



**Research Report 33**

**Industrial Policy Network and Bureaucratic  
Capacity of Key Public Institutions in  
Ethiopia**

**Girum A. Tefera, Biniam E. Bedasso and  
Ashagrie Demile**

*Ethiopian Development Research Institute*

**Addis Ababa, Ethiopia**

**July 2018**

# THE ETHIOPIAN DEVELOPMENT RESEARCH INSTITUTE RESEARCH REPORTS

## About EDRI

Founded in August 1999 as a semi-autonomous government development research institute, EDRI's primary mission is to conduct quality research on the development of the Ethiopian economy and disseminate the results to key stakeholders within and outside of Ethiopia. For more information, as well as other publications by EDRI staff and its affiliates, go to <http://www.edri.org.et>

### Ethiopian Development Research Institute (EDRI)

P.O.Box 2479

Tel: 251115506068

Fax: 251115505588

Email: [info@edri.org.et](mailto:info@edri.org.et)

Website: <http://www.edri.org.et>

## ABOUT THESE RESEARCH REPORTS

The Ethiopian Development Research Institute (EDRI) Research Reports contain research materials from EDRI and/or its partners. They are circulated in order to stimulate discussion and critical comment. The opinions are those of the authors and do not necessarily reflect that of EDRI's, their home institutions' or supporting organizations'. Comments may be forwarded directly to the author(s) respective addresses.

### Report citation:

Girum A. Tefera, Biniam E. Bedasso and Ashagrie Demile, 2018. Industrial Policy Network and Bureaucratic Capacity of Key Public Institutions in Ethiopia. Addis Ababa: Ethiopian Development Research Institute.

---

### About the Author(s)

Girum A. Tefera (PhD), Research Fellow at the EDRI; [girumabe@gmail.com](mailto:girumabe@gmail.com)

Biniam E. Bedasso (PhD), Research Fellow at the EDRI; [b.bedasso@gmail.com](mailto:b.bedasso@gmail.com)

Ashagrie Demile, Research Assistant at the EDRI: [ashudemile@gmail.com](mailto:ashudemile@gmail.com)

# **Industrial Policy Network and Bureaucratic Capacity of Key Public Institutions in Ethiopia**

**Girum A. Tefera, Biniam E. Bedasso and Ashagrie Demile**

**Ethiopian Development Research Institute  
(EDRI)**

---

Copyright © 2018 Ethiopian Development Research Institute. All rights reserved. Sections of this material may be reproduced for personal and not-for-profit use without the express written permission of but with acknowledgment to EDRI. To reproduce the material contained herein for profit or commercial use requires express written permission. To obtain permission, please contact Jemal Mohammed via [jemal.mohammed@edri.org.et](mailto:jemal.mohammed@edri.org.et)

## Table of Contents

Abstract.....	1
1. Introduction .....	2
2. Literature Review .....	4
2.1 Policy networks and governance of industrial development .....	4
2.2 Comparative experience in the governance of industrial development .....	5
2.3 Institutional and human resource capacity of key economic bureaucracies.....	6
2.3.1 Bureaucratic capacity.....	6
2.3.2 Incentives and motivation.....	8
2.3.3 Economic bureaucracy and government-business cooperation .....	8
3. Network analysis of key actors in export-oriented sectors .....	9
3.1 Methodology .....	9
3.2 Results.....	10
4. Bureaucratic capacity of key government agencies.....	14
4.1 Methodology .....	14
4.2 Results from bureaucracy survey .....	15
4.2.1 How Public Sector Employment is Viewed and the Recruitment Process .....	15
4.2.2 Incentive, Motivation and Capacity of Public Employees .....	18
4.2.3 Economic Bureaucracy and Government-Business Cooperation.....	23
5. Concluding Remarks.....	26
References .....	28

## List of Tables

Table 1: Average relative influence score of key stakeholders in priority sectors.....	10
Table 2: Government agencies and number of public officials consulted .....	15
Table 3: Total earnings covering basic expenses, fairness, and overtime work.....	19
Table 4: Public employees total earnings comparison with the private sector, in percent .....	20
Table 5: Motivation of public servants .....	20
Table 6: Percentage of public employees' late appearance and absenteeism, in percent .....	21
Table 7: Capacity of respondents' colleagues and supervisors to provide basic services, in percent.....	22
Table 8: Supervisors initiative and capacity utilization of public institutions, in percent.....	22
Table 9: Recommendations to improve the motivation of public employees .....	23
Table 10: Institutions' Achievement in conveying its mission, vision and objectives, in percent.....	23
Table 11: Strategic objectives understanding and job alignment of employees, in percent.....	24
Table 12: Private sector concerns and how often they are addressed.....	25
Table 13: Government agencies service delivering efficiency in, in percent .....	26

