ADDIS ABABA UNIVERSITY

SCHOOL OF GRADUATE STUDIES

THE POLITICAL ECONOMY OF TRANSITIONAL ECONOMIC POLICIES IN ETHIOPIA: A COMPARATIVE ANALYSIS OF THE PRE- AND POST-2018 TRANSITION EPISODES

BY

AWOKE DAGNEW KASSAHUN

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A THESIS SUBMITTED TO THE SCHOOL OF GRADUATE STUDIES OF ADDIS ABABA UNIVERSITY IN PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR THE DEGREE OF THE MASTER OF ARTS (M.A.) IN COMPARATIVE POLITICS

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APPROVED BY BOARD OF EXAMINERS

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Internal Examiner	**Signature**	**Date**

DECLARATION

I, the undersigned, declare that this thesis, entitled: "The Political Economy of Transitional Economic Policies in Ethiopia: *A Comparative Analysis of the pre-and post-2018 Transition Episodes*," is my original work and has not been presented for a degree in any other university, and that the sources of materials used for the thesis have been duly acknowledged.

Name: Awoke Dagnew

Signature: _____________

Date: June 2024

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Lists of Acronyms

ADP	Amhara Democratic Party
AU	African Union
COVID-19	Corona Virus 2019
CSO	Civil Society Organization
EPLF	Eritrean People's Liberation Front
EPRDF	Ethiopian People's Revolutionary Democratic Front
EPTP	Economic Policy of the Transition Period
EZEMA	Ethiopian Citizens for Social Justice Party
FDRE	Federal Democratic Republic of Ethiopia
GERD	Grand Ethiopian Renaissance Dam
HGER	Home-grown Economic Reform
HoA	Horn of Africa
MoFA	Ministry of Foreign Affairs
NaMA	National Movement of Amara
NEBE	National Electoral Board of Ethiopia
ODP	Oromo Democratic Party
OLF-OLA	Oromo Liberation Front/Army
PP	Prosperity Party
SNNPR	Southern Nation Nationalities and People's Region
TGE	Transitional Government of Ethiopia
TPLF	Tigray People's Liberation Front

Abstract

This thesis investigates the political economy of transitional economic policies in Ethiopia during the post-1991 and post-2018 periods. Employing a qualitative research approach and drawing on primary and secondary data sources, the study analyzes the features, challenges, and underlying motivations of economic policies enacted during these pivotal junctures. Primary data were collected through interviews with key informants, while secondary data were gathered by examining published and unpublished materials. Through case-based thematic analysis, the research uncovers the complex interplay between political shifts and economic policy-making processes, shedding light on how transitional policies are formulated, implemented, and their impact on socioeconomic and political dynamics. The study contends that transition period economic policies often demonstrate covert political agendas rather than solely economic objectives. Introducing new economic policies during transitions primarily serves political ends, often leading to reversals without achieving the desired outcomes. Findings reveal broader insights into the major features, repercussions, and internal and external challenges of economic policy of the transition period and homegrown economic reform policy. It also provides additional insights into the motivations driving actors in crafting transitional economic policies, as well as the policy dynamics among major economic partners and the dynamics of production and ownership during these periods, and the broader implications for Ethiopia's economic development trajectory. By examining historical practices and contemporary trends, this thesis contributes to a deeper understanding of the political economy dynamics surrounding economic policy during political transitions, offering valuable perspectives for policymakers, researchers, and professionals.

Key Words: *Transition period, Economic policies, Homegrown, Ethiopia, Political economy*

CHAPTER ONE

1. INTRODUCTION

1.1. Background of the Study

Political transitions play a crucial role in transforming a nation's political and economic system from authoritarianism to democracy. However, political transitions may culminate in a more authoritarian power structure. There are also instances when things can linger in the murky middle (Mainwaring, 1989; O'Donnell and Schmitter, 1986; and Lenarchard, 1994). Political transitions are frequently driven by the desire to bring about change in economic and development policies, which are also equally important during times of transition (Lenarchard, 1994). The political transition leaders attempt to formulate new economic policies, or overhaul existing ones, and/or reinforce commitment and support for well-articulated economic policies (Girma Kebbede, 1987).

The political economy of a country plays a crucial role in determining the outcomes of political transitions. The enthusiasm and commitment of political elites, who are key players in these transitions, can lead to significant economic growth and improvements in people's quality of life. There are, however, occasions when transitions in politics have actually slowed down economic progress, economic downturn, and led to the deterioration of people's living standards (Makki 2012; and Markakis 2011). Therefore, while political transitions present an opportunity for economic revitalization and reform, the path is often tense with internal and external challenges that require careful navigation. These are claimed to be universal practices and African trends, considered as key political and economic endeavours (*ibid*; & Trebilcock, 2015).

Several sub-Saharan African countries have introduced economic policies during political transitions. According to Costantinos (2020) and Ronald (1998), in the 1990-2000s, Sub-Saharan African countries such as South Africa, Ghana, Nigeria, Angola, and Botswana introduced transitional period economic policies to address pressing socio-economic challenges, promote growth, and attract investment. The outcomes of these policies have varied depending on factors such as institutional capacity, political settlement, governance effectiveness, and internal and external influences. Despite differences in policy performance and economic progress, inflation, economic instability, political unrest, corruption, and bureaucratic inefficiencies pose significant challenges to the adequate execution of these transitional economic policies (Paulson, 1999).

In the same manner, since the student's movement during the imperial regime, Ethiopians have also fought for genuine reforms in the political and economic system, as well as for socio-economic development (Alemayehu, 2001; Eshetu, 1994; and Eshetu & Mekonnen, 1992). Particularly in the 1990s, the political and economic landscape of Ethiopia underwent a significant transformation with the overthrow of the Marxist-Leninist Derg regime and the subsequent changes in leadership, governance structures, and political ideologies. Amidst these transitions, economic policies were enacted and evolved, reflecting the shifting priorities and ideologies of the ruling regimes during post-1991 and post-2018 transitions (Clapham, 2018).

Following the fall of the Derg regime in 1991, the Transitional Government of Ethiopia (TGE) introduced the economic policy of the transition period (EPTP) pursuing liberalizing reforms aimed at dismantling state control over economic activities, promoting privatization, and attracting foreign investment. The EPTP emphasized macroeconomic stabilization through devaluation of birr, restructuring and privatization of state owned enterprises, as well as legal and institutional reforms (Keller, 2002; and Eshetu & Mekonnen, 1992). This shift towards market-oriented policies was influenced by internal and external challenges, including the prevailing global trends towards economic liberalization, rising inflation, weak bureaucracy, corruption, subtle political economy intentions of actors, severe political instability, and the lack of foreign support (Alemayehu, 2007; and Eshetu, 2004).

Similarly, the post-2018 transition, under the leadership of Prime Minister Abiy Ahmed, ushered in the homegrown economic reform (HGER) policy, aiming at domestic economic revitalization. Enacted in 2019, the three-year program encompasses macroeconomic, structural, and sectoral reforms. According to Habtamu (2023) and F.D.R.E. Ministry of Planning and Development (2019), the HGER encompasses stabilizing measures to control inflation, stabilize currency, and manage public finances efficiently. Additionally, it prioritizes privatizing state-owned enterprises, deregulating markets for enhanced competition, and revamping institutional frameworks to bolster a private sector-driven economy. However, challenges such as political instability, severe conflicts, divergent interests of key economic partners, and insufficient support have impeded the realization of its objectives, leading to subdued economic performance (de Waal, 2023; Ayele, 2023; and Abduletif, 2021).

Examining the political economy context of economic policies amid political transitions in Ethiopia offers valuable insights into the dynamics shaping the nation's economic trajectory. It highlights the intricate relationship between political transitions, policy choices, and economic outcomes, underscoring the necessity for coherent and flexible economic governance frameworks to navigate transitional period economic policies and uncertainties. Building on this premise, the thesis delves into the key features and repercussions of economic policies during post-1991 and post-2018 transitions, scrutinizing the political economy behind these policies and the motivations driving actors in crafting transitional economic policies. It offers a critical assessment of the policy dynamics among major economic partners and the dynamics of production and ownership within transitional economic policies.

1.2. Statement of the Problem

The political economy of Ethiopia's transition period economic policies can be conceived as a contest for wealth mirrored with a contest for power, leading to a fusion of political power and economic interests (Gündoğan (2013: 159-166). This situation has remained characteristic of post-1991 political transition in Ethiopia and has persisted under the current regime of the Prosperity Party, with the regime's power increasingly unconstrained. However, this fusion of power and economic interests during transitions has increasingly led to authoritarian tendencies within the regime, exacerbating economic deterioration and fueling public discontent and violence. (Lyons, 2014; Wassihun, 2021; and de Waal, 2023).

Over the past six decades, Ethiopia's trial to economic growth, development, and modernization has faced challenges due to ideological warfare, political instability, conflicts, and natural and man-made catastrophes. Ethnic-based political power struggles have further hindered progress, leading to extremist positions that have harmed the economy and people's living conditions. Even with the design and execution of economic policies during the post-1991 and post-2018 transitions, Ethiopian's enduring struggle and aspiration for broad economic and political transformation has persisted delicately.

In 1991, the TGE proclaimed a three-year economic policy of transition period that aimed at economic recovery to remedy the economic crises, including macroeconomic imbalance and instability, weak economy, loss of production capacity, and food insecurity (Rajan, Iyappan, Selvam, 2005: 138-140; and Donham, 1992: 28–57). Undertaken to resolve immediate economic problems and underdevelopment, the economic policy of the transition period /EPTP followed with a number of structural and economic reform measures (Alemayehu, 2007). The agricultural sector, being the backbone of Ethiopia's economy, was given greater emphasis (*ibid*).

In a similar vein, the post-2018 transition has brought about changes in economic policies as the new regime endeavors to assert its priorities and ideologies. Notably, the introduction of the homegrown economic reform policy, which emphasizes private sector-led economic development, has also involved macroeconomic, structural, and sectoral reforms (Habtamu, 2023; and Alemayehu, 2019). However, these changes in economic policy direction have curtailed in discontinuity, uncertainty, and challenges in implementation, affecting economic performance and investor confidence (Sibuh, 2020; Trebilcock, 2015; and Costantinos, 2020).

Both the post-1991 and post-2018 transition period economic policies saw a slight uptick in economic production capacity, yet overall economic performance continued to decline (Alemayehu, 2007; Lyons, 2014; and Habtamu, 2023). These scholars argue that the objectives of these transitional economic policies remain distant due to internal and external political economy barriers. Issues such as poor policies, weak institutions, internal and external threats, and a volatile political landscape have hindered economic development (Rajan, Iyappan, & Selvam, 2005; and Alemayehu, 2007). The World Bank (2019) has also highlighted the lack of complementary measures, such as adequate reforms in policies and institutions, as well as insufficient capacity in government agencies further impedes economic development. Moreover, the paths pursued during transitions, the lack of consensus and a solid ideological foundation remained indispensable elements (Trebilcock, 2015; Sibuh, 2020; and Costantinos, 2020).

Existing studies on the interplay between politics and economics on Ethiopia's transitional period economic policies are scarce. Moreover, transition period economic policies have either been insufficiently studied or lacked comprehensive political economy approaches. Consequently, there is a significant knowledge gap in the literature, particularly regarding the connection between pre- and post-2018 transition period economic policies.

A comprehensive understanding of the nature and consequences of economic policy shifts during political transitions in Ethiopia is lacking. The key features, performance, and internal and external challenges of post-1991 and post-2018 transition period economic policies have not been adequately studied. Moreover, there is a need for deeper exploration into the factors driving policy changes during transitions, the involvement of major actors, the political dynamics of economic policies among major partners, and the effects on production and distribution.

Therefore, motivated by ongoing debates about the successes and failures of post-1991 and post-2018 transition economic policies, including the significant knowledge gap in the literature, I am delving into the key features and challenges of both post-1991 and 2018 transition policies, their political economy, the motivations, the involvement of major economic partners, and the dynamics of production and ownership during these periods. My decade-long experience in the development sector, combined with the peculiarities of post-1991 and 2018 reforms, has spurred me to undertake this research on transition period economic policies and its future implications. Consequently, this study aims to address these gaps by critically examining the political economy of transition period economic policies, with a focus on both the economic policy of the transition period and homegrown economic reform policy, to provide new and additional insights and perspectives.

Core Argument of the Study

This research delves into the political economy underlying Ethiopia's economic policies of the transition period (EPTP) and the post-2018 homegrown economic reform policy (HGER). It scrutinizes the intricate interplay between political and economic forces during those transitions. The core argument of this study is that both transitional policies share commonalities and fall short of achieving significant objectives due to various internal and external challenges. Internally, factors such as political instability, bureaucratic obstacles, rampant corruption, and inadequate institutional and legal reforms hinder effective policy execution, consequently impeding economic development. Externally, the absence of foreign support poses a persistent challenge. There are also notable parallels in these policies regarding wealth inequality, limited privatization efforts, and state control over land ownership. By addressing these propositions, the thesis offers a broader understanding of how political and economic factors interact in transitional economic policies in Ethiopia, enriching the discourse on political economy and economic policy dynamics in transitional contexts.

