

The Implications of Problems of Good Governance in FDI Flow and Transfer of Knowledge to Ethiopia

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Abstract

In light of the significance of good governance in facilitating the transfer of knowledge and capital to Ethiopia, there is pressing need to make reforms aimed at improving governance. Specifically, there is a need to change the repressive culture that has passed from generation to generation, having representative government with well-functioning democratic institutions and doing away with failed Marxist oriented policies. In order to achieve this goal, there has to be proper checks and balances among the three branches of the state and efficient executive branch that implement government policies effectively. There has to be also clear demarcation between party and government activities and the civil service need to be out of political influence and employment need to be made only based on merit rather than political loyalty. Existence of an independent judicial organ that uphold rule of law is also critical in terms of building confidence among investors and the Diaspora to freely enter into the country and engage in various activities that facilitates transfer of capital and knowledge.

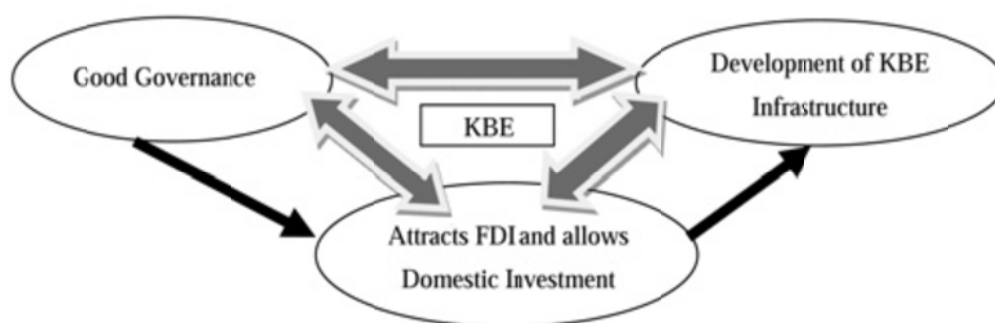
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Introduction

The unrestricted flow of capital and knowledge to developing countries has been the most critical factor for realizing economic development in these countries. South Asian countries such as Malaysia, China and Japan economies have shown remarkable success in creating a knowledge-based economy through attracting large amount of FDI (Foreign Direct Investment) and transfer of knowledge (Chandra and Yokoyama, n.d) .The major factor that contributed for such tremendous flow of capital and knowledge to the region is through the creation of enabling environment that attracts FDI. Though there are different opinions as to what constitutes ‘enabling environment’ that may be conducive for attracting FDI, the main determinants of FDI include: size of markets, infrastructure, macroeconomic stability, product and labor distortions, incentives, and integration schemes, methods of foreign enterprise participation, attitudes, and overall business environment (Ögütçü, 2002), the institutional framework should ensure a good flow of knowledge between scientific research and technological applications, as well as a good flow of information among researchers and users(Chandra and Yokoyama, n.d).



Frame work on role of good governance in attraction of FDI and development of Knowledge Based Economy (KBE): developed by Chandra and Yokoyama

A number of recent studies identify the importance of governance as a determinant of inward FDI flows. Strong argument have been put forward that asserts without ‘good governance’ structures, the poor and the developing nations cannot reduce poverty and contrarily bad governance is being viewed as the main cause behind the ills confronting these societies (Uddin and Joya, 2003).For instance, the United States Agency for International Development (USAID) that widely engaged development activities in developing countries stress that democratic governance is the independent causal factor that improves an economy’s performance (Abdellatif, 2003).Speaking on the role of economic development of Africa, Nobel prize winner Wale Soyinka quoted saying good governance is an essential

element for development while dictatorships are a crime (<http://www.scidev.net>,2010). But there are also studies that claim there is no clear correlation between good governance and economic development. Some researches reach very mixed conclusions suggesting that the links between the good governance reform agenda and development are weak (UNCTAD, 2009 Report).

Despite such skepticisms, there is now a wider consensus that asserts promoting good public governance by increasing transparency and predictability of laws and regulations and consistency in their enforcement, improving efficiency of procedures and encouraging higher standards of public service contributes not only to a better regulatory environment for business but also to the attractiveness of an investment location (Abdellatif, 2003).Specially there is evidence that non-democratic countries with a low quality of governance cannot sustain their economic growth in the long run without good governance(Abdellatif, 2003). The correlation between good governance and economic growth has been especially vital in East Asia where good governance played an important role in attracting FDI, which helped them develop knowledge-based economic infrastructures. There are several reasons why the quality of institutions may matter for attracting FDI :by raising productivity prospects, good governance infrastructures may attract foreign while poor institutions can bring additional costs to FDI due to illegal acts such as corruption and FDI is especially vulnerable to any form of uncertainty, including uncertainty stemming from poor government efficiency, policy reversals, graft or weak enforcement of property rights and of the legal system in general(Abdellatif, 2003).