## List of Figures

Figure 1: Textile and Garment factories policy network.....	12
Figure 2: Leather Factories Policy Network.....	13
Figure 3 : How is a public sector career viewed by government employees, in percent?.....	16
Figure 4: Main reasons for joining the public sector, in percent .....	17
Figure 5: Recruitment processes used in public institutions, in percent.....	18

## Appendices

Appendix 1: Textile and Garment Industry Policy Network .....	32
Appendix 2: Textile and Garment Industry Policy Network .....	33
Appendix 3: How is public sector career viewed by different age groups of government employees in percent? .....	34
Appendix 4: Main reasons for joining the public sector by different age groups, in percent .....	35
Appendix 5: Number of Employees who wants to stay up to their retirement .....	35
Appendix 6: The number of years the respondent would like to stay in the organization .....	36
Appendix 7: Number of respondents who do not want to work for more than two or three years .....	36
Appendix 8: Number of respondents who are aged 35 and below, and don't want to work for more than two or three year .....	36
Appendix 9: The would be reasons for respondents departure.....	37
Appendix 10: Where does the respondent intend to move to? .....	37
Appendix 11: How often respondents take on-the-job training in the areas of private sector development .....	37
Appendix 12: If the respondent had a senior colleague who mentored him/her and whether his/her mentor is still in the same institution .....	37
Appendix 13: Why the mentor of the respondent left the institution? .....	38

Appendix 14: Organizations achievement in conveying its mission, vision and objectives.....	38
Appendix 15: Strategic objectives understanding and job alignment of employees, in percent..	38
Appendix 16: The capacity of respondents' colleagues in soliciting information from the private sector, in percent .....	38
Appendix 17: The relationship with the private sector.....	39
Appendix 18: The efficiency of the state bureaucracy in delivering services.....	39
Appendix 19 : How often public intuitions run into conflict with each other .....	39
Appendix 20: How quickly implementation problems are addressed? .....	39

## **Abstract**

Activist states have at least two important common features. First, they are characterized by robust networks that connect different government agencies with each other and with the private sector based on common interests and shared motives in alignment with long-term national development goals. Second, they possess high levels of operational capacity owing to qualified, stable and motivated bureaucracies capable of designing and implementing industrial policies. This study explores the industrial policy network and the capacity and motivation of bureaucrats in key public institutions in Ethiopia.

In the first part, the study investigates the inter-organizational coordination and the intra-organizational capacity in the implementation of industrial policy with the aim of creating a better understanding of the governance environment for structural transformation in Ethiopia. We find that while specialized sector institutions are important nodes in the network of stakeholders, they seem to exert limited influence on private sector firms. Similarly, as far as organizational and coordination function is concerned, sector associations are considered as ineffective institutions that fail to mobilize collective action for the good of their members. This is particularly worrying for smaller firms who, unlike large firms, cannot easily muster direct channel of communication with government agencies.

To further understand implementation difficulties related with industrial governance, we also collected primary data from mid-level bureaucrats in nine government agencies that are involved in industrial policy formulation and implementation. We find that few of the sampled public sector employees consider public sector employment to be prestigious with attractive monetary rewards. In contrast, many appear to have taken public sector jobs out of necessity, are less likely to stay put and do not appear to be highly motivated. Low pay and limited prospect for livelihood and career path improvement are cited as main reasons for high turnover and lack of motivation. The bureaucrats, however, believed that there is much room for the productive interaction with the private sector, where the bureaucracy is reported to be more responsive and flexible in accommodating the concerns of private sector stakeholders. Lack of capacity and motivation on the part of mid-level bureaucrats, however, imply that such productive interactions are not always translated into efficient service delivery. To get the best out of industrial policies, it is thus not sufficient to design grand and ambitious national plans. Aligning sometimes conflicting institutional objectives and nurturing implementation capacity is equally important. To promote structural transformation, the industrial governance structure will have to accommodate the diverging needs and demands of various stakeholders including bureaucrats with self-interested motives that may not be necessarily compatible with grand national objectives.