1.3. Objective of the Study

1.3.1. General objective

The general objective of this study is to comparatively investigate the political economy dynamics of transitional economic policies in Ethiopia during post-1991 and post-2018, with a focus on understanding the interactions between political changes and economic policy-making processes.

1.3.2. Specific objectives

The study's specific objectives are:

- Exploring major features of transitional economic policies -their priorities and repercussions, of post-1991 and post-2018 transitions.
- Comparatively examine the major internal and external challenges, which face the economic policy of the transition period and homegrown economic reform policy.
- To rigorously explore the political economy of key actors involved in the formulation of economic policies, their motivations, the distribution of wealth, as well as production and ownership during the post-1991 and 2018 transition period economic policies.

1.4. Research Questions

The core research question is: What are the political economy dynamics and prospects of transitional economic policies in Ethiopia during post-1991 and post-2018?

This study specifically seeks to answer the following research questions:

- ♠ What are the key features, priorities, and repercussions of transitional economic policies post-1991 and 2018?
- ♠ Which internal and external challenges face the economic policy of the transition period and homegrown economic reform policy?
- ♠ What are the motivations and roles of key actors in formulating economic policies during the post-1991 and 2018 transition periods, and how do these policies affect wealth distribution, production, and ownership in the political economy?

1.5. Significance of the Study

This study holds significant implications for understanding the intricate relationship between political transitions and economic policy dynamics in Ethiopia during pivotal moments, specifically post-1991 and post-2018 transitions. By delving into the political economy dynamics of transitional economic policies, it provides valuable insights into how political shifts influence economic decision-making processes and vice versa. Understanding these transitional economic policy dynamics is crucial for policymakers, political economists, and analysts. Firstly, it sheds light on the major features and performances of transitional economic policies in Ethiopia and their alignment with broader political goals. This understanding can inform future policy formulation and implementation, potentially leading to more coherent, inclusive, and sustainable economic development strategies.

Additionally, by examining the prospects of transitional economic policies, the study offers insights into the challenges and opportunities that lie ahead for Ethiopia's economic trajectory. This area of knowledge can guide stakeholders in navigating potential pitfalls and capitalizing on favorable conditions, ultimately contributing to more informed decision-making and better outcomes. Its focus on Ethiopia's specific transitional economic policy context also contributes to the broader literature on political economy dynamics. Moreover, the study's significance lies in its potential to inform policy, advance academic understanding, and contribute to more sustainable and inclusive economic policy design, enriching understanding of the complexities involved in such transitions and subsequent transitional policies.

CHAPTER TWO

2. RESEARCH METHODOLOGY

2.1. Research Methodology and Methods of Data Collection

2.1.1. Approach of the study

This study follows a comparative case study approach, focusing on individual cases of transition period economic policies in 1991 and 2019. A qualitative research method has been employed to investigate the larger cases of the political economy of the Ethiopian experience with economic policies during those transitions. According to Peters (2013: 7) and Creswell (2009: 30-32), the case-based qualitative approach employed in this study helps the researcher use their own lens and observations to analyze the data by focusing on the characteristics of the cases and the unique interactions of factors within them. Kothari (2004: 3-5) also points out that the assessment of experiences, expert knowledge, and personal thoughts cannot be defined numerically and must instead be gathered subjectively through interviews and discussions.

2.1.2. Methods of data collection

The researcher consulted both primary and secondary sources of data. Primary sources of information were key informant interviewees, respondents, and crucial policy document reviews. Journal articles relevant to the study's context, review papers, reports, books, digital magazines, policies, and plans were consulted as the secondary sources of data obtained through qualitative documentary analysis. Due to the complexity of Ethiopia's political economy and economic policies during these times of transition, multiple sources and tools for data collection via triangulation were used, which is essential to guaranteeing adequacy and reliability of the data.

Key informant interviews were conducted using semi-structured, open-ended questions to supplement documentary reviews and obtain an in-depth understanding. The key features and repercussions of economic policies during post-1991 and post-2018 transitions, scrutinizing the political economy behind these policies and the motivations driving actors in crafting transitional economic policies are explored. Professionals and officials from the FDRE Ministry of Planning and Development, media experts, leaders of political parties, and professionals of civil society organizations were among the key informants and respondents.

2.1.3. Sampling techniques and procedures

Research participants are chosen using a purposive sampling technique. Key informant interviewees and respondents were chosen and approached to provide the information required for this study. According to Mathews and Rose (2009: 167) and Kothari (2004: 15), qualitative researchers mostly employ purposive/judgmental sampling techniques to gather adequate, appropriate, and relevant data from experts, officials, researchers, and policy analysts. To this end, 18 key informants and respondents were purposively drawn from among ministerial offices, political party leaders, leaders of civil society organizations, and media experts.

2.2. Data Recording, Transcription, and Trustworthiness

The main tools for keeping data files for subsequent analysis were note-taking, recording, and archiving. Following the data collection, the researcher has used transcription to convert recorded information into a written format. Therefore, as immediate data transcription helped in the memorization of fresh information, it has been done in the meantime during and after the data collection. Notes, transcriptions, and recordings were all properly documented. Therefore, the data collection and analysis steps followed ensuring trustworthiness and reliability.

2.3. Data Processing and Analysis

The key research questions and objectives, in general, provide an important analytical framework for analyzing the data gathered vis-à-vis transition period economic policies in Ethiopia. This entails exploring the interview material and secondary source's structural, historical, political, economic, and subjective dimensions and ramifications. Given that this study is largely exploratory and adheres to an interpretive approach, data analysis necessitated an open and reflexive interaction with existing literature in order to allow for the development of concepts, themes, constructs, and terminologies. As a result, many of the techniques mentioned as case-based thematic data analysis methodologies were used in this research (Dawson 2002: 111–121).

A variety of factors influence the researcher's choice of data analysis techniques. The research questions, the theoretical and empirical frameworks of the study, and the appropriateness of the approach for making sense of the results are some of those elements. The researcher initially immersed himself in the data to familiarize himself with it, and then he looked for patterns, themes, and linkages across data sets and thematically analyzed results.

2.4. Ethical Considerations

Several ethical considerations were taken into account, given the nature of this study. Research participants were treated with respect and courtesy. Prior to data collection, respondents were informed about the study's objective, anticipated significance of the research, how they were chosen, and their full right to completely or partially withdraw from the study. Then, respondents and KIIs were asked for and gave their informed consent. Permission was asked to record the interviews. Moreover, the researcher didn’t engage in any risky activities that expose participants to deliberate physical, psychological, and/or political harms.

2.5. Organization of the Thesis

The first chapter introduced the study's background, problem statement, objectives, and significance. The second chapter covered the research methodology, including the research approach, data collection methods, and analysis. Chapter three addresses the study's conceptual, empirical, and theoretical framework. The fourth chapter addressed transition period economic policy prospects and political economy challenges, and the fifth underlying motivations, actors, and policies of major economic partners during transitions, with a conclusion following.

CHAPTER THREE

3. TRANSITION PERIOD ECONOMIC POLICIES: CONCEPTUAL, EMPIRICAL, AND THEORETICAL FRAMEWORKS

3.1. Introduction

In its broadest sense, conceptual and theoretical frameworks serve as visual depictions of the foundational theoretical principles and constructs underlying a study, illustrating the essential concepts and their interrelationships. According to Van der Waldt (2020: 2-8), these frameworks act as mental maps, connecting various dimensions of the research process such as existing knowledge, literature, theory, methodologies, and findings. Essentially, they form a network of interconnected concepts, or constructs, that collectively provide a comprehensive understanding of a phenomenon. Maxwell (2005: 33) describes them as a framework comprising concepts, assumptions, expectations, beliefs, and theories that underpin and guide research endeavors.

This chapter delves into diverse interpretations of concepts and constructs, including the conceptual and theoretical frameworks pertinent to the thesis. It explores the political economy of transitional period economic policies through a comparative analysis of post-1991 and post-2018 political transitions, incorporating embedded conceptualizations and theoretical frameworks relevant to the thesis's findings. Topics such as development, economic policies, and the historical evolution of economic policies in Ethiopia, and political transitions and reforms are examined and discussed. Additionally, classical and contemporary development theories are reviewed, alongside two prominent schools of thought in political economy –Liberalism and Marxism-Leninism – which define approaches to transitional period economic policies. Finally, the chapter presents an empirical analysis of economic policies and practices in Ethiopia, focusing on significant pivotal moments in the nation's economic trajectory.

3.2. Conceptual Framework

3.2.1. Concepts of policy and economic policy

The term policy refers to a set of principles, guidelines, or rules adopted by governments, organizations, or individuals to achieve specific objectives or address particular issues pertained to the social, economic, political, and ecological issues (Mokhaba, 2005). It can be formulated at various levels, including governmental policies enacted by legislative bodies, organizational policies implemented by institutions, or personal policies adopted by individuals. Whether it has been adopted at national, organizational or individual level, a policy is an internal guideline that helps to make a decision on major issues designed to resort to a problem or set of problems such as economic issues (Açemoglu & Robinson, 2012; Amartya Sen, 1999; and Ferguson, 1994).

Economic policy specifically pertains to the actions, decisions, and strategies undertaken by governments or other relevant authorities to influence the performance, stability, and growth of an economy. These policies are aimed at achieving various economic objectives such as promoting employment, controlling inflation, fostering economic growth, ensuring financial stability, and addressing income inequality by applying multiple policy measures in the economy (Todaro and Smith, 2000; and Ferguson, 1994). Economic policies encompass a wide range of measures, including fiscal policy, related to government spending and taxation; monetary policy, including the regulation of money supply and interest rates; trade policy, dealing with international trade and tariffs; sectoral and regulatory policies aimed at promoting specific sectors and market regulations and consumer protections. The ultimate goal of economic policy is to enhance the overall well-being and transformation of society (Peet & Hartwick, 2015).

3.2.2. Transitional economic policies

Economic policies during political transitions refer to the strategies, decisions, and reforms implemented by governments or transitioning authorities to navigate the economic challenges and opportunities that arise during periods of political change and crisis. Although transitions may occur due to various factors such as regime changes, democratization processes, revolutions, or shifts in political power, transitional economic policies are instruments applied by the incumbents with ideological shifts, policy priorities, and interests of actors (Ake, 2003).

During political transitions, economic policies often undergo significant shifts as new leaders or governments seek to address the economic concerns and priorities of the society. Ideological changes and economic development priorities form transitional period economic policies. Some common features of economic policies during political transitions include: the adoption of new policies, overhaul of the previous policies, and maintaining existing ones. The needs to enact new policies arise whenever there are ideological shifts and changes in priorities of the people and new government. However, overhaul and maintenance of existing policies occur whenever there are fewer or no changes in ideological and priority concerns.

Overall, economic policies during political transitions are shaped by the complex interplay of political dynamics, economic challenges, societal expectations, and external pressures. The successful design, execution, and management of these transitions require strategic thinking, adequate planning, inclusive decision-making processes, broader consensus, and a clear vision for economic development and overall transformation (Todaro & Smith, 2000; and Amartya Sen, 1999).

3.2.3. Political transitions and reforms

A political transition, as defined by Mainwaring (1989: 4), signifies the shift from one political regime to another, typically characterized by the dissolution of an existing regime, be it authoritarian or democratic, and the emergence of a new regime, which may either embrace democracy, revert to authoritarianism, or present a revolutionary alternative. Similarly, O'Donnell and Schmitter (1986: 4-8) describe political transition and reforms as the period between one political regime and the next. In principle, political transitions entail changes in leadership striving to imprint their agendas and reshape the political and economic landscape of a nation. The outcomes of such transitions—be it the establishment of democracy, the reinforcement of authoritarianism, or the onset of revolutionary cycles—depend on various factors including the political acumen, leadership competence, experiences, and personal and collective interests of the leaders involved.

Ethiopia has traversed similar political transitional phases as it shifted from one political system to another. Three pivotal moments in Ethiopian political transition history stand out: the transition from the imperial regime to the socialist-oriented Derg political system in 1974; the subsequent transition from the Derg to the TPLF-centered EPRDF in 1991; and the transition from the EPRDF to the Prosperity regime in 2018. Many scholars of political economy have regarded these moments as "missed opportunities" for Ethiopia. Despite their imperfections and constraints, these transitions have brought about significant political and economic reforms and changes for the country.

In this thesis, I focus primarily on Ethiopia's post-1991 and post-2018 political transitions and the subsequent reforms, as I believe that the latter can draw lessons from and build upon the former. Of particular interest are the reforms following the economic policy of the transition period (EPTP) and the homegrown economic policy (HGER) implemented in the aftermath of these pivotal political transitions. Gérard Roland (2001) argues in his study on the Political Economy of Transitions that during the "honeymoon period" and "a period of exceptional politics," governments swiftly enact economic policies and reforms and strive to ensure their irreversibility. Therefore, this thesis delves into political economy of Ethiopia's transition period economic policies and reforms to assess the sustainability of the "honeymoon period" policies and reforms, and how subsequent governments have upheld these policies over time.

3.2.4. Understanding political economy

In contemporary discourse, the nexus of state and the economy, commonly referred to as political economy, stands as one of the foremost areas of inquiry, particularly in our dynamically evolving global landscape. While these two entities often appear intertwined, they can be approached from distinct angles, with the functions of political institutions within the state and economic development being pivotal factors influencing broad political development.