The fundamental challenge of emerging economies is, therefore, ensuring effective governance that provides an enabling environment of competitive education system and highly qualified human resources, excellent information and communication technology infrastructure (ICT) and capable scientific infrastructure for innovations (Chandra and Yokoyama, n.d).This challenge has been especially evident in sub-Saharan countries that are characterized by poor governance and corruption. Despite endowed with resources that may bring about economic miracles in the region, due to poor governance, the region is one of the lowest in terms of attracting FDI and transfer of capital and knowledge. In sub-regional context, Ethiopia's volume of attraction of FDI is even below the average in Sub-Sahara Africa. According to the 2011 World Investment Report released by the UN Conference on Trade and Development UNCTAD, Ethiopia's share of FDI inflows to Africa is just two

percent¹. The reports also shows that Ethiopia's share of FDI in its gross fixed capital formation has declined by an annual average of 14.8 percent over the 1995-2004 period to a mere 3.2 percent in 2010 which is below average for Africa that stood at 15.9 percent (UNCTAD, 2011).

The challenge to Ethiopia's attraction of FDI and knowledge transfer is not only failure to share significant flow of international FDI but also its challenge to control brain drain and attract the capital and transfer of knowledge from Ethiopian Diaspora living around the world. Ethiopia is experiencing one of the worst brain drains of any country in the world with the country losing about 75% of its highly skilled professionals over the past ten years (www.onlineuniversities.com, 2011). Furthermore, though hundreds of thousands of Ethiopians are residing in different parts of the world, their contribution in terms of transfer of knowledge and capital into the country is very limited. There might be different factors for such limited FDI flow to the country and failure to tap on Diaspora capital and knowledge. Despite existence several interrelated factors, it is submitted that one of the major factor that seem to have prevented flow of international FDI and the majority of educated and skilled Ethiopians from contributing their part in the economic development of the country is lack of good governance. In this paper, I argue that one of the most important factors that limited significant flow capital and technology into the country is historical institutional and administrative backwardness as well as wrong policies that have been adopted in the last four decades. Such persistent wrong policies have seriously weakened the country's administrative and institutional capacity. The paper consists of the following parts. The first part deals with principles of good governance, followed by sections on development of administrative agencies and polices as well as problems of good governance in the country. Finally some concluding remarks are made in light of improving good governance in Ethiopia.

Principles of Good Governance

The idea of "good governance" was initially introduced into international policy debates in the late 1980s following the realization that "getting the institutions right" was as important as "getting the prices right" to the success of policy reforms (UNCTAD Report, 2009). In

¹The amount of FDI flow to Ethiopia has continued to decline, from an annual average of US\$240 million between 1995 and 2004, to US\$184 million in 2010," reads part of the report.

broad terms, governance encompasses laws, regulations and public institutions that determine the extent of economic freedom in a country, the security of private property rights, the costs to the private sector of complying with government regulations and legislation, the competence and efficiency of the civil service in carrying out state activities that, in turn, affect the efficiency of private sector enterprises, the transparency of the legal system and the honesty of government officials (Globerman, et al.2004).But meaning and scope of good governance is contestable and diverse.

Different authors and multinational organizations have defined the concept of good governance in different ways. The European Commission defined good governance as ‘the transparent and accountable management of all a country’s resources for its equitable and sustainable economic and social development’ (UNCTAD Report, 2009).Organization for Economic Cooperation and Development (OECD) on the other hand limits good governance in relation to creating enabling environment for economic development: ‘Good governance is established when public institutions act efficiently, providing an enabling environment for economic growth and development. Good governance requires the improvement of accountability and transparency of public sector agencies, concomitant with the effective fight against corruption. The effective performance of democratic institutions, including legislatures, and the fight against corruption, are central elements of good governance’ (Uddin and Joya, 2003, p.10)

Some other international agencies such as British Overseas Development Administration (ODA) interpret good governance in a broader perspective:

(1)“The *legitimacy* of government: government, which depends on the existence of participatory processes and the consent of those who are governed ;(2.) The *accountability* of both the political and official elements of government for their actions, depending on the availability of information, freedom of the media, transparency of decision making and the existence of mechanisms to call individuals and institutions to account;(3.) The *competence* of government to formulate appropriate policies, make timely decisions, implement them effectively and deliver services; 4. Respect for *human rights and rule* of law, to guarantee individual and group rights and security, to provide a framework for

economic and social activity and to allow and encourage all individuals to participate” (Uddin and Joya, 2003, p.15).