## 1. Introduction

The demanding quest for structural transformation requires, among other things, a coordinated policy platform to facilitate the process of industrialization. With a stubbornly high share of employment in agriculture, Ethiopia has long been seeking a reliable path towards structural transformation. In recent years, the government of Ethiopia has renewed this effort by explicitly recognizing the role of internationally competitive industries as a centerpiece of the country's effort to bring about economic transformation. Accordingly, the government has formulated and implemented a full-fledged Industrial Development Strategy (IDS) in 2002/2003. The strategy is aimed at increasing the productivity and export performance of large and medium-sized firms in labor intensive manufacturing sector. In light of this policy direction, this research report aims to assess the governance of industrial development in Ethiopia. We approach governance on two levels. First, we look at the interaction of public and private sector actors in the functioning of selected priority sectors. Second, we take a deeper look into the institutional and human resource capacity of key economic bureaucracies that are tasked with formulating and implementing industrial policy. Analysis of the institutional interactions that have underpinned the performance of the manufacturing sector in Ethiopia provides a meso-level picture of the industrial policy network whereas evaluation of the bureaucratic capacity of key government agencies furnishes the necessary micro-foundation from the point of view of the state.

In spite of the widely shared ambition to industrialize among developing countries, what often distinguishes a successful industrial policy from a less successful one is the degree of policy coherence and the state's capacity to implement the policy. The Government of Ethiopia has employed various mixes of conventional and unconventional capacity building initiatives to create internationally competitive industries. The state has committed itself to industrial development and upgrading, which is reflected in strong investment in industrial capacity building and targeted competitiveness initiatives, including the establishment of a range of sector-specific meso-institutions (Altenburg, 2011). However, the outcomes of this effort are far from robust as the manufacturing sector keeps struggling to raise its share of exports and employment in the sector over the last several years.

The current study investigates the inter-organizational coordination and the intra-organizational capacity in the implementation of industrial policy with the aim of creating a better understanding of the governance environment that might have contributed to the gap between policy and outcome.

The Ethiopian state has shown significant proclivity to learn from its own experience by conducting continuous review of the priority sectors and policy instruments introduced to promote those sectors (Gebreeyesus 2013). However, there are still sizable rigidities in the policymaking apparatus that may hinder the flow of information and the execution of effective coordination. For instance, in the leather and leather products sector, the industrial policymaking process remains largely top-down with little involvement of enterprises and other non-governmental stakeholders (Altenburg 2010). Given the lack of rigorous empirical work on the effect of government intervention on industrial development in Ethiopia, it is difficult to evaluate the link between the policy process and observed outcomes. Based on the limited evidence that is already available, it is not clear which dimensions of sectoral growth government intervention has shaped. Gebreeyesus and Iizuka (2012) explored the recent and extraordinarily successful flower industry development in Ethiopia and attribute the success fully to private-sector initiative.



In other words, the role of government is limited to the provision of some support including the establishment of the National Horticulture Development Agency. Clustering of flowers farms was a private initiative. In contrast, however, Schaefer and Abebe (2015) argue that the Ethiopian government acted as a “big followership” (e.g., Wade, 1990), where at the initiation stage of the cut flower industry, the government followed the private sector’s lead, but then took aggressive action to push out the production frontier of the sector. This underlies lack of consensus on the government’s role in industrial transformation even among the few studies conducted in one sector.

In the backdrop of official commitment to implement activist industrial policy and the lack of sufficient analysis on the governance of industrial development, we set out to provide exploratory insights that could inform policymaking. Such insights may also break ground for further research aimed at testing specific hypotheses. The first part of our study focuses on defining the existing network of public and private sector stakeholders that play a significant role in shaping the functioning of two priority sectors: leather and leather products, textile and garments. By triangulating information acquired from firms, associations and government agencies, we find that the specialized sector institutes established to facilitate the development of the two sectors play a pivotal role in the network of stakeholders. However, when it comes to the relative influence of stakeholders on the operation of private sector firms, we show that suppliers, the Ethiopian Revenue and Customs Authority and utility companies exert the most influence. Regardless of the official practice of involving sector associations in the policy formulation and implementation process, the effectiveness of those institutions as organizational and coordination platforms is perceived to be weak by their own members.

To better gauge the capacity, motivation and the nature of public officials’ interaction with the private sector, we also implemented a survey designed to collect primary data from mid-level public officials that regularly interface with private sector stakeholders. We surveyed 10 to 30 mid-level bureaucrats from 9 key government agencies involved at varying levels of industrial policy making processes and/or implementation. The study finds several key insights. First, the public sector does not appear to be the first preferred employment options for many of the mid-level public officials; very few respondents identified public sector jobs as the best possible career path that they consciously elected for employment. Second, younger bureaucrats and those that work for the Ministry of Industry and the Ethiopian Revenue and Customs Authority (ERCA) are less inclined to stay in the public sector for long. Third, both monetary and non-monetary incentives offered by public sector employment do not appear to be large enough to stimulate desirable work behavior. For example, while nearly 86% of respondents stated they receive fringe benefits in addition to their regular monthly salaries, the vast majority of them claimed that their total earning is not sufficient to cover their basic expenses. Relatedly, significant proportion of our respondents claimed to have experienced deterioration in their living conditions compared to their living condition ten years ago. Fourth, the motivation among public servants is worryingly low and only a third of respondents think that motivation has improved over the past five years. Fifth, while the key government institutions studied are found to convey their missions and objectives to their workers with varying levels of success, they seem to perform less in familiarizing their workers with their strategic objectives. Sixth, improvements in the total incentive package including salary increment and working conditions are pointed out to be key intervention areas to enhance the quality of public service delivery.

