most sectors, Ethiopia has avoided the levels of corruption that characterise other parts of the continent: Asian investors in particular regularly state that, in Ethiopia, paying bribes is much less of a concern to them than at home.⁶⁷ While some members of the political elite have certainly profited financially, this is not considered acceptable behaviour, and party discipline provides a check on the conduct of individuals. Economic growth is driven by state investment and, increasingly, foreign money; forging ties with domestic capitalists has

⁶³ Tim Kelsall, *Business, Politics, and the State in Africa: Challenging the Orthodoxies on Growth and Transformation* (London: Zed Books, 2013), 24.

⁶⁴ Mushtaq Khan, “Governance and Growth Challenges for Africa,” in *Good Growth and Governance in Africa: Rethinking Development Strategies*, ed. Akbar Noman et al. (Oxford: Oxford University Press, 2012), 128.

⁶⁵ Hazel Gray and Lindsay Whitfield, “Reframing African Political Economy: Clientelism, Rents, and Accumulation as Drivers of Capitalist Transformation” (paper presented at the biennial African Studies Association UK conference, Brighton, September 9-11, 2014), 27.

⁶⁶ Brian Levy, *Working with the Grain: Integrating Governance and Growth in Development Strategies* (Oxford: Oxford University Press, 2014), xiii.

⁶⁷ See Janelle Plummer, ed., *Diagnosing Corruption in Ethiopia: Perceptions, Realities, and the Way Forward for Key Sectors* (Washington: World Bank, 2012), 15; and Li Lianxing, “Bank Sees China, Ethiopia as Good Fit,” *China Daily*, July 5, 2013.

long been of secondary importance to the regime, and the relationship between the two sides often rocky. Finally, economic policy-making is very much preoccupied with ‘engineering’ radical transformation rather than with evolutionary change, and it shows little interest in ‘going with the grain.’

Vanguard Capitalism: The Argument in Brief

The account of Ethiopia’s economic transition presented in this thesis takes a different approach. It explains the country’s trajectory since the fall of the Derg by looking at three elementary (and much-theorised) notions in the field of political economy – party, state, and market – and tracing their relationship over time. In so doing, it shows that in the EPRDF’s Ethiopia, a narrow party elite has been the main driver behind a fundamental reconstruction of state and economy, following an agenda of radical political and economic transformation. These processes of state-building and market-building have been complementary in nature, and they have resulted in a set of mutually supportive institutions: a state that seeks to derive legitimacy from ‘developmental’ interventions in the economy, and an economy that advances a particular vision of the Ethiopian state.

More specifically, the argument outlined here (and further elaborated in Chapter 1) proceeds in three steps. First, it contends that *Ethiopia’s economy is best characterised as a form of ‘vanguard capitalism,’ a system combining the expansive economic logic of capitalist markets with the centralising political logic of a dominant party steeped in the Leninist tradition of vanguard thinking.* In this economy, a growing number and variety of firms can engage in business, while the state retains a high degree of control over the outcomes of their

activities. Emphasis is given to increasing the capacity and professionalism of bureaucrats, but not their political autonomy. Economic policy-making is characterised by a culture of top-down planning, couched in a hegemonic discourse of 'developmentalism,' yet it follows a pragmatic rather than an ideological approach, and a variety of different measures are employed as long as they are likely to result in politically desirable outcomes. Together, these characteristics describe an economy that is neither state socialist nor free-market capitalist, but one that combines the features of capitalism with centralised political control.

The second step of the argument follows that *the roots of this vanguard-capitalist economy lie in the monopolisation of state-society relations by the ruling party*. Economic transitions are negotiated between society, which generates economic activity, and the state, which defines and enforces its rules and boundaries. The relationship between the two sides is not a direct one, but mediated through different kinds of institutions, most importantly the party system. In liberal multiparty democracies, parties aggregate societal interests and represent them in the parliamentary arena, while the function of political parties in a patrimonial context is primarily the aggregation of clients around a political patron. In the EPRDF's Ethiopia, on the other hand, the ruling party does not consider itself the representative of a particular segment of society, but as the organisation tasked with the mobilisation of society at large around a transformative political agenda. This requires, on the one hand, the marginalisation of political opponents and the closure of alternative channels of state-society relations; at the same time, however, it also demands the expansion and deepening of the party's presence at all levels of society. By effectively

establishing itself as the sole mediator between society and state, the party is thus able to centralise societal demands on the state.

Under these circumstances, economic policy cannot take on a neutral hue but becomes an instrument of political power. Markets, therefore, not only have to be established through political process, but also shaped and managed continuously. *Market-building* – this is the third and final step of the argument – *thus becomes a crucial part of state-building*. During Meles Zenawi’s premiership, Ethiopia’s “architecture of markets”⁶⁸ was designed at the highest level of the ruling party and implemented by a politically compliant bureaucracy through the creation, capture, and strategic distribution of economic rents. A major part of rents created through the establishment of state monopolies and investment laws that discriminate between different groups of investors are primarily channelled through vehicles which offer a high level of political control, such as companies controlled by the state, the military, or the party itself; in other words, they are centralised within the regime. A high degree of discipline within the party ensures that rents are not diverted by the political elite but re-invested in line with the transformative agenda of the party. The end result is the emergence of the kind of politicised yet dynamic economy characterised as ‘vanguard capitalism’ above.

As Chapter One shows in greater detail, the concept of vanguard capitalism differs from the dominant perspectives on economic transitions in post-cold war Africa, and from interpretations of the Ethiopian experience that are derived from them. Advocates of liberal economic and political reforms emphasise the mutually reinforcing virtues of

⁶⁸ Neil Fligstein, *The Architecture of Markets: An Economic Sociology of Twenty-First-Century Capitalist Societies* (Princeton: Princeton University Press, 2002).

democratisation and structural adjustment, resulting in a structural separation of party, state, and market, and in the eventual convergence of African economies on the model of liberal capitalism. From this perspective, which has long informed the views of Western donor agencies in Ethiopia, the country's interventionist political economy is primarily the result of "partial reform syndrome," with elites delaying or resisting change for fear of hurting their vested interests.⁶⁹ The framework of vanguard capitalism, on the other hand, emphasises that Ethiopia's economic institutions are not the work of lapsed reformers but reflect the conscious choice of a fundamentally illiberal approach to economic development based on the leading role of a dominant movement party.

A second strand of the literature on economic transitions after 1990 emphasises the (neo)patrimonial character of African economies. In a patrimonial environment, formal institutions such as party organisations or state bureaucracies are fragile and operate at the whim of a strong, autocratic leader. In the economic sphere, this results in a kind of 'crony capitalism' in which personal ties trump the anonymity of the market. Seen from the patrimonial perspective, which informs much of the discourse of the Ethiopian opposition (particularly in the American diaspora), Ethiopia's highly interventionist economy is thus a machine for the extraction of resources by a small, often ethnically defined, political elite. Against this interpretation, the framework of vanguard capitalism argues that the concentration of economic power in the hands of the political leadership is not automatically synonymous with pervasive corruption. Since the party has effectively become the sole conduit of societal demands on the state, it is under less

⁶⁹ For the term 'partial reform syndrome,' see Nicholas van de Walle, *African Economies and the Politics of Permanent Crisis, 1979-1999* (Cambridge: Cambridge University Press, 2000), 60-63.

pressure to distribute rents to reward political clients, and at greater liberty to use them to advance its agenda of national transformation.

Lastly, the framework of vanguard capitalism also diverges from – or, rather, complements – the literature on African ‘developmental states.’ Seen from the perspective of this literature, the highly managed nature of markets in Ethiopia is the most rational response to the pervasive market failures that characterise emerging economies. This is the point of view taken by the EPRDF government, which cites the example of East Asia’s state-led industrialisers as a key influence for its policies. However, merely branding the EPRDF state as ‘developmental’ offers little insight into the nature of Ethiopia’s economic transition. It assumes the neutrality of economic institutions – seen as technical solutions to technical problems – which in reality are highly political and the outcome of long struggles over the nature and direction of the state. By putting the party at the centre of the relationship between state and market, the framework of vanguard capitalism adds substance to the debate around a specifically Ethiopian developmental state. In so doing, it ties in with the EPRDF’s own writings on the subject, which emphasise the need for the mobilisation of society by a revolutionary movement party as the basis of state-led industrial transformation.⁷⁰

The thesis seeks to show the validity of the causal argument outlined above by tracing the emergence of Ethiopia’s vanguard-capitalist economy over time, from the days of the TPLF’s liberation struggle in Tigray to the death of Meles Zenawi in 2012. The political leadership of the ‘revolutionary democrats’ remained remarkably constant

⁷⁰ See especially EPRDF, *Development, Democracy and Revolutionary Democracy* (Addis Ababa: internal party document, unofficial translation of Amharic original, 2006).

during the period under study, as did their fundamental vision of a national renaissance along the lines of ethnic federalism. The strategies followed to transform the country and its economy, however, have varied significantly during these four decades. Crucially, the EPRDF's approaches to state-building and market-building have evolved together, and in synchrony: from a fusion of political and economic institutions during the guerrilla years to a gradual differentiation of those institutions during the 1990s, and back to the symbiotic relationship between party, state, and market characteristic of vanguard capitalism during the final years of Meles' premiership.

This provides the study with considerable within-case variation regarding the degrees of centralisation of both state-society relations (which drive the process of state-building) and economic rents (which drive the process of market-building). The four historical chapters of the thesis – each of which captures a distinct moment in the evolving relationship between the EPRDF, the state, and the economy – follow these parallel lines in chronological succession, from 1975 to 2012. Together, they show that the transition from socialism to a party-led form of capitalism was not a linear one, but one that entailed first the gradual introduction and later the outright rejection of a more liberal set of economic institutions. It was because the EPRDF, after its first decade in power, reasserted its original self-understanding as the vanguard of national development – and, as a consequence, reclaimed its former position as sole mediator between state and society – that it also transformed itself into the primary agent of capital accumulation and structural change.

In its understanding of the changing patterns of state-building in Ethiopia under the EPRDF, the thesis draws on the work of Sarah Vaughan. In an exceptionally perceptive

article on the subject, Vaughan argues that state and party have been intricately linked but not synonymous in the EPRDF's Ethiopia. On the contrary, the relationship, and at times the conflict, between EPRDF officials in senior government roles and those in charge of party business have provided the rhythm for the construction of the Ethiopian state and the rapport with its subjects. Vaughan summarises her chronology of state-society relations under the EPRDF as follows:

During its war against the Dergue, the TPLF had sought to forge a unity of party/front, government and people under a Leninist vanguard. After it came to power in 1991, a delicate formal architecture distinguishing party and state saw the maintenance of a degree of duality of roles in the construction of the federation, but generated tensions that split the leadership in 2001. From 2002, a centrally driven process of bureaucratic decentralization saw emphasis on the state at the expense of party autonomy and energy. This situation abruptly shifted again in the wake of the 2005 poll, when a period of mass political recruitment saw a dramatic expansion of the number of people implicated in party membership, as well as in state, and associated, structures.⁷¹

The central concern of the four historical chapters of this thesis, whose periodization follows that of Vaughan, is to show that the EPRDF's strategies regarding the creation and management of markets have closely followed these shifts. Economic policy has been an instrument in the construction of the state, and it has been revisited whenever the latter underwent a change of approach. During the time of the liberation struggle, the TPLF thus used its relief wing to seize on the humanitarian aid flowing into the region and deployed it as a strategic resource to extend and legitimise its administration. The 1990s were characterised by structural adjustment and the dismantling of the Derg's command economy, but also by the establishment of party enterprises as a source of influence within

⁷¹ Sarah Vaughan, "Revolutionary Democratic Statebuilding: Party, State and People in the EPRDF's Ethiopia", *Journal of Eastern African Studies* 5, no. 4 (2011), 634-635.

the emerging private sector. Privatisation came to a halt after 2001, when the new paradigm of an 'Ethiopian developmental state' called for a more muscular intervention in market processes and economic institutions were reformed accordingly. Following the 2005 elections, finally, the EPRDF sought to fast-track economic development through large-scale investment in new state enterprises, and to increase popular participation in developmental projects. In more than one respect, the EPRDF's relationship with the market has therefore come full circle since the days of the liberation struggle.

Time Period	State-building Processes	Market-building Processes	Relationship Party – State – Market
<i>Armed struggle: 1975-1991 (Chapter 2)</i>	Creation of 'para-state' in Tigray with centralised military, political and administrative control	Merging of relief and rehabilitation work with political and military campaigns	Fusion of political, administrative, and economic structures under thrust for military victory
<i>Liberal reforms: 1991-2000 (Chapter 3)</i>	Constitutional reform and introduction of multiparty system; differentiation of state and party leaderships	Dismantling of the socialist command economy and (partial) market liberalisation, coupled with creation of party foothold in private sector	Gradual differentiation between party, state, and market through reform processes
<i>Origins of 'developmental state': 2000-2005 (Chapter 4)</i>	Re-invention of Ethiopian state as 'developmental state', involving far-reaching reform of administration and civil service	Temporary suspension of privatisation programme, reorganisation of economic institutions, formulation of a national industrial policy	Closer integration of state and market, but without full inclusion of party
<i>Towards transformation: 2005-2012 (Chapter 5)</i>	Idea of a direct 'developmental coalition' between party, state, and people becomes hegemonic discourse	Fast-tracking of development through foreign investment, new state-owned enterprises and a broad-based 'developmental army'	New fusion of political, administrative, and economic structures under direction of party: 'vanguard capitalism'

Table 1: Main stages of the chronological account

Framing the Study

Studying a process as complex and socially momentous as the transformation of Ethiopia's political economy, and seeking to make general statements about the nature and causes of this process, raises a host of methodological questions. Which aspects of the transition warrant to be put centre stage in the analysis, and which ones ought to be treated as secondary? Whose position should be privileged when accounts are conflicting, and on what grounds? Where should the line be drawn between acknowledging the richness and complexity of the historical account, and the need for abstraction and theoretical clarity? Conducting such research in the EPRDF's Ethiopia, a restrictive and politically charged environment, raises additional problems. Before confronting the empirical evidence presented in the later chapters, it is therefore apt to reflect briefly on the scope and limitations of the thesis, the research approach chosen, the practical challenges encountered, and the different types of sources consulted.

Contribution and Scope

In proposing the concept of vanguard capitalism as an interpretive framework for understanding Ethiopia's economic transition, the thesis seeks to make a dual contribution to academic debate. First, a contribution to the study of Ethiopia and, more specifically, its political economy: the thesis fills a gap in the literature on Ethiopia under the EPRDF by providing the first detailed account of how the Ethiopian economy evolved into its present state and what forces shaped this development. The closed nature of the EPRDF government and the complex net of personal and institutional ties that connect it with the

country's economic institutions make this a difficult subject to research, and have contributed to the dearth of substantive analysis to date. However, given the size of Ethiopia's economy and population, the dynamism of current processes of transformation, and the growing – yet often misinformed – commentary on the 'Ethiopian model,' this gap is increasingly problematic.

Second, the thesis also seeks to make a wider contribution to the literature on capitalist transformation in Africa. The concept of vanguard capitalism draws attention to the revolutionary legacy of market-building in Ethiopia, and to the continuing influence of organisational structures and political beliefs acquired during a time of violent struggle. The resulting centralisation of state-society relations and economic rents which characterise the EPRDF's Ethiopia is at odds with the liberal and patrimonial perspectives that dominate the literature on African political economies, yet it is not without parallels among other post-liberation governments on the continent. As previously dormant processes of accumulation and differentiation are being rekindled across the region, the thesis argues, the political structures within which economies are embedded become more, not less, significant in shaping the nature of markets. While much of the recent literature is concerned with the question of whether different kinds of political institutions are correlated with different *levels* of economic growth, the more relevant question might therefore be whether certain kinds of institutions favour certain *kinds* of growth, i.e. affect the structural composition of economies rather than their rate of expansion.

Comparisons with non-African cases, particularly Asia's state-led industrialisers, also suggest themselves. The EPRDF has long emphasised its programmatic kinship with the East Asian 'tiger' economies, but the concept of vanguard capitalism invokes greater

parallels with the developmental trajectories of China and Vietnam. In both of these countries, as in Ethiopia, a socialist legacy has been reinterpreted in the context of economic reform, resulting in a highly interventionist form of capitalism that builds on authoritarian domination of the political arena.⁷² In all three states, too, the party remains a key instrument for social control and mobilisation, with comparable levels of membership.⁷³ These similarities are not just abstract: China has become a key reference point for Ethiopia's political elites;⁷⁴ it is the country's biggest trading partner, and there are regular exchanges at the state as well as party levels.⁷⁵ Lessons from Vietnam's progress in building a light manufacturing base, on the other hand, are increasingly seen as relevant for Ethiopia's industrial development.⁷⁶ Such cross-continental comparisons are potentially insightful; however, they are beyond the scope of the thesis and are therefore not pursued systematically.

The thesis explores the processes of market-building and state-building by following the EPRDF's engagement with the Ethiopian economy since the days of the liberation struggle. The study's interest, therefore, is not in the policy regulating a particular sector

⁷² On China, see Bruce Dickson, *Red Capitalists in China: The Party, Private Entrepreneurs, and Prospects for Political Change* (Cambridge: Cambridge University Press, 2003), and Yasheng Huang, *Capitalism with Chinese Characteristics: Entrepreneurship and the State* (Cambridge: Cambridge University Press, 2008), among many others. On Vietnam, see Melanie Beresford, "Doi Moi in Review: The Challenges of Building Market Socialism in Vietnam," *Journal of Contemporary Asia* 38, no. 2, (2008).

⁷³ Ruling-party membership under Ethiopia's nominal multi-party system is almost twice as common as in communist Vietnam, and only slightly lower than in China, according to media estimates of party membership figures.

⁷⁴ See Elsje Fourie, "New Maps for Africa?." Contextualising the 'Chinese Model' within Ethiopian and Kenyan Paradigms of Development" (PhD thesis, University of Trento, 2012).

⁷⁵ At the EPRDF's Congress in 2013, for example, the keynote speech was given by a representative of the Communist Party of China. Personal observation in Bahir Dar, March 2013.

⁷⁶ See, for example, "Unilever Plans Manufacturing in Ethiopia to Emulate Vietnam," *Bloomberg*, March 10, 2014.

of the economy, but in the common political logic that underlies economic policies across various industries. This means, too, that the empirical evidence discussed in the following chapters is not restricted to one particular sector of the Ethiopian economy. Instead, illustrations are drawn from a number of economic fields and from different institutions. The goal, however, is not to lay out a general economic history of Ethiopia under the EPRDF, but to provide a structured account of market-building as an integral element of the party's mission to re-build the Ethiopian state, and of the consequent transition to an economic system which is most appropriately characterised as vanguard capitalism.

Four limitations apply in this regard. The first is a temporal one: the thesis looks at Ethiopia since the fall of the Derg regime, with a chapter on the EPRDF's origins in the TPLF's liberation struggle in Tigray between 1978 and 1991. The account ends in 2012, the year Ethiopia's long-time prime minister Meles Zenawi died. As the country's head of government for more than two decades, as well as the party's chairman since the creation of the EPRDF, Meles was both the architect of Ethiopia's economic transition and its theorist, and his death marked the end of an era for the EPRDF. The changes in economic policy introduced under the administration of his successor, Hailemariam Desalegn, have been in style and method rather than in substance and outlook. However, setting an end date for the period under study is also a matter of sound research practice: an economy growing at a yearly rate of about 10 percent is a fast-moving target for a research project spanning several years.⁷⁷

⁷⁷ During the four years in which this dissertation was researched and written, Ethiopia's GDP grew by just under 50 percent – a significant, and highly visible, change in economic output.

In sectoral terms, the study is primarily concerned with the urban economy. This is not to deny the importance of the agricultural sector: it remains the country's largest employer by far, and the concept of 'agricultural development-led industrialisation' (ADLI) still constitutes the ideological cornerstone of economic transformation in Ethiopia. Processes of market-building in the agricultural sector are interesting in their own right, and some of the instruments introduced in recent years – the 'model farmers' programme, the Ethiopian Commodity Exchange, or the Agricultural Transformation Agency – are quite innovative in nature. Nevertheless, they are not the focus of the thesis, and reference to them is made solely on the basis of secondary sources. Ultimately, the creation of a modern service sector, and more importantly the establishment of an industrial base, represent the end goals of the EPRDF's economic vision, and its approach to market-building is guided by this objective. To what extent productivity gains in agriculture have actually driven the development of the urban economy (as stipulated by the concept of ADLI) is a question that awaits further research, but not one on which the argument made in this thesis hinges.

Third, this also implies a geographic focus on the urban centres of Ethiopia's highland core, and particularly its capital city, Addis Ababa. The latter represents the undisputed centre of the Ethiopian economy: state-owned enterprises, domestic entrepreneurs and foreign investors all gravitate towards Ethiopia's only major city. The EPRDF government has made efforts to direct investment to other parts of the country, but has had little success outside the agricultural sector. Consequently, research for the thesis was primarily conducted in Ethiopia's political and economic capital, with the exception of the chapter on the TPLF's years of armed struggle in Tigray, for which most interviews took place in the regional capital of Mekelle. No field research was done in

Ethiopia's rural areas. While this does not denigrate the importance of studying economic policy at the national level, it is important to realise that its implementation, and its impact on individual livelihoods, varies considerably across a country as diverse as Ethiopia.

In many regards, therefore, this remains a study about the centre, written from the centre – a caveat worth pointing out considering the attention to centre-periphery dynamics that characterises academic writing on Ethiopia. There are good reasons for putting the focus on the centre: despite two decades of administrative decentralisation, this is still where the important decisions are taken. The roadmap for economic development is drawn up by the federal government, taxes are collected at the centre and regional development funds distributed from there, and the vast majority of foreign investors are drawn to urban areas, particularly the capital. In view of the centralising political logic of the EPRDF government, this should not come as a surprise. At least for now, however, the lived experiences of many Ethiopians are only tangentially related to the emerging modern economy. Capturing the diversity of people's involvement with vanguard capitalism, as other authors have done with regard to their encounters with the state and its local agents,⁷⁸ is thus an important topic for further research.

Finally, the thesis seeks to analyse, not to pass judgement. Explaining the logic behind the EPRDF's approach to governing people and markets is not the same as endorsing it, or otherwise commenting on its desirability. Political debate in and on Ethiopia remains highly divisive; the thesis is an attempt to suggest a historically grounded way to frame the discussions, not to side with either camp. Similarly, the thesis does not make any claims about the sustainability of the EPRDF's political project: it seeks

⁷⁸ See Markakis, *The Last Two Frontiers*, and James et al., *Remapping Ethiopia*.

to explain the origins of vanguard capitalism, not debate its future viability. Other authors and institutions have voiced their doubts about core aspects of the Front's agenda, particularly regarding the feasibility of state-led growth without a broad tax base,⁷⁹ the inherent tension between ethnic-based federalism and centralised decision-making,⁸⁰ and the EPRDF's capacity to cope with the death of Meles Zenawi.⁸¹ All of these are legitimate concerns, and Ethiopia's future development will no doubt depend on how the party addresses them. However, this is not the place to speculate about these questions.

Research Approach

Ethiopia's market economy is a product of the economic and political reforms of the early and mid-1990s, and therefore a relatively recent creation. However, its characteristics and modus operandi are determined by much older forces: a party whose organisational structure and culture were honed during many years of armed liberation struggle (which in turn tapped into a number of pre-existing cultural reservoirs) and a tradition of centralised statehood that spans several centuries. To understand the origins of this new political economy, it is therefore necessary to take a long historical perspective.

This conceptualisation of a 'critical juncture' of institutional reform embedded within historical forces that restrict possible outcomes (or 'path dependency') puts this study squarely within the methodological camp of historical institutionalism. The latter,

⁷⁹ For one example, see IMF, "IMF Staff Completes 2015 Article IV Mission to Ethiopia" (Press release 15/286, International Monetary Fund, Washington DC, June 19, 2015).

⁸⁰ Christopher Clapham, "Ethiopia: Federalism and the Developmental State" (paper presented at Addis Ababa University, September 2013), 5-7.

⁸¹ Lovise Aalen, "Ethiopia after Meles: Stability for How Long?," *Current History* 113, no. 763 (2014).

Steinmo specifies, “is neither a particular theory or a specific method [but] an approach to studying politics.”⁸² Research following this line of inquiry is characterised by a dual focus: on the one hand, it places theoretical emphasis on institutions and their role in structuring individual behaviour, as opposed to seeing in them merely the arenas in which political or economic actors meet. On the other hand, it appropriates methods from the field of historiography to the study of political macro-phenomena and their evolution over time.⁸³

More so than other approaches in the social sciences, the attention of historical institutionalism is thus on the big picture: it focuses on major (and thus, by definition, rare) political events or processes – social revolutions, the emergence of the nation state, economic transitions –, stresses the importance of historical context to their development, and seeks to “compare real world cases rather than ‘variables.’”⁸⁴ As two leading proponents of the approach explain, “historical institutionalists analyse organizational and institutional configurations where others look at particular settings in isolation; and they pay attention to critical junctures and long-term processes where others look only at slices of time or short-term manoeuvres”.⁸⁵ In so doing, they “make visible and

⁸² Sven Steinmo, “Historical Institutionalism,” in *Approaches and Methodologies in the Social Sciences: A Pluralist Perspective*, ed. Donatella Della Porta and Michael Keating (Cambridge: Cambridge University Press, 2008), 118.

⁸³ Orfeo Fioretos, Tulia Faletti, and Adam Sheingate, “Historical Institutionalism in Political Science,” in *Oxford Handbook of Historical Institutionalism*, ed. Orfeo Fioretos, Tulia Faletti, and Adam Sheingate (Oxford: Oxford University Press, forthcoming), 1-3.

⁸⁴ Steinmo, “Historical Institutionalism,” 123.

⁸⁵ Paul Pierson and Theda Skocpol, “Historical Institutionalism in Contemporary Political Science,” in *Political Science: State of the Discipline*, ed. Ira Katznelson and Helen V. Milner (New York: W.W. Norton, 2002), 693.

understandable the overarching contexts and interacting processes that shape and re-shape states, politics and policymaking.”⁸⁶

For the thesis, employing this analytical framework means drawing attention to the historicity of Ethiopia’s present-day economic system and acknowledging that the processes of economic reform that brought it about operated within a specific environment and time. The study’s approach is *institutionalist* in a double sense. First, it seeks to explain the emergence of a particular institutional setup: the totality of organisations, policies and underlying norms structuring economic markets in the EPRDF’s Ethiopia – in other words, the framework of vanguard capitalism outlined above. At the same time, it argues that this set of institutions actually matters for the nature of economic development in Ethiopia. The structural adjustment of the Ethiopian economy during the 1990s did not follow an abstract technical logic (despite the convictions of some of its implementers), but was shaped and adapted by the institutional context within which it took place; and markets in today’s Ethiopia are not neutral platforms but sets of discriminatory rules geared towards the realisation of a transformative political project.

Similarly, the strategy of inquiry the thesis follows is *historical* in orientation. It elucidates the origins of vanguard capitalism by following the steps of its establishment, drawing on the historical record – written as well as oral – that documents the process. Following a historical research logic means two things in this regard. On the one hand, the thesis uses a periodization of the EPRDF’s approach to market-building to divide the process into distinct phases, establish patterns of variation over time, and draw conclusions regarding cause and effect. It thus exemplifies “the search for empirical

⁸⁶ Pierson and Skocpol, “Historical Institutionalism,” 693.

regularities through repeated observations” which characterises work in the historical strand of institutionalism.⁸⁷

On the other hand, the thesis also stresses the historical boundedness of the transition process, and most importantly the ‘legacies of liberation:’ the ways in which the organisational structures and belief systems acquired by the leadership circle of TPLF and EPRDF continued (and still continue) to affect the creation of a capitalist economy in Ethiopia after 1991. This emphasis on the historicity of vanguard capitalism not only “[increases] the number of reference points for analysis,”⁸⁸ it also illustrates what Fioretos et al. describe as a fundamental insight of historical institutionalist research: history doesn’t simply ‘matter’ in a uniform way, but “the causal impact of early events is significantly stronger than that of subsequent events.”⁸⁹

As many works in the historical-institutionalist tradition have shown, a single-case study design does not preclude insights of broader conceptual interest.⁹⁰ The potential contribution of case studies to the formulation of theory is discussed at length in the literature on political science methodology.⁹¹ According to this literature, three characteristics in particular recommend case studies as laboratories for theory-building. First, they allow hypotheses to emerge from the researcher’s immersion in the intricacies

⁸⁷ Stephen Bell, “Institutionalism”, in *Government, Politics, Power and Policy in Australia*, 7th ed., ed. John Summers (Frenchs Forest: Pearson Australia, 2002), 370.

⁸⁸ Steinmo, “Historical Institutionalism,” 127.

⁸⁹ Fioretos et al., “Historical Institutionalism,” 10.

⁹⁰ On diachronic comparison in single-case study designs, see Arend Lijphart, “Comparative Politics and the Comparative Method,” *American Political Science Review* 65, no. 3 (1971), 689.

⁹¹ The classic discussions are Charles Ragin, *The Comparative Method: Moving Beyond Qualitative and Quantitative Strategies* (Berkeley: University of California Press, 1987), 44-51; Steven van Evera, *Guide to Methods for Students of Political Science* (Ithaca: Cornell University Press, 1997), 67-71; Alexander George and Andrew Bennett, *Case Studies and Theory Development in the Social Sciences* (Cambridge, MA: MIT Press, 2005), chapter 1; and Bent Flyvbjerg, “Five Misunderstandings about Case-Study Research,” *Qualitative Inquiry* 12, no. 2 (2006).

of the case, rather than from a position of greater detachment. Initial attempts at theorisation are often made “in the course of fieldwork”⁹² and later refined through “an extensive dialogue between the investigator’s ideas and the data.”⁹³ Second, case studies avoid the problem of conceptual stretching by anchoring theoretical propositions in a concrete empirical context:⁹⁴ each case is “examined as a whole” rather than as a combination of variables.⁹⁵ Finally, only the detailed study of change over time makes it possible to trace and identify causal processes, making case studies the most appropriate method to thus answer the question of how (rather than why) a particular kind of outcome has come about.

Following this inductive logic of general insights drawn from the complexities of a particular case, a detailed analysis of Ethiopian vanguard capitalism also resonates with the experience of other countries, and with attempts to make sense of economic change in Africa more generally. Ethiopia’s party-led transition towards a capitalist economy, although not necessarily a ‘typical’ case, nevertheless shares important features with similar processes in other post-liberation countries, and, by virtue of contrast, holds lessons for the understanding of economic transformation in other African economies as well. The objective of the thesis is not to reduce the richness of the Ethiopian experience and treat it ‘instrumentally,’ as a mere instance of a larger universe of cases.⁹⁶ Yet readers of this thesis will hopefully recognise what Eckstein calls the “heuristic,” and what

⁹² George and Bennett, *Case Studies*, 20.

⁹³ Ragin, *Comparative Method*, 49.

⁹⁴ George and Bennett, *Case Studies*, 19.

⁹⁵ Ragin, *Comparative Method*, 49.

⁹⁶ Stake’s discussion of the ‘intrinsic’ and ‘instrumental’ uses of the case study method is relevant here, especially his conclusion that there is no clear line dividing the two in practice. See Robert Stake, “Case Studies,” in *Strategies of Qualitative Inquiry*, ed. Norman Denzin and Yvonna Lincoln (London: Sage, 1998), 236.

Lijphart and Odell refer to as the “hypothesis-generating” value of the case study method:⁹⁷ the potential to “stimulate the imagination towards discerning important general problems and possible theoretical solutions.”⁹⁸

Methodological Challenges

It is one of the main strengths of the case-study method that it “allows the researcher to use a variety of sources, a variety of types of data and a variety of research methods.”⁹⁹ The viability of the single-case approach, therefore, hinges on access to the full breadth of the empirical record. This is particularly true for case studies which, as those in the tradition of historical institutionalism, rely heavily on qualitative data. Mitigating the inevitable subjective bias inherent in much of the historical data requires the contextualisation with additional sources, and the triangulation of alternative accounts “to clarify meaning by identifying different ways the phenomenon is being seen.”¹⁰⁰ If there is a lack of in-depth political economy analysis in post-1991 Ethiopia, this is partly because there are a number of challenges in this regard which warrant a brief discussion.

Vanguard capitalism is, as discussed above, the product of a centralising political and an expansive economic logic. This has implications for the ways in which information circulates within the system. On the one hand, free markets thrive on the uninhibited flow

⁹⁷ See Harry Eckstein, “Case Study and Theory in Political Science,” in *Case Study Method*, ed. Roger Gomm, Martyn Hammersley, Peter Foster (London: Sage, 2000), 137; Lijphart, “Comparative Politics,” 692; John Odell, “Case Study Methods in International Political Economy,” *International Studies Perspectives* 2, no. 2 (2001), 165.

⁹⁸ Eckstein, “Case Study and Theory,” 137.

⁹⁹ Martyn Denscombe, *The Good Research Guide for Small-Scale Social Research Projects* (Maidenhead: Open University Press, 2010), 54.

¹⁰⁰ Stake, “Case Studies,” 241.

of information, and the transition from a closed to a market-based system in Ethiopia has created areas of relative transparency in business matters. Business journalism is fledgling, and domestic publications often provide superior coverage compared to the international media. The arrival of major foreign investors and the emergence of a group of educated young entrepreneurs, many of whom have studied at foreign universities, have also inserted an element of openness into a business culture traditionally known as clannish and secretive.

The division, however, is not just between the private and public sectors: within the public sector, too, there are stark differences between cultures of communication, varying largely with the degree to which a particular firm or organisation is included within global economic processes. Reliable information from state-owned monopolists such as the Ethiopian Electrical Power Corporation (EEPCo) is notoriously hard to come by, as financial reports are not shared outside the organisation. Institutions that regularly deal with foreign investors, on the other hand – such as the Privatisation and Public Enterprises Supervising Authority (PPESA) or the Ethiopian Investment Office (EIO) – can on request make comprehensive datasets available within a matter of minutes.

Hierarchical party organisations, on the other hand, depend on a controlled flow of information. Part of their power springs from deciding who should know what, and when; access to information is thus restricted and usually subject to prior vetting. Not surprisingly, the minister of information (and, since 2008, the minister heading the Government Communication Affairs Office) has usually been a senior figure in the Ethiopian government and a top member of the party leadership. The EPRDF's spokespeople are accustomed to dealing with requests for information from foreign

researchers professionally and with courtesy. However, information obtained through these channels is rarely exhaustive, and to an outside observer, the party and its internal decision-making process can look almost impenetrable. One EPRDF spokesperson summed up the situation thus: “Our strength is public mobilisation, but there are two things we are bad at: PR and research.”¹⁰¹

Both local and foreign academics face difficulties in researching Ethiopia’s political economy, but in different ways. Many Ethiopian researchers consider work in this field an invitation for trouble and consequently stay away. Political economy, as opposed to the more technical aspects of the discipline of economics, is also an area in which researchers cannot expect to make much of a contribution to public discourse, or to the formulation of policy: as chapter 4 discusses, the idea of politically-directed, state-led economic development has become a hegemonic one, and alternative discourses were relegated to the sidelines following the EPRDF’s re-consolidation of power after 2005. In interviews conducted for this thesis, two senior academics, one an economist at Addis Ababa University, the other the director of a private, donor-funded policy research institute, explained that they consider the topic too sensitive, despite their own interest in the issue.¹⁰² Similarly, a senior official in the Ethiopian Economics Association (EEA), while cautioning that he did not know the research agenda of all of the organisation’s 4,000 members, remarked that he could not think of a single one currently working in this area.¹⁰³

¹⁰¹ EPRDF spokesperson, interviewed by author in Addis Ababa on July 3, 2013.

¹⁰² Professor of economics at AAU, interviewed by author in Addis Ababa on July 19, 2013; and director of policy research institute, interviewed by author in Addis Ababa on May 10, 2013.

¹⁰³ Senior official in Ethiopian Economics Association, interviewed by author in Addis Ababa on July 3, 2013.

Foreign researchers deal with a different set of challenges. The language barrier in Ethiopia is higher than in other parts of Africa, and academics restricted to English inevitably miss parts of the picture. There is also an undeniable level of scepticism towards foreign researchers among some party members, public officials and businesspeople, which can only (if at all) be overcome by building trust over time. It is thus no coincidence that many particularly well-informed academics and observers have followed the EPRDF for a long time, and have often been involved with the movement since the days of the struggle against the Derg. The barriers of entry for new researchers are relatively high, and there is an incentive to specialise. This seems to be one of the reasons why Ethiopia scholars tend to engage less with the broader comparative agenda on the continent than those working on other countries, and vice versa.

It therefore comes as no surprise that, during the field research conducted for this thesis, access to relevant information was often problematic. Macroeconomic data is easily accessible, although the reliability of the official figures is questioned by some.¹⁰⁴ Information on aspects of the political economy which are considered more sensitive, on the other hand – such as the endowment companies, state corporations, and military industries – is considerably more difficult to obtain. Especially in the early phase of field research, the flow of information was not so much restricted as unpredictable: some clearly sensitive data was readily available, while completely innocuous-seeming information remained out of reach; similar institutions treated the same requests in very

¹⁰⁴ Growth forecasts by the IMF and World Bank have differed by several percentage points in certain years. For a general discussion of the reliability of macroeconomic data in Africa, see Morton Jerven, *Poor Numbers: How We Are Misled by African Development Statistics and What to Do About It* (Ithaca: Cornell University Press, 2013).

different manners, and an introduction from a party or government official often made all the difference.

Accessing information about the endowment companies can serve as an illustration. EFFORT's managerial team – in Addis Ababa as well as at the company's headquarters in Mekelle – immediately agreed to series of interviews after an introduction by a senior party official. EFFORT even sponsored an advertorial supplement in the UK in May 2013, distributed with *The Observer* newspaper, which portrays the endowment as “the company of the people” and features an interview with its CEO.¹⁰⁵ A senior manager at Wondo Trading, the SEPDM's equivalent to EFFORT, on the other hand, declined to answer any questions without prior political vetting, instead asking “Who told you about this company?”¹⁰⁶ These apparent incongruities are the product, on the one hand, of a bureaucratic tradition in which what is not explicitly allowed is forbidden, and a strict party hierarchy on the other in which a decision at the top sends ripples along an extended chain of command.

This information asymmetry, coupled with opposition media which are all-too-willing to jump to politically opportune conclusions, also results in a public discourse full of rumours and misinformation, partly accidental and partly deliberate. One recent incident (or rather: non-incident) illustrates this point well. In August of 2013, the diaspora-based opposition platform *ECAD Forum* published an article claiming that Azeb Mesfin had been replaced as the CEO of EFFORT by her deputy, Berhane

¹⁰⁵ “Ethiopia: The resource-rich country is building a dynamic and sustainable economy,” Business Focus supplement, distributed with *The Observer on Sunday*, May 26, 2013.

¹⁰⁶ Senior manager of Wondo Trading, interviewed by author in Addis Ababa on January 31, 2014.

Kidanemariam.¹⁰⁷ This was swiftly interpreted as a move to marginalise the former First Lady within the leadership of the TPLF and, by implication, the EPRDF government. The story was taken up by several other media, including foreign outlets,¹⁰⁸ yet it turned out to be completely baseless: its only source was the fact that a recently-updated CV on the website of Ethiopia's National Olympic Committee (NOC) listed Berhane, a former TPLF central committee member who doubles as a senior official in several EPRDF-affiliated businesses and as president of Ethiopia's NOC, as the "CEO" rather than deputy CEO of the Tigrayan endowment. The management of EFFORT neither dismissed the report nor otherwise commented on it, leaving the whole episode up to popular speculation. Sifting through this kind of information to find elements of factual truth takes time and, above all, requires familiarity with the main individuals and organisations involved.

In the process of researching the thesis, I took a number of measures to address these methodological challenges: extensive fieldwork, a large number of expert interviews, the frequent use of local assistants and interpreters, and a wide range of documentary evidence. Over the course of the research process, I visited Ethiopia four times. During the longest of these stays, lasting a total of eight months between December 2012 and July 2013, I was hosted as a visiting researcher by the Institute of Ethiopian Studies at Addis Ababa University. While I was fortunate to travel throughout the four highland *kilils* – Amhara, Oromia, Tigray and SNNP regional states – during these months, the vast amount of interviewing and archival research was conducted in Addis Ababa and, during two visits to the north, the capital of Tigray, Mekelle. I was also able to stay in Bahir Dar,

¹⁰⁷ "Azeb Mesfin lost TPLF's cash cow," ECAD Forum, August 17, 2013.

<http://ecadforum.com/2013/08/17/azeb-mesfin-lost-tplfs-cash-cow>.

¹⁰⁸ "Azeb Mesfin pushed to sideline", *Indian Ocean Newsletter*, December 6, 2013.

the capital of Amhara state, during the EPRDF's 9th organisational congress (the first after the death of Meles Zenawi) and speak to a number of delegates. Prior to moving to Addis Ababa, I spent six weeks in the United States, where I spoke to most of the opposition leaders who left Ethiopia after the 2005 elections. I also took advantage of the visit to Washington for an extensive literature review at the Library of Congress, and for several interviews with officials at the World Bank.

Interviews with individuals involved in Ethiopia's economic transition – more than 100 in total – represent one of the key sources from which the arguments of the thesis were derived.¹⁰⁹ Most of these were 'elite' interviews with individuals who, in one way or another, had privileged insights into the transformation of the Ethiopian political economy over the past two decades: as members of the leadership of EPRDF and TPLF, officials in ministries and government agencies, managers of party-affiliated companies, private entrepreneurs, members of the opposition, or as representatives of international financial institutions and the diplomatic community. These interviews complemented the documentary evidence in two ways: on the one hand, they filled gaps in the written record – as Tansey writes, in tracing historical processes “there is often no substitute for talking directly with those involved and gaining insights from key participants.”¹¹⁰ On the other hand, personal conversations allowed insights into “the theoretical position/s of the interviewee, his/her perceptions, beliefs and ideologies,” aspects which are less apparent in the written record.¹¹¹

¹⁰⁹ For a full list of interviews, see the appendix.

¹¹⁰ Oisín Tansey, “Process Tracing and Elite Interviewing: A Case for Non-probability Sampling,” *PS: Political Science and Politics* 40, no. 4 (2007), 767.

¹¹¹ David Richards, “Elite Interviewing: Approaches and Pitfalls,” *Politics* 16, no. 3 (1996), 199.

The interviews followed a semi-structured format, i.e. they were based on a number of questions prepared for the specific occasion but not limited to these themes, and they often took unexpected turns. This open and flexible approach to elite interviewing is not without critics; Beamer, for example, holds that the “utility and validity of information produced by elite interviews is dependent upon the analyst’s research design [...] elite interviews must pay careful attention to question formats and wording.”¹¹² My own experience, however, aligns more with that of Berry, who writes that “the best interviewer is not the one who writes the best questions,” but rather a talented conversationalist, capable of subtly steering the flow of the dialogue without forcing it into the rigid framework of a questionnaire.¹¹³ In any case, most interviewees asked to speak ‘off the record’ and not to be quoted verbatim, so that the atmosphere was often that of an informal conversation.

Individuals in the higher echelons of party, government or private sector are, to borrow Thomas’ words, highly ‘visible’ but not easily ‘accessible,’¹¹⁴ and gaining access to them usually required a good deal of preparation. What is more, elite interviews everywhere require an element of trust, and particularly so where the freedom of public discourse is restricted. People’s willingness to speak to me often depended on who had introduced me or pointed me in their direction. To reflect this network logic, I concluded every interview by asking for other potential informants and, where appropriate, requested an introduction. As a consequence, the seniority of interviewees rose over time;

¹¹² Glenn Beamer, “Elite Interviews and State Politics Research,” *State Politics & Policy Quarterly* 2, no. 1 (2002), 86.

¹¹³ Jeffrey Berry, “Validity and Reliability Issues in Elite Interviewing,” *PS: Political Science and Politics* 35, no. 4 (2002), 679.

¹¹⁴ Robert Thomas, “Interviewing Important People in Big Companies,” *Journal of Contemporary Ethnography* 22, no. 1 (1993), 81.

the first months were spent almost exclusively (and at times, frustratingly) on informal networking, whereas I was able to speak to government ministers and high officials in the party hierarchy during the final weeks of my fieldwork.¹¹⁵

Another crucial aspect of fieldwork was the use of research assistants and translators. All in all, I worked with ten local assistants for amounts of time ranging from several hours to several months, depending on the location and the task at hand. Using an interpreter during interviews was the exception, as most of my interviewees were fluent in English. Instead, the work of my research assistants focused on three areas. First, they supported me with introductions to possible informants, and more generally helped me to build up a network. Young journalists from the Addis-based business newspapers in particular helped me to establish contact with businesspeople or officials working in ministries, state agencies, or the chambers of commerce. Second, assistants were invaluable in negotiating access to certain sources of information. They helped to explain my research agenda in a way that made sense to (and allayed the suspicions of) 'gatekeepers' such as ministerial or party archivists. In a few cases, they were also able to obtain information from their own sources that would have remained out of reach for me. Finally, I relied on the help of translators to sift through documents written in Amharic and Tigrigna, such as party publications, to identify relevant articles or pieces of information and translate them into English.

¹¹⁵ Thomas recommends similar techniques for interviewing business elites; see Thomas, "Interviewing Important People," 83-91.

Documentary Sources

In addition to interviews and secondary literature, the study draws on a large amount of documentary evidence. Ethiopian public discourse is not known for its openness and transparency: Levine famously characterised Ethiopian (more specifically, Amhara) culture as dominated by “a cult of ambiguity,”¹¹⁶ and Tronvoll and Vaughan argue that this characterisation still remains relevant.¹¹⁷ However, Ethiopia also has long traditions of bureaucracy and associational life, as well as a love for the written word. As a consequence, information that state officials would be unwilling to disclose in an interview is often already on the public record somewhere, whether in a party bulletin, a company brochure, or the newsletter a large public enterprise distributes to its employees. Taking this kind of source seriously significantly expands the amount of information available from what is an otherwise closed regime.

Different types of written sources allowed for different kinds of insights. First, legal and policy documents were essential to delineate the framework for economic reform. I relied on the archive of Ethiopia’s official gazette, the *Negarit Gazeta* (‘Register of Proclamations’) to list and digitise all relevant laws and proclamations issued since the final days of the military regime and thus establish a chronology of institutional change. I also acquired copies of all major economic policy documents, from the Derg’s “New Economic Policy Reform Programme” of 1990 to the current Growth and Transformation Plan, from the archive of the Ministry of Finance and Economic Development (MoFED) in Addis Ababa. In addition to these, I was also able to obtain comprehensive datasets on the

¹¹⁶ Donald Levine, *Wax and Gold: Tradition and Innovation in Ethiopian Culture* (Chicago: University of Chicago Press, 1965), 10.

¹¹⁷ Tronvoll and Vaughan, *The Culture of Power*, 25.

privatisation of public enterprises and on licenses awarded to Ethiopian and foreign investors from the Privatisation and Public Enterprise Supervising Agency and the Ethiopian Investment Agency, respectively. Additional macroeconomic data was taken from the digital repositories of the Bretton Woods institutions.

Newspaper archives, secondly, were a key source for establishing a chronology of events. For the government-sanctioned account, I relied primarily on the *Ethiopian Herald*, an English-language daily published by the Ethiopian Press Agency. Private business journalism has made remarkable strides since the first business paper was founded in 1998, and Ethiopia's two English-language weeklies – *Fortune* and *Capital* – were an excellent source of information on economic and political trends. Overall, I digitised and excerpted more than 3,000 pages of relevant articles from the *Herald* (1989-2012), *Capital* (1998-2012), and *Fortune* (2000-2012) at the Institute of Ethiopian Studies, as well as at the newspapers' offices.

Intelligence-type periodicals served a similar purpose. There is an inevitable element of speculation associated with this type of source, considering the challenge of providing real-time 'inside' information on an often impenetrable-seeming political regime. While it is risky to rely on intelligence reports as a source of factual information, they undeniably have heuristic value: in several instances, reports pointed to interesting developments which I was then able to follow up on through interviews or other sources. Publications chosen for a systematic screening were *Africa Confidential* (1990-2012), the *Indian Ocean Newsletter* (1991-2012), reports from the Economist Intelligence Unit (1999-2012), and country briefings by Oxford Analytica (1989-2012). The diplomatic cables from the US embassy in Addis Ababa which were published on the Wikileaks website in

November 2010 can also be included in this group; the fact that the information they contain rarely goes beyond what was already in the public domain at the time is an interesting insight by itself.

Given the centrality of the EPRDF to the arguments developed in this thesis, party sources also played a crucial role. A number of TPLF and EPRDF documents were available in English: the newsletters and PR brochures published during the fight against the Derg, TPLF and EPRDF programmes in their various iterations, and the final reports of several party congresses. In other cases, relevant materials were identified and translated from Tigrigna and Amharic by research assistants. Sources thus acquired include materials used in the training of party cadres as well as articles from EPRDF publications such as *Abiotawi Democracy* ('Revolutionary Democracy,' a party weekly) and *Addis Raey* ('New Vision,' a magazine containing essays on programmatic and ideological issues), and from the TPLF's official organ, *Woyeen* ('Revolt', a Tigrigna-language weekly).

Both the EPRDF and the TPLF also kindly allowed me access to their libraries at the party's Arat Kilo headquarters in Addis Ababa and the Martyr's Memorial Museum in Mekelle, respectively. These libraries are perhaps the ultimate testimony to the origins of TPLF and EPRDF in a radical student movement: not many insurgents have devoted their limited time and resources to reading Braudel, translating the socialist canon into the local vernacular, or to compiling lengthy publications on the Albanian revolution and South Korean industrial policy. Unfortunately, my use of these collections was limited by time constraints and the need for a translator fluent in both Amharic and Tigrigna. A researcher more familiar with these languages would find a valuable and as yet little explored set of sources awaiting closer examination.

Finally, a fourth set of archives and collections helped to shed light on particular aspects of Ethiopia's economic transition. Documents from the Ethiopian Economics Association (EEA) and the Addis Ababa Chamber of Commerce and Sectoral Associations (AACCSA) allowed me to trace the development of an autonomous economic discourse outside the party's sphere after 1991, as well as its marginalisation under the 'developmental state.' The EEA puts out a number of periodicals such as its *Annual Report on the Ethiopian Economy* (2000-2012), the *Ethiopian Journal of Economics* (1993-2000), and the association's magazine *Economic Focus* (1998-2012), whose tone is generally quite critical of the EPRDF government. The AACCSA, on the other hand, is the main representative of private-sector interests in Ethiopia. It publishes a monthly newspaper known as *Nigdna Limat* ('Trade and Development') until 1997 and *Addis Business* since. Since 2008, the Chamber has also published a number of research reports on problems that are of interest to Ethiopian entrepreneurs within the framework of the SIDA-funded Private Sector Development (PSD) Hub.

This final category also includes the personal collections of three eminent experts on Ethiopian politics. With the help of a research assistant at the Hoover Institution, I was able to digitize part of the private papers of Paul Henze.¹¹⁸ Among them are several documents of genuine historical interest, such as Meles Zenawi's comments on a chapter in Henze's *Layers of Time*,¹¹⁹ the transcript of a meeting with Meles during his first visit to

¹¹⁸ Paul Henze served the US government both as a diplomat and as an intelligence operative; as a long-time resident consultant at the RAND Corporation during the 1980s and 1990s, he became an influential policy adviser on the region. He also published several books on Ethiopian history during this time.

¹¹⁹ Meles Zenawi to Paul Henze, letter, April 15, 1998, box 66, fol. 6, collection 2005C42, Paul B. Henze papers, Hoover Institution Archives, Stanford University.

Washington in 1990,¹²⁰ and a diary on the work of the Ethiopian constitutional commission, of which Henze was a member.¹²¹ Günter Schröder, a well-known German expert on Ethiopia, was also exceedingly generous in sharing his collection of personal papers. They represent an invaluable who-is-who of Ethiopia's political institutions under the EPRDF, highly detailed and painstakingly researched. Lastly, Alex de Waal kindly shared several hundred pages of documents collected during his own field research on famine relief operations in Tigray in the mid-1980s,¹²² as well as an unpublished manuscript on East African liberation movements in power. His notes and interview transcripts deal primarily with agricultural production and trade in northern Ethiopia during the 1983-1985 famine and provided an important backdrop for the discussion of the TPLF/EPRDF's 'liberation legacies' in chapter 2.

Organisation of the Thesis

The thesis falls into three parts. Chapter One further expounds on the concept of vanguard capitalism and contrasts it with alternative perspectives in the literature on African political economies. It discusses the liberal and patrimonial paradigms of capitalist transitions as well as the emerging literature on African developmental states, highlights the ways in which these frameworks have impacted debates within Ethiopia, and points

¹²⁰ Conversation transcript, meeting between Paul Henze and Meles Zenawi, April 3 and 5, 1990, box 76, fol. 11, collection 2005C42, Paul B. Henze papers, Hoover Institution Archives, Stanford University.

¹²¹ Paul Henze's Ethiopian travel diary, March - May 1993, box 69, fol. 1, collection 2005C42, Paul B. Henze papers, Hoover Institution Archives, Stanford University.

¹²² Collected on evaluation missions for humanitarian relief organisations, this research was later taken up in his book "Famine Crimes". See Alex de Waal, *Famine Crimes: Politics & the Disaster Relief Industry in Africa* (Oxford: James Currey, 1997), chapter 6.

out their shortcomings. It then presents the notion of vanguard capitalism, its inherent developmental logic, and the causal process behind its emergence.

Chapters Two to Five, which make up the bulk of the thesis, then trace Ethiopia's economic transition under the EPRDF through four distinct periods. Chapter Two looks at the TPLF's liberation struggle in Tigray and the fusion of movement, administration, and markets in the areas under its control. Chapter Three covers the transitional decade of the 1990s, which was characterised by a gradual separation of party and state on the one hand, and public and private sector on the other. Chapter Four focuses on the eventful years of 2000-2005, during which a shift in the EPRDF's developmental outlook promoted greater integration between state and market, but failed to incorporate the party and left it vulnerable to electoral near-defeat. Chapter Five, finally, looks at the years between 2005 and 2012, which saw a return to the original fusion between party, state, and market and the intensification of state-led economic development under a reinvigorated 'capitalist vanguard.'

The concluding chapter, lastly, assesses the significance and limitations of the Ethiopian 'model' in the wider context of post-Cold War African political economies. It shows that economies in countries ruled by former insurgency movements share a number of characteristics with Ethiopia and form a common group of 'illiberal market-builders' which is at odds with liberal and patrimonial ideas of economic development. The thesis ends with a call for acknowledging the growing diversity of African capitalisms and makes some suggestions for a research agenda that takes this diversity seriously.

Chapter One

Theorising Economic Transition in Ethiopia

Politics here is not personality based.

It is ideologically driven and organization-based.

Meles Zenawi, interview with *TIME Magazine*¹

Louis Menand, in his foreword to Wilson's *To the Finland Station* (itself subtitled "A Study in the Writing and Acting of History"), suggests that historical research is an empirical enterprise, while history-writing is an imaginative one.² The task of the historiographer, he explains, is not just to document facts, but to interpret them; to make the historical record sensible by endowing it with purpose and direction. Writing history requires creating an illusion of seamlessness, if only because readers themselves "will try to project one onto even the most static or disorganized text."³ Assembling individual pieces of evidence is only the first step in the process. To write history is to reveal the greater logic behind the plurality of occurrences: "The intuition of the whole precedes the accumulation of the parts. There is no other way, really, for the mind to work."⁴

The purpose of the first chapter is to establish this 'intuition of the whole' as it relates to Ethiopia's economic transformation since 1991, before delving more deeply into the

¹ "Interview: Ethiopian Prime Minister Meles Zenawi," *TIME Magazine*, September 6, 2007.

² Louis Menand, foreword to *To the Finland Station: A Study in the Writing and Acting of History*, by Edmund Wilson (London: Phoenix, 2004), xi.

³ Menand, foreword to *To the Finland Station*, x.

⁴ Menand, foreword to *To the Finland Station*, xi.

chronological account that is developed in the remainder of the dissertation. Doing so requires a more thorough theorisation (a term Menand avoids, yet which is implicit in his discussion of the historical method *sensu stricto*) of Ethiopia's transition to capitalism. Part one of this chapter thus looks at three theoretical perspectives within the literature on African political economy – the concepts of liberal, patrimonial, and 'developmental' state capitalism – and discusses the ways in which they have informed (and misinformed) understandings of the Ethiopian experience. The second part of the chapter then turns to the concept of vanguard capitalism as an alternative view of Ethiopia's emerging capitalist economy. By further expounding the logic of vanguard capitalism, its origins and concrete institutional outcomes, the chapter thus gives substance to the conceptual structure which ties together the different moving parts of the historical narrative, and which thus ensures, to borrow once more from Menard, the objective of "integrity in motion."⁵

Three Perspectives on the Ethiopian Political Economy

There is a considerable body of literature that addresses the transformation of African political economies since the early 1990s, and any analysis of Ethiopia's distinct trajectory must situate itself with regard to these accounts. Three perspectives dominate the literature on the subject. The first is the liberal paradigm, which looks at the processes of economic and political reform on the continent from the vantage point of the dominant institutions in the OECD world – free markets, a rational-legal state administration, and multi-party democracy – and assesses African reform outcomes against this yardstick. The

⁵ Menand, foreword to *To the Finland Station*, x.

fact that few African states have fully embraced the liberal institutional canon has given prominence to a second perspective, that of (neo)patrimonialism, which highlights the continuity of informal mechanisms of rule within African states. The patrimonial framework, in turn, has come under attack from authors arguing the need for an African ‘developmental state’ fashioned after the East Asian example.

These different strands of literature have been reviewed many times. The following section will therefore limit itself to outlining the basic tenets of each paradigm, and focus instead on how it has been used by a particular set of actors to make sense of the Ethiopian experience. The concepts of liberalism, patrimonialism, and the African developmental state not only define different normative prescriptions to which the political economy of a developing country should conform, they also lead to different understandings of what Ethiopia’s current economic system actually looks like. Each perspective thus enables a particular kind of legitimising discourse that is employed by stakeholders in the transition. While these divergent accounts all shed light on certain aspects of Ethiopia’s economic transformation after 1991, they nevertheless fail to capture its essence.

Liberal capitalism and the ‘partial reform syndrome’

Ethiopia’s transition from socialism coincided with “the glorious years for the Washington Consensus,”⁶ as Birdsall et al. have called the 1990s, and thus with the apogee of liberal orthodoxy on economic and democratic institution-building in Africa. Before it became a

⁶ Nancy Birdsall, Augusto de la Torre, and Felipe Valencia Caicedo, “The Washington Consensus: Assessing a Damaged Brand,” (CGDev Working Paper 211, Center for Global Development, Washington, 2010).

synonym for free-market fundamentalism and supply-side economics – “a thoroughly objectionable perversion of the original meaning,”⁷ according to the economist who coined the term – the Washington Consensus referred to a package of economic policies aimed at redressing the balance between state and market: reducing fiscal deficits and redirecting spending from subsidies to basic services, privatising state enterprises and reducing the regulatory burden on private enterprises, liberalising trade and inward investment, and adjusting interest and exchange rates to a competitive level.⁸

Originally devised in reaction to the Latin American debt crisis of the 1980s, these measures quickly became the “economic catechism”⁹ of the donor community and the blueprint for structural economic reform across the African continent. Policies and standards from the industrialised economies of Europe and North America were thus extended first to the semi-industrialised countries of Latin America, then to the fundamentally different context of Sub-Saharan Africa. As a result, institutional homogeneity – a regulatory state overseeing export-oriented, private-sector-driven growth – became the prescription across a large variety of economic systems.

The Washington consensus on economic adjustment dovetailed with a new emphasis on democratisation in the political arena. Just as macroeconomic reforms became a precondition for continued access to foreign aid, democratic governance came

⁷ John Williamson, “A Short History of the Washington Consensus,” (paper presented at the conference “From the Washington Consensus towards a new Global Governance,” Barcelona, September 24–25, 2004), 7.

⁸ John Williamson, “What Washington Means by Policy Reform,” in *Latin American Adjustment: How Much Has Happened?*, ed. John Williamson (Washington: Institute for International Economics, 1990).

⁹ Béatrice Hibou, “The Political Economy of the World Bank’s Discourse: From Economic Catechism to Missionary Deeds (and Misdeeds),” (Les Etudes du CERI 39, Centre d’Etudes et de Recherches Internationales, Paris, 2000).

to be seen as the catalyst for growth and social development. Here, too, donors focused largely on the institutional aspect, promoting the conduct of regular elections, the emergence of competitive party systems, and the formulation of constitutions that provided for effective checks on executive power. The “double transformation”¹⁰ towards free-market capitalism and parliamentary democracy were deemed the ultimate destiny of all developing countries. African political economies undergoing a process of transition, in Ethiopia and elsewhere, were considered to have embarked on this general trajectory, although their progress was hampered by varying degrees of insecurity and bad governance.

At the core of the liberal paradigm is the idea of functional differentiation - the notion that state, market, and the parliamentary arena are distinct entities. Markets are fora where private enterprises interact among themselves, with minimal interference from the state, and none from the realm of party politics; the state is embodied in a rational-legal bureaucracy which operates at an arm’s length from the parties and individuals in power; and political parties are platforms aggregating public opinion that mediate relations between state and society without getting absorbed into either. Of course, the three are related – parties determine the direction of state policy, states oversee and regulate markets – but they are all formal institutions, and their interactions are governed by legal rules and procedures. A country’s developmental prospects, then, depend on its capacity to emulate this model and achieve a similar degree of formalisation and functional differentiation.

¹⁰ On the notion of the “double transition,” see Miguel Angel Centeno, “Between Rocky Democracies and Hard Markets: Dilemmas of Double Transition,” *Annual Review of Sociology* 20 (1994).

This belief is not as triumphant today as it was in the early 1990s. More than a decade ago, in "The End of the Transition Paradigm," Thomas Carothers cautioned that "[a]nalyzing the record of experience in the many countries that democracy activists have been labelling 'transitional countries,' it is evident that it is no longer appropriate to assume [...] that most of these countries are actually in a transition to democracy."¹¹ Faith in the universal benefits of liberal economic reforms has equally waned. Williamson himself finds it "difficult to deny that the phrase 'Washington Consensus' is a damaged brand name."¹² Stiglitz, one of the most vocal opponents of one-size-fits-all structural adjustment, concludes that "[i]f there is a consensus today about what strategies are most likely to promote the development of the poorest countries in the world, it is this: there is no consensus except that the Washington consensus did not provide the answer."¹³ In short, the expectation that political and economic transitions in developing countries would invariably lead to the adoption of the institutions found in developed countries is far less pronounced today than it was during the early days of the EPRDF government.

Seen from the perspective of the liberal paradigm, the emergence of an economic system with a high degree of political intervention is little more than the outcome of a flawed process of political and economic reform. Following the overthrow of the Derg, the EPRDF government did initiate a number of reforms that could be (and were at the time) considered as milestones in a liberal transition: the opening of the economy to private investors, the introduction of regular elections from the local to the national level, the

¹¹ Thomas Carothers, "The End of the Transition Paradigm," *Journal of Democracy* 13, no. 1 (2002), 17.

¹² John Williamson 2002, "Did the Washington Consensus Fail?," (speech given at the Center for Strategic & International Studies, Washington, November 6, 2002).

¹³ Joseph Stiglitz 2004, "The Post Washington Consensus," (working paper, Initiative for Policy Dialogue, New York, 2005).

ratification of a constitution that includes strong provisions on individual and community rights, and a far-reaching reform of the civil service. The fact that these changes did not result in genuinely liberal political and economic structures then appears as what van de Walle has called the “partial reform syndrome:” the failure to follow through on a reform package promoted by foreign institutions and endorsed by a local government because of a combination of ideological reluctance, a lack of administrative capacity, and pervasive nepotism.¹⁴

This interpretation remains widespread among international donors in Ethiopia. Despite the constant and vocal rejection by the EPRDF government of a developmental framework based on free markets, uninhibited capital flows, and restrictive public spending, all of these remain cornerstones in the economic advice given by aid agencies and the international financial institutions. Western diplomats and economists never tire to extol the virtues of economic liberalisation to their Ethiopian counterparts, pointing to the need for additional reform in the banking and telecommunication sectors in particular.

The diplomatic cables sent from the United States embassy in Addis Ababa between 2005 and 2010 provide a striking illustration of this point, as they detail the constant barrage of lobbying for a greater liberalisation of these sectors by the embassy staff and visiting officials, many of whom had only a fleeting knowledge of Ethiopia’s financial and communications industries.¹⁵ In June 2008, then ambassador Donald Yamamoto, citing his frustration that the Ethiopian leadership “consistently rebuffed USG [US government]

¹⁴ Nicholas van de Walle, *African Economies and the Politics of Permanent Crisis, 1979-1999*, (Cambridge: Cambridge University Press, 2001), 60-63.

¹⁵ These confidential documents were made available to the public on the WikiLeaks website as part of the 'Cablegate' affair in November 2010.

efforts to pursue other priorities, notably political and economic reform," argued that "a paradigm shift must occur in the United States' discourse with Ethiopia on foreign assistance."¹⁶ In the following year and a half, admonitions about opening up foreign investment in the banking and telecom sectors came from a wide range of US officials: a deputy assistant secretary of the Department of Commerce raised the matter with the CEO of the national service provider, Ethio Telecom;¹⁷ an assistant secretary of the US Treasury with the prime minister's chief macroeconomic adviser;¹⁸ the embassy's chargé d'affaires with the minister of trade;¹⁹ a deputy assistant secretary in the State Department with the minister of finance,²⁰ and so on. Meles himself was also lobbied from several sides, receiving advice on the matter from the ambassador,²¹ an under-secretary of state,²² an assistant secretary of state,²³ and the US trade representative,²⁴ among others.