Good governance essentially has the following basic elements: participation²rule of law³, transparency⁴, responsiveness⁵, consensus orientation, ⁶Equity,⁷effectiveness⁸,accountability⁹, strategic vision¹⁰ and predictability.¹¹

Overview of Development of Administrative Institutions and Problems of Policy Framework in Ethiopia

Compared to many of the African states, Ethiopia had embarked on the establishment of modern administrative institutions earlier at the dawn of 20th century. Despite the establishment of the first modern ministries in 1907 was conducted under the shadow of traditional administrative system that made the significance of the new institutions shabby, the measures that were undertaken by Emperor Menelik and subsequently by Emperor Haileseassie had been points of departure to the archaic style of feudal administration. The introduction of ministerial offices had also contributed a lot in terms of ensuring continuity of government administration (Bahru, 2002). Emperor Haileselassie took the modernization

² All men and women should have a voice in decision-making, either directly or through legitimate intermediate institutions that represent their interests. Such broad participation is built on freedom of association and speech, as well as capacities to participate constructively.

³ Legal frameworks should be fair and enforced impartially, particularly the laws on human rights.

⁴ Transparency is built on the free flow of information. Processes, institutions and information are directly accessible to those concerned with them, and enough information is provided to understand and monitor them.

⁵ Institutions and processes try to serve all stakeholders.

⁶ Good governance mediates differing interests to reach a broad consensus on what is in the best interests of the group and, where possible, on policies and procedures.

⁷ All men and women have opportunities to improve or maintain their well-being.

⁸ Processes and institutions produce results that meet needs while making the best use of resources.

⁹ Decision-makers in government, the private sector and civil society organizations are accountable to the public, as well as to institutional stakeholders. This accountability differs depending on the organization and whether the decision is internal or external to an organization.

¹⁰ Leaders and the public have a broad and long-term perspective on good governance and human development, along with a sense of what is needed for such development. There is also an understanding of the historical, cultural and social complexities in which that perspective is grounded.

¹¹ Predictability refers to the existence of clear policies and a legal framework for investment, predictable rules and regulations, and their fair and consistent application Predictability also implies that regulations should be minimized and simplified to the greatest degree possible

process of governance one step further when he declared the first constitution in 1931. Though the constitution largely used to legitimize the traditional power of the emperor, the constitution was instrumental in terms of introducing institutions such as parliament and civil rights of citizens. The role of Italian occupation between 1936-41 should not be also overlooked in terms of its contribution in introducing modern construction, architecture, business and administration.

Deeper measures of modernization began to be undertaken immediately after the restoration of independence in 1941. In 1943 two imperial orders set up eleven ministries and the office of the Prime Minister (Bahru, 2002). In somewhat slow process of decentralizing power, the Emperor assigned the prerogative to select ministries to the prime minister in 1966. In related development, tax reform, commercial agriculture, industry and financial institutions were flourishing throughout the decades following liberation. The Emperor was in particular instrumental in term of expanding education from primary to territory education. The 1955 revised constitution was also enacted in an effort to catch up with international and national socio-political developments. Though such legal reforms could not change the power equation in the country, the trend was an indication that the country was transforming into capitalist system albeit slowly and with stiff resistance from the regional nobility.

The partial, slow and shallow modernization of the Ethiopian socio economic system satisfied neither the nobility nor the new intelligentsia that was created through the expansion modern education. Beginning from the end of 1960's university students began openly challenging the legitimacy of the monarchy and the repressive land tenure system. Unfortunately, the students' movement was dominated by the leftist Marxist ideology. Duet to such radical move, more than any African state, the implication of Marxist ideology in terms of shaping the country's political discourse had been devastating. Not only the impact of Marxist ideology had been instrumental in terms of overthrowing the historical imperial rule in the country but also it has dominated many of the social, economic and political policies of the country in the last four decades. The far reaching consequence of this ideology to the country's political discourse is more evident in the land tenure system and the 'self determination right of nationalities' that gripped the country's political land escape leading the country into unknown and dangerous trenches.

