

**Madam Executive Secretary,**

**Mr vice president of the African Development Bank**

**Excellencies,**

**Distinguished Guests**

**Ladies and Gentlemen,**

It is my pleasure to welcome you all to Ethiopia for this very important conference – “the 2017 African Economic Conference”. Allow me to extend my appreciation to the African Development Bank, Economic Commission for Africa and the United Nations Development Programme, for their joint effort in convening this conference, and also for choosing Ethiopia as the venue of the conference. It is indeed a singular honour for my country to play host to this large and diverse group of people that have come from different parts of our continent and beyond.

The theme for this year’s African Economic Conference: “Governance for Structural Transformation” is both timely and pertinent. As you know, the quality of governance explains and drives transformation, development and democratization. Governance is the reason why some nations and societies do better than others; and others stagnate or even collapse. So, now the question is: what kind of governance leads to transformation; and which one to stagnation or, even worse, regression? And what type of governance serves best in the African context?

No doubt, that state structuring and building for Africa is still a learning process that needs a late comer consideration that accounts for many unique realities and priorities. Africa's priorities have to do with development, democracy and equity. As such for African countries to structurally transform themselves rapidly and inclusively, the better viable option is for them to have strong, activist, developmental and democratic state.

Structural transformation as related to the national development agenda is all about the path to and achievement of industrialization. This goes from securing productions and markets to including an equitable mechanism of fairness in spreading the wealth. In this regard, there are theories and experiences of recent success, such as those of the East Asian region, Africans can refer and look into for better lessons. It is true these late industrializers did not have the conventionally prescribed and over promoted neoliberal governance capabilities when they started it, or even at later time during their unprecedented massive economic transformation. It does not mean, though, these countries did not have governance qualities of other kind. Countries of East Asia must have had the state capacity and type, and all what it takes for kick-starting, accelerating and sustaining their structural transformation through overcoming and enduring pervasive market challenges while at the same time ensuring fast and inclusive growth. In East Asia and other successful developmental states, massive transformation was brought about through an

effective and successful centralization of economic rents and allocating them to value-creating sectors and actors.

**Excellencies Ladies and Gentlemen;**

Conferences such as this are very important in terms of gleaning the best practices from successful developmental states and adopting and adapting these lessons to the specific situations in Africa in general and each country in particular. This is not easy and sometimes a frustrating task mainly for three reasons:

First, the academic and policy discourse has been dominated by the neoliberal paradigm thoughts - that any effort to go beyond that requires deconstructing conventional economic assumptions first and then coming up with alternative solutions and strategies. This should primarily be the task of academic and policy conferences such as this one.

Secondly, the task of gleaning lessons requires adopting and adapting the lessons from successful developmental states to specific socio-economic, political and cultural contexts. There are no specific policy templates that work everywhere. Policy solutions are context specific. This should be considered as a learning-by-doing process.

Thirdly, there were some missing social essentials from being part of the overall consideration even among the latest successful growth transformations registered in

the East Asian countries. Africa has a late comer's advantage to improvise on those limitations for the better.

**Distinguished guests, Ladies and Gentlemen,**

The developmental state that we have been trying to build here in Ethiopia is not a developmental state of the East Asian variety but a democratic one: a state that is both developmental and democratic. This necessitates not only avoiding the costly mistakes that these countries had to make during their experimentation and transformation, but also aligning the successful lessons with democratic principles towards democratic transition and consolidation.

We Africans are the origins of humanity. We were once the centre of civilization. It is a scorching and puzzling irony that we are looking for better lesson from elsewhere to catch up to the rest of the world. That said, we should be more consumed looking for the solution than marvelling at the puzzle.

Some historic and opportunistic moments have previously come and gone. Opportunistic moments always present themselves in different ways. Africans have been mostly unable, or denied the chance, to capture these moments. At the turn of this century, however, an African time seems to have come, both with unprecedented opportunities and challenges. We cannot and should not fail to grasp this historic period. Will Africans unite in an effort to grab this historic opportunity and bring the

continent out of poverty and backwardness once and for all or end up failing to capitalize on the opportunities and address the concomitant challenges, again?