From a liberal perspective, the characteristic features of the Ethiopian political economy thus appear primarily as policy failures against a backdrop of ideal markets and democratic institutions. The interpretation of the EPRDF's economic policy is thus replete

¹⁶ "Ethiopia's broken promises," diplomatic cable from the US embassy in Addis Ababa, June 9, 2008. This cable and all following ones were retrieved on September 17, 2013, from <http://cablegatesearch.net>.

¹⁷ "Commerce visit punctuated by mixed feelings about doing business in Ethiopia," diplomatic cable from the US embassy in Addis Ababa, September 15, 2008.

¹⁸ "Treasury finds an Ethiopia more reliant on aid than reform," diplomatic cable from the US embassy in Addis Ababa, April 9, 2009.

¹⁹ "Ethiopian Trade Minister discusses WTO accession and AGOA," diplomatic cable from the US embassy in Addis Ababa, September 30, 2009.

²⁰ "DAS Wycoff discusses trade and investment with Ethiopian officials," diplomatic cable from the US embassy in Addis Ababa, December 9, 2009.

²¹ "Prime Minister Meles on governance and foreign policy," diplomatic cable from the US embassy in Addis Ababa, June 8, 2009.

²² "Under Secretary Otero's meeting with Ethiopian Prime Minister Meles Zenawi," diplomatic cable from the US embassy in Addis Ababa, February 2, 2010.

²³ "Prime Minister Meles on balancing and strengthening U.S. relations," diplomatic cable from the US embassy in Addis Ababa, July 8, 2009.

²⁴ "USTR Kirk visit highlights trade opportunities," diplomatic cable from the US embassy in Addis Ababa, August 17, 2009.

with what Mbembe, with a view to the academic literature on postcolonial Africa, calls the discourse of 'negativeness:' "African politics and economics have been condemned to appear in social science theory only as the sign of lack, while discourse of political science and development economics has become that of a quest for the causes of that lack. [...] The upshot is that while we now feel we know nearly everything that African states, societies and economies are not, we still know absolutely nothing about what they actually are."²⁵ The tightly regulated markets or the high levels of state and party control over productive assets are not seen as deliberate policy choices, open to criticism, but coherent with a larger political and economic vision. Rather, they are seen as the somewhat haphazard outcome of a flawed and partial process of institutional reform, initiated by the EPRDF government in 1991 but later delayed or abandoned, whether out of a lack of institutional capacity or a reluctance to part with the levers of economic control.

Unsurprisingly, EPRDF officials have a different view of their economic goals and policies. This disconnect has regularly led the two sides to talk past one another. Representatives of Western governments and international financial institutions often assume that they can convince their Ethiopian counterparts of the need for further liberal economic and political reforms by pointing out the expected gains in efficiency, and get frustrated when their interlocutors refuse to follow their argument. Officials from the EPRDF government, on the other hand, can become exasperated by the constant repetition of the need to liberalise. One former World Bank official, critical of the Bank's recurrent failure to grasp the broader picture of the political economy within which it is operating in Ethiopia, paraphrases the position of the Ethiopian side in some of the negotiations he

²⁵ Achille Mbembe, *On the Postcolony* (Berkeley: University of California Press, 2001), 8.

attended like this: "It's not that we didn't think about this, it's not that we don't get it, we just have a different understanding of what we want."²⁶

The liberal perspective rightly draws attention to the importance of institutional reform in the process of economic transition. However, it fails to acknowledge that the outcomes do not need to conform to the liberal vision of free markets, competitive multiparty politics, and an autonomous, rules-based administration. It thus ignores the fact that the Ethiopian leadership has been systematically, rather than opportunistically, opposed to what it considers the "dead end" inherent in liberal policies,²⁷ and fails to accord the EPRDF government any scope for agency beyond the perpetuation of the status quo. The divergence between liberal recommendations and actual EPRDF policy is not a symptom of lapsed or partial reformism, but stems from the conscious choice of a different developmental trajectory. In short, the attempt to make sense of Ethiopia's political economy in the negative, by merely pointing to its democratic deficits and ubiquitous market restrictions, obscures more than it elucidates.

Patrimonial rule and the problem of crony capitalism

The literature on (neo)patrimonialism,²⁸ which addresses the uneasy coexistence of formal and informal types of institutions in post-colonial societies, emerged largely in response

²⁶ Former World Bank official, interviewed by the author in Addis Ababa on March 15, 2013.

²⁷ Meles Zenawi, "African Development: Dead Ends and New Beginnings," (excerpts from unfinished masters thesis, Erasmus University, Rotterdam, not dated [made available online in 2006]).

²⁸ Like 'liberalism' and 'neoliberalism,' I use the terms 'patrimonialism' and 'neopatrimonialism' synonymously.

to the crisis of the newly independent African states during the late 1970s and 1980s.²⁹ Following the introduction of structural adjustment and democratisation during the 1990s, the concept was revived to explain the failure (or unwillingness) of African regimes to successfully implement macroeconomic and political reforms.³⁰ The patrimonial perspective is thus the flipside of the liberal view of states and markets in Africa: the liberal view defines an expectation of what these institutions should be, while the patrimonial perspective purports to show them as they really are, and to explain why they can't be any different.

The notion of patrimonialism has become so widely used in the Africanist literature, and has acquired so many connotations, that several commentators have questioned its explanatory value.³¹ However, the core idea behind the concept is fairly unambiguous.

Michael Bratton defines it thus:

The term neo-patrimonialism refers to a hybrid mode of rule in which informal political ties and exchanges suffuse the management of a state. In a neo-patrimonial regime, the political chief executive and his agents exercise authority mainly through personal whim and material incentive rather than through ideology or the rule of law. Within the state, the distinction between private and public interests is purposely blurred, and officials occupy

²⁹ See Jean-Francois Médard, "The Underdeveloped State in Tropical Africa: Political Clientelism or Neo-Patrimonialism," in *Private Patronage and Public Power: Political Clientelism in the Modern State*, ed. Christopher Clapham (New York: St. Martin's Press, 1982), 162-192; and Christopher Clapham, *Third World Politics: An Introduction*, (Madison: University of Wisconsin Press, 1985).

³⁰ See Michael Bratton and Nicolas van de Walle, *Democratic Experiments in Africa: Regime Transitions in Comparative Perspective*, (Cambridge: Cambridge University Press, 1997); Patrick Chabal and Jean-Pascal Daloz, *Africa Works: Disorder as Political Instrument* (Oxford: James Currey, 1997); and Nicolas van de Walle, *Politics of Permanent Crisis*.

³¹ See Gero Erdmann and Ulf Engel, "Neopatrimonialism Revisited: Beyond a Catch-All Concept," (GIGA Working Paper 16, German Institute for Global and Area Studies, Hamburg, 2006); Aaron de Grassi, "Neopatrimonialism" and Agricultural Development in Africa: Contributions and Limitations of a Contested Concept," *African Studies Review* 51, no. 3 (2008); and Anne Pitcher, Mary Moran and Michael Johnston, "Rethinking Patrimonialism and Neopatrimonialism in Africa," *African Studies Review* 52, no. 1 (2009).

bureaucratic posts less to deliver public goods and services than to acquire personal wealth and status.³²

Patrimonial regimes thus combine a form of governance based on clientelist networks with the formal trappings of constitutional rule, meaning that “the formal architecture of the state is thoroughly penetrated and often superseded by informal networks of power and privilege.”³³ Party, state, and market all have the legal trappings of formal institutions, but in reality act as vehicles for the interests of the social elite. Power is highly personalised, usually vested in the president and his entourage: “The interaction between the ‘big man’ and his extended retinue defines African politics, from the highest reaches of the presidential palace to the humblest village assembly.”³⁴

In the 1990s, observers frustrated with the lack of progress in reforming Africa’s underperforming economies pointed to this legacy as the main reason for the continent’s stagnation. As Mkandawire writes, “[i]f in earlier work, neopatrimonialism provided evidence of underdevelopment and a stage in the process towards development, the new deployment of ideas of the modernisation school had it that the causation ran from neopatrimonialism to the economy.”³⁵ Reviewing the literature on the subject, Mkandawire identifies a plethora of economic problems which have been blamed on the clientelist nature of African states and societies: financial imbalances such as a low savings rate or hyper-inflation; the failure to develop a domestic capitalist class; fiscal excesses,

³² Michael Bratton, “Neopatrimonialism,” in *International Encyclopedia of Political Science*, ed. Bertrand Badie, Dirk Berg-Schlosser, and Leonardo Morlino (Thousand Oaks: Sage, 2011), 1679.

³³ Bratton, *Neopatrimonialism*, 1680.

³⁴ Michael Bratton and Nicolas van de Walle, “Neopatrimonial Regimes and Political Transitions in Africa,” *World Politics* 46, no. 4 (1994), 459.

³⁵ Thandika Mkandawire, “Neopatrimonialism and the Political Economy of Economic Performance in Africa: Critical Reflections,” (working paper 2013/1, Institute for Futures Studies, Stockholm, 2013), 7-8.

including excessive government spending, a bloated state apparatus, over-taxation of trade and under-taxation of people; rampant corruption, cronyism, and misuse of industrial policy; and a generally weak level of economic governance.³⁶

Seen through the lens of patrimonialism, Ethiopia's economic transition thus appears as an instance of a crony-capitalist system in the making. A domineering political class controls access to finance and economic opportunity, blocking the emergence of a strong, autonomous domestic private sector it might no longer be able to keep in check. It allows politically connected investors access to profit from monopolies and preferential treatment, while bucking pressures for reform and clinging on to the kind of interventionist policies that allow it to retain its control over the processes of economic accumulation.

This kind of discourse is regularly used by opponents of the EPRDF government, especially those based in the overseas diaspora, to discredit the party as a narrow ethnic network bent on exploiting the country's economy for personal gain. The corruption of public officials, the subversion of formal institutions, and the concentration of power in a small elite network are all staples of opposition publications. Blogs, news sites and the Amsterdam-based Ethiopian Satellite Television (ESAT) tend to portray the EPRDF as yet another case of clientelist politics – “a regime controlled and operated by a small clique of corrupt-to-the-core vampiric kleptocrats who cling to power to enrich themselves, relatives, friends and supporters at public expense,”³⁷ to quote one example. Party leaders are accused of using political privilege and affiliated businesses to divert funds to afford

³⁶ Mkandawire, “Neopatrimonialism,” 16-35.

³⁷ Alemayehu G. Mariam 2013, “The diplomacy of non-violent change in Ethiopia,” *Ethiopian Review* (blog), September 9, 2013.

a lavish lifestyle. Since the figures quoted are not based on any evidence, they are limited only by the imagination of those spreading the rumours: in 2005, for example, opposition media claimed that late prime minister Meles Zenawi had embezzled US\$ 41 million from public accounts;³⁸ this figure quickly rose to US\$ 1.2 billion,³⁹ then US\$ 3 billion,⁴⁰ and finally US\$ 5 billion.⁴¹ There is often an ethnic undertone to these allegations: it is the Tigrayan TPLF that is “plundering Ethiopia,”⁴² led by a group of half-Eritreans from the town of Adwa, Meles’ birthplace.⁴³

Of course, such indiscriminate and, more often than not, rather badly fabricated allegations do little to advance political debate about Ethiopia. The EPRDF’s developmental project is portrayed as mere window-dressing meant to draw a thin veil over the plundering of the country at the hand of a small clique of former insurgents and their co-ethnics. This simplistic and often incendiary line of argument absolves its advocates from any need to substantially engage with government policies – if they are nothing but a foil, there is no substance to grapple with. It also plays into the hands of the EPRDF government, to whose blanket characterisation of opposition supporters as irresponsible haters and ethnic demagogues it lends an element of credence.

An entirely different take on the debate about patrimonial forms of governance, and one that relates directly to the Ethiopian experience, is the concept of ‘developmental’

³⁸ "Ethiopia loot: Meles tops list of millionaire officials," Ethiomedia (blog), June 23, 2005,

³⁹ "Top 20 richest Ethiopians – 2011," *Ethiopian Review* (blog), not dated.

⁴⁰ "Meles Zenawi net worth," *The Richest* (website), not dated.

⁴¹ See Wondimu Mekonnen, "Ethiopia: Legally Corrupt," not dated.

⁴² Matthew McCracken, "How the TPLF is plundering Ethiopia," *Case Western Reserve Law Review* 182 (2004).

⁴³ "The Eritreans in Woyane government of Ethiopia," *Ethiopian Times* (blog), November 30, 2011.

patrimonialism proposed by Tim Kelsall and his colleagues.⁴⁴ The gist of Kelsall's argument is that patrimonialism is a deeply embedded, and often functional, form of political organisation in Africa's emerging economies, and that there are considerable variations among patrimonial regimes. In some countries, corruption and clientelism have led to the disintegration of the national economy; in others, they have produced remarkable levels of growth, and may well be the most promising and appropriate strategy for economic transformation.

What differentiates the developmental regimes from the merely extractive ones is their attitude towards the creation and capture of economic rents – the excess income certain market actors achieve in the absence of perfect competition. “Our key finding,” Kelsall writes, “was that in the successful developers rent management almost always took a centralized form, by which we mean that in each country there was an individual or group at the apex of the state with the ability to control the major rents created and distribute them at will.”⁴⁵ In addition to being centralised, rents must also be oriented towards the long term. “Long-horizon rent management means directing a substantial portion of rent-earning opportunities to activities that involve increases in value-added, or transformations in the productive forces over time.”⁴⁶ Centralised and long-term rent management is facilitated by a number of political factors: “the presence of a strong, visionary leader; a constrained yet inclusive political system; top-down patron-client networks; and a competent, vertically disciplined economic technocracy.”⁴⁷

⁴⁴ Tim Kelsall, *Business, Politics and the State in Africa: Challenging the Orthodoxies on Growth and Transformation*, (London: Zed Books, 2013).

⁴⁵ Kelsall, *Business, Politics and the State*, 18.

⁴⁶ Kelsall, *Business, Politics and the State*, 23.

⁴⁷ Kelsall, *Business, Politics and the State*, 147.

The framework of developmental patrimonialism makes some important contributions to understanding the Ethiopian experience. It rightly argues that competitive markets are an outcome of, rather than a precondition for, economic development, and sees the centralisation vs. dispersion of economic rents as a crucial distinguishing feature between different African regimes. There is one problem with Kelsall's analysis, however: the EPRDF government is not a patrimonial regime. According to Kelsall's own definition, patrimonialism is characterised by "the combination of more or less concentrated forms of personalized rule with significant levels of informality and high levels of rent-seeking, clientelism and corruption."⁴⁸ There are numerous countries in Sub-Saharan Africa which, by and large, correspond to this description, and some of them (such as Kenya or Nigeria) have grown at a significant pace in recent years. However, putting Ethiopia among this group requires a good deal of conceptual stretching.

Kelsall himself recognises that his premise is a problematic one, conceding that "some might question whether the Ethiopian developmental experience is 'patrimonial' at all."⁴⁹ However, he continues:

In fact, Ethiopia arguably retains some significant neo-patrimonial dimensions. These center on the concentration of power around the person of the prime minister, long-standing traditions of hierarchy and secrecy, a large state apparatus in which patronage is used as a resource for securing political support, and a blurring of the lines between the public and private spheres.⁵⁰

⁴⁸ Kelsall, *Business, Politics and the State*, 105.

⁴⁹ *Ibid.*

⁵⁰ *Ibid.*

This is a mischaracterisation of the EPRDF and its system of governance. The smooth transition after the unexpected death of Meles Zenawi illustrated the fact that the party's internal mechanisms of governance were alive and well. Ethiopia's large civil service and its hierarchical culture are the product of a long history of centralised bureaucracy and reflect the strong indigenous roots of an autocratic state more likely to coerce than to co-opt; they are not the result of coalition-building based on clientelism and patronage. What is more, the blurring of the boundary between public and private sphere does not reflect the weakness of formal institutions, but rather the EPRDF's attempts to firmly embed the formal institutions it has created in the collective consciousness and everyday practice of the Ethiopian people. Lastly, and perhaps most importantly, the EPRDF itself is a vocal critic of patrimonial forms of rule on the African continent, seeing the issue of 'rent-seeking tendencies' among its members as one of the greatest threats to its organisational coherence, and has very much constructed its political ideology in opposition to it.

Ultimately, Kelsall's analysis therefore faces a dilemma: where he tries to fit the Ethiopian experience into the framework of patrimonialism, he misrepresents it; where he accurately captures it, for example by addressing the centralisation of rents by a disciplined ruling party, he leaves the territory of patrimonialism. The problem with his model is not just that it is a misnomer, but that it does not capture the logic of rule on which the EPRDF's approach to governing Ethiopia and transforming the national economy are based. The EPRDF diverges fundamentally from the patrimonial paradigm of rule in that it is just a dominant party but a party with a distinct understanding of its place in society, and of its role in economic development. This is all the more problematic because Kelsall argues that working within a 'developmental' version of patrimonialism

is the most promising approach to a transformation of the structural fundamentals of pre-industrialised economies, including for the donor community. While it is easy to acknowledge the potential for economic growth in states characterised by clientelism and corruption, it is much more difficult to imagine that the developmental drive and the co-ordination of policies necessary for rapid industrialisation could thrive under those conditions.

Developmental states and the correction of market failures

A third and more recent perspective on African transitions to capitalism springs from the increasingly popular notion of the African 'developmental state.' The call for state-led economic transformation through comprehensive interventions in market processes is in many ways a response to, and critique of, the patrimonial paradigm. This becomes particularly evident in the writings of Thandika Mkandawire, who first encouraged use of the concept.⁵¹ Authors writing under the heading of patrimonialism, he argues, incorrectly extrapolate from the level of local communities to that of macroeconomic phenomena, thus explaining concrete policy failures with vague references to political culture and social tradition. This misrepresentation of African regimes as helplessly entangled in clientelist relationships has diminished their capability to adequately govern their economies, for example by promoting the emergence of a domestic capitalist class:

The way in which the Neopatrimonialism School has posed the problem has virtually reduced pro-capitalist policy to only consisting of those policies which are 'pro-market' and not 'pro-business,' as the latter invariably appears to lead to cronyism, clientelism and outright corruption. Attempts by states to

⁵¹ Thandika Mkandawire, "Thinking About Developmental States in Africa," *Cambridge Journal of Economics* 25, no. 3 (2001).

support specific capitalist groups have been immediately attributed to patronage.⁵²

Thus, it is high time for African governments to rid themselves of the patrimonial stigma and assert their capacity to create the kind of economic institutions necessary to lead their countries out of poverty.

Mkandawire's call for an African developmental state has gained traction in recent years, among scholars as well as practitioners.⁵³ Similarly industrial policy, the instrument of choice of states seeking to actively shape their place in the global economy, "[a]fter long suffering from benign neglect if not outright contempt, [...] is almost fashionable again."⁵⁴ Instead of following the advice of Western governments, whose economies industrialised much earlier, and over a longer period of time, African states are encouraged to look east and emulate the more recent growth trajectories of the Asian 'tiger' economies. The result is not just a new agenda for economic governance, but also a reappraisal of the institutional arrangements that have characterised political economies in post-colonial Africa.

The idea that the state has an important role to play in facilitating late industrialisation, even within the confines of a market economy, is not a new one, of

⁵² Mkandawire, "Neopatrimonialism," 20-21.

⁵³ See Peter Meyns and Charity Musamba, "The Developmental State in Africa: Problems and Prospects," (INEF Report 101, Institut für Entwicklung und Frieden, Duisburg, 2001); Laura Routley, "Developmental States in Africa? A Review of Ongoing Debates and Buzzwords," *Development Policy Review* 32, no. 2 (2014); and UNECA, "Governing Development in Africa – The Role of the State in Economic Transformation," (Economic Report on Africa, United Nations Economic Commission for Africa, Addis Ababa, 2011).

⁵⁴ Joseph Stiglitz et al., "Industrial Policy in the African Context" (Policy Research Working Paper 6633, World Bank, Washington, 2013), 2. See also Ha-Joon Chang, "Industrial Policy: Can Africa Do It?" (paper presented at the IEA / World Bank Roundtable on Industrial Policy in Africa, Pretoria, 3-4 July 2012); and Lindsay Whitfield et al., *The Politics of African Industrial Policy: A Comparative Perspective* (Cambridge: Cambridge University Press, 2015).

course.⁵⁵ But it was the rapid growth of the East Asian economies, following a highly interventionist approach which had little in common with liberal prescriptions, that led to the formulation of the developmental-state framework. Chalmers Johnson, who first popularised the term in a study of Japanese industrialisation,⁵⁶ saw the developmental state (which he termed ‘plan-rational’) as a middle way between US-style capitalism (‘market-rational’) and the planned economies of the socialist bloc (‘plan-ideological’). For Johnson, Japan’s rapid industrial transformation had “a political and not an economic basis,”⁵⁷ based on the government’s overwhelming desire to join the ranks of industrialised nations. A state that seeks to emulate the Japanese example must therefore, like Japan, “first of all be a developmental state – and only then a regulatory state, a welfare state, an equality state, or whatever other kind of functional state a society may wish to adopt.”⁵⁸ To achieve its mission, the developmental state must implement an active industrial policy. Favouring certain sectors at the expense of others requires a highly capable and committed administration, usually headed by a pilot agency of elite civil servants, which is given the necessary freedom to implement the measures it sees fit, unencumbered by the constraints of everyday politics.⁵⁹

While Johnson’s account addressed primarily the nature and extent of state intervention necessary for rapid development, subsequent studies shifted the focus to the concrete modalities. Robert Wade’s analysis of Taiwan’s industrialisation emphasises the

⁵⁵ The classical text is Alexander Gerschenkron, *Economic Backwardness in Historical Perspective*, (Cambridge (MA): Belknap, 1962), 5-30.

⁵⁶ Chalmers Johnson, *MITI and the Japanese Miracle: The Growth of Industrial Policy, 1925-1975*, (Stanford: Stanford University Press, 1982).

⁵⁷ Johnson, *MITI and the Japanese Miracle*, 24.

⁵⁸ Johnson, *MITI and the Japanese Miracle*, 306.

⁵⁹ Johnson, *MITI and the Japanese Miracle*, 315.

importance of macroeconomic policies favouring high levels of investment, coupled with incentives to channel investment to sectors identified as strategic by the government.⁶⁰ Alice Amsden's study of South Korea's economic transformation, on the other hand, follows a more microeconomic approach: it points to the fact that political intervention in certain markets deliberately distorts prices in order to achieve results that do not maximise immediate profit, but technological learning.⁶¹ And for Peter Evans, who follows a comparative approach, the key to industrial development lies in the "embedded autonomy" of the bureaucracy in a developmental state, leaving it close enough to the private sector to understand its needs, but detached enough not to compromise its independence.⁶²

A number of characteristics shared by developmental states emerge from these accounts of industrialisation in East Asia. Woo-Cummings, in an essay that reviews both Johnson's original contribution and its reception by later scholars, highlights the following points in particular: a political regime with a transformative economic agenda; an active industrial policy; control of the financial sector to distribute capital according to developmental priorities; a professional bureaucracy that keeps its distance both from petty politics and from the lure of the private sector; and corporatist mechanisms to mediate the relationship between key interest groups.⁶³

⁶⁰ Robert Wade, *Governing the Market: Economic Theory and the Role of Government in East Asian Industrialization*, (Princeton: Princeton University Press, 1990).

⁶¹ Alice Amsden, *Asia's Next Giant: South Korea and Late Industrialization*, (Oxford: Oxford University Press, 1992).

⁶² Peter Evans, *Embedded Autonomy: States and Industrial Transformation*, (Princeton: Princeton University Press, 1995).

⁶³ Meredith Woo-Cummings, "Introduction: Chalmers Johnson and the Politics of Nationalism and Development," in *The Developmental State*, ed. Meredith Woo-Cummings (Ithaca: Cornell University Press, 1999).

Looking at Ethiopia's emerging political economy from the perspective of the developmental-state literature, it again presents a different contour: it appears as a transformative economic machine, directed by a strong and committed administration which strategically intervenes in markets to overcome their failures and limitations. The high level of political control over economic processes is no longer the sign of lapsed reformism or elite corruption, but the most rational response to the specific requirements of a poor and structurally backward country. Strict regulation of foreign and domestic investment, intervention in the financial sector, or the creation of corporations controlled by the armed forces or the party all serve the purpose of closing gaps in the private economy and accelerating industrialisation beyond the organic rates of growth of a laissez-faire economy. What matters is the developmental orientation of the regime and the appropriateness of the institutions at its disposal, not the history and ideology of those who constitute it.

This is the account given by the EPRDF government, both at home and abroad. The EPRDF is exceptional among African ruling parties in the extent to which it has sought to theorise its approach to political and economic governance.⁶⁴ As the historical chapters will show, the movement's economic thinking has evolved over the years, in an intellectual evolution which mirrors the shifts in economic policy. However, starting in the early 2000s,⁶⁵ the concept of an Ethiopian developmental state came to be at the centre of this vision, and the EPRDF government became increasingly interested in Asian

⁶⁴ See Alex de Waal, "The Theory and Practice of Meles Zenawi," *African Affairs* 112, no. 446 (2013).

⁶⁵ Probably the earliest public remark to this effect by an Ethiopian official is an interview with Neway Gebreab, then chief economic adviser to Meles, in the *Ethiopian Herald*. See "Development state enhances progress," *Ethiopian Herald*, February 17, 2001.

approaches to economic transformation. The writings of Meles Zenawi discuss at length the developmental experience of Taiwan and South Korea, while both China and Japan have become important partners for political dialogue and knowledge exchange.⁶⁶ It comes as little surprise, therefore, that there are several aspects of the developmental-state literature that resonate with the Ethiopian experience. The centrality of economic development to the government's political agenda, the preference for economic planning and political intervention in market processes, the existence of large conglomerates under political control in a number of strategic industries, and the interpenetration of state and market more generally: all of these factors are central to the literature on the developmental state, and also characteristic of Ethiopia's emerging political economy.

However, as a framework for understanding Ethiopia's economic transition, the concept of the developmental state is of limited use. Simply categorising the Ethiopian state as 'developmental' provides little insight into its inner workings: the involvement of the state in the transition to and administration of capitalism among late developers is so universal, yet so varied, that reference to the state alone retains very little explanatory power. 'State capitalism' as a distinct category made enormous sense in the 1980s, when Chalmers Johnson identified Japan's economy as following a third way between American corporate capitalism and Soviet state socialism, a stark opposition which dominated the economic discourse of the day. As a characterisation of the developmental strategies of African states and other late developers, however, it borders on the tautological.

⁶⁶ See Meles, "Dead Ends;" and Meles Zenawi, "States and Markets: Neoliberal Limitations and the Case for a Developmental State," in *Good Growth and Governance in Africa*, ed. Joseph Stiglitz et al. (New York: Columbia Press, 2012). Japan's support for industrial-policy formulation and economic planning in Ethiopia is discussed in chapter 5, while China's relevance as a developmental model is analysed in Elsje Fourie, "New Maps for Africa?."

Consequently, criticism of Ethiopia's economic policy, including from international financial institutions, often focuses not on the issue of state-led growth per se but on its nature: the idea that the government and administration have an important role to play in the transformation of an emerging economy seems largely consensual, the nature and extent of their interventions much less so.⁶⁷

Just as importantly, the developmental state literature describes a particular form of interaction between institutions, an institutional setup connecting the political sphere of the state – the formulator and implementer of economic policy – to the economic sphere of the market. As an analytical framework, it does not claim to explain how this particular setup emerges, and for what reasons: it is concerned with the outcomes of political intervention in market processes, not its causes. As Doner et al. rightly point out, “our growing understanding of the economic impacts of [developmental] institutions has not been matched by our understanding of their political origins.”⁶⁸ The literature on developmental states can thus provide insights into the logic behind the economic agenda of the Ethiopian government, but it cannot answer the questions why this particular framework possesses such appeal for the EPRDF, and how its leadership has reshaped the country's political and economic institutions to fit this mould.

This is partly because the developmental state framework, especially in its more recent iterations, assumes the neutrality of institutions which are in reality highly political, and often disputed. Institutions are seen as technical arrangements necessary to resolve

⁶⁷ IMF official, interviewed by the author in Addis Ababa on January 24, 2014.

⁶⁸ Richard Doner, Bryan Ritchie and Dan Slater, “Systemic Vulnerability and the Origins of Developmental States: Northeast and Southeast Asia in Comparative Perspective,” *International Organization* 59, no. 1 (2005), 327.

problems inherent in unregulated markets, while factors such as power and coercion, ideology and political struggle play only a secondary role in this view. However, it would be a mistake to assume that the specific institutional setup that characterises Ethiopia today is simply the most rational solution to the problem of economic underdevelopment. It is the result of a historical process which involves not just a struggle for the control of the Ethiopian state but also over its nature, with a highly committed movement espousing an agenda of revolutionary transformation at its centre.

The Concept of Vanguard Capitalism

Each of the three perspectives discussed above highlights a certain aspect of Ethiopia's post-1991 economic trajectory, making it an attractive form of discourse for a particular set of actors involved in the process. However, none of the accounts fully satisfies: the liberal perspective ignores that institutional reforms can lead to deliberately illiberal outcomes; the patrimonial paradigm equates the distribution of rents with unproductive corruption; and the concept of the developmental state may illuminate the rationale behind individual economic policies, but says little about their political origins. The notion of vanguard capitalism provides an alternative framework for understanding Ethiopia's economic transition and the forces and mechanisms behind it. The term draws attention to the fact that Ethiopia's emerging capitalist system is distinct from the free-market capitalism promoted under structural adjustment and from the crony capitalism that was its result in other African countries, but also from the bureaucratic state capitalism of the East Asian economies it seeks to emulate; and it suggests that the cause for the difference

in economic structures lies with the ideological and organisational legacy of the ruling party which oversaw the transition.

The Logic of Vanguard Capitalism

According to Heilbroner, economic systems have their own inherent logic: a general “trajectory” of development that flows from the structural conditions of the economy, an “explicable, understandable sequence” in the evolution of markets.⁶⁹ This logic itself cannot be directly observed; its manifestations, however, can. It is in this sense that evident patterns in the creation and development of markets in the EPRDF’s Ethiopia can be considered symptoms of a common, underlying logic. More specifically, the trajectory of vanguard capitalism is the product of two inverse rationalities: the centralising political logic of a party steeped in vanguard thinking, and the expansive economic logic of capitalist markets.

Under vanguard politics, the responsibility for (and power over) the development of society at large are concentrated in the hands of a small group of leaders at the helm of a revolutionary party. The idea of a political party as a vanguard organisation, rather than a mechanism to aggregate societal interests and represent them in the electoral arena, was a central feature of socialist political organisation throughout the 20th century, and its main tenets are most prominently discussed by Lenin in his 1902 treatise *What is to Be Done?*⁷⁰ While Lenin does not provide a checklist account for the organisers of revolutionary

⁶⁹ Robert Heilbroner, *The Nature and Logic of Capitalism* (New York: W.W. Norton, 1986), 30-31.

⁷⁰ Vladimir I. Lenin, *What is to be Done? Burning Questions of our Movement*, in *Collected Works*, vol. 5 (Moscow: Foreign Languages Publishing House, 1961 [1902]).

movements, he does lay out a number of fundamental principles which have subsequently been adopted by revolutionary socialists the world over.

Lenin's vision of the vanguard is unapologetically elitist: with the vast majority of people stuck on a lower level of political consciousness, the impulse for their mobilisation must come from the outside, and it falls to the more enlightened party cadres to explain their predicament and point out the solution. "The vanguard party of the proletariat," writes one of his commentators, "can only fulfil its destiny [...] if it is always a step in front of the struggling masses, to show them the way."⁷¹ Professionalism is an important characteristic of this elite: for Lenin, the leadership of a revolutionary party "must consist chiefly of people professionally engaged in revolutionary activity" who form a core group of dedicated activists, if necessary operating under a shroud of secrecy.⁷² All important decisions are taken at the party's core, according to objective principles, and from there radiate outward through the organisation's seamless chain of command, with strict discipline necessary to ensure compliance among the rank-and-file. At its core, then, the vanguard party is what James Scott has called "a machine to produce a revolution,"⁷³ operated by a small, enlightened elite of professional activists, and deriving its legitimacy not from success at the ballot box, but from its role as a catalyst of historical forces.

As de Waal points out, African liberation movements, including the TPLF/EPRDF, adapted Lenin's organisational principles to the realities of armed struggle in their respective countries.⁷⁴ Their leaderships not only centralised power, but also information.

⁷¹ Georg Lukács, *Lenin: A Study on the Unity of His Thought* (Cambridge, MIT Press, 1974), 35.

⁷² Lenin, *What is to be Done?*, 71.

⁷³ James Scott, *Seeing Like a State: How Certain Schemes to Improve the Human Condition Have Failed* (New Haven: Yale University Press, 1998), 153.

⁷⁴ De Waal, "Liberators in Power," 24-27.

Members of the party elite were exposed to a variety of ideas and opinions, while the population at large remained shut out: while “free debate can rage in the inner circle and among certain associated elites,” de Waal writes, “a carefully-crafted party line must be fed to the broader masses.”⁷⁵ The relative openness within the highest echelon of the leadership in turn required a level of trust which, under the enormous pressures of civil war, favoured ethnic homogeneity among leaders, who usually shared common family histories, localities or educational experiences.⁷⁶ These tightly-knit groups of revolutionary leaders, finally, were often willing to enter into tactical alliances with other organisations, but hopes of embedding them within a broader ruling coalition were almost always in vain: as de Waal puts it, “[t]he vanguard is accessible for debate, but rarely penetrable to outside influence.”⁷⁷

The reference to Lenin’s thoughts on the revolutionary vanguard is not just an exercise in intellectual genealogy, but an acknowledgement of the direct and profound impact of his writings on the leadership of the EPRDF during their formative years in the armed struggle. The founders of the TPLF, most of whom were drawn from the ranks of the Ethiopian student movement, were voracious readers, and the socialist canon provided the main well from which they drew intellectual guidance. One Western activist who visited Tigray in early 1985, at a time when the TPLF was still reeling from the aftermath of the 1984-5 famine and the related military setbacks, reports that several dozen

⁷⁵ De Waal, “Liberators in Power,” 25.

⁷⁶ De Waal, “Liberators in Power,” 27.

⁷⁷ De Waal, “Liberators in Power,” 27.

of the TPLF's political cadres had been instructed to translate the collected works of Lenin and Stalin into Tigrinya.⁷⁸

One reason why the TPLF's leadership was so keen to make these texts available in the local language was the approaching of the founding congress of the Marxist-Leninist League of Tigray (MLLT). The congress was held in July 1985, in a rock-hewn assembly hall camouflaged against enemy air raids; the venue was "decorated throughout with red ribbons and behind the long podium were large portraits of Marx, Engels, Lenin and Stalin dominating the entire hall."⁷⁹ The MLLT, conceived as an intellectual elite body within the TPLF, was the movement's most explicit attempt to create a vanguard organisation along Leninist lines. Its existence was short-lived: nothing was heard from it again after 1991, although it seems to have been kept alive during the transition period, and it was never formally dissolved.⁸⁰ However, the TPLF's politburo, and later the EPRDF's executive committee – despite their lack of a comparable "unified stand on socialism"⁸¹ – have continued to centralise debate and decision-making in Ethiopian politics. They have thus sustained Lenin's logic of the party as an organisational vanguard, long after the organisation dropped much of its socialist rhetoric.

The directionality of free-market capitalism runs counter to this centralising logic: the main thrust of capitalist economies is an outward, expansive one. Capitalism, put succinctly, hinges on "the investment of money to make more money."⁸² This definition,

⁷⁸ Political consultant and activist, interviewed by the author via phone, November 17, 2014.

⁷⁹ Aregawi, *Political History of the TPLF*, 178.

⁸⁰ Former member of TPLF politburo, interviewed by the author in Addis Ababa, July 19, 2013.

⁸¹ "Interview with Meles Zenawi, Secretary General of the TPLF," *People's Voice*, January-June 1990, 24. *People's Voice* was the English-language newsletter published by the foreign relations bureau of the TPLF during the civil war.

⁸² James Fulcher, *Capitalism: A Very Short Introduction* (Oxford: Oxford University Press, 2004), 18.

whose mainstream appeal belies its origins in the work of Marx,⁸³ points to the centrality of the notion of capital – rather than the profit motive or the market mechanism, both of which also exist in non-capitalist economies – as the core feature of the capitalist economic order. Capital is not simply an input into economic processes or a factor of production: there is nothing specifically capitalist about the investment of money with the view of making a profit. What characterises capitalism is instead the continuous process in which profits derived from a particular venture are re-invested and, over time, accumulate. Capital, to borrow Heilbroner’s words, is not wealth itself but “a means for gathering more wealth,” not money but “money-in-use.”⁸⁴

The exceptional growth of capitalist economies since the 18th century is a testament to the transformative potential of this expansive logic. Capitalist economic systems have an inherent drive to grow their own base: “without the organizing purpose of expansion,” Heilbroner writes, “capital dissolves into its material building blocks that are necessary but not sufficient to define its life purpose.”⁸⁵ In the constant cycle of investment and re-investment, owners of capital are compelled to find ever new ways to put increasing amounts of money to gainful use; as a consequence, investors seek to expand markets for their products, incorporate economic relations into the fold of the market that had hitherto existed outside it, and encourage the conversion of new types of economic assets into capital.

⁸³ See Marx’ comments on the “transformation of money into capital” in Karl Marx, *Capital*, vol. 1 (New York: Vintage, 1977), 247-282.

⁸⁴ Heilbroner, *Nature and Logic of Capitalism*, 35 and 37.

⁸⁵ Heilbroner, *Nature and Logic of Capitalism*, 37.

In a number of other formerly socialist countries, these two logics met during the time of economic and political transition in the early 1990s. In Ethiopia, these years were characterised by two simultaneous processes: the EPRDF's extension and consolidation of its rule, and the dismantling of the ruinous command economy established under the Derg. Both processes merged as the party put itself at the centre of the economic transition, directed its process, and sought to harness it for the larger political transformation it was undertaking. The consequence was twofold. On the one hand, the EPRDF, dropping much of its socialist jargon, no longer presented itself as a political vanguard in the Leninist sense, preparing the country for a socialist revolution, but instead reinvented itself as a kind of capitalist vanguard: an inspired, highly disciplined and hierarchical organisation ready to mobilise the country for economic development. On the other hand, the emerging market economy reflected the penchant for central political control that characterised the party in power and the state it was creating.

Characteristics of Vanguard Capitalism

The dual logic underlying the development of vanguard capitalism manifests itself in the form of particular institutional characteristics. Three bear particular mention here: the nature of markets, the bureaucracy that manages them, and the economic policy and discourse that shape them – or, in reverse order, the ways in which markets are established, administered, and operate. Each of those aspects has been shaped by the logic of vanguard capitalism and therefore exhibits attributes of both expansive dynamism and centralised control.

The first characteristic of Ethiopia's emerging economy is *markets in which the processes of capitalist enterprise function relatively freely, while their outcomes are subject to political direction and scrutiny*. The state continues to define the goals of economic development, but in contrast to previous times it is agnostic about the means necessary to achieve them, and pragmatic in their implementation. Most markets are competitive, and companies are at liberty to invest, make a profit, and generally manage their own affairs, but they do so within a tight regulatory framework intended to shape markets in line with the party's political vision. A dominant state apparatus centrally determines the role of different economic actors based on its perception of their potential and limitations in realising certain objectives. The outcome is a market economy in which a growing and varied number of firms – domestic and foreign, public and private – engage in business, while a ubiquitous party state determines their scope of action and retains control over outcomes.

One distinctive feature of Ethiopia's domestic markets is the presence of large enterprises controlled directly by the EPRDF. These so-called endowment companies, of which there is one for each of the four regional member parties, were established with party funds and remain under the de-facto control (although no longer the formal ownership) of senior party leaders. Most endowment companies work in sectors that are considered to be of strategic importance to national development – because of their contribution to other sectors (as is the case with party enterprises in construction, trade, and banking), or because they operate in industries targeted for export promotion (textiles, leather, agribusiness) –, and many of the companies are major players in their respective sectors. These enterprises are professionally managed, and in some cases highly profitable businesses. At the same time, they remain under the supervision of the leadership of the

respective regional party; they support charitable causes that relate to its political goals, and in certain cases – most importantly in the media sector – they quite explicitly act as political tools for the promotion of the party agenda.

A second aspect of the operation of markets is the continued reliance on state-owned enterprises. While hundreds of smaller companies have been sold to private investors since the early 1990s, key markets such as telecommunication or electricity provision are controlled by state monopolies; other important sectors, such as banking or housing, are dominated by large public firms. These state enterprises are crucial for the implementation of the EPRDF's developmental strategy, and account for a large share of public infrastructure investment. Some of them have their origins in the socialist economy of the Derg, or even the imperial regime that preceded it. However, their mode of operation has changed significantly under the current system: they are capitalist enterprises, operating within the boundaries of a market economy; they have adopted managerial techniques from the private sector, and regularly take on foreign advisers or management teams. At the same time, they are not autonomous actors: their boards of directors are chaired by some of the most senior figures in the party hierarchy, and their performance is subject to political scrutiny.

A third aspect is a selective approach to the domestic private sector. The EPRDF does not consider private enterprise to be valuable per se, but draws a distinction between 'developmental' businesses and purely 'rent-seeking' ones. This distinction is not just a rhetorical one, but reflects a conscious policy of fostering the emergence of a class of domestic capitalists supportive of the government and its transformative vision, rather than a private sector that might act as a counterweight to the EPRDF. The approach is

reminiscent of what Gramsci has referred to as ‘manufacturing the manufacturers:’ “to reinforce the industry which could give the country a real independence, and which would expand the cadres of the dominant social group.”⁸⁶ Private companies that have been identified as ‘developmental’ have thus been given access to economic opportunity and groomed for growth; on the other side, businesses that are seen as mere ‘rent-seekers,’ such as the traditional trading establishments, have met with scepticism and, in rare cases, have been ostracised and pushed out of markets.

A final aspect of Ethiopia’s market economy is the similarly selective treatment accorded to foreign investors. Ethiopia retains one of the tightest investment regimes in Africa: a number of sectors are reserved to the state or domestic private investors, including industries which regularly attract large FDI inflows elsewhere, such as banking and telecommunication; investment licensing is strict and requires relatively high initial investments. Access to foreign exchange is controlled by the central bank, and the convertibility of the birr is limited. On the other hand, foreign investment is actively sought after, and investment promotion has become a key task of Ethiopian diplomats around the globe. Special incentives, such as tax breaks or preferential rates for land leases and electricity provision, exist in a range of export-oriented industries and are often exceptionally generous by continental standards. The ERPDF government is well aware that economic transformation requires a massive inflow of foreign capital, given the limitations of the domestic capital base, but it remains cautious about ceding economic control to foreign interests.

⁸⁶ Antonio Gramsci, *Selections from the Prison Notebooks*, ed. Quintin Hoare and Geoffrey Nowell Smith (New York: International Publishers, 1971), 67. I was alerted to Gramsci’s notion by Merkeb Negash, “Why Neoliberals Go Wrong on the EPRDF,” *Fortune*, March 9, 2014.

A second characteristic of vanguard capitalism is *an administration that rejects bureaucratic autonomy but values bureaucratic professionalism*. As the intermediary between state and market, the civil service has a crucial role to play in developmental strategies that rely heavily on political interventions. The EPRDF has attached great importance to the expansion of the bureaucratic apparatus it inherited, and to the gradual upgrading of the quality of service it provides. As a result, the relationship between state and private sector shows certain traits of the impersonal form of interaction which Weber considers characteristic of capitalist societies: decisions are taken on a procedural rather than individual basis, civil servants have usually received specialist training in their area of responsibility, and there is a clear hierarchy of institutions promoting upward accountability.⁸⁷

At the same time, the bureaucracy follows the will of government rather than the letter of the law; it is a politicised civil service, not one that conforms to Weber's rational-legal ideal type.⁸⁸ Institution-building is central to the EPRDF's approach to governance, and entirely congruent with its socialist organisational heritage. However, it follows illiberal rather than legalistic principles: the objective is not to create autonomous organisations, which would inevitably jeopardise, or at least slow down, the chain of executive command. Institution-building is not about making the administration independent from political will; it is about ensuring that political will can be channelled in an orderly, reliable, upwardly accountable way.

⁸⁷ Max Weber, *Economy and Society: An Outline of Interpretive Sociology*, ed. Günther Roth and Claus Wittich (Berkeley: University of California Press, 1978), 956-958.

⁸⁸ Weber, *Economy and Society*, 956-957 and 218-227.

EPRDF leaders have also made it clear that they do not consider the institutional autonomy of civil servants a precondition for the success of state-led development. On the contrary, party membership is an important factor for employment and advancement within the bureaucracy, and civil servants are required to attend political trainings on the government's developmental goals and the political reasoning behind them. The organisational structure of the party shadows that of the different ministries, with co-workers often meeting back-to-back as a department and as members of a party cell.⁸⁹ Meles' own take on the matter was that "autonomy must be defined in class terms, not institutional terms."⁹⁰ In other words, the social stratum of civil servants must be structurally independent from the domestic business class, rather than entangled with it; the main division runs between developmental actors and rent-seekers, not between politicians and bureaucrats.

At the same time, party leaders place high value on the technical expertise of the civil service, at least at the federal level. Recruitment standards have risen significantly as a consequence of the expansion of higher education, and competition for a coveted position in a federal ministry or agency is intense. Opportunities for continuing education are provided through the Civil Service College, which offers a range of qualifications, from Chinese language classes to graduate degrees in public finance and urban planning. A small number of agencies considered to be of particular importance to the overall management of the economy, such as the Agricultural Transformation Agency or the new

⁸⁹ Former official in the Ministry of Finance, interviewed by author in Addis Ababa, February 1, 2014.

⁹⁰ Meles Zenawi in conversation with Alex de Waal, cited in Alex de Waal, "The Theory and Practice of Meles Zenawi – A Reply to René Lefort," *African Affairs* 112, no. 448 (2013), 475.

National Planning Commission, are also given greater flexibility in the hiring process and can afford to compete for top talent. As the large majority of new entrants into the civil service are already members of EPRDF, performance criteria also become relatively more important than political affiliation over the course of a career. One official at the Ministry of Foreign Affairs puts it thus: “to get a job, you must be in the circle. But once you’re in the circle, you are judged on your merit.”⁹¹ While bureaucratic autonomy is not a concern for the EPRDF government, professionalism clearly is.

Finally, a third characteristic of vanguard capitalism lies in *a culture of top-down economic planning which is embedded in a hegemonic developmental discourse, but avoids the excesses of a command economy*. For the EPRDF, economic development is not an automatic process: merely removing the obstacles to free enterprise does little to initiate economic growth, let alone structural transformation. Functioning markets do not emerge spontaneously, particularly under the constraints of mass poverty and political instability: they have to be actively created, grown, and tightly managed. The development of the national economy thus cannot be left to the operation of impersonal market forces alone, but requires conscious and detailed political planning.

The high importance accorded to economic planning makes Ethiopia’s approach to development “plan-rational” rather than “market-rational,” to use Johnson’s terminology, in that it gives “greatest precedence to industrial policy, that is, to a concern with the structure of domestic industry and with promoting the structure that enhances the nation’s international competitiveness.”⁹² Ethiopia’s industrial policy is encased in five-

⁹¹ Official at Ministry of Foreign Affairs, interviewed by author via Skype, October 11, 2014.

⁹² Johnson, *MITI and the Japanese Miracle*, 18.

year macroeconomic plans, most prominently the 2010-2015 Growth and Transformation Plan and its successor for the 2015-2020 time period, dubbed 'GTP II.' These documents outline growth objectives for the overall economy and specific sectors, define target areas for domestic and foreign investment, as well as incentives to promote them, sketch out a programme of public investment in different parts of the national infrastructure, and lay out a financing plan. The national development strategy is the cornerstone for economic policy, and serves as a focal point for coordinating and evaluating the efforts of different ministries and agencies, from the ministry of finance to the foreign office.

While the EPRDF rejects the idea of self-regulating markets, its approach to planning differs fundamentally from the command economy it inherited from the previous regime: the goal is to guide markets and control their outcomes, not to replace them. Ethiopia's industrial policy is primarily concerned with establishing the necessary preconditions for structural transformation, and to ensure that economic development fits within a wider political vision. It relies more on the use of incentives and control mechanisms than on punitive measures (although the latter are also employed), and the input of technocrats, including foreign experts, is valued in the formulation of policies. The process of economic planning involves a number of ministries and institutions, but it is politically managed from the very top: the main guidelines of Ethiopia's developmental strategy were defined by Meles himself, and the Prime Minister's Office remains the lead agency for the coordination of economic policies and the monitoring of their outcomes.

The core concepts expressed in national planning documents are also propagated in the form of a hegemonic public discourse. This 'spirit of vanguard capitalism'⁹³ expresses itself in a mixture of nationalist, high modernist, and revolutionary rhetoric. It is ultimately oriented towards the idea of an Ethiopian renaissance, the restoration of an ancient culture from the humiliation of poverty and dependence; it has a penchant for large infrastructure projects, industrial production, and high-rise urbanisation, with little interest in alternatives or side effects; and it emphasizes the need for rapid rather than evolutionary change, and thus for political institutions which favour mobilisation and transformation over deliberation and inclusion. At the same time, the space for alternative forms of economic discourse is restricted. The private media are admonished to follow the line of 'developmental' journalism rather than succumbing to the 'neoliberal' mindset of the West, while organisations advocating private-sector interests have been relegated to the side-lines of the planning process. Vanguard capitalism is a belief system as much as a set of institutions, and the correspondence between the two is a constant concern to political leaders.

In sum, the capitalist economy that has emerged in the EPRDF's Ethiopia is characterised by markets in which the processes of private entrepreneurship operate quite freely, while their outcomes are constrained by a bureaucracy which values professionalism but not autonomy from the political elite, which in turn relies on detailed economic planning while largely avoiding relapses into the old command economy. The

⁹³ I use the term in analogy to Weber, who famously argues that the formation of capitalist economies in the United States and Northern Europe first required the emergence of a 'spirit of capitalism' which values the pursuit of profit not as a means to an end, but as an end in itself. See Max Weber, *The Protestant Ethic and the Spirit of Capitalism* (Mineola: Dover, 2012 [1920]), 47.

resulting system, with its high level of political intervention, does not correspond to the image of free-market capitalism; nor is it socialist, with the increasing participation of private companies in many sectors of the economy and the high importance attached to attracting investment and foreign capital. Instead, this form of 'vanguard' capitalism represents a distinct approach to the management of an African political economy in transition, borne out of a quest for national transformation under conditions of political volatility and economic backwardness, and combining both elements of market-based reform and centralised political control.

The Vanguard Party and the Centralisation of State-Society Relations

What accounts for the establishment of this vanguard-capitalist economy? To answer this question, it is necessary to distinguish between the structural conditions under which it has been able to emerge, and the actions through which it has been established – in other words, the causes and the causal mechanisms involved. The latter is discussed in the final section of this chapter, which looks at the use of economic rents in the management of markets. The present section is concerned with the political determinants underlying the creation and distribution of rents: the different ways in which political parties mediate societal demands on the state in the process of economic transition, and more specifically the centralisation of state-society relations at the hands of a revolutionary movement party.

The emergence of capitalist economies in developing countries – whether it takes the form of a transition from socialism, a transformation of pre-capitalist methods of

production, or both – does not happen in a social and political vacuum.⁹⁴ Instead, it is predicated on the relationship between society and state, which respectively determine the generation of wealth and its accumulation and distribution. State-society relations, according to one definition, “are interactions between state institutions and societal groups to negotiate how public authority is exercised and how it can be influenced by people.”⁹⁵ Thus, they delineate the respective rights and obligations of state and society, determine the allocation of public resources, and establish different modes of representation and accountability.

The kinds of economic relations that materialise in a particular country – between public and private sector, between capital and labour, between rural and urban producers – are a function of the broader rapport between state and society within which they are embedded. However, society’s demands on the state are not negotiated directly, but mediated through different institutional channels. Where access to political office (at least in theory) follows a constitutionally-defined process involving an element of popular vote – as is the case in the vast majority of states today – the main intermediary between society and state is the party system. The ways in which societal demands in a given country are channelled by the party system thus have a significant impact on the process and outcomes of an economic transition.

⁹⁴ For two classic accounts of the ‘embeddedness’ of economic relations, see Karl Polanyi, *The Great Transformation* (Boston: Beacon Press, 2001 [1944]); and Mark Granovetter, “Economic Action and Social Structure: the Problem of Embeddedness,” *The American Journal of Sociology* 91, no. 3 (1985).

⁹⁵ DFID 2010, “Building Peaceful States and Societies: A DFID Practice Paper,” (London: Department for International Development, 2010). For a more detailed discussion of the concept of state-society relations, see Joel Migdal, *Strong Societies and Weak States: State-Society Relations and State Capabilities in the Third World* (Princeton: Princeton University Press, 1988).

The liberal and patrimonial paradigms, discussed in the first part of this chapter, present different perspectives on African political parties as mediators between state and society. Where, as the liberal view assumes, political parties aggregate and accurately represent societal interests, state policy and market outcomes are likely to reflect the dominant ones among them. Where, as the literature on patrimonialism argues, political parties are little more than electoral platforms, aggregating clients from a particular social or ethnic group in support of a political patron, state-society relations are more likely to be structured by the competition over access to public resources. De Waal has succinctly captured the two perspectives in the images of the debating chamber versus the market place: the former characterised by rational argument and formal process, the latter by shifting allegiances based on the best deal available to the different actors at a particular time.⁹⁶

The EPRDF's approach to mediating between society and state differs from both of these models. Understanding its role in more revolutionary terms, the EPRDF sees itself not as the representative of a particular sub-set of Ethiopian society, but as the vanguard movement of the Ethiopian people at large. While the EPRDF dropped much of its Marxist-Leninist jargon during the 1990s, the notion of the party as an organisational vanguard remains central to its self-understanding. The party's statutes thus declare that "EPRDF is expected to play the role of a vanguard by bracing up its organizational capacity to lead the people in their efforts to raise their consciousness and organize themselves."⁹⁷ And a recent image brochure, published in English, presents the EPRDF as the "vanguard of the Ethiopian farmers, lower and middle urban dwellers and

⁹⁶ Alex de Waal, "The Price of Peace," *Prospect* no. 165 (December 2009).

⁹⁷ "EPRDF Program and Statutes," EPRDF, accessed January 3, 2015, <http://www.eprdf.org.et/web/guest/publication>, 23.

developmental actors,” which acts as “a vanguard actor in building reliable peace, development and strong stability.”⁹⁸

The goal of such a vanguard movement, this implies, is not to aggregate political interests or clients, but to mobilise the population towards the implementation of a transformational political and economic agenda. To do so, the party must establish itself as the main conduit between society and state, centralising and channelling societal demands on the administration and its resources, marginalising alternative interpreters of popular opinions and grievances, and ensuring direct and regular engagement of people in party-sanctioned activities at the grass-roots level. This was the EPRDF’s *modus operandi* during the liberation struggle, and the party has since tried to adapt it to the realities of the post-war Ethiopian state.

There are two elements to the monopolisation of state-society relations at the hand of the EPRDF. The first is the achievement of a hegemonic position in the political sphere, especially the electoral arena, and includes the side-lining of potential rivals. There can be no doubt that the EPRDF has succeeded in that respect: in the 2010 elections to the House of People’s Representatives, the lower house of the federal parliament, candidates from the EPRDF and affiliated organisations won all but one of 547 constituencies.⁹⁹ More generally, no opposition party has been in control of a federal, state or local legislative body since the end of the transitional government in 1995, and many of them have

⁹⁸ EPRDF, *EPRDF in brief*, 3.

⁹⁹ Kjetil Tronvoll, “Briefing: The Ethiopian 2010 Federal and Regional Elections: Re-Establishing the One-Party State,” *African Affairs* 110, no. 438 (2010).

boycotted the most recent elections, claiming harassment and the lack of a level playing field.

Control over the political sphere, however, does not per se equal a monopoly on the mediation of relations between state and society: many dominant parties of an authoritarian disposition have effectively eliminated competition over leadership of the state, but cannot claim to have deep roots in society. A second element therefore consists of the expansion of the political sphere deeper into society, and the establishment of close ties between party, state, and society that allow for popular mobilisation around a political agenda. The resulting system is fundamentally illiberal – it discourages pluralism and competitive elections – but it also goes beyond the standard tactics of electoral authoritarianism pure and simple. To paraphrase Huntington, the degree to which the EPRDF has built ties with society is just as important – and arguably more – than the ways in which it has done so.¹⁰⁰

Membership figures are one indicator in this regard: in 2013, the four regional organisations making up the EPRDF coalition had grown to 6.5 million members.¹⁰¹ Many among them are not just nominal members but serve as elected officials at the local level. According to a representative from the National Electoral Board of Ethiopia (NEBE), more than 3.5 million seats in kebele and zonal councils were up for election in the 2013 local polls; all but five of them went to the EPRDF and associated parties, and four out of those five were taken up by independents.¹⁰² Even the largest among the opposition parties can

¹⁰⁰ See Huntington's famous claim that "[t]he most important political distinction among countries concerns not their form of government but their degree of government," in Samuel Huntington, *Political Order in Changing Societies* (New Haven: Yale University Press, 1968), 1.

¹⁰¹ EPRDF, *EPRDF in brief*, 3.

¹⁰² NEBE official, interviewed by research assistant in Addis Ababa on January 15, 2014.

only hope to contest a minor fraction of these seats, making local elections a foregone conclusion.

The EPRDF's hegemonic role as intermediary between state and society is rooted in the party's self-understanding as a developmental vanguard, outlined above, but it is equally a product of the historical conditions under which the movement made its ascendancy. To EPRDF veterans, this is no coincidence, but rather conclusive proof that the movement was, and remains, the only among a plethora of competing political groups which "correctly understood the situation" prevailing at the time and organised accordingly.¹⁰³ Looking beyond this kind of teleological reasoning, however, there are a number of historical factors that facilitated the concentration of state-society relations in the hands of one organisation.

A first factor was the dismantling of traditional structures of authority after the Ethiopian revolution of 1974. The downfall of Haile Selassie's government and its replacement by the military regime of the Derg did not just mark a succession of leadership at the top of the state, but was accompanied by a radical overturning of the social order. The institutions in which power had previously been vested were destroyed: the imperial court and its feudal administration abolished, the role of the Orthodox Church curtailed. The nationalisation of rural land rang the death knell for the landed nobility, the nascent capitalist class fell prey to the confiscation of its property or moved abroad, while the vocal trade union movement was brought in line, its leaders forced into

¹⁰³ Former chairman of TPLF, interviewed by the author in Addis Ababa on July 1, 2013.

exile.¹⁰⁴ Most perniciously, an entire generation of literate, urban youth – the country’s intellectual elite, and a driving force in the revolution – was wiped out in the brutal counter-insurgency campaigns of the Red Terror, which left tens of thousands dead and displaced the rest.¹⁰⁵ Traditional social hierarchies were thoroughly extinguished, while the construction of a new one under the Derg remained tenuous, leaving Ethiopian society hollowed out at the core.

A second and related aspect is the definite nature of the EPRDF’s military victory in 1991. Liberation movements that come to power by military means are necessarily in a position of greater autonomy than those whose rise involves a negotiated transition, and the EPRDF’s military victory over the Derg was a resounding one. In the early years of the armed struggle, the movement had fought and prevailed over a number of rival insurgent groups and emerged as the main challenger to government forces outside of Eritrea. Its final campaign against Mengistu’s military was exceptionally swift, aided by the unravelling of the socialist state and its provincial administration.¹⁰⁶ After the war, EPRDF fighters replaced the Derg military as the new national army, giving the movement effective control over the means of violence in the country. Less than two decades after the destruction of the feudal order and its institutions by the revolutionary government, the EPRDF thus emerged as the only organisation capable of filling the void left by the implosion of the Derg regime.

¹⁰⁴ For the economic consequences of the Ethiopian revolution, see Andargachew Tiruneh, *The Ethiopian Revolution 1974-1987: A Transformation from an Aristocratic to a Totalitarian Autocracy* (Cambridge: Cambridge University Press, 2009), chapter 4.

¹⁰⁵ The first comprehensive analysis of the Red Terror and its consequences is Jacob Wiebel, “Revolutionary Terror Campaigns in Addis Ababa, 1976-1978” (DPhil dissertation, History Faculty, University of Oxford, 2014).

¹⁰⁶ Young, *Peasant Revolution*, 145-171.

The contentious nature of post-war politics has also contributed to the EPRDF's centralising approach to the mediation of state-society relations. Since the waning days of Haile Selassie's government, political competition in Ethiopia has been not just about control of the state, but about what Buzan has called the "idea of the state:" the fundamental question of what the Ethiopian state represents, and whom it is for.¹⁰⁷ The imperial courtiers, the military officials that formed the Derg, the Marxist students in the cities, and the nationalist insurgents in the countryside all had very different answers to these questions. Since 1991, the EPRDF has worked hard, and with a certain degree of success, to make this vision of the Ethiopian state more widely accepted. Still, consensus remains elusive. The fact that it is the EPRDF's idea of the state that was enshrined in the Ethiopian Constitution of 1995 allows the party to brand political opponents – not incorrectly – as threats to the present constitutional order. As a consequence, Ethiopian politics have remained confrontational, with competition over mutually exclusive points of view and a rhetoric tinged at times with rancour and ethnic hostility. The notion that electoral defeat would undo much of what the EPRDF considers its main political achievements, such as the ethnic-based federal system, injects an additional sense of urgency into the party's approach to society and has certainly informed the restriction of democratic space and the suppression of 'extremist' critics.

A final element is the persistence of a traditional political culture, particularly in the historical core of the Ethiopian polity, which has been characterised as "vertically

¹⁰⁷ See Barry Buzan, *People, States and Fear: An Agenda for International Security Studies in the Post-Cold War Era* (Brighton: Wheatsheaf, 1983), 44-53; and Christopher Clapham, *Africa and the International System: The Politics of State Survival* (Cambridge: Cambridge University Press, 1996), 44-55.

stratified and rigidly hierarchical.”¹⁰⁸ Considering both the diversity of Ethiopian cultures and the country’s history of popular protest and rebellion, there are obvious limitations to this argument. Nevertheless, the EPRDF’s efforts to be the sole mediator between state and society are a conscious continuation of past practices. Tapping into popular concepts of an all-seeing government and a tradition of hierarchical administration is a deliberate choice, not merely the ‘appropriate’ response to pervasive cultural norms of power. Political culture is not set in stone but reproduced, and occasionally altered, in a process for which the incumbent bears a significant share of responsibility. As Abbink writes with regard to the aftermath of the 2005 elections, “traditional authoritarian political culture was confirmed, the government easily tuning into it.”¹⁰⁹

Market-building as State-building

For a party following a transformative agenda, economic policy cannot be limited to the ‘unleashing’ of market forces. From this perspective, markets are not merely technical arrangements bringing together buyers and sellers, but also structures that mirror the balance of power between different economic groups. As such, they need to be carefully constructed and governed, with a view to ensuring that they sustain, not undermine, the broader political vision. This process of ‘market-building as state-building’ thus serves as the link between the party’s state-building mission and the establishment of a vanguard-

¹⁰⁸ Sarah Vaughan and Kjetil Tronvoll, *The Culture of Power in Contemporary Ethiopian Life* (Stockholm: Sida, 2003), 11.

¹⁰⁹ Jon Abbink, “The Ethiopian Second Republic and the Fragile ‘Social Contract’,” *Africa Spectrum* 44, no. 2 (2009), 11.

capitalist system; it is the mechanism through which vanguard capitalism is created and sustained.

In the EPRDF's Ethiopia, market-building relies on the creation, capture, and strategic distribution of economic rents by the party and the administration it leads.¹¹⁰ Khan and Sundaram define a rent as "an income which is higher than the minimum which an individual or firm would have accepted given alternative opportunities."¹¹¹ Under the hypothetical conditions of a perfectly competitive market (and of complete factor mobility), such incomes are non-existent. In real-world economies, however, not all forms of economic activity are open to everyone. Rents thus spring from the structure of economic rights, allowing one firm to exploit a lucrative resource or opportunity while barring others from accessing it.

In contrast to neo-classical economics, which considers rents as invariably wasteful, Khan emphasises the diversity of rents and their effects. The wrong kind of rent can stifle competition and economic activity, resulting in unproductive corruption. Others, however, fulfil important economic and political functions: "In a world where learning and innovation have to be rewarded, distributive conflicts dealt with, where incentives have to be created to deal with asymmetric information and where scarce natural resources have to be conserved, many types of rents are socially desirable."¹¹² The goal, therefore, is not to eradicate rents but to manage them in a way that promotes economic

¹¹⁰ For a discussion of the literature on economic rents, see Mushtaq Khan and Jomo Kwame Sundaram, eds., *Rents, Rent-Seeking and Economic Development: Theory and Evidence in Asia* (Cambridge: Cambridge University Press, 2000), and Mushtaq Khan, "Political Settlements and the Governance of Growth-Enhancing Institutions" (unpublished working paper, SOAS, 2010).

¹¹¹ Khan and Sundaram, *Rents, Rent-Seeking and Economic Development*, 5.