Further more; the most destructive political practice that was introduced into the Ethiopian political culture since the revolution is the obsession with destroying everything of the past.

Though traditional feudal Ethiopia was hierarchical society where by the societal gap between the nobility and the ordinary or the rich and poor had been sharp making life for the majority unbearable, it had also its own positive values. Probably the most important traditional value that could have contributed for the transformation of the country's economic development, if maintained and modernized, was the value attached to private property in traditional Ethiopia. Despite the laws were applicable largely to the nobility and rich individuals, there had been relatively strong protection for private property during the Imperial period compared to the devastation of the rights during the regimes that replaced the feudal system. As it has been evidenced by the economic transformation of societies in Western Europe, the most important factor that contributed for the development of capitalist economic structure is effective regime for protection of private property. There has never been any economic transformation made without effective protection of private property.

The various measures undertaken by the *Derg* during its early stage had been instrumental in terms of culminating the very life line of the nobility and the emerging middle class. In March 1975, *Derg* nationalized all rural and urban land and extra houses, practically ending every aspect of the right to property. Though the political significance of these measures was appealing to the masses and revolutionary student groups, its impact in terms of transforming the country's socio-economic structure was little. Though the peasants theoretically became holders of the land following the land reform, they became tenants of the government effectively arresting any initiative and investment over the land. The *Derg* legacy over control of land has not been changed after the second revolution in 1991. This has made commercial agriculture or private farm investments almost nonexistent in the country. Though the country is endowed with fertile land and big rivers, the country could not be self-sufficient in food production let alone producing surplus products for export. As far as the land policy could not be amended in a way that gives security to peasants to invest on the land with their full potential and domestic commercial farms are encouraged, the country's real economic transformation and transfer of knowledge into the agricultural sector may not be realized.

Though end of the Cold War has brought about economic and political liberalization in many parts of the world, its impact to the Ethiopian political and economic discourse is little. Though *Derg* enacted Mixed Economic Policy at the end of its downfall, it was too little and too late to mobilize capital and transfer of knowledge into the country's economy. Soon after,

ending 17 years of civil war, an insurgency group called Ethiopian Peoples' Revolutionary Democratic Front (EPRDF) controlled state power and the wheels of the second revolution started to roll down. Immediately after control of power, a Transitional Charter that recognized multi-party system, freedom of the press, self-determination right of nationalities and civil and political rights of citizens was enacted. Furthermore, free market economic policy was declared which was symbolic in terms of partially nullifying the nearly two decades of socialist economic system. Following the suit, many domestic investors and some sections of the Diaspora began to participate in the economic sector. The partial commitment undertaken by the regime towards free market economy coupled with political and security dilemma could not, however, mobilize capital and transfer of knowledge that renovates the impoverished economic base of the country.

The partiality of the measures related to ensuring economic freedom is apparent in different ways. The fact that EPRDF in general and its dominant wing, Tigrean People's Liberation Front (TPPLF) in particular, is basically a Marxist party, the liberal economic measures seem to have been largely undertaken in order to adjust to the Post Cold war international scenario. This can easily be attested from the political and economic policy of the regime. The most important *Derg* economic policy that has been maintained by the new regime is the land policy. The control of land in the name of the people has rendered the most abundant resource in the country insignificant, though with properly designed policy, it could be source of capital in a country that lacks capital for investment and infrastructure. In addition to this, the policy of the regime in relation to the liberalization of important economic sectors in telecommunication, financial and electrical power sectors is indicative of the restrictive liberalization of the Ethiopian economic policy frame work.

The political system and the problems in relation to building democratic system have also their own implications in terms of transforming the Ethiopian economy. Since the enactment of ethnic federal system in 1995, the quest for economic prosperity has encountered more complications due to such structural and political developments. In terms of structural problem, the administrative power of the government has been divided between the centre and the periphery. Due to the fact that country had not effective administration in the past, creating nine additional administrative regions is practically multiplying inefficiency. In addition to this, due to the political reality that has been created since 1991, local administrations controlled by local elites who abused their powers by claiming investment or

provision of government positions are available only to the 'owners' of the region excluding 'new comers'. Though this approach has been significantly improved after the 'reformation' of EPRDF in 2001, the confusion and impact it has left has contributed a lot in terms of limiting flow of investment to the regions. Thus, though the political significance of ethnic federal arrangement is obvious, the system has created sense of division rather than unifying the people and mobilizing the country's resources to change the abject poverty and misery in the country. Specially, 'ethnic enterpreneurs' of different ethnic groups have been using the opportunity to maximize their profits through instigating ethnic hatred and division.

