

MZF Dialogues



Paths to Achieving Economic Justice through Equitable
Development Strategies in Africa:
Lessons from Ethiopia and Ghana

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Our presentation today greatly benefits from having worked for some seven years with my colleague Mizanekristos in Ghana and my assignments to these parts of Ethiopia in the 1980s and '90s. Our shared familiarity with both places allows us to make very insightful comparisons regarding the convergence and divergence of developmental paths travelled by our two countries.

Mizane has been to my village in the North as I have also been to Tigray to understand their centuries of convergent history, particularly in their pre-colonial socio-economic systems and the determined, but short lived, developmental drive following independence.

Further convergence, alas under negative circumstances, when strife induced by the cold war between the super powers and the lost decades under the grip of the World Bank's structural adjustment programs, when both countries saw their development arrested and their economies exposed to plunder by the multinationals, their public budgets sapped to service onerous debt, or, in Ethiopia's case to service the unrelenting war bill.

Right around the turn of the century, however, the two countries set out in divergent directions, when Ghana remained under the grips of the neo-liberal policies of the WB/IMF and the overwhelming dominance of the extractive industries, namely, multinational plundering its rich mineral, cocoa, timber and oil resources. Ethiopia resisted both. It pursued its highly successful strategy of state-led development, while paying equal attention to wealth distribution and welfare of its vast but impoverished population. It scored high on both growth and social development indices.

The results speak for themselves. My last journey in Tigray was in 1994. It took me two days to drive from Asmara to Mekelle. The roads were horrendous. I then set out to drive to Addis when our car broke down and I had to return to Mekelle to fly out as it appeared impossible to reach Addis on road.

Fast-forward to 2019, the drive we had yesterday from Mekelle to Axum was a lesson that the impossible is possible if one has a Quixotic idiocy (brief reference to Don Quixote of the novel), discipline and determination. The winding tarmac roads climbing up the steep sides of the mountain, added to the density of Acacia trees planted by human hands, the terraces built by human hands, and the sheer scale of it was astounding. Having known how barren and impassable these same mountains were only 25 years ago, anyone who argued for a project to transform it into what I saw yesterday would have been dismissed as a lunatic.

In my presentation today, I will try to stick to the Ethiopia-Ghana comparison while also citing cases from other countries to make my point.

It is very difficult to compare Ghana and Ethiopia because they are so different in many ways. Ghana is a rather small economy and a small country with a population of only 30 million while Ethiopia supports more than 110 million. Ghana is quite flat while Ethiopia has a mountainous topography, thus a harsh starting point for transformation.

However, when we consider the 1960s, we find that, despite these differences, they shared some common features. The population density of both countries was very small and urbanization, if you can call it that, was rudimentary. In Ethiopia the population living in quasi-urban clusters or towns was only 11%. Ghana was slightly ahead with around 18%

urbanized. Ghana's population in the 1960s was only 3.5 million while Ethiopia had 25 million living on such a vast space. These features made industrialization almost impossible as they both lacked the level of labor concentration, skilled workforce and domestic demand to make industry viable. International trade, in this instance, was constrained by shortcomings in technology. Therefore, both had to go very slow to ensure that manufacturing output met with commensurate demand.

Yet, it was in the 1960s that our leaders dared to dream to take their 15th-16th century economies with an untrained pool of labor straight into the 20th century. Ghana's had an average of 6 months of formal education, that is, if you divide the total workforce by the aggregate of school months attended when access to education was limited to only five years. If we agree that economic development is really about knowledge and skills, you can imagine how dismal the starting point was.

Yet, this was also the time when the industries and institutions of Ghana and Ethiopia that survive to this day were established.

This was as far as our convergence went, with both countries taking different paths of development even if both succumbed to military regimes. Ethiopia went into a civil war after the overthrow of Haile Selassie while joining the soviet orbit. The CIA's repeated coup and assassination attempts against Kwame Nkrumah finally succeeded and ushered in the biggest experiment in Africa on how an economy ought to transform. This experiment was centered on dismantling the prominent role of the state in the economy, in favor of laissez faire markets driven by the private sector. It was said that Ghana's growth was stunted because the state occupied all of the production and market opportunities.

We must remember that what the promoters of these policies had in mind as private sector opportunities included the essential services, namely: education, health care, food reserves warehousing and distribution, water and power utilities, etc. It was an excruciating experience we went through to remove the state almost from the entire economy.

Ghana had another unfortunate affliction in that we were cursed with too many precious minerals. This was also what had shaped the relationship between Ghana and the global economy under the colonial masters, which under these policies were to transfer the ownership of precious minerals as well as timber, forestry products and cocoa to multinational giants. Indeed, other than the state-owned enterprises, there was no domestic private sector that could outbid the global corporations. Hence, these policies became the means by which extraction accelerated, justified by the need to service the debts that Ghana had accumulated in the earlier attempts to industrialize and develop the agricultural sector.