Combining the analysis of political economy with the pressing issues of development policy and the pragmatic realities of politics allows for a comprehensive understanding of the intricate relationship between state and economy, as suggested by Todaro and Smith (2000: 9-11). Political economy thus endeavors to merge economic analysis with practical political insights to illuminate economic activity within its political context (Todaro and Smith 2000: 9).

According to Karsten Mause (2019: 1599-1600), political economy represents a multidisciplinary field wherein scholars from political science, economics, and other social sciences explore the interplay between the political realm—particularly the state—and the economic systems of diverse societies across different historical periods. Mause contends that political economy manifests as the tangible interaction of politics and the economy within real-world societies, focusing on how power influences economic decision-making. Therefore, in our contemporary understanding, political economy emerges as the synthesis of political and economic dimensions, emphasizing the intricate interplay between politics and economics in shaping modern societies.

3.3. Empirical Framework of the Study

In order to provide a thorough understanding of the dynamics influencing Ethiopia's path for economic policy during the transitional period, there is a need for an empirical framework. The following elements serve as the foundation for this empirical framework:

Historical Contextualization: The study begins by contextualizing and exploring Ethiopia's political and economic history, tracing the evolution of transitional economic policies from the imperial regime to the post-1991 and post-2018 transitions. This historical analysis provides insights into the key features of economic policies since the imperial period.

Policy Analysis, Economic Policy of the Transition Period and Homegrown Economic Reform Policy: A comprehensive analysis of economic policies implemented during the post-1991 and post-2018 transitions has been conducted. This includes an examination of policy objectives, the performance those transitional economic policies, as well as the internal and external challenges of economic policies implemented during transitional periods. Qualitative data, such as summarized economic progress reports and policy documents, are utilized to assess the performance of transitional economic policies on key economic variables, including economic growth, employment, inflation, and poverty headcount.

Political Economy Approaches: The study applies the political economy approaches to transitional economic policies of the EPTP and HGER. It incorporates perspectives on the distribution of wealth, production, and ownership, as well as external influences -the politics of policies of major economic partners- during the design and execution of these transitional economic policies. The study also examines the institutional framework governing economic policymaking and implementation in Ethiopia. This involves an assessment of the roles, functions, and capacities of policy actors, their political motivations in the making of policies, and interest groups involved in shaping economic policies. This allows for a deeper understanding of divergent interests, competing priorities, and power dynamics influencing economic policymaking and implementation in Ethiopia over the past three decades.

Comparative Analysis: Comparative analysis is employed to assess the similarities and differences between the post-1991 and post-2018 transition economic policies in Ethiopia, the EPTP and HGER. This involves a comparative understanding of the policy objectives, implementation strategies, outcomes, and challenges across these transitional periods. As a result, this study's empirical framework for examining the political economy of Ethiopia's transitional economic policies offers a systematic way to examine the complex relationships between institutional, political, and economic elements that influence the dynamics of Ethiopian economic policy.

3.4. Theoretical Frameworks

In this study, I have opted to embrace both liberalism and Marxist-Leninist theories of economic policies for several reasons. Firstly, the focus of the research on the political economy of transitional economic policies in Ethiopia necessitates a comprehensive approach. By incorporating perspectives from both liberalism and Marxist-Leninist ideologies, a deeper understanding of the subject matter can be attained. Specifically, as the research delves into economic policy objectives, performances, and internal as well as external challenges, the utilization of lenses and perspectives from liberalism and Marxist-Leninist thoughts proves invaluable. Moreover, considering the study's examination of wealth inequality, the political motivations of policy actors, and external influences, these theories offer robust frameworks for achieving a broader understanding and conceptualization of the issues at hand.

3.4.1. Liberalism theory

The liberal theory of transitional economic policies asserts that political and economic institutions typically require minimal state intervention in the market to function effectively and prosper (Hardin, 1999). Rooted in possessive individualism and the recognition of individual rights (Segrillo, 2012; Marlin-Bennett & Johnson, 2021), this ideology prioritizes the autonomy of individuals and advocates for minimal market regulation. It posits that economic activity should primarily serve the interests of individuals, who drive economic growth through their endeavors, consumption, and participation in market transactions.

Central to the liberal theory of transitional economic policies is the belief in the limited role of the state in economic decision-making and policy formulation (Marlin-Bennett & Johnson, 2021; Caporaso & Levin, 2012). This perspective contends that state intervention in the economy is likely to hinder rather than facilitate economic development. Instead, the focus is on fostering conditions conducive to free market operation, private property rights, specialization, and market-driven allocation of resources.

Advocates of the liberal theory argue that the free market, driven by capitalist principles, should be the primary engine of economic growth, with the state playing a supportive rather than directive role (Friedman et al., 2020; Acemoglu & Robinson, 2012). They propose that the state's involvement should be limited to creating an enabling environment for businesses, ensuring fair competition, and preventing monopolistic practices.

While liberalism has been influential in shaping economic policies around the world, it is not without its critics who question its underlying assumptions and implications for society. In this regard, according to Friedman et al., (2020) and Acemoglu & Robinson (2012), wealth inequality, market failures due to intensified monopolies and externalities, lack of adequate social welfare mechanisms, and financial crises and instability are some of the common critiques of the liberalism theories in the economy. Concerns such as declining free-market practices over time, increased regulation and state intervention in the economy, and obstacles to effective policy implementation due to political settlements and power struggles are also thought to be some of the consequences of liberalism thoughts (ibid).

Despite challenges such as widespread poverty and a lack of democratic culture, there are trends favoring the adoption of liberal economic policies during transitional periods in Ethiopia. However, political actors have generally resisted liberal economic transformation in favor of developmental state frameworks and mixed economy approaches in Ethiopia during the EPRDF regime (Abebe, 2018). The trajectory of free-market practices since the post-1991 transition period has shown a gradual decline, with increased regulatory measures and state intervention in the economy. Additionally, excessive focus on political settlements and power struggles has impeded the effective implementation of liberal policies.

In analyzing the political transitions of post-1991 and post-2018 Ethiopia, the liberal theoretical framework provides insights into how regimes such as the EPRDF and Prosperity Party governed these transitions and shaped the political economy. It examines the extent of state intervention in the economy, the motivations behind economic policies, and their consequences within the context of transitional periods. Liberalism theory emphasize the importance of free market principles, minimal state intervention, and the role of competition in driving economic growth. By analyzing Ethiopia's economic policies through a liberal lens, one can assess the extent to which the government has facilitated market-oriented reforms, promoted private sector development, and encouraged competition. Additionally, liberal theories highlight the significance of political stability, property rights protection, and the rule of law in fostering an environment conducive to investment and growth. Through this framework, it is helpful to evaluate Ethiopia's transition period economic policies in terms the impact of policy interventions on market dynamics, and the country's progress towards achieving sustainable economic development and transformation.

3.4.2. Marxist-Leninist theory

The Marxist-Leninist theory of transitional economic policy encompasses a comprehensive worldview that integrates economics, politics, ethics, history, and philosophy, offering an alternative perspective on the political economy of development. Rooted in Marxism, this theory presents a philosophy of social existence and a dialectical theory of history known as historical materialism (Peet and Hartwick, 2015: 178-180). Founded by Karl Marx, Frederick Engels, and Vladimir Lenin, Marxist-Leninist approaches underscore the centrality of class struggle in society and advocate for social progress and human emancipation.

At the core of Marxist-Leninist political economy lies an analysis of class conflict and the inherent contradictions within capitalist societies. It posits that capitalism is intrinsically exploitative, with the bourgeoisie exploiting surplus value from the working class through labor exploitation (Ozselcuk, 2014; Lippit, 2015). This exploitation breeds socioeconomic inequality and class antagonism, driving the perpetual struggle between the dominant and oppressed classes (Marlin-Bennett and Johnson, 2021; Chandhoke, 1994).

Central to Marxist-Leninist theory is an understanding of economic reproduction, profitability, and crises within capitalism (Peet and Hartwick, 2015; Marlin-Bennett and Johnson, 2021; Gamble, 1999). Marxists critique the structure of political economy, highlighting capitalism's role in perpetuating inequalities and fostering social conflict. They argue for a reconfiguration of the relationship between market forces and government policies to address systemic injustices.

Vladimir Lenin expanded on Marx's predictions, elucidating how capitalism's growth leads to inter-imperialist conflicts and the concentration of capital through monopolies (Lenin, 1982: 62; Lippit, 2015). Marxist-Leninist theory posits that political-economic transitions result from internal contradictions within capital-market relations, exacerbated by external influences like neo-imperialism. Gramsci's regulation theory delineates two social control mechanisms: domination and hegemony (Sallach, 1974; Kendie, 2006). Marxists argue that coercion and ideological control by the dominant class maintain social order, shaping colonial legacies and postcolonial political economies.

However, Marxist-Leninist theories of economic policies also face criticism and skepticism from several stakeholders. Marxist-Leninist theories are criticized for centralization and concentration of power, including state ownership, which led to bureaucratic inefficiencies, lack of innovation, and suppression of individual initiative. It has also been put under fire for undermining incentives for productivity and economic calculation problems, which, according to Rasure (2022), relies on centrally planned economies struggle to make rational decisions about production and distribution.

Marxist-Leninist theories of transitional economic policy offer valuable perspectives for understanding Ethiopia's post-1991 and 2018 periods of political transition and economic policies. Applying Marxist-Leninist theory to Ethiopia's economic policies reveals insights into state intervention, central planning, income inequality, and the exploitation of labor. By contextualizing the challenges and objectives, the Marxist-Leninist framework offers a vivid understanding of Ethiopia's economic policy trajectory, particularly during pivotal moments of post-1991 and post-

2018 transitions. Moreover, these theories shed light on the impact of external influences, such as neo-imperialism, on Ethiopia's political economy and the struggle for autonomy and self-determination. Through this lens, Ethiopia's transition periods can be analyzed in terms the distribution of power and resources, and the challenges faced in achieving a more equitable and just society. Therefore, in addition to the liberalism theoretical underpinnings, this thesis utilizes the Marxist-Leninist framework to uncover the underlying political-economic dynamics shaping Ethiopia's economic policy journey.

CHAPTER FOUR

4. MAJOR FEATURES AND REPERCUSSIONS OF TRANSITION PERIOD ECONOMIC POLICIES IN ETHIOPIA

4.1. Introduction

This chapter provides an in-depth analysis of Ethiopia's transition economic policies, focusing on the post-1991 and post-2018 transition periods. The chapter begins by addressing the historical experiences of Ethiopia in adopting economic policies. Subsequently, it conducts a comparative investigation of the two political transitions and the ensuing economic policy frameworks. It examines the objectives, major features, and challenges of these policies, aiming to uncover their key features and prospects. The chapter extensively discusses the repercussions and significant internal and external challenges encountered by both the Economic Policy Transition Period (EPTP) and the Homegrown Economic Reform (HGER) policies. Compelled by the labeling of the homegrown economic reform policy, the chapter explores the extent to which the post-2018 homegrown economic reform policy truly reflects indigenous economic strategies. Through this analysis, it aims to offer insights into the complexities and dynamics of Ethiopia's transitional period economic policy and decision making trajectory since 1991.

4.2. The History of Economic Policy in Ethiopia

The economic policy landscape of Ethiopia has undergone significant transformation since the imperial period, marking a journey through various economic models and approaches in response to both internal and external pressures and development aspirations. This journey reflects the broader historical, economic, and socio-political shifts within the country, entangled with the ambitions and challenges of each regime.

It is thought that Ethiopia's present economic development strategies date back to the imperial period, when Emperor Haile Selassie enacted the first one upon his return from exile in

England in 1941, who flee due to the invasion of Italy in 1936 as a result of colonial ambitions. After regaining control in 1941, according to Mascagni (2016: 9–12), the Imperial regime of Emperor Haile Selassie sought to restore the empire in order to gain "performance legitimacy" from the people who were dissatisfied with their decision to flee to England. The re-establishment of imperial rule focuses primarily on the formation of new institutions and the promulgation of legislation that would govern the state's economic development policy for the next three decades.

Following the defeat of Italy and its retreat from Ethiopia, Emperor Haile Selassie devised a new catch-all concept, modernization – (*limat*), and accompanying policy initiatives. According to Samuel Andreas (2016: 67–69), the Imperial Regime's most ambitious push for economic modernization emerged as the driving force behind its policies in the latter days of its rule. As argued by Yonas (2018: 67–69), the Emperor proclaimed the New Era for New Ethiopia (*Addis Zaman*) after Italy's occupation ended in 1941. He went on to say that the idea of *Siltane* (civilization) had come back, with national freedom serving as one of its prerequisites.

During the imperial period under Emperor Haile Selassie (1930–1974), Ethiopia's economic policy was characterized by a feudal system where land was owned by the nobility and the church, leaving the majority of the population as tenant farmers. The economy was primarily agrarian, with agriculture accounting for the bulk of employment and output. Efforts to modernize the economy were made, including the establishment of infrastructure and the introduction of modern education systems, but progress was slow owing to multiple internal and external challenges. The period also saw the beginning of industrialization, albeit on a very small scale, with the establishment of a few factories and the encouragement of foreign investment in Ethiopia.