In addition to this, there has never been any national ideology in the country that may serve as a foundation for any political, economic and social policies in the country. Though EPRDF, presumably due to the end of cold war, appear to have embraced values of liberal democracy and freedom of the market, there have always been mixed policies and actions. For instance, though the Ethiopian constitution contains one of the most generous political and civil rights of international standard, it has also incorporated the concept of 'rights of nations and nationalists' and fussy separation of power principles that have nothing to do with liberal constitutional values. In addition to this, despite the incorporation of liberal values in the constitution, the regime publicly claims that Ethiopia does not need liberal democracy but rather 'revolutionary democracy'. Though EPRDF has not defined the concept in any of its policy documents, the various measures taken by the party suggest that it is mobilization of the masses at the grassroots for economic, social and political transformation under the leadership of the vanguard party.

In the aftermath of general elections in 2005, revolutionary democracy has got a new Developmental State dimension. In the last few years rhetoric of the government is bringing economic miracles with the active involvement of the state in all economic activities. Contrary to the political philosophy of the regime, opposition parties and the majority of the country's middle class seem to prefer a liberal democratic political and economic system adapted to the country's specific situations. The absence of any consensus on the country's future destiny among the various political groupings and the elites will continue to pose challenge to come up with a road map that may mobilize resources for attracting capital and knowledge that may transform lives of ordinary Ethiopians.

The existence of problems in relation to political and economic structure of the country does not mean that there have never been efforts made to improve the socio-economic structure of

the country. Primarily, the government has been implementing agriculture led economic policy that aimed at boosting agricultural output from the small peasant farms through providing primary agricultural extension assistance to the farmers. In addition to this, a number of policy measures have been taken to encourage investment through incentives and tax exemptions. In order to increase the efficiency of the administrative system, civil service reform and legal reform programs have been undertaken. An attempt has also been made to improve the tax system of the country and establishing Ethics and Anti-Corruption Commission. Such efforts have also brought limited and sporadic results. In the last few years, investors from countries such India, China and Turkey have been engaged in investment activities and few members from the Diaspora have also been using the opportunity to invest in the country. In addition to this, there have been increased efforts to expand the construction of roads, schools and health facilities. But compared to the potentials of the country and the size of capital and knowledge needed to transform the country's poor economic structure, such fragmented efforts are not satisfactory.

Challenges to Ensure Good Governance in Ethiopia

In light of ensuring good governance, initial steps that were taken during the inception of the new regime 1991 have been significant and encouraging in terms of democratizing the Ethiopian polity. The participation of opposition parties in the political discourse, the introduction of independent media, decentralization and adoption of the federal and parliamentary system were initial important steps that are unprecedented in Ethiopia's long history. Other democratic institutions such as the judiciary, electoral commission, human rights commission, ombudsman and other democratic institution have also been established during the last two decades. Despite there are critics who argue concepts like 'good governance' and 'economic liberalism' were taken into the EPRDF vocabulary in 1991 to please the international diplomacy and the donor community (Aalen, 2002), the introduction of these institutions is indispensable in realizing transition to democracy in the country.

The constitution further provides for the protection of different democratic rights such as the right to hold opinion, thoughts and free expressions, freedom of assembly, public demonstration and the right to petition, right to association, freedom of movement, and rights of citizenship (Articles 29-33, FDRE constitution). The constitution further provides for the structure and separation of the three branches of state. Federal law making power is granted to the bicameral parliament of the House of Peoples Representatives and the House of

Federations, executive power is granted to the Prime Minister and the Council of Ministers and establishment of an independent judiciary (Articles 53, 72, 78 FDRE constitutions). In addition to this periodic general elections have been taken place four times (1995, 2000, 2005 and 2010). Thus, from formal perspectives, it seems that Ethiopia is an emerging democracy and departing from its authoritarian past. Impressed by such formal rhetoric, many international organizations such as Freedom House and most western states ,until recently, refer the country as an ‘emerging democracy’.