The rest of this research report is organized as follows. The next section provides a brief review of the literature to set subsequent empirical analysis in the right context. Section three focuses on exploring the industrial policy network in Ethiopia. Section four turns to presenting the results

of an original data on the motivation and capacity of midlevel officials in key economic bureaucracies. Section five concludes with a brief note on a few policy ideas.

## **2. Literature Review**

### **2.1 Policy networks and governance of industrial development**

The concept of governance has gone through a number of transformations reflecting changes in the political, economic and ideological realms dominating different parts of the globe. During the 1980s, the neo-classical approach emphasized that market-led governance would solve institutional problems and government size should be kept to a minimum. The successful industrialization of Asian countries, which coincided with pervasive market failures in some other places in the 1990s, drew several developing countries to embracing a more pragmatic approach. Along with recognition for the role of the state in economic governance, recent times have seen the revival of industrial policy as a legitimate instrument to achieve economic growth in developed and developing countries alike (Stiglitz et al., 2013). This revival is driven mainly by the emergence of structural fault lines in the global economy that have become more prominent due to the Great Recession.

At the early stages of industrial development, the industry is likely to be composed of small private firms, inter-organizational structures are weak, and the value chain is fragmented (Kenney, 1998 and Wong, 1995). Moreover, firms' capacity for innovation is low at their early stages of development (Lee, 2013). In such situations, state involvement in industry governance to bring key industry players together is highly important in addition to creating a stable macroeconomic environment which is conducive for investment. Inappropriate policy interventions, however, may have outcomes that are perverse and worse than the status quo and that is why evidence of failed industrial policy experiments is abundant (Altenburg, 2011). The question is thus not whether industrial policies should be adopted or not, but, more pragmatically, how they should be designed and how they can be implemented more effectively. Lee (2013) argues that the capability failure in developing countries is more serious and pervasive. Thus industrial policy should aim to cultivate the capabilities of key actors (such as private firms) beyond identifying issues of information and filling the knowledge gap (Greenwald and Stiglitz, 2013), and addressing the system failure through coordination and connecting the various actors (Bergek et al., 2008; Dodgson et al., 2011).

Strategic intervention by the state and collaboration between the private sector and the state is important to uncover the most significant obstacles as well as to transformation and remove those obstacles (Rodrik, 2004; and Hausmann and Rodrik, 2003). Atkinson and Coleman (1989) argue that the state's involvement must pay much greater attention to fostering the relationship between specific bureaucracies and key societal actors. These societal actors complement bureaucratic agencies to form the core of 'policy networks' at the sectoral level. Thus, governance is no longer understood as hierarchical, top-down decision making, but rather as the interaction of actors in networks for policy making (Börzel 1998, Börzel and Heard-Lauréote 2009). There is a longstanding consensus in the literature that policy making at the sectoral level is most effectively executed using policy networks (Atkinson and Coleman, 1989; Powel, 1990; Whitford and Schrank, 2011).

Policy networks refer to a set of relatively stable relationships which are of non-hierarchical and interdependent in nature linking a variety of actors. Networks may take different form of quasi-

governmental organizations such as industry advisory councils, and policy study groups or less institutionalized bodies. Networks facilitate linkages between government agencies, legislative bodies, banking institutions, trade associations, labor organizations, and other social groups. Therefore, they serve as mechanisms of state penetration into society to mobilize the support of societal groups and produce a vast array of policy levers over industry (Fong 1990). Since networks bring together many actors to negotiate over policies, increase the acceptability of those policies and improve the likelihood of compliance, they have long been recognized as the focus of governance studies and related policy analysis (Bodin and Prell 2011, and Agrawal et al. 2012).

The making and implementation of industrial policy, which aims at developing competitive national industries and bringing about structural transformation, depends on existing institutional settings. Successful industrial policy, thus, requires strong local capacity in the form of institutions, infrastructure, skills and qualified bureaucracy. The foundation for a joint governance regime is laid down when various nodes of a policy network are coordinated through institutional governance capabilities and their supporting infrastructures (Griffiths and Zammuto, 2005). According to Weiss (1998), this creates governance interdependence in which private and public autonomy is respected while coordination based on the cooperation of government and industry plays a leading role.