¹¹² *Ibid.*, 8.

growth, channelling them to the firms best placed to upgrade and expand, monitoring and enforcing the distribution of rents to avoid misappropriations, and gradually withdrawing support over time.

The concept of economic rents is crucial to the EPRDF's self-understanding as the predominant political force in today's Ethiopia: it is the 'rent-seeking' nature of economic relations in pre-industrial economies that calls for a transformational government at the helm of an interventionist state. Vaughan and Mesfin are right in pointing out that the EPRDF's use of the term 'rent-seeking' differs from that of heterodox economists like Khan,¹¹³ despite the many intellectual (and, in the case of Khan, personal) links between the two sides. In the EPRDF's rhetoric, 'rent-seeking' has an exclusively negative connotation and refers to the acquisition of wealth without the production of (tangible) value. However, EPRDF terminology does differentiate between the rent-seeking behaviour of private capitalists, and the generation and distribution of developmental rents by the state:

Government-created rent does not necessarily have to be socially wasteful. It becomes wasteful only if solely self-interest maximising individuals use it to create wealth at the expense of society and only if the state is incapable of improving on the market – i.e. there are no market failures.¹¹⁴

The equation of private rent-seeking with unproductive behaviour, therefore, does not preclude the state from creating and managing rents for the purpose of market-building. Rents are created through interventions in markets which privilege some actors and limit access for others. This shuts out certain firms from participating in the market and leads

¹¹³ Vaughan and Mesfin, "Rethinking Business and Politics in Ethiopia," 15.

¹¹⁴ Meles Zenawi, "Dead Ends," 4.

to higher revenues for the remaining ones – in other words, it actively discriminates between different types of actors in a market, creating winners and losers in the process. Since government intervention in markets is high, such rents are ubiquitous: state-owned enterprises receive them in sectors that are fenced off to private competitors, domestic companies in areas reserved for Ethiopian businesses, and contractors where tenders are awarded based on considerations other than economic efficiency.

Because the EPRDF has managed to monopolise the relationship between state and society, it is in a position to centralise control over these rents. As Whitfield et al., whose work draws on Khan, argue with regard to African economies more broadly, effective rent management requires the concentration of power at the top of the political hierarchy; where the ability to govern is contested, either between state and people or within the hierarchy of the ruling elite, rents are more likely to become bargaining chips in the quest for short-term political survival.¹¹⁵ In Ethiopia, political control remains highly centralised, and economic rents are captured by a range of actors and firms affiliated with the regime. These include both old and new state enterprises, companies connected with the armed forces and the different party organisations, the various regional development and rural credit organisations, and private businesses as well as foreign investors in good standing with the political establishment. The opportunities contained in the economic rents are thus directed towards a group of actors that is politically trusted and considered ‘developmental’ by the regime.

¹¹⁵ Lindsay Whitfield et. al., *The Politics of African Industrial Policy: A Comparative Perspective* (Cambridge: Cambridge University Press, 2015), chapter 4.

However, there is a strong sense that rents captured by the EPRDF and its government should not be simply diverted by the political elite. Corruption is not considered acceptable for party members and officials, and the overall level of political corruption is generally perceived to be much lower than in other parts of the continent. Crackdowns on offenders can be severe, and do not seem to be purely motivated by political expediency. Instead, the income derived from the various rents is treated as a strategic resource to support the regime and promote its political vision. On the one hand, it is used to broaden the economic base of the regime. Profits are reinvested to grow state enterprises or party-affiliated companies, including in sectors that do not promise instant returns. At the same time, income from rents is also redistributed to build the constituency of the party, especially in the countryside and among low-income urban dwellers, through the provision of tangible benefits that bring these sectors of society into the fold of the EPRDF state.

On the other hand, the EPRDF's rent-based economic policy also advances the party's agenda of national transformation by fostering a greater integration of market and society. The idea of sectoral integration is key to the party's vision of agricultural development-led industrialisation, i.e. the promotion of manufacturing firms with extensive linkages to the agricultural sector. A second, related goal is that of regional integration. Ethiopia is a federal state, with strong regional identities, and committed to an equitable pace of development in the different parts of the country. New industrial parks are therefore distributed across the country, and considerable efforts have been undertaken to extend road, railway and even air transport links to the provinces. Finally, market-building is also seen as a catalyst for societal integration: the expansion of basic

services provided through state-owned enterprises, such as banking or telecommunications, also seeks to incorporate new parts of the population into the modern economy and bring them into the fold of the market.

In many ways, Ethiopia thus corresponds to what North et al. call a “limited access order:” a state in which an elite coalition rules “by political manipulation of the economic system to generate rents by limiting entry to provide social stability and order.”¹¹⁶ However, in a typical limited access order, rent-creation merely “provides the glue that holds the coalition together.”¹¹⁷ While such material enticements certainly play a role in providing the ruling party with the necessary cohesion, it would be wrong to discount the importance of ideology and shared experience in the process: the movement’s history continues to provide the EPRDF with an important frame of reference that culminates in a particular developmental vision of the Ethiopian state. Instead of using rents to merely reproduce some kind of ‘minimum coalition,’ they are thus used to further this political agenda. The outcome of this process is the kind of party-centred, interventionist economic system described at the outset, in which state and market mutually sustain and, to some extent, legitimise one another.

¹¹⁶ Douglass North, Barry Weingast, and John Wallis, “A Conceptual Framework for Interpreting Recorded Human History” (NBER Working Paper 12795, National Bureau of Economic Research, Washington, 2006), 4.

¹¹⁷ Douglass North et al., “Limited Access Orders in the Developing World: A New Approach to the Problems of Development” (Policy Research Working Paper 4359, World Bank, Washington, 2007), 8.

Conclusion

This chapter has introduced alternative perspectives on African political economies and assessed their relevance for understanding Ethiopia's transition to capitalism. The liberal paradigm sees political parties primarily as aggregators of societal interests; economic policy is arrived at through rational deliberation between them and implemented by an autonomous civil service, leading to a form of capitalism characterised by free markets and the minimisation of rents. Party, state, and market are interdependent, but structurally separate entities. This is different from the patrimonial paradigm, which sees these formal institutions as little more than a façade behind which informal networks pull the strings. According to this view, parties aggregate the support of clients for political patrons; policy is determined through a bargaining process whose outcome reflects the relative weight of each camp, and implemented by a nepotistic bureaucracy. The result is a form of 'crony' capitalism in which political connections determine economic opportunities and rents are distributed to prop up the ruling elite.

The concept of vanguard capitalism, which complements the literature on 'developmental states,' differs from the liberal and patrimonial interpretations. It focuses on the monopolisation of state-society relations by a revolutionary movement party and the creation, capture, and strategic use of rents by the administration it leads. The following four chapters take a historical view of Ethiopia's transition and argue that the resulting economic order is indeed most aptly characterised as a form of vanguard capitalism. However, they show that the process through which this political economy arose was not a linear one: just as the EPRDF's interpretation of its role as intermediary between society and state underwent significant changes since the days of the liberation

struggle, so its approach to building the Ethiopian economy evolved over the years. Understanding the emergence of vanguard capitalism in the EPRDF's Ethiopia therefore means tracing how the party's approach to both market-building and state-building has evolved over time.

Chapter 2

Liberation Legacies: Rebel Government in Wartime Tigray, 1975-1991

The liberation struggle showed the advantages of organisation.

Senior official, Tigray Chamber of Commerce¹

Vanguard capitalism, the previous chapter has proposed, is a product of two inverse logics: the expansive thrust of free markets, and the centralising force of a movement party in the Leninist tradition. While Ethiopia's market economy was re-established by the structural reforms of the mid-1990s, the self-declared political 'vanguard' at its helm has deeper roots: its origins lie in the Tigray People's Liberation Front (TPLF) and its insurrection against the central government during the 1970s and 1980s. The historical account of Ethiopia's economic transition, which this chapter ushers in, therefore has to begin with a look at the experience of the TPLF, both as a political movement and as the de-facto government of large 'liberated' areas in northern Ethiopia. Indeed, the parallels between the TPLF's administration of wartime Tigray and the EPRDF's government of boom-time Ethiopia are striking: despite radically different circumstances, the approach to the governance of both people and markets is, at a fundamental level, remarkably similar.

¹ Senior member of the Tigray Chamber of Commerce and Sectoral Associations, interviewed by the author in Mekelle on April 6, 2013. The individual in question is not a veteran of the liberation struggle, nor a member of the TPLF.

Sarah Vaughan raises an important methodological caveat regarding the lack of popular perspectives on the TPLF's insurgency, which she attributes partly to "the success of the totalizing modernist rhetoric of revolution in this period."² The literature on the subject certainly draws more on the 'official' account of TPLF members than on the experience of the Tigrayan peasantry. What is more, many of the TPLF's foreign historiographers were involved with the Front or its humanitarian work during the struggle, and thus tend to hold a sympathetic (though not necessarily partial) view of the organisation. However, this chapter is more concerned with the *methods* of rebel government than with its concrete outcomes – the modalities of relief operations, for example, rather than their effectiveness. The latter are subject to controversy;³ accounts of the former, on the other hand, are relatively coherent, whether written by insiders or outsiders, critics or sympathisers of the TPLF. They were also largely borne out by the additional interviews and archival research carried out for this study.

The chapter is divided into three parts. The first section looks at the emergence of the TPLF as the self-identified 'vanguard' of the Tigrayan people, and at the administrative structures it established to connect movement and population. Part two then traces how the Front's dominant political position allowed it to mediate access to the main resources of the time – farmland and humanitarian aid – and to facilitate the development of a wartime economy that deepened and legitimised its administration. The final section discusses the logistics of the TPLF's struggle, which capitalised on the Front's

² Vaughan, "Revolutionary democratic statebuilding," 626. The fact that an outspoken Tigrayan critic of the TPLF who was interviewed for this study was soon after arrested on (unrelated) political charges suggests that 'this period' is not quite over yet.

³ One example are Aregawi Berhe's critical remarks on the effectiveness of famine relief and land reform under the TPLF; see Aregawi, *Political History*, 184 and 235.

position at the centre of both economic and political relations in the region to build the organisation and its capacities. In the process, the TPLF laid the foundations for the party's later involvement in the private economy and was able to prepare for the transitional period.

"Birth of a Revolutionary Vanguard"⁴

Ethiopia in the early 1970s was in the thrall of a revolutionary fervour in which the structural fundamentals of its "traditional polity" increasingly came under attack.⁵ Buoyed by the dramatic transformations that the end of the colonial era had brought to other parts of Africa, growing numbers of Ethiopia's young and educated – students, teachers, trade union leaders, urban professionals, junior military officers – were vocal about their disenchantment with their own country's backwardness and willing to take to the streets. The administration of the octogenarian emperor Haile Selassie looked more and more out of touch, caught up in prestige projects intended to lend the country a semblance of modernity, while unable to cope with the very real processes of social change that were eroding its authority.

Two modes of opposition emerged to challenge the status quo. One was centrist, seeking to replace the feudal government with a progressive one, while retaining the idea of a unitary Ethiopian state and national identity. Its supporters flocked to the radical student movement, embodied in the Ethiopian People's Revolutionary Party (EPRP) and the All-Ethiopia Socialist Movement (MEISON), which dominated the urban political

⁴ See "Birth of a Revolutionary Vanguard," *People's Voice*, no volume or number (February 1982), 2.

⁵ See John Markakis, *Ethiopia: Anatomy of a Traditional Polity* (Oxford: Clarendon Press, 1974).

scene and gained a following among the lower ranks of the Ethiopian armed forces. A competing revolutionary force arose in a string of regional insurgencies – the Eritrean People’s Liberation Front (EPLF), the Tigray People’s Liberation Front (TPLF), the Oromo Liberation Front (OLF), and others – whose members mobilised around the ‘national question’ and struggled for greater regional autonomy. For them, Haile Selassie’s government was only the latest instance of a system of rule which favoured ethnic Amharas at the expense of all other nationalities, to which the only answer was secession or the complete dismantling of the empire state.

What both camps shared was a common revolutionary rhetoric which drew heavily on the socialist tradition. Reformist ideas rooted in the Western liberal tradition, on the other hand, commanded little support: as Andreas Eshete argues, they were largely identified with the emperor’s attempts to conceal a deeply conservative system under the trappings of a shallow modernity.⁶ The TPLF’s struggle and eventual military victory were thus not a reaction to the Ethiopian Revolution of 1974, in which the centralist forces deposed the emperor and replaced him with the military junta of the Derg. Rather, they represented its second stage – or, as Gebru Tareke describes it, a “parallel revolution” which fed off the same spirit of rebellion and tapped the same societal networks.⁷

⁶ Andreas Eshete, “Modernity: Its Title to Uniqueness and its Advent in Ethiopia,” in *What is ‘Zemenawinet’? Perspectives on Ethiopian Modernity*, ed. Friedrich Ebert Stiftung (Addis Ababa: Friedrich Ebert Stiftung, 2012), 22.

⁷ Gebru Tareke, *Ethiopian Revolution: War in the Horn of Africa* (New Haven: Yale University Press, 2009) 1.

Building the Movement

From the beginning, the TPLF's leaders conceived of their movement as a vanguard organisation in the Leninist tradition. At its first Congress in February 1979, the Front adopted a socialist organisational model in which decision-making power was entrusted to the members of a central committee (and, in practice, to the core members of its politburo), while an organisational congress brought together the movement's rank-and-file every few years. The term 'vanguard' itself entered the Front's rhetoric around the same time: the concluding declaration of the 1979 Congress thus emphasised the necessity to strengthen the bonds between the "broad masses" and "your vanguard Front, the T.P.L.F.,"⁸ and an article in the organisation's foreign relations bulletin from the same year designated the TPLF as "the genuine, ever growing Vanguard Front of the oppressed people of Tigray."⁹

The notion of the vanguard as an enlightened, politically conscious elite had an obvious appeal to the founders of the Front: the TPLF's leadership was drawn from a small, educated urban group of revolutionary students, while the majority of its recruits came from the peasantry of rural Tigray. As Young rightly observes, access to higher education was a marker of privilege at the time, and the movement's leaders thus shared a common background as sons of local notaries and well-off farmers, connected among themselves by social, familial or educational ties. The TPLF's three successive chairmen during the war – Aregawi Berhe (1976-1979), Sebhat Nega (1979-1989), and Meles Zenawi (1989-2012) – all stemmed from prominent local families, grew up in the historic town of

⁸ "Concluding Declaration of the First Organizational Congress of the T.P.L.F.," *People's Voice* 2, no. 1 (June 1979), 2.

⁹ "Vanguard role of the Tigray People's Liberation Front," *People's Voice* 2, no. 6 (December 1979).

Adwa, and attended the government school there.¹⁰ The majority of lower-ranking fighters, on the other hand, had a rural upbringing and little or no formal education, but a better grasp of local conditions and the challenges.

The relationship between the two groups was not always smooth, and open hostility surfaced between the camps in the early days of the struggle. As Aregawi remembers,

the peasant fighters were not content with the student leaders. In their first encounter with them, they felt they were a group of clumsy schoolboys ... The peasants thought the struggle was just a military campaign and that they were in a better position than the students to handle it.¹¹

The disagreements led to a short moment of division within the movement, referred to as *Dima hanfishfish* ('chaos at Dima') after the TPLF's base at the time, a remote area in north-western Tigray.¹² By late 1976, the conflict had been resolved without bloodshed, and the movement's leaders began to pay greater attention to the needs and opinions of peasant members and the local population.

The joint effort of student revolutionaries and the local peasantry led to the development of a strong and distinct organisational culture which combined elements of both groups. One thing the TPLF borrowed from the realm of socialist activism was a firm belief in the value of organisation. Although decisions were de facto taken within a small, tightly-knit circle of leaders, emphasis was put on due process and proper procedures, as evidenced by a plethora of internal manuals and regulations defining the 'scientific' or 'objective' approach to a particular issue.¹³ Related to this was a strong focus on discipline,

¹⁰ Young, *Peasant Revolution*, 78 and 85.

¹¹ Aregawi, *Political History*, 74.

¹² Former TPLF fighter, interviewed by the author in Addis Ababa, June 27, 2013.

¹³ For an example, see the final section of this chapter.

both within the organisation and towards the civilian population. Adherence to the precept of democratic centralism encouraged a uniformity of message across the hierarchy of the Front which was monitored through the use of *gemgema* ('evaluation'), a method of collective self-criticism which served to ensure compliance with the party line. It also meant long, exhaustive, and often heated debates among the members of the Front, even though their outcome may have been a foregone conclusion. Several years after the fall of the Derg, Meles described the TPLF's decision-making process as follows:

In the history of our organization, therefore, whenever any issue is raised, deep and thorough discussion and debate as well is conducted. [...] I remember a meeting that took us three solid months. It was a meeting of the Central Committee of our organization, conducted without any interruption. [...] Of course conducting lengthy meetings has got its own shortcomings. But it is, on the other hand, necessary to exhaust differences and reach a consensus. We still uphold this tradition.¹⁴

Similarly a sign of the TPLF's roots in the student movement was the high value placed on knowledge and learning: as one former cadre put it, "nobody succeeds in TPLF without education."¹⁵ The *timehirtebet weyane* ('revolutionary school') provided basic education to peasant recruits, while the TPLF's cadre school, managed by the propaganda department under Meles Zenawi and Abay Tsehaye, was in charge of the fighters' political and ideological education. In addition to being voracious readers – in the memory of one former cadre, "Meles always read"¹⁶ – the TPLF's leaders were also prolific writers and

¹⁴ "...at least we can disturb..." *Ethiopian Herald*, July 19, 1998.

¹⁵ Former TPLF cadre, interviewed by the author in Addis Ababa, February 3, 2014.

¹⁶ Former member of the TPLF central committee, interviewed by the author in Addis Ababa, June 26, 2013.

editors: even during its early years in the field, the Front's different organs published a range of newsletters, pamphlets and bulletins.¹⁷

While the emphasis on organisation, discipline and education showed the TPLF's roots in the socialist student movement, a second set of characteristics stemmed from its engagement with the people of rural Tigray. There was a strong nationalist element to the TPLF's political rhetoric, perhaps more accurately described as a form of 'cultural parochialism:' a sense that a local identity and way of life was under threat and had to be defended, which resonated strongly with many Tigrayans.¹⁸ The TPLF thus referred to itself as the 'second *woyane*,' locating itself in the tradition of the Tigrayan insurrection of the 1940s. It established a 'department of culture' (under the committee for political, not socio-economic affairs), sponsored cultural troupes and was careful to tone down its revolutionary language where it threatened to alienate the more conservative sectors of the local peasantry.¹⁹

This gave the TPLF a more inward-looking character than other liberation movements at the time, whose strategies depended heavily on their foreign relations. The Front diligently studied the experiences of rural insurrections in other countries and drew theoretical conclusions, but its actual relationship with the outside world remained relatively limited; untypically for an African liberation movement, none of the TPLF's leaders had spent longer periods of time abroad.²⁰ As section three of this chapter

¹⁷ A list can be found in "Fifth anniversary of the T.P.L.F.," *People's Voice* 2, no number (February 1980), 6.

¹⁸ Professor of history at the University of Mekelle, interviewed by the author in Mekelle, March 5, 2013.

¹⁹ Young, *Peasant Rebellion*, 34-35.

²⁰ *Ibid.*, 6.

discusses in more detail, the Front made a virtue of necessity and, in the absence of significant foreign backers, focused on local needs and concerns, on appropriate technology, and on a developmental agenda that was compatible with rural customs. It also relied on a culture of egalitarianism among its fighters: although political roles were highly uneven, there was a strong sense that, under the pressures of civil war, the burdens of everyday life should be shared equitably. One former member of the TPLF's force, who had no formal education prior to joining TPLF, thus remembers commanding a group of fighters with university degrees, none of whom questioned his authority to lead.²¹

This integration of socialist organisation and popular concern, of a small core of student leaders and a broad peasant membership, was key not only to the Front's survival at an early stage, but also to its subsequent growth and ultimate victory. Upon the publication of John Young's *Peasant Revolution in Ethiopia* (and despite its highly sympathetic account of the TPLF's history), some of the leaders of the Front thus strongly objected to the characterisation of their struggle as a peasant uprising, arguing that "peasants don't make revolutions."²² Conversely, however, the willingness of TPLF leaders to embrace rather than patronise the rural population, and to address its needs, distinguished it from other, more stubbornly elitist elements of Ethiopia's revolutionary left and helped it build a far more cooperative relationship.

²¹ Former TPLF fighter, interviewed by the author in Addis Ababa, June 27, 2013.

²² Related by professor of history at Addis Ababa University, interviewed by the author in Addis Ababa, February 26, 2013.

Creating a Political Monopoly

While the term ‘vanguard’ was used in a relatively broad sense during the early years of the struggle, it nevertheless carried the implication that political allegiance and the interpretation of people’s demands were the exclusive prerogative of the Front. Creating a de-facto, rather than merely rhetorical, monopoly on the relationship between government and governed required two distinct strategies: the elimination of alternative sources of authority, and the establishment of institutions to mobilise the people around the movement and its agenda. The TPLF’s leadership embarked on both missions simultaneously.

The TPLF had been a relative latecomer on Ethiopia’s political scene, and by the time it launched its insurrection, it found that “there were many political organisations. Too many.”²³ More than the Derg, the TPLF’s first military campaigns thus targeted rival movements. Interestingly, Aregawi describes these years as a time of relative openness for Tigrayan society, as the different movements each vied for popular support – a moment which ended with the TPLF’s consolidation of control over (rural) Tigray.²⁴ They were certainly trying years for the TPLF, however: the movement lost hundreds of fighters in skirmishes with other insurgents, primarily the Ethiopian Democratic Union (EDU), a group led by exiled aristocrats, and the Ethiopian People’s Revolutionary Party (EPRP), a leading force in the student movement. Both EDU and EPRP were larger than the TPLF and better equipped, but they lacked the TPLF’s coherence and determination; nor did the Tigrayan peasantry warm much to their ideas about feudal restoration or pan-Ethiopian

²³ Former chairman of the TPLF, interviewed by the author in Addis Ababa, July 1, 2013.

²⁴ Aregawi, *Political History*, 227.

socialism.²⁵ By 1981, the TPLF could thus claim that “[t]he TPLF is the only force which is countering the Ethiopian regime in Tigray,” and express its confidence that “[t]he people are not divided.”²⁶

The TPLF’s ‘vanguard’ role in Tigray did not extend beyond the region’s boundaries, however. As the movement’s military fortunes rose during the 1980s, it became increasingly clear that the liberation of Tigray was impossible without a change of government in Addis Ababa. In May 1984, the TPLF thus reached out to movements outside Tigray and issued a call for a ‘united front’ against the Derg. Members of the TPLF argue that their invitation was extended in good faith, and that its rejection was primarily a reflection of the weakness and internal division of other movements.²⁷ Perhaps unsurprisingly, supporters of regional insurgencies in other parts of the country instead saw it as an attempt by TPLF leaders to gain control of the national opposition to the Derg, if not a transparent offer to “join us now, we will smash you later.”²⁸

The TPLF’s leaders focused instead on reforming their own organisation and honing its ideological positions. An intellectual core of devoted Marxist-Leninists, drawn from former members of the student movement, had existed within the TPLF since at least 1978, and later developed into an informal organisation of ‘leading elements’ (*merih baeta*) within the TPLF.²⁹ Following the movement’s second Congress in 1983, the political

²⁵ Young, *Peasant Revolution*, 102-114.

²⁶ Member of TPLF central committee [“A.H.,” most likely Asfaha Hagos], interviewed in “The people are not divided,” *STORM: Somali, Tigray & Oromo Resistance Monitor* 1, no. 5 (December 1981), 5.

²⁷ Former member of the TPLF central committee, interviewed by the author in Addis Ababa, June 26, 2013; see also Solomon Inquai, *Tigray: The Agony and the Ecstasy* (self-published, 2007), 60-61.

²⁸ Country analyst and political activist, interviewed by the author in Germany, September 21, 2012.

²⁹ Aregawi, *Political History*, 176.

department, led by Abay Tsehaye and Meles Zenawi, started preparing a fully-fledged communist platform within the TPLF. The Marxist-Leninist League of Tigray (MLLT, or *Malelit*) was officially founded in July 1985. Its initial leadership was almost identical with that of the TPLF: all members of the TPLF's politburo were also elected to the MLLT's executive, with the notable exception of Aregawi Berhe and Giday Zeratsion, two founding members who were subsequently forced to leave the movement. The MLLT's membership grew to around 1,000 of the most senior and educated cadres within the TPLF, according to Vaughan's estimate.³⁰ After the fall of the Derg in 1991, the MLLT was silently "buried in the night;"³¹ however, the individuals and organisational concepts behind it remained influential much longer.

Like the TPLF, the MLLT also fought to free Tigray from outside domination; in an interview from 1990, Meles declared that the MLLT's objectives were "in essence, not very much different" from those of the TPLF.³² However, MLLT leaders saw national liberation merely as a first step towards the ultimate goal of a socialist revolution. This affected the organisation's rhetoric and style: where the TPLF emphasised its Tigrayan roots and broad popular base, the MLLT instead accentuated communist orthodoxy and intellectual elitism. In a speech at the MLLT's founding conference, Meles thus dwelled at length on the TPLF's shortcomings during the first decade of its existence, which he addressed primarily through the Leninist concepts of 'empiricism' (the fault of basing decisions on practical experience rather than 'scientific' socialism) and 'pragmatism' (losing direction

³⁰ Vaughan, "Revolutionary Democratic Statebuilding," 625.

³¹ Foreign academic, interviewed by the author in Addis Ababa, March 12, 2013.

³² "Interview with Meles Zenawi, Secretary General of the TPLF," in *People's Voice* 12, no. 1 & 2 (January-June 1990),

by doing what is doable, not what is desirable).³³ The 'vanguard' concept also took on a new connotation: the term now referred less to the TPLF's leading role in the liberation of Tigray as it did to the MLLT's function as the intellectual and ideological spearhead within the TPLF.³⁴

After the reorganisation of their own movement, the TPLF leadership turned their look outward again. The need to take the fight to Addis had become all the more clear since 1985, while new military successes made victory over the Derg a realistic prospect. The TPLF's leaders decided to take things into their own hands this time, and to assemble a coalition of national movements around a TPLF core. Negotiations with the Ethiopian People's Democratic Movement (EPDM), a splinter group of the old EPRP whose membership was predominantly Amhara, finally led to the establishment of the EPRDF in January of 1989.³⁵ The MLLT claimed to have been "[at] the centre of all of these developments,"³⁶ and communist elements within the two organisations seem to have been crucial in paving the way for the coalition:

The UDF [United Democratic Front, i.e. the nascent EPRDF] will be a favourable organizational forum in which the MLLT and the communist groups in the EPDM can carry out joint struggles and strengthen their ideological-political and organizational ties [...] At the same time it will enable both communist organizations to join hands and resources, strengthening themselves and extending their influence.³⁷

³³ See Aregawi, *Political History*, CA 180 – CHECK PAGE.

³⁴ The existing histories of the TPLF use the term 'vanguard' only with regard to the MLLT. See Aregawi, *Political History*, 174; Young, *Peasant Revolution*, 139.

³⁵ Solomon, *Agony and Ecstasy*, 60.

³⁶ MLLT, untitled message to international supporters, not dated [early 1989], 1.

³⁷ *Ibid.*, 4.

Two additional organisations joined the EPRDF shortly after: the Oromo People's Democratic Organisation (OPDO), which initially consisted of former Oromo prisoners of war, and the Southern Ethiopian People's Democratic Front (SEPDF, renamed SEPDM in 2000). As the end of the Mengistu regime drew nearer, the TPLF's leaders had thus created their own coalition of national vanguard movements, each similar in structure to the TPLF, but with radically different levels of experience and local embeddedness; and they had either vanquished, side-lined or co-opted all competing political organisations in the process.

Organising the People

The destruction of rival movements was only one side of the TPLF's quest for rallying the population of Tigray behind its cause, however. For the Front, liberation also required a people that was "conscious, organized, and armed."³⁸ Indeed, the conviction that the TPLF succeeded because it had "not only a well-mobilised organisation, but also a well-mobilised people" is a deeply held conviction among its veteran members.³⁹ Just as within the movement, the value of organisation was thus also promoted in its relationship with the people. In the process, the TPLF built up state-like structures in Tigray, supported by popular mass organisations and directed by the leadership of the movement.

From the early days of its insurrection, the TPLF understood the importance of good relations with the local population. It assigned some of its political cadres to act as liaison

³⁸ "Fifth Anniversary of the T.P.L.F.," *People's Voice* 2, no number (February 1980), 5.

³⁹ Former cadre in TPLF economic department, interviewed by the author in Addis Ababa on January 30, 2014; similar statements were made in several other conversations.

officers and established a structure of contact people (*kwodere*) within the neighbouring villages to facilitate provisioning.⁴⁰ By 1979, the movement had supplanted these initial points of contact with a system of 'mass organisations,' and delegates from these associations took part in the movement's first Congress that year. The mass organisations reflected the main social and economic divisions within Tigrayan society: peasant associations were the largest and received the greatest political attention, but there were also respective organisations for traders and workers, as well as separate ones for women, youth, and students. In the Derg-held areas, TPLF sympathisers formed underground cells, and Tigrayans in the diaspora were also encouraged to join local organisations affiliated with the movement. According to TPLF figures, by 1980 there were more than 500 mass organisations with a total membership of 171,000, and the numbers kept rising rapidly in the following years.⁴¹

After the first Congress, the TPLF began with the establishment of formal administrative structures, starting with a handful of communities close to its original base in the lowlands of Western Tigray. At the core of the new administration was a system of local councils, or *baitos*, which were initially formed at the village level (*tabia baito*). The representatives of the new *baito*, usually up to 15, were elected from among the local mass organisations – indeed, membership was one of the few requirements to stand for election, whereas traditional markers of authority, such as age or gender, were not.⁴² A set of laws was adopted by each council, and adopted to local requirements where necessary. As the area under the TPLF's administration grew, the *baito* system was expanded to a number

⁴⁰ Vaughan, "Revolutionary democratic statebuilding," 624.

⁴¹ "Fifth Anniversary of the T.P.L.F.," 5.

⁴² Inquai, *Agony and Ecstasy*, 121.

of levels: *kushet* (hamlet, about 40-50 households); *tabia* (village or neighbourhood); *woreda* (district), and *zoba* (zone).⁴³

The *baito* did not constitute an autonomous local government, but rather an intermediary between the TPLF's political leadership and the population of Tigray, which allowed the Front's leaders to understand local needs while providing the necessary structures to implement political directions. It also served as a channel for mobilising the population for the struggle against the Derg. Parallel to the movement's own fighting force, *baitos* formed militias from the local peasantry; militia members remained in their villages and continued to farm their land, but received a certain level of military and ideological training and supported the TPLF's military operations where necessary. The *baitos* also coordinated the implementation of public works, such as the construction of a road system connecting the Tigrayan heartland to the Sudanese border.

At the same time, the TPLF also depended on the *baito* structure for the provision of social services, which it knew were essential to retaining the loyalty of the population. The *baito's* social affairs committee gauged local requirements in terms of education, health, and humanitarian relief, and oversaw the implementation of the Front's activities in these fields. The establishment of a basic healthcare system under the pressures of civil war was a particularly impressive achievement of the TPLF's administration. At the beginning of the insurrection, medical care was virtually non-existent in rural Tigray; by 1990, a total of 88 health clinics, each with an average of ten rooms, had been established across all of

⁴³ Dieter Beisel, *Reise ins Land der Rebellen: Tigray, eine afrikanische Zukunft* (Reinbek: Rowohlt, 1989), 125-127.

the region's *woredas*.⁴⁴ A shortage of well-trained medical personnel remained a problem until the end of the struggle, but was alleviated by the establishment of a medical school, which trained over a thousand health practitioners during the first half of the 1980s alone.⁴⁵

The TPLF's leaders made efforts to present the *baito* system as independent from the movement's own structure of political command. In reality, however, the two were inextricably linked. The connection was made by the TPLF's department of mass organisational affairs, and more particularly by a group of senior cadres known as *kifle hezbi* – sometimes referred to as the Front's 'public relations officials.'⁴⁶ In newly liberated areas, it fell to those cadres to establish administrative structures:

The role of the *kifle hezbi* was to identify potential members [for the TPLF], and establish cells from amongst the population. At a public meeting called by him, these cell members would then help the *kifle hezbi* convince the local population to establish mass associations, which would in turn send publicly elected representatives to form a *baito*.⁴⁷

Once a *baito* had been established, the *kifle hezbi* then acted as its liaison with the TPLF's different technical committees, which were increasingly taking on the nature of line ministries in a surrogate rebel government. They informed the movement's leaders about developments and sentiments on the ground, while also overseeing the implementation of the Front's policies. In so doing, they kept a check on the population's political loyalties as well, making sure that political dissenters stayed out of the administration. Prospective students in the TPLF's medical school, for example, were identified jointly by the *baito* and

⁴⁴ Gebreab Barnabas and Anthony Zwi, "Health Policy Development in Wartime: Establishing the Baito Health System in Ethiopia," *Health Policy and Planning* 12, no. 1 (1997), 42.

⁴⁵ *Ibid.*, 43.

⁴⁶ Sarah Vaughan, "Ethnicity and Power in Ethiopia," (PhD dissertation, School of Social and Political Science, University of Edinburgh, 2003), 164.

⁴⁷ Vaughan, "Revolutionary democratic statebuilding," 624.

the local *kifle hezbi*, with political reliability as one criterion for selection.⁴⁸ All of these functions demanded a great deal of familiarity with local conditions and the trust of the peasant population, which the *kifle hezbi* acquired by spending extended periods of time within the community.⁴⁹

In sum, the TPLF built a parallel form of administration during its struggle with the Derg, and virtually from scratch. Although they publicly said otherwise, it was neither practical nor desirable for the TPLF's leaders to separate politics from administration: as Vaughan aptly puts it, "party, state and people were subsumed within the single impetus of liberation."⁵⁰ Political debate within the *baito* system was meant to build consensus around outcomes that were largely pre-determined, and to give people an opportunity to be heard in the process; it was not intended to facilitate an open-ended competition between divergent interests. Nevertheless, it did provide a new level of political accountability to the Tigrayan population, and more than it had enjoyed at any previous time.⁵¹

Guerrilla Marketing: Economic Policy in Wartime Tigray

Tigray during the 1970s was desperately poor, and the war brought further hardship and disruption to its peasant economy. Nevertheless, economic management was a key element of the TPLF's liberation struggle, and certainly one of its more innovative aspects. The Front's rhetoric was pure socialist orthodoxy, yet its actual policies showed a

⁴⁸ Gebreab and Zwi, "Health Policy Development," 42.

⁴⁹ Vaughan, "Ethnicity and Power," 164.

⁵⁰ Vaughan, "Revolutionary democratic statebuilding," 626.

⁵¹ Young, *Peasant Revolution*, 195.

remarkable concern for local realities, and they reflected an understanding of the importance of wartime market-building to the success of the TPLF's political agenda.

The following sections look at three different forms of economic intervention in the areas under TPLF control: land reform and agricultural extension work, which began soon after the establishment of the Front; the distribution of humanitarian relief in the mid-1980s; and the internal purchase programme, which peaked during the final years of the war. Each of these interventions relied on the political institutions established by the TPLF, helped to centralise the movement's control over the scarce economic resources at hand, and was instrumental in the Front's creation of a "political economy of liberation."⁵²

Agricultural Reforms in the Liberated Areas

During the first decade of its struggle, the TPLF had more urgent things to worry about than the post-war economic order, and what passed as the Front's economic policy at the time was a rather uncritical reflection of socialist orthodoxy. The Front's "People's Democratic Programme," adopted at its second Congress in May 1983, thus sketches out a textbook Marxist blueprint for a "planned economy [intended] to give maximum benefit to the masses."⁵³

The means of production of imperialists and bureaucratic capitalists will be nationalized and land will be distributed among the tillers. ... Banks, insurance companies and other financial institutions as well as heavy industry, major means of transport and communication, natural resources, mines,

⁵² Duffield and Prendergast, *Without Troops and Tanks*, 18.

⁵³ TPLF, "People's Democratic Programme of the Tigray People's Liberation Front," May 1983, 10, article 5.

electric power, devices, etc. shall be under state control. ... Import-export trade shall be under state control.⁵⁴

After the establishment of the MLLT, the movement's socialist rhetoric only became more categorical. Enver Hoxha's Albania captured the imagination of "Comrade Meles" and others, exemplifying to them a form of socialism that was neither subservient to foreign powers nor subject to their intellectual revisionism.⁵⁵ The orthodox streak which characterised the Front's pronouncements at the time also left its mark on the early EPRDF. Article 5 of its first (and rapidly abandoned) programme, adopted at the coalition's inaugural Congress in 1989, thus vowed "[t]o crush the ownership of dependent capitalism and imperialism,"⁵⁶ and to "ensure that the public sector of the economy pre-dominates over the private sector."⁵⁷ All economic institutions, the programme stipulated, had to be brought "under the direct control of the people," giving the "working class and other oppressed classes ... direct control over production and working conditions at all levels, from the factory floor up to government."⁵⁸

This socialist grandiloquence notwithstanding, the TPLF was pragmatic in practice. Meles, whose rhetoric could often seem dogmatic in the extreme, also insisted that the Front "[did] not believe in models" and was "struggling to find a concrete solution to the real problems of our own country."⁵⁹ The experience of living with the peasant population of Tigray provided a reality check. In the early years of its struggle, shortly after the

⁵⁴ Ibid., article 4.

⁵⁵ "Interview with Meles Zenawi, Secretary General of the TPLF," *People's Voice* 12, no. 1&2 (January-June 1990), 21.

⁵⁶ "EPRDF Programme," in *The Ethiopian People's Revolutionary Democratic Front: A Democratic Alternative for Ethiopia*, October 1989, 11, article 5.

⁵⁷ Ibid., 12.

⁵⁸ Ibid.

⁵⁹ "Interview with Meles Zenawi," *People's Voice*, 23.

Ethiopian revolution, the Front had indeed experimented with authoritarian forms of economic administration in the liberated areas, keeping a close control on local merchants, encouraging co-operative farms, and fixing prices for basic goods. As Young writes, “[t]he result was that trade declined, commodity shortages developed, and dissent grew, particularly among the many traders and merchants who were poor peasants forced to pursue such activities to supplement their meagre returns from farming.”⁶⁰ The TPLF was quick to abandon these policies and return to a less restrictive mode of governance.

In the rural areas of Tigray controlled by the TPLF, economic policy was for all practical purposes coterminous with agricultural policy. Because of the peasant background and relative economic homogeneity of the region’s population, changes to the fundamentals of the agricultural economy were certain to have deep social repercussions and affect political loyalties. The Derg’s radical land reform of 1975, which put all farmland under state control and abolished the feudal system of tenure, should have won it the support of the majority of peasants who had hitherto been little more than serfs. Instead, the heavy-handed and badly coordinated implementation of the reforms added to the people’s disaffection with the central government in Addis Ababa.⁶¹

One part of the TPLF’s agricultural policy thus consisted simply of revoking changes made by the Derg. For example, the government had prohibited the practice of hiring farmhands, thus undermining the pattern of seasonal labour migration which was a crucial supplement for many Tigrayan peasants. In the areas under its control, the TPLF immediately abandoned this policy; according to Meles, this stance gave the TPLF

⁶⁰ Young, *Peasant Revolution*, 191.

⁶¹ *Ibid.*, 29.

“important support from the beginning.”⁶² Agricultural co-operatives that had been formed involuntarily (there were no state farms in Tigray) were dissolved, and the Agricultural Marketing Corporation, to which farmers were forced to sell their surplus at below-market rates, was abolished in the liberated areas.

The most significant measure taken in the newly liberated areas, however, was a comprehensive land reform. In rural Tigray, where the vast majority of people were subsistence farmers, land was the primary resource and determined a person’s economic fortunes and social standing. Like the Derg, the TPLF propagated the slogan ‘land to the tiller’ and expropriated nobility and church to distribute their land among the peasantry; it made it clear early on, however, that land was considered a public good and would not be privately owned. Social groups that had previously been excluded from access to farmland, particularly women and members of Tigray’s Muslim minority, were granted equal economic rights. A small part of the redistributed land was also retained by the TPLF itself; it was either farmed by the Front’s own fighters, under the supervision of a dedicated office of ‘organisational agriculture,’ or by local peasants who would then supply the movement.⁶³

In the early 1980s, the Front published an account of land reform in one locality, which describes the process of redistribution as fair and methodical.⁶⁴ According to this report, the amounts distributed to each household were calculated based on a formula

⁶² Cited in Paul Henze, “The Tigre People’s Liberation Front: Conversations with Meles Zenawi,” (memorandum, RAND Corporation, Washington DC, 1990), 4.

⁶³ Former cadre in the TPLF’s department of agriculture, interviewed by the author in Mekelle, July 12, 2013.

⁶⁴ Tekeste Agazi, *Agrarian Reform in Tigray: A Case of the Land Reform in the District of Adi-Nebried* (London: Friends of Tigray, 1983)

that took into account both quality of soil and family size, and the process was implemented by a committee elected by the local *baito*. However, the actual implementation of land reform seems to have been more haphazard, contingent on local conditions and the need to strike compromise among different groups.⁶⁵ What is beyond doubt, however, is the political effect of land reform: by abolishing traditional forms of tenure, it cemented the death of the feudal order; at the same time, it mobilised the population around the agenda of the TPLF, on whose administrative institutions – most importantly their local *baito* – they now depended for access to land and livelihood.

Land reform was complemented by the Front's agricultural outreach programme. Under this initiative, members of the TPLF's department of agriculture were sent to the rural areas to identify peasants whose expertise and local standing were considered exemplary. These so-called 'production cadres' then received additional training and acted as volunteer extension workers, while the other farmers were divided into small groups and instructed to follow a set of 'best practices.' Peasants were also expected to devote a total of three months per year to communal activities such as water and soil conservation, afforestation, or the construction and maintenance of rural roads.⁶⁶

Former TPLF cadres favourably compare the Front's participatory model of agricultural outreach to that of the Derg, which relied heavily on advanced technology and external inputs. The TPLF's approach, on the other hand, focused on interventions that were easily scalable: a pilot project in the area of basin irrigation was cancelled, for example, not because the results were disappointing, but because the ratio of technical

⁶⁵ See Young, *Peasant Revolution*, 186; and Aregawi, *Political History*, 235.

⁶⁶ Interview with former cadre in the TPLF's department of agriculture.

experts to local beneficiaries was considered inefficient.⁶⁷ With its emphasis on self-sufficiency, popular mobilisation and centrally-defined 'best practices,' the Front's understanding of rural development thus drew on qualities that characterised its political approach more generally; in many ways, it also anticipated later initiatives such as the 'model farmer' or 'developmental army' programmes, which were rolled out across the country after 2005.

The TPLF, REST, and the Famine of 1983-85

The TPLF's agricultural campaigns sought to sustain the rural economy during a time of civil war, but they were unable to prevent the devastating famine that hit Tigray and neighbouring parts of northern Ethiopia between 1983 and 1985. The famine proved a turning point in the war: both sides became involved in the international relief efforts and sought to use them to their advantage; however, they did so in different ways, and with very different outcomes.

Most writers on the subject agree that while the famine was exacerbated by natural conditions – more specifically, a severe shortfall of the 1984 rains – its origins lay in the Derg's campaign against the northern rebels.⁶⁸ According to de Waal, the Ethiopian army effectively used starvation as a weapon of war: its military offensives were targeted at surplus-producing areas, while aerial attacks on rural markets and the grounding of local

⁶⁷ Former member of the TPLF central committee, interviewed by the author in Addis Ababa on June 26, 2013.

⁶⁸ Mark Duffield and John Prendergast, *Without Troops and Tanks: Humanitarian Intervention in Ethiopia and Eritrea* (Lawrenceville: Red Sea Press, 1994); Alex de Waal, *Famine Crimes: Politics and the Disaster Relief Industry in Africa* (Oxford: James Currey, 1997); Hammond, *Refugee Repatriation to Ethiopia*.

traders deliberately disrupted the rural economy.⁶⁹ This analysis was highly controversial within the humanitarian community at the time, which largely relied on a depoliticised account of the famine to avoid conflicts with their host government. However, it merely reflects the TPLF's own conclusions. At the height of the famine, a joint statement by the TPLF and OLF (who, in a rare and fleeting moment of unanimity, referred to themselves as 'fraternal organisations'), made exactly the same argument:

Drought is almost universally blamed for the recurrence of a more widespread famine. Yet our peoples know that the unjust economic, political and military policies of the military junta – the Dergue – are more to blame for the present famine than just the vagaries of the weather. We believe that the urgency of reaching the victims of the famine should not hinder a sober diagnosis of the root causes of the problem. Failure to do this will result not only in inefficient relief work but also in prolonging and intensifying human suffering.⁷⁰

Both the Derg and the TPLF benefitted from the inflow of humanitarian aid – between 1982 and 1985, foreign aid to Ethiopia grew from US\$ 210 million to US\$ 720 million per year, according to OECD figures⁷¹ – and both sides treated it as a strategic resource in their conflict. However, they did so in radically different ways. For the Derg, the famine was an instrument of counter-insurgency warfare, and its approach to the relief operations followed the same logic. Goods donated to alleviate the suffering were diverted to the armed forces fighting in the north; de Waal thus claims that, in government-held Tigray, “very few rural people and very many soldiers were fed by the relief.”⁷² At the same time, the Derg sought to depopulate territories held by the TPLF: distribution centres were

⁶⁹ De Waal, *Famine Crimes*, 117; Africa Watch, *Evil Days: 30 Years of War and Famine in Ethiopia* (London: Africa Watch, 1991), chapters 8-11.

⁷⁰ “Joint Statement by the TPLF and OLF,” *STORM: Somali, Tigray and Oromo Resistance Monitor* 4, no. 4 (December 1984), 8.

⁷¹ See OECD International Development Statistics, www.oecd.org/dac/stats/idsonline.

⁷² De Waal, *Famine Crimes*, 127.

established in government-held towns, forcing people in food-deficient areas to leave their villages. They also served as assembly points for the Derg's resettlement programme, in which peasants from the famine-stricken north were transported to the western lowlands – an ill-fated scheme which cost the lives of tens of thousands.⁷³

In the TPLF-held areas of Tigray, a fundamentally different model of humanitarian relief emerged. Building on the Front's localised structures of administration and mobilisation, it was participatory, geared towards local needs, and integrated into the movement's push for military victory and liberation.⁷⁴ Since the Derg sought to prevent any relief assistance from reaching the rebel-held areas, aid had to be brought in clandestinely and from neighbouring Sudan. Only a fraction of the overall humanitarian aid to Ethiopia was provided through this channel, and the joint operations between a small group of Khartoum-based foreign agencies and the TPLF largely remained under the radar; according to one aid worker, "many expatriate relief managers operating from the government side were in fact unaware of their existence."⁷⁵ Nevertheless, this assistance reached hundreds of thousands of Tigrayans, while cementing popular support for the TPLF.

To coordinate its relief operations, the Front set up a dedicated Drought Commission in 1983.⁷⁶ This task force brought together the TPLF's department of mass

⁷³ See Alula Pankhurst, *Resettlement and Famine in Ethiopia: The Villagers' Experience* (Manchester: Manchester University Press, 1992).

⁷⁴ See Max Peberdy, *Tigray: Ethiopia's Untold Story* (London: REST UK Support Committee, 1985); and Kirsty Wright, "Combating Famine: A Revolutionary Strategy," *Review of African Political Economy* 11, no. 30 (1984).

⁷⁵ Barbara Hendrie, "Cross-Border Relief Operations in Eritrea and Tigray," *Disasters* 13, no. 4 (1989), 353.

⁷⁶ Techlewoini [Tekleweyne] Assefaw, "Participatory Relief Management: The Experience of the Relief Society of Tigray," *Refuge* 12, no. 8 (1993), 23.

organisation, the *baito* administrations, and the Front's own humanitarian wing: the Relief Society of Tigray (REST). The latter was established in 1978, soon after the foundation of the TPLF, and thus several years before the onset of famine – an indication of the Front's early concern with humanitarian matters.⁷⁷ Headquartered in Khartoum but with local staff across Tigray, REST liaised with donor agencies to solicit support and oversaw the shipment of aid into the liberated areas. In so doing, REST worked hand in hand with other institutions in the Front: TPLF fighters secured distribution points and protected aid convoys, while special relief and rehabilitation committees within the different *baitos* assessed needs on the ground and allocated the donated food and materials.

In its communication with foreign donors, REST took great care to present itself as a purely humanitarian organisation, independent from the TPLF and its political leadership. In the eyes of the local population, however, there was little that distinguished the two, and senior cadres regularly moved between the organisations to co-ordinate their efforts. For most of the wartime years, REST was thus headed by Abadi Zemo, who would later become vice-president of Tigray regional state, before it briefly came under the direction of Tedros Hagos, a member of the TPLF's central committee at the time.⁷⁸ A former official explains the proximity between the organisations by pointing out that "REST and the TPLF both stood for the people,"⁷⁹ while the current director plainly states that "we [TPLF and REST] were one and the same."⁸⁰

⁷⁷ Duffield and Prendergast, *Without Troops and Tanks*, 24.

⁷⁸ Former REST official, interviewed by the author in Mekelle on July 7, 2013.

⁷⁹ *Ibid.*

⁸⁰ Managing director of REST, interviewed by the author in Mekelle on July 15, 2013.

When the lingering famine intensified in 1984, the TPLF found itself unable to adequately supply the territories under its control. Instead, it facilitated the evacuation of a significant part of the population at risk to refugee camps in Western Sudan. According to REST's own numbers, approximately 200,000 people made the journey on foot to the relative safety of the camps;⁸¹ TPLF fighters guided the refugees, and REST established a string of relief centres along the route. While the refugee camps were managed by the UNHCR, the TPLF, through REST, established a political structure that mirrored the *baito* system of the liberated areas, with a hierarchical set of regional councils which reported to one of the Front's *kifle hezbi*.⁸² However, the mass exodus undermined the movement's operations in the liberated areas: TPLF fighters found it difficult to wage a people's war where there were no people left, and government troops regained ground.⁸³ As soon as the situation began to recover, the TPLF therefore assisted refugees to travel back to their villages, and by the end of 1986 the majority of them had returned home.

From then on, the Front concentrated its efforts on bringing food to the people. The distribution of humanitarian aid in the liberated areas relied on joint 'cross-border operations'⁸⁴ between REST and a group of international NGOs. Under this novel (and not uncontroversial) arrangement, foreign donors would provide food and other relief assistance at the Sudanese border, from where REST convoys, under the protection of the TPLF, would transport them into Tigray for further distribution. REST's leaders stressed the risk that the provision of foreign aid could undermine the Front's ethos of self-reliance:

⁸¹ Tekleweyne, "Participatory Relief Management," 24.

⁸² Hammond, *Refugee Repatriation*, 69.

⁸³ See Wright, "Combating Famine," 102-103.

⁸⁴ See Hendrie, "Cross-Border Relief Operations."

there was to be, quite literally, “no free lunch,” except where the need was particularly acute.⁸⁵ Instead, the rural population was expected to engage in developmental projects undertaken by the Front and its local administration, such as road construction or irrigation works. The provision of humanitarian aid thus became a resource in the Front’s programme of transforming Tigray and its rural economy, even during a time of war.

On the donor side, cross-border assistance relied on two groups of Western NGOs operating from Khartoum: the Emergency Relief Desk (ERD) and the Tigray Transport and Agriculture Consortium (TTAC). Both had already been set up in the early 1980s, but their operations grew rapidly during the famine. From modest beginnings, the partnership between REST and its foreign supporters thus grew into a major humanitarian operation: over the course of a decade, the ERD alone channelled food and materials worth US\$ 350 million into the rebel-held territories of Tigray and Eritrea.⁸⁶ The organisational capacity of REST was transformed in the process: at the onset of the famine, REST relied on two dozen vehicles which the TPLF had captured from the Derg; by 1988, foreign donations had helped it establish a fleet of over 170 trucks. After the war, these became the capital base of Trans-Ethiopia, Ethiopia’s biggest logistics company and one of the largest firms within the EFFORT endowment.⁸⁷

The TPLF model of humanitarian relief was anchored in the Front’s self-understanding as the vanguard of the Tigrayan people, summoned to lead them through a time of desperate crisis. As such, it relied on the movement’s de-facto political monopoly in the region: by the mid-1980s, the TPLF had both defeated other insurgents competing

⁸⁵ Interview with managing director of REST.

⁸⁶ Duffield and Prendergast, *Without Troops and Tanks*, 133.

⁸⁷ *Ibid.*, 141.

for the people's loyalty and built up its own administrative and relief structures. As a consequence, a former REST official explains, the "only organisation working within the non government held areas of Tigray was REST, and the only channel of assistance was the cross border operation run by REST through Sudan."⁸⁸ Foreign aid agencies trying to reach the population in the rebel-held areas had no choice but to work with and through the TPLF; at the same time, they could also be confident that the necessary structures to transport, distribute and account for their donations were in place.

As a mechanism to bring the flows of aid under the control of the Front, REST was thus exceptionally effective. However, unlike rebel movements in neighbouring Somalia and Sudan – and, indeed, unlike the national government in Addis Ababa – the TPLF did not content itself with exploiting humanitarian assistance for its own benefit. Instead, the Front used it in a way that deepened and legitimised its authority. In the words of REST's current director, the organisation "helped maintain the social fabric" during the trying wartime years and was key to "winning the hearts and minds" of the peasant population.⁸⁹ Tigrayan villagers understood that supporting the Front was their best hope to survive the famine.⁹⁰ The result was the emergence of something akin to a social contract between movement and people, forged at a time of existential duress, committing the Front to acting in the interest of the peasants in return for their support of the struggle.⁹¹

⁸⁸ Teklewoini [Tekleweyne] Assefa, "From Relief to Development: The Experience of the Relief Society of Tigray" (paper presented at the conference "From Relief to Development: A Global NGO Forum, Addis Ababa, March 15, 1994), 1.

⁸⁹ Interview with managing director of REST.

⁹⁰ De Waal, *Famine Crimes*, 130.

⁹¹ De Waal, *Famine Crimes*, 128.

Internal Purchase and the 'Market for Marketing'

A particularly remarkable aspect of the relief operations in the TPLF-held areas was the mechanism of internal purchase, under which REST distributed grain bought from local farmers with money provided by foreign donors. This programme had been initiated in the early 1980s but had its peak at the end of the decade, after the Front had again consolidated control over most of Tigray. Instead of buying grain outside Ethiopia and shipping it to the Sudanese border, aid agencies gave money directly to a REST official in Jeddah. The official converted the money into Ethiopian birr, then delivered it to the REST office in the town of Adwa, from where it was either distributed to REST purchasing centres or used to negotiate with larger merchants.⁹² NGOs grouped in the Emergency Relief Desk alone provided about US\$ 16 million through this channel between 1983 and 1991, and several other agencies were also contributing to the programme.⁹³

The logic behind the programme of internal purchase was that, as long as money was spent on the intended purpose, it would not only facilitate humanitarian assistance but also provide income to peasants in surplus-producing areas. Yet as de Waal showed at the time, internal purchase also had a second, less obvious but perhaps more important effect on the rural economy: the foreign-funded, en-gros acquisition of grain by REST helped to re-establish the infrastructure required for the buying and selling of this basic commodity, which had been severely disrupted by the civil war.⁹⁴ By reviving the local "market for marketing,"⁹⁵ as de Waal calls it, internal purchase helped to renew the

⁹² REST, "Internal Purchase in Tigray," (London: REST Europe, 1991), 2-3.

⁹³ Duffield and Prendergast, *Without Troops and Tanks*, 144.

⁹⁴ Alex de Waal, "Some Comments on Grain Marketing and Internal Purchase, Tigray" (unpublished manuscript, January 1989).

⁹⁵ *Ibid.*, 6.

viability of the regional grain trade on which the local population depended in times of unpredictable harvests.

In post-famine Tigray, de Waal points out, the market for grain was “so fragmentary that it is probably a misnomer to call it a *market* at all.”⁹⁶ Significant price differentials existed between surplus-producing areas and districts facing a shortage, yet they remained unexploited: traders simply found it uneconomical to buy and sell grain. Even if the price of grain was low, purchasing it was a costly process: regional markets were small and often held on the same day, so that traders had to rely on local middlemen to buy on their behalf. Transporting grain to where it would fetch a higher price was a similarly expensive undertaking. Tigray’s mountainous terrain was difficult to navigate and the supply of pack animals limited; worst of all, grain was a very bulky commodity. This also made it a risky good to store during a civil war, difficult to conceal and easy to destroy. Last not least, sales prospects were precarious: the towns, where demand was high and concentrated, mostly remained under government control, while in the grain-deficient rural areas of Tigray demand was fragmented and restricted by low purchasing power. Traders thus shunned the grain market altogether, focusing instead on higher-value consumer goods.⁹⁷

The large-scale purchase of locally grown grain by REST, using money provided by foreign aid organisations, altered this situation. The sudden spike in demand put a strain on the region’s marketing infrastructure, and REST officials struggled to find enough traders, trucks and local purchasers to buy off the available surplus. This drove up the

⁹⁶ Ibid., 2.

⁹⁷ Ibid., 2-5.

price of grain in the region – REST found, to the consternation of its international backers, that the market-emptying price was significantly higher than local grain prices at the onset of the programme. However, higher prices in turn created incentives that favoured the expansion and integration of the local grain market: farmers were enticed to raise production and to sell, rather than store, what they did not consume themselves; and local traders became increasingly drawn to the grain trade, which lowered transaction costs. In short, the internal purchase scheme “was not only attempting to buy grain, it was attempting to create a market,”⁹⁸ and its effects went well beyond the humanitarian crisis at hand.

The process of market-building which, according to de Waal, was at the centre of the internal purchase scheme in turn represented a core element of the TPLF’s political vision for a new Tigray. A monitoring report by one of the NGOs involved in the programme estimates that only half of the food received by REST went to the areas most afflicted by food insecurity, and that the majority of it was channelled towards the “long-term process of economic recovery:”

It has been a clear policy of REST and the Socio-Economic Commission of the TPLF to spread out the available relief food over the whole of Tigray, rather than to concentrate exclusively on the worst affected areas. [...]. It seems that much of the relief food pouring into Tigray is seen as an alternative way of assisting long-term agricultural and food recovery programmes.⁹⁹

The allocation of food aid thus did not exclusively follow humanitarian but also wider political concerns; it was rightly identified as a way to revive the wartime economy, foster

⁹⁸ Ibid., 6.

⁹⁹ Mark Cutts, “Field trip to Tigray: Monitoring of SCF-donated relief supplies and observations on the relief operation carried out by REST” (internal report, Save the Children Fund UK, June 1990), 10-11.

its regional integration, and ensure the economic viability of a Tigrayan regional state under the TPLF.

In 2010, a less favourable reading of the internal purchase scheme made the headlines when a BBC broadcast claimed that a significant (but unspecified) part of the money given to REST by foreign donors was used to procure weapons for the TPLF.¹⁰⁰ The allegations themselves were not new: critics and disgruntled former members of the Front had long alleged that REST raised funds for the TPLF by inflating its overheads, overestimating local needs, or using donor money to 'buy' grain that was already in its possession.¹⁰¹ Similarly, at least one donor report describes the manipulation of exchange rates by REST officials in Jeddah, and that parts of the in-kind donations that accompanied the purchase of grain were diverted to equip TPLF fighters.¹⁰² Most representatives of donor organisations, on the other hand, point to the fact that the cooperation with REST was too closely monitored to allow for systematic abuse, and that cash donations were subject to particular scrutiny,¹⁰³ while the EPRDF government angrily rejected the allegations.¹⁰⁴

The question to what extent relief funds were misappropriated at the time is unlikely to ever be fully resolved, and is certainly beyond the scope of this dissertation. Claims that 95% of the internal purchase money was spent on arms rather than food, as one former TPLF cadre alleges, are certainly exaggerated.¹⁰⁵ At the same time, controlling foreign aid

¹⁰⁰ See "Ethiopia famine aid 'spent on weapons,'" *BBC News*, March 3, 2010.

¹⁰¹ Former solidarity activist, interviewed by the author in Germany, January 15, 2014.

¹⁰² Cutts, "Field Trip to Tigray," 15 and 23.

¹⁰³ Former aid worker, interviewed by the author in Addis Ababa, April 30, 2013.

¹⁰⁴ See "BBC owes us an apology," *Capital*, November 7, 2010.

¹⁰⁵ Aregawi, *Political History*, 184. Aregawi is cited in the BBC report.

into Tigray undoubtedly helped the Front at the time, and at the very least freed up its own resources. Ultimately, however, such reasoning misses the point: it presupposes a separation between the Front's humanitarian, political, and military work that has no grounding in the realities of the time. REST, the TPLF, and the local administration constituted different branches of the same movement, and an artificial separation would not have made sense to its leaders: they had, not incorrectly, identified the Derg as the principal cause of the famine, and consequently saw overthrowing Mengistu's government as the only way to end both the war and the humanitarian crisis.

Calorie Charts and Embedded Economists

The TPLF's internal logistics – i.e. the mobilisation and deployment of resources for its campaign against the Derg – lay at the intersection of the political and economic structures discussed in the first two sections of this chapter: they drew both on the relationship with the local population and on the relationship with peasant producers, traders, and foreign donors. The TPLF made the most of its dominant role in both spheres to expand the organisation and its capacity. The ways in which the Front managed its own resources provide important insights into its later approaches to economic governance. On the one hand, it laid the foundations of an organisational culture which included an emphasis on 'scientific' planning, self-sufficiency, and popular mobilisation. On the other, the TPLF built concrete institutions at the time which came to play a role during the period of transition and, in some cases, continue to do so today. The last pages of this chapter, therefore, highlight three aspects of the movement's internal resource management: the TPLF's military logistics and their impact on the relations between movement and people;

its commercial ventures, which form the base of the party's role in the post-1991 private sector; and the TPLF's business college, a unique institution where the movement trained cadres for the economic administration of the liberated areas and prepared for the post-Derg era.

Military Logistics

The way in which the TPLF's leaders sustained and grew their organisation during the war was crucial to its eventual victory over the Derg. The TPLF managed to turn its greatest weakness – a complete lack of resources or foreign support – into a defining strength: the movement's initial penury forced it to share the life of the local population, strengthened its own economic initiative, and encouraged the prudent management of scarce resources. As a result, the TPLF was able to mount what de Waal has called a "textbook" people's war, closer to the Maoist ideal type than some of the classic cases their leaders zealously studied.¹⁰⁶

The TPLF began its insurrection with little money and no traditional power base. Aregawi's recollection that the TPLF's original equipment consisted of "four outdated rifles that everybody was anxious to get hold of" may (or may not) be an exaggeration,¹⁰⁷ but especially in the early years, the movement was certainly more restricted by its supply of arms than by its capacity to recruit new fighters. Nor did the TPLF have generous foreign backers. The movement did receive outside support, but not a lot of it: successive regimes in Khartoum allowed them to operate a base in Gedaref, across the Sudanese

¹⁰⁶ De Waal, "Liberators in Power," 18-19.

¹⁰⁷ Aregawi, *Political History*, 70.

border, and also supplied petrol for the final offensive against the Derg;¹⁰⁸ Siad Barre provided the TPLF's leaders with Somali passports.¹⁰⁹ Relations with the Eritrean People's Liberation Front (EPLF), which had trained and equipped an early cohort of TPLF fighters, remained fractious and came to a complete halt between 1985 and 1988.¹¹⁰ Unlike other insurgency movements at the time, the TPLF never acted as a proxy for wider regional or global conflicts.

This lack of a reliable funding stream meant that the TPLF could only sustain itself by forging a strong bond with the local peasantry, and its leaders understood the danger of alienating the rural population. A former REST official describes the movement's approach thus:

It was the people that helped with food and so on. You cannot separate the TPLF from the people. ... Of course the TPLF also had its own a little bit and bought whatever it could. But nothing was taken by force from the people. If they gave you accept, if not you don't take anything. If you want to take something, you pay for it and buy it. Otherwise you cannot take it. And people realised this is a government that they have never seen before. Nothing is done by order.¹¹¹

In the same vein, Young recounts how TPLF cadres "at first refused to accept food from the peasants because they said the people were too poor themselves,"¹¹² and former fighters describe going without food for extended periods of time during the early years of the struggle.¹¹³ The inhabitants of Derg-held towns did not always enjoy the same level

¹⁰⁸ De Waal, "Liberators in Power," 37.

¹⁰⁹ Paul Henze, "The Tigre People's Liberation Front: Conversations with Meles Zenawi," (memorandum, RAND Corporation, Washington DC, 1990), 14.

¹¹⁰ For a deeper analysis of the complex relationship between TPLF and EPLF, see John Young, "The Tigray and Eritrean Peoples Liberation Fronts: A History of Tensions and Pragmatism," *Journal of Modern African Studies* 34, no. 1 (1996).

¹¹¹ Former REST official, interviewed by the author in Mekelle on July 7, 2013.

¹¹² Young, *Peasant Revolution*, 103-4.

¹¹³ Three former TPLF fighters, interviewed by the author in Addis Ababa, June 27, 2013.

of consideration: when TPLF forces, in July 1980, briefly captured the historic town of Axum, they plundered the local hospital and took two Russian doctors hostage;¹¹⁴ later on, too, they regularly seized all the food, money and medical supplies they could obtain from government institutions. Nevertheless, TPLF leaders were conscious of the fact that they could only succeed with the support of the peasant population, and put great effort into building a supportive relationship.