On the other hand, independent researches have confirmed the institutional development in the country is nominal. According to the 2010 Ibrahim Index of African Governance Ethiopia ranks at 35th out of the 53 African countries. Ethiopia’s economic freedom score is 50.5, making its economy the 144th freest out of 183 countries in the 2011 Index (2011 Index of Economic freedom). The report further noted ‘Ethiopia underperforms in many of the 10 economic freedoms. The business and investment regime is burdensome and opaque. The quality and efficiency of government services are poor and made worse by the weak rule of law and pervasive corruption. State distortions in prices and interest rates undermine monetary stability’ (2011 Index of Economic freedom). In related report, Ethiopia ranks 120th out of 180 countries in Transparency International's 2009 corruption index (Transparency International's 2009 corruption index). As recent Human Rights Watch report reveals ‘democracy’s technical framework will remain a deceptive and hollow façade so long as Ethiopia’s institutions lack independence from the ruling party and there is no accountability for abuses by state officials (Human Rights Watch, 2010). There have also been widespread violations of human rights and increasingly silencing of political dissent in the country. In addition to this, the vital political decisions are made in the informal sphere, behind the façade, in circles and networks of a neo-patrimonialist nature, impervious to what institutions like a parliament or a high court say (Abbink, 2006).

There are different factors for absence of good governance in the country. Some of the factors are structural while others are related to ideologically motivated government structures and policies that encourage patronage rather than merited principles. One of the major problems that seem to have prevented realization of good governance in the country is the absence of democratic culture in the country’s long history. The country had undergone considerable part of its history under traditional feudal rule that was characterized by absolute loyalty that

legitimizes the exploitation of the poor.¹² Under the feudal system, Ethiopian social fabric was characterized by gross inequality between the largely aristocratic elite—consisting of landowners, lords, nobles, the royal family, government officials, and elements of the clergy—and the impoverished peasantry.¹³ There was a pattern of social interaction that sustains a strictly hierarchical stratification of society, where one is constrained by a large, invisible, but rigid system of collective sanctions, to obey the ‘orders from above’ (Yilmaz and Venugopal, 2008; Vaughan and Tronvoll, 2003). The patriarchal order was and still is visible in every aspect of Ethiopian life, including food and dining (Solomon Addis, n.d).

In such feudal system, there was no any democratic culture and system of accountability. As Alemseged noted ‘Ethiopia is still a paternalistic society where its institutions from the smallest, the family, to the largest unit, the state, are pervaded by authoritarian values of obedience. Orders, however offensive, are implemented. Loyalty is held in higher esteem. Such proclivity to complete subservience is the result of people’s powerlessness’ (Alemseged, 2009). Furthermore, as an old saying in Ethiopia goes ‘He who does not „eat” while in power, will regret it when he is out’ indicating that appointment into the public service is not perceived as serving the public rather it to the advantage of the appointee. Such attitude is still evident at every level of authority. Even though the country has undertaken two revolutions in the last four decades, firmly entrenched feudal power relations and repressions are still well and alive rendering good governance efforts futile.

The other major challenge for realization of good governance is abject poverty and high rate of illiteracy. According to recent Multi-Dimensional Poverty Index, 90% of Ethiopians are poor (UNDP Human Development Reports, 2010). Due to high rate of poverty and illiteracy Ethiopian social structure is characterized by lack of a strong and economically rooted middle

¹² ‘Traditional adages such as *kesew merto leshumet, keinchet merto letabot* (only a selected few are worthy of officialdom, so is the finest wood that is chosen for tabot [the replica of Moses’ Tablet that is central for Ethiopian Christianity]) This, and saying such as *ketat tat yibelital* (all fingers are not equal), which means all men are not born equal, reflects the entrenched belief in uncontested authority’ (Solomon Addis, www.forumonpublicpolicy.com/summer09/archivesummer09/getahun.pdf)

¹³ The social order was to be respected in every aspect of life. Herbert Vivian, who was in Ethiopia at the turn of the 20th century, remarked, “...what is specially to be observed among the Abyssinians is the way in which they cling to feudal traditions...The older men eat first, then the younger men, then the women, then the men-servant, and finally the female servants.”

(Solomon Addis www.forumonpublicpolicy.com/summer09/archivesummer09/getahun.pdf)

class that may burden the transition to democracy and good governance. As noted by Tekola (2011):

When we consider the social and economic situation in Ethiopia, we find absolutely dismal social conditions, and a starvation-economy. There is no way a viable liberal democracy or Marxist-Leninist systems of governments would work under such social and economic conditions in Ethiopia. Ethiopia is far too barren to grow seedlings of any foreign democratic or Marxist-Leninist government system. I think the best solution is to work with the system that had been with us for centuries and creatively improve and adopt that system to meet modern demands.