The overthrow of Emperor Haile Selassie in 1974 marked the beginning of a socialist period under the Derg regime, which lasted until 1991. The Derg implemented radical economic policies, including the nationalization of land, industries, and financial institutions. The government sought to redistribute wealth and reduce inequalities through these measures. In comparison to other African countries, the Derg was acclaimed for nationalizing land and declaring it a collective resource of the public; and seizing control of the economy to promote social protection and equity (Eshetu and Mekonnen 1990; and Alemayehu 2000). However, these policies, combined with other factors such as drought, conflict, and mismanagement, led to economic stagnation and hardship for many Ethiopians. The overall economic performance remains inadequate (Tesfaye Asfaw, 1991; Eshetu & Mekonnen, 1990).

Since 1991, under the leadership of the Ethiopian People's Revolutionary Democratic Front (EPRDF), Ethiopia has embarked on a series of economic policy reforms aimed at transitioning from a centrally planned economy to a market-oriented one. The Transitional Government of Ethiopia (TGE) has devised a new transition period economic policy, the Economic Policy of the Transition Period (EPTP), in order to reorient and rebuild the country's economy. The newly enacted economic policy had two key goals: first, to promote growth by replacing the former centrally planned economy with a market-based economy; and second, to decrease poverty and create an atmosphere conducive to economic development (Transitional Charter, 1991; Verlaten, 1991; IMF, 1999; and Vaughan & Tronvoll, 2003).

The main features of the EPTP and subsequent economic policy reforms of the EPRDF included the privatization of state-owned enterprises, the liberalization of the economy, and efforts to attract foreign investment. The government also focused on sectors it identified as key to economic growth and poverty reduction, including agriculture, manufacturing, and services. Following the EPTP, the EPRDF framed its economic policy around Agricultural Development-Led Industrialization (ADLI), which is aligned with and guided by the developmental state model.

As a result, Ethiopia has experienced significant economic growth and progress in reducing poverty over the past few decades, although challenges such as unemployment and underemployment, inflation, bureaucratic red-tapes, political instability, and the need for further reforms persist (IMF, 2019; IMF, 1999; World Bank 2020; and Clapham 2018).

The post-2018 period is marked by another pivotal moment in the economic policy history of Ethiopia. Driven by the popular unrest from 2015 to 2018, political instability in different regions, and increasing dissatisfaction with the EPRDF/TPLF leadership—initially sparked by Oromo and Amhara protesters and later escalating in other areas—Ethiopia underwent a political transition marked by Prime Minister Abiy Ahmed's rise to power (Crisis Group 2019, AfricaUpClose 2022). The new administration, led by Prime Minister Abiy Ahmed, declared the Homegrown Economic Reform Policy in 2019.

Throughout these periods, Ethiopia's economic policies have reflected the nation's broader aspirations for economic development and transformation, shaped by its unique history, culture, and socio-political context. The evolution from a feudal system to a socialist state, and then towards a market-oriented economy, demonstrates Ethiopia's attempts to navigate the complex terrain of economic development in a rapidly changing world. Although the outcomes of the performance of those economic policies are contentious, they represent significant shifts in the economic policy history of Ethiopia.

4.3. Ethiopia’s Economic Policy of the Transition Period, 1991-1995

The economic policy of Ethiopia during the transitional period, post-1991 marks a significant chapter in Ethiopia’s political and economic history, characterized by a shift from a centrally planned economy to one that is market-oriented. This transformative period followed the fall of the Derg regime, a Marxist-Leninist government, and the rise to power of the Ethiopian People's Revolutionary Democratic Front (EPRDF). The new government, the Transitional Government of

Ethiopia (TGE), facing the daunting task of rebuilding a nation marred by years of civil war and famine, embarked on a series of economic reforms aimed at stabilizing and revitalizing the Ethiopian economy (Alemayehu, 1999; Eshetu, 1994; and Eshetu et al, 1991).

One of the cornerstone policies of this era was the adoption of the Economic Policy of the Transition Period of Ethiopia /EPTP, outlined in 1991, which aimed to liberalize the economy. This policy focused on encouraging private sector development, restructuring state-owned enterprises, and promoting foreign investment. Agriculture, being the backbone of Ethiopia's economy, received particular attention with reforms intended to increase productivity and market access (*ibid*). Additionally, the government initiated a massive privatization program, divesting from many sectors previously controlled by the state, including banking, telecommunications, and transportation (Clapham, 2018; and Ohno, 2009). These measures were complemented by efforts to improve the fiscal and monetary policy framework to stabilize the economy.

The social, economic, and political impact of these economic policies was profound. On one hand, they stimulated economic growth, reduced the prevalence of famine, and laid the groundwork for Ethiopia to become one of the fastest-growing economies in Africa in the early 2000s. On the other hand, the EPTP was not without its challenges, both internal and external. The rapid changes led to disparities in wealth distribution and raised concerns over land rights and displacement. Furthermore, while foreign investment increased, it also sparked debates over national sovereignty and the environmental and social impacts of large-scale projects.

In summary, the economic policy of the transitional period in Ethiopia during post-1991 was a pivotal moment that set the stage for the country's journey towards economic modernization and growth. While the period was marked by significant achievements, it also highlighted the complexities and challenges of navigating economic reforms in a country with deep-rooted social, economic, and political structures.

4.3.1. Major features of the economic policy of the transition period during the TGE (1991-1995)

The economic policy of the transition period during the post-1991 was a significant shift designed to address the challenges of a country emerging from years of conflict and centralized planning. This period marked Ethiopia's movement towards a market-oriented economy, aiming to lay the foundation for sustainable development and poverty reduction. The objectives of this policy transformation were multifaceted, reflecting the complexity of transitioning an economy and the need to balance immediate needs with long-term goals (Eshetu, 1992, Verlaeten, 1991).

Firstly, one of the primary objectives was to stabilize the economy. The government sought to control inflation, stabilize the currency, and manage the fiscal deficit, which were crucial for creating an environment conducive to economic growth and investment. Stabilization measures included tightening fiscal and monetary policies, which were aimed at reducing the budget deficit and bringing down inflation rates. These steps were necessary to restore confidence in the economy and lay the groundwork for sustainable economic growth (Verlaeten, 1991; Eshetu, 1994; and IMF, 1999).

Another critical objective was to liberalize the economy and encourage private sector development. The government initiated reforms to reduce the state's role in the economy, aiming to stimulate entrepreneurship and attract both domestic and foreign investment. Privatization of state-owned enterprises, deregulation of markets, and liberalization of trade policies were key components of this policy. Mekonnen (1994) and Alemayehu (1999) argued that these reforms were intended to enhance efficiency, increase competitiveness, and diversify the economy.

Encouraging private sector participation was seen as essential for creating jobs, increasing productivity, and improving the overall standard of living of the people of Ethiopia (*ibid*).

Additionally, the EPTP was aimed to address structural issues and promote social development (Daniel, 2012). This included reforms in agriculture, the largest sector of the economy, to increase productivity and ensure food security. Education, health, and infrastructure were also focal areas, with investments aimed at improving access to services and enhancing human capital. Addressing social inequalities and creating opportunities for disadvantaged groups were integral to the policy, recognizing that sustainable development requires inclusive growth that benefits all segments of society (Transitional Charter, 1991; and Verlaeten, 1991).

In summary, the economic policy objectives of Ethiopia in the post-1991 transitional period were geared towards stabilizing the economy, liberalizing the market to foster private sector development, and addressing structural and social issues to ensure sustainable and inclusive growth. These objectives were part of a broader strategy to transform the economy and improve the livelihoods of the Ethiopian people.

4.3.2. Performance of the economic policy of the transition period, 1991-95

The Economic Policy of the Transition Period (EPTP), initiated after 1991, has sparked intense debate among researchers, analysts, and experts (Takele, 2019 and Alemayehu, 2007). Some contend it spurred economic growth and alleviated poverty, while others argue it fails short of its macroeconomic, structural, and monetary target plans, labeling it more as a political instrument than an economic development strategy.

Verlaten (1991) asserts that the EPTP somehow thrive in stabilizing the economy. One of its key initiatives was to foster broader societal participation, exemplified by the proposal to grant worker representatives one-third of the voting rights on state enterprise boards. Within the initial three years of implementation, wealth inequality notably diminished, contributing to poverty reduction and economic expansion (Verlaeten, 1991; IMF, 1999). Moreover, replacing taxing with equitable levies on agriculture stimulated investment and productivity. Additionally, privatization measures, particularly in sectors like banking and farming, were rapid and largely effective, diminishing state ownership. These reforms positioned the EPTP as a cornerstone for future economic policies, subsequently endorsed by the EPRDF. The World Bank's IDA notes significant poverty reduction but also flagged growing economic imbalances during the transition period (IDA, 2001; Verlaeten, 1991; IMF, 1999).

However, despite efforts to balance fiscal policies and curb inflation through monetary measures, empirical evidence from organizations like the IMF and World Bank indicates persistent inflation and foreign currency challenges persist, unable to fully realize intended objectives of the policy. While the devaluation aimed to stimulate exports and boost economic growth by making Ethiopian goods more competitive on the international market, its impact was limited in achieving intended objectives. Factors such as inadequate infrastructure, insufficient diversification of exports, and global economic conditions hindered the better performance of the monetary measures through devaluation. Moreover, the devaluation led to increased inflation and heightened economic instability, further complicating the situation (Andualem, 2021; and Alemayehu, 2007).

Critics further argue that the EPTP failed to address crucial structural issues like land tenure and smallholder empowerment adequately. The decision to retain state land ownership during the transition period proved contentious performance of the policy. In general, while the EPTP achieved notable sectoral and structural reforms, it struggled to revive the economy amid internal and external challenges. Political instability further impeded its progress. Establishing robust institutions for policy oversight and implementing necessary legal and institutional reforms were notably lacking, hindering the EPTP's potential success.

4.3.3. Internal and external challenges of the economic policy of the transition period

4.3.3.1. Internal challenges

The Transitional Government of Ethiopia’s economic policy of transition period has been claimed brought structural, institutional, and sectoral transformations in the economy. This transformation, while necessary, was fraught with both internal and external challenges that have shaped Ethiopia's economic landscape. The study looks into and analyses some of the most substantial internal structural, institutional, and political challenges of the post-1991 transitional economic policies.

Internally, according to Andualem (2021), the transition period economic policy, EPTP, faced considerable obstacles in the form of existing state owned enterprises /SOEs that were deeply entrenched in the economy since 1974. The process of privatization and liberalization was slow and met with resistance, not only from those within the enterprises but also from parts of the population that feared unemployment and loss of financial security. Additionally, the government had to contend with the monumental task of establishing a legal and regulatory framework conducive to a market economy, which required overhauling existing laws and creating new institutions from the scratch (*ibid*). However, the limited progress and delays in implementing legal, regulatory, and institutional reforms have restricted Ethiopia's economic potential challenging full execution of the transitional economic policy (IMF, 1999).

Researchers have identified excessive government intervention and regulation as key factors affecting the economic crisis (Vaughan & Tronvoll, 2003: 21-29). Government’s longer hand in price controls, voluminous bureaucracy, and restrictions on foreign investment are a few instances of interventions that have hampered economic advancement and the growth of the private sector (Tefera, 2019). The lacks of government commitment in minimum wage legislation as well as less intervention to prevent economic monopoly were also internal challenges of the transitional period added to the struggling economy (Alemayehu, 2001; Merera, 2011; and Semir, 2018).

Ethiopia has experienced a range of economic difficulties over the transitional economic policy periods, such as huge rates of inflation, quickly increasing unemployment, dropping currency value, and restricted access to credit. The lack of a skilled workforce and adequate infrastructure further exacerbated these challenges, slowing down the pace of adequate execution of transitional economic policies and growth in Ethiopia (*ibid*). The economic crisis is made worse by ineffective governance, which is characterized by corruption, inefficient bureaucracy, and inadequate execution of policies (Vaughan & Tronvoll, 2003).

Moreover, one of the key internal challenges of the EPTP during the post-1991 period was political instability and issues of legitimacy of power by the EPRDF that led to low performance of the economy. The protracted political instability, characterized by protests, ethnic tensions, and conflicts, greatly hampers the economic development of Ethiopia. This political instability reduces investor trust, interferes with corporate operations, and deters foreign direct investment. The political environment's unpredictability then curtailed in slow economic growth and discourages both domestic and foreign investment (Merera, 2011; and Semir, 2018).

4.3.3.2. External challenges

Externally, Ethiopia's economic policy of the transitional period was influenced by global economic trends and foreign policies of major economic partners. The shift towards a market economy opened Ethiopia to the global markets, exposing it to international competition, fluctuations in commodity prices, and the pressures of globalization (Alemayehu Geda (1999a, 2001b, 2005c)). Foreign aid and investments, while crucial for the country's economic development, often came with strings attached, requiring Ethiopia to adhere to specific economic policies, interests and reforms that are against the interest of the EPTP (Gadisa, Wondaferaw, Jibril, 2018; and Belay, Tibebu, and Girma, 2023). These external factors sometimes conflicted with domestic priorities and interests, complicating the process of full execution of the EPTP and subsequent economic reforms in Ethiopia.

