

EPRDF, Developmental State, and Rent Seeking

Ethiopia has achieved one of the fastest growing economies in the world for the last consecutive years by adopting East Asian countries model of development. Based on developmental state paradigm, the ruling party has been able to design a pragmatic developmental strategy which is tailored and adjusted to the country's unique socio economic structure. The experiment has resulted on unprecedented mobilization of resources and outstanding economic performance in the country's history. However, the staggering double digit economic growth success story is accompanied with another shadow story of endemic rent seeking practices which becomes the greatest threat to the nation's steadfast economic growth and national security.

What is Developmental state?

Developmental State refers to a state which makes its primary goal to enhance economical growth and transformation. To achieve these goals developmental state, contrary to neo liberal paradigm, intervenes and plays a leading role in guiding the direction and pace of economic development. Developmental state is described as neither socialist nor free-market but something of unusual combination which is characterized by the "plan-rational capitalist developmental state" with its intervention and rapid economic growth.²

Development is a process of discovery and since every country has uniquely different circumstances, there is no one-size- fit-all model of developmental state and policy to all countries.³ However there are general characterizations of developmental state which are basic to all and in all circumstances.

- First of all developmental state actively intervenes in the economic process to facilitate growth and transformation.
- Secondly intervention of developmental state is oriented toward less public ownership and usage of set of economical leverage of incentives. These instrumental leverages include such as subsidies, tax breaks, tax credits, import-export control and promotions, targeted financial and credit policies etc.

- Another common feature for developmental states is that the existence of professional and effective bureaucratic apparatus which is exclusively adhered to developmental state ideas and goals.
- Developmental state encourages and primarily relies on private sector investment not on public funds. Extensive dialog and cooperative engagements with private sector are prerequisite for developmental state.
- Lastly but not least, developmental state requires a developmental paradigm by which underpinning a social support for its vision of development. As Mkandawire notes "...in that it conceives its mission as that of ensuing economic development".⁴

Even though the concept of developmental state at present time mostly associated with East Asian countries such as Japan, Taiwan, Malaysia, South Korea etc, in seventeenth and eighteenth centuries European countries used to have the same approach toward government role in which government plays an active role in speeding growth and transformation of economy.⁵

Developmental state of Ethiopia

The establishment of developmental state of Ethiopia happened to be a reaction to a failed ideology of neo liberalism which is vigorously promoted by western countries and their extensions, international organizations, to instill in African countries. Developmental state of Ethiopia is a result of a long journey in searching alternative path of growth which suits the countries immediate and strategic interests. After the collapse of socialist camp in late nineties and failure of socialist planned economy paradigm, neo liberalism was seen as a triumphant ideology and a remedy to African problem. However the structural adjustment program SAP which developing nation has been subjected to follow by International financial institutions and their donor western countries has failed to bring expected development and success.⁶

Economic policies which are based on the premises of neo liberalism ideology such as limited government, market fundamentalism, monetarism, and individualism failed short to reflect and resonate with social structure and economic reality of developing countries. As a result, the developmental state growth paradigm which has been proven to be effective in East

Asian countries has become a promising alternative to African countries including Ethiopia to enhance development and transformation.⁷

The architect of Ethiopian developmental state, late Prime Minister Meles Zenawi, has been a zealous promoter and campaigner for developmental state model of development for the whole African countries. As scholar he has contributed an important theoretical works and analysis on the impediment and adverse impact of neo liberalism on developing economy and made a founded case for the implementation of developmental state in the continent. Not surprisingly UN Economic Commission for Africa has taken his recommendation as a frame work.⁸

Meles argued " The fundamental nature of the neo-liberal paradigm has thus led Africa into another economic dead end and into a fragile unstable democracy that is not only incapable of evolving into a stable and mature democracy but actually hinders the development of an alternative path of democracy that leads overtime to such a mature and stable democracy". He believed in that if twenty first century to be a century of African renaissance, then there has to be a paradigm shift and democratic developmental state is the right paradigm.⁹

Under astute leadership of PM Meles Zenawi Ethiopian ruling party (Ethiopian Peoples' Revolutionary Democratic Front) has adopted developmental state model of growth. The development strategy has been aimed to bring a structural change and transformation of the economy through rapid industrialization and modernization of agriculture. Under the slogan "we will make poverty history" the government, as a leading actor and moderator of the economic process, has been able to mobilize a wide section of society and resources to reach this goal.¹⁰ Since 2003 the country has achieved a steady double digit annual growth rate and recently the government adopted 'Growth and Transformation plan' in which it declares its goal "... to reach the level of a middle-income economy as of 2020-2023"¹²

Though Ethiopian developmental state has played an important role in bringing remarkable economic growth in the country, yet it has failed to contain the rampage of rent seeking behavior and practice which is infesting the structure of governmental apparatus at alarming pace.