## **2.2 Comparative experience in the governance of industrial development**

Coordinated and institutionalized relationships between the state and industry affects a nation's ability to build and maintain national competitiveness under conditions of economic and industrial change (Wade, 1990; Weiss and Hobson, 1995). The success of East Asian countries in transforming themselves to industrial powerhouses is highly related to the creation of capable bureaucracy and effective government-business relations that help produce mutual confidence and commitment towards substantial outcome. However, systematic evidence on the institutional characteristics of public-private coordination outside of the well-known cases of East Asia is limited (Page, 2010).

Calder (1990), for example, argues that Japan's success in creating competitive industries is the result of public-private policy coordination and implementation. Government-business relations in Japan are so symbiotic that differentiation between the two is virtually nonexistent (Fong, 2005). The organization of Ministry of International Trade and Industry (MITI) into specialized vertical bureaus makes all major manufacturing industries fall under the ministry's jurisdiction. This helps MITI to coordinate policy with industry and gives it a vast array of powerful, selective industrial policy instruments including collaborating research projects; and provides firms with a long-term view and strategic direction to move into more challenging sectors. The provision of various support programs and industry specific policy instruments were also linked to specific performance criteria.

Although the growth of East Asian countries relied on the manufacturing sector, successful catching up of industrial development can come from agriculture or resource rich industries as these industries require rather complex technological skills and organizational structure. The Chilean Salmon industry showed several characteristics of those of East Asian countries experience. Iizuka (2004) relates the success story of Chile in becoming one of the top exporters of Salmon in the world to the emergence of a strong policy network. There were

several types of roles played by the Chilean government at different stages of the industry's development to support the private sector in collaboration with other members of the network.

Establishing this type of effective meso level governance that would enable national competitiveness is not an easy task for many developing countries, particularly in today's global competitive environment (Meyer-Stame, 1997 and Evans, 1998). For instance Meyer-Stame (1997) linked the total lack of supportive environments that can bolster national competitiveness of firms in Brazil in the early 1990s to various factors: disarticulation between the legislative and executive branch of central government, mistrust between firms and government which makes joint problem solving in policy network difficult, the persistence of traditional corporatists structure, and high level of disorganization in public bureaucracy. This complicates the formation and implementation of macro and meso level policies. It also renders joint problem solving in a policy network difficult and curtails collective action. Consequently, programmes, which were formulated by the state in isolation and without consultation of actors, to increase industrial competitiveness and technological capacity of firms through fiscal incentives for R&D were ineffective.

## **2.3 Institutional and human resource capacity of key economic bureaucracies**

### **2.3.1 Bureaucratic capacity**

It has long been recognized that institutions have a major role in promoting or impeding economic growth. Weber (1968) argued that one of the fundamental basics of institutional supported growth is bureaucracy. With the remarkable success of East Asian countries, a robust body of literature on the key roles of state institutions and the bureaucracy in triggering economic prosperity has emerged (e.g., Amsden 1989; Wade 1990). The literature on developmental states invariably recognizes the operational capacity of the state as a key determinant of economic growth (Amsden 1989; Evans 1995; Johnson 1982; Wade 1991).<sup>1</sup> Such economies do not only require an activist government, the states also needs to be populated by capable bureaucrats who can design and implement industrial policies as well as possess ability to reconcile contradictory forces and motives in alignment with long-term national development goals. An important feature of successful developmental states is thus the presence of bureaucracies with robust operational capacity characterized by stability, high motivation, low corruption and considerable levels of autonomy.

Of course, state capacity cannot be built overnight and a host of historical, political and institutional factors determine the nature and veracity of bureaucratic capacity a nation has. But there is limited doubt that the quality of industrial policies and their effective implementation rests on the capacity of the bureaucracy, the nature of alliance between different apparatuses of government bureaucrats, and coherence in public policy. Bureaucratic capacity falls in the broader realm of public sector capacity, which in turn includes policy capacity, implementation capacity and operational efficiency (Polidano, 2000). Establishing capable and independent bureaucracy requires strong and enduring commitment to learn from both own experience and other countries experiences with industrial policies.

---

<sup>1</sup> In contrast, weak state capacity is inimical to sustained economic growth as seen in many Sub-Saharan African countries, for example (Easterly and Levine, 1997).