Ethiopia remained immune from these policies, though drained by costly conflicts, the state's role in the economy continued unbridled by neoliberal domination. Ghana's economy, as in the rest of Africa, from 1980 to 2000 grew negatively, a period of 20 years known as the lost decades.

As mentioned above, Ethiopia's negative growth was fully attributable to conflict. She reemerged from conflict at an interesting time when the consequences of the lost decades had widely manifested across the continent in the form of deepening poverty, the collapse of education and health systems. The IMF and World Bank found their backs against the world

and the taxpayers of the donor countries that give them money to lend. The political backlash against development assistance generally, but condemning these financial institutions in particular, had put them in real danger of losing their power and resource base.

Another source of embarrassment to these institutions during the nineties was the rapid industrialization of China and other East and South Asian countries through aggressive state interventions, while Africa and Latin America their abiding in their neoliberal experiments experienced overall contraction of their economies. It is in the midst of this interesting environments that EPRDF arrives in Addis, that it is allowed to choose a different pathway to transformation.

Up until 2005 we can say that the alternative path was not quite clearly drawn, as EPRDF was still a candidate of neo-liberalism. However, it is clear that the 2005 elections rang a wakeup call, challenging the liberation front to justify its continued running of the state. What was it offering the urban economy by way of industrialization? What purpose does it serve the rural agrarian economy?

EPRDF had its saving grace in this unique Ethiopian characteristic, unlike many of our African countries, that I have always admired. That is, the tenacity to listen to what is offered by outside interests and take the opportunity to do nothing at all until you are totally convinced. A reluctance to say yes to everything until you have proved to yourself that the balance of benefits and costs is such that your yes makes sense.

I have observed that Rwanda, where I also frequent, shares the same tenacity and discipline to consider independently that the alternative is better than the current. Many countries in the east that have escaped their colonial traps and transformed their economies also share the same ethos. Please let's not lose that tenacity and that discipline.

Let me say I talk about Ghana a lot more because I have also been a commissioner of a national planning commission for five years. So have been involved as one of 25 people tray to think about what we do with a place of Ghana, lots of opportunities but a complete miss. We diverged in three important perspectives:

After 2005 Ghana and Ethiopia diverge in three important ways. Let me start with Ghana where I have served as one of 25 planning commissioners tasked with charting the development path for the country. It is a place of lots of opportunities, but unfortunately, a complete mess.

One is politics. Ghana is an exemplary story of liberal democracy. The electorate congregates around two contending national political parties that date back to our struggle for independence. One, social democratic and the other liberal democratic, broadly defined. Of course, since the 1980s these ideological differences manifest only symbolically while espousing identical policies. Constituencies spend a lot of energy in competition.

However, despite many orderly transfers of power among the rival parties, our policy direction in 2020 remain exactly the same as in 1990. Each ruling party not only adheres to external neoliberal prescriptions that are linked to aid and loans, but they share a common disdain for planning. If you speak of long-term planning, youare regarded a socialist who seeks to establish government control of the whole economy and against the free market.

Without a long-term plan, how does a government account for its vision? How can government allocate resources that not only address today's problems, but open the doors for tomorrow?

I often go to Singapore and Korea to look at the role of planning in their undeniable economic miracle. Both countries are known to have vibrant market economies, but their governments know full well that the private sector will not make adequate allowances for structural changes necessary to deal with the challenges of the global economy and the investments necessary to prepare for future challenges. They realize that the market does not necessarily distribute resources equitably. Thus, they write their vision for sustained and equitable development into very detailed plans, and they legislate them into laws and institutions. Imagine where they would be, if every three years, a newly elected government had tossed out those long-term plans.

In terms of manufacturing and infrastructure, Ethiopia's transformation since 2005 is quite incredible in comparison to any other African country. Mauritius and South Africa are, in any case, semi industrial economies, with South Africa having achieved it in ways no African country wishes or can emulate. Libya under Gadafi also achieved quite a lot in terms of infrastructure and services, if not in industrial development. As an oil-rich country, Libya is also an exception as it resisted going the way of Nigeria or Angola, where they have turned it into a curse.

Under Meles post 2005, though, we are still looking at a resource poor country, a huge country with a highly impoverished population of peasants and pastoralists whose survival needs do not allow for much more reserve for other ambitions. This is where the idea of the democratic developmentalism as a coherent guiding ideology emerges as a contending alternative theory to the neoliberal political economy that is aligned with classical economics.

The democratic process, in Meles's view, is essential to engage citizens in sacrificing consumption today, in shifting their localized and diverse priorities into carefully chosen national development projects that lift the whole. This is how long-term plans with outcomes delayed by many years get balanced with the need for distributing essential services immediately.

We must therefore, for the sake of the whole continent, not allow his theoretical breakthroughs as well as the transformational legacy to be diminished by the neoliberal political propaganda that threatens to reintroduce in Ethiopia, the policies that have failed Africa over the last four decades.

Thank you for your attention

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