A recent study by Etsay Tsegaye, which draws on interviews with former fighters and peasants in western Tigray, describes in some detail the TPLF's subsistence strategies during its formative years.¹¹⁵ Fighters were assigned family homesteads in their area of operation, where they would be housed and fed.¹¹⁶ Village committees were formed to collect donations for passing TPLF contingents – food, money, or whatever people could spare. In some places, the TPLF had its own farmland, which was cultivated by local peasants, while women were selling handicrafts and sending the proceeds to the fighters.¹¹⁷ Underground networks in Derg-held towns provided the fighters with information about military activities, and they collected medical supplies and smuggled them to the liberated areas.¹¹⁸ During these years, the movement had few options but to live as the proverbial fish in water, and it succeeded in gaining enough popular trust to do so.

¹¹⁴ Young, *Peasant Revolution*, 121. A picture of the even can be found in *People's Voice: Publication of the Tigray People's Liberation Front* 2, no number (1981), 8.

¹¹⁵ Etsay Tsegay, "TPLF Sources of Income, 1975-1989" (MA dissertation, Department of History and Cultural Studies, University of Mekelle, 2013).

¹¹⁶ *Ibid.*, 26.

¹¹⁷ *Ibid.*, 44.

¹¹⁸ *Ibid.*, 73.

For its military equipment, the TPLF relied almost exclusively on materiel captured from the Derg. There was no shortage of the latter: after the revolution of 1974, the Ethiopian army had become the prime recipient of Soviet military aid in Africa, and the country was awash with arms. The shipments continued to flow almost until the last days of the regime; Henze estimates that during the second half of the 1980s alone, the USSR provided more than US\$ 1 billion per year in military aid.¹¹⁹ As the TPLF's military operations became more ambitious, the amount of arms captured increased accordingly. Attacks on military convoys in 1979 yielded a few dozen rifles plus ammunition, according to the TPLF's military communiqués;¹²⁰ when the movement routed the Ethiopian army from Tigray a decade later, assaults on Derg garrisons resulted in the capture of several dozen tanks and hundreds of military trucks.¹²¹ With few exceptions, the TPLF was thus able to grow its fighting force without devoting its own resources to the purchasing of arms.

During the first decade of the struggle, managing the TPLF's logistics was a largely informal affair that required improvisational skill. This changed after 1985, when both the resources available to the movement and its administrative responsibilities grew significantly. Through REST's prominent role in the international famine relief operations, greater sums of money passed through the movement's hands, while the TPLF's offices abroad also became more effective at raising funds. At the same time, the TPLF began to retake territory it had abandoned during the famine and expanded its administration across the liberated areas. Another, particularly urgent development was the rapid

¹¹⁹ Paul Henze, *Layers of Time: A History of Ethiopia* (London: Hurst, 2000), 312.

¹²⁰ See "Reportage," *People's Voice: Publication of the Tigray People's Liberation Front* 2, no. 1 (1979), 4.

¹²¹ See "Arms and equipment captured by TPLF," *People's Voice: Publication of the Tigray People's Liberation Front* 11, no. 1 (1989), 8; and "EPRDF moves south," *People's Voice: Publication of the Tigray People's Liberation Front* 11, no. 4 (1989), 19.

increase in the number of prisoners of war held by the TPLF as a result of the escalating military campaign, all of whom had to be fed and accommodated. In the face of these logistical challenges, the organisation's internal bureaucracy became more sophisticated, as new departments were created and internal policies formulated to structure and professionalise the TPLF's operations.

Among them was a new policy document for the taxation of economic activities in the liberated areas.¹²² The TPLF had already experimented with taxing traders early on, but had abandoned the practice in favour of voluntary contributions.¹²³ It is unclear to what extent the new policy was implemented across the different regions of TPLF-held Tigray; in any case, it seems unlikely that taxation ever represented a significant source of income for the movement, not least because of the limited monetisation of the Tigrayan economy. However, the re-introduction of a system of taxation marked a new quality in the relationship between the TPLF and the population of Tigray: a tacit acknowledgement of the movement's transformation into the government of a Tigrayan para-state, sanctioned by the rapport between taxpayer and tax collector.

The policy document also reveals a purposeful approach to trade policy, which discriminates between different kinds of commodities according to their relative importance in building a viable wartime economy. It encouraged the import of food and basic goods into the liberated areas, while setting higher tariffs for the purchase of 'luxury' goods: no import tax was due on foodstuffs; household articles like textiles, batteries or paraffin were subject to a 5% duty, whereas cigarettes and alcohol commanded a higher

¹²² TPLF, *Temporary Instructions for the Economic Department*, pt. 3. Internal manual of the TPLF's economic department, 1987.

¹²³ Young, *Peasant Revolution*, 191.

rate of 20%. For goods leaving TPLF-held areas, the relationship was inverse: exports of local teff grain were taxed at 25%, while a lower rate of 5%-10% was charged for less essential local products, such as honey and spices.

A particularly revealing illustration of how systematic the TPLF's approach to logistical planning became during those years is a manual the organisation published in 1987, titled *Scientific and Just Distribution*.¹²⁴ The book was designed as a budgeting tool for the TPLF's economic department and meant to replace the previous ad-hoc pattern of provisioning – which, according to the introduction, had encouraged favouritism among fighters – with one based on objective needs.¹²⁵ Experts from other branches of the organisation were involved in the book's editorial committee to guarantee the 'scientific' nature of the budget: for example, a senior cadre from the TPLF's department of health provided a detailed chart outlining the daily caloric needs of different groups of fighters, broken down into food groups (see table 1).¹²⁶ The book's attention to detail is remarkable: the distribution of cigarettes not only takes into account a fighter's area of activity, but also the year he or she started smoking;¹²⁷ and there is even a regulation for the yearly rationing of underwear (one piece for men, three for women).¹²⁸ As with the TPLF's tax policy, the significance of the manual lies less in its practical application – under the conditions of a

¹²⁴ TPLF, *Scientific and Just Distribution* (Tigrinya title?). Internal manual of the TPLF's economic department, 1987.

¹²⁵ *Ibid.*, 10.

¹²⁶ Former head of the TPLF's finance bureau and co-author of the book, interviewed by the author in Mekelle, July 11, 2013.

¹²⁷ TPLF, *Scientific and Just Distribution*, 93.

¹²⁸ *Ibid.*, 99.

civil war, the implementation of such detailed regulations inevitably was “not smooth”¹²⁹ – than in the dedication to planning and organisational discipline it implies.

Table 1: Nutritional chart used by the TPLF’s economic department (adapted from TPLF, Scientific and Just Distribution, 88 and 94-98)

	Daily need (kilocalories)	Protein (gram)	Flour (gram)	Sauce and beans (gram)	Oil (ml)	Monthly cost (birr)
(1) FIGHTERS						
A) Hard workers	3600	100	850	200	45	52.80
B) Middle workers	3000	75	800	150	40	48.58
(2) GUARDS AND WORKERS						
A) Hard workers	3600	100	850	200	45	62.33
B) Middle workers	3000	75	650	150	40	54.48
C) Light workers	2700	65	700	125	30	37.10
(3) SPECIAL NEEDS						
A) Pregnant women	2700	100	650	150	45	54.78
B) Children aged 1-4 years	1200	30	300	75	20	44.73
C) Children aged 5-15 years	2300	60	500	100	25	37.13
D) Very sick and weak people	2700	100	700	150	40	72.18
E) Slightly sick and weak people	2700	75	650	125	30	44.35

The TPLF’s Commercial Activities

The TPLF’s emphasis on self-sufficiency, coupled with the increasing amounts of money passing through its hands, propelled its leaders to embark on a number of commercial ventures. The movement’s chairman at the time explains the rationale thus: “we were very

¹²⁹ Interview with former head of the TPLF’s finance bureau.

conscious that we should not be weak economically ... we had diversified sources of income, besides what we got from the Derg. Regular income, organised income.”¹³⁰ Over the years, the TPLF and affiliated organisations thus became the largest commercial players in Tigray’s wartime economy, controlling a significant part of the region’s commercial agriculture, transport, and trade. They also laid the groundwork for the movement’s prominent role in the Ethiopian economy after 1991: the largest of today’s endowment companies have their origins in the TPLF’s commercial and relief work during the late 1980s.

The movement’s commercial operations were managed by its economic department, led by Sebhat Nega, the TPLF’s chairman between 1979 and 1989. The department included two other members of the politburo, Arkebe Egbay and Gebru Asrat, as well as a number of lower-ranking cadres.¹³¹ In addition to managing the organisation’s finances, it was responsible for drawing up the operating budget. For these tasks, the department cooperated closely with the TPLF’s missions abroad – crucial in raising funds from the Tigrayan diaspora – as well as the humanitarian wing. Tedros Hagos, who worked in the TPLF’s economic department before joining Tekleweyne in the leadership of REST, seems to have acted as the main liaison between the two branches.¹³²

During the TPLF’s cash-strapped early years, petty trading represented a straightforward way of bolstering the organisation’s coffers while providing some small-scale economic opportunities to the local population. In TPLF-held parts of Tigray,

¹³⁰ Former chairman of TPLF, interviewed by the author in Addis Ababa, July 1, 2013.

¹³¹ Former head of the TPLF’s finance bureau, interviewed by the author in Mekelle, July 11, 2013.

¹³² *Ibid.*

peasants collected sesame, herbs, and spices for the Sudanese market.¹³³ Surplus weapons, ammunition and spare parts captured from enemy troops were sold in the liberated areas, as were sugar, flour and other basic commodities looted from depots in formerly Derg-held towns.¹³⁴ The TPLF also occasionally received commissions from traders with whom it cooperated: when a raid on Axum's Commercial Bank in 1975 brought a windfall of more than US\$ 80,000, a large part of this money was subsequently handed to local merchants, who invested it in return for a share of their profits.¹³⁵ Under similar arrangements, traders were given permission to export goods to enemy territory, or escorted to the Sudanese border by TPLF fighters.¹³⁶

As the TPLF and the areas under its control grew, its commercial activities diversified and turned into veritable business ventures. In 1979, the TPLF opened a garage in the town of Gedaref, its logistical hub just across the Sudanese border, to repair and maintain the vehicles it had obtained from the Derg. The workshop soon began to offer its services on a commercial basis to local traders and relief agencies. Similarly, trucks and buses captured from the Ethiopian government began to service the route between Khartoum and Port Sudan, where the TPLF was also leasing out heavy machinery to local construction companies.¹³⁷ In 1984, the TPLF even purchased a small merchant ship which started running contraband across the Red Sea; however, it was seized by the EPLF two years later, during a low point in the relationship between the two movements.¹³⁸ In

¹³³ Etsay, "TPLF Sources of Income," 99.

¹³⁴ *Ibid.*, 101.

¹³⁵ Interview with former chairman of TPLF.

¹³⁶ Former member of the TPLF's economic department, interviewed by the author in Mekelle, July 11, 2013.

¹³⁷ *Ibid.*

¹³⁸ Etsay, "TPLF Sources of Income," 104.

western Tigray, the movement started growing cash crops for the local and Sudanese markets, and later acquired a mechanised farm in Sudan.¹³⁹

An even greater qualitative shift in the TPLF's commercial operations came through the movement's role in facilitating relief operations in the region. In-kind donations of vehicles and machinery greatly expanded its working capital, while generous overheads represented a new source of financial income. After 1985, the TPLF thus acquired considerable real estate in places like London and Washington, DC through its foreign missions.¹⁴⁰ In some cases, supporters abroad were also given funds to invest in the local economy, for example by opening Ethiopian restaurants and cafés. Back in Tigray, the movement set up a small bank, which processed remittances by foreign supporters and looked after local deposits.¹⁴¹ As the TPLF proceeded to rout the Derg's forces from Tigray, it thus laid the basis for the companies it founded after 1991, and began to establish itself as the driver of economic reconstruction in the region.

Considering the secretive nature of the TPLF's leadership, it comes as no surprise that the organisation's finances were (and still remain) a largely opaque affair. The former head of the finance bureau within the TPLF's economic department thus reports that, while he was generally aware of the existence of large sums of money deposited in foreign banks, only the movement's most senior leaders knew the exact amount and location.¹⁴² Estimates of the capital accumulated during the TPLF's liberation struggle thus vary widely, from the 'official' figure of US\$ 100 million¹⁴³ to "several hundred million

¹³⁹ Interview with former chairman of TPLF.

¹⁴⁰ Former REST representative, interviewed by the author in Mekelle, July 7, 2013.

¹⁴¹ Interview with former chairman of TPLF.

¹⁴² Interview with former head of the TPLF's finance bureau.

¹⁴³ EPRDF spokesperson, interviewed by the author in Addis Ababa, July 3, 2013.

dollars.”¹⁴⁴ What remains beyond doubt, however, is that the TPLF emerged from the war as an exceptionally wealthy organisation by regional standards, and as the main centre of gravity in the Tigrayan economy.

The TPLF Business College

The rapid growth of the TPLF’s responsibilities during the final years of the struggle put a severe strain on the administrative capacity of the movement. It had no difficulty enlisting additional fighters from the region’s peasant population, and at times even had to limit the influx of new recruits.¹⁴⁵ New cadres with a higher level of formal education were scarce, however, and those in managerial positions had to spread themselves increasingly thin. The TPLF’s leadership tried to alleviate this pressure by building the capacity of the organisation through a range of schooling and training initiatives.¹⁴⁶ One particularly fascinating aspect of this educational drive was the establishment of the TPLF’s ‘Business College,’ a kind of insurgent business school in the mountains of Tigray. This institution captures the movement’s resolve to “manage the liberated areas scientifically;”¹⁴⁷ it also foreshadowed later debates around the TPLF’s economic ideology, and served as a bridge during the movement’s transition from guerrilla force to government.

¹⁴⁴ Respectively: Former president of Ethiopia, interviewed by the author in Addis Ababa, January 27, 2014; and country analyst and political activist, interviewed by the author in Addis Ababa, January 15, 2014.

¹⁴⁵ Interview with former chairman of TPLF.

¹⁴⁶ Young, *Peasant Revolution*, 173-74.

¹⁴⁷ Former director of the Business College, interviewed by the author in Mekelle, July 11, 2013.

The Business College originated in a small training institute, set up in the town of Dejena in 1984 to offer short training courses in military logistics. Each of the TPLF's divisions seconded students, many of them illiterate, to acquire basic knowledge in the provisioning, stocking and distribution of materiel.¹⁴⁸ In 1987, the school's focus changed to teaching broader managerial skills in a one-year programme, and it moved briefly to the TPLF's camouflaged headquarters in Hagereselam, from where it relocated to Mekelle after the city's capture in 1989. The College's initial faculty consisted of six foreign-trained cadres with graduate degrees in economics, accounting, management, and statistics, which were also the core subjects on the College's curriculum.¹⁴⁹ Teaching alternated between lectures by faculty and intense study sessions in small groups of up to five students and a 'study leader.' This was a technique with which TPLF fighters were well acquainted, and which would later reappear in the context of the 'developmental state:' one former student likened the experience to the management tool of *kaizen*¹⁵⁰ (introduced across state and party institutions since 2010), rather than the more obvious 'one-to-five' model of the 'developmental army.'¹⁵¹

Instruction materials used at the Business College mainly came from TPLF supporters in Europe and the United States. Some of these, primarily mainstream textbooks by American authors, are still in evidence at the University of Mekelle.¹⁵² Bound in goat skin with the title stitched on in colourful thread, quasi-religious in their

¹⁴⁸ Former instructor at TPLF logistics school, interviewed by the author in Addis Ababa, January 30, 2014.

¹⁴⁹ Interview with former director of the Business College.

¹⁵⁰ Former student at the Business College, interviewed by the author in Addis Ababa, February 3, 2014.

¹⁵¹ For a discussion of the 'developmental army' initiative, see Chapter 5.

¹⁵² Author's observation at the University of Mekelle, July 11, 2013.

symbolism, they are a testament to the value the TPLF's leaders attached to learning. Yet the use of manuals written by Reagan-era US economists was not without contradictions in a movement whose programme at the time called for a planned economy. As the College's former director remembers, "we had a problem in the teaching, learning process. Because the front, the party wants a socialist orientation ... But if you teach these books and this ideology, this is a conflict."¹⁵³

In a small way, this conundrum anticipated the more fundamental ideological incongruities the TPLF faced during the transition period. As in the latter case, the College found ways to ways to deal with the contradiction and to minimise, if not fully resolve it. Instructors learned to draw a line between technical methods and political objectives:

So the technical aspect we took from the West, but generally the orientation is from the Marxist-Leninists. ... Meles was very wise: 'You take only the techniques, in economics, in statistics, in distribution, even in agriculture ... Even in military science, the techniques.'¹⁵⁴

During the final years, faculty at the Business College were also able to draw on writings by TPLF leaders which addressed more specifically the challenges of rebuilding Ethiopia's post-war economy, such as 'The New National Economy,' a manual comprising several volumes.¹⁵⁵ Teachers thus had the opportunity to focus on the concrete and pressing issues at hand, and pragmatism trumped intellectual dogma:

We had a course "Ethiopian economy." I taught Ethiopian economy ... And we were insisting, just on our own, this 'nets'ah hagerawi economy' philosophy had to be tuned basically to the Ethiopian economy. That was the

¹⁵³ Interview with former director of the Business College.

¹⁵⁴ Ibid.

¹⁵⁵ TPLF, *The New National Economy* [nets'ah hagerawi economy], volume 3 (no place: TPLF, 1989). Unfortunately, copies of the book's volumes have been dispersed, and there is no English translation of the Tigrinya original which a former instructor at the College considers "the seedling for the developmental state".

expectation we had at the grassroots level. [Instruction] has never come from any top official about socialism or the like.¹⁵⁶

Fighters who had completed their studies at the Business College were assigned to different positions within the movement. A number were embedded with units at the front, managing their logistics and taking over Derg offices when new towns fell under the control of the TPLF's troops. The importance of the latter role increased as the TPLF's military campaign intensified. In 1990-91, a total of 500 fighters underwent an 18-month training programme at the Business College in preparation for the EPRDF's final move south:

The aim or the objective of these 500 is, when we capture Addis Ababa and other cities, the big cities like Bahir Dar, like Harar, like Dessie and others ... we may need to get people to organise the government offices. Therefore, these will be the leaders or the organisers of different offices, different institutions like the bank, like insurances, like government offices, the Ministry of Transport, the Ministry of Education, Ministry of Agriculture, and others. ... Therefore, they go with the front. Therefore, when the TPLF captures Addis, these people were already assigned, and they go to their respective offices, and they serve there.¹⁵⁷

Fighters trained at the Business College thus played a vital role in facilitating the EPRDF's takeover of state institutions, ensuring an orderly transition, and avoiding an administrative vacuum after the fall of the Derg. Today, they work in a variety of positions: in the armed forces and various government offices, but also in the Commercial Bank, the endowment companies set up by the TPLF, and the private sector.¹⁵⁸

After 1991, the Business College was put under the authority of the Ministry of the Education in Addis Ababa. It took up a new office in the Derg's former cadre school and

¹⁵⁶ Former instructor at the Business College, interviewed by the author, April 8, 2013.

¹⁵⁷ Interview with former director of the Business College.

¹⁵⁸ Ibid.

started offering diploma programmes in finance, accounting, and management. A first cohort of 110 students, all of them former EPRDF fighters, graduated in 1993 and went on to take up jobs in government and the economy.¹⁵⁹ In 2002, the Business College finally merged with the Arid Zone Agricultural College to form the University of Mekelle.

Conclusion

The title of this chapter alludes to the idea of a ‘legacy’ bequeathed by the TPLF and its struggle, suggesting that the Front’s experiences in wartime Tigray somehow continue to reverberate in the economic policies formulated by the EPRDF government today. Veterans of the TPLF’s fight certainly see a lot of continuity between the two: the emphasis on self-help and economic autonomy;¹⁶⁰ the importance of organising and mobilising the population for a developmental agenda;¹⁶¹ the role of party enterprises in guiding the market.¹⁶² Underlying all of these observations is the notion that today’s quest for economic development is merely a continuation of the armed struggle of the 1970s and 1980s. True liberation, the argument goes, can only be achieved once dependency and backwardness are banished; as one long-standing member puts it, the Front’s real enemy has always been poverty, and the Derg was merely a temporary adversary on this mission.¹⁶³

¹⁵⁹ “Makele Commercial College graduates first batch,” *Ethiopian Herald*, July 27, 1993.

¹⁶⁰ See Solomon, *Agony and Ecstasy*, 304.

¹⁶¹ Former TPLF cadre, interviewed by the author in Addis Ababa, January 30, 2014.

¹⁶² Interview with EFFORT CFO.

¹⁶³ Interview with EPRDF spokesman.

There is something unduly teleological, self-serving about this line of reasoning. One former member of the TPLF's central committee calls it "simplistic," arguing instead that the Front started with nothing more than a vague "revolutionary feeling," and that the only constant in its history is the ability to adapt to new situations.¹⁶⁴ Still, the thought cannot be dismissed out of hand. The wartime economy of 1980s Tigray may have had little in common with Ethiopia's rapidly growing markets today, and the relative homogeneity, both in cultural and economic terms, of the Tigrayan population then stands in stark contrast to the diversity of (and rising inequality between) Ethiopians now. Nevertheless, fundamental principles in the movement's approach to governing both the population and the economy under its authority have remained the same.

What this chapter sought to show is that the main legacy of the TPLF's wartime years lies in a particular relationship between movement, state, and market: a constellation in which all three levels of organisation were deeply intertwined, fused into a general thrust for liberation, while decision-making lay in the hands of an increasingly narrow political elite. The parameters of this mode of governance were profoundly illiberal, based as they were on mobilisation rather than deliberation, group rights rather than individual rights, and centralised rent management rather than competitive efforts. However, it was a crucial element in winning a struggle in which the odds were stacked in favour of the incumbent, and in this respect an undeniable success – which is why its values and principles remain in such high esteem by the movement's leaders.

¹⁶⁴ Former member of TPLF central committee, interviewed by the author in Addis Ababa, July 22, 2013.

While there was nothing capitalist about Tigray's economy at the time, the seeds of Ethiopia's later transition to a system of vanguard capitalism were planted there and then. Through REST and the *baito* administration, control over key economic resources such as farmland and humanitarian relief was concentrated in the hands of the Front, which was also the region's largest economic actor at the time. The movement's formal separation of military, political, humanitarian and administrative structures, coupled with its emphasis on learning and discipline and the establishment of training institutions such as the business college, mirrored the later principle of bureaucratic professionalism without bureaucratic autonomy. And as with the EPRDF later on, the culture of planning that characterised the TPLF's leadership at the time, as evidenced by its internal manuals, was offset by a willingness to find pragmatic solutions where necessary. However, the transition from wartime economy to party-led state capitalism was not a direct one. When the EPRDF, under the leadership of the TPLF, took control of Addis Ababa in 1991, the times called for a different form of government.

Chapter 3

Ruptures and Reforms: Ethiopia's Decade of Transition, 1991-2000

*It would be erroneous to expect that the health of the economy
will depend on intervention by the government.*

From an editorial in the *Ethiopian Herald*, October 1994¹

Where the TPLF's struggle against the Derg was characterised by a fusion of the various functions and branches of the Front, the EPRDF's first decade in power was dominated by the inverse process: the 1990s were a time of structural differentiation in the context of a global push for political and economic liberalisation. The dismantling of the socialist command economy inherited from the previous government resulted in a greater separation of public and private sector, while the reorganisation of the political system along the lines of multiparty democracy led to a more pronounced demarcation, on a formal as well as an organisational level, between the roles of EPRDF leaders serving in government and in the party apparatus.

Both processes had a profound impact on the Front and its modes of political and economic governance, weakening (and, to some extent, delegitimising) the direct and exclusive control over state-society relations and economic rents in the hands of the party. However, while the EPRDF largely dropped its Leninist rhetoric, it did not fully abandon its self-understanding as a vanguard movement. Instead, it sought to adapt its vision of

¹ "Let the market decide," *Ethiopian Herald*, October 1, 1994.

elite-led, mass-based transformation to the new realities of the time. The result was a precarious combination – sometimes contradictory, often opaque – of administration through ostensibly liberal political and economic institutions with a style of government re-branded as ‘revolutionary democracy.’

This chapter discusses the dual processes of state- and market-building in a decade dominated by liberal reforms. It proceeds in three steps. Part one looks at liberalisation in action – the introduction of a set of pluralist democratic institutions, the transition from a socialist to a market economy, and the ways in which the EPRDF dealt with this ideological volte-face. The second section, on the other hand, addresses the party’s efforts to resist these centrifugal forces and subvert the liberal reform agenda: the nation-wide expansion of the EPRDF’s mode of political mobilisation along national lines, its attempts to fully bring the administrative apparatus under control, and its determination to fight what it perceived to be the ‘excesses’ of economic deregulation. Part three, finally, examines the EPRDF’s relationship with the new private sector, showing that while the privatisation of state-owned enterprises did not lead to the emergence of an independent class of domestic capitalists, the establishment of businesses de-facto controlled by the party provided it with a foothold in the fledgling private economy.

Liberalisation and its Discontents

As the newly-founded EPRDF prepared for the final push against the Derg, it became increasingly obvious that the mode of operation honed during the armed struggle could not – or not immediately – be replicated on a national level. The rebel government of the

TPLF in Tigray relied on popular mobilisation through mass organisations and on a pervasive presence of the movement in public life. Outside northern Ethiopia, however, the Front's structures were weak to non-existent, and the rapid pace of the EPRDF's move south gave it little time to organise. People in Addis Ababa were largely unaware of events in the north; in the words of a foreign aid worker, it "was only when they [the EPRDF] reached Debre Libanos" – a locality about 100km north of Addis Ababa – "that it dawned on me there was a war going on."²

When the Front finally entered Addis Ababa on May 28, 1991, it was thus an unknown quantity to most. If the EPRDF was a national movement, an Ethiopian reporter asked the movement's chairman at his first press conference, why did the soldiers in the street all speak Tigrigna?³ The arrival of the Front was not greeted with a hero's welcome, but regarded with a good deal of suspicion. This put the EPRDF in an ambiguous position: on the one hand, its military strength was such that it could ignore calls for a negotiated transition. On the other hand, there was a real risk that the country would fall apart under an overly heavy-handed approach. The EPRDF's leaders were acutely aware of the breakdown of multi-ethnic societies in Yugoslavia and the Soviet Union at the time; in an interview, Meles later described his "fear" as "[s]tates were disintegrating left and right," adding that Ethiopia was "a better candidate than any other."⁴

If the old mode of political organisation was no longer viable, the choice of a new one was severely restricted. In the face of the rapid disintegration of the Soviet bloc and

² Former technical expert in the Ethiopian Electricity Authority, interviewed by the author in Addis Ababa on July 6, 2013.

³ "Ato Meles Zenawi Replies to Questions by Reporters," *Ethiopian Herald*, June 7, 1991.

⁴ "Ethiopian Prime Minister Meles Zenawi on current political conditions with BBC correspondent," *Ethiopian Herald*, July 7, 2001.

the new insistence of Western donors on political conditionalities, “some form of ‘liberal democracy’ was pretty much the only option.”⁵ As Herman Cohen, the US Assistant Secretary of State for African Affairs, put it at the time: “no democracy, no aid.”⁶ In the economic arena, too, there was little alternative to some kind of market-based reform. That the Derg’s command economy had utterly failed the country was obvious even to stalwart Marxist-Leninists, as was the fact that access to foreign funds was subject to structural adjustment under the supervision of the international financial institutions. In the following years, Ethiopia thus embarked on a series of political and economic reforms within the liberal parameters of multiparty democracy and free markets. The process left a deep imprint on the country’s institutions as well as the EPRDF itself, but it also revealed the essential incompatibility of liberal paradigms and the political vision of the Front.

The Process of Political Reform

The leadership of the EPRDF had finalised its preparations for the transition by late 1990 and, “eager to get US support for a post-Derg regime,” had secured the tacit approval for a military takeover.⁷ Soon after the capture of Addis Ababa, in July 1991, its provisional government held a multiparty conference to determine the course of the transitional period, in what many observers saw (rightly or not) as a *quid pro quo* for American support.⁸ The conference brought together the EPRDF’s own members with

⁵ Vaughan, “Ethnicity and Power,” 14.

⁶ Cited in Markakis, *Last Two Frontiers*, 231.

⁷ Meles Zenawi, letter to Paul Henze, March 27, 1998. Paul Henze papers, Hoover Institution, collection no. 2005C42, box 66.

⁸ Sarah Vaughan, “The Addis Ababa Transitional Conference of 1991: Its Origins, History, and Significance” (Occasional Paper no. 51, Centre of African Studies, University of Edinburgh, 1994), 59.

representatives from two dozen other movements and organisations, including former rivals like the OLF. Delegates elected a transitional government, which remained in place until the first federal elections in 1995, and adopted a transitional charter reflecting the “varied views” of the participants.⁹ While the new government was headed by Meles Zenawi, non-EPRDF members held a variety of portfolios in cabinet, such as Finance, Economic Cooperation, Information, and Justice.

What EPRDF leaders describe as “opening the floodgates of democracy”¹⁰ was, in reality, more of a trickle. If attendants at the Addis Ababa conference reflected the diversity of Ethiopian society, it was a diversity of ethnicity rather than political position: established opposition movements with a pan-Ethiopian agenda, such as the EPRP and MEISON, were excluded from the conference, while a number of nationality-based organisations were set up specifically for the purpose of the conference. Representativeness further suffered when the OLF, the largest of the non-EPRDF organisations in the transitional government, withdrew in 1992 and was subsequently suppressed. For the EPRDF, however, the transitional government was a success: the establishment of a multiparty government, although dominated by one particular movement, had “enormously calmed the anxiety of the international community,”¹¹ and the moment of broad consultation and discussion had lasted long enough to claim a degree of popular legitimacy for the far-reaching changes embodied in the transitional charter.

⁹ Transitional Government of Ethiopia, “Transitional Period Charter of Ethiopia: Preamble” adopted on July 22, 1991.

¹⁰ Former government minister and member of EPRDF executive committee, interviewed by the author in Addis Ababa, January 24, 2014.

¹¹ Vaughan, “Addis Ababa Transitional Conference,” 60.

The drafting of the new Constitution of the Federal Democratic Republic of Ethiopia, ratified in late 1994, followed a similar pattern. There is little question that the process was dominated by the EPRDF, and that its outcome reflected the Front's positions in all controversial matters.¹² At the same time, however, both process and outcome paid explicit tribute to liberal principles. The Constitutional Commission was chaired by Kifle Wodajo, a former ambassador to the United States under Haile Selassie, and its work was paid for in part by the Carter Center. A symposium organised by the Inter-Africa Group, an independent civil society organisation, exposed the Commission to a variety of international opinions, including those of conservative American scholars like Samuel Huntington, whose thoughts on the 'third wave' of democratisation were keenly discussed by Meles.¹³ The Constitution itself is in many respects a remarkably liberal document, not least in the comprehensive catalogue of individual rights and liberties enshrined in its third chapter.¹⁴

The new civic space defined first in the Charter, then the Constitution, found its expression in the sudden and rapid growth of the private press and the non-governmental sector. Neither process was without frictions: virtually all new papers and magazines were critical of, if not hostile to the EPRDF, and many of their editors regularly moved in and out of jail. Similarly, the government was suspicious of a 'civil' society dependent on foreign largesse and sought to direct its activities towards areas in line with the official developmental agenda. Yet the very existence of the burgeoning non-state sector signified

¹² For a critical account, see Theodore Vestal, "An Analysis of the New Constitution of Ethiopia and the Process of Its Adoption," *Northeast African Studies* 3, no. 2 (1996).

¹³ Paul Henze, "Ethiopian Travel Diaries, 1993-1999," Paul Henze papers, Hoover Institution, collection no. 2005C42, box 69, folder 1.

¹⁴ Federal Negarit Gazeta, "Proclamation of the Constitution of the Federal Democratic Republic of Ethiopia" (Proclamation No. 1/1995), adopted on August 21, 1995.

a departure from established tradition. Private publications, whose number peaked at over 100 in 1994, provided a plural, if chaotic, range of perspectives and opinions;¹⁵ and the growing crowd of NGOs channelled a considerable amount of resources past the state and its local representatives.

Parallel to the sequence of institutional reform occurred a process of differentiation between the various branches of the movement. To meet the formal requirements of multiparty democracy, the EPRDF's member organisations were registered as political parties in their respective regional states. The TPLF and (on a smaller scale) the EPDM were also separated from the other functions the Front had taken on in its liberated areas. In 1993/4, the military wing of TPLF was thus split from the movement to separate the country's political and military commands. Military officers were no longer allowed to hold any positions within the party structure, including its leadership: six members of the TPLF's central committee, including one member of the politburo, were thus replaced by civilians. The movement's rank-and-file were integrated into the new national armed forces or demobilised, and the military equipment accumulated during the war – "everything except aircraft" – became property of the Ethiopian army.¹⁶

In the same vein, the newly-registered party also divested itself of its social and commercial functions. REST was registered as a non-governmental organisation, although as the largest NGO in Ethiopia, it continued to play an essential role in the provision of basic services during the transitional period. The capital amassed during the years of struggle – vehicles, machinery, equipment, and money – was used to set up businesses in

¹⁵ Vaughan and Tronvol, *Structures and Relations of Power*, 64.

¹⁶ Former Ethiopian minister of defense, interviewed by the author in the United States, November 9, 2012.

the names of trusted individuals, which were later transferred into regional economic endowments.¹⁷ Parts of the Front's extensive propaganda apparatus were transformed into Mega-Net, a private corporation running a news agency, radio station, advertising agency, and printing press.¹⁸ Not much later, at the EPRDF's 1997 Congress in Jimma, the Front's mass organisations for farmers, women, and students were formally disassociated from the party.¹⁹

This process of gradual differentiation also reached the highest rungs of the political leadership, where a division of labour emerged between those EPRDF officials within the national government and those within the party.²⁰ During the transitional government, EPRDF leaders focused primarily on building up party and administrative structures in the new regional states, while senior government officials were preoccupied with political and economic reforms at the federal level. Party officials tasked with managing the EPRDF's internal affairs – particularly Tewolde Woldemariam and Alemseged Gebreamlak, both members of the TPLF's politburo – were formally appointed as advisors in the Prime Minister's Office, but, according to Vaughan, "stayed out of the Cabinet, to which appointments were increasingly made on a technocratic basis."²¹ This division of responsibilities became more lopsided during the second half of the 1990s, as regional political elites began to reject federal (more specifically, TPLF) interference in their affairs;

¹⁷ For a more detailed discussion of the establishment of the endowment companies, see section three of this chapter.

¹⁸ Anonymous, "From the Bullet to the Bank Account: The Economic Empire of the Ethiopian Peoples' Revolutionary Democratic Front" (unpublished manuscript, April 2006).

¹⁹ Vaughan and Tronvol, *Structures and Relations of Power*, 10.

²⁰ Vaughan, "Revolutionary Democratic Statebuilding," 628.

²¹ Ibid.

party leaders began to feel increasingly marginalised, and the delicate balance between the two groups became upset.

The process of liberal political reform was a difficult one for many veteran members and supporters of the Front, who ached to see the movement they had built under the deprivations of war being dissembled and restructured. It also had a profound impact: Ethiopia during the 1990s saw the establishment, on a formal level, of all the landmarks of liberal democracy - multiparty elections, a constitution guaranteeing individual rights, a free press and independent civil society; simultaneously, it witnessed the structural differentiation of the political, administrative, military, commercial and social functions the Front had taken on during the struggle years. These developments did not curtail the EPRDF's position as the driver of the reconstruction of the Ethiopian state, nor did it divorce its political leadership from the various organisations that were now outside their official purview. However, in marked contrast to other movement-led governments in Africa, the institutional and organisational reforms of Ethiopia's transition period created a complex architecture of rule, with separate (if not independent) hierarchies and responsibilities, and at times with conflicting agendas.

Structural Adjustment

In the economic arena, too, the 1990s were a time of liberal reforms. In fact, the at least partial dismantling of the Derg's command economy predated the EPRDF's arrival in Addis Ababa: during his final year in power, Mengistu had sought to buy himself time by announcing a shift to a mixed economic system combining state, cooperative, and private

enterprise. In a speech to the central committee of the Worker's Party of Ethiopia on May 5, 1990, the president explained that Ethiopian socialism had merely been "part of the general pattern that characterised social development in the developing world."²² In its stead, he promised an end to forcible collectivisation and villagisation, the right of farmers to sell their produce freely, the reorganisation of public enterprises, and new opportunities for domestic and foreign investors. For the leaders of the EPRDF, Mengistu was grasping at straws: they saw in the proposed measures "not the gifts of a benevolent dictator, but the achievement of 15 years of continued struggle and sacrifice."²³ In any case, the change of heart came too late, and when the EPRDF assumed power, the need for further reform was overwhelming.

Nevertheless, EPRDF leaders initially found it difficult to chart a new course: the Front's socialist principles had inevitably been abandoned, and its economic expertise was severely limited. The movement therefore opened itself to the advice of others. There was a steady stream of foreign delegations, while a Symposium on the Ethiopian Economy, organised again by the Inter-Africa Group, initiated a debate between government officials, foreign experts and Ethiopian academics. The Ethiopian Economics Association was founded to provide guidance to policymakers and, in the words of its founding director Eshetu Chole, "send out the message [...] that there are ways of serving one's country other than carrying a gun or wielding political power."²⁴ Eshetu himself was

²² "Text of President Mengistu's central report to the 11th regular plenum of the CC of the WPE," *Ethiopian Herald*, March 8, 1990.

²³ "Interview with Meles Zenawi, Secretary General of the TPLF," *People's Voice* 12, no. 1 & 2, 29.

²⁴ Eshetu Chole, "Opening Remarks" (speech given at the inaugural conference of the Ethiopian Economics Association, Addis Ababa, August 15, 1992).

approached to take on a role in the transitional government, but declined.²⁵ Two other trained economists, on the other hand, were elevated to senior positions in government soon after – Sufian Ahmed was appointed minister of finance in 1995, while Neway Gebreab became Meles’ chief economic adviser around the same time; in contrast to all of their colleagues, both remained in the same positions two decades later. And the EPRDF’s own leaders, too, learned the ropes of liberal capitalism, as Meles and other senior cadres obtained their MBAs from the Open University.

The Economic Policy of the Transitional Period, adopted by the transitional government in late 1991, reflected both the EPRDF’s sense of disorientation and its willingness to engage in a process of economic reform along liberal lines. The policy did not present a clear-cut strategy for economic reconstruction and development, but its general thrust was clear:

It is evident that in the past state control over the entire economy was the major cause of economic decline. Therefore, in order to embark on economic recovery, it is essential to change the role of the state.²⁶

In essence, the vision of the state conveyed in the document was no different from the global liberal orthodoxy of the day: its primary responsibilities were the formulation of economic policy, the provision of infrastructure, and the creation of an enabling environment of macroeconomic stability; only in sectors where the private sector was unable to engage sufficiently was greater public investment desirable.²⁷

²⁵ Harold Marcus, “A Breakfast Meeting with Prime Minister Meles,” H-Net Africa, October 20, 1995, <http://www.h-net.org/~africa/confprt/melesbreakfast.html>.

²⁶ Transitional Government of Ethiopia, “Economic Policy of the Transitional Period,” 17.

²⁷ *Ibid.*, 27-36.

The Economic Policy served as the basis for subsequent negotiations with the international financial institutions. In early 1992, Ethiopian officials developed a Policy Framework Paper (PFP, the precursor to the Poverty Reduction Strategy Paper of the post-2000 era) which spelled out the government's reform agenda. Contrary to the established practice at the time, the document was drafted in Addis Ababa rather than Washington DC, although its contents were drawn up in consultation with the Bretton Woods Institutions. The PFP in turn provided the foundation for the World Bank's lending programme during the transitional period, as well as for the creation of an initial Structural Adjustment Facility (SAF) by the IMF in 1993. Upon its completion in 1996, the SAF was replaced by a three-year Enhanced Structural Adjustment facility (ESAF), which was extended for another three years in 1998.

The release of funds under the SAF and ESAF lines of credit was dependent on the implementation of a variety of macroeconomic reforms. A fundamental revision of Ethiopia's investment code in 1992 opened the economy to private investors, promoting the "development, activation and strengthening of domestic private capital."²⁸ Subsequent amendments in 1996 and 1998 further expanded the range of sectors available to Ethiopian and foreign investors. Price and distribution controls were removed for most goods, and restrictions on agricultural production and trade were dropped. A new Public Enterprise Proclamation reorganised the country's state-owned enterprises, introducing professional management structures and audit requirements, while the establishment of an Ethiopian

²⁸ Federal Negarit Gazeta, "A Proclamation to Provide for the Encouragement, Expansion, and Coordination of Investment," (Proclamation 15/1992), adopted on May 25, 1992.

Privatisation Agency in 1994 laid the foundation for the subsequent sale of a large number of public companies.

Financial reform began in late 1992 with a substantial devaluation of the birr, from 2.06 to 5 birr to the dollar. Over the coming years, the exchange rate was gradually liberalised through the introduction of regular foreign exchange auctions, which resulted in a further devaluation of the birr. A new Monetary and Banking Proclamation (83/1994) redefined the relationship between the National Bank of Ethiopia and the commercial banks, abolishing sector-specific interest rates and replacing them with a minimum deposit and a maximum lending rate.²⁹ Shortly after, new regulations permitted domestic investors to enter the financial sector, paving the way for privately-owned banks and insurance companies – a move which the EPRDF had long rejected, even in the Economic Policy for the Transitional Period.

Finally, a range of reforms targeted an overhaul of the tax system, seeking to realign economic incentives while providing a more stable base of income for the government. A reform of the income tax lowered the maximum marginal rate from the Derg's 89 percent to 35 percent, while new taxes were introduced on rental income and capital gains. The chaos of excise taxes and import tariffs was systematised, although a national value-added tax was not introduced until 2003. Road transport tariffs were abolished, opening up the sector to private domestic investors. Additionally, a number of measures were taken to promote the development of export industries, comprising both the abolition of export

²⁹ Federal Negarit Gazeta, "Monetary and Banking Proclamation." Proclamation 83/1994, adopted on January 30, 1994.

taxes (except on Ethiopian coffee) and the facilitation of duty-free imports on essential materials and capital goods for exporters.³⁰

As later sections of this chapter will show, neither the transitional government nor the federal one that replaced it fully subscribed to the idea of deregulation and free-market capitalism. Nevertheless, they actively designed and implemented an ambitious agenda of macroeconomic reform, and the effects of this drive for liberalisation were profound: privatisation and private investment entailed a move from the centralisation to the decentralisation of capital; foreign exchange auctions and the abolition of price controls represented a step from a command to a market logic; and the encouragement of foreign investors as well as export industries shifted the focus from autarky to the integration into global markets.³¹

The Brief 'End of Ideology'

Political and economic liberalisation, both processes the EPRDF's leaders themselves endorsed and directed, inevitably ushered in a new chapter for the movement and its self-understanding. Promoting free markets and multiparty democracy was at odds with the socialist origins of the Front; yet even before the transition, the rhetoric of the TPLF and EPRDF had begun to change in the face of the new realities of the emerging unipolar order. According to a fellow cadre, Meles understood that the signs of the time were calling for a break with the movement's ideological heritage: "He said: the end of ideology. [...] The

³⁰ Information compiled from *Federal Negarit Gazeta*, various issues, 1991-1998.

³¹ See Göte Hansson, *The Ethiopian Economy, 1974-94: Ethiopia Tikdem and After* (London: Routledge, 1995), chapter 7.

Ethiopians will be the last people to accept ideology. They have seen the sickle, the hammer, they are fed up with it. So no hammer, no sickle, no -isms, we have to finish it.”³²

The primary concern of Meles, however, was not so much for the Ethiopian population: the socialist rhetoric of the Front’s radio broadcasts changed little during this time. The EPRDF’s leaders were more worried about the reaction of American diplomats, on whose political support they depended, but who continued to perceive the Front as orthodox communists, no more to be trusted than the government they were about to unseat. Meles, still one of the leading members of the Marxist-Leninist League of Tigray at the time, travelled to Washington repeatedly between 1989 and 1991 in order to address what he referred to as a “public relations problem.”³³ “Why do you keep calling us Marxists?,” he asked Paul Henze at the RAND Foundation, adding: “We are not a Marxist-Leninist movement. We do not apply Marxism-Leninism in Tigre [sic]. The name of our organization does not include any reference to Marxism-Leninism.”³⁴

References to Marx and Lenin, the ‘vanguard role’ of the Front, and the goal of a socialist revolution were thus quietly dropped from the EPRDF’s public discourse. Fifteen years later, the EPRDF itself described this step as an unavoidable concession to the new environment:

It was a clear idea for [the] majority [of] members of the EPRDF that Ethiopia had no choice except employing [a] free market economy in the time of globalization. [...] This stand was not decided upon thorough discussion, but rather it was just following the trend of the world of that given time.³⁵

³² Interview with former member of TPLF central committee.

³³ Henze, “Conversations with Meles Zenawi,” 4.

³⁴ *Ibid.*, 3.

³⁵ EPRDF, “Development, Democracy and Revolutionary Democracy,” 53.

During the years of transition, however, the EPRDF-led government took care to present liberalisation as the only solution to Ethiopia's problems. Official sources began to tout the values of the market: not unlike Milton Friedman, the state-owned *Ethiopian Herald* explained to its readers, in late 1991, that "[d]emocracy is unthinkable without a market economy and individual initiative."³⁶ Editorials appeared with titles such as "Less government intervention," "No alternative to SAP,"³⁷ and "Let the market decide," the latter arguing that "reducing government intervention and maximizing that of the private sector [...] is the aim of a market economy."³⁸

Within the EPRDF leadership, however, the party's chief thinkers were looking for a way to combine the new commitment to liberal reform with their continued dedication to mass-based economic transformation. The clearest formulation of such a strategy emerged in an Amharic document titled "Our Revolutionary Democratic Goals and the Next Step," written in mid-1993 and initially circulated only among party cadres.³⁹ The paper opens with an examination of the political status quo during the transitional period. On the one hand, it argues, Ethiopia has little alternative but to continue on its trajectory of economic reform. At the same time, the moment of transition also provides an opportunity for fundamental change: the domestic capitalist class is narrow, and further weakened by the experience of socialism, so that resistance to the EPRDF's transformative

³⁶ "For sustainable growth," *Ethiopian Herald*, October 11, 1991.

³⁷ "Less government intervention," *Ethiopian Herald*, September 22, 1994; "No alternative to SAP," *Ethiopian Herald*, September 6, 1994.

³⁸ "Let the market decide," *Ethiopian Herald*.

³⁹ An abridged translation was later published in *Ethiopian Register* (June 1996), 20-29. EPRDF officials deny the authenticity of the document, pointing to the fact that the magazine's editor is a known critic of the government (see Vaughan and Mesfin, "Rethinking Business and Politics," 32). However, the text matches other EPRDF publications at the time, both in style and content, and the analysis aligns so closely with the party's actions that there is no reason to believe it a forgery.

agenda is limited. The main beneficiaries of the Front's economic policies, and therefore its main support base, are the rural peasantry and the workers (the "proletariat") in the towns. The urban bourgeoisie is an unreliable stratum: it profits from economic liberalisation, but is inherently conservative and opposed to radical, redistributive change. Finally, a group of "imperialist" or "comprador" businessmen, wholly dependent on foreign capital, threaten to undermine the independence of the national economy and are therefore the "main enemies" of the Front.⁴⁰

Economic policy during the years of transition, the document argues, must reflect these economic fault lines. The EPRDF's main preoccupation has to be for the well-being of the peasant population; farmers therefore need to be given secure land tenure, the freedom to produce and sell what and how they want, and access to agricultural inputs and improved infrastructure. A carrot-and-stick approach should be taken to the urban bourgeoisie: the lower ranks, engaged in small-scale production and services, should be favoured by policy and receive preferential access to credit, as they hold the key to "the creation of a wide culture of industrial society," but are also "easily guided." Lastly, to undermine the interests of the "comprador" class, priority should be given to domestic over foreign capital, and appropriate regulatory and taxation measures should restrict the capacity of outside investors to extract value from the country.⁴¹

Just as importantly, the progressive forces united within the EPRDF should seek to establish their own foothold in the new private economy, putting the movement's

⁴⁰ Ibid., 20-22.

⁴¹ Ibid., 25.

resources – both organisational and financial – to good use. In so doing, they have the potential to play a three-fold role in transforming the national economy:

First, “in areas where due to financial and administrative constraints or external economic factors, the state is unable to play the role of directly regulating the economy, these revolutionary democratic forces should take over the role of the state and invest as one individual.” Second, they “will act as a powerful private investor which will demonstrate modern business practices to small businessmen while putting pressure on the bigger ones so as to strengthen the State’s leadership role.” Finally, in “order to fulfil its mission, our Revolutionary Democracy needs great financial resources, and supplying these resources and building its strength is a role which these forces should play.”⁴²

The document is very specific about the areas in which the ‘revolutionary democratic forces’ should invest. They should “make it their primary objective to monopolize rural credit services throughout Ethiopia;” similarly, they should enter the markets for rural transports, wholesale and import-export trade, and the production of fertilizer and other agricultural inputs. In the urban areas, they should be involved in the creation of banks and insurance companies, small-scale industries, and service cooperatives.⁴³ As the final section of this chapter will show, it is probably no coincidence that these are the exact sectors in which the TPLF (and, on a smaller scale, the other EPRDF members) were setting up businesses at the time, which would become the endowment companies shortly after.

⁴² Ibid., 24.

⁴³ Ibid., 25.

In short, “Our Revolutionary Democratic Goals and the Next Step” laid out a new blueprint for economic transformation under the leadership of a revolutionary party, making use of economic policy and the private sector within the context of a partially deregulated market economy. In this regard, it mirrors the political vision of revolutionary democracy, which similarly entails the rule through formal democratic institutions, but coupled with social mobilisation through the party structure as well as through a range of societal and non-governmental organisations affiliated with (but formally independent from) the Front. Quite early into the reformist decade of the 1990s, the document suggests, the EPRDF had understood that the transition from a socialist to a market economy did not have to mean an end to economic management by the party. Instead, it opened up a whole new range of market-building measures which, if implemented correctly, would support the kind of political structure it had in mind.

Resistance and Subversion

The EPRDF’s internal writings from the early 1990s show that the Front was willing to adapt to the new environment but not to sacrifice its principles, and that it saw ‘revolutionary democracy’ and the associated economic policies as the way to achieve this balancing act. However, this required the creation of a second layer of mobilisation and control which superseded the formal architecture of economic and political governance. Parallel to the liberalisation agenda conducted in coordination with international donors and financial institutions, the EPRDF and its government thus engaged in a second, less publicly acknowledged programme of reforms: one consisting of measures to bridge the widening gap between party, state, and market.

During much of the 1990s, the efforts of the political leadership targeted all three of these levels simultaneously. The expansion of the party through the creation of ethnic people's democratic organisations (PDOs) established an EPRDF presence in parts of the country the Front had never entered before 1991. An ambitious reform of the Ethiopian civil service devolved the administration and broke the resistance of a bureaucratic class deeply suspicious of the EPRDF's policies, while persistent (and at times confrontational) negotiations on economic reform ensured that core elements of the national economy were exempt from the push for privatisation and deregulation. As a result, new sectors of the Ethiopian society were brought into the fold of the party; the party gained a greater level of control over the state; and the state retained considerable sway over the economy.

Growing the Party

While the EPRDF had invited a variety of regional organisations to join the transitional government, particularly from those areas where it had no local structures itself, the Front had no intention to further institutionalise this cooperation. Regional political elites from areas where EPRDF structures were weak or non-existent had hoped to get co-opted into the ruling coalition, but were invariably disappointed. Instead, the EPRDF's leaders opted for the creation of new member organisations along ethnic lines, reproducing the organisational model of the TPLF across all of Ethiopia. Meles explained the party's position as follows: "We don't seek to get other groups to join us, for it would require the

EPRDF to change and dilute its programme in order to accommodate them.”⁴⁴ Or, more succinctly: “We don’t ally with groups. We ally with people.”⁴⁵

Soon after the fall of Addis Ababa, the EPRDF thus began to set up local branches – the so-called ‘people’s democratic organisations,’ or PDOs – for the different ethnolinguistic groups of central and southern Ethiopia. The process, which Vaughan describes in some detail, was remarkably similar across different parts of the country, indicating a high degree of preparation and direction by the party’s central leadership.⁴⁶ Former prisoners of war from Oromia and the South, who had undergone political education by the TPLF after their capture, were sent back to their home communities to facilitate the arrival of a political cadre from the EPRDF. They helped with the establishment of a local ‘peace and stability committee’ which in turn formed the nucleus of both a party cell and an administrative unit. Within the committees, particularly promising members were then selected to attend the Front’s cadre school at Tatek, west of Addis Ababa, and subsequently recruited as members of their respective PDO. By the time the transitional government held the first round of local elections, in 1992, the EPRDF had thus set up an embryonic party structure covering all of highland Ethiopia.

In their selection of members for the new PDOs, the EPRDF targeted the lower stratum of the local professional class: people with a degree of education and authority but limited resources, such as school teachers and lower-level government employees. Members of the traditional elite, on the other hand, were not a primary target for recruitment, and in many cases ended up joining or founding opposition groups. The

⁴⁴ Cited in Markakis, *Last Two Frontiers*, 250.

⁴⁵ Cited in Vaughan, “Addis Ababa Transitional Conference,” 61.

⁴⁶ See Vaughan, “Ethnicity and Power,” 187-192.

EPRDF's alliance with what has been termed the "lumpen proletariat" of Ethiopia's highland peripheries thus served to undermine the position of established local notaries (whose own social position was not dissimilar to that of the TPLF's own founders), and to create space for a new form of political organisation.⁴⁷ During much of the 1990s, the process remained closely supervised and directed by veteran members of the EPDM (after 1994 renamed ANDM) and, more often, the TPLF, and party liaison officers from the north were an omnipresent feature of party and administrative organisation in southern Ethiopia.

The EPRDF's strategy of setting up affiliated movements for all of the country's ethnic groups, each claiming to represent the entirety of its members, left little space for the opposition. As a consequence, relations within the transitional government began to sour early on. One year into the transitional period, after continuous frictions over the activities of the OPDO, the OLF left the government and resumed its insurgency. The EPRDF reacted severely, deploying its military in full force; within three weeks, the OLF had been defeated, the party banned, and tens of thousands of its supporters temporarily imprisoned. Disagreements with parties which rejected the idea of ethnic federalism were similarly toxic; leaders of the All Amhara People's Organisation, whose support came primarily from the old Amhara elite, were also thrown in jail. The thinning opposition camp, aware that it was losing ground, began to call for new negotiations about the process of political transition, but was ignored by the EPRDF: an opposition "Peace and Reconciliation Conference," held in Addis Ababa in December 1993, was not attended by a representative of the Front. Shortly after, several opposition groups met with former US

⁴⁷ Anonymous source, cited in Vaughan, "Revolutionary Democratic Statebuilding," 628.

president Jimmy Carter, but were again snubbed by the EPRDF. A third attempt at negotiation, this time by a Congressional Task Force on Ethiopia in Washington DC, was similarly unsuccessful.

By the time of the 1995 federal elections, which marked the formal end of the transitional period, the EPRDF had thus laid the groundwork for a sweeping victory. Many of the remaining opposition groups decided to boycott the elections altogether; in Tigray, the TPLF even sponsored some of their own members to run as ‘independent’ candidates in order to provide a semblance of choice.⁴⁸ EPRDF candidates duly won all seats in Tigray and the South, all but one in Amhara, all but two in Addis Ababa, and all but three in Oromia (it had not competed for the latter), out of a total of 547 seats in the Council of People’s Representatives. Just as importantly, the 1995 elections showed an EPRDF whose structures had professionalised, and which had matured from the hastily assembled coalition that had toppled the Derg to a coherent organisation whose members were, quite literally, reading from the same page. As Lyons observed during the run-up to the election,

All EPRDF candidates, regardless of whether their affiliation was with the TPLF, OPDO, or any other constituent party, ran on this plan [the EPRDF’s five-year programme], adopted similar styles of campaigning, used common symbols, and appealed to voters on the same record of accomplishment and promises for continued progress.⁴⁹

Ironically, Ethiopia’s first national multiparty elections thus resulted in a de facto return to one-party rule.

⁴⁸ Terrence Lyons, “Closing the Transition: The May 1995 Elections in Ethiopia,” *Journal of Modern African Studies* 34, no. 1 (1996), 133.

⁴⁹ *Ibid.*, 139.

Civil Service Reform: 'Squeezing the Middle'

At the same time, the EPRDF also sought to deepen its control over the bureaucratic apparatus. Considering that the country was emerging from civil war and undergoing the second fundamental change of political regime within two decades, the state apparatus was in comparatively good shape. The existence of a sizeable public sector in Ethiopia predated the socialist era, and many of the largest state enterprises – the utilities, the roads authority, the national airline – remained functional precisely because they were never ‘nationalised’ and thus retained a degree of managerial autonomy.⁵⁰ The rapid conclusion of the civil war, too, had helped to prevent the disintegration of state authorities and enterprises; most continued to work throughout the transition, and the EPRDF reportedly made it a priority to pay public-sector salaries on time just days after the capture of Addis Ababa.⁵¹

However, relations between the new political leaders and the incumbent bureaucratic class were fraught with tensions: one former member of the TPLF’s economic department, tasked with restructuring the federal Ministry of Agriculture, remembers bringing his pistol to work at the time.⁵² To some extent, the frictions were simply an inevitable result of different political outlooks, further fuelled by personal animosity. Addis Ababa’s bureaucratic elite – educated, urban, and Amharic-speaking – was outraged by the prospect of a rough-and-tumble, sandal-wearing band of rebels

⁵⁰ On public-sector performance during the socialist era, see Ministry of Economic Development and Cooperation, “Financial Performance of Public Enterprises: 1975 E.C. – Tikimt 1985 E.C.” (internal report, Development Finance and Budget Department, MEDEC, Addis Ababa, October 1996).

⁵¹ See de Waal, “Liberators in Power,” 40.

⁵² Former official in the Ministry of Agriculture, interviewed by the author in Mekelle, July 12, 2013.

dismantling the Ethiopian state; on the other hand, EPRDF members had little sympathy for a group they saw as 'Amhara chauvinists' and opportunistic profiteers of the former regime. But conflicts also sprang from the need to fuse two incompatible administrative cultures: agricultural and health extension workers in Tigray's liberated areas were often barely literate, and measuring their level of practical experience and community commitment against the formal qualifications of government employees was an arduous process which frustrated people on both sides.⁵³

The EPRDF's leadership thus had to find ways to reign in those elements of the civil service which it perceived to undermine the movement's policies, and to establish a reliable hierarchy of command. Its strategy was to exercise pressure on the civil service from two sides, effectively squeezing the middle layer. The TPLF's official in the Ministry of Agriculture described the situation thus:

[T]he TPLF believed it can only work with the existing bureaucracy. [...] We do not have the skills of the bureaucracy. [...] But we will influence from the people's side and from the top this bureaucracy in between. Through policies, supervision, monitoring and through pressure, so somehow the bureaucracy will split into those who will really cope up with the system, and those who will not cope up. And that is a long process.⁵⁴

'Pressure from below' was created through administrative devolution, which led to an unprecedented expansion of the civil service in the rural peripheries.⁵⁵ The shift to a federal system entailed the creation of nine regional states, each with its own provincial capital, which were further divided into zones, *woreda*, and *kebele* (the latter the equivalent

⁵³ Ibid.; see also Gebreab and Zwi, "Health Policy Development," 47.

⁵⁴ Interview with former official in the Ministry of Agriculture.

⁵⁵ For a more detailed account of bureaucratic decentralisation, see Markakis, *Last Two Frontiers*, chapters 10 and 11.

of the Tigrayan *baito*).⁵⁶ Public resources were channelled through this new institutional hierarchy; *kebele* officials in particular became gatekeepers for access to basic services, from housing and the allocation of farmland to health and schooling, state employment and the local court system. Elected administrative councils at the regional, *woreda* and *kebele* level were almost exclusively dominated by the EPRDF and its affiliates, and little effort was made throughout the 1990s to distinguish between state and party business. A legion of new administrators, speaking local languages and often based in remote areas, were recruited to the new civil service, much to the chagrin of Amharic-speaking bureaucrats in Addis. Vaughan and Tronvoll estimate that, by 1998, close to 250,000 local administrative positions (out of a national total of just over 300,000) had been created by the transitional and EPRDF governments – a quarter of a million civil servants who owed their livelihoods to the Front and its policy of decentralisation.⁵⁷

At the same time, pressure from the top came through a series of purges in which civil servants who had strong ties to the previous regime, or who were perceived to agitate against the incoming one, were sacked from their positions. Meles made it clear that “government employees and bureaucrats who collect their salaries by merely spreading gossip and falsehood will no longer be tolerated,”⁵⁸ and trusted members of EPRDF were brought in to lead public agencies and enterprises, upsetting the old hierarchies of seniority and bureaucratic experience.⁵⁹ The expulsions went beyond the core institutions of government: when employees at the Commercial Bank of Ethiopia went on strike in

⁵⁶ A *woreda* typically has a size of 100,000 people, and a *kebele* of several thousand; actual numbers vary, however.

⁵⁷ Vaughan and Tronvoll, “Structures and Relations of Power,” 24-25.

⁵⁸ “Politics alone cannot produce bread: President Meles,” *Ethiopian Herald*, August 8, 1992.

⁵⁹ Interview with former technical expert in the Ethiopian Electricity Authority.

December 1991, they were fined three months' salaries (a penalty that was later withdrawn) and reminded that "democracy means responsibility," while part of the bank's management was dismissed.⁶⁰ The faculty of Addis Ababa University was also subjected to a government clean-up after an anti-EPRDF demonstration on campus had turned violent; more than forty of the university's teaching staff were sacked, and the president replaced by a minister of the transitional government.⁶¹

A larger wave of dismissals followed during the second half of the 1990s, when structural adjustment led to a retrenchment of civil servants and public-sector employees; in 1997, the minister of social affairs put the number at over 15,000.⁶² The use of *gemgema*, the group evaluation technique developed during the TPLF's liberation struggle, became a central feature of these restructuring measures. In the hands of senior civil servants, it was re-appropriated as a top-down management tool. Lower-level employees saw *gemgema* primarily a means of political control by their superiors, and it was widely alleged that the purges targeted Amhara and Oromo officials in particular.⁶³ This claim is difficult to verify, and may simply reflect the disproportionate representation of these two groups in the previous administration. What is beyond question, however, is that by the late 1990s the EPRDF government had removed most elements of the civil service which it considered antagonistic to its political programme, and brought the rest in line with the Front's agenda.

⁶⁰ See "Court rules on bank employees' case," *Ethiopian Herald*, December 25, 1991; "Democracy means responsibility," *Ethiopian Herald*, January 2, 1992.

⁶¹ "University shake-up," *Indian Ocean Newsletter*, April 17, 1993.

⁶² "Economic reform programme lays off 15,460 civil servants," *Ethiopian Herald*, March 5, 1997.

⁶³ Interview with professor of economics at Addis Ababa University; the allegation was also repeated in other conversations, and in media reports from the time.

Contrary to other African countries at the time, the downsizing of the civil service did not lead to major popular protest in Ethiopia. While this was partly a reflection of the weakness of Ethiopia's civic organisations, it also stemmed from the EPRDF's decision to quell union opposition from the start. In mid-1994 Dawi Ibrahim, the president of the Council of Ethiopian Trade Unions (CETU) had given a televised statement in which he called Ethiopia's SAP a "utopian measure" opposed to the interests of the workers.⁶⁴ His stand caused CETU to split into two factions, and to come under pressure from government and security forces. Dawi exiled himself from the country, the old CETU was disbanded, and a new union founded under a leadership no longer opposed to structural adjustment.⁶⁵ The same pattern was later repeated with the Ethiopian Teachers' Association, a vocal critic of the government's decentralisation policies: in 1996/97, a large number of teachers were sacked, their leaders arrested or, in some cases, killed during demonstrations;⁶⁶ in the end, a pro-government splinter group was recognised as the official ETA and the original organisation shut down.

Over the years, government engagement with the civil service went beyond this confrontational stance, however, and a number of measures were introduced to grow and develop the new administration. A four-year civil service reform was initiated in 1997 with the goal of streamlining bureaucratic processes and raising institutional capacity; it was managed from the prime minister's office and generously funded by the donor community. Two years earlier, the transitional government had opened the Ethiopian Civil Service College to provide desperately needed training to the growing cohort of

⁶⁴ "CETU president gives statement," *Ethiopian Herald*, October 21, 1994.

⁶⁵ Various articles, *Ethiopian Herald*, October 22, 1994 to April 25, 1997.

⁶⁶ "Regime attacks ETA," *Indian Ocean Newsletter*, April 13, 1996.

regional administrators. The College's board was (and remains) chaired by a member of the EPRDF's executive committee, and many of its students were members of the Front; however, staff appointments were based on professional expertise, and the curriculum emphasised the development of technical skills.⁶⁷

By the end of the decade, almost all public officials from the *woreda* upwards had thus been educated to a degree level, many of them at the Civil Service College.⁶⁸ While the purging of the bureaucratic apparatus in the capital had undoubtedly destroyed administrative capital during the transitional period, heavy investment in the formation of new civil servants had restored much of it by the late 1990s. In the regional states, the new government had created an entirely new class of rural bureaucrats. The "war on the *birokrasi*," as EPRDF leaders termed the campaign to overcome the administrative legacies of the Derg,⁶⁹ had come to a conclusion, and the process of institutional reform had increased, not reduced, its control over the levers of the state.

