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# The political economy of agro-industrial policy in Ethiopia, the case of the integrated agro-industrial parks strategy

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## Résumé

The work analyses the relationship between industrialization and development, with particular reference to the political economy and industrial policy literatures. More specifically, the research analyses the political economy of the integrated agro-industrial parks (IAIPs) strategy, which is one of the main pillars of the broader industrial development strategy of the Ethiopian government.

Over the last decade, Ethiopia has experienced high and sustained economic growth. This high level of growth, along with massive public investments in roads, education and health, have allowed the country to reduce poverty and to reach the MDGs targets for hunger, education and children health. Despite these successes, the economy is still largely agrarian and the government needs to devise strategies for creating jobs for a rising youth population.

The pursuit of agricultural modernisation and the development of labour-intensive industries (agro-industry, leather and textile) are thus among the main priorities identified in the last five years development plan. The IAIPs are specialised industrial zones, designed to attract domestic and foreign investors in agro-processing and spur agricultural development. Their main objectives are to create jobs, increase farmers' incomes and contribute to economic growth in rural areas. The realisation of four pilot IAIPs started in 2017, in the regions of Oromia, Tigray, Amhara and SNNPR and involves Ethiopian Federal and Regional authorities, development partners (EU, AfDB, IFAD, Italy, Germany) and UN (FAO and UNIDO).

Meanwhile, during the last three years, the Ethiopian developmental state, characterised by a state-party apparatus at central level which limits political rights, but drives economic and social development, has been undergoing a deep transformation. After two years of riots, led by educated youths asking for more jobs and economic opportunities, transparency, less corruption and shared prosperity, a new Prime Minister has been nominated and a new political agenda is under implementation. The new government is pursuing political normalisation at home (release of thousands of youths from the prisons, rehabilitation of previously banned political parties) and abroad (initiation of a peace process with Eritrea) and preparing major reforms in the political (de-ethnicization of politics, new electoral law giving more voice to minorities, political decentralisation, anticorruption measures) and economic spheres (liberalisations and privatisations).

Still, the capacity of the government to respond to the youth's economic demands, including

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with broad development fostered by agricultural modernisation and labour-intensive industrialisation, is key for the country's stability.

The research analyses the political economy of the IAIPs strategy, with particular attention to the respective roles of interests and ideas in their design and implementation and to the influence played by the main stakeholders (federal and regional governments, donors, UN agencies, investors, farmers organisations), in a political-economy environment characterised by significant changes in ideological paradigms (from state dirigisme to *ouverture* to the private sector) and shifts in the power balance between federal and regional governments, public and private sector, government and donors.

**Mots-Clés:** Political Economy, Industrial Policy, Ethiopia, Agro, Industry, Economic reforms