Additionally, some of the external challenges such as monetary policy influence associated with devaluation of currency coupled with the lack of institutional competence and capability created internal challenges like inflation. This has also negatively contributed to increase in global commodity price variations (Andualem, 2021). The country's main exports, oilseeds, textiles, and coffee, are highly impacted by changes in global commodity prices, which also lead to trade imbalances and unstable revenue streams. Moreover, the burden of external debt restricts government spending and limits resources for development projects (Lyons, 2014).

Despite these internal and external challenges, however, Ethiopia has made significant strides in its economic policy and growth prospects, and also made considerable progress. The government's efforts in infrastructure development, education, and health have started to pay off, contributing to a significant reduction in poverty and improvement in the standard of living for many Ethiopians. However, the journey is far from over. The balance between opening up the economy while protecting domestic interests, and managing the pace of reform to ensure social stability, remains a delicate task. The experience of Ethiopia's transitional economic policy offers valuable lessons on the complexities of navigating internal and external pressures in a rapidly changing world.

4.4. The post-2018 Homegrown Economic Reform Policy

Many people were swept up in the hopes and fears of post-2018 political transitions' political and economic reform plans and subsequent outcomes. Nobody knew if the political transition would end in a new wave of political strife and violence, or if it would alter the country's political and economic aspects. Other than what was heard in the mainstream media, it was difficult to forecast what the political leaders' interests were and, at the same time, what they planned to achieve in the economic arenas. Many Ethiopians were dubious as a result of these facts, and the elite remained curious to see what would happen next.

Meanwhile, throughout the transition and thereafter, a plethora of political, social, economic, and historical interests erupted from all four corners of the country. In the South, problems about political reform have become more pressing, and several ethnic groups desire to form their own regional states. In the north, the TPLF want to break from the federal governments and the ruling former EPRDF party's rule (Crisis Group 2020). They also opted to stay unsigned in joining the EPRDF's planned union alliance (Prosperity Party), and they planned to run their own regional elections (Ashenafi, 2020; Khorrami, 2021; and Yared 2022).

The Amhara, who were instrumental in bringing PM Abiy to power in 2018, according to the Crisis Group (2023), remained firm in their desire for the restoration of the disputed lands in the Wolkaite and Raya districts. Most opposition political groups in Amhara and Oromia, including interest groups have issued periodic critiques and strong utterances condemning the ruling party's transgressions. Diverse political, economic, and historical interests arose in Oromia, and an armed group seeking secession emerged. Similarly, the special benefit and subsequent ownership questions on the City Government of Addis Ababa dominated the mainstream of the media (Semir, 2018; Takele, 2019; Ashenafi, 2020; and Yared 2022).

"There were three groups who, in a disorderly fashion, give agendas, take from others, and solely receive and take undetermined stances over the political transition and its reform plan," a key informant characterized the situation. The key informant categorizes these people into three groups: reformers, opponents, and observers, all of whom were affected by the "winds of change," as he put it. Similarly, others also claimed that the unpredictability of our people's changes and political culture has continued to astound the elites and the international community who have been following Ethiopian political and economic endeavors with interest.

Amidst these political and economic challenges during a critical period of political transition in 2019, the Ethiopian government, led by Prime Minister Abiy Ahmed, introduced the Homegrown Economic Reform Policy (HGER) (FDRE MOFED, 2020; Ethiopian Economics Association /EEA, 2022; and IMF, 2019). Following the launch of the government's homegrown economic development policy, Prime Minister Abiy announced that some state-owned enterprises, such as Ethiopian Airlines and the country's sole telecommunications provider –ethiotelecom, would be privatized to encourage domestic and foreign investment and spur economic growth (Chatham House 2021). Even if there were opposing groups who did not trust the economic reform policies, many Ethiopians and the international community were both astonished by the new developments and the speed with which they were unveiled.

The HGER intends to support inclusive, sustainable, and private investment-led growth that eradicates poverty and creates jobs. The economic reform policy is set against the backdrop of two decades of high economic growth and poverty reduction, as well as a series of newly developing difficulties relating to macroeconomic imbalances and structural bottlenecks that, if not addressed, might abruptly stop the country's economic development momentum. Therefore, the HGER seeks to promote change on the macroeconomic, structural, and sectoral aspects (FDRE MOFED, 2020; IMF, 2019; and Chatham House, 2021).

4.4.1. Major features of the homegrown economic reform policy

The introduction of the homegrown economic reform policy by Ethiopia in 2019 marked a substantial pivot in the country's approach to economic policy. Post-2018, Ethiopia has been on a trajectory aimed at catalyzing broad economic reforms. The primary goals of this policy are multifaceted, designed to address both immediate and structural challenges within the Ethiopian economy, and to lay a foundation for sustainable and inclusive growth (Habtamu, 2023).

Firstly, in a similar fashion with the EPTP, one of the key objectives of the homegrown economic reform policy was to stabilize the nation's macroeconomic environment. This includes efforts to reduce inflation rates, which have historically undermined the purchasing power of Ethiopians, and to manage the country's external debt, ensuring it remains indispensible. By addressing these macroeconomic vulnerabilities, the policy aims to create a more stable environment that is conducive to investment and economic growth. Additionally, fiscal consolidation measures are put in place to improve public financial management and enhance the efficiency of public expenditure (PSI, 2024; Habtamu, 2023; and Chatham House 2021).

Secondly, the HGER policy seeks to boost the private sector's role in the economy. This involves a series of regulatory and structural reforms intended to improve the business climate, attract foreign direct investment (FDI), and facilitate trade. By doing so, the policy aims to diversify the Ethiopian economy, moving it away from an over-reliance on agriculture and state-led development projects. Enhancing competitiveness and fostering innovation are seen as essential steps towards creating a more dynamic and resilient economy (*ibid*).

Finally, an overarching objective of Ethiopia's homegrown economic policy is to ensure that economic growth is inclusive and that it translates into tangible improvements in the lives of all Ethiopians. This means not only creating jobs and raising incomes but also improving access to essential services such as education, healthcare, and infrastructure. The policy places a strong emphasis on social protection programs and initiatives aimed at reducing poverty and inequality. By addressing these social dimensions, the homegrown economic reform policy demonstrates a comprehensive approach to development, recognizing that economic growth must be both sustainable and equitably shared to truly transform the country (Habtamu, 2023).

In general, it has been clearly indicated that the homegrown economic reform policy aims to boost domestic output and productivity, lowering external debt, and carry out fundamental structural changes (FDRE MOFED 2019: 14–18). The homegrown economic reform policy document outlined three key pillars, including sectoral reforms intended to address institutional and market failures as well as macroeconomic reforms with the goals of promoting price and financial stability and debt sustainability, as well as structural reforms to ease structural economic constraints (Ibid, 14-40). The policy document further stated that the policy aims to rebalance and sustain overall national growth by taking into account the past economic policy collapse and the desire to sustain economic growth, create job opportunities for the growing population, and lays the groundwork for prosperity, with the overall aim to reach lower-middle-income status by 2025 (World Bank, 2024).

4.4.2. How far the homegrown economic reform policy was 'homegrown'?

The degree to which the homegrown economic reform policy truly embodies its name has become a pivotal and contentious topic. Various perspectives, spanning political, economic, and institutional realms, have scrutinized the authenticity of its 'homegrown' label. Interviews with various stakeholders have been conducted to shed light on this question.

Initially, the concept of the homegrown economic reform policy was met with contention and obscurity among most Ethiopians. Nonetheless, government representatives staunchly defended its homegrown origins, asserting it as a testament to the government's commitment to executing its economic agenda. They argued, particularly through state-owned media, that the policy was genuinely crafted domestically, aiming to address domestic economic challenges while nurturing local institutions capable of overseeing and evaluating its implementation.

However, skepticism abounds. Gutu Teso (2021: 2-9) posited that the policy's 'homegrown' status remains dubious due to the absence of indigenous institutions capable of carrying it out. Others questioned whether it truly reflects a significant political-economic phenomenon with a clear indigenous institutional basis and purpose. Political economist Zinabu (2019) expressed skepticism regarding the policy's viability and localized intentions.

Yonas Biru (2019), former Deputy Global Manager of ICP at the World Bank and Senior Advisor at AfDB, emphasized concerns over the reliance on external consultants and international organizations to administer such a high-level economic endeavor. He advocated for Ethiopian nationals to have control over the 'authorship' and 'ownership' of such economic aspects, citing the susceptibility of the policy to external influence due to institutional gaps and lack of a clear vision.

Key informants of the study echoed these sentiments, noting the lack of public disclosure regarding the extent to which indigenous economic foundations were considered in the policy formulation. They emphasized the need for more localized features, dependable institutions, and better alignment with the political roadmap for the policy to truly stand on its own. The HGER has failed to stand on its own and address the country's structural and deep-rooted economic problems (Kebere Assefa, 2021; and Fisseha Yacob, 2022)

Zinabu Samaro (2019) drew similarities between the recent homegrown economic reform policy and past failed reform programs of IMF, suggesting a lack of originality and a reliance on IMF's liberalization templates rather than addressing Ethiopia's genuine economic challenges. He concluded that the policy is neither 'homegrown' nor a path to prosperity.

Critics from the fields of economics and development have also lambasted the policy, asserting that it fails to accurately identify the root causes of the nation's economic woes (Alemayehu, 2019). The substantial engagement of the International Monetary Fund (IMF) and

World Bank has further fueled doubts about the policy's homegrown origins, especially considering its requirements for privatization and currency devaluation.

In summary, the homegrown economic reform policy appears to lack a genuine commitment to be homegrown, a distinct vision, and a well-established institutional basis. It seems more like a tool wielded by political actors rather than a genuinely 'homegrown' endeavor. The acknowledgment by the government that the policy was influenced by both internal and external pressures further underscores its reliance on global directions and interests. Thus, claims of its 'purely-homegrown' nature appear disingenuous.

4.4.3. Performance of the homegrown economic reform policy

The year 2018/19 is notable for an overhaul of politics and a series of economic policy measures that lead to aspiration of a self-sustaining economic reform model. The Prime Minister took the initiative in developing the transitional, homegrown economic reform policy agenda and turning it into a political driver for both the general public and political leaders. The prime minister swore in the parliament that Ethiopia will produce enough vegetables and cereal crops[1], such as wheat and maize, using smaller parcels of land in a cluster, to meet its own food needs[2]. The production sector targets for homegrown economic reform policy included modernizing vegetable production, cluster farming, and enhancing urban agriculture productivity in addition to increasing smallholder and mechanized agricultural productivity. Overall, the policy encompasses boosting domestic output and productivity, lowering external debt, and carries out fundamental structural changes (MOPD, 2019; MOF, 2019; and EEA, 2019).

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[1] https://www.thereporterethiopia.com/27139/

[2] https://www.opride.com/2018/04/03/english-partial-transcript-of-ethiopian-prime-minister-abiy-ahmeds-inaugural-address/

There are differing opinions and findings on the effectiveness of the homegrown economic reform policy. Some argue that the policy is illusive and full of contradictions, while others believe it is necessary and truly a product of local economy. In this case, the production of wheat for at least two harvests per year and the recent progress made in the agricultural sector are promising signs that the policy could be successful if it is properly executed. In the early stages, efforts were made to optimize the treasury bill market, resulting in positive outcomes. Tax policies were also updated, with improvements made to excise tax and customs tariff regulations. Additionally, measures were taken to enhance tax exemptions. The implementation of electronic procurement systems has been claimed to increase transparency and efficiency in public procurement. To ensure sustainable debt management, a medium-term debt strategy was developed (PSI, 2024).

In line with the reform policy, the government pursued privatization initiatives in the telecommunications sector and sugar mills to encourage private sector participation and investment. The country also sought to attract multimodal operators and promote growth in the energy sector. In addition, the establishment of the Ethiopian Investment Holding aimed to consolidate and rationalize investments in various sectors is also an area where the performance of the HGER became visible in selected areas (PSI, 2024).

On the other hand, in addition to being criticized for poor execution, a premature extension plan for a second phase, and a lack of substantial backing based on evidence, the homegrown economic reform policy efforts are also said to have failed to foster economic development. There is no way [lack of instrumental policy frameworks] to tackle both political instability and economic problems. According to Ayele Gelan (2023) and de Waal (2023), the illusions created by high-rise buildings, recreation fields, and industrial parks owned and run by crony faction allies do not accurately reflect Ethiopia's real economic growth. Furthermore, there are claims that the HGER policy won't move forward as long as Ethiopians continue to experience political disorder and violence, which slow down economic growth[3] and compel people to rely on imported commodities, which drives-up the price of consumer goods, implying the lack of robust policy frameworks carried out by pertinent institutions with clear vision.