Defending the 'Controlling Heights'

In the same vein, the EPRDF sought to ensure that economic liberalisation did not fully sever the ties between the Ethiopian state and the national economy. Leaders of the Front understood the need to reform the country's macroeconomic institutions and to dismantle a bloated and underperforming public sector. But they were also fundamentally opposed

⁶⁷ Vaughan and Tronvoll, "Structures and Relations of Power," 25.

⁶⁸ *Ibid.*, viii.

⁶⁹ See Vaughan, "Revolutionary Democratic Statebuilding," 627.

to the idea of deregulation as a value in itself. In the words of a veteran member of the EPRDF's executive committee,

we agreed on deregulating some parts of the economy, and liberalising some, but wanted to retain as well control of the commanding heights of the economy [...] we had to roll back the role of the state, back to controlling the commanding heights.⁷⁰

In a predominantly agricultural economy, this 'control of the commanding heights' hinged on the capacity to direct the distribution of land. To the EPRDF's leaders, the position was non-negotiable: the nationalisation of land after 1974 was seen as a liberation from the old feudal system, but also as a future insurance against unchecked urbanisation and the misery of the landless poor. During the transitional period, however, the issue of land ownership became one of the main controversies, particularly between the EPRDF and the urban constituencies. In its statement to the constitutional commission, the Addis Ababa Chamber of Commerce thus argued that private ownership of land was the "cornerstone" of a market economy,⁷¹ and Eshetu Chole wrote that "many potential investors find it inexplicable that a government professing adherence to the principles of a market economy is so insistent on maintaining state ownership."⁷²

In the face of this disagreement, the Economic Policy of the Transitional Period merely stated that "until the issue is settled by a referendum after the transition period, there will be no changes in the policy of public ownership of land."⁷³ This status quo, of course, tallied with the EPRDF's position, and the latter did not delay enshrining it in law.

⁷⁰ Interview with member of the EPRDF's executive committee.

⁷¹ "Businessmen stress need for right to work freely, make living," *Nigdna Limat*, March 1994.

⁷² Eshetu Chole, "A Preliminary Appraisal of Ethiopia's Economic Reforms 1991-1993" (paper presented at the 12th International Conference on Ethiopian Studies, Addis Ababa, 1994), 327.

⁷³ Transitional Government of Ethiopia, "Economic Policy," 21.

The Ethiopian constitution thus commits the government “to hold, on behalf of the People, land and other natural resources and to deploy them for their common benefit and development.”⁷⁴ Just as in the case of the *baito* administration in wartime Tigray, there is no question that control over the distribution of land represents both a crucial government resource and a way to incorporate the population into the *kebele*'s local governance structure.

In the urban economy, too, the new government sought to retain its sphere of influence. An immediate priority for the EPRDF's leaders was to take charge of the main parastatals. Siye Abraha, for example, who had served as one of the TPLF's military commanders during the struggle and became the EPRDF's minister of defence in the transitional government, was appointed to chair the board of Ethiopian Airlines, where he quickly replaced the senior management.⁷⁵ His brother Assefa took over the board of the Commercial Bank, and other state enterprises were similarly brought under the control of party stalwarts.

New legislation also defined a leading role of the state within the nascent market economy. Under the investment regime established in 1992, services that were seen as essential to the development of the national economy – among others, the generation and distribution of electricity, the postal and telecommunication sectors, and transportation by air, rail and sea – were declared off limits to private investors. The 1996 revision of the investment code further specified areas open to domestic, but not foreign investors, such as trading (wholesale and retail, import and export), the construction sector, and basic

⁷⁴ Ethiopian Constitution, adopted on December 8, 1994, article 89, point 5.

⁷⁵ “Quite a few problems,” *Indian Ocean Newsletter*, March 5, 1994.

services such as running restaurants and hotels. Strict regulations regarding the registration and licensing of businesses, including the requirement to renew a business permit on a yearly basis, further entrenched administrative control over the economy.⁷⁶

The financial sector in particular was identified as a 'commanding height' and guarded from full liberalisation. In accordance with the EPRDF's transitional programme, financial institutions initially remained under state control, and the 1992 investment code prohibited private capital from entering this industry. This changed with the passing of a new banking regulation two years later, which opened up investment in the financial sector to Ethiopian nationals. However, foreign banks and individuals remained shut out, and as the capital circulating in the nascent domestic private sector was limited, state-owned banks were guaranteed a dominant role for a long time to come. By the end of the 1990s, private institutions thus controlled just over five percent of domestic deposits, although they accounted for a higher share of loans to private businesses.⁷⁷ Since banks were also barred from seeking international refinancing, the Ethiopian financial system remained effectively insulated from global capital flows.

Unsurprisingly, these policies regularly resulted in conflicts with the foreign donors who had tied their loans to further progress on economic reforms. The EPRDF's leaders insisted on their full ownership of the structural adjustment process, and emphasised that "[a]ll the actions that we have taken are actions that we are completely convinced are rational and important for our economy".⁷⁸ At the same time, they rejected what they saw

⁷⁶ See Federal Negarit Gazeta, "Commercial Registration and Business Licensing Proclamation," Proclamation 67/1997, adopted on March 6, 1997.

⁷⁷ See Addison and Alemayehu, "Ethiopia's New Financial Sector," 5.

⁷⁸ "Democracy and development have to come from the grassroots: President Meles", *Ethiopian Herald*, August 17, 1994.

as undue interference under the pretext of economic conditionality. In a speech to African finance ministers, Meles thus complained that

the standard prescriptions proposed to us and sometimes imposed on us by our international partners, proposals which are more often than not oblivious to circumstances specific to each country – have made our effort at economic development more complicated than they need be and have denied us the flexibility of approaches which are no doubt necessary for tackling difficulties of the magnitude we are facing.⁷⁹

Relations with the IMF proved particularly testy. Fund officials questioned Ethiopia's budgetary stability, citing an excessive dependence on foreign aid and calling for lower government spending. They argued for a liberalisation of the exchange rate by floating the birr and licensing private forex traders, and for greater competition in the domestic financial market, both by opening the sector to foreign investors and by reducing the dominance of state banks. The EPRDF government was unwilling to relent on any of these demands. As a consequence, loan disbursement under the Enhanced Structural Adjustment Facility was suspended in October 1997 and not resumed until a year later, before it was again temporarily put on hold during the Ethio-Eritrean war.⁸⁰

However, the EPRDF's determination to stick to its own pace in restructuring the Ethiopian economy also brought it the support of a number of heterodox economists who were themselves critical of the liberal consensus of the time. The most prominent among them was Joseph Stiglitz, then chief economist at the World Bank. Stiglitz was impressed with the work of the Ethiopian administration and its agenda of rural-based economic

⁷⁹ "Policies fail to ensure African economic growth: Meles," *Ethiopian Herald*, May 3, 1994.

⁸⁰ On relations between Ethiopia and the IMF during the 1990s, see Joseph Stiglitz, *Globalization and Its Discontents* (New York: W.W. Norton, 2002), 25-33; and Peter Gill, *Famine and Foreigners: Ethiopia Since Live Aid* (Oxford: Oxford University Press, 2010), chapter 5.

transformation, but especially so with the leadership of Meles Zenawi, whom he praised effusively in his book 'Globalisation and its Discontents.'⁸¹ He supported Ethiopia's decision not to open up the national banking system – which he memorably described as “somewhat smaller than that of Bethesda, Maryland” – to foreign competition,⁸² and advised them to defy the liberal orthodoxy on interest rate deregulation and dismantling the state-owned banks. Because of Stiglitz' advocacy, the World Bank actually increased lending to Ethiopia when the IMF had suspended loan disbursement.⁸³ Most importantly, however, in the difficult negotiations on structural adjustment Stiglitz lent academic credence to the government's position, and opened up policy space for a form of state-led development within a liberalising global context.

Building the Private Economy

While the EPRDF's focus on 'controlling the commanding heights' represented a degree of continuity with the managed economy of the previous regime, the (re-)emergence of a private sector that had been suppressed during the Derg years marked a genuine break. The 1990s were a time of slow beginnings and improvisation, but also of opportunity and growth for Ethiopian firms and entrepreneurs. The final section of this chapter discusses the return of the private sector onto Ethiopia's economic stage, and the ways in which the EPRDF government sought to influence its development. Relations between local business and the new regime, it argues, were characterised by mutual apprehension and the lack

⁸¹ Stiglitz, *Globalization and Its Discontents*, 26.

⁸² *Ibid.*, 30.

⁸³ Gill, *Famine and Foreigners*, 89.

of a clear political commitment; its minute size, however, gave the domestic private sector little say in the transition process. The privatisation of state-owned companies did not substantially alter this fact, but instead facilitated to the rise of the MIDROC group of companies, owned by a Saudi investor with Ethiopian roots. Finally, the EPRDF itself took advantage of the new economic opportunities by establishing a number of party-controlled businesses, later combined under the roof of regional 'endowment' companies.

Return of the Private Investor

Socialist rule under the Derg had effectively suppressed Ethiopia's class of domestic business owners, but it had not completely destroyed it. When opportunities for private investment arose again, first under the short-lived mixed economy of 1990/91, then during the transitional period, a surprising amount of capital was mobilised within a short amount of time. The re-emerging business community was dominated by a traditional class of traders, conservative in its outlook and working through established social networks. The gradual modernisation of private-sector regulation, with its emphasis on investment licenses and formal accounting, provided a challenge to many, but opened up opportunities to a younger, educated cohort: small, local consultancy firms sprang up in the cities, providing help with business plans and feasibility studies.⁸⁴ The establishment of the first private banks and insurance companies increased the demand for professionals with degrees in business, accounting, or finance, and recent university graduates readily

⁸⁴ All numbers and calculations in this paragraph based on official investment data. Ethiopian Investment Agency, "List of licensed domestic investment projects since January 1, 1992," (unpublished database, last modified June 10, 2013), Microsoft Excel file.

found employment.⁸⁵ After 1995, the first dedicated business papers – the short-lived *Entrepreneur*, then the weekly *Capital* – cropped up among the capital's mushrooming print media, partly educating business owners about modern management and accounting methods, partly covering economic life in the country.⁸⁶ For young graduates and budding entrepreneurs in Addis Ababa, it was a time of dynamism and promise, even though the size and range of investments remained limited.

Reliable figures on the growth of the Ethiopian private sector during the 1990s do not exist, but data available from the Ethiopian Investment Agency can provide an approximation. The number of domestic investment licenses awarded by the agency – a prerequisite for the establishment of a new venture, though not necessarily an indicator of actual implementation – rose strongly over the course of the decade. In 1992, a total of 182 licenses had been given out across the country; by 1998, the number had grown to over 750, before it decreased again due to the outbreak of the Ethio-Eritrean war. However, this was growth at a low level: a decade later, a total of over 9,000 licenses were awarded in one year. Unsurprisingly perhaps, the capital city saw the largest share of investment: about half of the projects approved during the 1990s were situated in Addis Ababa or the parts of Oromia immediately surrounding it; the four peripheral states, on the other hand, only accounted for about 2% of all projects. In terms of sectoral distribution, investment was concentrated in basic services which required low initial investments: cities and towns saw a boom in the number of restaurants and hotels, as well

⁸⁵ Corporate employee and former student at AAU, interviewed by the author in Addis Ababa, July 16, 2013.

⁸⁶ Interview with editor of weekly business paper.

as trading firms; in the countryside, the most licenses were awarded for flour mills as well as coffee pulping and cattle fattening stations.

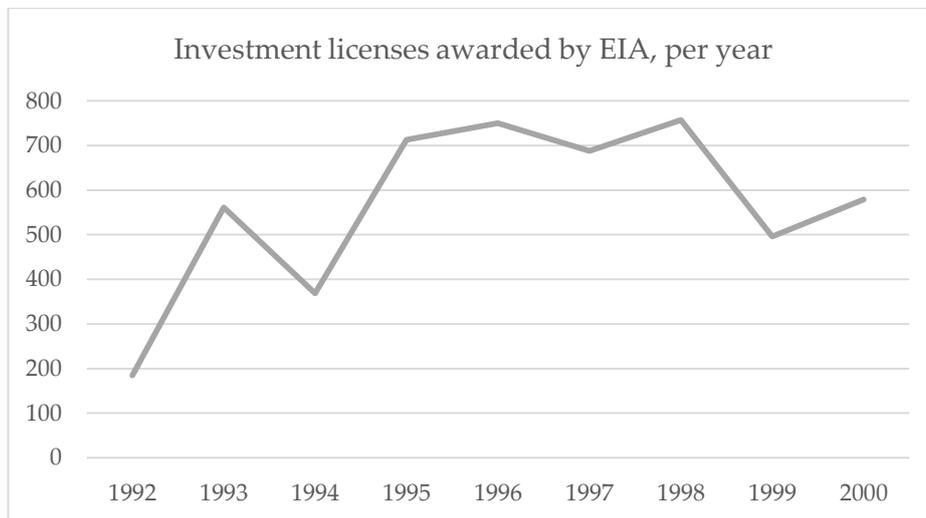


Figure 1: Investment licenses awarded by EIA during the 1990s

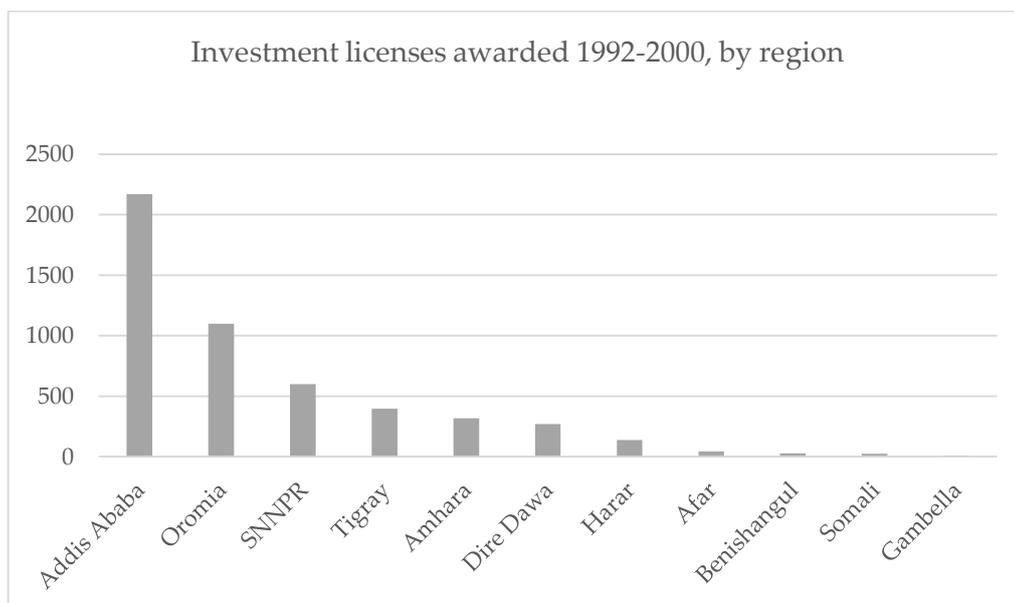


Figure 2: Investment licenses awarded 1992-2000, by region

Although they were among the main beneficiaries of economic liberalisation, few members of the business community warmed to the EPRDF government at the time. Those who had made their money under the previous regimes were uncertain about the new administration, and afraid of potential retribution. The Front's rapid conversion from a Marxist-Leninist movement to an advocate of capitalism also raised concerns about its commitment to free enterprise, and many business owners remained sceptical about the EPRDF's intentions. More fundamentally, their political outlooks were hardly compatible: members of the business community were overwhelmingly urban, and middle- or upper-class; they thought of themselves as a pan-Ethiopian elite for which ethnic heritage was of little importance. Accordingly, the Front's agenda of ethnic federalism, popular mobilisation and rural-based transformation had little appeal to them.

Relations between the chambers of commerce and state officials were thus neither amiable nor cooperative. During the transitional phase, chamber officials staged demonstrations on behalf of the business community, protesting high taxes and the failure to curb competition from the informal sector.⁸⁷ Where they were given the opportunity to comment on economic policy – at the symposium on the economic transition, or before the constitutional commission – chamber representatives criticised government positions on decentralisation, land ownership, and restrictions on investment.⁸⁸ It did not help that the chambers themselves were in a bad state. Although politically powerless, their numbers had been artificially propped up under the Derg, which had made membership

⁸⁷ See "Businessmen stage demonstration," *Ethiopian Herald*, May 22, 1993; "Plight of business community not heeded: committee complains," *Nigdna Limat*, July 1993.

⁸⁸ See Siegfried Pausewang, "Report on a visit to Ethiopia and Eritrea, January 11 to February 3, 1992," in *Economic Reconstruction and the Peasants in Ethiopia*, ed. Fantu Cheru and Siegfried Pausewang (Bergen: Chr. Michelsen Institute, 1992), 49.

mandatory for all businesses. After 1991, this provision was dropped, and the number of members plummeted from over 33,000 to around 1,000.⁸⁹ Also, chamber activism was almost exclusively an Addis Ababa affair, and increasingly dominated by the trading sector: membership data from the Addis Ababa Chamber of Commerce shows that, by the end of the 1990s, six out of seven members of the organisation were small-scale import-export businesses.⁹⁰

The EPRDF, on the other hand, was struggling to find a coherent approach towards the emerging business community. On a rhetorical level, it continuously emphasised the need for a strong private sector to rekindle growth and compensate for the shrinking public employment, calling it a “vital factor” and “crucial to freeing the country from its current crisis.”⁹¹ Actual relations with the Ethiopian business class, on the other hand, were less enthusiastic. The Front doubted the political allegiance of those who had thrived under Haile Selassie or the Derg regime, characterising the resurfacing bourgeoisie as an unreliable “vacillator” and seeing them as a tactical ally at best.⁹² It was also nervous that exposure to the private sector could ‘contaminate’ the party and corrupt its members. Already during the final phase of the armed struggle, the Front’s leadership had expressed its concern that the movement “might lose [its] best cadres due to decadence,”⁹³ and the subject resurfaced in full during the party purges that followed the Ethio-Eritrean war. The EPRDF thus showed no intention to involve the private sector in the policymaking process, and no businesspeople were appointed to the new administration. While this

⁸⁹ Addis Ababa Chamber of Commerce, *50 Years of Business Service* (Addis Ababa: AACC, 1998), 40. By the end of the 1990s, the number had gone up to about 7,000 again.

⁹⁰ *Ibid.*, 42.

⁹¹ “Private sector described vital factor in economic growth,” *Ethiopian Herald*, July 19, 1991.

⁹² EPRDF, “Our Revolutionary Democratic Goals,” 23.

⁹³ Interview with member of EPRDF executive committee.

stance was widely interpreted as a sign of neglect by the local business community, it was of little consequence: throughout the 1990s, the private sector remained so small, and so dependent on the government, that it was not in a position to challenge official policy.

The Privatisation Process

The sale of public enterprises to private investors, which began in the mid-1990s, did not fundamentally alter this dynamic. During the rule of the Derg, the Ethiopian state had acquired a large and disparate collection of state-owned companies, with major banks and utilities whose establishment predated the socialist regime, underperforming state farms and manufacturing plants set up at the time, and a miscellany of smaller businesses which had been confiscated from their previous owners. Selling off these enterprises was one of the main conditionalities of the structural adjustment programme, and the new government, too, saw it as “key to the revival of the national economy.”⁹⁴ However, the primary effect of privatisation during the 1990s was to clean up the public sector, rather than to jumpstart the private one.

Privatisation itself was preceded by a reform of the public enterprise sector. Starting in 1992, the existing companies were reorganised, clusters split into separate businesses, and management and auditing structures updated. The objective was to raise productivity and capacity utilisation prior to the sale, both to fetch a better price and to dampen the anticipated effect on employment, although these efforts were not always successful. In early 1994, the Ethiopian Privatisation Agency was formally established with a view of

⁹⁴ “Privatizing state-owned firms key to revival of national economy,” *Ethiopian Herald*, July 29, 1992.

“changing the role and participation of the State in the economy,” and tasked to prepare, execute and monitor the sale of state-owned enterprises.⁹⁵ Assefa Abraha, brother of the minister of defense and a veteran member of the TPLF, was appointed to chair the new agency.

The Privatisation Agency drew up a list of close to 300 companies that were slated for sale to private investors. Enterprises considered to be of strategic importance for the Ethiopian economy, such as those in the utilities sector, were entirely excluded from the process. The others were progressively put up for tender, and sold to the highest bidder; in a number of cases, most prominently in the brewery sector, offers were considered inadequate, and businesses re-tendered later. All in all, 149 companies were sold between 1995 and 2000, either to private investors or under a management/employee buyout scheme, for a total sum of just over 3 billion birr, or about US\$ 400 million in 2000 dollars.⁹⁶ In a poor, predominantly rural and agricultural economy with few major industries or natural resources, there were no obvious money-spinners among the privatised companies, and the largest, most profitable enterprises – such as Ethio Telecom or the Commercial Bank – remained under the ownership and management of the state. The vast majority of the privatised companies were thus small businesses: a quarter of them sold for under 500,000 birr (US\$ 60,000), and half for less than 1 million birr (US\$ 120,000). Most were local shops, with hotels, restaurants, and pharmacies making up much of the rest.

⁹⁵ Federal Negarit Gazeta, “Ethiopian Privatization Agency Establishment Proclamation,” Proclamation 87/1994, adopted on February 17, 1994.

⁹⁶ All data in the following paragraphs is taken from Ethiopian Privatisation and Public Enterprises Supervising Agency, “Privatization Status from 1995 to 2012,” (unpublished database, last modified June 7, 2013), Microsoft Excel file.

As a consequence, privatisation was a rather low-key affair. This is not to say that there were no irregularities: the sale of the Coca-Cola bottling plant to a group of local investors, for example, was mired in allegations of financial misconduct.⁹⁷ Overall, however, there are no indications that the privatisation process was systematically rigged, and it did not result in a large-scale transfer of wealth from the public sector to politically connected cronies. However, privatisation did result in the concentration of former state assets in the hands of one investor: Mohammed Al-Amoudi, a Saudi billionaire with Ethiopian roots, and owner of the MIDROC group of companies.⁹⁸ During the second half of the 1990s, subsidiaries of MIDROC bought up the lion's share of the newly privatised enterprises. While the 20 businesses acquired by the group only represented 13 percent of the total number of companies sold, they made up just under 80 percent of their total value. Eight out of the ten largest acquisitions were made by MIDROC, and the corporation's internal newsletter claimed that of the 55,000 new jobs created by foreign investors between 1992 and 1997, more than 48,000 had been established by companies belonging to the group.⁹⁹

As MIDROC's domination of the privatisation process became more evident, many observers began to voice their concern. An article in the business weekly *Fortune* argued that public control over the economy had "been replaced with [a] private monopoly."¹⁰⁰ Government officials were less apprehensive. Instead, Meles lauded Al-Amoudi for a commitment no other foreign investor had been willing to make:

I see him as a pioneer opening the area up. Others will come, but like every endeavour you have to have the scouts first. When they report good news

⁹⁷ See "First balance sheet of purge," *Indian Ocean Newsletter*, November 30, 1996.

⁹⁸ For a detailed investigation of Al-Amoudi's business empire, see Anonymous, "From Welo to Wall-Street" (unpublished research report, last modified December 2003), PDF file.

⁹⁹ Cited *ibid.*, 23.

¹⁰⁰ "At last, parliamentarians lambast Privatization Agency," *Fortune*, February 18, 2001.

back, the others go in. He may be big now when the reconnaissance team is the only one in town, but he may not be so dominant when the big league arrives.¹⁰¹

Indeed, Al-Amoudi is not easily pigeon-holed, and the rise of the MIDROC group lends itself to contradictory readings.¹⁰² A quick return on investment does not seem to have been his primary motivation: Al-Amoudi had already made a fortune as an investor in Scandinavia and the Middle East before he returned to Ethiopia during the transitional period. Many of the businesses he acquired – a poultry farm, a saw mill, a factory producing paints – were in traditional sectors, and he showed no interest in stripping them or selling them at a profit. Personal reasons seem to have played a greater role in his investments. Al-Amoudi was born in Amhara region before leaving the country at the age of 20, and his second wife is an Ethiopian citizen; he has made generous donations to his hometown and to other charitable causes across the country.

Opposition media often portray the founder of MIDROC as an EPRDF crony and the regime's chief financier. The reality, however, is more complex. Al-Amoudi had no relationship with the Front's leaders prior to his arrival as a foreign investor; his acquisitions seem to have followed due process, and MIDROC companies regularly run into trouble with the Ethiopian authorities. At the same time, as Ethiopia's largest private investor, domestic or foreign, he has undoubtedly grown closer to the EPRDF and its government over the years. He has made donations to organisations affiliated with the Front,¹⁰³ publicly came out in support of the EPRDF after the disputed 2005 elections, and

¹⁰¹ "Marxist comes to market," *Addis Business*.

¹⁰² Romain Calvary, "Les investissements saoudiens dans la Corne de l'Afrique: l'exemple de Mohamed Al Amoudi," *Confluences Méditerranée*, no. 90 (2014).

¹⁰³ Anonymous, "From Welo to Wall-Street," 25-26.

was subsequently named Ethiopia's "Man of the Millennium."¹⁰⁴ His relationship with Ethiopia's political elite in the 1990s and after is thus perhaps best characterised as a marriage of interests: it provided Al-Amoudi with long-term business opportunities and personal prestige, while assuring the EPRDF of a private sector dominated by a sympathetic investor.

The Endowment Companies

The EPRDF, however, also found a more direct way to shape the emerging private sector. As discussed in the previous chapter, the TPLF had come out of the war of liberation with considerable resources, and had already engaged in a number of commercial activities during the struggle. After 1991, it leveraged this capital and experience to set up a number of businesses, which it later re-organised as a regional endowment. The other member parties of the EPRDF followed the TPLF's example, although with much more limited resources; in fact, their seed capital was partly contributed by the latter.¹⁰⁵ By the end of the 1990s, the Front had thus established itself as the largest private investor in the country, with considerable market power across a number of key industries.

The first businesses created with capital provided by the TPLF were set up immediately after the fall of the Derg. Four of them – Guna Trading, Sur Construction, Meskerem Investment, and Saba Dimensional Stone – were registered in late 1991 and early 1992; in the following years, they were joined by a number of other enterprises, the largest among them Mesfin Industrial Engineering, Trans-Ethiopia (a haulage company),

¹⁰⁴ "Al-Amoudi expresses delight over millennium celebrations," *The Reporter*, September 29, 2007.

¹⁰⁵ Vaughan and Mesfin, "Rethinking Business and Politics," 56-57.

Hiwot Agricultural Mechanisation, and Almeda Textile.¹⁰⁶ The TPLF did not formally acknowledge ownership of these companies and did not comment on the strategy behind their establishment. Instead, shares in the company were held by party members, employees of the different organisations affiliated with the movement, or other ‘trusted individuals’ who were, with few exceptions, not among the more prominent figures in the movement. There was, however, a clear understanding among them that they held the shares on behalf of the Front, not in a personal capacity: according to a former general manager, everyone was aware at the time that the companies were operating under a “legal fiction.”¹⁰⁷ The management was primarily accountable to Sebhat Nega, who had led the TPLF’s economic department during the war.¹⁰⁸

Most of the companies established at the time either had their origins in the commercial activities of the Front or were set up using specific equipment the EPRDF had accumulated during the struggle, and which it was now seeking to separate from its military assets. Guna Trading thus sold off parts of the movement’s civilian inventory; Sur Construction employed heavy machinery and earth-moving equipment captured from the Derg; Hiwot Mechanised Agriculture incorporated parts of the TPLF’s commercial farms in the lowlands of western Tigray; and similarly, tools from the Front’s wartime garage in Gedaref were recycled by Mesfin Industrial Engineering.¹⁰⁹ Controversially, the large fleet of trucks donated to REST by foreign aid agencies during the cross-border relief operations

¹⁰⁶ Anonymous, “From the Bullet to the Bank Account: The Economic Empire of the EPRDF” (unpublished research report, last updated April 2006), PDF file, 26-27.

¹⁰⁷ Former general manager of EFFORT subsidiary, interviewed by the author in Addis Ababa, July 25, 2013.

¹⁰⁸ Ibid.

¹⁰⁹ Former chairman of EFFORT, interviewed by the author in Addis Ababa, November 9, 2012.

of the 1980s were used to establish Trans-Ethiopia, immediately making it the largest logistics firm in the country.¹¹⁰

However, it was obvious that the makeshift arrangement of having individuals hold on to equity on behalf of the party was not sustainable in the long term: it opened the door to corruption, and it limited the capacity to coordinate the companies' activities. A member of the TPLF's politburo was therefore tasked with re-structuring the businesses, and his recommendations were discussed within the party's leadership.¹¹¹ In 1995, it was decided to consolidate all of the movement's business interests under the roof of the Endowment Fund for the Rehabilitation of Tigray, or EFFORT. A group of founding members, the majority of them from the TPLF's central committee, contributed a nominal amount of start-up capital, after which the individual shareholders transferred their shares to the new endowment. By all accounts, the process was a smooth one – although, realistically, “it was not like they [the shareholders] had a choice.”¹¹²

Legally, the establishment of EFFORT severed any ties – even if they had hitherto been unacknowledged – between the Front and the businesses set up with its capital. Under article 483 of the Ethiopian civil code, an endowment is defined as “an act whereby a person destines certain property irrevocably and perpetually to a specific object of general interest other than the securing of profits.”¹¹³ Income from EFFORT's subsidiary companies could thus only be reinvested or used for the charitable purposes specified in its Articles of Association – promoting the development of Tigray, supporting

¹¹⁰ Vaughan and Mesfin, “Rethinking Business and Politics,” 35.

¹¹¹ Interview with former chairman of EFFORT.

¹¹² Interview with former general manager of EFFORT subsidiary.

¹¹³ Ethiopian Civil Code of 1960, article 483.

industrialisation in the region, and raising funds for veterans and other vulnerable groups.¹¹⁴

As a consequence, TPLF and EPRDF leaders always emphasised, and continue to emphasise, the structural independence of the endowment enterprises. In reality, however, the companies remained closely affiliated with the ruling party, and their operation was understood to follow the political and economic agenda of the Front. This was reflected in EFFORT's senior leadership: while the day-to-day administration of the companies was largely left to a professional management, the boards of directors at both the corporate and subsidiary level were (and remain) dominated by the top rungs of the TPLF. Table 1 shows EFFORT's leadership in the first years after its establishment: EFFORT's corporate board was chaired by Siye Abraha, the TPLF minister of defense, while each of the endowment's five sectoral clusters was headed by a member of the TPLF's politburo, its central committee, or by a senior cadre.¹¹⁵

¹¹⁴ Cited in Vaughan and Mesfin, "Rethinking Business and Politics," 35.

¹¹⁵ Adapted from Anonymous, "From the Bullet to the Bank Account," 28, and other sources.

Table 2: EFFORT's leadership during the late 1990s

Cluster	Director	Companies
<i>Industry</i>	Abadi Zemo (TPLF central committee)	Addis Pharmaceuticals, Almeda Garment, Almeda Textile, Mesebo Building Materials Construction, Mesfin Industrial Engineering, Sheba Tannery
<i>Mining</i>	Tedros Hagos (TPLF central committee)	Ezana Mining, Meskerem Investment, Saba Dimensional Stones, Saba Marble
<i>Finance and Trade</i>	Sebhat Nega (TPLF politburo)	Africa Insurance, Guna Trading, Wegagen Bank
<i>Construction and Transport</i>	Arkebe Uqbay (TPLF central committee)	Addis Consultancy House, Addis Engineering Consultancy, Sur Construction, Trans-Ethiopia
<i>Agriculture</i>	Tsegaye Temalew (TPLF cadre, ex-economic dept.)	Hiwot Mechanisation, Rahwa Goat & Sheep Export, Tesfa Livestock
<i>Chairman of the corporate board of directors: Siye Abraha (TPLF politburo)</i>		

In the years following its establishment, the EFFORT group of companies expanded significantly. The endowment's management commissioned project studies to identify new areas for investment in Tigray, and it set up a number of major new enterprises, including Messebo Building Materials – the only privately owned cement factory in the country – and Almeda Textile, a state-of-the art textile business with equipment from German and Swiss suppliers.¹¹⁶ However, with the company's rapid growth came the risk of over-expansion. To pay for new investments, the company borrowed heavily from the Commercial Bank; a loan from the CBE accounted for 70 percent of the financing for the new Messebo plant, for example.¹¹⁷ It seems likely that EFFORT companies were granted

¹¹⁶ Former general manager of Almeda Textile, interviewed by the author in Addis Ababa, July 22, 2013.

¹¹⁷ Interview with former chairman of EFFORT.

preferential access to credit at the time, and Ethiopian media put the total amount of CBE credit extended to EFFORT during the 1990s at more than 1 billion birr – well over US\$ 100 million.¹¹⁸ Loan repayment was seriously hampered by the outbreak of the Ethio-Eritrean war in 1998, which disrupted both EFFORT's management and the logistics of its Tigray-based subsidiaries, who had previously depended on access to Eritrean ports. As a consequence, the endowment was in a state of crisis at the end of the 1990s.¹¹⁹

In the other states governed by EPRDF member parties, a parallel structure of regional endowments was created through the establishment of the Amhara National Regional Rehabilitation and Development Fund (better known as *Tiret*), the Tumsa Endowment Foundation for the Development of Oromia, and the Southern Regional Development Fund (then known as *Wendo*).¹²⁰ Like EFFORT, their boards were stacked with senior leaders of the Front; their size and operation, however, reflected the relative organisational strength of the respective parties, and all were dwarfed by the Tigrayan endowment. The first companies affiliated with the ANDM were set up soon after the fall of the Derg, and by the late 1990s, *Tiret* had a relatively diversified portfolio of investments: in addition to haulage and trading, it was also active in the brewery sector, in commercial farming, and later on in small-scale manufacturing. The endowments of Oromia and the South, on the other hand, affiliated with parties whose structures had been set up after the war, focused primarily on trade. However, they did so with considerable success: in keeping with the regions' economic potential, *Wendo* became an

¹¹⁸ "DBE to pay CBE EFFORT's 1 b Br debt," *Fortune*, December 7, 2003.

¹¹⁹ Vaughan and Mesfin, "Rethinking Business and Politics," 50.

¹²⁰ For a more detailed account of the establishment of the three smaller regional endowments, see Anonymous, "From the Bullet to the Bank Account," 46-74.

important exporter of coffee, while a company under the *Tumsa* endowment in Oromia came to control a large share of the lucrative *khat* trade.¹²¹

The strategy of the endowment companies during the 1990s, reflected in the areas chosen for investment, seems to have been based on two distinct objectives. One goal was to accelerate the economic development of the war-torn northern region. For this purpose, EFFORT established a number of large-scale industrial enterprises – Almeda Textile, Messebo Building Materials, Mesfin Industrial Engineering – whose realisation was beyond the capacity of local investors, and for which foreign investors were unlikely to be found. These companies were based within the region, and they created employment and additional economic opportunities, including for former fighters of the Front. A second group of companies, on the other hand, was established because their sector was seen as strategically important to the Ethiopian economy at large. These companies were based in Addis Ababa rather than Tigray, and included the trade and transport sectors. They also comprised two financial enterprises set up as a joint venture between the four regional endowments: Africa Insurance, Ethiopia’s largest private insurance company, which was established in 1994; and Wegagen Bank, established three years later. Now that these industries had been opened to private competition, the EPRDF government did not want private investors to dictate their terms; although it did not use the terminology at the time, the EPRDF clearly sought to control the rents available to early entrants.

¹²¹ See “Khat trusts,” *Indian Ocean Newsletter*, June 21, 1997.

Conclusion

Documents and testimonies from Ethiopia's transitional years in the 1990s are often suffused with a sense of disorientation and contradiction. Articles in state-owned newspapers send out conflicting messages, and policy documents sound undecided about the right way ahead. One Ethiopian journalist refers to the 1990s as "a period of confusion" in which EPRDF officials were "swinging from this to that, the whole decade;"¹²² a civil society activist calls the new national government "completely disoriented,"¹²³ and even a former TPLF leader admits that the Front initially had "no clear idea what managing a national economy required."¹²⁴ Foreign observers, too, profess that it was hard to understand in which direction the country was moving.

Indeed, many people perceived EPRDF leaders to say one thing but believe another, and questioned whether officials were actually committed to their word when talking about democracy, social liberties, and free enterprise. With surprising ease, the EPRDF government seemed to tap into the literary tradition of 'wax and gold' in which an obvious meaning is only meant to distract from the true, hidden one.¹²⁵ Joseph refers to these verbal obfuscations by EPRDF leaders, and to the way in which they were repeated and given credence by foreign observers, as a kind of Orwellian 'Newspeak' which conceals fundamentally illiberal practices under a rhetoric of liberalisation.¹²⁶

¹²² Editor of Ethiopian business weekly, interviewed by the author in Addis Ababa, March 13, 2013.

¹²³ Ethiopian civil society activist, interviewed by the author in Addis Ababa, April 30, 2013.

¹²⁴ Former member of TPLF politburo, interviewed by the author in Addis Ababa, July 19, 2013.

¹²⁵ Donald Levine, *Wax and Gold: Tradition and Innovation in Ethiopian Culture* (Chicago: University of Chicago Press, 1965).

¹²⁶ Richard Joseph, "Oldspeak vs. Newspeak," *Journal of Democracy* 9, no. 4 (1998).

In part, this lack of programmatic clarity was a natural consequence of the fact that the new EPRDF government still had to find its footing, and that its primary preoccupation was to keep the country together. However, it would be wrong to ignore the more fundamental contradictions that underlay the relationship between party, state, and market during this time. On the one hand, EPRDF leaders were the driving force behind the separation of movement and state, private and public economy. Both processes had real impact, and they were often difficult for those involved. At the same time, they actively sought to temper the course of structural differentiation: they ensured that the Front retained significant control over the state, and the state over the economy; and they used the new pluralism to establish party-controlled NGOs in the social domain, and businesses in the economic arena. The result was a constellation of party, state, and market that allowed the EPRDF's leaders to oversee two fundamental ruptures – replacing the unitary state with a federal one, and the command economy with a market system – and to claim a level of popular legitimacy for them. At the same time, it also allowed the Front to 're-form' and reconstitute itself, and to adopt its political strategies to a fundamentally altered environment.

However, the precarious new balance of party, state, and market only had limited success in laying the groundwork for economic transformation. After two years of negative growth in the immediate post-transition period, the EPRDF government managed to stabilise Ethiopia's macroeconomic environment and initiate the process of recovery. Yet for the rest of the decade, growth rates remained erratic, their overall level insufficient for a country whose per-capita income was back to where it had been in the

1960s, and whose population was increasing at an annual rate of more than 3 percent.¹²⁷ A growing number of markets had been freed from government control and opened up to private investors, but there were no domestic capitalists strong enough to fill the space which the state had ceded. Economic development was no longer thought of as the product of centralised planning, but there was little indication that market forces were spontaneously self-coordinating to bring about structural transformation. In the Ministry of Finance, bureaucrats were no longer slaves to the Plan, but there was neither the capacity, expertise nor vision to provide an alternative road map for the country's development.

This state of affairs led to a sense of impatience among some parts of the EPRDF leadership. In the prime minister's office in particular, there was a growing disenchantment with the cumbersome process of collective decision-making, the lack of a wider vision of national economic transformation, and the restraints on the government's capacity to direct it which the adherence to liberal reformism implied. Tensions came to a blow when war broke out between Ethiopia and Eritrea and two competing centres of power emerged within the EPRDF: the federal government in Addis Ababa, led by the prime minister, and the war command in the border region of Tigray, directed by veterans of the TPLF's military struggle. In the aftermath of the war, this conflict was resolved through a purge of the TPLF's leadership and the consolidation of power around the figure of Meles Zenawi, which marked the onset of a new iteration in the EPRDF's approach to building the Ethiopian state and national economy.

¹²⁷ World Bank, "World Development Indicators."

Chapter 4

Tehadso and Turmoil: Origins of the 'Developmental State,' 2000 - 2005

*I get the impression that he has been spending
a great deal of time thinking about these problems.*

Paul Henze, on discussing economic policy with Meles Zenawi in 2003¹

The five years following the end of the Ethio-Eritrean war were dominated by two political crises, both of which shook the EPRDF and its government to the core. In 2000/2001 a split in the party leadership, which originated in the top ranks of the TPLF and subsequently spread to the other member organisations, led to the expulsion of some of the movement's most veteran members and consolidated the authority of Meles Zenawi. In 2005, the weakness of the EPRDF's popular support base was painfully exposed in an unprecedented electoral challenge, which exploded into rioting, a violent crackdown, and the disintegration of the nascent party system. Framed by these turbulent events, however, the five years in between were also a highly productive time for the Front: under the motto of *tehadso* ('renewal'), it adopted new ideas about the road towards national development and the movement's role in it, and it went to great lengths to propagate this agenda among its membership and the country's civil servants.

¹ Paul Henze, "Record of conversation with PM Meles Zenawi, Addis Ababa, 17 July 2003," Paul Henze papers, Hoover Institution, collection no. 2005C42, box 81, folder 1.

At the centre of this campaign of organisational renewal was a new approach to economic governance. The EPRDF's half-hearted commitment to liberal principles, compounded by its attempts to control the newly opening space through businesses and associations of its own design, was all but abandoned. In its place, the Front formulated the vision of an 'Ethiopian developmental state' along East Asian lines, under which the transition to a market economy was conceived as a gradual, centrally directed process. Liberalisation had emphasised the need for state and market to be structurally separate, and donor-driven reforms had indeed begun to disentangle the two and recalibrate the relationship between private and public sector. The new approach instead stressed that state-building and market-building were simultaneous and interdependent processes. A new wave of reforms accordingly sought to strengthen public control over the creation and management of markets, and to build the necessary administrative capacity. Front and centre of the new agenda was prime minister Meles: both as the main theorist of (and spokesman for) the Ethiopian developmental state, and as the head of a more assertive federal government, willing to take up the reins of national development.

The following chapter traces the origins of this 'developmental state' in the years 2000 to 2005. Its first section looks at the elaboration of the framework in the context of the TPLF's internal leadership debates, and at the way in which Meles' critique of the 'rent-seeking' behaviour of both political leaders and business owners formed the basis of a new recipe for 'revolutionary democratic' development under an activist state. Section two discusses the first attempts to put these ideas into practice and re-centralise economic rents: strengthening state enterprises and administrative oversight, reforming the endowments to increase commercial capacity and internal accountability, but also driving

private entrepreneurs out of markets of wider economic importance. The third section, finally, addresses the EPRDF's initial neglect to communicate this programme to a wider audience: by limiting discussion about its developmental agenda to party members and state officials, the Front gave its critics space to slam its economic record and propose alternative visions, making economic issues a prominent line of attack in the 2005 elections.

Defining the 'Developmental State'

As the previous chapter concluded, the 1990s had been a time of intellectual uncertainty for the EPRDF. Members of the Front found it difficult to reconcile their revolutionary instincts with the inevitability of liberal reforms, and to formulate a coherent vision of the country's political and economic development. This lack of a reliable ideological compass was not lost on the EPRDF's own chairman:

For the first ten years after we took over, we were bewildered by the changes. The New World Order was very visible and especially so in this part of the world. The prospect of an independent line appeared very bleak.²

By 2005, the situation had fundamentally changed. The EPRDF had espoused a new political outlook, reformed its programme, and adopted a new set of policies; it had also purged those who disagreed with the new party line. The following pages trace the shifts that occurred over these five years. It outlines the concept, propagated by Meles Zenawi, of an Ethiopian 'developmental state' rooted in a 'revolutionary-democratic' coalition of

² Meles Zenawi, interviewed by Alex de Waal in Addis Ababa on October 16, 2010. Cited in de Waal, "Theory and Practice of Meles Zenawi," 152.

society's progressive forces, before highlighting its translation into policy under the banner of 'agricultural development-led industrialisation' (ADLI). Before this, however, it is necessary to briefly look at the crisis that divided the TPLF leadership in 2001. Not only was this the context in which many of the most salient ideas were first discussed; it also facilitated the re-invention of the Ethiopian government as a 'developmental' regime. Medhane and Young put it thus: "Until this time, it was said, politics dictated everything. Afterwards everything would be dictated by the economy, or at least argued from that premise."³

The 2001 Crisis and the Ascendancy of Meles

Markakis has called the TPLF a "victim of the war" between Ethiopia and Eritrea,⁴ and it was indeed a dispute over military strategy which ultimately triggered the disintegration of its leadership. The argument predated the outbreak of hostilities: Siye Abraha, the EPRDF's minister of defence, had reproached Meles for being overly soft on Eritrea since the mid-1990s.⁵ When the conflict erupted, the initiative passed from the latter to the former, as a Mekelle-based "Supreme Command" of veteran military leaders supplanted the authority of the federal cabinet. Relations between two factions within the TPLF's politburo – one around Meles and foreign minister Seyoum Mesfin, another around Siye and party vice-chairman Tewelde Woldemariam – deteriorated as the fighting progressed. The war effort was effectively coordinated by men like Siye, Tewelde, and

³ Medhane Tadesse and John Young, "TPLF: Reform or Decline?," *Review of African Political Economy* 30, no. 97 (2003), 392.

⁴ Markakis, *Last Two Frontiers*, 273.

⁵ See "Ambiance of settling grudges," *Indian Ocean Newsletter*, September 21, 1996.

Tigray regional president Gebru Asrat, rather than by the administration in Addis Ababa, and the military leadership disagreed vehemently with Meles' decision to sign a ceasefire agreement at a time when Ethiopian troops had the upper hand.⁶

After the war, other areas of disagreement emerged between the two groups, such as the direction of economic policy, the influence of Western donors, and the party's performance in government more generally. Underlying all of these issues, however, was a palpable breakdown of trust among what had been a tightly-knit group of leaders: without the unifying experience of the liberation struggle, the party's leadership had grown apart over the years, and the shock of a new war exposed the deepening rift.⁷ The confrontation revealed a delicate balance between two increasingly competitive centres of power: one grounded in the national government, the other in the party and its home base in Tigray. The challengers controlled the day-to-day business of the party and enjoyed a closer relationship with local cadres; Meles' scope of action was largely restricted to the prime minister's office, and his strongest supporters came from within the federal cabinet.

When the conflict came to a showdown in early 2001, each side relied on its respective constituency to carry the day. The challengers around Siye and Tewolde believed – “naively,” as Markakis puts it – that the disagreement could be resolved by following the procedures of the party, among whose cadres they had a strong backing.⁸ When they failed to secure a majority against Meles in the TPLF's central committee, which voted in the chairman's favour by the smallest of margins, they walked out of the committee in protest, demanding that a party congress be held to settle their

⁶ Ibid., 396.

⁷ Medhane and Young, “TPLF: Reform or Decline?,” 393.

⁸ Markakis, *Last Two Frontiers*, 273.

disagreements. This request was rejected, and at Meles' behest his critics were expelled from the committee. Their protest that, in their absence, the central committee lacked the necessary quorum for such a decision was initially upheld by the TPLF's internal audit committee, but again overruled by Meles.⁹

Meles, on the other hand, mobilised the state apparatus to marginalise his opponents. Following their expulsion from the party, those dissidents who held government positions were dismissed from their posts: Siye was ousted as minister of defence, his brother Assefa as head of the privatisation agency, and Gebru as president of Tigray state; all of them were replaced by TPLF members whose allegiance lay with the prime minister. Changes were also made at the top of the armed forces, where the veteran military leader Tsadkan Gebretensae was sacked as chief of staff and similarly replaced with a Meles loyalist. A number of senior party officials were subsequently brought to court on allegations of corruption. Their trials were widely seen as a sham, or at least a very selective application of justice; nevertheless, they resulted in the imprisonment of some of the most outspoken of Meles' critics, and undoubtedly in the silencing of many others.

The split of the TPLF's leadership, which decimated its politburo by half, had several important consequences for the division of power within the EPRDF and its government. Outside Tigray, the TPLF's image suffered, and its relative weight within the coalition declined; Tigray was, as Medhane and Young write, "no longer the political and economic centre or model."¹⁰ The ANDM's leadership had supported Meles and survived the crisis

⁹ Medhane and Young, "Reform or Decline?," 389-391.

¹⁰ *Ibid.*, 399.

relatively unscathed. In Oromia and the South, on the other hand, the TPLF cadres who were now branded 'dissidents' had played a crucial role in establishing local party structures, and a number of leaders in the OPDO and SEPDF sided with their camp. Within months, their chairmen were removed or resigned, and many of their local cadres expelled.¹¹ While the regional organisations were in turmoil, the profile of the EPRDF itself was raised: Meles even toyed with the idea of replacing its regional member organisations with a pan-Ethiopian party,¹² an option that has since been revisited periodically, but not (yet) found practicable.¹³

A second consequence was a reconfiguration of the relationship between state and party. The complex architecture of power that had emerged during the 1990s, under which political authority was exercised jointly by two separate groups of leaders under the common roof of the Front, was dismantled, and power became more firmly vested in the federal government. Senior party advisers, until then a regular fixture of the prime minister's office, were removed in order to curb direct party influence over the administration; at the same time, a stricter hierarchy of command was introduced across the civil service to ensure its accountability to the head of the executive.¹⁴ While formally the leadership of party and state was now fused under Meles, de facto this meant a downgrading of the party and its senior personnel at the expense of the prime minister and his cabinet. At the local level, state and party structures were further differentiated

¹¹ Vaughan and Tronvoll, *Structures and Relations of Power*, 30.

¹² See Paul Henze, "Record of conversation with PM Meles Zenawi, Addis Ababa, 17 July 2003," Paul Henze papers, Hoover Institution, collection no. 2005C42, box 81, folder 23.

¹³ Interview with member of EPRDF executive committee.

¹⁴ Vaughan and Tronvoll, *Structures and Relations of Power*, 36.

after 2001, when new directives were passed that prohibited party chairmen at the *kebele*, *woreda* or zonal level from equally heading the respective administrative bodies.¹⁵

Most importantly, perhaps, the crisis marked Meles' ascension to a position of uncontested authority. This transition was not obvious to everyone at the time: the TPLF's long-time leader had barely hung on to power, and many observers believed his position within the party weakened. "Do not count him out yet; Meles's career seems far from over," *Fortune* felt compelled to remind its readers in 2004.¹⁶ With the benefit of hindsight, however, 2001 was the year when the collegiate form of decision-making which characterised the EPRDF's first ten years in power was replaced with a more personalised style of leadership, which would come to characterise its second decade. As chairman of TPLF and EPRDF, Meles had now purged both organisations of 'dissenters' and replaced them with more politically reliable individuals. As prime minister, he had emancipated himself from the party and the need to constantly forge a consensus among its leaders, surrounding himself with capable bureaucrats instead. Finally, he had become the "unchallenged intellectual and ideological guide of the party and the government,"¹⁷ and gained new space to define his political vision for the country.

Revolutionary Democracy and the Developmental State

The debates in the TPLF's central committee gave Meles an opportunity to articulate his discontent with the direction the Front had taken during the previous decade. In classic

¹⁵ Markakis, *Last Two Frontiers*, 246.

¹⁶ "The PM's political evolution at crossroads," *Fortune*, March 21, 2004.

¹⁷ Medhane and Young, "Reform or Decline?," 401.

Marxist fashion, he structured his critique of the party's leadership around the notion of 'Bonapartism:' a reference to Marx' analysis, in *The Eighteenth Brumaire*, of post-revolutionary politics in mid-19th century France.¹⁸ The rule of Louis Napoleon may seem a strange preoccupation for a government still reeling from a devastating war, yet the concept of Bonapartism included the essential elements of Meles' critique. Marx describes a society in which an abortive revolution gives rise to military-bureaucratic apparatus whose leaders, no longer accountable to any societal constituency, care only about themselves. The same dangers, Meles argued, were present in Ethiopia today: the leaders of the Front had failed to live up to their revolutionary goals; they had discarded their vision of social transformation and become self-serving bureaucrats, reliant on hand-outs and the military to sustain themselves in power, and deeply involved in personal enrichment at the detriment of society.¹⁹

Following the removal of his critics, Meles went on to refine these ideas. While many elements of his conceptual framework had been around since the days of the liberation struggle, they were now integrated into a more coherent political programme. The first comprehensive outline of his thoughts came in *Revolutionary versus Liberal Democracy* (dubbed "the new bible according to Meles"), an Amharic volume published anonymously in 2001 which was partially translated into English by the diplomatic

¹⁸ Karl Marx, *The Eighteenth Brumaire of Louis Napoleon* (New York: International Publishers, 1963 [1852]).

¹⁹ Meles' original paper on Bonapartism was distributed among the TPLF's central committee; some passages were translated into Amharic and published by a private newspaper in 2001. Extracts translated into English can be found in Paulos Milkias, "Ethiopia, The TPLF and Roots of the 2001 Political Tremor," *Journal of Northeast African Studies* 10, no. 2, 2003. A certain degree of inaccuracy is to be expected from the final translation.

community.²⁰ They emerged even more clearly in “African Development: Dead Ends and New Beginnings,” a dissertation written by Meles as part of a masters programme in economics at the University of Rotterdam, which he completed in 2004.²¹ Later publications – primarily the Amharic treatise on *Development, Democracy, and Revolutionary Democracy* from 2006, and an edited chapter on “States and Markets: Neoliberal Limitations and the Case for a Developmental State” from 2012 – developed the topic further; the main ideas, however, had taken shape by 2005.²²

The starting point for Meles’ analysis was an unequivocal commitment to the creation of a capitalist economy in Ethiopia: “[t]he type of economic system we in the EPRDF want to have in place is nothing else but a free-market economy,” Meles explained in an interview with the party’s *Abyotawi Democracy* magazine from 2001.²³ The new world order was characterised by global economic interdependence, with Western donors, multinational corporations, and international financial institutions enforcing a consensus of liberal capitalist values. In this context, Ethiopia could not afford to remain an island – its only option was to integrate into the world market.²⁴ The problem, the reasoning continued, was that Ethiopia (and with it most other African countries) no longer had any competitive advantage to build on. In agriculture, South-East Asian countries were now growing many of the crops that traditionally formed the bulk of African exports, and at a much lower cost.²⁵ Similarly, African manufacturers stood little

²⁰ EPRDF, *The Development Lines of Revolutionary Democracy*, partial and unofficial English translation of an Amharic original (Addis Ababa: Mega, 2001). See also “The new bible according to Meles,” *Indian Ocean Newsletter*, July 28, 2001.

²¹ Meles, “African Development.” Excerpts from the dissertation were published online in 2006.

²² Meles, “States and Markets;” EPRDF, *Development, Democracy and Revolutionary Democracy*.

²³ A full translation was reprinted in the *Ethiopian Herald*, June 7, 2001.

²⁴ EPRDF, “Development Lines,” 77-82.

²⁵ Meles, “African Development,” 25-26.

chance against their foreign competitors: small firms and fragmented domestic markets, relatively high labour costs, low productivity, and a weak transport infrastructure all pushed costs above the competitive threshold, which had been significantly lowered by the success of industrialisation in Asia.²⁶ If there was no alternative to global economic integration, Ethiopian producers only stood to lose.

As a consequence, economic life in Ethiopia was inevitably driven towards rent-seeking rather than value-creating activities: domestic companies found it much easier – and more profitable – to exploit opportunities in non-competitive markets than to produce goods that could meet international standards. A well-intentioned private investor, Meles suggested, would have to cut through bureaucratic red tape, deal with a shortage of skilled workers, and make do with unreliable public services. On top of all that, his company would be heavily taxed – not despite the fact, but because it had followed all the rules. For businesspeople interested in a quick profit, things were much easier: all they needed to do was to find an uncompetitive market to control, a civil servant to bribe, or a foreign company for which they could act as sole importer; their activities would be more profitable, difficult to tax, and virtually risk-free.²⁷ Private businesses thus had a strong incentive to focus on short-term gain, but little interest in the kind of concerted, long-term investments that could raise the competitiveness of an industry as a whole. As a result, the country was stuck in a low-productivity trap.

The shift from “socially wasteful rent-seeking” to an economy based on competitive goods and services, Meles concluded, would not come about through the spontaneous

²⁶ *Ibid.*, 29-31.

²⁷ EPRDF, “Development Lines,” 34-35.

coordination of market forces.²⁸ Instead, it required competent guidance from the state. For the most part, Africa's post-colonial states had failed at this task because their leaders were the first to succumb to corruption. Yet the (neo-)liberal state promoted by Western donors was equally incapable of getting the job done: its belief in the self-regulating nature of markets denied the necessary space to differentiate between economic activities that created value and those that merely redistributed it to the politically connected. What was needed, therefore, was a "third way:" a state that could actively guide the private sector towards greater competitiveness, without falling prey to its lure. To Meles, the closest approximation to this ideal was the 'developmental' state of Taiwanese and South Korean pedigree, which had transformed agrarian societies into industrial powerhouses within a matter of decades.²⁹

Meles saw the developmental state as playing a double role in the national economy: eradicating the potential for rent-seeking while simultaneously promoting the growth of competitive industries. Inevitably, the policies he proposed differed from the laissez-faire ethos of the day. Liberal wisdom required the state to minimise its role in the financial sector; the developmental state, Meles argued, needed to retain much greater financial control in order to channel credit towards 'developmental' enterprises and the underfinanced rural areas. Liberal policy recommended low taxes and prudent spending; the developmental state, on the other hand, had to set taxes that favoured value-added activities, while raising enough funds to invest heavily in expanding public infrastructure. Most importantly, the liberal perspective discouraged government intervention in the

²⁸ Meles, "African Development," 4.

²⁹ *Ibid.*, 32.

production of goods and services, while an active industrial policy was at the very centre of the 'developmental' approach. Since the private sector was still weak, the state had to invest in areas that lay beyond the capacity of individual investors, then move on to the next-highest level once private entrepreneurs had caught up, thus facilitating a process of technological upgrading over time.³⁰

Building such a state, Meles wrote, was "a political process first and economic and social process later."³¹ It required a coalition of 'developmental' forces that was at once large enough to overcome resistance from those with a vested interest in the status quo, and durable enough to allow for long-term economic planning. To Meles, the process had to be a democratic one: in contrast to the East Asian example, the diversity of Ethiopia's society implied that a coordinated developmental effort could only succeed on a voluntary basis. Yet a liberal, Western understanding of democracy was again ill-suited for the task. Its belief in the idea of an impartial administration to which each political position and each societal constituency were equally valid might be appropriate for developed countries, where the problem of rent-seeking had already been contained and where politics was "confined to dealing with trivialities and personalities."³² In a developing country such as Ethiopia, however, liberal democracy was another dead end: it would inevitably entrench zero-sum politics and electoral short-termism, turning political parties into patronage vehicles and leaving the fundamental problems untouched.³³

³⁰ EPRDF, "Development Lines," 15-29.

³¹ Meles, "African Development," 9.

³² *Ibid.*, 14.

³³ *Ibid.*, 12.

In its stead, Meles reiterated the case for 'revolutionary' democracy. In contrast to the liberal variant, he explained, 'revolutionary' democracy was a partisan form of governance, based on the fundamental belief that the political rights of a disenfranchised majority were more important than those of a profiteering elite. Mobilising this majority into an effective developmental coalition was the role of the revolutionary-democratic party. With 85% of Ethiopians living in rural areas, its primary preoccupation had to be the farmer. Workers and the 'developmental' stratum of the urban bourgeoisie could equally be recruited into the revolutionary-democratic camp. The private sector, on the other hand, had to remain outside it, so as not to jeopardise the state's capacity to "reward and punish."³⁴ In any case, by securing the rural vote alone, a ruling party could ensure its dominance over several electoral periods, long enough to bring about structural change:

The peasant is the bedrock of a stable developmental coalition. With the votes of the peasants who constitute the bulk of the coalition, with the democratic potentials of a socially transformed peasant, the developmental coalition will have what it needs to rule democratically to ensure continuity by democratic means and to stamp out patronage and rent-seeking activities.³⁵

From Concept to Policy

In a process that will be further discussed in the final section of the chapter, a comprehensive campaign of organisational 'renewal' (*tehadso*), starting in the second half

³⁴ Ibid.

³⁵ Ibid., 13.

of 2001, promulgated these new ideas among the members of the Front and the civil service. Over the years that followed, the EPRDF began to translate this new political outlook into policy. Two landmark strategy papers were issued by the newly-named Ministry of Finance and Economic Development: the *Rural Development Policy* (RDP) of 2002, and the *Industrial Development Strategy* (IDS) of 2003.³⁶ In addition, the government also circulated white papers on capacity building in the Ethiopian civil service, and on further administrative devolution. Taken together, these four elements would form the pillars of a new national development strategy which first took shape in the *Sustainable Development and Poverty Reduction Program* (SDPRP, covering the years 2002-2005), before being more fully expressed in the *Plan for Accelerated and Sustained Development to End Poverty* (PASDEP, 2005-2010).³⁷

The *Rural Development Policy* marked the transition from political thought to implementation, and parts of it read more like a party manifesto than a policy document. Its starting point was the observation that economic development throughout the 1990s lacked clear, coherent guidelines:

An extended period without appropriate development policies and strategies is one of the main reasons for [Ethiopia's continued poverty]. Previous policies did not address the major structural constraints of the economy and in fact there even were all too many cases where policies were detrimental to economic growth [...] Clearly, in the absence of proactive and well thought out policies, it is not possible to attain accelerated development or to improve the condition of the Ethiopian people.³⁸

³⁶ Ministry of Finance and Economic Development, *Rural Development Policy and Strategies* (Addis Ababa: MoFED, 2002), and *Ethiopian Industrial Development Strategy* (Addis Ababa: MoFED, 2003).

³⁷ Ministry of Finance and Economic Development, *Sustainable Development and Poverty Reduction Program* (Addis Ababa: MoFED, 2002), and *Plan for Accelerated and Sustained Development to End Poverty* (Addis Ababa: MoFED, 2005).

³⁸ MoFED, *Rural Development Policy*, 6.

To redress the situation, the RDP proposed a developmental strategy based on the concept of agricultural development-led industrialisation, or ADLI.³⁹ The idea itself was not a new one, but had been around since the founding days of the EPRDF: the lack of sufficient linkages between agriculture and industry was already stressed in the *Economic Policy of the Transitional Period* of 1991,⁴⁰ while the term itself first surfaced in a brief government paper from 1993, titled *An Economic Development Strategy for Ethiopia*.⁴¹ The main reasoning behind the framework of ADLI was that, since Ethiopia was poor in capital and technology but had relatively abundant labour and arable land, agricultural growth had to precede industrial development. An increase in agricultural productivity, however, had beneficial effects for the urban economy: as peasant incomes grew, the demand for consumer goods and agricultural inputs would rise; at the same time, it would lower the cost of manufacturing inputs in sectors with close linkages to agriculture, such as textiles and leather, raising their competitiveness and, in turn, their demand for agricultural goods.

While the concept of ADLI had existed for almost a decade, it was not until the early 2000s that it really took centre stage. Agricultural growth, the RDP stated, was “the plank that underlies all other efforts towards economic development ... and the guiding principle for our development efforts.”⁴² During the previous decade, it argued, rural policy had excessively relied on food aid and other forms of “welfare handouts” to rural constituencies; now, they should instead be empowered to raise production and increase

³⁹ The English translation of the RDP actually uses the term ‘rural- and agriculture-centered development,’ but ADLI has become the preferred shorthand since.

⁴⁰ TGE, *Economic Policy*, 13.

⁴¹ Ministry of Finance, *An Economic Development Strategy for Ethiopia* (Addis Ababa: MoF, 1993), 5.

⁴² MoFED, *Rural Development Policy*, 9.

productivity.⁴³ The paper identified a range of instruments through which a dedicated administration could achieve this goal: promoting a more efficient utilisation of land, both by extending and intensifying cultivation; increasing peasant productivity through training and best practices; facilitating access to fertiliser, credit, and modern technology; and improving the necessary infrastructure for marketing agricultural produce.⁴⁴ Just as importantly, however, the state had to play a role in mobilising the peasantry, and to ensure their participation in ‘developmental’ activities.

These ideas were also taken up in the *Sustainable Development and Poverty Reduction Program*, the government’s planning document for the years 2002-2005. The SDPRP was initially a donor exercise – it served as Ethiopia’s poverty reduction strategy paper (PRSP), a document required to qualify for development financing from IMF and World Bank – and its language was notably depoliticised. For a macroeconomic framework, however, it paid surprisingly little attention to developments outside of agriculture: in fact, the document made it clear that it gave “overriding primacy to the welfare of the rural populace,”⁴⁵ and the list of ‘key sector development policies’ includes pastoralism but not industry.

This changed the following year, when the formulation of Ethiopia’s first *Industrial Development Strategy* finally put the ‘I’ in ADLI. The document reiterated the need for industry to develop within an agriculture-driven framework and to focus on labour-intensive sectors with strong linkages to the rural economy. However, the IDS went further than that: it identified a number of strategic sectors on which government support

⁴³ Ibid., 11.

⁴⁴ Ibid., 16-96.