Rent seeking as a threat to development

Rent seeking is the attempt to gain access to or control over advantages for receiving rents. "In economics, rent-seeking is an attempt to obtain economic rent by manipulating the social or political environment in which economic activities occur, rather than by creating new wealth." ¹⁴ Rent seeking destructiveness stemming from the fact that it diverges and wastes the necessary resources which otherwise could be used to fuel the economy.

Mbaku describes the two most important rent seeking behaviors in the developing countries as *bureaucratic corruption* and *political violence*. He wrote "Bureaucratic corruption involves several kinds of activities. In addition to accepting bribes from individuals and groups seeking government favors, bureaucratic corruption also includes theft or the illegal appropriation of public resources by the civil servant, nepotism, illegal taxation by the bureaucrat, and other types of activity that illegally increase the bureaucrat's compensation package. Some of these activities, however, do not qualify as rent-seeking."

Rent seeking poses threat credibility of government itself and can decays government structures and capacity. It is a threat to the legitimacy of government itself and has unmitigated negative effect on the hard work of any nation to achieve political and economic development.

Rent seeking repulses investment and discourages foreign aid. Investors see corruption as needless additional cost of doing business. Corruption can negatively impact the quality of goods and services produced in a given economy. "Companies that are burdened with "under-the-table payments" will try to contain their costs by cutting corners. Also by avoiding useful and necessary improvements on their products they can relieve themselves of additional costs." ¹⁴

Nwabuzor notes that multinational corporations are drawn in some infamous cases of corruption in developing countries. He describes the allegations" ... some multinationals bribe government officials to win contracts and other patronage; some connive with government officials to overcharge governments for the supply of goods and services; still others induce government officials with money to give them undue favorable operating conditions over competition such as in the interpretation of tax laws, licenses and fees". ¹⁵

In developmental state intervention of government in the economy opens a wide door for misuse of state power and embezzlement of public assets by government officials. "Fraud, trickery, embezzlement, extortion, nepotism and theft are believed to be the principal features by which corruption has manifested in Ethiopia" ¹⁶ declares Federal Ethics & Anti-Corruption Commission of Corruption Prevention & Research Department of Ethiopia (FEACC) in its web site.

According to the agency "...expert analysis of the civil service reform program and some other sources, poor governance, lack of accountability and transparency, low level of democratic culture and tradition, lack of citizen participation, lack of clear regulations and authorization, low level of institutional control, extreme poverty and inequity, harmful cultural practices and centralization of authority and resources are the major causes of corruption in Ethiopia."

Despite well crafted and sound policies, which are intended to reform inefficient and untransparent civil service system, real improvement has been elusive and acceptable moral and ethical values are violated without juridical repercussion.

As the government posing to launch a new nationwide campaign to fight rent seeking mentality, enhancing public awareness and garnering its active participation must be the central point of its focus and effort. Fighting rent seeking is a two way road which requires both the government leadership and the public active participation.

In this regard, EPRDF's ninth congress is expected to highlight the destructive effect of rent seeking and to design effective strategy and tools to contain rent seeking mentality. The leadership has to emphasize unequivocally the urgency and the threat that rent seeking poses to the well being of the nation. It must be stressed that the stake is too high this time that it could tip the balance between stirred development and gradual stagnation.

Crusade on rent seeking must be seen as part of socio economic development strategy which is aimed to build a cultural infrastructure for the fast expanding in volume and complexity economy. This strategy also needs to include inculcating a spiritual dimension value system which counters the existing materialistic and individualistic sentiment of human success.

The success of the next campaign against rent seeking will be measured not by how many cases of corruption and rent seeking crimes are foiled but by the extent how far the public awareness and participation is changing during the course.

Modern and emerging power Ethiopia and the people who live in this great nation must assume zero tolerance to uncivilized way of doing businesses both in government and in society.

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