Zinabu Samaro (2023), prominent political economy analyst, argued that the homegrown economic reform program goes neither homegrown nor bring any visible changes in the lives of the people. Survey reports from Afrobarometer reveals that there is a broad perception in Ethiopia at this moment that the market is soaring, people are suffering, and their quality of life is deteriorating (Afrobarometer, 2024). It also argues that the economic condition had gotten much worse and more than half of the people experiencing lived poverty. Corresponding to this, Ayele Gelan (2023), a senior researcher in political economy and public policy, the economic policy was labeled as "homegrown" from the outset to defy external influence and as a result, lacked a cogently prepared policy document and was unable to achieve the expected economic development, which led to stagnant productivity, unemployment and underemployment, as well as worsening inequalities between places and people.

London-based financial report analyst, Abdulmenan Mohammed (2023), examined the exchange rates during the previous five years between the parallel and official markets and realized that today's exchange rate reached 100% compared to the 30% premium it was five years ago. According to Abdulmenan, the exchange regime strategy implemented under the framework of the homegrown economic reform policy has not only failed to address the problem of exchange rate disparity but has also culminated in a number of problems including economic distortions, inflation, and excessive costs for goods and services.

[3] https://growthlab.cid.harvard.edu/policy-research/ethiopia

4.4.4. Challenges of the homegrown economic reform policy

4.4.4.1. Internal challenges

Ethiopia's post-2018 transitional economic policy, the homegrown economic reform policy, was a set of economic strategies and regulations, focusing on leveraging local resources, industries, and talents to foster economic growth and sustainable development. This policy remains crucial for self-reliance and for shaping an economy that reflects the unique needs and capabilities of a nation. However, implementing the homegrown economic policy was not without its challenges, both internal and external, which significantly impact its success and sustainability.

The study's key informants were asked about the internal challenges of the homegrown economic reform policy. Internally, one of the primary challenges according to key informants is achieving political and social consensus. Introducing an economic reform policy before securing political and social consensus, including political order based on the rule of law, legitimate political proceedings, garnering opinion of the public was claimed to be untimely and challenging. We could point out that, at the time the homegrown economic reform policy was introduced, there was neither a legitimate and well accepted political system nor institutions, including the lack of a road map comprehensively showcasing the reform plans.

Additionally, we continue to experience continuous war, conflict, social tensions, and unresolved political unrest as a result of a lack of knowledge of the depth, complexity, and historic monumentality of Ethiopia's political problems and inappropriate peace building approaches. Interethnic disputes have become more intense than ever, taking on a unique breed than in the past due to cleavages driven by ethnicity, language, religion, and other aspects (Kebere, 2021). Conflicts were made worse by the intuitive and spontaneous approaches used to resolve the political problems that frequently surfaced in Ethiopia. The transitional political economy reform initiatives failed to bring about peace and security or prevent corruption, which seems to have become the norm since the political transition that took place in 2018 (de Waal, 2023; and Østebø & Tronvoll, 2020). Due to this, Ethiopia in general and those regions situated in conflict zones in particular experienced an unparalleled fall in investment and economic growth. According to figures from the World Bank and IMF, the GDP declined by more than 3% in particular in the years 2020, 2021 and 2022 (Africa Economic Outlook, 2023).

The Covid-19 outbreak was having a catastrophic impact on the economy and people's living conditions at a time of such delicate moment when the political situation was extremely volatile and Ethiopians were going through political transition processes. This circumstance is known to Ethiopians as "*Be Enqirt Lay Joro Degif*," which plainly means "Mumps over a Goiter." This refers to a predicament, when people or a society are facing with significant social, economic, or political problems and another issue keeps cropping up on top of that. The proverb illustrates that the Covid-19 pandemic is an extra burden for the country's economic development and execution of the homegrown economic reform policy, which have seriously affected as a result of political unrest, instability, and a lack of peace and security (Verjee and Lyons, 2021).

The manufacturing and productive sector continued to be adversely affected as it is the floating recipient of the greatest burden of the pandemics, according to the impact assessment findings of the Covid-19 by Building Resilience in Ethiopia[4]. Ethiopia has partly heeded the World Bank's recommendations for macroeconomic policy, focusing on recovery measures and ensuring the continuity of public services to the economy in order to protect the vulnerable and minimize mass layoffs and bankruptcies (World Bank, 2020 and UNCTAD, 2021).

Besides these, economic policies often require tough decisions and sacrifices that may not be immediately beneficial to all parties and the society. For instance, policies focusing on long-

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[4] https://www.opml.co.uk/files/Publications/a2422-building-resilience-ethiopia/policy-brief-04-11-21-final.pdf?noredirect=1

term industrial growth, like the homegrown economic reform policy, seemed to have temporarily hurt small businesses and consumers due to increased costs and reduced subsidies. It's also important to note that Ethiopia has large informal economies, which make it difficult for the government to implement the policies adequately. Therefore, the government has to work on formalizing the informal economy by providing access to credit, technical assistance, and other resources to informal businesses, which hurt the execution of economic policies (IMF, 2023).

Moreover, according to the World Bank (2024), there are also challenges of infrastructure and well-equipped human capital. During the post-2018 transition period Ethiopia has been struggling with inadequate infrastructure and a skilled workforce, making it difficult to implement policies that require advanced technologies and highly specialized knowledge. These lacks of infrastructure and well-equipped human capital posed a challenge in the adequate implementation of the homegrown economic reform policy (Mebratu, 2022).

4.4.4.2. External challenges: the lack of foreign support

Externally, globalization poses significant challenges to homegrown economic policies. In an interconnected world, actions taken by one country can have immediate effects on its trade partners. For example, policies aimed at protecting local industries through tariffs and quotas can lead to trade disputes and retaliatory actions from other nations. Furthermore, international economic agreements and memberships in global organizations often come with stipulations that limit the extent to which a country pursue its own economic policies, as Ethiopia does in the HGER policy. The influence of multinational corporations, which exerted considerable pressure on Ethiopia's economies to adopt favorable policies, also cannot be underestimated.

The U.S. government suspended Ethiopia from the African Growth and Opportunity Act (AGOA) during the two-year-long "Tigray War." Additionally, the country faced other international crises such as the Russia-Ukraine war, the Israel-Palestine war, and the Sudan crisis, which caused a trade shock and hindered Ethiopia's progress in the economic sector (PSI, 2024). In addition, the lack of foreign support has also negatively affected the country's economy and overall development prospects leading to an economic decline (Habtamu, 2023).

The lack of foreign support during periods of transitional economic policies in Ethiopia significantly exacerbated the nation's financial woes, creating a vicious cycle that is difficult to break. This finally curtailed in the decline of the economy. In light of this, the economic decline led to decreased consumer spending, investment, and confidence levels, which in turn ended up with higher unemployment rates and lower standards of living of the people of Ethiopia. Due to the lack of adequate foreign support, aid and investment, the government was unable to stabilize the economy and to implement fiscal policies aimed at stimulating growth (Andualem, 2021).

Moreover, the lack of adequate foreign support also increased Ethiopia's borrowing, turning the country to international debt markets to finance its deficits (*ibid*). This resulted in a debt trap, where Ethiopia spent a significant portion of its revenue on servicing debt, leaving less available for essential public services and investments in infrastructure and development. The situation has caused growing public dissatisfaction due to declining living standards and inadequate government services. The recent research findings of Afro Barometer revealed that more than 67% of Ethiopians are dissatisfied (Afro Barometer, 2024). The withdrawal or lack of this foreign support not only hampers immediate economic recovery efforts but also impacts long-term development prospects.

Despite these challenges, the pursuit of homegrown economic policies is a testament to a country's efforts to craft a self-determined economic future. The successful implementation of transitional economic policies requires a delicate balance between internal capabilities and external realities, along with a transparent dialogue and consensus among all stakeholders involved. It also demands careful and inclusive planning, broad consensus, and often, the support of international partners. While the path of such economic policies can be fraught with challenges, effective economic policies can pave the way for long-term prosperity and stability. By carefully navigating these challenges, Ethiopia can establish economic policies that not only resonate with its unique identities but also promote sustainable development and resilience against global economic fluctuations and internal political and economic crisis.

In general, in this chapter, the researcher conducts a comprehensive examination of the major features and repercussions of transition period economic policies in Ethiopia, with a focus on the post-1991 economic policy of the transition period and the post-2018 homegrown economic reform policies. These transition periods offer a rich landscape for political economy analysis, characterized by significant shifts from centrally planned to market-oriented economies, privatization endeavors, infrastructure investments, and the promotion of export-oriented industries. Despite shared objectives in addressing structural, institutional, and regulatory economic challenges, both policy frameworks adopt varying approaches at the macroeconomic, structural, and sectoral levels.

Moreover, their effectiveness in achieving political and economic development goals remains contested, particularly concerning poverty reduction and political economy stability. While both policies purportedly contributed to economic growth, the homegrown economic reform policy encountered formidable challenges stemming from political instability, conflicts, and regional tensions. It has been also attempted examine disparities in the levels of economic growth, employment rates, poverty alleviation, wealth distribution, and overall economic development between the two period policies, alongside analyzing the distinct challenges faced by those transitional economic policies with contextual similarities.

CHAPTER FIVE

5. POLITICAL ECONOMY OF TRANSITIONAL ECONOMIC POLICIES IN ETHIOPIA: PRE-AND POST-2018 IN CONTEXT

5.1. Introduction

Ethiopia has undergone through critical junctures, significant political transitions, and economic policy shifts since its victory over the Italian occupation in 1941. The country has experienced multiple regime changes, with each incumbent government bringing about different transitional economic policies. These economic policy shifts have had a profound impact on the country's economic, social, and political development. This chapter aims to explore the political economy of economic policies of transition in Ethiopia, emphasizing on TGE's economic policy of the transition period and Prosperity Party's homegrown economic reform policies.

In the following sections, topics such as actors in the making of economic policies, the political motivation of transitional economic policies, wealth distribution, production and ownership, and the politics of the policies of major economic partners have been grasped. Moreover, the political motivations of economic policies during transitions such as changing ideologies, power consolidation, political hegemony, and pacify the public are investigated using the political economy perspectives.

5.2. Actors in the Making of Economic Policies during Transitions

The design of economic policies during transitional periods is a critical and complex process, involving a myriad of actors each with their own agendas, ideologies, and strategies (Knoepfel, Peter, & Corinne et al, 2011). These periods, which often follow significant political shifts, such as the end of active conflict, a regime change, or the collapse of a previous economic system, require careful navigation of the political and economic actors to ensure stability and foster growth.

Actors, ranging from government officials and policymakers to influential interest groups and international organizations, play pivotal roles in shaping the economic future.

Political actors, with the upper hand of government offices, and policymakers are at the forefront of designing and implementing economic policies during transitional periods. Their decisions are influenced by various factors, including political ideologies, electoral promises, and the need to stabilize the economy quickly to gain or maintain public support. According to Kidane (2006) and Mohammed (2005), Ethiopia's post-1991 and 2018 transition period economic policies were much influenced by political actors with the upper hand of government offices and policy makers. Mekonnen and Eshetu (1994), Verlaten, (1991), and Lyons (2014), argued that the economic policy of the transition period (EPTP) had been much designed and shaped by the EPRDF and other interest groups, including the incumbent regime elites.

Similarly, the homegrown economic reform policy has also influenced by the Prosperity Party. Yonas Biru (2022) and Abduletif Abdulaziz (2023) argued that the much anticipated homegrown economic policy have been highly influenced by Prosperity Party leaders, especially of the Prime Minister. The Minister of Ministry of Planning and Development has been heard confessing the homegrown economic reform policy was initiated and led by Prime Minister Abiy Ahmed including Economic Advisory Council and World Bank's seconded staff (BBC News, 2019). Despite strong and viable claims to the contrary, interest groups such as elites, policymakers, and a few opposition political leaders participated in the inauguration and appraisal processes of the homegrown economic reform policies (Abdulmenan, 2023).

Moreover, it has been claimed that during the economic policy of the transition period in 1991/92 and homegrown economic reform policy in 2018/19, international organizations such as the World Bank and IMF, including regional development banks highly involved during the formulation and execution of these policies in terms of financial assistance, technical support, and policy recommendations (*ibid*). Therefore, it can be concluded that these international organizations steer those transitional period economic policies during the two pivotal moments in 1991/92 and 2018/19 (Knudson, 2008; Simon, Steel, and Lovrich, 2018; and Assal, 2019).

However, the interaction between political actors and international and regional organizations is delicate, requiring negotiation and compromise to align the economic recovery agenda with the country's broader economic, social and political goals. Their involvement can also lead to tensions with political actors over issues such as sovereignty and the socioeconomic and political implications of recommended reforms. Abdulmenan (2023) has reiterated that stating, the IMF and World Bank's involvement and policy recommendations in the formulation and execution of homegrown economic reform policy has implications in monetary and fiscal policies of Ethiopia (Simon, Steel, and Lovrich, 2018).

One practical example of this, the government –with the upper hand- faced significant political and economic challenges in implementing its privatization agenda, especially of Ethio telecom and Ethiopian airlines. It has also faced opposition from the general public in light of skepticism over job losses and the possible loss national pride over a vital infrastructure sectors. Public discontent, official oppositions from specific groups, and differences within the ruling party itself were examples of this resistance (Abduletif, 2023; and Abdulmenan, 2023).

The complexity of actors' task is heightened by the pressure to address immediate economic challenges, such as inflation, unemployment and underemployment, and fiscal deficits, while also laying the groundwork for long-term economic development. The success of political actors in navigating these challenges, including the design and implementation of transitional economic policies, is crucial for the legitimacy and stability of the new regime.