⁴⁵ MoFED, *SDPRP*, viii.

should focus – primarily textiles and garments, meat and leather products, and agro-processing – and a range of interventions to promote their development.⁴⁶ The latter included general measures to improve the business environment, such as facilitating foreign investment, upgrading the physical infrastructure, and investing in education and training. On the other hand, however, the IDS also stressed the need for more targeted interventions: preferential credit to investors, joint ventures and management contracts with leading foreign companies, or the establishment of sectoral development institutes.⁴⁷ The document also called for the establishment of industrial zones, and suitable plots were identified soon after.⁴⁸

The new shifts in economic policy during the early 2000s culminated in the *Plan for Accelerated and Sustained Development to End Poverty*, a macroeconomic programme for the years 2005-2010. Although, like the SDPRP that preceded it, the new five-year plan originated as a donor-led exercise, it had – according to its authors – “evolved beyond that.”⁴⁹ In comparison with the previous programme, PASDEP differed in several regards: it brought together agricultural and industrial concerns in one document, taking up many points of the 2003 industrial strategy and adding a handful of additional target sectors, such as cut flowers, sugar, and cement.⁵⁰ In a more general sense, it was much more comprehensive and detailed, and exhibited greater proficiency in presenting a country-wide economic strategy. Most notably, however, PASDEP revealed a new level of economic ambition on behalf of the Ethiopian government: its stated objective was to turn

⁴⁶ MoFED, *Industrial Development Strategy*, 16-20.

⁴⁷ *Ibid.*

⁴⁸ See “Industrial zones – in pipeline,” *Ethiopian Herald*, November 28, 2003.

⁴⁹ MoFED, *PASDEP*, 1.

⁵⁰ *Ibid.*, 152-155.

Ethiopia into a middle-income country within no more than 20 to 30 years, a none-too-modest goal which, it estimated, required an average growth rate between 7 and 10 percent per annum.⁵¹

By the time PASDEP came into effect in 2005, the EPRDF government had thus made large strides towards converting its new concept of an Ethiopian developmental state into concrete policies. It had, for the first time, formulated a dedicated programme for industrial growth, and had embedded it within a broader strategy for national economic transformation. It had put the state at the centre of this developmental agenda: as the catalyst for productivity gains in agriculture, as the main corrective for market failures in the creation of a competitive manufacturing sector, and as the provider of new infrastructure in both city and countryside. In addition, it had managed to translate its new rhetoric of 'rent-seeking' and 'revolutionary democracy' into a technical language that was more palatable to the donor community, without compromising on its political goals.

Building the 'Developmental State'

Even as it was turning its new political creed into policy, the EPRDF government began to establish the institutional base of the new, 'developmental' state. Compared to the market-led model that had underpinned the reforms of the 1990s, the idea of an Ethiopian developmental state relied on a much deeper integration of state and market; as a consequence, it also placed greater demands on government. Above all, it required a

⁵¹ Ibid., 63-66.

bureaucracy capable of managing economic rents in a 'developmental' manner. Between 2001 and 2005, the EPRDF government thus began a concerted effort to re-centralise rents. As the following sections discuss, a new wave of administrative reforms was initiated to strengthen the capabilities of civil service and public enterprises, laying the groundwork for state-led development and rescinding aspects of the liberal reform agenda in the process. To stress the 'developmental' qualities of the endowments at a time when their politicised nature was particularly apparent, they were re-branded as instruments to bridge the divide between public and private sector, and they were restructured to improve profitability and managerial capacity. Lastly, those elements of the private sector that were now identified as 'rent-seekers' came under increasing pressure from the authorities, and were in some cases completely driven out of business by public enterprises and endowment companies.

Reforming the Administration

In the wake of the party purges, Meles reorganised the executive whose previous structure had, according to the new law, not been conducive to the necessary "promptness of activities."⁵² At the centre of his government were now a number of new ministries – soon known as 'super-ministries' in the local press⁵³ – with particularly broad responsibilities: capacity building, development infrastructure, rural development, and federal affairs. Each of them was granted far-reaching supervisory powers: the head of the new Office for

⁵² Federal Negarit Gazeta, "Reorganization of the Executive Organs of the Federal Democratic Republic of Ethiopia Proclamation" (Proclamation 256/2001), adopted on October 12, 2001, preamble.

⁵³ See, for example, "PM Meles restructures cabinet," *Capital*, October 14, 2001.

the Coordination of Capacity Building, for example, oversaw the work of the Ministry of Education, the Federal Civil Service Commission, and the Civil Service College, while the new Minister of Development Infrastructure managed a portfolio ranging from road construction and aviation to electric power, telecoms and urban housing. The Ministry of Finance, too, saw its position strengthened when it incorporated the previous Ministry of Planning and Economic Development; macro-economic programming and budgetary oversight, deliberately kept separate during the 1990s, were now housed under the same roof.

The establishment of the new 'super-ministries' reinforced the transfer of power from the EPRDF to the federal government, advancing the "institutionalization and bureaucratization of roles and activities previously undertaken by the informal political advisers from the party."⁵⁴ At the same time, the new arrangement served to 'de-clutter' the prime minister's office: as the new developmental agenda was beginning to take shape, the responsibilities for its implementation were bundled and entrusted to a core group of senior ministers. To fill these crucial new positions, the prime minister no longer sought to appoint technocrats, but instead relied on the most senior ranks of the EPRDF leadership: the ministers for rural development and capacity building, Addisu Legesse and Tefera Walwa (both ANDM), were Meles' new deputies while Kassu Ilala (SEPDP, infrastructure) had served as deputy-prime minister before and Abbay Tsehaye (TPLF, federal affairs) was a trusted ally since the days of the liberation struggle.

⁵⁴ Vaughan, "Revolutionary democratic statebuilding," 629.

The reorganisation of the federal government was accompanied by a renewed emphasis on administrative reform.⁵⁵ A National Capacity Building Programme (NCBP) under the co-ordination of the ministry established specifically for this purpose set the stage for a “big push” approach to upgrading and expanding the work of the state and its various institutions.⁵⁶ In 2002, a law was passed to modernise and professionalise the civil service, introducing new rules for the recruitment, promotion, and evaluation of civil servants.⁵⁷ A comprehensive Public Sector Capacity Building Programme (PSCAP) followed two years later and introduced a range of reform initiatives: all major public institutions underwent a process of performance-focused ‘business process re-engineering,’ public service delivery was streamlined and processing times were slashed, tax collection and expenditure management systems were updated, and digital technology was introduced across all sectors of the civil service. At the same time, bureaucratic devolution was further intensified, with the *woreda* level becoming the primary focal point for administering and – through a new system of federal block grants – financing the provision of public services.⁵⁸

In Ethiopia’s public enterprise sector, the process of privatisation, which had slowed down during the war, now came to a complete standstill (see figure 1). During the second half of the 1990s dozens of companies had been sold to private investors, and plans had been made to privatise additional ones: ETFruit, which controlled part of the domestic

⁵⁵ For a comprehensive discussion of civil service reform in Ethiopia, see World Bank, *Building the Developmental State: A Review and Assessment of the Ethiopian Approach to Public Sector Reform*, (Washington DC: World Bank, 2013).

⁵⁶ *Ibid.*, 4.

⁵⁷ Federal Negarit Gazeta, “Federal Civil Servants Proclamation” (Proclamation 262/2002), adopted on January 3, 2002.

⁵⁸ World Bank, *Building the Developmental State*, 8-11.

trade in basic foodstuffs, for example, but also minority shares in the Ethiopia-Djibouti railway and in Ethio Telecom.⁵⁹ These plans were now shelved, as the prime minister declared that privatisation had come “to a temporary halt.”⁶⁰ State enterprises chaired by one of the challengers to Meles, such as Ethiopian Airlines, were put under new management. The arrest of Assefa Abraha, along with three other board members, saw the Ethiopian Privatisation Agency decapitated for several years, before it merged to become the new Privatisation and Public Enterprises Supervising Authority (PPESA) in 2005.⁶¹

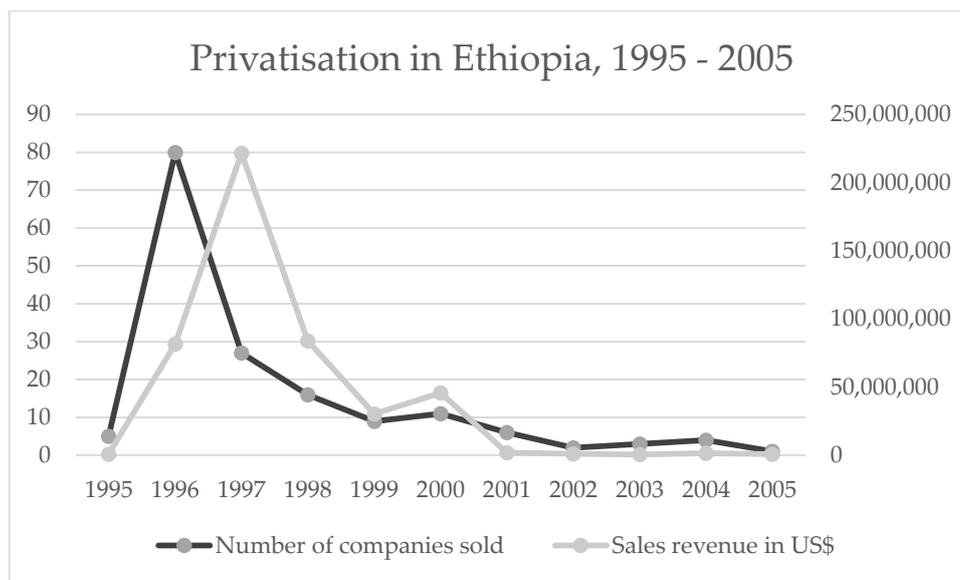


Figure 3: Privatisation in Ethiopia, 1995-2005. Data from PPESA.

⁵⁹ See “Privatization revenue earmarked for energy sector dev’t,” *Ethiopian Herald*, April 28, 1998; “ETFRUIT: Privatisation study,” *Indian Ocean Newsletter*, December 25, 1999.

⁶⁰ “Meles Zenawi on a charm offensive in Paris,” *Indian Ocean Newsletter*, April 16, 2005.

⁶¹ “Privatisation agency in paralysis,” *Fortune*, July 15, 2001; “Privatising, supervising authority implements new structure,” *Fortune*, March 27, 2005.

The financial sector in particular had been identified as crucial to the establishment of a developmental state, and a number of measures were taken to bring it more firmly under government control. The Commercial Bank, the country's largest lender by far, was seen as ripe for a radical clean-up. In the wake of the party crackdown, more than 40 senior figures at the bank, including its president, were arrested under accusations of fraud and embezzlement.⁶² Three private-sector representatives serving on the CBE's board were subsequently sacked and replaced with more dependable candidates. In early 2003, finally, control over the country's main financial enterprises – the Commercial Bank, Development Bank, and Ethiopian Insurance Corporation – was transferred from the Public Enterprises Authority to MoFED, consolidating macro-economic and financial direction within the same institution.⁶³ Persistent donor calls for further liberalisation of the Ethiopian financial sector fell on deaf ears, meanwhile, and plans for the establishment of a national stock market were delayed indefinitely.

The relationship between government and donor community represented a last aspect of the new push to centralise economic rents. Despite a slump during the war with Eritrea, foreign aid still represented Ethiopia's primary source of foreign exchange, and a decisive resource for realising a more ambitious developmental agenda. To the EPRDF government (and to a growing number of donor countries), the decentralised distribution of aid money through a host of bilateral and multilateral agencies, each with its own projects and institutional overheads, was wasteful and in need of greater co-ordination. The Ethiopian prime minister was also – long before legislation was passed to restrict the

⁶² "Anti-corruption campaign intensifies," *Economist Intelligence Unit*, March 25, 2002.

⁶³ "The state bank's missteps," *Indian Ocean Newsletter*, September 14, 2002.

practise in 2009 – highly critical of Ethiopian NGOs and development organisations which received their income from abroad. To him, they were little more than patronage vehicles, pursuing their political agenda through external financing rather than genuine grassroots mobilisation.⁶⁴ The government therefore began to lobby donor agencies to disburse their grants through the federal budget rather than through channels outside its purview.

After the end of the Ethio-Eritrean war, and with its public commitment to rural, pro-poor growth renewed, the EPRDF government found it easy to mobilise additional funds from the donor community. Overall aid flows to Ethiopia more than doubled between 2000 and 2005, while the ratio of aid to total government expenditure rose from 27.5 to more than 60 percent.⁶⁵ A consortium of donors which included the World Bank, the European Union and five bilateral agencies, channelled a growing share of this money directly into the federal budget. In 2004/5, the group committed close to US\$ 400 million – almost half of total disbursements that year – to budget support, significantly increasing the amount of money at the government's disposal.⁶⁶ The latter's financial room of manoeuvre was further expanded by multilateral debt relief under the Highly Indebted Poor Countries (HIPC) initiative, which significantly reduced the federal debt burden. Ethiopia qualified for the programme at the end of 2001 and saw its foreign debt reduced by 50% over the next five years.

⁶⁴ See Meles, "African Development," 36.

⁶⁵ OECD statistics cited in Getnet Alemu, *A Case Study on Aid Effectiveness in Ethiopia* (Washington DC: Brookings, 2009), 2.

⁶⁶ IMF, *Ethiopia: Staff Country Report* (Washington DC: IMF, 2006).

Re-branding the Endowment Companies

Like the public enterprise sector, the endowments established by the EPRDF's member organisations were also in need of reform: many of them were in bad economic shape, shaken by the internal power struggle within the Front, and exposed to growing criticism both within and outside the party. After 2001, the leadership of the Front therefore launched a campaign to justify the existence of these companies within the framework of a state-led market economy, and to re-brand them as a key weapon in a new, developmental phase of the popular struggle. At the same time, a range of managerial reforms were introduced to restore the companies' profitability and increase their capacity to play their new role effectively.

The smaller endowments established in Amhara, Oromia and the South seem to have weathered the post-war party purges without major disruptions; however, information on their operations during this time is patchy. EFFORT, on the other hand, suffered heavily from the split within the TPLF's leadership. It had been established – and was still managed – by Siye Abraha, Meles' main opponent within the TPLF politburo, and the loyalties of many employees lay with the 'dissenters.' Those most senior now faced termination. Siye lost his post as chairman of EFFORT and board member of Wegagen, the commercial bank founded jointly by the four regional endowments. Sebat Nega, who had led the TPLF's economic department during the struggle, and foreign minister Seyoum Mesfin stepped up to replace him as CEO and chairman of the endowment, respectively.⁶⁷ At SUR Construction and three other subsidiaries, the general

⁶⁷ "The tradition of task-mixing," *Indian Ocean Newsletter*, August 30, 2002.

managers had to go.⁶⁸ Alemseged Gebreamlak, a member of the TPLF's politburo and adviser in the prime minister's office, was fired as chairman of the EPRDF-affiliated media house. He was replaced by the minister of information, Bereket Simon, while the general manager of Radio Fana was similarly replaced by a Meles loyalist.⁶⁹

The reorganisation of EFFORT's management was both swift and uncompromising, yet it could not avoid attracting attention. The endowments had kept a low public profile throughout the 1990s. When court proceedings were initiated against Siye and others, however, EFFORT inevitably became part of the story: one of the main allegations against the endowment's former chairman was that he had abused his position to allow his brother to buy a number of trucks at the same preferential rate that the manufacturer had granted to Trans-Ethiopia, the country's largest logistics company.⁷⁰ Observers at the time expected that, as a result of the investigations, "the economic conglomerates close to the ruling party [were] likely to be curtailed."⁷¹ In the end, the new management showed little interest in dismantling the companies, or subjecting them to greater public scrutiny. However, at a time when the new rhetoric of 'rent-seeking' was stressing the dangers of a collusion between politics and business, it was also increasingly difficult to ignore pertinent questions about the nature and purpose of the party's private-sector interests.

Meles used his new writings on revolutionary-democratic capitalism to address this issue. In "Development Lines," his 2001 treatise written for the EPRDF's renewal process, he defended the endowments against critics and carved out a role for them within the new

⁶⁸ "EFFORT sacks four general managers," *The Reporter*, September 18, 2002.

⁶⁹ "Ripple effects in TPLF media outlets," *Indian Ocean Newsletter*, June 16, 2001.

⁷⁰ Defence lawyer in the trial, interviewed by the author in Addis Ababa on July 18, 2013. See also "Mayor Arkebe testifies against Seeye on trucks purchase from IVECO," *Fortune*, March 9, 2003.

⁷¹ "Post-war reconstruction outlook," *Economist Intelligence Unit*, March 25, 2002.

political and economic framework he was advocating.⁷² Meles described them as “peculiar organizations not often seen in other countries” which were “mistakenly” referred to as party enterprises. In reality, they were “NGOs:” structurally independent from the Front, yet part of the same revolutionary-democratic movement and working towards the same transformational goals.⁷³ The fact that other businesses continued to attack them only proved that the Ethiopian private sector itself was full of ‘rent-seekers:’ they resented the new competition which cut into their profits instead of exploiting the economic opportunities unlocked by endowment investments.⁷⁴

Within the new framework for national development, Meles proposed, the companies could be a crucial catalyst, not unlike those ‘national champion’ firms set up by the KMT in Taiwan. The endowments had been established during trying times, and built from “the sweat and blood of the fighters and the contribution of the people.” Now, they could enter a new phase and “make a lasting contribution to the people’s struggle against poverty and backwardness.”⁷⁵ More specifically, their role was to “bridge the gap” between public and private sector. Like private companies, they should strive to be “more efficient and profitable than state owned firms,” being less burdened by bureaucratic rules. At the same time, they should do more than make money: their objective should also be to create employment and opportunity in areas underserved by private investors, to invest in projects that exceeded the capability of local entrepreneurs, and to act as a role model by spreading a “culture of industry.”⁷⁶

⁷² EPRDF, “Development Lines,” 63-76.

⁷³ *Ibid.*, 63.

⁷⁴ *Ibid.*, 76.

⁷⁵ *Ibid.*, 64-66.

⁷⁶ *Ibid.* 68-70.

EFFORT's real problem at the time, however – and a point Meles skirted in his assessment – was its financial situation. According to one estimate, the EFFORT companies as a whole had been in the red throughout the previous decade and had lost about 40% of their initial capital by 2002.⁷⁷ Their liabilities, on the other hand, had shot up: EFFORT had racked up a debt of more than US\$ 200 million by then, most of it from the CBE, and was no longer able to service its loans.⁷⁸ Attempts to recoup the money seem to have been feeble, and when the CBE underwent restructuring in 2003, most of EFFORT's non-performing loans were simply transferred to the Development Bank.⁷⁹

Under its new management, the endowment therefore underwent a number of structural reforms. To ensure tighter control by the corporate leadership, share companies under EFFORT were re-incorporated as private limited companies. A number of smaller firms under the EFFORT umbrella – Addis Consultancy House, Beruh Chemical, and Berhan Building – were wound up.⁸⁰ Management processes were professionalised, away from the more informal culture that had characterised the post-liberation period: stricter auditing standards were adopted, and trainings offered to upgrade the technical skills of the existing staff. At the same time, new administrators without a past in the armed struggle were hired, and foreign management was brought into some of the companies. EFFORT's headquarters issued a number of manuals inspired by the new line of the party, which more narrowly defined the role and contribution of the endowment, its structure, values, and corporate strategy.⁸¹ The reform measures were first introduced in the four

⁷⁷ Vaughan and Mesfin, "Rethinking Business and Politics," 51.

⁷⁸ "Efforts to have loans repaid prove fruitless," *Indian Ocean Newsletter*, November 24, 2001.

⁷⁹ "DBE to pay CBE EFFORT's 1b Br debt," *Fortune*, December 7, 2003.

⁸⁰ "EFFORT liquidates subsidiaries," *Fortune*, January 9, 2005.

⁸¹ Interview with general manager of SUR Construction.

biggest subsidiaries – Almeda Textile, Messebo Cement, Addis Pharmaceuticals, and Mesfin Engineering – and were later extended across the entire group of companies.⁸² By the end of 2005, the group as a whole had returned to profitability.⁸³ However, the performance remained highly uneven: while the rising domestic demand for cement translated into strong earnings for EFFORT’s Messebo plant, for example, its textile factory in Adua continued to bleed money.⁸⁴

Disciplining the Private ‘Rent-Seekers’

In the context of the EPRDF’s new focus on the problem of ‘rent-seeking,’ its attention inevitably turned to the private sector as well. Traders, especially those involved in import-export, became a particular target. After the (partial) liberalisation of trade during the 1990s, the domestic commercial class had re-emerged strengthened and come to wield significant market power, including in sectors which the EPRDF considered important to its mission of forging a ‘developmental coalition.’ The situation was particularly pronounced in the aftermath of the Ethio-Eritrean war: between 1998 and 2000, state- and party-affiliated enterprises had been mobilised for the war effort, leaving local consumer markets open to private competitors. Following the consolidation of the federal government under Meles, it thus moved swiftly to recover rents from the private sector and return them under its own control.

⁸² “EFFORT conducts rescue mission on companies,” *Capital*, February 2, 2003.

⁸³ Vaughan and Mesfin, “Rethinking Business and Politics,” 52.

⁸⁴ Former manager at Almeda Textile, interviewed by the author in Addis Ababa on July 22, 2013.

The first reaction was to hit out at the extensive and largely unchecked networks which had developed between public officials and private businesses after 1991. In May of 2001, the Ethiopian government established a Federal Ethics and Anti-Corruption Agency (FEACA) accountable directly to the prime minister. The first wave of arrests was made the day after the proclamation was passed.⁸⁵ As discussed above, the fight against corruption was a convenient pretext for getting rid of political opponents, and there were undeniable irregularities in the application of the new law. Nevertheless, Meles' concern with the 'bonapartist' tendencies of fellow EPRDF officials was not limited to his immediate critics, and new legislation passed in 2002 required all public office holders and their families to disclose their personal assets and sources of income. While it is unclear whether this rule was fully implemented at the time, it certainly signalled a new awareness of the potential for collusion between state and market, and it provided new insights into this complex relationship.⁸⁶

The new anti-corruption legislation also allowed for a concerted attack on companies whose business practices and market shares were seen as incompatible with the new ideal of a 'developmental' private sector. Among the first targets was the Star Business Group (SBG), a diversified company with interests ranging from trade and transportation to manufacturing and banking. During the late 1990s, one of SBG's most lucrative ventures was the distribution of sugar. Ethiopia had established a small domestic sugar industry during the imperial regime, with three refineries which had subsequently been nationalised by the Derg and reincorporated as public enterprises after 1991. Their

⁸⁵ Federal Negarit Gazeta, "Federal Ethics and Anti-Corruption Commission Establishment Proclamation" (Proclamation 235/2001), adopted on May 24, 2001.

⁸⁶ Anonymous, "Bullet to Bank Account," 163.

output was sold to local wholesale traders at weekly auctions held by the Ethiopian Sugar Industry Support Centre (ESISC), which operated under the chairmanship of veteran TPLF general Tsadkan Gebretensae. SBG quickly established itself as a key player in these auctions, and by 1999 it was reported that the company controlled up to 90 percent of the distribution of this basic household commodity.⁸⁷

Watched with increasing apprehension by the government, SBG finally fell afoul during the last days of the Ethio-Eritrean war: due to short supplies, the price of sugar in local shops leapt up; private traders, chief among them SBG, were accused of hoarding, and the national sugar auction was temporarily suspended.⁸⁸ When the first wave of anti-corruption arrests hit Addis Ababa in 2001, SBG and the sugar industry were front and centre: among those detained were SBG's owners, the general manager of ESISC, and its board chairman.⁸⁹ Following the removal of SBG from the sugar auctions, the endowment trading houses and a state-owned wholesale company picked up much of its business.⁹⁰ The court case against SBG dragged on for more than four years; the company remained in business under a caretaker management, but its line of credit with the CBE – essential for a trading house – was cut, and its income dwindled. In 2005, the three main defendants were finally acquitted, only to see their company wrecked by debt and stripped of all assets by its creditors.⁹¹

⁸⁷ "Star Business Group: Vast projects in Ethiopia," *Indian Ocean Newsletter*, November 13, 1999.

⁸⁸ See "The Culprit behind the sugar crisis," *Fortune*, July 23, 2000; and "Gov't back to sugar auction," *Fortune*, August 27, 2000.

⁸⁹ "Sugar center chief jailed," *Fortune*, July 15, 2001.

⁹⁰ "Star appeals to court as rivals take up sugar," *Fortune*, June 10, 2001.

⁹¹ "Lingering redemption," *Fortune*, April 28, 2013.

Similar developments occurred in the fertiliser sector. More so than the sugar industry, fertiliser was (and remains) of strategic importance to the EPRDF government: as a crucial ingredient in raising agricultural productivity, a main drag on the country's foreign exchange account, but also, arguably, as a useful incentive in relations with the rural population.⁹² Since Ethiopia did not produce mineral fertiliser at the time, its importation and distribution was coordinated by the state-owned Agricultural Input Supplies Enterprise (AISE).⁹³ Following the partial liberalisation of the fertiliser trade in 1992, however, a small number of private enterprises joined the capital-intensive business, cutting into AISE's market share. The first and largest among them was Ethio Amalgamated, a diversified company that had thrived under Haile, been stunted under the Derg, and returned after the EPRDF's economic reforms. According to the company's founder, Ethio Amalgamated controlled half of the domestic fertiliser distribution by the end of the 1990s, operating a network of close to 200 distribution centres staffed with over 2,000 agents.⁹⁴

From the beginning, however, Ethio Amalgamated came under pressure by the four EPRDF-affiliated trading firms, each of which sought to become the main private-sector conduit for the distribution of fertiliser in its respective state. The company's management has alleged a range of discriminatory measures which, it argues, resulted in preferential

⁹² Claims regarding the misuse of fertiliser distribution for political control have been made for almost two decades; a recent example is Kassahun Berhanu, "The Political Economy of Agricultural Extension in Ethiopia: Economic Growth and Political Control" (working paper 42, Future Agricultures Consortium, University of Sussex, May 2012).

⁹³ On the ramifications of the fertiliser trade in Ethiopia see Rashid et al., "Fertilizer in Ethiopia: An Assessment of Policies, Value Chain, and Profitability" (Discussion Paper 1304, IFPRI, Washington DC, 2013).

⁹⁴ Former managing director of Ethio Amalgamated, interviewed by the author in the United States on November 19, 2012; see also "Interview of the week: Gebreyes Begna," *Capital*, April 27, 2004.

treatment for the endowments: harassment of Ethio Amalgamated's agents and clients, forced closure of distribution centres or detention of convoys, the imposition of arbitrary taxes and charges, and unequal access to credit from state-owned banks.⁹⁵ It also did not help Ethio Amalgamated's relations with the local authorities that the company, whose founder had spent most of the Derg years in the United States, repeatedly brought these issues up with donor organisations. In 1998, the company's director thus cited "survival under siege" as the firm's most important success since its return to Ethiopia.⁹⁶

The final blow for the company came in 2001. Ethio Amalgamated had just won its largest tender to date and secured financing in the form of a loan from CBE, when the latter, upon instruction from the National Bank, cancelled the credit.⁹⁷ The contract was re-tendered and won jointly by AISE and Ambassel, an ANDM-affiliated trading firm. (Both companies, incidentally, were chaired by the same EPRDF minister, Bereket Simon.) International efforts at mediation failed, and the company went into foreclosure soon after.⁹⁸ From 2002 onwards, private enterprises no longer participated in the distribution of fertiliser. Instead, the sector became the exclusive domain of politically connected organisations: in 2004, *Fortune* thus described the fertiliser trade as "totally under the control of government agencies and party-affiliated trading houses."⁹⁹ After a brief – and almost disastrously inefficient – interlude involving direct importation by local farmers' cooperatives, for which the federal government had arranged a dedicated line of credit,

⁹⁵ Interview with former managing director of Ethio Amalgamated.

⁹⁶ See "Ethio Amalgamated" in Addis Ababa Chamber of Commerce (ed.), *50 Years of Business Service* (Addis Abba: AACoC, 1998), 52.

⁹⁷ "Controversy delays importation of fertilizer," *Fortune*, April 1, 2004.

⁹⁸ "Negotiations between CBE and Amalgamated fail," *Capital*, April 4, 2004.

⁹⁹ "Political captivity of fertilizer business," *Fortune*, April 25, 2004.

the decision was finally taken in 2008 to coordinate all further fertiliser imports through AISE, effectively re-establishing the former state monopoly.¹⁰⁰

The EPRDF government followed up on these punitive measures with the introduction of a national competition policy. The Trade Practice Proclamation of 2003 established a new legal framework for preventing private businesses from exploiting uncompetitive markets, while simultaneously sanctioning the creation and absorption of rents by the state.¹⁰¹ Under the new regulation, a number of anti-competitive measures – price fixing, market segmentation, misleading customers and actively undermining competitors – were explicitly prohibited, as were various forms of abusing excessive market power, such as setting artificially high or low prices, bundling products, or withholding goods from the market.¹⁰² At the same time, the government retained its ability to direct the development of the private sector, including through the use of discriminatory measures: state enterprises were generally exempted from the regulations, as were companies the government deemed as “having a significant impact on development,” while a range of basic consumer goods were also subjected to price controls.¹⁰³ Not long after the redefinition of its role under Meles, the Ethiopian government had thus strengthened the legal base for state-led market-building, while sending out a clear message to the private sector that excessive profits from redistributive (rather than productive) activities would not be tolerated.

¹⁰⁰ For a breakdown of market shares by type of importer in different years, see Rashid et al., “Fertiliser in Ethiopia,” 3.

¹⁰¹ Federal Negarit Gazeta, “Trade Practice Proclamation” (Proclamation 329/2003), adopted on April 17, 2003.

¹⁰² *Ibid.*, paragraphs 6-11.

¹⁰³ *Ibid.*, paragraph 5.

Propagating the 'Developmental State'

Over the course of the next decade, Meles' concept of an Ethiopian developmental state would become the backbone of the country's economic policy; after his death, billboards across the country would proclaim it his "vision" and "legacy."¹⁰⁴ At its inception, however, the developmental state was very much an elite project. Its main tenets were formulated in the prime minister's office, with little outside input except from a select group of foreign economists – Joseph Stiglitz, Robert Wade, Dani Rodrik, and few others.¹⁰⁵ In contrast, Meles showed little interest in debating his ideas with a domestic audience, or in seeking the input of Ethiopian scholars: as *Fortune* remarked with a view to his "African Development," the comprehensive bibliography that accompanied it listed seven works by Stiglitz, but only one by an Ethiopian author.¹⁰⁶

The same elitism also characterised the ways in which the new paradigm was communicated – a decision which, as the final section of this chapter will argue, contributed to the EPRDF's second major crisis within five years. Debates about the new political agenda, it shows, were restricted to party members and civil servants; in the old vanguard tradition, they also served to disseminate ideas rather than discuss them. This further deepened the rift between the EPRDF and its critics in business and academia, who became increasingly assertive about promoting their own, alternative visions. In the end, the EPRDF's failure to be more inclusive, coupled with the growing prominence of critical

¹⁰⁴ Personal observation in several Ethiopian towns, late 2012 and early 2013.

¹⁰⁵ Stiglitz and Wade, who held three days of consultations with Meles and his advisers in the summer of 2004, provided theoretical justifications for a gradual, state-led transition to capitalism, and backed Ethiopia's choice of an agriculture-led industrialisation strategy. See Initiative for Policy Dialogue, *Ethiopia Country Dialogue, August 28-30, 2004* (New York: IPD, not dated).

¹⁰⁶ "Free markets still heart of the road ahead," *Fortune*, August 13, 2006.

opposition voices, contributed to the Front's massive losses in the 2005 elections, which exposed the brittle nature of the party's hold on society.

Between 'Renewal' and Rejection

Following the dismissal of his challengers within the TPLF, Meles moved quickly to establish his thoughts on revolutionary democracy and state-led capitalist development as the new doctrine within party and government. The congresses held by the EPRDF's four member organisations in September 2001 were used to purge their leadership committees of dissenters. The national EPRDF congress in Jijiga, held the following week and dubbed 'Renewal Congress' by the party's leaders, was then used as a platform to formally adopt Meles' positions. Following these meetings, the 'tehadso' campaign was brought to the local cadre level, where lengthy trainings were held to introduce and discuss the country's new developmental outlook. As was established practice, the meetings were framed as debates; their purpose, however, was not to invite criticism but to communicate the new directives set by the party leadership. As Medhane and Young point out, the 'consensus' reached in those meetings had of course been made possible by purging all dissenting elements:

It is clear that the dissidents would not have swallowed such notions, and it is unlikely the majority of EPRDF delegates would have endorsed them, were the dissidents in attendance at these meetings. Approval was possible because Meles had assumed a dominant position in the leadership of the EPRDF, and the cadres had nowhere to turn.¹⁰⁷

¹⁰⁷ Medhane and Young, "Reform or Decline?," 392.

Within the framework of administrative capacity building, the party's internal 'renewal' campaign was soon extended to the civil service. Extensive training sessions, similar to those conducted among party members, were held to disseminate new ideas about bureaucratic professionalism and the role of the civil service in state-led development. They also served to establish a common rhetoric of 'developmentalism' and 'rent-seeking tendencies.' To the donors who generously funded the programme, the process was presented in the depoliticised language of capacity building and civil service reform; nevertheless, it "represented a strong continuity with previous attempts to establish a party-cell structure for socio-political mobilization, and with existing norms of the 'politically induced strategic planning process.'"¹⁰⁸

While the training sessions were underway, the administration often came to a standstill. Party members were taken out of their jobs for extended workshops, usually lasting two weeks and more, in order to deliberate on revolutionary democracy and the developmental state. The situation was particularly extreme in Tigray, where the overlap between party and administration was almost complete, and where many cadres had sympathies for the hapless 'dissenters.' In Mekelle, the city administration reported at the end of the 2001/02 fiscal year that an effective expenditure of only 1 million birr had been made against a capital budget of 17 million birr.¹⁰⁹ Many citizens were annoyed by the disturbance of public services; even *Abiotawi Democracy*, the EPRDF's party organ, pointed out that "people have begun to question the existence of the government."¹¹⁰ To Meles, however, the disruptions were inevitable side-effects of forging a new consensus within

¹⁰⁸ Vaughan, "Revolutionary democratic statebuilding," 630.

¹⁰⁹ Vaughan and Tronvoll, "Structures and Relations of Power," 20.

¹¹⁰ Interview with Meles Zenawi in *Abiotawi Democracy*, reprinted in *Ethiopian Herald*, June 7, 2001.

the party, and justified by the fact that “[t]he outcome of these discussions has a direct bearing on the people,” who would be the “ultimate beneficiaries” of the reforms.¹¹¹

If the new course of action had a ‘direct bearing’ on the people, this did not mean that the people themselves would become more closely involved in the process. For one thing, the ‘tehadso’ process was limited to the existing members of the party, and turning the Front into a mass organisation was not a priority at that point. Meles regarded the EPRDF as a crucial tool in transforming the Ethiopian state and economy; however, he was more concerned with the intellectual capability of its cadres than with the number of adherents. “It is not possible to recruit the whole society,” he pointed out in his paper on revolutionary democracy, arguing that the party should instead focus on those with the “highest capacity;” it should seek out “people who are ready to struggle for the benefit of society,” not simply those “easy to recruit.”¹¹² In the course of its ‘renewal’ campaign, the EPRDF did re-define its policies for taking on new members, including from the country’s hitherto neglected ‘intelligentsia,’ and for training them in the programme and outlook of the party. A major membership drive, on the other hand, was not part of the plan.

Growing the ‘developmental coalition’ by involving Ethiopia’s existing business community also did not seem to be a priority. In his writings, Meles had made it clear that the domestic private sector could not be part of the revolutionary democratic camp, and that, on the contrary, its present condition was the main problem which a developmental regime had to tackle. In meetings with the private sector, he did not mince his words in this regard. At a World Bank-sponsored exchange of views between Meles and

¹¹¹ Ibid.

¹¹² EPRDF, “Development Lines,” 92-94.

representatives of the chambers of commerce, he thus pointed out that his government did not depend on the support of business: with the peasantry united behind his party, he did not need their vote, and even their financial contributions to his government were dwarfed by its receipts from the public sector.¹¹³ In a similar meeting with business leaders two years later, Meles repeated his view that there was no place for 'rent-seeking' investors in the new developmental state, stating bluntly that "their agony should be shortened."¹¹⁴

Not only in the private sector, but also among the educated, politically interested urban population this uncommunicative stance provoked frustration. Between 2001 and 2005, Addis Ababa's private business papers were full of complaints about the opaque manner in which the ruling party had adapted its programme, and about the lack of public consultation on what appeared to be, on all accounts, a shift of far-reaching political and economic significance. Not long after the EPRDF's 'Renewal Congress' in 2001, *Capital* thus protested that

The party is clueless and confusing about its macroeconomic programs. [...] The leadership has been secretive and bureaucratic in its economic planning and political processes, reflecting semi-Stalinist tendencies in substance and style. [...] The people are discontented and disillusioned. Therefore, stop your political gobbledygook, state your vision clearly [...]¹¹⁵

Two and a half years later, *Fortune* reminded the prime minister that his party was "not alone in this," and that not seeking broader legitimacy for his new economic outlook had been a missed opportunity for his administration:

¹¹³ "Meles takes a page from Mao's book," *Indian Ocean Newsletter*, July 11, 2002.

¹¹⁴ Cited in "Meles's promises of the decade," *Fortune*, August 31, 2003.

¹¹⁵ "Stupid! It's the economy," *Capital*, October 7, 2001.

Unfortunately, such an interesting debate, which could have given so much insight and lesson to the public at large, was conducted in secrecy. It would have been constructive and advantageous to the ruling party itself had the discussions been televised, just as the debates and differences of ideas are on issues that affect people beyond the ruling party.¹¹⁶

In a similar vein, the paper argued that the prime minister should “learn to speak to university students, intellectuals, journalists, businesspeople, farmers or any other segment of the civil society [...]” and that the creation of a developmental state in Ethiopia should “not be the work of a few individuals or a single party but that of the entire nation.”¹¹⁷ However, the EPRDF government was already busy turning its new policy into practice; it no longer showed any interest in broadening the debate on decisions that had already been taken, which could only slow down the pace of its reforms.

An Alternative Economic Vision

In the void left by the EPRDF, an alternative liberal discourse began to gain ground during the first half of the 2000s. Many among the capital’s professionals and business owners were disillusioned about the extent to which the Front had followed through on its promises after 1991, and unsure about its ultimate goals and convictions. The call for a different economic vision grew louder, and it reverberated through the institutions of Addis Ababa’s educated and well-heeled classes: the chambers of commerce, the university and professional associations, and the independent media. Its followers were united in their rejection of the EPRDF’s ideas about rent-seekers, transformative peasants

¹¹⁶ “Your party isn’t alone in this, Sir,” *Fortune*, February 15, 2004.

¹¹⁷ “Do we have a developmental state?,” *Fortune*, December 5, 2004; “Meles should go out, mingle with people,” *Fortune*, January 27, 2002.

and the developmental state, and they shared a belief in the need for further free-market reforms. The privatisation of state enterprises, greater financial liberalisation, private ownership of land, and a mode of development led by a strong private sector were the main pillars of their competing economic agenda.

The new English-language business papers quickly emerged as the mouthpiece of this growing liberal constituency. *Capital* – “the paper that promotes free enterprise” – had begun reporting in 1998. Two years later one of its founders, Tamrat Gebregiorgis, set out on his own to create *Fortune*, which rapidly gained a wide readership among Addis Ababans.¹¹⁸ Both papers criticised government policies relentlessly, but in a more judicious and balanced way than the Amharic private press had done during the 1990s. “Are you better off today than ten years ago? Do you feel hopeful about the future?,” *Capital* asked its readers in 2001, concluding that the government’s performance during its first decade in power had left much to be desired.¹¹⁹ *Fortune*, on the other hand, protested that Meles was “unable to accept and implement the idea that development in the 21st century should start from the modern sector,”¹²⁰ argued that free markets and revolutionary democracy were “incompatible,”¹²¹ and blamed the EPRDF for “brandishing the spectre of ‘rent seeking’ [...] without saying a word about public sector enterprises and the TPLF-controlled ‘endowment’ companies.”¹²²

The Ethiopian Economics Association, closely affiliated with the department of economics at Addis Ababa University, became another hotbed of liberal activism. Under

¹¹⁸ Interview with editor of business paper.

¹¹⁹ “Stupid! It’s the Economy,” *Capital*, October 7, 2001.

¹²⁰ “Meles’s Dilemma: Between the Peasants and the Technocrats,” *Fortune*, October 29, 2000.

¹²¹ “You are Dead Wrong! It is Either Revolution or Capitalism,” *Fortune*, August 12, 2001.

¹²² “Did you say ‘rent seeking’ Sir?,” *Fortune*, August 31, 2003.

its founding president, Eshetu Chole, the EEA had played a moderating role during the transition; under the subsequent presidencies of Berhanu Nega and Befekadu Degefe, it became more vocal and more openly political. The EEA's leaders were by no means neo-liberals – few Ethiopian economists would have disputed the need for state guidance in economic development – but they were critical of the EPRDF.¹²³ In its *Annual Reports on the Ethiopian Economy*, the EEA thus cited the “party’s expansion of its business empire, its slow privatisation process, its unwillingness to even partially liberalize important sectors” as proof of “the government’s socialist strategic objectives,”¹²⁴ and it described the idea of industrialisation through agricultural transformation as “self-defeating.”¹²⁵ In 2003 and 2004, the EEA organised a series of events titled “Vision 2020,” in which prominent speakers were invited to present their ideas and concerns for Ethiopia’s national development. The list included a number of well-known critical voices: opposition politician Hailu Shawel, ousted military chief of staff Tsadkan Gebretensae, and the founder of the Ethiopian Human Rights Council (EHRC), Mesfin Woldemariam.¹²⁶

The private sector similarly rallied against the EPRDF’s economic policies. Tekalign Gedamu, CEO of the Bank of Abyssinia, publicly belittled Meles’ writings on revolutionary democracy as “puzzling, unpersuasive and altogether unconvincing,” while warning that the discrimination between rent-seekers and ‘productive’ businesses would “introduce an arbitrariness which would give rise to uncertainty, which in turn

¹²³ Interview with former president of the EEA.

¹²⁴ Ethiopian Economics Association, *Second Annual Report on the Ethiopian Economy: 2000/2001* (Addis Abba: EEA, 2001), 6.

¹²⁵ Ethiopian Economics Association, *Third Annual Report on the Ethiopian Economy: 2003/2004* (Addis Abba: EEA, 2004), 342.

¹²⁶ See *Economic Focus*, various issues from 2003 and 2004.

would undermine business confidence, and ultimately investment.”¹²⁷ When government officials agreed to hold a rare dialogue with civil society and business leaders, much of the “frank and hot debate” focused on the suitability of ADLI as a paradigm for Ethiopian development: private-sector representatives criticised the idea as unrealistic, while Meles reaffirmed his position that he “would not tolerate” an economy working only for the richest few.¹²⁸

The Addis Ababa Chamber of Commerce emerged as a particularly outspoken advocate of private-sector interests during those years. With Kebur Genna as its chairman, the chamber had rallied to mobilise the business vote in the 2000 general elections; in a message to members, Kebur had argued that the private sector could not “go on unheard like before” but had to exercise its “most fundamental means of speaking out.”¹²⁹ Following the split within the EPRDF leadership, the chairman ominously declared that it was “[t]ime to break the rules,” denigrating the Front as “tired and old, inefficient and illegitimate, and badly in need of a radical overhaul.”¹³⁰ His successor in the job, Berhane Mewa, continued along the same lines; he urged government to “genuinely consider the private sector as its development partner,”¹³¹ while arguing that “agriculture follows industry and not the other way round.”¹³² The endowment companies became a particular

¹²⁷ “Tekalign challenges revolutionary democracy,” *Fortune*, September 23, 2001.

¹²⁸ “First ever public-government face to face dialogue conducted,” *Ethiopian Herald*, December 17, 2002.

¹²⁹ “Why business people should vote,” *Addis Business*, December 1999.

¹³⁰ “Time to break the rules,” *Capital*, April 29, 2001.

¹³¹ “To ensure genuine partnership between government and private sector,” *Addis Business*, October 2001.

¹³² “Government introduces ‘Ethiopian Industrial Development Strategy,’” *Addis Business*, August 2003.

concern for the chamber, and it launched an inquiry to investigate the claims of preferential treatment.¹³³

The increasingly political role of the chamber no doubt hastened government plans to reform this institution, and in 2003 a new proclamation was passed to this effect.¹³⁴ Drafted with very little input from the chambers themselves, the new law fundamentally altered their organisational base: a hierarchy of national, state, and city chambers was introduced, analogous to the structure of the federal state; individual businesses would be members of a city chamber, while the federal government would engage primarily with its national counterpart. The new arrangement reflected the government's intention to bring the private sector into the folds of ethnic federalism, while ignoring the regional disparities within the Ethiopian business community. Under the new dispensation, the Addis chamber – the country's biggest by a wide margin, and home of all major industries – was effectively relegated to an institution serving the capital. Its business advocacy role was further diluted by the mandatory inclusion of *woreda*-based sectoral associations, transforming it into the mouthpiece of car mechanics and private industrialists alike.¹³⁵

The reorganisation of the chambers of commerce was not the government's only retaliation against the domestic private sector and its increasingly recalcitrant representatives. Berhane Mewa was arrested on (unsubstantiated) allegations of tax fraud, and upon his release was granted asylum in the United States. Berhanu Nega's activism saw him go into and out of prison during these years. Business journalists, meanwhile,

¹³³ "Business community, endowment companies at loggerheads," *Addis Business*, October 2002.

¹³⁴ Federal Negarit Gazeta, "Chamber of Commerce and Sectorial Association Establishment Proclamation" (Proclamation 341/2003), adopted on May 27, 2003.

¹³⁵ Current and former chairmen of the Addis Ababa Chamber of Commerce (and Sectorial Associations), interviewed by the author in Addis Ababa on July 18, 2013 and June 5, 2015.

remained well aware that their job remained a risky one. Despite these setbacks, however, the time between 2001 and 2005 represented a time of unprecedented opening for public debate in Ethiopia, and a liberal alternative to the EPRDF's party-led developmental state was never advanced more confidently than during this time.

The 2005 Elections and Crisis of EPRDF

In the run-up to the federal elections of 2005, the growing momentum of Ethiopia's liberal constituency was channelled into party politics. With the establishment of the Coalition for Unity and Democracy (CUD) in 2004,¹³⁶ its main representatives came together under one roof. The CUD's chairman, Hailu Shawel, was a veteran businessman, while Berhanu Nega, the economics professor and entrepreneur, was the coalition's lead candidate in the capital. Befekadu Degefe, Berhanu's successor as president of the EEA, also ran for office on a CUD ticket. Berhane Mewa, the exiled chairman of the Ethiopian and Addis Ababa chambers, became a key CUD activist and fundraiser among the US-based diaspora. To foreign observers at the time, these politicians stood for a new generation of opposition leaders: moderate and articulate, with a clearly defined political vision, and willing to take on the EPRDF at the ballot box rather than in the field.

The state of the Ethiopian economy was, of course, not the only issue in the 2005 electoral campaign. CUD leaders played on a range of popular grievances: the EPRDF's authoritarianism, its disregard for urban constituencies, its belief in ethnic federalism and alleged favouritism towards Tigrayans. Nevertheless, at least in the CUD's campaign,

¹³⁶ The CUD is also known under its Amharic acronym, *kinijit*.

economic concerns dominated the agenda.¹³⁷ The coalition's manifesto devoted more than 30 pages (out of a total of 80) to a critique of the EPRDF's economic policies and to the presentation of an alternative programme based on private land ownership, free enterprise and urban development.¹³⁸ In a public debate broadcast on national television, Berhanu Nega took on two of the EPRDF's economic thinkers – Kassu Ilala, the infrastructure minister, and Teklewold Atnafu, governor of the national bank –subjecting them to what *Fortune* called a “systematic onslaught of [...] well-reasoned arguments” which left his opponents “completely disarmed.”¹³⁹ A particular campaign favourite were attacks on the EPRDF endowments: the CUD manifesto details corruption allegations over several pages, the issue was regularly raised in rallies and meetings, and opposition leaders later called for a boycott of businesses affiliated with the EPRDF.¹⁴⁰

Unsurprisingly, these positions proved attractive to Ethiopia's fledgling private sector. Business owners flocked to the CUD, and many of them supported its campaign financially – “with money made under the EPRDF,” as one adviser in the prime minister's office complained.¹⁴¹ However, the CUD's skill lay in connecting this narrow economic elite with the mass of the urban poor. CUD leaders did not espouse a purely pro-business agenda, but styled themselves as ‘social’ rather than ‘revolutionary’ democrats.¹⁴² The

¹³⁷ A second opposition group, the United Ethiopian Democratic Forces (UEDF), campaigned primarily on a platform of political rights. A coalition of ethnic-based parties, it gained a wide following with its demand that federalism should translate into real autonomy for the different regions.

¹³⁸ CUD, “Kinijit Manifesto,” unofficial translation, 2006. <http://www.addisvoice.com/wp-content/uploads/2010/03/KINIJIT-MANIFESTO-English.pdf>

¹³⁹ “The weakest link in the EPRDF's chain of policies,” *Fortune*, January 30, 2005.

¹⁴⁰ Several former leaders of the CUD, interviewed by the author in Addis Ababa and the United States, November 9-22, 2012; February 3, 2014.

¹⁴¹ Interview with senior adviser in the prime minister's office.

¹⁴² CUD, “Kinijit Manifest,” 9-10.

issues they raised – urban unemployment, lack of adequate housing, the rising cost of living – resonated with those who felt left out from development under the EPRDF.¹⁴³ This was a major constituency: in retrospect, the mid-2000s were the years when Ethiopia’s economy first took off; at the time, this was much less obvious, while frustration about the slow pace of progress since 1991 was palpable. In his quantitative analysis of the 2005 elections, Arriola thus found that the CUD’s share of the vote was “highly correlated with the percentage of the population living below the poverty line,” while no such correlation existed for the other opposition parties.¹⁴⁴

The EPRDF, meanwhile, was all but absent from the scene. At a time when most party leaders would be expected to hit the campaign trail day and night, prime minister Meles remained in the Palace and his supporters stayed home.¹⁴⁵ Some of the Front’s most capable campaigners had been ousted in 2001, while others were now busy with their governmental duties. In any case, the Front seemed to have little concern about the outcome of the election: in its own words, “the EPRDF was confident in the achievements made as a result of the renewal policy, and it believed that the people would notice those changes.”¹⁴⁶ Instead, things were increasingly slipping away from it. In an interview days before the election, Meles admitted that the Front “lagged behind in some areas;” it had prioritised “carrying out development work” and had not expected “that starting the campaign later would create such problems.”¹⁴⁷ When the EPRDF finally entered the race,

¹⁴³ Interview with former CUD leader.

¹⁴⁴ Leonardo Arriola, “Ethnicity, Economic Conditions, and Opposition Support: Evidence from Ethiopia’s 2005 Elections,” *Northeast African Studies* 10, no. 1 (2008), 117.

¹⁴⁵ Christopher Clapham, “Comments on the political crisis in Ethiopia,” *EthioMedia*, November 14, 2005, http://www.ethiomedia.com/fastpress/clapham_on_ethiopian_crisis.html.

¹⁴⁶ EPRDF, “Renaissance directions: The case of Ethiopia,” (internal training brochure, partially translated from Amharic, 2003 E.C. [2010/11]), 113.

¹⁴⁷ “Meles: focusing on the future,” *Capital*, May 7, 2005.

it did so ferociously, portraying the opposition as a remnant of the Derg and accusing it of fostering ethnic strife.¹⁴⁸

Despite harsh rhetoric from both sides of the political divide, the general feeling was one of “election euphoria.”¹⁴⁹ Clapham has referred to the 2005 ballot as the “founding elections” of Ethiopia’s post-1991 state: “the first occasion in the country’s history when the mass of the electorate felt that they had the opportunity to express their own views on their country’s future.”¹⁵⁰ When the EPRDF assembled a million of its supporters on Addis Ababa’s Meskel Square in May, the opposition more than matched this number two days later.¹⁵¹ Opposition candidates were fielded in the majority of constituencies across the country. Voters were given a choice between two clearly defined political visions. Electoral observers were deployed not just by foreign organisations, but also by Ethiopian civil society groups. “No more whispering to discuss politics” is how the government media captured the prevalent mood in the country, adding that “the days when the government wasn’t supposed to be criticised are long gone.”¹⁵²

How this moment of optimism and civic pride degenerated into violent chaos has been exhaustively analysed elsewhere, and only the main points need to be recalled here.¹⁵³ After Ethiopians went to the polls on May 15, initial results indicated landslide

¹⁴⁸ See Lovise Aalen and Kjetil Tronvoll, “The End of Democracy? Curtailing Political and Civil Rights in Ethiopia,” *Review of African Political Economy* 36, no. 120 (2009), 195.

¹⁴⁹ Civil society activist, interviewed by the author in Addis Ababa on June 24, 2013.

¹⁵⁰ Clapham, “Comments on the political crisis in Ethiopia.”

¹⁵¹ See “Over 1 mln. Metropolitans rally in support of EPRDF,” *Ethiopian Herald*, May 8, 2005, and “Over 1 mln. Metropolitans rally around CUD at Maskal Square,” *Ethiopian Herald*, May 10, 2005. (The power outage that occurred during the CUD demonstration was due to a “technical failure,” the paper assured its readers.)

¹⁵² “No more whispering to discuss politics,” *Ethiopian Herald*, May 25, 2005.

¹⁵³ See Clapham, “Comments on the political crisis in Ethiopia;” Aalen and Tronvoll, “The End of Democracy?;” Jon Abbink, “Discomfiture of Democracy? The 2005 Election Crisis in Ethiopia and its Aftermath,” *African Affairs* 105, no. 419 (2006); Terrence Lyons, “Ethiopia in 2005: The Beginning

gains for the opposition. The counting process then became delayed, among mounting accusations of electoral fraud at the hands of local EPRDF officials. By August, a majority of constituencies had declared for the EPRDF, while tensions between opposition leaders and government officials grew increasingly sour. In early September, the National Electoral Bureau announced its final results. According to the NBE, the EPRDF had won a comfortable majority in the federal parliament; at the same time it had been all but wiped out in the urban areas, notably in Addis Ababa, where some of its most senior leaders lost their seats to CUD candidates. The share of opposition seats had risen from a handful in the outgoing parliament to a new total of 174, of which CUD candidates claimed 109.

However, CUD leaders disagreed whether they should take up their places in parliament. To some of them – notably Berhanu Nega, who had *de facto* been handed the mayorship of Addis Ababa – this amounted to endorsing an EPRDF victory which rightfully belonged to the CUD. They called upon their followers to boycott the new parliament and mount a campaign of civil disobedience instead, resulting in spontaneous anti-government riots across the country. The government's reaction was severe. Members of parliament who refused to take their seats were stripped of their immunity and arrested; close to 200 people were killed when federal police opened fire on anti-EPRDF demonstrators in Addis Ababa; and tens of thousands of CUD supporters were detained without charge.¹⁵⁴ At the centre of these developments was prime minister Meles: he had assumed direct control over the capital's security forces on the eve of the election,

of a Transition?" (Africa Notes no. 25, Center for Strategic and International Studies, Washington D.C., January 2006); Kjetil Tronvoll, "Ambiguous Elections: the Influence of Non-electoral Politics in Ethiopian Democratisation," *Journal of Modern African Studies* 47, no. 3 (2009); John Harbeson, "Ethiopia's Extended Transition," *Journal of Democracy* 16, no. 4 (2005).

¹⁵⁴ Aalen and Tronvoll, "The End of Democracy?," 195.

and the motion to dismiss the CUD's renegade parliamentarians had been sponsored by his office.¹⁵⁵

The aftermath of the election left the country divided. The opposition was in disarray, its leaders in prison, its supporters in detention or fear, while the prime minister declared the idea of a unity government "unconstitutional."¹⁵⁶ The division also cut across the private sector: Al-Amoudi's MIDROC holding was among the first to publicly congratulate the EPRDF on its victory;¹⁵⁷ meanwhile, Tigrayan shops in the capital were ransacked by rioters, and small businesses whose owners had openly supported the CUD were shut down by the authorities.¹⁵⁸ The EPRDF had retained control over the political system, including in the urban areas, where the Front's candidates won all of the seats left vacant by their opponents. Nevertheless, its grip on society had been exposed as frail: the EPRDF, *Fortune* wrote, was "no longer the absolute master of politics in Ethiopia."¹⁵⁹ Christopher Clapham put it somewhat more darkly; for him, the Front had "lost the 'mandate of heaven,'" its reign now based on crude force while its authority had "withered away, and cannot be recovered."¹⁶⁰

¹⁵⁵ Ibid.

¹⁵⁶ "EPRDF will never allow the formation of a national crisis government – Meles," *Ethiopian Herald*, September 18, 2005.

¹⁵⁷ See MIDROC ad in *Ethiopian Herald*, August 10, 2005.

¹⁵⁸ Interview with official at Mekelle Chamber of Commerce; "Strike backfires on Addis, Nazareth businesses," *Fortune*, November 13, 2005.

¹⁵⁹ "Priorities and challenges to Meles' administration," *Fortune*, October 23, 2005.

¹⁶⁰ Clapham, "Comments on the political crisis in Ethiopia."

Conclusion

Political movements begin with ideas, Isaiah Berlin wrote, and they first unfold in the minds of their leaders: “above all,” he specified, in the minds of “prophets with armies at their backs.”¹⁶¹ It is hard to think of a more fitting phrase to describe Meles Zenawi, and particularly the Meles of 2005, than as a ‘prophet with an army at his back.’ The religious metaphor may seem ill-suited for a pragmatist like him, but his followers refer to his plans for an Ethiopian developmental state as “Meles’ vision,” and the Amharic term they use – *raey* – carries the same ecclesiastic connotations as its English equivalent. Meles’ reaction to the protests that followed the 2005 elections, on the other hand, point to a more ruthless side, one that did not recoil from the use of force for what he perceived as the greater good. Here was a leader who could debate a Nobel laureate one moment and order crowd control with live ammunition the next; the two registers were at times uncomfortably close.

Meles’ time as a leader and statesman spanned historic moments: the overthrow of the Derg, the political transition, the economic boom of the late 2000s. However, the defining years of his career, and the ones where his actions left the most profound impact on the country, were arguably between 2000 and 2005. In the eyes of his contemporaries, Meles did not start the decade as a ‘prophet:’ at the close of the war with Eritrea, he did not have a fully formed political agenda but a miscellany of insights drawn from a wide range of sources and experiences. Nor did he have an ‘army at his back;’ under fire from military leaders within his own movement; in fact, he seemed closer to having the army at his throat. Over the following five years, however, he fundamentally changed all of this

¹⁶¹ Isaiah Berlin, “On the Pursuit of the Ideal,” *New York Review of Books* 35, no. 4 (1988).

– formulating a profound and ambitious programme for the country’s political and economic development, and consolidating the necessary means to see it through.

As this chapter has shown, Ethiopia was transformed in the process. Meles’ thoughts about state-led economic development were first translated into policy, then put into practice. State institutions and enterprises were strengthened, the endowment companies reformed, and supposed ‘rent-seekers’ in the private sector brought into line. Liberal ideas about state and market as structurally separate were dropped, and links between two entities reinforced. While economic rents were effectively centralised, however, no similar effort targeted the relationship between state and society. On the contrary, the EPRDF’s role as intermediary between the two was neglected, as political capital was shifted from party structures to state institutions. The political space was opened to others, and an alternative movement arose to challenge the Front, led and sponsored by those who stood to lose from the new economic course. The two collided in an election in which the EPRDF lost much ground, and in which its heavy-handed reaction to the subsequent disputes exposed the limitations of its popular support base. The following years saw the Front scrambling to correct this, thus bringing about a final – at least in Meles’ time – reconfiguration of party, state, and market.

Chapter 5

Capital and Coercion: Fast-Tracking the Developmental State, 2005-2012

*The motive and source of legitimacy of developmental states
is the single-minded pursuit of accelerated development.*

Meles Zenawi, "States and Markets"¹

The violent aftermath of the 2005 elections made the limitations of the EPRDF's political programme painfully obvious. The Front's idea of an Ethiopian developmental state had largely remained an elite project, yet its impact targeted every sector of society; the result was inherently unstable, leaving plentiful space (and a good deal of cause) for popular resistance and electoral dissent. The thinking had been predominantly technical, concerned with the 'appropriate' responses to the structural failures that plagued Ethiopia's economy and with the 'correct' balance between state and market, while social and political considerations had been relegated to the sidelines. The EPRDF's leaders understood that they had to change course, and that a successful realisation of their ambitions required a much greater penetration and mobilisation of society.

In the years until Meles' unexpected death – and, arguably, with little change since then – the focus was therefore on making the developmental state a hegemonic one, and on leveraging this hegemony for accelerating the pace of economic transformation. As this final chapter shows, the EPRDF reverted to its former vanguard role under the banner of

¹ Meles Zenawi, "States and Markets," 169.

‘developmentalism,’ expanding its presence in society and removing any obstacles to the direct ‘coalition with the people’ it envisaged. This, in turn, facilitated the fast-tracking of an ambitious agenda of state investment: it minimised social resistance to the disruption brought about by infrastructural mega-projects and helped mobilise the necessary funds for their realisation, thus accelerating economic development to levels unknown in the past. Through this combination of capital and coercion, the EPRDF and its government set about transforming the country. In the process, it sought to usher in a new social compact based on economic advancement rather than political rights, enrolling the citizenry in a range of ‘developmental’ structures and programmes while expanding their dues as consumers of state services.

Return of the Vanguard

When the dust had settled on the 2005 elections, the EPRDF’s leaders made sense of their unexpected losses through reference to the ‘protest vote.’ To Meles, the millions of Ethiopians who had supported opposition parties

were actually voting against the EPRDF rather than voting for them. It was largely a protest vote [which] does not have to be ideologically aligned with the group that it is voting for. [...] They [CUD supporters] used their voting card in a civilized fashion to convey a very simple and strong message to the EPRDF that it is not living up to their expectations. That was the end of their message.²

The EPRDF’s leaders decided to treat the election as a wake-up call. They reacted by strengthening and expanding local party structures, clamping down on the opposition,

² Cited in “‘The rule of law is the uncontested winner out of this process’ – Prime Minister Meles Zenawi,” *Ethiopian Herald*, July 25, 2007.

civil society, and the media, and spreading their own message of ‘developmentalism’ more forcefully. These measures are regularly described as a post-2005 ‘authoritarian backlash.’ Yet while they effectively ended the short-lived experiment with political pluralism, their significance went beyond that: they signified the re-emergence of the party as a self-defined national ‘vanguard,’ only this time in the context of economic transformation.

Rebuilding the Party

The mission to rebuild the EPRDF began at the top, as considerable political resources were shifted from the upper ranks of government to the party apparatus. In the reshuffle that followed the 2005 elections, executive committee members from each of the four member organisations were relieved of their government duties and tasked with overseeing the reconstruction of the party.³ For this purpose, a number of new advisory positions were created within the prime minister’s office. The TPLF’s Abay Tsehaye, previously minister of federal affairs, was thus appointed advisor on ‘public organisation and mobilisation,’⁴ while Bereket Simon from the ANDM, the former minister of information, became advisor on public relations. Hailemariam Desalegn (SEPDM), who had been president of SNNPR, became advisor on social affairs, then public mobilisation; when he left this position to become chief whip in the federal parliament, he was replaced by Muktar Kedir (OPDO), until then vice-president of Oromia. At the same time, the prime

³ The TPLF continues to use the term ‘politburo’ instead of ‘executive committee.’

⁴ He later moved on to the national security portfolio.

minister himself took a greater interest in the affairs of the party, averting the kind of bifurcated management structure that had characterised the EPRDF during the 1990s.

The chief concern of the EPRDF's cadres, however, lay less with the party's leadership capacity than with its inability to connect with and mobilise its grassroots constituency. Abay Tsehaye, for example, concluded that "one of the main problems of the organization had been its inability to expand its base," and that a concerted push to "recruit and train more members" was necessary to redress the situation.⁵ Already in 2005, the Front therefore began to reach out to the people and make amends for what it chose to describe as "the good governance problems encountered in previous years."⁶ Public hearings and gatherings were convoked across the country, and even the prime minister engaged in some post-election campaigning. In the run-up to the EPRDF's 2006 Congress, which had been dubbed 'Good Governance Congress,' these overtures "reached almost unimaginable levels:"

Not only did the Prime Minister appear with the common folk, but he took the show out to the people instead of remaining confined to the ceremonious reception chambers of Arat Kilo. [...] After all the hullabaloo of last year's election, say Revolutionary Democrats, the ruling party has heard you, the people, and is mending its ways.⁷

Much of the EPRDF's recruitment drive was geared towards those groups that had supported the party in the past: smallholder farmers and lower-level civil servants.

⁵ "The truth is that democracy in Ethiopia is in full swing' – Ato Abay Tsehaye," *Ethiopian Herald*, May 28, 2006.

⁶ Ibid.

⁷ "Life beyond the clipped hedges," *Fortune*, August 13, 2006. Addis Ababa's Arat Kilo neighbourhood is home to the former imperial palace, which now houses the prime minister's office and home.

However, the Front also made efforts to win over constituencies, such as the upper stratum of the peasantry, which had backed the opposition in 2005. The EPRDF, mirroring the Soviet prejudice against the *kulaks*, had long sought to isolate this ‘counter-revolutionary’ class of peasants which had, in return, been crucial in mobilising the rural opposition vote.⁸ Following the election, EPRDF cadres therefore sought to bring them within the folds of the party: many were simply informed that they were now members of the Front, and those who refused this new role were reprimanded or jailed.⁹

In the urban areas, the EPRDF undertook similar efforts. Urban youths, a significant section of them un- or underemployed, had been singled out as the main culprits of the riots that followed the 2005 elections. This previously neglected demographic now became the focus of considerable attention. Comprehensive training and employment schemes were introduced across the urban *kebeles*, overseen by a new Ministry of Works and Urban Development. They doubled as recruitment channels for local party cells, as project administrators “asked the clever ones to join the party and the associations.”¹⁰ High schools and universities, traditional strongholds of opposition politics, also became hunting grounds; students, conscious of their dependence on the administration, signed up en masse, allowing Meles in 2008 to declare that “the confrontation has subsided.”¹¹ And while relations with the private sector remained strained, the party’s overtures were

⁸ René Lefort, “Powers – mengist – and Peasants in Rural Ethiopia: the post-2005 Interlude,” *Journal of Modern African Studies* 48, no. 3 (2010).