We should still be mindful of the surrounding challenges but I dare say both domestic and global circumstances are relatively conducive to capitalize on these opportunities. Success greatly depends on building quintessential governance capabilities able and committed to structural transformation since much of the previous failure and stagnation also depended on our failure to build capable and developmentally committed state functionaries and a developmental political economy conducive for sustainable development and transformation.

And the governance capabilities that are needed to bring about structural transformation during this period of globalized world and global power transition and diffusion are quite different from those espoused by the neoliberal paradigm. What is more important and feasible to achieve during the initial periods of growth and transformation are what are usually known as growth enhancing or developmental governance capabilities. Governance capabilities that sustain growth in developing countries have to be appropriate for addressing important and pervasive market challenges that constrain growth and transformation. In East Asia and other successful developmental states, these governance capabilities helped the implementation of development strategies to accelerate capital accumulation and

technology acquisition, and thereby improve resource allocations and achieve political stability.

**Distinguished guests, Ladies and Gentlemen,**

Experiences show that building and strengthening the necessary governance capabilities can only be done in the process of implementing and experimenting on our respective country-based industrial policies. Exigent governance capabilities are constructed over time. Change is effected after a long time and after many mistakes. The main thing is to correct such mistakes attentively and in real time so that they don't lead to a major crisis and end up leading you to even graver situations. Crony capitalisms that we happen to see elsewhere are born of such unattended and uncorrected mistakes.

The experience of successful developmental states in East Asia and beyond shows that strategies aimed at solely technical and bureaucratic qualities would not be successful in bringing about structural transformation. Governance reforms are political first and then technical and bureaucratic second. Success emanates not just from technical and bureaucratic reforms but in governance capabilities that enhance productive competitiveness and the task of improving and reforming governance capabilities should be done in a way that takes into account the existing political settlement and socio-economic and cultural context. Sustainable development and

structural transformation is therefore achieved not only by focusing on the size of the national pie but also in a way that addresses the interests of various social classes and their fair share of the pie. Success depends on continuous and iterative governance reforms that take into account existing and future circumstances.

And there are what we call success traps. Periods of rapid growth and structural transformation are inevitably underpinned by crisis and social tensions and conflicts. The process of transformation, therefore, involves intertwined strategies of capital accumulation, technology acquisition, and strategic and careful management of social conflicts that come with the creation of the new wealth and the emergence of new social classes and actors.

In such cases and processes, an autonomous state apparatus and a competent political leadership must be ready and able to walk a very tight rope projecting balance and adequacy. As such, African states and policy makers need a working space to experiment their policies, and perfect them in their own ways as they see it fit within their real world. The state should be both inclusive and independent so as to be able to devise and implement painful decision in a socially contested situation for the greater good and greater number. That's what defines an inclusive, democratic and embedded autonomy.

After centuries of exploitation, domination and marginalization from the global political economy, we believe Africa now enjoys a period of relative policy autonomy so as to experiment appropriate policies and bring about structural transformation. Success depends on capitalizing on these opportunities and on quickly addressing myriad of challenges.

Our own experience here in Ethiopia has shown that the challenges are daunting but success is possible. Through decades-long and iterative governance reforms, we have been able to achieve fast and pro-poor growth for a decade and half now. We are now amidst embarkation of unprecedented industrial transformation. This has brought its own opportunities and challenges. As we move forward, we are more than ever determined to address the myriad challenges that we have been facing and ready to capitalize on the potentials.

Let me say this in closing, as millions of labor intensive manufacturing jobs leave late industrializers for better labor markets, this century is indeed an African century. History bestows the chance and also the responsibility upon us to grab this opportunity and bring our beloved continent out of misery and backwardness. In the 21st century, Africa should no longer afford to remain indecisive and passive to other global events and actors. We simply cannot afford it. It is up to us Africans alone to determine our destiny and history seems to offer this chance for us to determine our fate and transform our economy and politics. Failure will never overtake us if our



determination is strong enough. I am confident that as long as we keep our eyes on the ultimate prize-our people and their wellbeing –we will not and cannot fail in our effort to structurally transform our nation.

Thank you also for your kind attention and I wish you fruitful deliberations and it is now my pleasure to officially declare the 2017 African Economic Conference open.

**I thank you**