In the absence of the basic needs among the public, the quest for good governance is luxury and poverty coupled with high rate of illiteracy will continue to taunt the democratization process of the country.¹⁴

The other major challenge to realize good governance in Ethiopia is the introduction of leftist Marxist ideology into the country's political discourse in 1960's. As a matter of fact, the ideology is still firmly maintained by the new rulers of the country. The leftist ideology is strictly attached to undemocratic practices such as extreme loyalty to party discipline, restricting rights of citizens and economic freedoms as well as party apparatuses are more powerful than formal governmental institutions. In such controlled system of government, the decision making process is secretive and there is no any effective mechanism to hold government officials accountable.

The other barriers to ensure good governance in the country are related to the political system and institutions of the country. Primarily, elections are one of the mechanisms used by the electorate to held their leaders accountable for their actions. Without having a political system that ensures citizens hold government authorities accountable through free and fair elections, realizing good governance remains to be a myth. Since the fall of the *Derg* and the dissolution of the single party

¹⁴ 'The idea of establishing American or European type democracy is as difficult or is as far removed as establishing Marxism-Leninism in our Ethiopian setting. To state the obvious, either system requires certain degrees of economic, educational, and technological advanced base. Either system requires a well established literate culture. A high degree of social cohesion pulling toward the same goals would also make such social programs viable and possible. The infrastructure of both human networking in associations and public activities and the physical material infrastructure of roads, railway systems, air transport systems, in inland navigation water ways et cetera are all vital for such advanced political development' (Tekola, 2011)

political system, Ethiopia has undertaken four general elections. But all the elections that have so far been conducted are marred by violence, vote rigging and failed to reflect the genuine will of the people (Tronvell, 2009). Such electoral frauds have increasingly undermined the ability of citizens to change their leaders through the ballot box and make them legally accountable.

The other basic foundation for ensuring a system of good governance is existence of effective separation of power and checks and balances between the organs of state. When there is effective system of checks and balances in the system, authorities shall be accountable and their activities shall be transparent. In light of such core principle, the absence of effective check and balances is the other challenge to improve good governance in Ethiopia. Though Ethiopian constitution vests the highest authority with the House of Peoples's Representative, since the elections held so far have not been genuine, the parliament is largely dominated by a single political party. In addition to this, since there is strict democratic centralism within EPRF, members of parliament are always expected to act in accordance with party lines rather than being accountable to the electorate or to their conscience. Such extreme dominance has left the executive organ without any accountability. Not only is the parliament unable to control the executive, it has also become rubberstamp of the actions of the executive organ.

The highest executive powers of the federal government are vested in the prime minister and in the council of ministers (Art.72, FDRE constitution). The constitution provides different powers to the executive, particularly to the prime minister. The prime minister has quite extensive powers, akin to those of presidents in presidential systems. This has made the power of the prime minister uncontrolled and unchecked by the executive, legislative judiciary and other federal or regional institutions. In addition to this, the most important aspect of the executive is that major decisions are not necessarily made by formal state institutions. Largely, important decisions are made in the inner party circle that mainly consists of few party leaders rather than formal state institutions. This has made the state-party separation vague in every channel of government especially at lower levels of government. The party network may even pass decision on the rights and duties of the government employees that make the government networks obsolete.¹⁵ Due to high degree of patronage relations in the party network, there is no serious accountability system against the major political actors and they are not transparent in their dealings. What may express the degree of secrecy of the system is the prime minister's response to parliament to the question raised on how many Ethiopian

¹⁵ For instance, in January 2010 EPRDF members in Ethics and Anti-Corruption Commission have decided that the deputy Commissioner return back the extra government residential house and mobiles to the government. (Reporter, Wednesday 19, 2010)

troops were killed during the intervention in Somalia. He responded that ‘since EPRDF has no tradition of publicly declaring such loss of life, it is not necessary to state the number.’

In addition to the absence of system of accountability and transparency in executive organs, they remain to be ineffective and the civil service is not free from political influence (Getachew and Common, 2006). All the regimes manipulated the civil service to advance their own political agenda rather than committing the civil service to professional integrity and quality of service. The trend has continued up to date. Nowadays, it has become an open secret that civil servants are recruited in light of their political loyalty rather than their competence (International Crisis Group, 2009). Filling civil service vacancies with party members and supporters is in contradiction to the civil service law that provides that the only criterion to fill vacancy is the qualification of the person (Proclamation No 515/ 2007). In the last few years, the trend of compromising quality for loyalty has been in the increase in the various government departments especially at lower levels, leading the degeneration of the civil service.¹⁶.