⁹ *Ibid.*, 449-450.

¹⁰ Youth office employee, cited in Marco di Nunzio, “‘Do not Cross the Red Line’: The 2010 General Elections, Dissent, and Political Mobilization in Urban Ethiopia,” *African Affairs* 113, no. 452 (2014), 16.

¹¹ “Status quo maintained!,” *Fortune*, September 21, 2008.

recognised even there; according to a former director of the capital's chamber of commerce, the EPRDF "actually became better at listening."¹²

Finally, the Front revived the idea of affiliated 'mass organisations' by forming a Youth League and Women's League. The decision was taken at the EPRDF's 2006 Congress, where Meles presented it as "consistent with the assessment of the party that its work within the youth and women leaves a lot of room for improvement."¹³ The new organisations were formally established two years later – "with a view to producing young leaders," according to a party spokesman¹⁴ – and had a combined membership of more than 2 million the following year.¹⁵

As a consequence of the EPRDF's recruitment efforts, its membership figures soared. At the Organisational Congress in 2006, party leaders announced that the number of members had risen from 760,000 in the wake of the 2005 elections to a new total of more than 4 million.¹⁶ In the capital alone, where the EPRDF had failed to win a single seat in 2005, there were more than 700,000 party members in 2008 – about a quarter of the official population, according to the 2007 census. There were also an unprecedented 60,000 members across the country's institutions of higher education.¹⁷ The figures continued to rise significantly in the following years: the total number of EPRDF members stood at

¹² Former director of the Addis Ababa Chamber of Commerce, interviewed by the author in Addis Ababa on July 19, 2013.

¹³ "'All women associations could form federations ...' – Prime Minister Meles Zenawi," *Ethiopian Herald*, October 5, 2006.

¹⁴ "EPRDF says Leagues vital to sustain dev't, democratization," *Ethiopian Herald*, May 30, 2009.

¹⁵ "Youth, women leagues expected to join EPRDF leadership," *Capital*, August 29, 2010.

¹⁶ "EPRDF to train 350,000 senior members in one year," *Ethiopian Herald*, November 7, 2006.

¹⁷ "Looking far ahead," *Capital*, September 21, 2008.

more than 5 million in 2010,¹⁸ and more than 6.5 million in 2012.¹⁹ The Front had transformed itself into a mass party whose membership structures penetrated all sectors and all levels of society, from the federal headquarters in Arat Kilo down to the local cells in the workplace or at the sub-*kebele* level.

Silencing Alternative Voices

While the EPRDF's own structures were strengthened and expanded, it came down heavily on all those who rivalled its role as intermediaries between state and society: opposition parties, civic advocacy organisations, and the independent media. The CUD, whose leaders had refused acceptance of the official election results and were held responsible for the riots that ensued, was singled out for particularly harsh reprisals. Most senior CUD members – including dozens of MPs who had decided not to take up their seats in parliament – were sent to prison in late 2005, as were tens of thousands of supporters across the country. Over the following year, the latter were gradually released, most without a charge.²⁰ In June of 2007, their leaders were convicted on charges including treason and incitement to violence, yet released on a presidential pardon soon after, following intense diplomatic pressure from Western countries.

Under this level of pressure, the opposition coalition unravelled. The CUD's leadership scattered as some of its members sought political asylum abroad. Berhanu Nega left to the United States and went on to form 'Ginbot 7,' an organisation that called

¹⁸ Vaughan, "Revolutionary-democratic statebuilding," 633.

¹⁹ Head of EPRDF external affairs department, interviewed by the author in Addis Ababa on February 6, 2014.

²⁰ Aalen and Tronvoll, "The End of Democracy?," 197.

for an overthrow of the ERPDF government by military means; he was later condemned to death in absentia.²¹ Within Ethiopia, a leadership struggle divided the remaining CUD supporters, resulting in a number of competing factions and the establishment of a new party, Unity for Justice and Democracy (UDJ), chaired by Birtukan Mideksa. A revised party registration law,²² adopted in 2008, further undermined opposition activism by prohibiting the kind of diaspora funding that had accounted for the lion's share of opposition income in 2005.²³ By the end of the decade, and despite an unprecedented number of non-EPRDF MPs in parliament, organised opposition politics had largely come to a standstill, relegated to the fringes of the system and generally perceived as a high-risk activity with little chance of realising political change.

Civil society suffered, too. The EPRDF had always been wary of non-governmental organisations providing basic services in lieu of the state, especially when their funding came from abroad. In an interview from 1997, Meles thus declared that foreign-financed NGOs "are not expected to be permanent fixtures here," and that "their business should be to speed up the process of going out of business."²⁴ In the aftermath of the 2005 elections, however, this general antagonism turned into hostility. At the EPRDF's 'Good Governance' congress in 2006, Meles announced "a serious departure with regard to our relationship with civil society organizations," explaining that foreign-funded NGOs could still partner with the government on particular development initiatives, while "civil society organizations that are membership-based [...] should be used as an essential

²¹ In the Ethiopian Calendar, Ginbot 7 corresponds to March 15, the date of the 2005 elections.

²² Federal Negarit Gazeta, "Revised Political Parties Registration Proclamation (Proclamation 573/2008)," adopted on September 24, 2008.

²³ Former leaders of CUD, interviewed by the author in the United States on November 9 and 22, 2012.

²⁴ "Meles meets the press on local, subregional issues," *Ethiopian Herald*, June 26, 1997.

element of the system of accountability of the executive.”²⁵ Underlying this new attitude was a distinction, in what had by now become typical revolutionary-democratic fashion, between ‘genuine’ representatives of the people and ‘rent-seeking’ organisations, which were primarily answerable to their foreign sponsors and thus had no mandate to meddle in national politics.

The approach ultimately became enshrined in the Charities and Societies Proclamation of 2009.²⁶ Officially a measure designed to “[improve] the legal environment under which NGOs and CSOs can operate without restraint,”²⁷ and – according to the proclamation itself – “ensure the realization of citizens’ right to association,”²⁸ the new law wrought havoc on Ethiopia’s associational life. Under the proclamation, all NGOs had to obtain (and regularly renew) their operating license from a newly established Charities and Societies Agency, headed by a member of the central committee of OPDO. More importantly, only genuine ‘mass-based organisations’ were allowed to engage in political advocacy and election-related work; NGOs which received more than 10 percent of their operating budget from foreign sources, on the other hand, could only engage in social and humanitarian activities. As a result, watchdog and human rights work faltered overnight; established and vocal organisations such as the Ethiopian Women Lawyers’ Association had to shut down, while others shifted to less controversial areas of engagement.

²⁵ “‘The capacity building programme will enable us to have an effective civil service’ – Prime Minister Meles Zenawi,” *Ethiopian Herald*, October 4, 2006.

²⁶ Federal Negarit Gazeta, “Charities and Societies Proclamation” (Proclamation 621/2009), adopted on February 19, 2009.

²⁷ “Reshaping obsolete NGOs/CSOs law – key for socioeconomic development,” *Ethiopian Herald*, March 7, 2009.

²⁸ “Charities and Societies Proclamation,” preamble.

Finally, the EPRDF's campaign to reduce the space for dissent also targeted the private media, much of which had backed the opposition in 2005. A first wave of restrictions came immediately after the elections, as the accreditations of foreign journalists were revoked, critical publications closed down, their editors arrested, and opposition websites blocked.²⁹ Ethio Telecom suspended the countrywide SMS service after the student demonstration of June 2005, and only reinstated it in late 2007.³⁰ The state media lost what little independence they had left, becoming little more than party mouthpieces. The Mass Media and Freedom of Information Proclamation of 2008 added further constraints to the work of the private media, such as a provision to confiscate publications on grounds of 'national security.'³¹ At the same time, the Ministry of Information was dissolved and replaced with a new Communication Affairs Office; the latter was now located within the prime minister's office, and all existing media outlets were required to re-register.

The EPRDF's dual effort of strengthening its own structures while undermining those of its competitors soon translated into electoral victories. A ballot for local *woreda* and *kebele* councils, originally scheduled for late 2005, was finally held in 2008. Popular excitement about the election had waned; in a telling contrast to 2005, the crowd of people that gathered at Meskel Square on the day of the ballot had come to watch Arsenal play Manchester United.³² Nevertheless, the scale of the EPRDF's victory was staggering: in Addis Ababa, which had flung all of its weight behind the CUD in 2005, the EPRDF now won 137 out of 138 seats in the city council, all seats on the *woreda* and *kebele* councils, as

²⁹ Aalen and Tronvoll, "The End of Democracy?," 200.

³⁰ Iginio Gagliardone, "New Media and the Developmental State in Ethiopia," *African Affairs* 113, no. 451 (2014), 15.

³¹ Federal Negarit Gazeta, "Mass Media and Freedom of Information Proclamation" (Proclamation 590/2008), December 4, 2008.

³² "Ethiopia's political landscape is full of surprises," *Fortune*, April 20, 2008.

well the entirety of by-elections for parliamentary seats that still remained vacant.³³ In the rest of the country, results were much the same.

Perhaps more importantly, the 2008 local elections resulted in a massive increase of elected officials on an EPRDF ticket. Before the ballot, the regional governments had increased the number of seats on local *kebele* councils from a maximum of 100 (usually less) to a new upper limit of 300. The total number of seats contested across the country thus shot up to over 3.5 million. This figure was well beyond the reach of the opposition – according to the National Electoral Bureau, the highest number of candidates registered by a non-EPRDF party was 6,000³⁴ – but it tallied well with the EPRDF’s new mass membership structure. Unsurprisingly, the EPRDF carried more than 3,490,000 seats in the 2008 election, as opposed to the opposition’s 110.³⁵ In the capital alone, the Front fielded 29,700 candidates across 99 councils, who ran unopposed except for a handful of independents.³⁶ Opposition candidates have argued that in the current political climate it is impossible to have “a million members, let alone 3.5 million candidates,” and thus preferable to focus all efforts on the national elections.³⁷

However, in 2010 the exercise was also repeated at the federal level. As di Nunzio describes for the case of Addis Ababa, the EPRDF’s organisational efforts began months before the official start of the electoral campaign, as local party cells and mass

³³ “Revolutionary Democrats pave the road ahead,” *Fortune*, April 27, 2008.

³⁴ Official at the National Electoral Bureau of Ethiopia, interviewed by research assistant in Addis Ababa on February 6, 2014.

³⁵ *Ibid.*

³⁶ “Revolutionary Democrats pave the road ahead,” *Fortune*, April 27, 2008.

³⁷ Former president of opposition party, interviewed by the author in Addis Ababa on February 3, 2014.

organisations sprang into action.³⁸ The opposition camp of 2005, on the other hand, had all but collapsed. In its place, the Ethiopian Federal Democratic Unity Forum (*Medrek*) was formed under the participation of Negaso Gidada, Siye Abraha, and fellow dissenters. It fared badly: in Tigray, *Medrek* won just over 20,000 votes, against the TPLF's 1.9 million.³⁹ In the end, the opposition managed to win only one of the 547 seats in the federal House of Peoples' Representatives. A report adopted at the EPRDF Congress in September 2010 stated that the opposition was entirely to blame for their "embarrassing loss," and that the electorate had created a "dominant party system" which would allow the EPRDF to remain in power for the foreseeable future.⁴⁰ The gradual transition towards political pluralism at which the elections of 2005 had hinted had become a very distant prospect five years later.

The 'Developmental Vanguard'

With the suppression of the political opposition and the expansion of its own organisational structures came a return to the EPRDF's self-characterisation as a national 'vanguard.' The term had been used sparsely since the early 1990s but was now revived. The party's statutes, updated in 2006, thus specified that the EPRDF should "play the role of a vanguard by bracing up its organizational capacity to lead the people in their efforts to raise their consciousness and organize themselves,"⁴¹ while a promotional brochure

³⁸ Marco di Nunzio, "'Do Not Cross the Red Line:' The 2010 General Election, Dissent, and Political Mobilization in Urban Ethiopia," *African Affairs* 113, no. 452 (2014).

³⁹ "Crunching numbers of EPRDF's crushing electoral blow," *Fortune*, June 6, 2010.

⁴⁰ Cited in "EPRDF declares indestructible dominance," *Capital*, September 19, 2010.

⁴¹ EPRDF, *EPRDF statutes*, 32.

presented the party as “the vanguard of the Ethiopian farmers, lower and middle urban dwellers and developmental actors.”⁴² The parallel with the TPLF’s self-understanding as a ‘national vanguard’ in the war against the Derg was both obvious and deliberate: while the TPLF had galvanised the Tigrayan people in the struggle for liberation, the argument was, the EPRDF was now leading the way in the fight against poverty and backwardness.

A flurry of new publications and training materials appeared to instruct new party members about the political outlook of the Front. *Development, Democracy and Revolutionary Democracy*, for example, a short book adopted at the 2006 Congress, explained the 2005 elections as a clash between ‘rent-seekers’ and progressive forces and described the role of the party as leading the people in their campaign to root out these ‘rent-seeking’ elements.⁴³ The EPRDF’s programme, too, was adapted to reflect this new-found role, its introduction now referring to economic development as “the major objective of our organization” and “the foundation and pillar of all our goals.”⁴⁴ This line of reasoning culminated in the thought that while ‘revolutionary’ democracy had brought about peace and stability, it now had to be re-interpreted in the context of economic development: “developmental democracy is the only way to define revolutionary democracy in the present situation,” as one party publication put it.⁴⁵

The party’s mission to build an Ethiopian ‘developmental state’ had begun without a popular mandate, and the 2005 elections had shown that this was a brittle foundation for such a momentous project. Over the following years, the Front therefore focused on

⁴² EPRDF, *EPRDF in brief*, 3.

⁴³ EPRDF, “Development, Democracy and Revolutionary Democracy,” 64-87.

⁴⁴ EPRDF, *EPRDF programme*, 4.

⁴⁵ EPRDF, “Renaissance directions,” 83.

turning its vision into what Meles called “a hegemonic project in the Gramscian sense” – that is, into a political arrangement which the majority of Ethiopians perceived as natural and appropriate, and which they were willing to defend from detractors if necessary.⁴⁶

Towards the end of his tenure, the prime minister summed up the challenge thus:

Development is an exercise that requires appropriate behaviour on the part of millions of individuals [which cannot] be created and sustained by coercion alone. The development agenda must be hegemonic if successful development is to take place and if a developmental state is to be established.⁴⁷

According to a party spokesman, the EPRDF’s strategy was to “bring the people on board” through constant dialogue, participation and accountability as it could not “prescribe them [the people] what to do.”⁴⁸ In reality, coercion has always been instrumental. “Political rhetoric aside,” one supporter of the EPRDF’s mission wrote in this regard, “the notion of building an Ethiopian developmental state did not emerge from free debate and dialogue, nor was Meles so naïve to believe so.”⁴⁹ Meles’ remark in a conversation with Alex de Waal – that he cared not whether people considered his government a success or failure, but whether or not its principles were becoming hegemonic – is indicative in this respect, revealing as it does a leader unconcerned by popular pressure and electoral cycles.⁵⁰

At the core of the EPRDF’s hegemonic project was the notion of ‘developmentalism:’ the argument that Ethiopia’s main affliction was poverty, and that all other problems – insecurity, reliance on foreign support, even democratic deficits – were merely

⁴⁶ Meles, “States and Markets,” 167.

⁴⁷ *Ibid.*, 168.

⁴⁸ Interview with EPRDF’s head of external affairs.

⁴⁹ Merkeb Negash, “Why Neoliberals go wrong.”

⁵⁰ See de Waal, “Theory and Practice,” 8.

manifestations or consequences of this basic fact. The EPRDF thus turned popular perceptions of Ethiopia on their heads: the country was not poor because of war, lack of democracy, and economic dependency; it was dependent, divided, and conflict-prone because it was poor. In an interview from 2006, the prime minister explained:

Ethiopia has many problems but the crucial problem, the source of all the other problems is poverty. And poverty has to be addressed by proper growth. And the focus of the Ethiopian government, in our view, at any time should be economic development. [...] This does not mean that we should focus on economic issues to the exclusion of all other issues. It simply means that the number one priority should be economic growth.⁵¹

The idea was not new, but it was now brought centre stage in every government activity. Economic development became the lens through which all policymaking was seen, and through which the value and contribution of a particular policy was assessed. Fighting poverty had been something the state did; now it became what the state existed to do.

As a public discourse, the concept of ‘developmentalism’ was translated into a range of popular tropes. In addition to the militarised imaginary of the liberation struggle – poverty as an ‘enemy’ against which the people had to ‘mobilise’ and ‘fight’ – and the high-modernist symbolism of hydroelectric dams and bullet trains, nationalist themes re-emerged in the government’s rhetoric. After the celebrations for the Ethiopian Millennium in 2007, the quest for economic transformation thus became embedded in the broader narrative of a national ‘renaissance’ (*hidase*). “The Dark Ages of Ethiopia is over and we are now in the beginning of Ethiopia’s Renaissance,” Meles announced on the occasion of the EPRDF’s 2008 Congress, conjuring up a lost age when “civilization reigned in every

⁵¹ “Poverty is Ethiopia’s fundamental problem’ – Prime Minister Meles Zenawi,” *Ethiopian Herald*, April 30, 2006.

corner of Ethiopia for centuries,” and declaring that the country should “join the group of developed nations over the next 100 years.”⁵² A national ‘flag day’ was introduced,⁵³ and infrastructural mega-projects were selected as signifiers of a new “nationalism from above.”⁵⁴ Economic development was a collective undertaking, the government’s message ran, and it required mobilisation across the ethnic lines that had dissected the Ethiopian polity until then.

Over the following years, the EPRDF began to inculcate the values of ‘developmentalism’ on a broad societal basis. To this effect, Ethiopia’s state-owned media were reorganised along the paradigm of ‘developmental journalism.’⁵⁵ As a consequence, the tenor of reporting changed noticeably.⁵⁶ Journalists became more likely to adopt a moral, less factual tone, admonishing and ‘educating’ their audience in a more obvious manner than before. Headline news became increasingly dominated by reports about governmental development projects, and success stories were generally favoured over critical coverage. The endowment media were early and enthusiastic converts; already in 2006, the general manager of Radio Fana – the former guerrilla radio – explained that his station was guided not by financial motives but by “the principle of development journalism.”⁵⁷ Journalists who did not have a similar affiliation with government or ruling

⁵² “Ethiopia should join the group of developed nations over the next 100 years’ – Prime Minister Meles,” *Ethiopian Herald*, September 16, 2008.

⁵³ See Federal Negarit Gazeta, “Flag Proclamation,” Proclamation 654/2009, adopted on August 28, 2009.

⁵⁴ Arkebe, *Made in Africa*, 4.

⁵⁵ For an introduction to the concept of developmental journalism and its application in Ethiopia, see Terje Skjerdal, “Development Journalism Revived: The Case of Ethiopia,” *African Journalism Studies* 32, no. 2 (2011).

⁵⁶ These observations are based on a study of the back catalogue of the *Ethiopian Herald*, as well as a general consumption of (English-language) Ethiopian state media over the past five years.

⁵⁷ “Our vision is boosting nat’l economy [...]” – Woldu Yemessel, General Manager of Radio Fana,” *Ethiopian Herald*, September 3, 2006.

party, on the other hand, proved more difficult to be convinced. The editor of one private paper publicly dismissed the concept as “paternalistic” and “exclusionist,” adding that one might just as well discriminate between “neoliberal and developmental dentists.”⁵⁸ As a consequence, the coercive element remained prominent in the government’s relations with the private media.

The changes in the public media sector were mirrored by a general “ideologisation” of public institutions as the principles of developmentalism were propagated in a series of political trainings. A first wave of workshops had been held immediately after the 2005 elections.⁵⁹ In 2008 and 2009, the campaign was intensified once more. Mandatory trainings on government policy were held for teachers and high school students across the country, and the exercise was later repeated for university students at all institutions of higher education.⁶⁰ Similar mass workshops were held for civil servants and members of the judiciary, who were taken out of their job for up to fourteen days. In the armed forces, too, political work was intensified, culminating in the establishment of a ‘Centre for Indoctrination and Communication.’⁶¹

As a result of these efforts, the EPRDF’s mission to promote the hegemony of ‘developmentalism’ under the leadership of the Front had clearly made headway by the end of Meles Zenawi’s tenure. In the classical language of the vanguard party, the final

⁵⁸ Tamrat Gebregiorgis, “I Know of No One as a Developmental Dentist” (speech given to graduating journalism students at Addis Ababa University, Addis Ababa, January 24, 2014).

⁵⁹ Tronvoll, “Re-establishing the One-Party State,” 124.

⁶⁰ See “Scrutinizing ‘the training’ behind closed doors,” *The Reporter*, October 4, 2014.

⁶¹ Lealem Mersha, “Military Business in Ethiopia: Origins, Discourses and Implications” (MPhil dissertation, Department of International Development, University of Oxford, 2015), 65.

report of the EPRDF's 9th Organisational Congress, held half a year after the prime minister's death, thus came to the following conclusion:

We have indeed reached a stage where the people are ready to do whatever is expected of them to help improve the clarity and capacity of our party. The people have not only fully grasped the significance of our party. They have also reached a consciousness level where they are able, on the one hand, to firmly support and defend our positive works and, on the other hand, to sharply criticize our shortcomings.⁶²

Growth and Transformation

After the EPRDF had reaffirmed its self-understanding as a vanguard movement, the Front shifted its attention to fast-tracking its vision of an Ethiopian developmental state. During the years of 2001-2005, it had laid the intellectual and institutional foundations for this endeavour. The first national five-year plan, PASDEP (2005-2010), was well under way, scoring year-on-year GDP growth rates above 10 percent. Now the ambition was to shift to the next gear: to move from an acceleration of growth to real and lasting transformation. Ethiopia should not just develop but industrialise, thus unlocking the structural economic and social change that would extricate the country from the vicious circle of confrontational politics and unproductive business which, to the EPRDF, were the primary manifestations of its poverty.

The following section provides an account of how the EPRDF and its government set about this task. It looks at the new emphasis on centralised economic planning, drawing partly on East Asian models of policy-making, which culminated in the

⁶² EPRDF, *Report of 9th EPRDF Congress* (Addis Ababa: EPRDF, 2013), 6.

aspirational Growth and Transformation Plan (GTP); at the implementation of this agenda through massive investment in mega-projects, both in the industrial and infrastructural domain, under the leadership of companies affiliated with state, party, and the military; and at the ways in which the necessary funds were mobilised under the conditions of a closed financial sector (and, in some cases, failed to materialise). As will become clear in the process, each of these steps was facilitated by the return to an illiberal mode of governance.

Planning Transformation

The goal of quickening the pace of state-led economic transformation relied on an expansion of the government's capacity for economic planning. Towards the end of PASDEP, when preparations for a new plan were initiated, MoFED thus took on several hundred additional staff, most of them recent university graduates.⁶³ MoFED's Department of Development Planning, crucial to the coordination of new projects, more than doubled in size, from 9 to 21 employees.⁶⁴ To improve the quality of data available to planners, the Central Statistical Agency (CSA, a subsidiary office of MoFED) was similarly targeted for expansion; under a five-year (2009-14) capacity-building strategy additional staff were recruited, methods and equipment upgraded, and statistics units created within the different line ministries.⁶⁵ Both MoFED and the CSA, institutions which had been

⁶³ Interview with former MoFED economist.

⁶⁴ Ibid.

⁶⁵ Senior official in Central Statistical Agency, interviewed by the author in Addis Ababa on June 19, 2015; MoFED, "National Statistics Development Strategy, 2009-2014."

known for their technocratic ethos and relative autonomy,⁶⁶ were also drawn more closely into the EPRDF's 'developmentalist' vision: all new recruits in MoFED's Department of Development Planning, for example, were members of EPRDF, while party members had previously been a small minority. MoFED and CSA staff also attended a two-week training on 'government policy' conducted by senior party leaders, some of whom did not have a government function.⁶⁷

Around the same time, the Ethiopian government began regular, high-level consultations on industrial policy-making with a delegation of Japanese experts. Meles had approached the National Graduate Institute for Policy Studies (GRIPS) after a workshop hosted by Joseph Stiglitz, and between 2009 and 2011 a delegation from GRIPS conducted quarterly seminars for the prime minister, his economic advisers, and the relevant line ministers.⁶⁸ Initial sessions dealt with the methodology of drafting economic master plans and possible governance arrangements to sustain them, while later ones focused more on specific policy proposals drawn up by government officials. In content and style, the consultations differed from similar fora run by Western donors or the IFIs: on the one hand, the Japanese delegation spent almost a year getting to know their Ethiopian counterparts and their ideas about development before making specific recommendations.⁶⁹ On the other, some of the concrete suggestions the team from GRIPS eventually came up with, such as the idea of a "national movement for mindset change,"

⁶⁶ It is worth noting that

⁶⁷ Interview with former MoFED economist.

⁶⁸ For a fuller account, see the introduction in GRIPS, "Intellectual Partnership for Africa: Industrial Policy Dialogue between Japan and Ethiopia" (project report, GRIPS Development Forum, Tokyo, 2011).

⁶⁹ Professor at GRIPS, interviewed by the author via phone on July 3, 2015.

certainly resonated more with the EPRDF's philosophy of rule than with liberal notions of 'good governance.'⁷⁰

The policy dialogue culminated in the formulation of a new five-year strategy for the 2010-2015 period, dubbed the Growth and Transformation Plan (GTP). GRIPS experts provided detailed feedback on the structure of the document as well as its industrial policy chapter, although they later concluded that much of their advice had been ignored.⁷¹ The preparation of the strategy was directed from the prime minister's office, where a new macroeconomic committee – which brought together the ministers of finance and trade, the governor of the central bank, and Meles' chief economic advisor – was established for the purpose.⁷² In typical EPRDF fashion, little input was sought from local stakeholders during the drafting process; once a first version of the document had been completed, on the other hand, the party leadership ordered "[a]ll government officials [...] in all regions of the country to confer with the public."⁷³ In September of 2010, the EPRDF Congress declared that through the GTP the "Ethiopian Renaissance [would] reach an irreversible stage,"⁷⁴ and in November the plan was formally adopted by a federal parliament now largely devoid of opposition members.

At the centre of the new economic strategy lay the goal of turning Ethiopia into a middle-income country by 2025, a target presupposing an expansion of GDP between 11

⁷⁰ The organisers of the policy dialogue have summarised these positions in Kenichi and Izumi Ohno, eds., *Eastern and Western Ideas for African Growth: Diversity and Complementarity in Development Aid* (London: Routledge, 2015).

⁷¹ See GRIPS, "Intellectual Partnership for Africa," 45.

⁷² "Gov't working on next 5-year plan," *Fortune*, December 20, 2009.

⁷³ "MoFED announces bold, ambitious five-year plan," *Capital*, August 8, 2010.

⁷⁴ The Congress itself had been given the (characteristically wordy) title "The Ethiopian Renaissance will reach an irreversible stage by realizing the Growth and Transformation Plan."

and 15 percent per annum.⁷⁵ This growth-based objective was complemented by a vision of economic and social transformation: structural change that would see the country industrialise and reduce its reliance on agriculture, and societal modernisation that would allow Ethiopia to meet the UN's Millennium Development Goals. Under the high-growth scenario, the Ethiopian economy was set to double in size within five years.⁷⁶ As a consequence, sectoral targets were ambitious: earnings from the export of textiles and garments were projected to increase by a factor of nearly 50 within five years, for example, from less than US\$ 22 million per year to US\$ 1 billion. The volume of sugar and cement production was expected to increase seven- and tenfold, respectively, and the total value-added of Ethiopia's nascent metals and engineering industry by a factor of 17. A senior export from GRIPS later referred to these figures as wholly unrealistic "imaginary numbers;"⁷⁷ to Meles, on the other hand, they were fully vindicated by the achievements of previous years.⁷⁸

Boldness, however, was hardly a new facet of EPRDF policy; PASDEP had also been ambitious, and the GTP was merely more so. In several other ways, however, the GTP manifested a real quality shift towards a more assertive form of economic planning. First, government policy had evolved from functional measures – aimed at improving the general environment in which companies or companies operate – to more selective and complex forms of intervention. During the previous decade, support programmes had focused on the promotion of export-oriented industries with strong agricultural linkages,

⁷⁵ MoFED, "Growth and Transformation Plan," adopted in November 2010, chapter 2.

⁷⁶ *Ibid.*, 34-37.

⁷⁷ "GTP II is where things will be happening," *The Reporter*, August 16, 2014.

⁷⁸ "Trillion birr economy!" *Fortune*, August 15, 2010.

and mostly consisted of straightforward measures such as tax breaks, customs exemptions and the provision of land. As government experience with industrial policy measures increased, however, more complex forms of intervention were added. Import substitution emerged as a second pillar of industrial policy, and the GTP highlighted several areas in which domestic production could reduce Ethiopia's dependence on the import of manufactured goods, such as sugar, cement, or basic metal products. As the next section discusses in more detail, this resulted in more direct government intervention in these sectors, including through the establishment of major state-owned industrial corporations.

Second, the GTP pointed to a new sense of urgency. Ethiopia, according to EPRDF leaders, was “on a negative time-scale” and had to do in twenty years what other countries had done in two hundred;⁷⁹ as a consequence, it had to tackle many things at once, and most of them right now. The numerical targets for the GTP, for example, had been set with little regard for implementing capacity, reflecting instead the aspirations of the political leadership.⁸⁰ Donor appeals for gradualism in the introduction of new policy instruments, such as the construction of industrial zones, were rejected in favour of immediate scaling-up.⁸¹ New federal proclamations were passed in rapid succession and regularly had to be amended soon after they were adopted.⁸² This ‘quick-and-dirty’ approach to policy-making had been a sore point in conversations with the experts from GRIPS, who criticised that key government documents were “often formulated in great haste at the cost of

⁷⁹ Interview with former member of TPLF central committee.

⁸⁰ Senior official in the Ministry of Industry, interviewed by the author in Addis Ababa on June 11, 2015.

⁸¹ Senior industrial expert at the World Bank, interviewed by the author in Addis Ababa on June 17, 2015.

⁸² Professor of governance at Addis Ababa University, interviewed by the author in Addis Ababa on June 22, 2015.

quality and implementability,” and that the “prime minister’s vision [...] [could not] be put directly into the words and numbers of master plans.”⁸³ To Ethiopian policy-makers, on the other hand, thorough feasibility studies and time-consuming consultations were luxuries the country could not afford at this point, and it was preferable to “learn by failing” and keep up momentum than to slow down in order to mitigate risks.⁸⁴

Third, the GTP captured what Meles referred to as the “single-minded pursuit of accelerated development.”⁸⁵ In contrast to previous documents, the government no longer regarded it as a policy framework, but as a national master plan for mobilising and coordinating the country’s ‘developmental forces.’ Sectoral policies and institutions were increasingly seen through an economic lens and evaluated according to their contribution to the transformation agenda. A series of reforms in the Ethiopian education system, for example, emphasised training for an industrialising economy. The national curriculum for secondary schools was revised to put greater emphasis on technical and quantitative skills; new “Institutes of Technology” were established, and universities mandated to enrol at least 70 percent of students in science and technology subjects.⁸⁶ In foreign policy, too, economic concerns were accentuated: a Department of Business Diplomacy was created within the Ministry of Foreign Affairs, and a National Coordinating Committee for Economic and Business Diplomacy set up in the PMO. As an Ethiopian diplomat explained, “[i]nstead of categorizing states by their ideological orientation as in the past,

⁸³ GRIPS, “Intellectual Partnership for Africa,” 102-103.

⁸⁴ Interview with senior official in the Ministry of Industry.

⁸⁵ Meles, “States and Markets,” 169.

⁸⁶ “New science curriculum to be applied,” *Capital*, September 1, 2009.

the current diplomacy of the country focuses on the benefits it can get from export, investment, tourism, technology transfer, development assistance and aid.”⁸⁷

Each of these shifts towards a more assertive, centrally-driven form of economic policy-making reflected the return to a ‘vanguard’ model of governance. The EPRDF’s culture of democratic centralism, in which decisions taken by a small core of leaders radiate outward through the party structures, facilitated the ‘single-minded’ pursuit of a particular developmental agenda across the different levels of government. Notions of urgency and momentum relied on the capacity to mobilise, and to compensate for the inevitable policy failures. The turn towards more comprehensive and direct interventions in the development of particular industries, in turn, indicated a new confidence in the ability to lead the way in the gradual transition towards a market economy.

Implementing the Transformation Agenda

For the implementation of its ambitious agenda, the EPRDF relied on companies under the direction of the government, the armed forces, and the party itself. Executing the new infrastructural and industrial mega-projects, it argued, was beyond the capacity of the domestic private sector, and only the state could mobilise and deploy the kind of resources that were called for. The result was a new phase in the development of the Ethiopian public enterprise sector: during the 1990s, privatisation had gradually reduced the number of state-owned companies; after 2001, this process had stopped; now the trend was reversed, as existing enterprises were expanded and new ones established.

⁸⁷ “Economic Diplomacy Benefiting Ethiopia – MoFA,” *Ethiopian Herald*, September 20, 2014.

The infrastructure spending spree began under PASDEP, when Ethio Telecom and the Ethiopian Electric Power Corporation (EEPCO) each announced multi-year expansion projects worth close to US\$ 2.5 billion.⁸⁸ New enterprises began to be established in 2007, when the Ethiopian government abandoned talks with foreign contractors to entrust the construction of a national railway system to the state-owned Ethiopian Railway Corporation.⁸⁹ The following year, the Ethiopian Housing Development Corporation was formed to operate the country's ambitious urban construction programme. The adoption of the GTP spurred another round of activity, as dedicated corporations were set up to establish an IT industry cluster in the capital (Ethiopian Information and Communication Technology Park Corporation, 2010) and to build industrial zones across the country (Ethiopian Industrial Zones Development Corporation, 2012). The Ethiopian Roads Construction Corporation (2011) was spun out from the roads authority, while a number of existing firms in the maritime transport sector were subsumed into a new monopolist, the Ethiopian Shipping & Logistics Services Enterprise (2011). A similar consolidation process led to the creation of the Ethiopian Petroleum Supplier Enterprise (2012), while a separate firm was set up to prospect for potential oil and gas reserves (Ethiopian Petroleum Development Enterprise, 2012).

Simultaneously – and for the first time since 1991 – the Ethiopian government also established companies in the manufacturing sector. These new state-owned industrial complexes were intended to reduce Ethiopia's dependence on foreign imports, and to

⁸⁸ See "Telecoms & Technology: Ethiopia," *Economist Intelligence Unit*, September 16, 2006; "EEPCO takes the long view," *Indian Ocean Newsletter*, October 28, 2006.

⁸⁹ Information about the establishment of the new corporations, including their authorised and paid-up capital, can be found in the respective Council of Ministers' Regulations printed in the *Negarit Gazeta*.

spearhead production in areas where the country had favourable resource endowments, but where the necessary up-front investment had been beyond the capacity of private investors. In 2010, the government thus established the Ethiopian Sugar Corporation, tasked with turning Ethiopia from a net importer of this basic (and regularly rationed) commodity into a leading exporter. The company, which was given a high political profile, subsequently announced plans to grow sugar cane on more than 150,000 hectares of irrigated land and build ten refinery plants in different parts of the country at a cost of close to US\$ 5 billion.⁹⁰ Two years later, similar plans were announced for the fertiliser sector. An Ethiopian Chemical Industry Corporation was set up under the supervision of the MoI, declaring its intentions to spend more than US\$ 2.5 billion on the construction of five fertiliser factories near a major coal deposit in Western Oromia.⁹¹

With capital endowments of several billion birr each, the newly established corporations were on par with the largest of the existing parastatals and well above the reach of the private competition.⁹² To shorten the managerial chain of command, they were also established outside the purview of the Privatisation and Public Enterprises Supervision Agency (much to the latter's chagrin), and made directly accountable to the prime minister or the relevant line ministry.⁹³ Their boards, on the other hand, were dominated by senior party leaders without an industry background: Hailemariam Desalegn (SEPDM, government chief whip) became chairman of the Railway Corporation, for example, while Abay Tsehaye (TPLF, adviser in the PMO) was appointed to head the

⁹⁰ "Ethiopia building 10 new sugar plants to become leading exporter," *Bloomberg*, September 13, 2011.

⁹¹ "MetEC & PPESA seal 55.4 bln birr fertilizer deal," *Capital*, May 20, 2012.

⁹² Information on the authorised and paid-up capital of the state enterprises established between 2007 and 2012 is listed in the respective Council of Ministers' Regulations in the *Negarit Gazeta*.

⁹³ Senior PPESA official, interviewed by the author in Addis Ababa on June 25, 2015.

board of the Sugar Corporation. An additional level of supervision was created with the establishment of advisory positions for ‘plan execution and monitoring’ (at the level of state minister) within the PMO.

Companies under the EFFORT endowment, too, became involved in realising the new mega-projects. Cement from EFFORT’s Messebo plant came to be used in the construction of the Renaissance Dam as well as the Gibe III dam in South Omo.⁹⁴ Mesfin Industrial Engineering was contracted by the Sugar Corporation to provide boilers and other industrial equipment worth over 3 billion birr for the new plantations; it also became involved in the new railway sector, and in the establishment of the industrial zones.⁹⁵ SUR, Ethiopia’s largest construction firm by far, accumulated a portfolio of projects in excess of 10 billion birr by the end of 2012, with assignments ranging from road and airport construction to hydroelectric works.⁹⁶ The company restricted its bids to public tenders worth one billion birr or more, thus reducing its competition with local firms and taking on the dominant Chinese state contractors instead. A number of smaller companies were sold off while EFFORT’s philanthropic wing was separated from its investment centre, as the endowment’s management – led by Meles’ wife, Azeb Mesfin, after 2009 – turned its attention to bigger things.⁹⁷

Chief among the newly established companies, however, with an authorised capital of more than US\$ 1 billion, was the Metals and Engineering Corporation (METEC). Established in 2010, METEC represented an attempt to leverage the capacity of Ethiopia’s

⁹⁴ “Messebo introduces fourth product,” *Capital*, December 30, 2012.

⁹⁵ Senior manager at Mesfin Industrial Engineering, interviewed by the author in Mekelle on July 15, 2013.

⁹⁶ Interview with senior manager at SUR Construction.

⁹⁷ Interview with EFFORT management.

armed forces – their technical expertise, organisational discipline, and dedication to the EPRDF and its political agenda – for the sake of industrial transformation, and to rebrand the Ethiopian military as a ‘developmental’ one.⁹⁸ While legally a public enterprise like any other, its close and symbiotic ties with the armed forces were immediately evident. METEC grew out of a national military-industrial complex which predated the EPRDF, and the production of military materiel remained a core activity. Its board of directors was chaired by the minister of defence, with the chief of staff of the armed forces as one of the members.⁹⁹ The company’s CEO was a high-ranking officer, and 80 percent of his managerial team were seconded from (and paid through) the armed forces. A significant number of them were engineers trained at the Defence Engineering College, an institution which by 2012 graduated more than 500 undergraduate and 100 postgraduate students per year.¹⁰⁰

In the push for economic transformation, METEC was assigned a triple role. First, it took a key stake in the construction of infrastructural and industrial mega-projects, acting as the primary contractor for engineering works on the Renaissance Dam, leading the establishment of the sugar and fertiliser factories, and assembling the carriages for the new national railway system.¹⁰¹ Second, it engaged in import substitution, with subsidiaries manufacturing everything from AK-47s to household furniture, from duffel bags to city buses, and from solar panels to light aircraft.¹⁰² When METEC was established in 2010, it

⁹⁸ Lealem, “Military Business in Ethiopia.”

⁹⁹ METEC spokesperson, interviewed by the author in Addis Ababa on January 28, 2014.

¹⁰⁰ Lealem, “Military Business in Ethiopia,” 65.

¹⁰¹ See “Metal & Eng Corp subcontracts major national works,” *Fortune*, March 25, 2012; “METEC manufacturing railcars for Ethiopia’s railways,” *Ethiopian News Agency*, March 7, 2015.

¹⁰² Promotional materials from METEC subsidiaries, collected at the ‘Army Day’ exhibition in Addis Ababa on February 12, 2013.

thus operated close to 100 factories and workshops across 15 sub-industries, employing a total of 7,000 staff; by 2014, this figure had doubled to about 14,000.¹⁰³ Third, and perhaps most importantly, METEC was seen as the main catalyst for technology transfer; according to a spokesperson, what the company produces was secondary as long as it acted as a “risk taker” in opening up new markets.¹⁰⁴ To this end, METEC began to train and subcontract to smaller domestic businesses, and it initiated joint ventures with major foreign companies. It also began to buy and relocate entire industrial establishments from abroad: by the end of 2012, it was in negotiations about the acquisition of ten factories from India and China.¹⁰⁵

Critics called the creation of the new military-industrial complex “more than dangerous” and likened it to the creation of a “state within a state.”¹⁰⁶ However, these critiques were largely restricted to private conversation or foreign opposition media: when METEC’s establishment became known, there was very little public outcry. This was symptomatic of a general change in public discourse about the economic agenda of the EPRDF. Before 2005, when the instruments of the ‘developmental state’ were still in their inception phase, there had been a very vocal condemnation of the state-led model of development in certain quarters. A few years later, when the state’s role in the economy had been expanded, new public enterprises established and the endowment firms been given major public contracts, critical voices had become much more quiet. The

¹⁰³ Interview with METEC spokesperson; Lealem, “Military Business in Ethiopia,” 87.

¹⁰⁴ Interview with METEC spokesperson.

¹⁰⁵ “METEC to buy 10 industries from Asia,” *Capital*, June 3, 2013.

¹⁰⁶ Senior research at Institute for Security Studies, interviewed by the author in Addis Ababa on February 19, 2013.

reconsolidation of political power by the EPRDF thus facilitated the forging of a closer economic nexus between state, party, and now the military.

Financing Transformation

The new focus on infrastructural and industrial mega-projects called for a substantial increase in public spending. During the PASDEP years, the government budget had soared. The advent of the GTP signified another quantum leap: even the base case scenario demanded government expenditure of 690 billion birr over five years, ten times the government's annual revenue at the time, plus an additional 570 billion birr in off-budget expenses for the expansion of state-owned enterprises.¹⁰⁷ To rise to this challenge, the Ethiopian government introduced monetary, financial, and tax policies which defied orthodox advice and instead drew on the state's capacity to mobilise and coerce – “[r]esource mobilisation requires social mobilisation,” as Arkebe Oqubay aptly summed up the general attitude.¹⁰⁸

First, the EPRDF government adopted an expansive monetary stance which prioritised public investment spending at the cost of domestic savers and consumers. Although it had resisted such measures in the past, the instruments for monetary activism were in place: the board of the National Bank of Ethiopia (NBE) was appointed by the prime minister, and its governor was a member of the central committee of SEPDM. Commercial banks were instructed to set interest rates between 4 and 5 percent

¹⁰⁷ MoFED, “Growth and Transformation Plan,” 38-40.

¹⁰⁸ Arkebe, “Made in Africa,” 65.

throughout 2005-2012, and thus at a negative level in real terms.¹⁰⁹ This policy of keeping interests artificially low – which Woo-Cumings has referred to as “financial repression”¹¹⁰ – further depleted private savings, while making cheap central bank money available for government spending.

The inevitable result was a rise in inflation. The EPRDF had been celebrated for keeping the inflation rate at single digits during the difficult transitional years of the 1990s; now, year-on-year inflation rose significantly, reaching a peak of 64 percent in 2008 before spiking again in 2010/11. The soaring inflation manifested itself in a price hike for basic consumer goods. The government publicly blamed traders for the rise in consumer prices and began to ‘discipline’ this segment of the business community. In 2010, a revision of the trade law thus imposed severe penalties for fomenting “artificial inflation.”¹¹¹ Shortly after, the government introduced price caps for 18 basic consumer goods, both imported and domestically produced.¹¹² The intervention was poorly thought-through: prices for certain foodstuffs, such as sugar or cooking oil, were set below the level of cost, and shortages began to develop immediately.¹¹³ After threatening local traders to open the wholetrade sector to foreign competition – a scenario which Meles likened to “a rat facing an elephant”¹¹⁴ – the government took things into its own hands instead. It started importing large quantities of food and selling them through ETfruit branches and *kebele*

¹⁰⁹ Admassu Bezabeh and Asayeghn Desta, “Banking Sector Reform in Ethiopia,” *International Journal of Business and Commerce* 3, no. 8 (2014), 35.

¹¹⁰ Woo-Cumings, “Introduction,” 17.

¹¹¹ “Businesses, state fail to connect,” *Fortune*, March 20, 2011.

¹¹² “Price control is here to stay!,” *Capital*, January 16, 2011.

¹¹³ “Inflation, shortage warrant liberalizing wholesale market,” *Fortune*, November 20, 2011.

¹¹⁴ “Fighting back,” *Capital*, January 9, 2011.

shops. With support from the consulting firm AT Kearney, it then began preparations for a new state-owned wholesale trading enterprise.¹¹⁵

Secondly, new financial policies strengthened the position of public banks while also channelling a greater share of private lending towards public entities. A Financial Enterprises Supervision Agency, accountable to the prime minister, was set up in 2005 to oversee the conversion of the underperforming Commercial and Development Banks into “policy banks” more in line with government ambitions.¹¹⁶ The capital base of the DBE was thus expanded and its portfolio directed towards manufacturing ventures in strategic industries; by 2012, more than 80 percent of its loans were disbursed to projects in the textile, cement and sugar sectors.¹¹⁷ The CBE was brought under the chairmanship of senior party leaders – Abay Tsehaye in 2007, then Bereket Simon in 2011 – and underwent similar restructuring.¹¹⁸ It reduced its lending to local traders in favour of exporters and industrialists; similarly, the CBE also expanded its financing of state-owned enterprises, buying up bonds worth close to US\$ 3 billion from the power company EEPCO alone.¹¹⁹

At the same time, the EPRDF government took steps to funnel an increasing share of private-sector money to state institutions. The most drastic measure occurred in early 2011, when an NBE directive obliged private commercial banks to invest 27 percent of all new loans disbursed in 5-year NBE bills, with the proceeds going to the Development

¹¹⁵ The company, named ‘Alle’ (“there is”), opened its first warehouses in 2014. Senior economist at the Ethiopian Development Research Institute, interviewed by the author in Addis Ababa on February 4, 2014.

¹¹⁶ Arkebe, “Made in Africa,” 87.

¹¹⁷ *Ibid.*, 85.

¹¹⁸ “PM’s office appoints Abay Tsehaye as CBE chair,” *Fortune*, February 4, 2007; “Bereket replaces Abay as CBE’s board chairman,” *Fortune*, February 6, 2011.

¹¹⁹ See Getnet Alemu, “Financial Inclusion, Regulation and Inclusive Growth in Ethiopia” (working paper 408, Overseas Development Institute, London, November 2014), 29.

Bank.¹²⁰ The NBE bills not only cost the banks money – at a nominal 3 percent, their real interest rate was negative – they also limited the lending capacity of private institutions. Worse still, the amount of NBE bills in their portfolio was set to increase with time, as the maturity of their loans was typically much shorter than five years. To the frustration of the private banks, the CBE was exempted from the rule.¹²¹ As a consequence, the private sector’s share of total loan disbursement dropped from 81.7 percent in 2005 to 54.1 percent in 2012, and to a new low of 21 percent the following year. The amount loaned to public enterprises increased more than sevenfold during the same period.¹²² Private-sector financing was further restrained by the fact that a large proportion of the DBE’s loan portfolio was taken up by two major groups of companies, the endowments as well as MIDROC and its subsidiaries.¹²³

Finally, the EPRDF government overhauled the national tax system, combining fundamental technical reforms with elements of mobilisation and enforcement. Its ambitious public spending programme sat uneasily with the fact that Ethiopia’s tax rate – the ratio of tax revenue to GDP – was among the lowest on the continent, and the government was eager to capture a greater share of national production.¹²⁴ To bundle responsibilities, it set up the Ethiopian Revenue and Customs Authority (ERCA) in 2008 by merging the Ministry of Revenues with the different agencies under it. Over the following years, ERCA supervised the computerisation of the national tax system,

¹²⁰ Ibid., 28-29.

¹²¹ Chairperson of Ethiopian private bank, interviewed by the author in Addis Ababa on June 24, 2013.

¹²² NBE data, cited in Getnet, “Financial Inclusion,” 11.

¹²³ Interview with senior IMF official.

¹²⁴ Derk Bienen, Dan Ciuriak, and Tadele Ferede, “Financing Ethiopia’s Development: Confronting the Gap between Ambition and Means,” *Ethiopian Journal of Economics* 22, no. 3 (2015), 18.

introduced personalised tax identification numbers (TINs), and mandated the use of sales registers in larger businesses.¹²⁵ Cognisant of the fact that the bulk of the national tax revenue – seventy percent – came from less than one thousand businesses, ERCA also established a dedicated Large Taxpayers Office to improve corporate compliance.¹²⁶ As a consequence, government income rose rapidly, from just over 11 billion birr in 2006 to more than 80 billion birr in 2012.¹²⁷

However, the boost in tax revenue was not merely the result of technical reforms. Businesspeople soon protested against overzealous tax collectors, unclear regulations, preferential treatment for politically connected businesses, and the arbitrary introduction of additional duties; “it is becoming safer to simply sit than to work,” one businessman complained to the government, as scores of others were sent to jail for tax evasion.¹²⁸ The prime minister did not calm the spirits when he reminded the business community that “[t]hieves are treated harshly in this country,” or announced that he would “cut [off] the hands” of coffee exporters who were holding on to their stock in the hope of better prices.¹²⁹ Meanwhile, the government also relied on the *kebele* structures to educate citizens about their duties as taxpayers, and to mobilise them to pay their dues. The launch of a special government bond to raise money for the Renaissance Dam, while not technically a tax, followed a similar logic: members of EPRDF and the civil service were mobilised to

¹²⁵ Ibid., 14.

¹²⁶ “Minority pays the most tax,” *Capital*, January 29, 2012.

¹²⁷ Arkebe, “Made in Africa,” 66-67.

¹²⁸ “You are destroying us,” *Capital*, August 29, 2010.

¹²⁹ “Meles blasts coffee exporters,” *Capital*, January 25, 2009.

forfeit part of their income in return for a long-term investment that carried little (and in most cases, no) interest.¹³⁰

Taken together, all of these measures allowed the Ethiopian government to raise domestic resources on an unprecedented scale. Nevertheless, the results fell short of expectations. Sales of the Renaissance bond were “disappointing,” particularly in the diaspora;¹³¹ tax revenue remained below the projected threshold; rising inflation required a return to monetary restraint; and public-sector financing left the private sector woefully short of funds.¹³² Foreign capital – rising development aid, a gradual increase in sovereign debt, and direct borrowing by state enterprises – reduced the funding gap without closing it. Ethiopia’s paradoxical situation as a “vegetarian tiger,” with a voracious appetite but little to feed on, remained a drag on implementing GTP projects in a timely manner, and led to new calls for a gradual opening of the country’s financial and capital markets.¹³³

A New Social Contract?

The convergence of the hegemonic developmentalism propagated by a revitalised party and the heavy state investment under its agenda of national transformation kindled a kind of new social contract between the Ethiopian state and people, or at least a qualitative shift in the relationship between government and governed. The final section of the chapter

¹³⁰ Clapham and Mills, “Ethiopia’s Compelling Rise,” 4.

¹³¹ External consultant in the Ministry of Foreign Affairs, interviewed by the author in Addis Ababa on July 22, 2013.

¹³² In 2012, the number of Ethiopian businesses citing ‘access to finance’ as their primary constraint was twice as high as the continental average. World Bank data cited in Tom Keatinge, “The Role of Public and Private Sector Banking in Ethiopia’s Future Economic Growth” (policy brief, Global Center on Cooperative Security, Washington DC, September 2014), 2.

¹³³ “Limiting financial institutions deprives potential tiger of meat,” *Fortune*, October 24, 2010.

takes a closer look at the elements of this arrangement. Between 2005 and 2012, it shows, ‘mobilisation for development’ became an explicit expectation of the Ethiopian state vis-à-vis its subjects. Structures of conscription and participation were extended, from the introduction of the ‘model farmers’ scheme to the increased importance accorded to mass organisations, culminating in the idea of a popular ‘developmental army’ deployed against the indignities of economic backwardness. The state, on the other hand, committed to an unprecedented expansion of basic services and to the provision of tangible benefits for a majority of people, backed by promises of ‘good governance’ that hinged primarily on bureaucratic professionalism and performance. Under the leadership of the party, the processes of state- and market-building became more closely integrated; the result was a greater stabilisation of the EPRDF’s government than had existed at any other time after 1991.

Mobilisation for Development

The relationship between the Ethiopian ‘developmental state’ and its population that began to emerge after 2005 went well beyond a simple trade-off between political and economic rights: people were not rewarded for their apathy, but constantly called upon to take action. Just as the theory of developmentalism had to be made hegemonic, the thinking went, so the practice of development had to be a collective endeavour. The account given in this regard by a former cabinet member is worth citing at length:

Development is the work of the people. It is not the work of the elite [...]. And so the role of the leaders is to help them understand what the ABCs of development are. How they do it. To empower them. Once you empower them, it becomes so tasty. It becomes so sweet. They follow it. They innovate.

They enrich it. And that's what's happening in Ethiopia, every day, everywhere. People are surprised, because it is the work of millions of people, not a few elites. It is the work of millions. [...] You don't have to be elected to take action. You take it as duty-bound. [...] And the participation starts at the household level, it does not start at the community level, some abstract community. No, at the household level.¹³⁴

Under this arrangement, it was no longer enough to abstain from attitudes or activities that were considered 'anti-developmental;' people were expected to make an active effort to promote the national transformation agenda. "I asked them, 'Is being a citizen or an Ethiopian not enough to work in this country?,'" one participant in a publicly-mandated political training thus queried in 2009; "[t]hey told me it is not enough."¹³⁵ Not political acquiescence but mobilisation for development, within the structures defined by the state, had become the people's side of the new social deal. The emphasis on social mobilisation was not new to the EPRDF, of course. It had been the pivot of the TPLF's liberation struggle, and had never entirely disappeared from the party's ideological radar. What changed after 2005, however, was that the idea moved to the centre of the stage again, and that new efforts were undertaken to enrol people in mass organisations and programmes. This resulted in new forms of "encadrement," as Fantini puts it,¹³⁶ with citizens tied into state structures for popular participation in developmental campaigns – *zemecha* in Amharic, a term that carries the same military connotation as its English equivalent.

The first such initiative was the 'model farmer' campaign in the rural areas.¹³⁷ Under this programme, villages were divided into cells, with a 'model' farmer at the centre whose

¹³⁴ Interview with former member of TPLF central committee.

¹³⁵ Human Rights Watch, *Development Without Freedom*, 51

¹³⁶ Emanuele Fantini, "Developmental state, economic transformation and social diversification in Ethiopia" (ISPI Note 163, Italian Institute for International Political Studies, Rome, March 2013), 5.

¹³⁷ See Kaatje Seegers et al., "Be Like Bees: The Politics of Mobilizing Farmers for Development in Tigray, Ethiopia," *African Affairs* 108, no. 430 (2009); Abeje Berhanu and Ezana Amdework, *Peasant*

work exemplified best practices, and a small number of 'peers' instructed to emulate them. Initial experiments with the model-farmer concept were made in the early 2000s, but the campaign was not fully rolled out until later. Lefort, who witnessed the establishment of the new structure in Amhara state, writes that the "recruitment drive for model farmers was essentially carried out in the autumn of 2005, at the launching of the regime's nationwide recovery strategy."¹³⁸ Unsurprisingly, political considerations played an important role in the process. Officially, the selection of model farmers was made by the local *kebele* leadership, taking into account an individual's commercial success and his or her standing as a citizen and member of the community.¹³⁹ In reality, political affiliation seems to have carried at least equal weight, particularly in areas that had voted for the opposition: most 'model' farmers were members of the ruling party, and in some instances they did not farm at all.¹⁴⁰ Conversely, demonstrating enthusiasm for the programme and the practices it introduced became seen as "an effective way for politically ambitious farmers to secure representative positions."¹⁴¹

However, it seems that performance criteria became more important over time, particularly once the EPRDF had consolidated its political control over the rural areas. 'Model' farmers who were particularly unfit for the role were dismissed and replaced by more suitable candidates. Regular performance reviews – an exercise in public criticism and self-criticism similar to the party's *gemgema* tradition – were instituted at the *kebele*

Entrepreneurship and Rural Poverty Reduction: The Case of Model Farmers in Bure Woreda, West Gojjam Zone (Addis Ababa: Forum for Social Studies, 2011); and René Lefort, "The Case of the 'Model Farmers.'"

¹³⁸ Lefort, "The Case of the 'Model Farmers'," 689.

¹³⁹ Abeje and Ezana, *Peasant Entrepreneurship*, 13.

¹⁴⁰ *Ibid.*, 14; Lefort, "The Case of the 'Model Farmers,'" 689.

¹⁴¹ Seegers et al., "Be Like Bees," 109.

level.¹⁴² The initiative's potential to organise rural constituencies came increasingly to the fore: the model-farmer network provided state agencies with a new channel for communicating its message to the grassroots level, and it represented a convenient means to mobilise farmers for local development campaigns – such as terracing fields or improving roads – that had previously relied on volunteer labour.¹⁴³ At the same time, it afforded the government with a considerable degree of influence over the processes of capital accumulation and social diversification in the rural areas; by focusing material, financial and extension support on a select constituency of farmers, the programme helped set the pace for the commercialisation of smallholder agriculture.

Over the coming years, and increasingly after 2010, the principle of group-based mobilisation was translated into a wider 'developmental army' campaign. While the term is at times used broadly to refer to the revolutionary-democratic camp, in its narrow definition it refers to a system of extremely localised governance. Also known as the '1-to-5' structure (although actual numbers vary), it brings a 'model' individual together with a group of 'followers' expected to learn from his or her behaviour. Through the developmental army method – a unique amalgamation of socialist party cells, East Asian productivity techniques like kaizen, and "the discipline of an army"¹⁴⁴ – government policies can be implemented and monitored not just at the *woreda* or *kebele* level, but at the level of individual households. By selecting successful "beneficiaries of the system" as role

¹⁴² Ibid., 103-104.

¹⁴³ Lefort, "The Case of the 'Model Farmers,'" 693-4.

¹⁴⁴ Member of EPRDF cabinet, cited in "Ethiopia's model families hailed as agents of social transformation," *The Guardian*, January 9, 2014.

models and encouraging them to join the party, the method also furthers the identification of government policy and party allegiance with economic and social advancement.¹⁴⁵

The 1-to-5 logic was gradually employed to implement policy and mobilise people across a wide range of sectors and activities. In the field of public health, “model families” were identified to spread the word about vaccinations, hygiene, and the value of family planning.¹⁴⁶ Youth entrepreneurship programmes were structured around ‘models’ and ‘followers,’ while managers of endowment companies also described themselves as part of a “developmental army.”¹⁴⁷ In higher education, students were instructed to form “teams” – thousands of them in the larger institutions – in order to evaluate each other’s work and report to the university administration.¹⁴⁸ Even in certain primary schools the structure was introduced, with tables arranged in a 1-to-5 system.¹⁴⁹ The idea culminated in the notion of an ‘electoral army,’ as individual members of the EPRDF were asked to each mobilise a certain number of voters on election day.¹⁵⁰

Service Delivery and ‘Good Governance’

As a flipside of the increasing exhortations to mobilise for national development, the Ethiopian state committed to spreading the benefits of economic growth by expanding

¹⁴⁵ Interview with senior official in EPRDF Secretariat.

¹⁴⁶ Ibid.

¹⁴⁷ Interview with general manager of EFFORT subsidiary.

¹⁴⁸ “Institutional transformation [directorate] holds education change army program,” Arba Minch University, accessed October 31, 2015, http://www.amu.edu.et/index.php?option=com_content&view=article&id=398:institutional-transformation-holds-education-change-army-program.

¹⁴⁹ Development worker, interviewed by the author in Addis Ababa on March 4, 2013.

¹⁵⁰ For the 2010 federal elections, Di Nunzio, “Do Not Cross the Red Line,” 13.

access to public services on a massive scale. Social spending – much of the latter funded through the multi-donor Protection of Basic Services programme – rose rapidly during the years of 2005 – 2012. Government expenditure on healthcare more than tripled, from US\$ 2.2 billion to US\$ 7.1 billion per year, while education spending soared from less than US\$ 800 million to over US\$ 2 billion.¹⁵¹ The effects were not limited to a particular part of the country: according to a World Bank survey, the percentage of urban *woredas* providing access to the full range of public services increased from 25 to 88; in the rural districts, the rate rose from 77 to 94 percent.¹⁵² The pace of economic growth certainly varied between regions and social groups, but the rapid growth of social spending and investment in public infrastructure allowed a majority of Ethiopians to reap at least some of its rewards.

With the expansion of basic services came the promise of ‘good governance.’ As discussed in the opening section of this chapter, the EPRDF had interpreted the electoral setback of 2005 as a popular reminder that its government had failed to fully deliver on its promises, and had vowed to make amends. The question of governance was brought to the fore, both in government communications and the party’s internal debates. From now on, the assurance was, public administrators would act as effective gatekeepers between the people and state institutions: delivering services in a competent and reliable manner, refraining from any abuse of position, and accountable where they failed to do so. Major new government strategies, such as the Urban Development Policy or the Growth and Transformation Plan, came to include dedicated chapters on ‘good governance’ measures. Measures were introduced to streamline administrative processes, institute complaints

¹⁵¹ World Bank, “World Development Indicators.”

¹⁵² World Bank, *Building the Developmental State*, 14.

procedures, provide for public consultations, and curb corrupt practices. State institutions not only increased the scope of what they did, but also reviewed the ways it went about them.

The new emphasis on ‘good governance’ led to an intensification of the civil service reform programme initiated in 2003, which envisaged a general upgrading and modernisation of administrative processes. In several important respects, however, new measures went further, targeting not just the capacity of public administrators but their role as intermediaries between state and people. One such initiative was the further devolution of governance structures. New levels of public organisation below the *kebele* were rolled out across large parts of the country; the ‘government group’ (*mengistawi budin*), comprising up to 50 households, and the ‘development group’ (*lemat budin*, 10-15 households) were established to oversee the distribution of aid, extension work and the mobilisation for development campaigns.¹⁵³ The new position of *kebele* manager was introduced to co-ordinate public works at the village or neighbourhood level, and more than 10,000 *kebele* managers were hired within a few years.¹⁵⁴ As a full-time, paid civil servant, the *kebele* manager replaced the elected members of the *kebele* committee as the main point of contact with the state. At the same time, more than 8,000 social courts were established at the local level to settle minor disputes; overall, the number of paid public officials doubled from about 400,000 in 2005 to 870,000 in 2010.¹⁵⁵

As a second measure, the EPRDF revived Ethiopia’s mass-based associations and raised their profile as the main instance for government accountability. After the 2009 civil

¹⁵³ Markakis, *The Last Two Frontiers*, 247.

¹⁵⁴ World Bank, *Building the Developmental State*, 19.

¹⁵⁵ World Bank, *Building the Developmental State*, 1.

society law, only membership-based organisations such as women's, youth, and professional associations were allowed to freely and "actively participate in the process of strengthening democratization and election [sic]."¹⁵⁶ The Growth and Transformation Plan further emphasised this role, singling out "community-based organizations" as the main channel to "expand democracy and good governance."¹⁵⁷ Mass associations were effectively encouraged to fill the void left by the culling of local NGOs; they thus increasingly engaged in election observation and political education, and began to take on (non-voting) seats on local councils.¹⁵⁸ However, their new prominence belied an often weak organisational base. One study found that among many associations, only a fraction of official members were active and paying their dues, leaving state subsidies as the main source of income. As a result, the organisations found "themselves, perhaps inadvertently, under the oversight of the concerned government bodies, which tend to view them as their executive arms rather than independent entities."¹⁵⁹

Finally, the concept of a 'change army' (*yelewit serawit*) was introduced around 2010, and later rolled out across a range of federal and regional institutions under the coordination of the Ministry of Civil Service.¹⁶⁰ It was designed as a tool to measure and improve administrative performance through group-based evaluations – or, in rather more dramatic terms, to turn civil servants into "a stand-by military army [that] is ready

¹⁵⁶ "Charities and Societies Proclamation," paragraph 57.

¹⁵⁷ MoFED, *Growth and Transformation Plan*, 98.

¹⁵⁸ Ezana Amdwork and Ayalew Gebre, *Mass Based Societies in Ethiopia: Prospects and Challenges* (Addis Ababa: Forum for Social Studies, 2012), 31-35.

¹⁵⁹ *Ibid.*, 46.