5.3. Motivations – Political Motivation of Economic Policies

The motivation behind economic policies is multifaceted, reflecting the complex interplay of societal needs, political ideologies, and the overarching goals of economic stability and growth (Callander 2008). At its core, the formulation and implementation of economic policies in times of transitions are driven by the desire to achieve a set of key objectives that are fundamental to the health and prosperity of a nation (ibid). In general terms, the motivations can be categorized as economic and political.

The primary economic motivations of transitional period economic policies involve the desire in managing economic growth, towards stimulating economic expansion and growth. In this regard, policymakers are claimed to be the sole owners of economic development motivations. Their purpose usually rests on economic growth and prevent inflation through designing appropriate monetary and fiscal policies, controlling money supply, influencing government spending and taxation to ensure stability and confidence in the financial system, and creating conducive conditions to foster investment, employment, and sustainable development, ensuring that the benefits of growth are widely shared across all segments of society (Andualem, 2021; and Roland, 2001).

The political motivations of transitional period economic policies are found to be changing ideologies, the need to consolidate political power, political hegemony, and pacify the public. Findings from key informants also confirmed, transitional period economic policies are the results of the need to achieve these goals and stay longer in the office. According to Roland (2001: 4) and Callander (2008: 671-73), the need to ensure office by the next election and consolidate political power motivates actors to formulate policies in times of transition. To this end, political ideologies and strategies of the ruling parties are predominantly higher in the formulation and execution of the economic policy of the transition period and the homegrown economic reform policies during the post-1991 and 2018 transitions.

5.3.1. Changing ideologies leading to economic policy formulation

There are various drivers and motivations of economic policy initiations in Ethiopia during the pre- and post-2018 transition periods. The first and most important motivation comes from the changing political economy ideologies of the ruling parties. Each regime change in Ethiopia has been accompanied by a shift in the country's political economy ideology and orientations, which has had a direct impact on developing new, revamping existing, and/or accepting existing economic policies.

Key informants were asked about how shifting ideologies during periods of political transitions influenced actors in formulating economic policies. They discussed that the EPRDF brought the economic policy of the transition period, framing further economic policies under the developmental state model, while the Prosperity Party pursued the homegrown economic policy based on *Medemer*, literally means ‘coming-together’ or synergy, ideological orientation. Despite similarities in most policy perspectives, the EPRDF government implemented a hybrid of state-led and market-oriented economic policies under the guise of a developmental state, whereas the Prosperity Party shifted its ideologies toward private-sector-led economic development, minimizing state control of the market. Thus, changing political ideologies of the incumbent ruling parties culminated in the design of economic policy of transition period, with revolutionary democracy and developmental state political economy ideologies, and homegrown economic reform policy oriented with *Medemer*-‘coming-together’ or synergy ideology.

5.3.2. Power consolidation

Power consolidation during transition periods is a crucial aspect of the political economy of transitional economic policies. These periods are characterized by significant changes, such as leadership shifts, policy reorientations, and structural reforms, which often create a fluid environment suitable for the consolidation of power. Power consolidation in this context is the process through which power becomes more centralized or firmly controlled by a particular leader, group, or ideology (Semir Yusuf, 2023: 5-40). This can involve a range of strategies, from strategic appointments and alliances to the implementation of new economic policies and the reorganization of institutions.

History taught us that transitions offer a unique opportunity to reshape the future of the economy, but how power is consolidated during these times can significantly influence the direction and fairness of the ensuing changes. The choice lies in the hands of leaders whose inclination is either securing their position or ensuring that the transition does not dilute their influence or lead to instability. Key informants claimed that, in Ethiopia, political actors strategically leverage transitional economic policies to consolidate power during the pivotal transitions of 1991 and 2018. These actors utilize economic policy shifts as tools to solidify their authority and influence within the political landscape.

The rationale behind power consolidation during transition periods is multifaceted. For leaders or groups, it's about from a governance perspective, consolidation can be seen as a way to provide direction and maintain order during potentially tumultuous times. However, the process is not without its challenges and criticisms. There is a fine line between consolidation for stability and the potential for overreach, where power becomes excessively centralized, leading to authoritarianism or the suppression of dissenting voices (Ohno, 2009; and Tefera, 2019).

Ultimately, the success and ethicality of power consolidation during transition periods depend on the balance struck between securing stability and respecting democratic principles and inclusivity. Effective consolidation should aim for a stable governance structure that can support positive change, while also ensuring transparency, accountability, and the engagement of diverse stakeholders. As history has shown, transitions offer a unique opportunity to reshape the future, but how power is consolidated during these times can significantly influence the direction and fairness of the ensuing changes (*ibid*).

The majority of the respondents to this thesis's key informant interview came from backgrounds in development, media and politics, which allows them to explore complementary inputs to the research. As a result, when asked about political motivations of economic policies, argued that thoughts about transitional economic policies stem from the desire to consolidate political power. They even went on and argued to imply that power consolidation and economic policy formulation are not treated separately. This is the reality on the ground that we learned at our own critical junctures, such as Ethiopia's political transitions during post-1991and post-2018. They also argued that economic policies are the most useful instruments for political actors to apply in order to consolidate their power and stay longer in the office.

Moreover, it has been demonstrated that economic development and policy thoughts, particularly during periods of political transition, remains one of the tools of consolidating political power. As a result, at critical junctures in 1991 and 2018, Ethiopian political leaders were full of economic development thoughts and policy 'prescriptions', added respondents. The TPLF's extended presence in the EPRDF drove development philosophies, was mostly to consolidate their power, but also, if successful, to bring change to the people's lives. In order to justify this claim, we can witness the extent of economic policies and development initiatives laid down by government authorities and political actors at the time. In 2019, Ethiopia's reform-seeking leadership affirmed the impossible and unfathomable task of completing the thousands of foundations of projects laid down by the TPLF-led EPRDF members.

Therefore, we have strong evidence to support our central argument that the fundamental objective of political leaders during times of political transition is to consolidate their power and authority for an extended period. It has been proved that the EPRDF leveraged the introduction of economic policy during the TGE. The economic policy of the transitional period (EPTP) was formulated by the TGE, an immediate economic policy measure taken by EPRDF leaders to maintain political power and helped them consolidate up until the 1995 election. The post-2018 political transition period is no different in this regard. During those very turbulent and erratic days, the government headed by PM Abiy Ahmed and his squad crafted the homegrown economic reform policy (HGER). The HGER policy was introduced by PM Abiy and his cabinet to circumvent opposing concerns and solidify power because competing political parties and interest groups struggle for inclusive transitional administration.

5.3.3. Political hegemony

The intertwining of political hegemony and economic policies is a fundamental aspect influencing the trajectory of nations both locally and globally (Gouriellec, 2018). Gouriellec (2018) and Solomon Kassa & Mohammed Yimam (2021) argued that political hegemony, characterized by the dominance of one group and the alignment of political affairs in favor of the ruling faction, significantly shapes economic policies. These policies, in turn, either uphold or challenge prevailing power dynamics, resulting in a dynamic interplay between politics and economics. At the core of this relationship lies the hegemonic power ability to dictate economic discourse and policies, including tax regimes, trade deals, and regulatory frameworks, often to the advantage of the dominant group, consolidating power and pacifying the public (*ibid*).

In Ethiopia, political hegemony has persisted over centuries, including during the imperial regime, with successive powers perpetuating control through economic policies that favour certain sectors and geographic locations. Notably, following the post-1991 era, marked by the hegemonic power of the TPLF and its ideological allies, and the ascension to power of the Prosperity Party in 2018, Ethiopia entered a transitional phase in economic policies aimed at achieving political hegemony and supremacy (Solomon & Mohammed, 2021: 125-128; and Vaughan, 2011). The TPLF portrayed itself as the champion of the poor and peasants through economic policies, further entrenching its political dominance and hegemony (*ibid*).

It has been claimed that post-1991 transition period of the EPRDF, led by the TPLF, faced criticism for subjugating other political groups in favor of TPLF interests, governing Ethiopia for nearly three decades with economic policies that spurred growth but failed to address broader economic development and improve people’s living standards (Politics Today, 2021). The TPLF's control over economic policymaking led to public discontent and ultimately contributed to its political power collapse (*ibid*).

Recent shifts in Ethiopian politics, post-2018, have seen leaders struggling for both political and economic hegemony, with the elite increasingly prioritizing dominance in both spheres (de Waal, 2023; Østebø & Tronvoll, 2020). Economic reforms post-2018, such as the homegrown economic policy, has been wielded by Prime Minister Abiy Ahmed and the Prosperity Party to consolidate political power and counter TPLF's hegemony (Solomon Kassa & Mohammed Yimam, 2021). However, political and economic analysts and the international community warn that such hegemonic maneuvers, contrary to the interests of Ethiopians, may fuel political instability, unrest, and even civil conflict, exacerbating economic crises (Human Rights Watch, 2018). Similarly, Østebø & Tronvoll (2020: 620-625) underscore the lack of a well-defined political roadmap and economic policy among current rulers advocating counter-hegemony, posing further challenges to Ethiopia's political and economic landscape.

Aklog Birara (2023) and Fisseha Yacob (2022) emphasizes that the voracious quest for political hegemony poses an incurable problem, urging Ethiopians to envision a post-ethnic, inclusive, and democratic future to mitigate the risks of conflict and civil strife. The issue with this pursuit of political hegemony by the Prosperity Party lies in its secretive and clandestine management system, deeply concerning Ethiopians. Key informants also promote for political and economic models that bridge divisions and unite Ethiopians, recognizing that existing systems only exacerbate political hegemony and associated challenges. They further noted that this political hegemony development has proven detrimental, favoring a privileged minority while exploiting and impoverishing the majority of the people.

5.3.4. Pacify the public and appealing to the international community

It's often suggested that people's discontent can be alleviated by witnessing significant strides in a country's economic growth and overall developmental performance (Gündoğan (2013: 165-172). A central assertion of this argument is that during transitional periods, economic policies are frequently deployed to sideline competing political factions and garner public attention. Reflecting on Ethiopia's post-1991 and 2018 transitional economic policies, I perceive development policy agendas are akin to masking the "bitterness of sour drinks with added flavors". In essence, economic policy initiatives seem largely orchestrated by those in power to appease the public, pacify accumulated political-economic grievances, and appeal to the international community in a bid to maintain political power.

In this context, the Horn's Policy Brief (2018: 1-4) highlights that economic development doesn't necessarily equate to genuine goodwill from political leaders. To ensure sustainable political and economic stability, economic development should be steered by an institutional framework that prioritizes the welfare of the populace and engages key stakeholders in a collaborative manner. It's imperative that the primary stakeholders—the people—are actively involved for optimal outcomes. Unfortunately, the Ethiopian economy faced challenges due to the lack of genuinely formulated economic policies by those actors, including waves of strikes, protests, and the neglect of public sentiments by political leaders.

Corresponding to this, Wassihun (2021) and Verlaeten (1991) argue that in the absence of professional and expert-led institutional mechanisms, politicians inevitably extend their influence into the economic domain. One of the particular instance is post-2018, whereby Prime Minister Abiy has garnered public approval for his remarkable speeches aimed at boosting economic performance through locally crafted policies and harnessing domestic expertise. This underscores politicians' inherent drive for public approval and their tendency to pursue untested or unattainable economic policies to maintain relevance in both political and economic realms.

Verlaeten (1991: 4-5) further contends that during transitions, governments often introduce economic policies as a means to address societal needs, as witnessed in the aftermath of the Derg regime's overthrow by the EPRDF. This reflects a strategic effort by policy actors' political motivations to broaden popular support by appealing to ethnic, religious, and linguistic cleavages while also formulating economic policies (*ibid*).

Taken together, these perspectives suggest that Ethiopian political leaders opt for economic policies aimed at mitigating public concerns stemming from various economic and political factors, even if these policies lack practical efficacy. Moreover, there's a perceived need to appeal to international support through ambitious development schemes that may sound impressive on paper but fail to address underlying economic problems of the country. Overall, Ethiopia's transitional economic policies seem designed to pacify public discontent and present an appealing image to the international community over the past three decades since 1991.

5.4. Distribution of Wealth

The distribution of wealth and the implementation of transitional period economic policies are crucial topics in the realm of political economy, touching upon the core of societal structure and individual lives. This wealth distribution can be highly uneven, leading to significant disparities between different groups and segments of society. Transitional economic policies, on the other hand, are strategies and reforms implemented to shift an economy from one state to another, often from centrally planned to market-oriented systems. These policies play a pivotal role in shaping the economic landscape, influencing wealth distribution along the way.

One of the key challenges in transition economic policies is ensuring that the shift does not exacerbate existing inequalities or create new ones. For instance, when a country moves from a centrally planned economy to a market-driven one, the rapid privatization of state-owned enterprises can lead to a concentration of wealth in the hands of a few, often those who are already in advantageous positions. This can deepen wealth disparities, creating a rich-poor divide that can be difficult to bridge (Ake, 2003; Todaro and Smith, 2000; and Acemoglu & Robinson, 2012).