The other important institution essential to ensure rule of law is existence of independent and strong judicial organ. In light of this, the FDRE constitution provides for the independence of the judiciary (Art.78, FDRE Constitution). Despite *de jure* independence of the judiciary, there are problems of political interference, inefficiency and corruption. Former judges and members of the legal community indicated that there have been instances of delicate political cases being assigned to perceived pro-government benches and political interference in civil and criminal trials. Since 2005, judges have fled the country alleging government interference, arrested, threatened, intimidated, pressured to resign, transferred to remote locations or somehow removed from active judicial duties (SIDA, 2008). In addition to this, the limited budget allocated to the judiciary and lower incentives to the judges has also resulted in high turnout of judges that further weakened the judiciary.

The mass media are often referred to as the fourth branch of government because of the power they held in terms of oversight function they exercise¹⁷. Access to information is essential at least for two reasons: First, it ensures that citizens make responsible, informed choices rather than acting out of ignorance or misinformation and secondly, information serves a “checking function” by ensuring that

¹⁶ civil servants at the federal and regional level reveals that the most important criteria to join the civil service is loyalty to the ideology of the ruling party where as qualification is of secondary issue (Reporter Sunday, 26 September 2010)

¹⁷ Thomas Jefferson, for all his bitterness against journalistic criticism celebrated the press “Were it left to me to decide whether we should have a government without newspapers or newspapers without government, I should not hesitate to prefer the latter.”

elected representatives uphold their oaths of office and carry out the wishes of those who elected them (USAID,1992). In the Ethiopian context, when EPRDF came to power in 1991, it adopted a national charter that recognized freedom of speech and a law was issued on freedom of the press addressing under special law designed to regulate the press. Soon after the issuance of the law, different news papers, magazines and books hit the market. The trend was very welcoming since the action taken to open up the sector to independent media was a historical moment for this was unthinkable during the past regimes.

But the distribution of the private press was very limited to Addis Ababa and other major cities. Radio remains the principal news medium in predominantly rural Ethiopia. But private electronics media is seriously restricted. Only few FM private radios are permitted to operate in the capital. Many of those established are allegedly pro-government or shy away from issues they feel unpleasant to the government. Licenses have never been granted to short wave radio and television media that could reach the general public in rural areas. The government renders different justifications for the delays, though the main reason behind is the regime's lack of confidence in meeting the demands of well informed citizens. All government printed and electronics media have continued to be tightly controlled by the regimes being used as instruments of propaganda. The lack of professionalism, finance and abuse of the publishers of the newly emerged media has been also a challenge to development of full-fledged media in the country. Since there was no experience in the past, the personnel that engaged in the private press lacked the appropriate professionalism related to balancing news items or cross checking the source of the news. In addition to this, frequent arrests and trials of editors, reporters and publishers, and the subsequent closure of many publications including journalists fledging the country has seriously weakened the independent media.

Conclusion

To bring about significant economic transformation, unrestricted flow of capital and knowledge is crucial. To achieve this goal, ensuring good governance is an essential precondition. A transparent, accountable, responsive governance where rule of law reigns is an important ingredient of achieving economic development. Due to the absence of good governance in Ethiopia, transfer of capital and knowledge is limited. The major bottlenecks that have hindered good governance from taking roots in the country are manifold: repressive political culture, abject poverty and illiteracy, absence of

democratic institutions, wrong political and economic policies shaped by leftist ideological tendencies and absence of strong independent media. In order to mobilize international FDI and facilitating transfer of knowledge from abroad, including the Diaspora, an electoral system that is acceptable to the public and the political forces is the primary step to words building confidence and ensuring legitimacy of the system. Furthermore, since many of the existing political and economic policies are shaped by failed leftist ideology, doing away with traces of such polices from the political and economic discourse is an important step forward to realize good governance in the country.

In addition to this, there has to be efficient checks and balances between the legislature, executive and judicial organs of government. As far as the relations between these organs is remains blurred, there exists an executive organ that has unlimited power that may lead to corruption. In relation to the executive organs, there has to be also clear separation between party and state functions which has made accountability increasingly complicated. An independent judicial organ that reviews the acts of administrative agencies is also essential for realizing rule of law in the country and an independent media instrumental in controlling corruption and facilitating transparency.

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