¹⁶⁰ Official in Ministry of Civil Service, interviewed by the author in Addis Ababa on June 11, 2015.

to win a battle.”¹⁶¹ Members of the ‘change army’ were expected to self-evaluate daily, and to attend team evaluation meetings on a weekly basis.¹⁶² The majority of teams was organised within departments, with department heads as the ‘ones’ and strict upward reporting to the top of the organisation. The structure of the initiative thus mirrored the ‘1-to-5’ logic of the ‘developmental army’ campaign. In fact, the two were considered as two ‘wings’ – one administrative, one public – whose cooperation would enable improved service delivery and accountability. Civil servants in the ‘change army’ of the Ministry of Education were thus expected to consult with their counterparts in the ‘development army’ of students’ and teachers’ associations, and to jointly mobilise for the development of a better national education system.¹⁶³

As a result of these initiatives, the relationship between government and governed continued to evolve. The EPRDF, in its own language, described the measures as part of an agenda to promote ‘democracy’ and ‘good governance.’ From a liberal perspective, of course, they were anything but that. Nevertheless, this terminology was not merely used to placate donors or distract from existing deficiencies: it was actively re-appropriated to fit with the party’s vanguard line of thinking. When Abay Tsehaye referred to Ethiopian democracy as being “in full swing,” he was not talking about robust multi-party competition, but about the EPRDF’s commitment to improve local administrations “by replacing inefficient ones with those recommended by the people after transparent

¹⁶¹ Gebre Miruts and Nigussie Daba, “Change army: the new face of modernizing civil service in Ethiopia” (presentation given at the Ethiopian Civil Service University, Addis Ababa, July 2015), 21.

¹⁶² *Ibid.*, 25. According to a survey cited in the presentation, 90 percent of civil servants declared to attend at least one weekly ‘change army’ evaluation meeting.

¹⁶³ Interview with official in Ministry of Civil Service.

evaluation.”¹⁶⁴ In a similar vein, Meles pointed out that “[g]ood governance means public participation,” and that “there is a favourable condition in rural areas for good governance because the people there are actively participating in an organized manner in development efforts.”¹⁶⁵ What both of them described was the return to a direct ‘coalition with the people,’ one that renounced political pluralism and bureaucratic autonomy in the name of popular mobilisation through localised state structures and a strong ethos of top-down administrative accountability.

State-building, Market-building, and the Quest for Legitimacy

Capital and coercion, the massive expansion of public investment and the return to a ‘vanguard’ mode of governance, thus coalesced into the “single-minded pursuit of accelerated development” which, according to Meles, represented the “motive and source of legitimacy” of a development-minded state.¹⁶⁶ The years leading up to 2012 were indeed characterised by a degree of political stability that had not been the norm in previous decades, and which could not be explained with reference to the EPRDF’s return to a more uncompromising authoritarianism. For a regime that had acceded to power among very real concerns of national disintegration, this was no mean feat:

‘Where is development? In Mekelle only,’ they would say in those early days. Development only exists in Tigray, in Mekelle. And then they started saying, ‘no, now it’s in Addis Ababa only.’ And then they said, ‘no, it’s in Adama.’ They lost the case. Because it’s not only in Adama, it’s in Jijiga, it’s in Gode, it’s in Gambella, it’s everywhere. So development - everywhere. And

¹⁶⁴ “‘The truth is that democracy in Ethiopia is in full swing’ – Ato Abay Tsehaye,” *Ethiopian Herald*, May 28, 2006.

¹⁶⁵ “‘There is fertile ground for radical change and good governance in rural areas’ – Prime Minister Meles,” *Ethiopian Herald*, September 17, 2008.

¹⁶⁶ Meles Zenawi, “States and Markets,” 169.

development is the property of the people, everywhere, without discrimination.¹⁶⁷

The viability of this new, 'developmental' mode of governance was rooted in a symbiotic relationship between the management of rents and state-society relations. Market-building and state-building became parallel and mutually supportive processes. On the one hand, the creation and expansion of markets contributed to the strengthening of the EPRDF state. Rural regions and low-income households which had previously remained outside formal market structures now became active participants, as state enterprises expanded their offering towards them. For these new 'citizen-consumers,' the consumption of goods and services provided through the public sector became perhaps the most tangible form of interacting with the state: subjects also became beneficiaries.

One example was the construction of low-income housing through a state-sponsored condominium scheme. Between 2005 and 2010, more than 170,000 housing units across the country were made available through local lotteries, making home ownership accessible to a large number of people who would not have been able to afford it in the private market.¹⁶⁸ Prospective condominium owners were in turn required to open an account with the state-owned Commercial Bank, further entrenching the latter's dominance in the domestic financial sector: between 2010 and 2012 alone, the CBE added more than 300 new offices, more than doubling the number it had acquired over the previous 65 years.¹⁶⁹ Similarly, Ethio Telecom used its monopoly to invest revenue from the lucrative urban market in the extension of its network to previously unserved parts of

¹⁶⁷ Interview with former member of TPLF central committee.

¹⁶⁸ See UN Habitat, *Condominium Housing in Ethiopia: The Integrated Housing Development Programme* (Nairobi: UN Habitat, 2011).

¹⁶⁹ "New premier vouches for a strong economy," *Capital*, October 21, 2012.

the country. In so doing, it not only integrated millions of rural Ethiopians into the market for mobile communication, but also promoted its agenda of rural empowerment and an equal pace of development. The low-cost phones Ethio Telecom sold to this new group of users, moreover, were assembled domestically by Tana Communication, a company part-owned by the ANDM's Tired endowment.¹⁷⁰

In the same vein, state-building measures also facilitated the emergence and growth of markets. The extension of governance structures at the local level allowed for a rapid scaling-up of 'best practices' which affected patterns of consumption or production; as a consequence, new markets were established and existing ones expanded. The model farmer initiative, for example, provided new momentum to the development of the Ethiopian fertiliser market. The use of fertiliser was one of the methods promoted as part of the campaign, and 'model' farmers were given privileged access to agricultural inputs.¹⁷¹ Through this kind of peer-to-peer learning, the use of chemical fertilisers was scheduled to double from 830,000 tons to 1.66 million tons under the Growth and Transformation Plan.¹⁷² This increase was in turn expected to foster the creation of a domestic fertiliser industry, spearheaded by the Ethiopian Chemical Industry Corporation. In the urban areas, at the same time, the promotion of youth entrepreneurship programmes resulted in the formalisation of the urban transportation sector. Minibus touting and issuing parking tickets, typically informal activities, were given full recognition by the local authorities through the establishment of cooperatives

¹⁷⁰ "Amharic mobiles – made in Ethiopia," *African Business Magazine*, February 19, 2012.

¹⁷¹ Lefort, "The Case of the 'Model Farmers,'" 691.

¹⁷² MoFED, "Growth and Transformation Plan," 45-47.

and ‘associations of private investors’ in the wake of the 2005 elections.¹⁷³ Likewise, the emergence of a small but visible cobblestone industry, with workshops run by youth cooperatives as the main producers and the state as the main buyer, was essentially the product of a job-creation initiative for urban youths.¹⁷⁴

The party remained central to the co-ordination of both processes of state- and market-building. By re-affirming its vanguard role, it was able to shape the relationship between state and people. At the topmost level, the leadership of party and state was largely identical, and party structures served as a means of evaluating and disciplining individual officials. Civil servants across all sectors and regions had become members of the EPRDF and its member organisations. At the local level, the 1-to-5 system served as a way to promote party membership as a natural characteristic of ‘model’ farmers, students, and mothers, while the expansion of governance structures at the *kebele* and *sub-kebele* levels brought the party-state ever closer to the people. At the same time, the EPRDF also remained in control of the levers of economic development. Senior party leaders held all key positions in the formulation and implementation of industrial policy, from the Prime Minister’s Office to the Central Bank and the boards of state enterprises. Development initiatives at the grassroots level were co-ordinated by local party cadres, while the endowment companies took an active part in the realisation of the mega-projects that embodied the vision of economic transformation.

The EPRDF’s leaders were well aware of the crucial role played by the party, and they began to undertake efforts to make this relationship less reliant on individuals. In

¹⁷³ Di Nunzio, “Thugs, Spies, and Vigilantes,” 452-453.

¹⁷⁴ See GIZ, *Making Good Governance Tangible: The Cobblestone Sector of Ethiopia* (Addis Ababa: GIZ, 2012).

2009, the EPRDF therefore announced an agenda of organisational rejuvenation which called for the gradual replacement of its current leadership by 2015 and prepared the accession (*metekakat*) of a new generation to the top rungs of party and state. A retirement age for party leaders was introduced and set to 65 years; the plan also appeared to stipulate an unofficial two-term limit for the office of prime minister, although this rule was not publicly acknowledged.¹⁷⁵ At the 2010 party congresses a number of senior leaders – Seyoum Mesfin, Abay Tsehaye, Arkebe Ouqbay, all of them veterans of the liberation struggle – left their positions on the TPLF politburo and EPRDF executive committee to be replaced by lesser-known cadres. In the armed forces, too, more than a dozen former TPLF generals were retired.¹⁷⁶ Meles himself announced his intention to quit office in time for the 2015 elections to complete the process of “collective transition.”¹⁷⁷ By mid-2012, the EPRDF was thus well under way to institutionalise its mode of governance, and to entrench the relationship of party, state, and market over which it presided.

Conclusion

The sudden death of Meles Zenawi, on August 20, 2012, came as a shock to his supporters and critics alike. His last days in a Belgian hospital, where he succumbed to an unspecified illness, were a matter of speculation. The state funeral that followed, on the other hand, turned into what was probably the most public event the country had ever witnessed, with non-stop television coverage, mourners congregating in the streets across the

¹⁷⁵ See “Transition plus confusion,” *Fortune*, February 3, 2013.

¹⁷⁶ “Ethiopia: Army replaced 13 Generals and 303 Colonels,” *Horn Affairs* (blog), December 23, 2011, <http://hornaffairs.com/en/2011/12/23/ethiopia-army-replaced-13-generals-and-303-colonels>.

¹⁷⁷ “A change is going to come,” *Africa Confidential*, May 15, 2009.

country, and Meles memorabilia on sale everywhere. From a leader who had barely hung on to power in 2001, then been reviled for his handling of the 2005 elections, he had managed to achieve “godlike” status, as *Fortune* remarked in 2010.¹⁷⁸

In the international media, commentaries on Meles’ death mostly followed a common pattern, describing his legacy as “mixed,” “checkered,” or “conflicted.”¹⁷⁹ His two decades of tenure as president, then prime minister of Ethiopia, the argument went, were ‘good’ for the recovery of the post-war economy, as evidenced by Ethiopia’s double-digit growth rates; yet they were ‘bad’ for the country’s political development, as under his leadership Ethiopia had abandoned its journey towards democratisation and reverted to an authoritarian form of government. What these analyses ignored was the fact that, to Meles and the movement he had led from its guerrilla days to the beginning stages of the ‘Ethiopian Renaissance,’ those were two sides of the same coin.¹⁸⁰ Economic transformation, in the EPRDF’s book, relied on strong state leadership and the deliberate management of economic rents; the latter depended, in turn, on the formation of a developmental coalition (or ‘army’) with a strong and dedicated party at the helm. Under the vanguard-capitalist system whose emergence Meles had overseen, politics and the economy were not separate arenas but closely integrated and mutually constitutive.

¹⁷⁸ “EPRDF aims for Chinese model legitimacy not democracy,” *Fortune*, June 6, 2010.

¹⁷⁹ See “Meles Zenawi leaves mixed legacy after 20 years in power,” *Voice of America* (online), August 21, 2012; “Ethiopian Prime Minister Meles Zenawi leaves a checkered legacy,” *The Telegraph*, August 21, 2012; and Maaza Mengiste, “The Conflicted Legacy of Meles Zenawi,” *Granta*, August 30, 2012.

¹⁸⁰ I have made a similar argument in “Meles Zenawi: Afterthoughts,” *Focus on the Horn* (blog), September 5, 2012, <https://focusonthehorn.wordpress.com/2012/09/05/meles-zenawi-afterthoughts>.

In many ways, Meles' final years in power were about closing a circle. Even though the Ethiopian economy had made significant strides in the meantime, there were striking parallels between the forms of governance that characterised the TPLF's armed insurgency in Tigray and those that re-emerged in the wake of the 2005 elections. The EPRDF's predominant concern with economic transformation was framed as a logical continuation of the struggle for liberation, with a concomitant reinterpretation of the role of the 'vanguard' party from a military to an economic one. In this light, it would be reductionist to measure the legacy of Meles in percentage points when it is really a mode of governance: the fusion of market-building and state-building under the leadership of a national 'vanguard' party, geared towards rapid, top-down transformation.

Conclusion

The word 'capitalism' was unknown [in Ethiopia] until the EPRDF came to power.

Sebhat Nega, interview with *Ethio Mehdar*¹

In light of the previous chapters, what should one make of the assertion that the EPRDF brought Ethiopians not just capitalism, but the very notion of it? It is tempting to simply point out the ironies of history this statement illustrates: that a movement whose roots are staunchly Marxist, and whose first public reference to the term 'capitalism' was the declared intent to "crush" it,² would end up claiming the introduction of a capitalist economy as one of its main accomplishments; likewise, that this point was made by a founding member of the movement who went on to chair the board of one of Ethiopia's largest private banks. Yet it should also have become clear by this point that there is more to the picture than the obvious: just as the bank Sebhat chairs is a peculiar one, established by the EPRDF with funds accumulated during its liberation struggle, the economic system that emerged after 1991 is a particular brand of capitalism, and its origins are indeed inextricably linked with the EPRDF.

It is this Ethiopian experience on which the present thesis set out to shed light. In its first chapter, the thesis put forth the argument that Ethiopia's economic transition under

¹ Sebhat's remarks originally appeared in the Amharic weekly *Ethio Mehdar*; an English translation was published in *Fortune's* quotations column on December 8, 2013.

² As seen in chapter 2, the EPRDF's inaugural programme from 1989 proclaimed the movement's goal to "crush the ownership of dependent capitalism." EPRDF, "EPRDF Programme [1989]," 11.

the government of the EPRDF culminated in a system best described as ‘vanguard capitalism,’ an institutional framework which combines the centralising political logic of vanguard party in the Leninist tradition with the expansive logic of capitalist markets. Under this system, a growing number and variety of firms can engage in business, while the state retains a measure of control over the outcomes of their activities; emphasis is given to increasing the capacity and professionalism of the economic bureaucracy, but not its political autonomy; and the formulation of economic policy is characterised by a culture of top-down economic planning, while avoiding the excesses of a command system.

Adopting a historical-institutionalist approach, chapters 2 to 5 then traced the emergence of this new political economy through four distinct periods of time. They showed that the establishment of vanguard capitalism did not follow a linear trajectory but was the product of a fundamental reconstruction of state and market under the EPRDF, two distinct but ultimately complementary processes whose nature and directionality varied significantly over the years. While the administrative and economic institutions built during the wartime years had all been subsumed into the movement’s thrust towards military victory, the structural adjustment reforms of the 1990s led to a gradual differentiation between party and state on the one hand, and state and market on the other. The propagation of an Ethiopian ‘developmental state’ in the early 2000s implied a re-centralisation of rents, yet without a corresponding degree of societal control the party was left vulnerable. After the electoral near-defeat of 2005, the EPRDF thus reclaimed its ‘vanguard’ role, again fusing party, state, and market into a campaign for economic transformation presented as a logical extension of its original struggle for liberation.

The question that remains is the extent to which the Ethiopian experience can be conceptualised as a 'model' of wider significance. The concluding chapter of the thesis will outline an answer to this problem by gradually broadening the focus from Ethiopia to processes of economic transformation in other contexts across Africa. The first section argues that while the institutions of vanguard capitalism have survived the death of Meles, a feat that indicates the resilience of the system as a whole, they originated in an exceptional moment in Ethiopia's history which defies easy generalisations across countries. Section two shows that, although this historical experience cannot simply be reproduced, it is not without parallels either. Governments which grew out of revolutionary or reformist insurgency movements in other parts of Eastern, Central and Southern Africa have similarly left their impression on economic transitions, and their records as 'illiberal market-builders' set them apart from the trajectory of other African countries. Instead of assessing African economies according to a single paradigm of economic development, the final section concludes that it would be more fruitful to embrace the 'varieties of capitalism' that are emerging in Africa, and to recalibrate current research agendas accordingly.

The 'Ethiopian Model' in Perspective

MITI and the Japanese Miracle, Chalmers Johnson's classic study of industrialization in Japan, concludes with a chapter titled "A Japanese Model?," which synthesizes the historical account. Many of the most-cited passages from the book are in this final chapter. However, it had not been included in the original manuscript: Johnson only added it at the insistence of the publishing editor, and much to his initial protest that there was little

to generalise about Japan's experience.³ The anecdote highlights the inevitable trade-off involved in the writing of a case study which traces causal relationships to very specific historical events and actors, but whose main findings resonate beyond the boundaries of the case itself. In this context, the most appropriate answer (though perhaps not the most satisfactory one) to the question of whether Ethiopia's experience can be understood as a generalizable model depends on the definition of the term 'model' itself. The following section will briefly reflect on this matter, arguing that Ethiopia's vanguard capitalism represents a model in the sense of an abstraction, an institutional logic that outlives its architects, but not a template that can easily be transplanted to other countries and contexts.

Ethiopia After Meles

In light of how central Meles was to the architecture of the Ethiopian state and economy, his sudden death inevitably raised doubts about the future viability of these institutions. Foreign observers, not for the first time, saw the EPRDF government on the verge of disintegration. For the *Guardian*, Meles' demise conjured up "the prospect of political turmoil,"⁴ while the *New York Times* opined that "the coming uncertainty" was proof of "the danger of a personality-centric development agenda."⁵ The International Crisis Group predicted that Meles' death would likely result in "a much weaker government, a more influential security apparatus and endangered internal stability," and warned that

³ Chalmers Johnson, "The Developmental State: Odyssey of a Concept," in Woo-Cumings, *The Developmental State*, 39-43.

⁴ "Ethiopian PM Meles Zenawi's death sparks fears of turmoil," *The Guardian*, August 21, 2012.

⁵ "Death of a Strongman," *New York Times*, August 22, 2012.

Ethiopia's political system had "no institutional mechanism to manage a handover of executive responsibilities."⁶

As things turned out, the smooth process of succession that ensued was the strongest indicator yet that the triad of party, state, and market which structured the EPRDF's Ethiopia was firm enough to withstand the departure of even the most influential individual. Against the ICG's admonitions, the transfer of executive power to Meles' deputy in state and party, Hailemariam Desalegn, followed due process and caused little friction. The new prime minister and party chairman was a product of the EPRDF and its political project: a career politician who, as a Southerner and evangelical Christian, had none of the vestiges of traditional power in Ethiopia. There was no disruption to economic activity in the country, either, and Ethiopia's rate of GDP growth rose to double digits again the following year.

Continuity was partly ensured by rallying the country around the legacy of the former prime minister. Banners showing Meles among pictures of factories, highways and power plants went up in town squares across the country, and at the EPRDF's 2013 Congress in Bahir Dar, the memory of Meles was omnipresent.⁷ Nevertheless, the relative stability of post-Meles Ethiopia also implied that the ruling party had been more effective at building institutions than many had given it credit for. While the death of its long-time chairman unquestionably deprived the EPRDF of an intellectual leader, the party's grasp

⁶ International Crisis Group, "Ethiopia After Meles" (Africa Briefing 89, Nairobi/Brussels, August 2012), 1-2.

⁷ Personal observation, Bahir Dar, March 23, 2013. The Congress was officially titled "With the Thoughts of Meles, Stronger Organisation and Development Forces for the Renaissance!"

of the Ethiopian state and economy was not fundamentally altered. In several respects, in fact, it became further entrenched and institutionalised.

Firstly, the party apparatus extended its control over the senior rungs of government after 2012, as Meles' personalised management style gave way to a more collective form of leadership under Hailemariam and a small group of senior party leaders. Instead of one, the new prime minister appointed three deputies in late 2012 – one from each of the three other movements in the EPRDF coalition.⁸ Similarly, the federal Council of Ministers was divided into four thematic clusters; while Hailemariam himself took charge of the security and foreign affairs portfolio, the clusters for economic development, social affairs and 'good governance' were given to ministers from the TPLF, ANDM, and OPDO, respectively.⁹ At the same time, four positions for senior 'policy advisors' with the rank of minister – again, one from each of the EPRDF's member organisations – were created within the prime minister's office. The new posts were filled by some of the most veteran leaders of the Front, such as Abay Tsehaye and Bereket Simon, whose presence was widely interpreted as a way for the party elite to keep a close eye on the new leadership. Later on, this arrangement was formalised through the establishment of the Strategy and Policy Research Centre, a semi-autonomous think tank under the umbrella of the PMO.¹⁰

Secondly, the EPRDF continued to build the 'coalition with the people' which it had sought to renew after the 2005 elections, both inside and outside the electoral arena. The politics of mass mobilisation continued unabated: 'development armies' were expanded

⁸ "Ethiopian prime minister changes cabinet to give ethnic balance," *Bloomberg*, November 29, 2012.

⁹ "A refreshed cabinet!," *Capital*, December 4, 2012.

¹⁰ "Gov't to establish policy advisory office," *Capital*, October 7, 2013.

to new parts of the country, and in late 2014, all students in higher education were required to attend a full two weeks of ‘policy training’ facilitated by veteran party cadres – a first under the EPRDF.¹¹ The Ministry of Civil Service co-ordinated the rollout of the ‘change army’ initiative across a range of new institutions, while the establishment of a ‘Meles Zenawi Academy’ was announced to train the most senior leaders in state and party.¹² In the federal elections of June 2015, the EPRDF and its affiliates won every single one of the 547 seats in the House of Peoples’ Representatives; for the first time, the party thus controlled a parliament without an opposition.

Finally, the model of state-led economic development also became further institutionalised. Work under the Growth and Transformation Plan continued as before, and while most of its targets were ultimately missed, overall growth remained strong. Towards the end of the GTP, preparations began for the formulation of a new five-year plan, and a number of new institutions were created for this purpose. A dedicated National Planning Commission (NPC) was established under the supervision of the prime minister, as was a National Economic Council.¹³ The coordination of the new plan was entrusted to a small number of sectoral working groups in the PMO. There was little change of substance between the two plans; the focus remained on continuing the infrastructure projects that had remained unfinished during the previous five years, and baseline growth targets remained almost identical. After the 2015 elections, a number of new institutions were created specifically for the implementation of the second phase of the GTP, such as a dedicated Ministry of Public Enterprises. New faces were promoted to

¹¹ “Scrutinizing ‘the training’ behind closed doors,” *The Reporter*, October 14, 2014.

¹² Interview with senior advisor in Prime Minister’s Office.

¹³ “Haile Launches Nation’s First Economic Council,” *Fortune*, January 27, 2013.

head the NPC and the newly restructured Ministry of Finance and Economic Cooperation (MoFEC), but the outgoing officials stayed on as special advisors in the PMO.¹⁴

Of course, the fact that the transition from Meles to Hailemariam proceeded with a minimum of friction does not guarantee that the country will remain stable in the medium term, nor does it imply the sustainability of the EPRDF's political project in the long run. Many observers, in Ethiopia and abroad, interpret Hailemariam's 'rule by committee' as indicative of a power vacuum at the centre of the party; one journalist remarked that the EPRDF leadership used to be "strong and intense like espresso," but was now more like watered-down coffee.¹⁵ Nevertheless, as yet there is little concrete evidence to justify this alarmism. On the contrary: the cabinet Hailemariam presented after the 2015 elections is the first to no longer included any members of the EPRDF's transitional government from the early 1990s; a new generation of politicians has replaced the old guard while leaving its central institutions and concepts of governance in place.

Insights and Limitations

The years immediately following Meles' death thus showed that his concept of national economic transformation through the catalytic force of a 'developmental' state led by an enlightened party elite remained pertinent. A decade after Meles ousted his challengers and emerged as the undisputed leader of the EPRDF, the party's internal decision-making structures were stronger than many had anticipated, indicating that Meles had been leading through, not despite them. Similarly, the EPRDF's hold on society did not

¹⁴ "The Government of Prime Minister Hailemariam Desalegn [...]," *Fortune*, October 4, 2015.

¹⁵ Interview with editor of private business paper, June 16, 2015.

crumble: neither the political opposition, civil society, nor armed groups were able to capitalise on the change at the helm of the party and challenge its role as sole intermediary between state and people. This in turn allowed political elites to retain control over economic rents. In the absence of open fissures among party leaders, the EPRDF did not have to invest in costly coalition-building to hold the party together; no fights broke out over the spoils of state, nor did the EPRDF weaken its opposition to the economic deregulation proposed by Western donors and international financial institutions. It is this continuity of ideas, institutions, and policies which makes it possible to think of vanguard capitalism as a 'model' system in which – as Meles himself had claimed five years before his death – “things do not change because of personalities.”¹⁶

There are three insights of wider significance which can be drawn from this 'model' of economic transition. First, the Ethiopian example shows that even the poorest, most financially dependent states can be capable of defining their own, independent and indigenous agenda of economic development. This is not to discount the significance of global economic forces: as the thesis has argued, the origins of vanguard capitalism lie precisely in the encounter between a revolutionary movement and the liberal orthodoxy of the time. The EPRDF, to paraphrase Marx, did not choose the circumstances under which it began the realisation of its transformative project; it did, however, make its own history.¹⁷ As a destitute, war-ravaged country caught in the tide of donor-mandated liberalisation, Ethiopia should have been the ultimate 'norm-taker.' Yet the extent to which the EPRDF government managed to adapt the reform agenda to its own needs and refused

¹⁶ “Interview,” *TIME Magazine*.

¹⁷ Marx, *The 18th Brumaire*, 13.

to give in to demands for radical deregulation was remarkable. In later years, as the liberal donor consensus began to wane and the EPRDF's own achievements became more apparent, the party began to argue its position even more forcefully. Just as importantly, the EPRDF has shown significant skill at embedding its agenda within a broader theory of economic and political change, one which blends global history with local analysis, and it has propagated these ideas through a variety of channels, from global academic debates and diplomatic forums to party manuals and farmers' trainings.

Second, Ethiopia's experience indicates that the viability of a developmental agenda rests on the capacity to build the institutions that sustain it. It would be a mistake to interpret the EPRDF's control over state and market merely as a symptom of the absence of liberal institutions that provide checks and balances, when institution-building is how the movement achieved this feat in the first place. The TPLF began to establish administrative councils, set up local courts, and reform the land tenure system soon after launching its insurrection. After the fall of the Derg, the EPRDF established a foothold in the new arenas of multiparty politics and the market economy: ethnic-based political parties, affiliated civil-society organisations, and the endowment companies. In the early 2000s, it rebuilt the administrative apparatus in the image of a top-down 'developmental' state, and in the later years of that decade it established both new state enterprises and new vehicles for social mobilisation. The transformation of Ethiopia's political economy therefore did not simply occur by fiat and with no regard to due process; on the contrary, the process relied on the creation of permanent, impersonal structures of governance.

A third insight from Ethiopia's history under the EPRDF is that building effective institutions requires first of all the ability of political elites to organise themselves. As

discussed in chapter 1, African political organisations are often described as weakly institutionalised and programmatically shallow, part of a fluid scene in which allegiances shift in response to redistributive dynamics. Yet the EPRDF's organisational capacity has been one of its most striking features since its inception. As an insurgency movement without powerful backers, it had to rely on its internal discipline, a principled relationship with local populations, and logistical efficiency to overcome a vastly superior fighting force. During the 1990s, the movement's leaders went on to expand (though not fully reproduce) this organisational model across the country. The party's 'renewal' campaign in the early 2000s provided it with a new ideological outlook, while the years after 2005 saw the EPRDF transform itself into a mass-based organisation while reaffirming its role as a 'vanguard' movement. It is in this respect that the EPRDF's Leninist heritage remains the most visible today: its leaders have indeed internalised the belief that "organisation is power" and point to the party's programme, structures, and discipline as the main factors behind its achievements.¹⁸

Beyond these insights, however, talk about an Ethiopian 'model' runs the risk of being misleading, and it is equally important to recognise the limits to generalisation. On the one hand, it is important to recognise that the logic of vanguard capitalism is that of an ideal type. First, the idea of 'transformation by mobilisation' has not taken root uniformly across the country. It is well fleshed out in the EPRDF's writings and represents the yardstick against which policies and achievements are measured across the country. However, as discussed in the previous chapters, the extent to which the necessary

¹⁸ Head of EPRDF Secretariat, interviewed in "Distribution of parliamentary seats does not speak of political space," *The Reporter*, January 21, 2013.

structures have been implemented vary across regions. They remain the furthest developed in those parts of the country where the TPLF and EPRDF had established its own administrative structures during the liberation struggle – chiefly Tigray and parts of Amhara state. In the South, the EPRDF has made significant progress in building up its party infrastructure and creating a new generation of local elites, yet traditional networks continue to play a larger role and engender greater amounts of social bargaining. Oromia has proven a more difficult terrain for the EPRDF, and while armed resistance in the region has been effectively suppressed, popular resistance to a developmental agenda projected from the centre has continued to surface intermittently.¹⁹ In the lowland periphery, finally, state and party structures are much more weakly institutionalised, traditional elites remain key, and the recourse to military action is more frequent.

Similarly, it should be acknowledged that there has been a good degree of pragmatism in the development of the Ethiopian ‘model’ and the institutions that form the base of Ethiopia’s political economy. It is part of the vanguard ethos to describe a particular course, once it has been charted, as the only viable one, and to present it as the most rational solution to a given problem, chosen by an enlightened leadership. Yet as the thesis has shown in its four historical chapters, the EPRDF’s strategies of state- and market-building have evolved through a series of phases, and its leaders have been quite undogmatic in responding to both internal crises and external circumstances. What is more, their thinking itself has continued to evolve in the process: from a staunchly

¹⁹ Most significantly, a new ‘master plan’ for Addis Ababa which envisages the integration of several surrounding municipalities in Oromia state has provoked several rounds of popular protests, attacks on investors and government property, and violent crackdowns by security forces.

Marxist-Leninist worldview to reluctant liberalism, and on to the concept of an Ethiopian developmental state in the East Asian tradition.

Finally, and most importantly, the Ethiopian experience does not represent a straightforward blueprint for others to emulate, nor a menu of policies and institutions to choose from. Vanguard capitalism is a product of Ethiopia's history, and as such it reflects the idiosyncrasies of the latter. More specifically, it relies on the monopolisation of state-society relations by the party, and on the centralisation of economic rents. Few other governments on the continent are in a comparable position. Such levels of social (rather than merely political) hegemony only come about through disruptive historical moments in which the old social order is destroyed, and which are almost always accompanied by extreme violence and decisive military victory. These are not experiences that can be – or, by any standard, should be – simply reproduced by other countries. Yet they are necessary experiences: necessary in the sense that the outcomes of economic reforms and the nature of economic development in Ethiopia would look very different without the omnipresent legacies of liberation.

Africa's Other Vanguard Capitalists

While the historical context of Ethiopia's economic transition under the EPRDF cannot simply be replicated, it is not without parallels in other parts of the continent. The EPRDF was one among several insurgency movements in the region which came to power around the same time, and whose leaders had taken up arms to overhaul the post-colonial order. One of them, Ugandan president Yoweri Museveni, recalled in his speech at Meles

Zenawi's funeral that African student intellectuals who, like Meles and himself, grew up during the 1960s and 1970s had to choose between two paths: either "become a careerist and work for the system [...] in the backward Africa of that time," or "opt out of the system and fight for the people."²⁰ Others who had made a similar choice also came to pay homage. South Africa's former president Thabo Mbeki called Meles a "militant cadre for the renaissance of Africa" who sought – echoing Marx – "not only to understand the world, but to change it."²¹ Rwanda's Paul Kagame simply referred to Meles as "the man with whom I shared so many views."²² Their eulogies thus became a celebration of the 'radical generation' of African leaders of which they were a part, and of the political vision they shared.

The following section looks at the continuing legacy of these insurgent-politicians and their impact on economic transitions in the region. As the next pages will show, the confrontation between a victorious revolutionary movement and the neoliberal hegemony of the time not only left its mark on 1990s Ethiopia, but also on a number of other countries across the region. The movement governments that had fought their way to power in those places rejected the uncritical adoption of liberal models of free markets and multiparty democracy, relying instead on their political predominance to rebuild their states in line with a more transformative vision. Economic reforms were seen as an integral part of this

²⁰ "Uweri [sic] Museveni's Speech at the Funeral Service of the late PM H.E. Meles Zenawi," YouTube video, 13:40, posted by Walta Information Center on September 4, 2012, <https://youtu.be/HE5IMYFuKgo>.

²¹ "South African Former President Thabo Mbeki Speaks at Funeral Service for Ethiopian PM Meles Zenawi," YouTube video, 8:31, posted by Ethiopian TV on September 3, 2012, https://youtu.be/YjBK5VV4P_o.

²² "Rwandan President Paul-Kagame Speaks at Funeral Service for Ethiopian PM Meles Zenawi," YouTube video, 11:04, posted by Ethiopian TV on September 3, 2012, https://youtu.be/JXwwJEi_G3I.

process, resulting in fundamentally illiberal outcomes which, despite significant differences, can be understood as variations on the theme of vanguard capitalism.

The Challenges of Post-Liberation Politics

The EPRDF's victory over the Derg in 1991 was part of a broader surge of revolutionary guerrillas in East and Central Africa. In Uganda, Museveni's National Resistance Movement (NRM) overthrew the government of Milton Obote in 1986. One of Museveni's former acolytes, Paul Kagame, went on to found the Rwandan Patriotic Front (RPF) and take power in Kigali in the aftermath of the 1994 genocide. The Eritrean People's Liberation Front (EPLF) of Isaias Afewerki had been a longstanding ally (and sometime rival) of the TPLF and converted itself into the government of independent Eritrea in 1993. In the southern part of the continent, meanwhile, the anti-colonial movements ruling Angola and Mozambique since 1974 were joined by a new group of 'liberators in power' when white minority regimes fell in Zimbabwe, Namibia, and South Africa.²³ More than two decades later, all of these movements still remain in power, and they continue to dominate the political and economic agenda of the region.

There is a growing recognition that these guerrillas-turned-governments share important historical experiences, and that the latter found their expression in a distinct

²³ There are important parallels between the political projects of ANC, ZANU-PF and SWAPO on the one hand, and the liberation movements of East-Central Africa on the other. One major difference, however, lies in the heritage of white settler capitalism across anglophone Southern Africa, and the fact that political transitions were negotiated as a consequence, not the result of military victory. The following section will therefore restrict its analysis to the experience of NRM, RPF, EPRDF and EPLF.

style (though not necessarily identical structures) of government.²⁴ The NRM, EPLF, and TPLF were all established between 1971 and 1974, and their founders were student intellectuals raised on the revolutionary diet en vogue at the time. Museveni studied at the University of Dar es Salaam, a hotbed of socialist student activism during the late 1960s, and received military training in Samora Machel's Frente de Libertação de Moçambique (FRELIMO). The leaders of the RPF, in turn, learned primarily from him. The EPLF's Isaias Afewerki, on the other hand, underwent political training in China in the midst of Mao's Cultural Revolution, while the TPLF's origins in the Ethiopian student movement were by and large a home-grown affair. Despite these different trajectories, however, the four movements and their founders were part of the same "coterie of radical African students," as de Waal describes them,²⁵ and they shared similar ideas about the failure of domestic political elites and the need for a more fundamental political and economic transformation.

This ideological and reformist impetus set the movements apart from other armed groups on the continent. On the one hand, they were fighting for political ideas that went beyond group-based grievances or simple predation. Their struggle was anchored in a substantive critique of the post-colonial order and the international system that sustained it, and they called for a radical overhaul of the African state. Even where their goals were primarily irredentist, they were embedded – at the time at least – within a broader vision

²⁴ See de Waal, "Liberators in Power;" Jones / Soares de Oliveira / Verhoeven, "Africa's Illiberal Statebuilders" (working paper 89, Department of International Development, University of Oxford, 2013); Gérard Prunier, "From Fatigues to Three-Piece Suits: East African Guerrillas in Power" (Occasional Paper 37, South African Institute of International Affairs, 2009); and Sara Rich Dorman, "Post-Liberation Politics in Africa: Examining the Political Legacy of Struggle," *Third World Quarterly* 27, no. 6 (2006).

²⁵ de Waal, "Liberators in Power," 1.

of fundamental political change; in fact, the line between reformist and separatist agendas was not always drawn clearly.²⁶

On the other hand, they saw the protracted guerrilla struggle they waged as an integral part of their political mission. All four movements established a complex organisational apparatus with high levels of internal discipline and a degree of accountability, and they built up significant structures of administration, indoctrination, and basic service delivery in the areas under their control. This stood in marked contrast to the 'warlord' insurgencies that ravaged parts of West Africa at the same time (as encapsulated in the Sierra Leonean 'sobels,' fighters who vacillated between government and rebel lines),²⁷ or even to those rebellions which sought political power first and foremost, as in the Democratic Republic of Congo, Chad, or Somalia.

When the four rebel movements transformed themselves into national governments, they faced a similar set of challenges. With the collapse of the Soviet bloc, the scope for political experimentation had shrunk drastically, and their agendas of national transformation along socialist lines were at odds with the liberal dogma of the day. Western donors and international organisations insisted on the introduction of multiparty systems and a representative form of democratic politics, challenging the movements' claims to legitimacy through liberation. They also promoted the idea of an independent civil society; instead of serving as tools for social mobilisation, civic associations and NGOs were repositioned as watchdogs and natural critics of government policy. At the same time, all movements inherited broken economies and empty state coffers at a

²⁶ As discussed in chapter 2, the TPLF toned down its talk about an independent Tigray over time.

²⁷ See A.B. Zack-Williams, "Kamajors, 'Sobel' and the Militariat: Civil Society and the Return of the Military in Sierra Leonean Politics," *Review of African Political Economy* 24, no. 73 (1997).

moment when a liberal donor consensus restricted their ability to pursue alternative economic strategies. As a consequence, all of them had to navigate similar conflicts between external pressures for reform – democratisation and good governance, structural adjustment and deregulation – and their own revolutionary, statist impulses.

The result was a form of government that made superficial concessions to the new liberal zeitgeist while firmly establishing the movements' control of the state. The men at the helm of these new regimes were hailed as a "new generation of African leaders" by Western diplomats and portrayed as the region's best hope for a true democratic transition.²⁸ In reality, their approaches to governance drew heavily on practices acquired during the years of struggle. Despite a formal transition to civilian rule, the movements' armed wings were transformed into national armies and never fully demobilised, resulting in a militarisation of society that restricted the scope for civic dissent. Progressive constitutions and electoral systems were established, yet political pluralism and transparency were rejected in favour of rule by a small elite within the ruling party, itself shrouded in secrecy. Leadership circles within the movements grew more narrow and decision-making became more personalised: with the exception of Meles Zenawi, who died in office, all former guerrilla leaders remain heads of their respective organisations today.

While the post-liberation regimes were undeniably authoritarian (and increasingly so over time), theirs was an authoritarianism that transformed institutions and redefined the relationship between society and state. Each in its own way, the four movements thus transformed the existing constitutional order and fused their countries' administrative

²⁸ See Dan Connell and Frank Smyth, "Africa's New Bloc," *Foreign Affairs*, March/April 1998.

structures with their own organisational apparatus. In Ethiopia, the EPRDF established a federal state divided into 'ethnic' regions and set up a number of ethnic-based parties to run it. The EPLF completely dismantled the administration it had inherited from the time of Ethiopian rule and replaced it with institutions created during the struggle.²⁹ In Uganda, the NRM introduced a system of local 'resistance' councils not dissimilar to the *baitos* in the TPLF's Tigray and held national elections under a 'no-party' arrangement.³⁰ Rwanda's RPF, finally, aggressively promoted a de-ethnicised nationalism while "re-engineering" rural society away from its reliance on subsistence farming.³¹ None of the movements simply followed a foreign blueprint; instead, their reform agendas reflected the fact that they had been "learning in the bush."³²

Illiberal Market-Building

Jones, Soares de Oliveira, and Verhoeven have aptly characterised the former guerrillas as 'illiberal state-builders:' "unified and well-organised movements [...] with a strong degree of indoctrination and internal discipline" who between them "share important traits in their thinking about, and implementation of, state-building."³³ The main insight the concept of vanguard capitalism adds to this debate is that economic policy – in the broadest sense of the term – is part and parcel of this process. Governments pursuing a

²⁹ Gaim Kibreab, *Eritrea: A Dream Deferred* (Oxford: James Currey, 2009).

³⁰ Nelson Kasfir, "'No-Party Democracy' in Uganda," *Journal of Democracy* 9, no. 2 (1998).

³¹ An Amsoms, "Re-Engineering Rural Society: The Visions and Ambitions of the Rwandan Elite," *African Affairs* 108, no. 431 (2009).

³² Dorman, "Post-Liberation Politics," 6.

³³ Jones et al., "Africa's illiberal state-builders," 5. It should be noted that their discussion focuses on a slightly different sub-set of countries which includes Ethiopia and Rwanda, but also Angola and – more problematically, perhaps – Omar al-Bashir's National Islamic Front in Sudan.

revolutionary or reformist agenda have a natural interest in not just controlling the political arena, but also exercising their influence over the economic domain. On the one hand, they cannot afford the existence of antagonistic economic elites that form a competing centre of power and undermine their political project. On the other hand, this project is itself dependent on a transformation of existing structures of production and accumulation, and therefore on forms of economic intervention that go beyond the mere 'unleashing' of market forces. Africa's illiberal state-builders are also, inevitably, illiberal market-builders.

Radical insurgent governments face particular challenges in establishing structures of economic control. Opposing not just a particular government but the social order that upholds it, they are necessarily suspect in the eyes of the incumbent economic elites. Liberation movements that start as rural insurgencies – as the TPLF, EPLF, NRM and RPF all did – also spend long years in remote parts of the country, disconnected from the urban centres of commerce and industry, and estranged from the cities and those who dwell there. What is more, with the exception of the EPLF none of the victorious liberation movements in East and Central Africa were carried to power on a broad wave of popular support: the TPLF/EPRDF had never set foot in large parts of the country before taking Addis Ababa; the RPF overthrew a genocidal regime that had left the country brutally divided. The NRM enjoyed a broader domestic support base, yet its ascent to power was greeted more with relief than triumphalism. This "lack of legitimisation through celebration," as de Waal has summed it up, became an important legacy for the new governments.³⁴

³⁴ de Waal, "Liberators in Power," 23.

The previous generation of armed liberation movements in Africa – the Front de Libération Nationale (FLN) in Algeria, the Movimento Popular de Libertação (MPLA) in Angola, FRELIMO in Mozambique – resolved the problem quickly and uncompromisingly, by seizing the property of the old elite and centralising the country's productive assets under their command.³⁵ To those movements acceding to power in the late 1980s and early 1990s, however, the costs of choosing this course of action were prohibitive. Their transformation from insurgency to national government took place on the economic ruins of the previous regime, leaving them dependent on foreign support; yet at the high time of the Washington Consensus, donor assistance was tied to economic conditionalities that aimed to reduce the level of political control over markets.

During their initial years in power, the movements therefore focused on taking charge of the process of economic reform while containing its excesses. Despite their reliance on foreign aid, all of them were willing to stand up to donor governments and refused to compromise where they saw their national interest at stake. As de Waal writes, they were “determined not to betray their hard-won gains by handing over the socio-economic and political agendas of their political struggles,” and “ready to put up robust arguments against the donors' preferred approaches.”³⁶ What is more, all of their leaders were (and remain) vocal in their criticism of the inequality inherent in the donor-recipient relationship and the political dependency it creates. Despite this confrontational stance, however, the movement regimes achieved the feat of becoming veritable ‘donor darlings:’ partly because they proved adept at presenting themselves to the donor community as

³⁵ On Angola, see Hodges, *Anatomy of an Oil State*, chapter 5; on Mozambique, see Pitcher, *Transforming Mozambique*, chapters 1 and 2.

³⁶ de Waal, “Liberators in Power,” 23.

anchors of stability in a war-torn region, but also because of the indisputable effectiveness with which they implemented certain donor-funded programmes.³⁷ The one exception to this trend was Eritrea, which descended into increasing isolation after its war with Ethiopia.

While the Eritrean regime retreated to what was little more than a planned economy in which the contribution of private capital was negligible, the other movements began to move beyond their defensive posture. Over time, they started to acknowledge that a gradual opening of their countries to the forces of global capitalism was not only compatible with the survival of their own regimes, but also unlocked opportunities to deepen their rule and advance their political agenda. In the context of 1990s Mozambique, where FRELIMO withstood a momentous transition ‘from Marx to the market’ by placing itself at the centre of economic reforms, Pitcher has described this process as “transformative preservation.”³⁸ Jones et al. similarly draw attention to the ways in which movement regimes have managed economic rents in ways that furthered their own interests:

[T]he sophistication with which the illiberal state-builders have thought about economic success as a determinant of political power is remarkable. [...] Dynamics of primitive accumulation orchestrated from the centre are intended to permanently change the state-society relationship and to promote the economic rise of new social groups that will underpin the pursuit of other regime priorities.³⁹

³⁷ This paradoxical development has been well documented. On Uganda, see Ellen Hauser, “Ugandan Relations with Western Donors in the 1990s: What Impact on Democratisation?,” *Journal of Modern African Studies* 37, no. 4 (1999). On Rwanda, see Rachel Hayman, “From Rome to Accra via Kigali: ‘Aid Effectiveness’ in Rwanda,” *Development Policy Review* 27, no. 5 (2009). On Ethiopia, see Axel Borchgrevink, “Limits to Donor Influence: Ethiopia, Aid and Conditionality,” *Forum for Development Studies* 35, no. 2 (2008).

³⁸ Pitcher, *Transforming Mozambique*, 6.

³⁹ Jones et al., “Africa’s Illiberal State-builders,” 12.

As a consequence, the economic policies of Africa's illiberal market-builders show a number of striking parallels. For one thing, all of the former guerrilla governments have reintroduced elements of macro-economic planning after an initial phase of deregulation. With the confidence of authoritarian leaders whose time horizon is unconstrained by electoral cycles, they have established institutions capable of defining long-term strategies and set ambitious targets for national transformation. In 2000, Rwanda's Ministry of Finance and Economic Planning thus announced its 'Vision 2020' with the goal of becoming a middle-income country by that year.⁴⁰ Uganda set up a National Planning Authority in 2002, which has since put forward a similarly ambitious 'Vision 2040' and two five-year plans with more specific objectives.⁴¹ Ethiopia returned to the idea of macro-economic planning in the early 2000s and is currently implementing its third five-year. These long-term visions are underpinned by what Jones et al. refer to as "bureaucratic enclaves of excellence" and the vanguardist idea of "omniscient, enlightened mandarins using 'sacred' knowledge to guide the backward masses."⁴²

Similarly, while all governments have welcomed private capital and courted foreign investment, they have also retained a measure of control over the process. Land is state-owned in Ethiopia and Rwanda; under the NRM, private ownership is allowed, but restricted to Ugandan nationals. Ethiopia's investment laws restrict important areas to public companies or domestic entrepreneurs. Rwanda's RPF has shown greater determination in privatising the parastatals it inherited, but it has not shied away from

⁴⁰ Ministry of Finance and Economic Planning [Rwanda], "Rwanda Vision 2020," adopted in July 2000.

⁴¹ National Planning Authority [Uganda], "Uganda Vision 2040," adopted in April 2013.

⁴² Jones et al., "Africa's Illiberal State-builders," 15.

reversing the process where it was not convinced by the outcomes.⁴³ Museveni has gone the furthest in privatising state enterprises, but in the process often privileged cronies and regime supporters;⁴⁴ more recently, he seems to have had second thoughts on whether privatisation was the right decision in the first place.⁴⁵ All governments have also invested heavily in physical infrastructure, buoyed by the “high-modernist imaginings of development that illiberal state-builders often cherish.”⁴⁶ Ethiopia has spent billions of dollars on dams, rural roads, and an internationally competitive airline. Rwanda is building a national railway system and has invested heavily in urban upgrading. Uganda has recently announced a multi-billion dollar infrastructure programme that includes, among other things, the construction of new hydroelectric plants.

A third parallel is the establishment of major business ventures by all of the former liberation movements. The history of Ethiopia’s endowment companies has been discussed in some detail in the previous chapters. In Eritrea, the EPLF similarly used the assets and experience accumulated during the struggle to set up a number of party enterprises, which were later bundled under the Hidri Trust.⁴⁷ The Crystal Ventures investment group set up by the RPF employs many of its former fighters and has a combined annual turnover of about 2.5% of the Rwandan GDP.⁴⁸ In Uganda, on the

⁴³ See David Booth and Frederick Golooba-Mutebi, “Developmental Patrimonialism? The Case of Rwanda” (working paper 16, Africa Power and Politics Programme, March 2011), 12.

⁴⁴ See Roger Tangri and Andrew Mwenda, “Corruption and Cronyism in Uganda’s Privatization in the 1990s,” *African Affairs* 100, no. 398 (2001).

⁴⁵ See “Why Museveni has made a U-turn on privatisation,” *Saturday Monitor* [Kampala], March 31, 2015.

⁴⁶ Jones et al., “Africa’s Illiberal State-builders,” 14.

⁴⁷ Gaim, *A Dream Deferred*, chapter 6.

⁴⁸ Booth and Golooba-Mutebi, “Developmental Patrimonialism?;” see also Pritish Behuria, “Between Party Capitalism and Market Reforms – Understanding Sector Differences in Rwanda,” *Journal of Modern African Studies* 53, no. 3 (2015).

contrary, NRM-controlled businesses like Danze Ltd. and the Heritage Foundation failed to turn a profit and faltered by the early 2000s.⁴⁹ Party-owned businesses also emerged in southern Africa; however, they did not originate during the time of armed struggle, but were set up to take advantage of the opportunities provided by black economic empowerment (in Namibia and South Africa) or the transition to a market economy (in Angola and Mozambique).⁵⁰

In several respects, these party enterprises are a particularly remarkable feature of movement rule and the economic strategies it entails. They underscore the organisational capacity of the movements and their degree of institutionalisation; the fact that economic assets are held in the name of the party and not individual politicians is perhaps the strongest proof that the organisation has meaning and exists independently. They also represent the most direct connection between movement and economy, further blurring the boundaries between party and state on the one hand, and state and market on the other. Most importantly, they seem an integral part of the post-liberation experience: as a continent-wide mapping of party enterprises undertaken in the context of this thesis revealed, all current ruling parties that originated in armed liberation movements have established some form of commercial vehicle; conversely, all major party-affiliated businesses on the continent belong to movement parties.⁵¹

⁴⁹ Roger Tangri and Andrew Mwenda, *The Politics of Elite Corruption in Africa: Uganda in Comparative African Perspective* (London: Routledge, 2013), chapter 8.

⁵⁰ On the anglophone countries, see Southall, *Liberation Movements in Power*, chapter 11. On Angola, see Soares de Oliveira, *Magnificent and Beggar Land*, 74; on Mozambique, see Joseph Hanlon and Marcelo Mosse, "Mozambique's Elite" (working paper 2010/105, UNU-WIDER, 2010), 10.

⁵¹ For more information on the mapping exercise and its results, see Toni Weis, "Dominant Parties and the Private Sector in Sub-Saharan Africa: a Typology of Approaches," in *Zeitschrift für Vergleichende Politikwissenschaft* 8, no. 3-4 (2014), and "Vanguard Capitalists: African Political

However, there is also significant variation in the role these party enterprises play in their respective political economies. Eritrea's Hidri Trust is primarily a means of economic control by the Isaias regime that leaves little breathing space for the private sector. The NRM's Uganda sits at the other end of the spectrum: of the former insurgents, it has strayed the furthest from its revolutionary roots, and its businesses have been little more than vehicles for party funding and elite corruption. In Ethiopia and Rwanda, on the other hand, party enterprises are part of a wider strategy to establish hegemonic developmental machines. However, there are also significant differences between their approaches: the EPRDF's endowments support the party's campaign of agriculture-driven industrialisation within an ethnic-based political framework, while the RPF's investments contribute to its vision of an urban, post-ethnic and knowledge-based economy.

The diversity of party-owned enterprises thus reflects more fundamental differences in the outcomes of illiberal market-building, just as illiberal state-building has resulted in a variety of constitutional orders. Nevertheless, these differences are variations on the same theme: attempts at national transformation under the conditions of a globalised market economy, originating in the encounter between a revolutionary movement and the liberalisation of African market economies. The EPRDF is exceptional among this group in the extent to which it has reinvented itself as a capitalist vanguard and theorised this new role; however, the other movement regimes represent gradations of this vanguard-capitalist model, not a categorically different approach.

Parties in the Marketplace" (paper presented at the 2012 African Studies Association annual conference, Philadelphia, November 30, 2012).

Acknowledging the Variety of African Capitalisms

The idiosyncratic experience of Africa's illiberal market-builders is indicative of the heterogeneous and increasingly complex institutional landscape of the continent's economies. Since 2010, Sub-Saharan Africa as a whole has grown at a rate of more than five percent every year, according to the African Development Bank, and growth has been robust across a variety of countries and sub-regions.⁵² Successful industries, patterns of ownership, and institutional frameworks, however, vary dramatically between states. Instead of searching for a single developmental model – in the sense of a set institutions and policies that maximise growth, regardless of context – it might therefore be more fruitful to pay greater attention to the diverse ways in which economic transitions have been handled in different parts of the continent, and to acknowledge the 'varieties of capitalism' that have emerged as a consequence. This final section outlines some ideas on how the discussion of Ethiopian vanguard capitalism can contribute to such a debate, and it identifies openings for a new research agenda that takes the diversity of experiences in the ongoing transformation of African political economies seriously.

The Divergence of Capitalist Trajectories in Africa

In a recent contribution to the debate on the politics of growth in Africa, Gray and Whitfield suggest that "African political economy should be reframed by placing the idea

⁵² African Development Bank, *African Economic Outlook 2015* (Abidjan: AfDB, 2015), ii. The figure excludes South Africa.

of capitalism and capitalist transition back at the core of the analytical framework.”⁵³ This observation is both important and timely. There is a tradition of studying African economies through the conceptual lens of capitalism: during the first two decades after independence, the emergence of a post-colonial bourgeoisie attracted a good deal of academic attention,⁵⁴ and the question of whether domestic capitalists – rather than a stratum of ‘compradors’ who merely served as stand-ins for foreign money – could build a genuinely indigenous form of capitalism engaged the minds of Kenya scholars in particular.⁵⁵ This line of inquiry largely dried up with the economic stagnation of the 1980s, while the liberal agenda of the 1990s refocused political economy research on the convergence (or non-convergence) of African economies towards Western market systems. Africa’s increasing engagement with the global economy in recent years, however, has rekindled the dynamics of accumulation, stratification and differentiation that define capitalist development, and there is indeed a need to bring the concept of capitalism back to the centre of the debate.

However, the quest for a single narrative of African capitalism – whether the liberal, bottom-up entrepreneurialism promoted under the slogan of ‘Africa Rising’ or the patrimonial networks of accumulation foregrounded by Gray and Whitfield – is inevitably misleading. These conceptual frameworks are neither wrong nor inappropriate: both of

⁵³ Hazel Gray and Lindsay Whitfield, “Reframing African Political Economy: Clientelism, Rents and Accumulation as Drivers of Capitalist Transformation” (working paper 14-159, Department of International Development, London School of Economics and Political Science, 2014), 2.

⁵⁴ Among others, see Richard Sandbrook, *Proletarians and African Capitalism: The Kenyan Case, 1960-1972* (Cambridge: Cambridge University Press, 1975); E. Wayne Nafziger, *African Capitalism: A Case Study in Nigerian Entrepreneurship* (Stanford: Hoover Institution, 1977); and Bruce Berman and Colin Leys (eds.), *African Capitalists in African Development* (London: Lynne Rienner, 1994).

⁵⁵ For a summary of this debate, see Colin Leys, “Learning from the Kenya Debate,” in *Political Development and the New Realism in Sub-Saharan Africa*, ed. David Apter and Carl Rosberg (Charlottesville: University of Virginia Press, 1993).

them capture essential aspects of the multifaceted reality of accelerated economic development on the continent. The point is, rather, that no single narrative can account for the diversity of capitalist trajectories in Africa. Looking for a unified theory in the face of this multiplicity of experiences is necessarily reductionist. What is more, assessing economic institutions only according to the levels of growth they can sustain, as most studies of economic development on the continent do, means missing out on the other half of the picture: the fact that, perhaps even more than different *rates* of growth, alternative political economies produce different *kinds* of growth.

A useful point of departure for a comparative perspective on economic transformation is the literature on 'varieties of capitalism.'⁵⁶ This body of work is primarily concerned with the industrialised welfare economies of Western Europe, yet some of its core ideas also resonate with emerging markets. Hall and Soskice, who pioneered the term, argue that capitalist economies did not converge on a single model, but instead gravitated towards different types of regulatory systems. Two dominant modes of governance have emerged: liberal market economies, in which interactions between firms are purely competitive and allocations are made based on supply and demand; and coordinated market economies, in which relations are more collaborative and key decisions are taken outside market mechanisms. Neither of the two types is superior over the other; rather, different forms of capitalism favour different kinds of economic activity, and the competitiveness of a particular economy depends on the complementarity

⁵⁶ Peter Hall and David Soskice (eds.), *Varieties of Capitalism: The Institutional Foundations of Comparative Advantage* (Oxford: Oxford University Press, 2001). For a good overview of the ensuing debates, see Bob Hancké (ed.), *Debating Varieties of Capitalism: A Reader* (Oxford: Oxford University Press, 2009).

between its different sub-systems, such as the financial sector, legal system, and labour market.

Three insights into the dynamics of capitalist development in Africa can be gleaned from the idea of different ‘varieties’ of capitalism. First, the concept helps to look beyond the notion that African political economies are bound to converge toward a particular (foreign) ideal, or that those which do not are inherently deficient. Instead, it redirects the focus onto the ways in which institutional setups differ across African economies, and onto the logics that underlies them. The framework of vanguard capitalism, as developed in the previous chapters, can be seen as one such ideal type. The political economies of Ethiopia and, to varying degrees, of other post-liberation states are the products of deliberate institution-building according to a common logic of rapid, state-led transformation. The resulting institutions relate to and support one another; they are ‘compatible,’ to use a key term in Hall and Soskice’s work.⁵⁷ As such, vanguard capitalism represents a distinct approach to the challenge of managing an emerging market economy; it is neither an incomplete version of a liberal economy nor a ‘developmental’ version of a patrimonial one.

Second, the concept of ‘varieties of capitalism’ draws attention to the ways in which the different kinds of institutional arrangements that have emerged in African economies favour the growth of particular industries. A key insight from Hall and Soskice’s work is that regulatory systems affect the composition of an economy as much as its overall development by structuring incentives for individual firms to engage in one activity rather than another. ‘Pure’ market economies, which facilitate rapid organisational change and

⁵⁷ Hall and Soskice, *Varieties of Capitalism*, 17-21.

the quick mobilisation of resources, thus provide a more conducive environment for technology start-up firms than coordinated systems, whose preference for long-term stability and incremental improvement instead favours the traditional manufacturing sector. This basic insight certainly resonates with African economies today. Ethiopia's statist, top-down developmental model, for example, is explicitly geared towards promoting the country as a regional manufacturing hub, and there is considerable coordination between the different policy arenas – infrastructure, finance, education, labour, and others – necessary to build this market. On the other hand, the relatively heavy regulatory burden has prevented Ethiopia from developing the sophisticated banking and telecommunication sectors that characterise neighbouring Kenya, or its dynamic entrepreneurial culture.

Finally, acknowledging the diversity of African market systems also opens up new perspectives on the ways in which political legacies shape institutional outcomes. The literature on 'varieties of capitalism' itself has been criticised as being "apolitical" in the sense of focusing on governance arrangements rather than power politics, yet the two are clearly connected. The concept of vanguard capitalism makes a contribution to this debate by drawing attention to the role of ruling parties and their place in a wider party system. As chapter 1 has argued, the ways in which the party system mediates state-society relations affects the management of economic rents within an economy, and as a consequence the nature of the domestic market system. Competitive multi-party democracies have their corollary in a liberal market economy. Where the party system, following a patrimonial logic, is primarily about aggregating clientelist support, the political arena tends to function as a marketplace for economic spoils and result in some

form of crony capitalism. Where, on the other hand, state-society relations are dominated by a former liberation movement that uses the organisational structure of the party as a means for popular mobilisation, the outcome is often a variation on the theme of vanguard capitalism.

A New Research Agenda

Shifting the perspective from an exclusive focus on levels of growth towards a broader concern with the diversity of market orders also calls for a recalibration of the research agenda on African political economies. Whether the subject is financial policy, land reform, or the relationship between political and economic elites, most current work seeks to explain why African economies perform the way they do, and how their performance could be improved. However, this is a partial view of African economic realities at best. What is missing is research that can enhance the understanding of why experiences with capitalist transformation diverge, and to what effect.

The insights of the previous section provide three possible starting points for such an agenda. First, appreciating the diversity of African capitalisms means paying greater attention to the ways in which local firms get business done. This requires a closer look at horizontal relations between companies, not just to their vertical integration into global value chains.⁵⁸ At present, however, very little political economy work is done at the firm level; similarly, substantive studies on interactions between firms and on Africa's

⁵⁸ This point is also made by Gray and Whitfield, "Reframing African Political Economy," 28.

organised private sector more generally – business associations, chambers of commerce, informal networks – are few and far between.

Second, a better understanding of the ‘institutional foundations of comparative advantage’ (as Hall and Soskice’s main work is subtitled) requires a closer look at African approaches to industrial policy. Interest in this subject has certainly rebounded in recent years.⁵⁹ Nevertheless, more empirical work remains to be done on the ways in which governance arrangements in different administrative subsystems privilege the development of certain sectors over others.

Finally, a fuller explanation of why capitalist transitions diverge calls for additional emphasis on the structural underpinnings of economic policy in Africa. “Creating markets is politically dangerous,” as Chaudhry reminds us,⁶⁰ and not all governments can introduce the same economic measures without undermining their own position in the process. The work of Whitfield et al. on how ‘political settlements’ and the relative power of political and economic elites affect the domestic policy menu is one major step in this direction.⁶¹

This research agenda also has implications for future work on Ethiopia. The present thesis has proposed a general framework for understanding the country’s economic transformation since the fall of the Derg regime, but work remains to be done in all of the areas outlined above. Greater efforts will be necessary just to stay abreast of the current

⁵⁹ See chapters 1 and 2 in Akbar Noman and Joseph Stiglitz (eds.), *Industrial Policy and Economic Transformation in Africa* (New York: Columbia University Press, 2015).

⁶⁰ Kiren Aziz Chaudhry, “The Myths of the Market and the Common History of Late Developers,” *Politics and Society* 21, no. 3 (1993), 255.

⁶¹ Whitfield et al., “The Politics of African Industrial Policy.”

pace of change: hundreds of dollar millionaires are added to the Ethiopian economy every year, according to one report,⁶² yet very little is known about the people behind these numbers, and how they relate to those in power. Some of the public enterprises created over the past decade rank among the largest companies in the country, but there is only the most superficial understanding of how well they are functioning – or, indeed, *how* they are functioning. The lowland periphery is getting more closely connected to the centre, creating new elites and marginalising other groups, but this process, too, is poorly understood. In-depth studies of Ethiopia’s political economy remain few and far between, and this gap is getting ever wider as the underlying fundamentals continue to evolve.

The ongoing process of economic transformation means that the future role of Ethiopia’s vanguard capitalists also deserves continued attention. The EPRDF has based its political programme and its self-understanding as a catalyst of social and economic change on a particular analysis of Ethiopian society as agrarian, poor, and homogenous. Now that the dynamics of accumulation and stratification have begun to gather momentum, however, this characterisation becomes increasingly inaccurate: urban centres are growing rapidly, new elites are forming, and society as a whole is getting more diverse and unequal. There is no guarantee that the EPRDF will be able to adapt its mode of governance where necessary and chart a new course, especially after the loss of Meles Zenawi. While the institutions of vanguard capitalism are stable today and strengthened by their own success, this very success inevitably calls their future relevance into question.

For the EPRDF itself, of course, this is not a cause for concern, but very much part of the plan. In contrast to other movement parties, the EPRDF rejects the idea of a ‘permanent

⁶² “Ethiopia: The Addis millionaire’s club,” *Africa Report*, March 9, 2015.

revolution' and instead describes itself as "self-effacing:" it is there to play a historical role in leading the country out of backwardness, but willing to step down once the task has been achieved.⁶³ "The party is an instrument of transformation," as a member of its executive committee puts it, echoing James C. Scott's definition of the socialist vanguard party as 'a machine to produce a revolution.'⁶⁴ Once Ethiopia's agrarian society has been replaced with an industrial workforce and a broad middle class, the reasoning goes, the EPRDF will remake itself into a social-democratic party in the European tradition.⁶⁵ There are few historical precedents, however, of political elites relinquishing the power they hold because their mission has been accomplished, and the EPRDF has redefined the rationale for its dominance once before.

In its introduction, this thesis cited the confidence of an Ethiopian official that the construction of the Grand Ethiopian Renaissance Dam would usher in a 'golden age' for the country and its people. It is precisely this promise – that "the golden age lies not behind but ahead of mankind" – which Gerschenkron believes is necessary to "break through the barriers of stagnation in a backward country, to ignite the imaginations of men, and to place their energies in the service of economic development."⁶⁶ In not only making this promise, but repeating it time and again, lies the appeal of vanguard capitalism; so, ultimately, does its limitation. As Ethiopia continues to transform itself, the relationship between party, state, and market will evolve, too. What this future relationship will look like, however, remains to be seen.

⁶³ Interview with senior advisor in Prime Minister's Office.

⁶⁴ Interview with member of EPRDF executive committee.

⁶⁵ Ibid.

⁶⁶ Gerschenkron, "Economic Backwardness," 24.

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