Indeed, the success of East Asian countries in transforming their economies to industrial power is highly related to the creation of capable bureaucracy and coherent government-business relations that help produce mutual confidence and commitment towards shared national objectives (Evans, 1998). The creation of capable bureaucracy is a product of meritocratic recruitment system to the public service and predictable, long-term career rewards comparable with those obtainable in the private sector (Evans and Rauch, 1999, Campos and Root 1996 and Evans, 1998). Meritocratic recruitment implies the employment of public officials through objective and transparent standards including examination, training, education or experience. Such mechanism of entrance into the bureaucracy ensures at least minimum levels of competence. It further enhances social cohesion among bureaucrats who recognize and approve the fact that they come from a similar pool of talented or qualified individuals based on merit. Moreover, such bureaucrats “are more likely to internalize shared norms and goals than are those who know they owe their office to the favor of a particular kinsman or patron” (Evans and Rauch 1999). Meritocratic recruitment will thus have a combined effect of attracting more qualified and motivated people to the bureaucracy.

Though the methods of recruitment vary across East Asian countries, it was often aimed at selecting “the best and the brightest” to populate public sector jobs<sup>2</sup>. During the post-Second World War period of Japan and Korea, for example, joining the public sector was considered prestigious and provided a sense of unity, common interests and shared responsibilities among graduates who join the public sector as they come from a similar pool of talented or qualified individuals. Thus, in these countries passing the higher civil service examinations has been the main goal of young graduates from elite universities (Evans, 1998). In Singapore, “the best and the brightest” were selected based on the performance in the secondary school. These students were given government scholarship for higher education in return for commitment to join the public services provided that they perform at the top of their cohort. Taiwan also used a higher civil service exam to select its bureaucrats in many agencies while it adopted meritocratic admission to Taiwan National University and successful completion of graduate studies abroad.

Similarly, the prospect of long-term and predictable career path encourages the entry of people, who are willing and able to invest in the building of their own and organization’s capacity through education and training, to the bureaucracy. More importantly, by increasing the costs associated with losing positions in public offices, rewarding long-term career paths discourage short-termism related with malfeasances and corruption; behaviors that are inimical to the delivery of public services. Moreover, by reducing labor turnover, long tenures of bureaucrats under such career paths generates organizational coherence and solidarity that can have significant effect on individuals motivation and desire to invest in building their own capacity to meet the stated missions and visions of their own organizations. Of course, long-term career paths should not only be performance-based but also be highly accompanied by competitive salaries.

In short, meritocratic recruitment and predictable career ladders are conducive for both screening capable officials and motivating them to deliver efficient services. A bureaucracy viewed to deliver efficient services in turn encourage greater private investment in the manufacturing sector, which often requires long gestation periods to enjoy higher returns. It is, however, important that meritocratic recruitment and predictable career ladders should be

---

<sup>2</sup> This section is drawn heavily on Evans (1998).

supplanted with adequate financial and non-financial incentives to attract and retain both talented novice and seasoned public officials.

### **2.3.2 Incentives and motivation**

Designing proper incentive systems is essential to nurturing bureaucratic capacity and to ensuring that existing capacity would be translated into better public goods delivery. Notwithstanding altruism and inherent motivational factors, a simple economic model predicts that the level of effort (or motivation) exerted by economic agents, including bureaucrats would be a function of the set of incentives that they face, the monitoring system in place (the likelihood of detecting malpractices such as corruption) and the size of the penalty that they face when discovered shirking or abusing their positions.<sup>3</sup> The corollary of this is that higher incentives, strong monitoring systems and higher penalties could motivate bureaucrats to render their services well. This is especially true when the link between effort and output is both strong and observable; i.e., poor outcomes can directly be attributed to poor job performance.

More often than not, however, the link between the effort of the bureaucrats and the quality of the service delivery required for effective industrial governance is muddled by a host of external factors that the bureaucrats have only partial control. For example, a capable and motivated bureaucrat would still struggle to render quality services for clients in the face of intermittent power supply or limited connectivity (or network) with other government institutions. Neither is it possible to effectively administer taxes if the tax law changes frequently and is full of loopholes. Notwithstanding, such environmental factors that are external to the bureaucracy, the importance of incentives in getting the best out of the bureaucrats cannot be discounted.