According to key informants, in the wake of political transitions in Ethiopia during post-1991 to 2018, ensuring equity, fairness, and transparency in resource allocation and infrastructure development has emerged as a paramount concern among Ethiopians. They also highlighted that uneven resource allocation and inequality across ethnic groups and regional states became a pivotal factor in the political unrest witnessed in the Amhara and Oromia regions from 2015/16 onwards. Research findings by Gutu Tesso (2021), Lyons (2014), and the Horn Policy Brief (2018) underscore the persistent need for equitable distribution of resources nationwide, spanning rural and urban areas, regions, gender, and age groups. According to assessments by the World Bank (2020) and IMF (2021), disparities in resource allocation have been observed, fueling apprehensions among the people. Moreover, until recently, concerns were raised regarding discrepancies in the 2007 Central Statistics Agency's census findings, its subsequent estimation methodologies, and the F.D.R.E. House of Federation formula governing the annual budget proposal and approval process, all of which fueled public discontent.

According to Tassew and Zerihun (2017), Ethiopia has faced a challenge in achieving inclusive growth, such as persistent poverty and inequality. Wealth inequality in Ethiopia during the transitional economic policies of post-1991 and 2018 experienced significant shifts marked by both challenges and opportunities. Following the liberalization reforms of the early 1990s, Ethiopia witnessed a period of economic growth and modernization, yet wealth disparities persisted, particularly between urban and rural areas. While some segments of the population benefited from increased access to markets and investment opportunities, others faced challenges such as land tenure insecurity and limited access to education and healthcare, exacerbating wealth inequality. Additionally, the government's emphasis on export-oriented growth and industrialization led to the emergence of new economic elites, further widening the wealth gap (Berhanu & Yohannes, 2003; and Workneh & Alemayehu, 2013).

In this regard, post-2018 transitional leaders, under the guise of homegrown economic reform policy, implemented various social protection programs and poverty reduction strategies aimed at addressing wealth inequality, though its effectiveness has been contested. Despite these reform efforts, wealth inequality remained a prominent issue during this period, reflecting the complex interaction of economic policies, social dynamics, and historical legacies shaping Ethiopia's economic development trajectory during transitional periods (World Bank, 2023).

According to the United Nations Development Programme (UNDP, 2019), Ethiopia has drawn international attention for its alarming ranking at the top of the Multidimensional Poverty

Index. This ranking presents a striking image of persistent poverty and wealth inequality by highlighting significant differences in the nation's wealth distribution and resource allocation.

Transitional period economic policies, therefore, need to be carefully crafted with social equity in mind, incorporating mechanisms such as progressive taxation, social safety nets and protection, and public investment in education, healthcare, and infrastructure to promote a more equitable distribution of wealth (World Bank 2023). Addressing wealth inequality in Ethiopia is paramount for fostering sustainable development, social stability, and inclusive growth. By implementing policies that promote equitable access to infrastructure such as education, healthcare, and economic opportunities, Ethiopia can unlock the full potential of its human capital and stimulate innovation and productivity, which in turn enhance social cohesion, strengthen democratic institutions, and promote a more just and equitable society.

5.5. Production and Ownership

The issue of production and ownership, particularly when intertwined with privatization, form the cornerstone of economic debates and systems around the world. At the heart of these discussions is the process of production, which entails the creation of goods and services that have value and contribute to the economy. Ownership, on the other hand, denotes control over assets and properties, including the right to use, sell, or lease these properties. Privatization introduces a complex layer to this dynamic, referring to the transfer of ownership or control of a public sector organization or property to a private entity (Tassew, Fantu, and Joakim, 2015). It has been believed that private ownership of properties leads to increased efficiency and productivity, driven by the profit motive and competitive pressures inherent in the private sector. This, in theory, results in better quality and lower costs for consumers. However, in the course of ownership and production, privatization also raises concerns about accessibility and equity, with the fear that it can lead to monopolies or oligopolies (Açemoglu & Robinson, 2012).

Transition period economic policies in Ethiopia were debated for their ignorance of the protracted ownership rights of land resources. The post-1991 economic policy of the transition period in Ethiopia disregarded the century's long question of private ownership of land, although EPRDF guaranteed "lifetime" land use rights for peasants and pastoralists (Daniel Weldegebriel, 2012; and Belay Zerga, 2016). However, the economic policy of the transition period of post-1991 had been acclaimed for its commitment to ease production and ownership, mixed market economy, and trails of privatization of state owned enterprises (Berhanu & Yohannes, 2003).

Ownership and production of properties under the homegrown economic reform policy has been given a particular attention, encouraging private ownership of resources and privatization. However, urban and rural land resource, typically the most precious property for the people of Ethiopia, especially peasants and pastoralists, still remain under state ownership. In general, the ownership and production involving privatization had been deeply embedded in the broader discussion about the role of government during different regimes in Ethiopia. It is a debate that does not lend itself to easy answers but requires a broader understanding of economics, social justice, policies, and public-government relationships in order to build the efficiency of markets, and the best ways to promote social welfare and economic development.

5.6. External Influences: The Politics of the Policies of Major Economic Partners

The politics of the policies of major economic partners such as the United States, China, the European Union, and other influential global players such as the World Bank and IMF, is major issue of contention that intertwines domestic priorities with international ambitions in transition period economic policies. Each of these major economic partners' crafts policies that are not just responses to domestic economic needs but are also instruments of their political will on the international stage that embodies a different set of challenges and opportunities in economic policies of the developing countries (Gebre-Egziabher, 2008; and Brautigam, 2011).

The transitional economic policies of Ethiopia are not just economic blueprints but, as we claimed so far, are reflective of deeper political ideologies, strategic objectives, and the desire to maintain or shift global power balances. During times of transition in Ethiopia, economic policies often oscillate with changes in administration, reflecting the country's internal and external political and economic influences. The policies of major economies of the world such as the swing of their trade policies from protectionism to free trade, international trade relations and negotiations, production and ownership –privatization, and strategic mix of reforms aimed at sustaining high growth rates influenced Ethiopia's transitional period economic policies. Additionally, established powers and major economies of China and the USA's pursuit of becoming a dominant global power have a direct impact in Ethiopia's economic policies (*ibid*).

A set of challenges in Ethiopia's trade relations, monetary and fiscal policies, and foreign direct investment measures appeared during the formulation and execution of transitional economic policies during the post-1991 and 2018. Those transitional economic policies of Ethiopia therefore had to balance interests of major economies and domestic economic growth demands. Although post-1991 period economic policies of Ethiopia attracted foreign currency in flow in the form of international aid, the homegrown economic reform policy of Ethiopia has challenged by the shortage of foreign currency due to internal political instability and the influence of World Bank and IMF (Knudson, 2008; Assal, 2019; and Birhanu & Asabu, (2022).

During the post-1991 transition period in Ethiopia up to 2018, the politics of economic policies were significantly influenced by the country's major economic partners, including multilateral institutions like the International Monetary Fund (IMF) and the World Bank, as well as bilateral partners such as the United States, China, and the European Union (*ibid*). These partners played a pivotal role in shaping Ethiopia's economic trajectory through their support for liberalization reforms, infrastructure development projects, and investment initiatives. The IMF and World Bank, for instance, provided financial assistance and policy advice tied to structural adjustment programs aimed at promoting macroeconomic stability and market-oriented reforms.

Meanwhile, China has also emerged as a key investor and trading partner, funding large-scale infrastructure projects and providing loans for various development initiatives during 2000s. The United States and the European Union also engaged with Ethiopia through aid programs and trade agreements, often conditioning their support on issues related to human rights, governance, and democratization since 1991. These dynamics underscored the multilayered political economy dynamics between geopolitics, economic interests, and domestic priorities in shaping Ethiopia's economic policies during this transitional period (Kinfu, 2016; and Assal, 2019). In general, political influences and intricate political economy interests prevail over Ethiopia's need for and engagement with its major economic partners, despite Ethiopia focusing on leveraging external expertise, technological transfer, and support in human capital development to advance its economic objectives and achieve sustainable economic growth during the post-1991 and 2018 transitional period economic policies.

CONCLUSION AND RECOMMENDATIONS

The political economy of transitional economic policies in Ethiopia, spanning the post-1991 and post-2018 transitions, reveals a complex interplay of internal and external factors that have influenced the country's economic trajectory. Despite the implementation of economic policies during these pivotal periods, the transformation of the Ethiopian economy has been limited, with persistent challenges hindering the effective execution of policies. The examination of both the post-1991 economic policy of the transition period and post-2018 homegrown economic reform policies underscores the need for a deeper understanding of the political economy dynamics shaping Ethiopia's development journey.

One of the central findings of this study is the limited transformation observed in the Ethiopian economy despite the implementation of economic policies during transitional periods. The post-1991 transition witnessed the introduction of market-oriented reforms aimed at liberalizing the economy and promoting private sector development. However, these reforms have yielded mixed results, with significant structural challenges and systemic inefficiencies impeding its effectiveness. Similarly, the post-2018 transition heralded the introduction of homegrown economic reform policy aimed at addressing enduring economic challenges. While these policies have signaled a renewed commitment to economic transformation through private sector-led development, its performance and impact has been constrained by political crisis, institutional bottlenecks, weak bureaucracy, corruption, and limited capacity for implementation.

Internal challenges, including political instability, varied interests of actors in the making of policies, and protracted economic problems, have played a significant role in shaping Ethiopia's economic policies during transitional periods. Political motivations of economic policies have also often overshadowed economic considerations, leading to policy decisions driven by short-term political gains rather than long-term economic objectives. The politicization of economic policies has resulted in a lack of coherence and consistency in policy formulation and implementation, undermining the policies effectiveness and leading to economic instability.

Furthermore, external challenges, including the politics of policies of major economic partners, have posed significant obstacles to Ethiopia's economic development. The country's reliance on foreign aid and investment has exposed it to external pressures and dependencies, limiting its ability to pursue independent economic policies. The politics of policies of major economic partners such as IMF and World Bank, particularly in the context of local currency devaluation, regional geopolitics, and global power dynamics, have often dictated the terms of engagement and shaped the direction of Ethiopia's economic policies, constraining its sovereignty and autonomy in decision-making.

In general, the political economy of transitional economic policies in Ethiopia underscores the complex and multifaceted nature of economic development. While significant efforts have been made to reform the economy during transitional periods, internal and external challenges persist, hindering the effective execution of policies and limiting the transformational impact on the economy. Addressing these challenges require a comprehensive approach that addresses structural constraints, enhances institutional capacity, and fosters a conducive environment for sustainable and inclusive economic development. Hence, the researcher recommended that Ethiopia’s economy had to diversify and reinforce the economy, encourage private sector development by reducing regulatory barriers, prioritize human capital development, enhance policy coherence and consistency, tackle structural inequalities, and build resilience against both internal and external shocks. Implementing these measures necessitates political stability, effective governance, upholding the rule of law, and fostering inclusive dialogue and collaboration among various stakeholders within the political arena.

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Annex-1: Key Informant Interview Guide

Introduction

Greetings and welcome to this questionnaire!

I am Awoke Dagnew, an MA student at AAU in the department of PSIR, conducting this research to gather data for my comparative study entitled, "Political Economy of Economic Policies in Ethiopia: A Comparative Analysis of Pre- and Post-2018 Transition Episodes." The purpose of this study is to compare political economy aspects of transitional economic policies in Ethiopia during the pre- and post-1991 and 2018 transition periods, with a focus on economic policy prospects and their major features, repercussions, and internal and external challenges. It also highlights the political economy motivations underlying the regimes' economic policy initiatives, and the production, ownership, and influence of major economic partners.

Your participation in this study will assist me in my thesis work, as I will be analyzing the information and triangulating it with secondary sources for academic purposes only. Please be assured that any information provided will be kept confidential. You have the right to refuse or withdraw your participation at any time, and none of your responses will be made public.

Thank you for demonstrating your interest in this study.

Background Information

Historical Context:

- Provide a brief overview of Ethiopia's economic history pre-1991 and the major changes that occurred during the transition period.
- Discuss the economic reforms implemented post-1991 and their impact on the political economy of the country.

Recent Transition Episode:

- Briefly discuss the 2018 transition episode in Ethiopia and any significant economic policy changes that followed.

Economic Policy Objectives and Major Features:

- What were the main objectives of the economic policies implemented during these transitional periods (economic policy of the transition period -1991-1995 /EPTP and homegrown economic reform policy -2018/19 /HGER)? Were these objectives effectively communicated to the public? Do you think the homegrown economic reform policy was really homegrown?

Policy Implementation:

- How do you assess the effectiveness of the implementation of transitional economic policies?

- Discuss any internal and external challenges or barriers encountered during implementation of the EPTP and HGER. Discuss any unintended consequences or disparities in outcomes during those transitional policies.

Institutional Capacity:

- How do you evaluate the capacity of government institutions to design, implement, and monitor transitional economic policies? Discuss any reforms or improvements needed to enhance institutional capacity.

Policy Recommendations:

- What are your recommendations for future economic policies in Ethiopia to better serve the country's political economy? What do you recommend to consider and prioritize to achieve economic development and improve living conditions of the people?

Conclusion:

- Thank you very much for your invaluable insights and contributions to my thesis work.