### **2.3.3 Economic bureaucracy and government-business cooperation**

Bureaucratic organizations of the state and their alliance with the business, technocrat and political leaders are instrumental in the design and implementation of industrial policy. Hobson (1997) and Weiss (1998) argue that for successful industrial policy states need to have internal coherence in policies and institutional practices and they need to be connected to the society. In this regard, Evans (1998) stress that a highly capable, coherent economic bureaucracy, closely connected to, but still independent of, the business community, has been an essential institutional element of successful policy formation and implementation in East Asia

Nonetheless, having internally coherent bureaucracy alone does not ensure rational action and the establishment of competitive industry. It requires effective government-business cooperation and coordination capabilities. This involves the flow of large volume of high quality information between government and business. Governments can elicit useful information from the private sector only when it is engaged in an ongoing relationship with it (Rodrik 2004). This helps bureaucrats to understand the needs and interests of business. That way, the state can have access to information about industrial operation at sectoral level while it expands the availability of information to firms about technological 'best practices' and foreign markets. This will help public and private actors overcome coordination problems and lower perceived risks to entrepreneurial initiatives (Evans, 1998). Such coordination efforts enable economic bureaucracies to be competent to assess the potential effects and coherence of policies so that

---

<sup>3</sup> Even altruistic bureaucracy appears to thrive in more democratized environment than in autocratic settings as autocrats appear to be less inclined to sacrifice rents for common good (Dixit, 2010).

polices do not work at cross-purposes. So long as the policy making process is not isolated, government does not lose out to clientelistic interests and business does not lose out to remote and bumbling bureaucrats (Rodrik, 2004 and Weiss, 1998).

Beginning from first modern civil service system which dates back to 1907 the Ethiopian civil service system has gone through different changes to support private sector development. The civil service reform in the last quarter of a century evolved over three phases (1992, 1996-2000 and 2001 onwards). These reforms were initiated in response to a growing awareness that pervasive deficits in capacity have hindered the ability of the government to reduce poverty reduction. According to Clapham (1995: 131), the first reform phase in the early days of EPRDF rule was politically motivated aiming to root out an ingrained but 'articulate section of the national elite' that remained from the Derg regime. The second reform phase called a Comprehensive Civil Service Reform Program (CSRFP) was initiated in 1996. This reform *inter alias*, aimed at building the human resource capacity of the civil service through meritocratic recruitment and better pay and support the development of the private sector by providing efficient services and easing regulatory control (MoCB, 2003 and MoCS, 2013). The most recent reform phase begun in September 2001, with the launch of the Public Sector Capacity Building Support Program (PSCAP), which also invigorated the CSRFP.

### **3. Network analysis of key actors in export-oriented sectors**

#### **3.1 Methodology**

In order to identify the key actors that have de jure stake in the policy making and implementation process, we reviewed official documents outlining industrial policy in Ethiopia. Based on the document analysis, we drew up a list of key stakeholders from government, private sector and civil society. Accordingly, we conducted key-informant interviews with leaders of government agencies, garment and textile producers, leather and leather products manufacturers, tanneries, banks, suppliers, chambers of commerce and trade associations. The interviews were conducted using a standard list of questions administered for each of the three major groups of stakeholders: government, private sector, and associations.

The sampling of manufacturing firms in each sector was dictated by the need to attain representativeness in size. Accordingly, we used the distribution of firms by sales or employment to draw a sample of firms for each sub-sector. In the case of garments and textile, two firms from the textile sub-sector represent the upstream part of the value-chain whereas three firms from the garment sub-sector represent the downstream part. In the case of leather and leather products, two tanneries represent the upstream part of the value chain whereas two firms involved in shoe manufacturing represent the downstream part.

The questions posed to stakeholders start with inquiring about their network within the industry and how much they rate the influence of each actor connected to them on their operations. The respondents were asked – unprompted - to list those actors along with the type of relationship. Then they rate the influence of each actor on the scale of 1 to 5. Subsequent questions were mostly focused the respondents view of the industrial policy process and the challenges they may have faced in their operations. This information is expected to help substantiate the network information elicited through the first set of questions. We have also attempted to triangulate information received from one stakeholder with information from another stakeholder to assess the validity of the information at the industry level.

### 3.2 Results

For the purpose of analyzing the policy network for industrial development from the point of view of the private sector, we assume the manufacturing firms are at the center of the network. We then calculate the average relative influence score for each public or private sector actor linked to the firms in the two sectors selected for this analysis. The influence of on firm  $i$  of actor  $j$  is evaluated to be  $x_{ij}$  by firm  $i$ , where  $1 \leq x_{ij} \leq 5$ . Since a given firm could have a varying number of connections, the relative influence of an actor on a firm is calculated as

$$r_{ij} = \frac{x_{ij}}{\sum_{j=1}^J x_{ij}}$$

We then average  $r_{ij}$  across all firms in the sector to find the average relative influence score of actor  $j$

$$r_j = \frac{r_{ij}}{\sum_{i=1}^I r_{ij}}$$

Table 1 shows the average relative influence score of key sets of actors identified by firms operating in the leather and leather products, and textile and garment sectors. Intuitively, the numbers show the share of influence of each actor (or group of actors) out on firms in that particular sector of a total of 1. In the textile and garment sector, the Ethiopian Revenue and Customs Authority (ERCA) wields the biggest influence on a par with suppliers. The ministry of industry is the second most important government agency for private operators in the sector. In the leather and leather products sector, utilities such as the Ethiopian Electric Corporation and Ethio Telecom are by far the most influential actors. Suppliers take second place in terms of influence over private firms in the leather and leather products sector while ERCA take third place.

**Table 1: Average relative influence score of key stakeholders in priority sectors**

Stakeholder	Average relative influence score (out of 1)	
	Textile & Garment	Leather and Leather Products
Ministry of industry	<b>0.15</b>	0.14
Ethiopian Revenue & Customs Authority	<b>0.19</b>	<b>0.15</b>
Textile/ Leather Industry Development Institute	0.14	0.13
Suppliers (weighted average)	<b>0.19</b>	<b>0.17</b>
Bank	0.12	0.13



Stakeholder	Average relative influence score (out of 1)	
	Textile & Garment	Leather and Leather Products
Utilities (weighted average)	0.09	<b>0.21</b>
Regions (weighted average)	0.06	0.00
Logistics firms	0.04	0.10

Source: Firms' survey

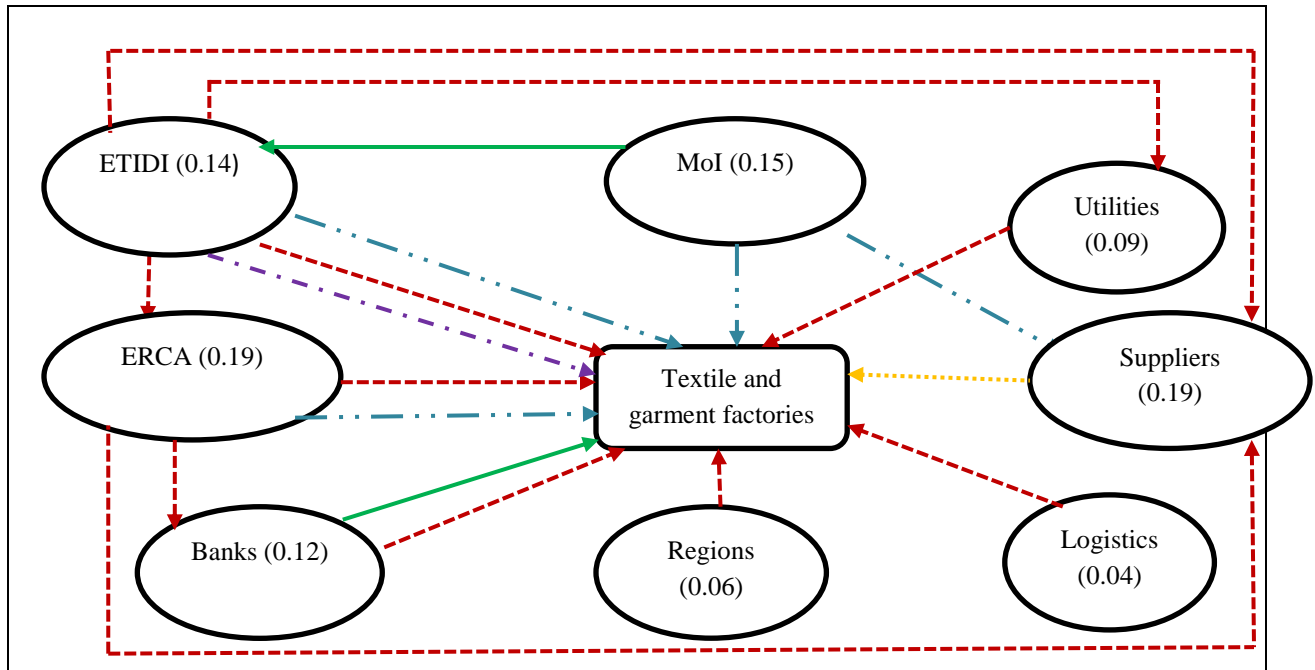
Suppliers and ERCA stand out as two of the top three actors in both sectors signifying the importance of the supply chain and tax administration as part of the broader policy network for industrialization in Ethiopia. This information is substantiated by the fact that a great majority of the respondents from both sectors mentioned, in a separate section of the interviews, that access to raw materials and custom clearance as two of their main operational challenges. The two institutes established to promote the leather and leather products, and the textile and garments sectors are identified by the firms as key actors next to the ministry of industry itself. This indicates that the specialized sector institutes can effectively serve as channels to implement industrial policy in Ethiopia since they have already established significant influence over the private sector.

Figure 1 and Figure 2 depict the policy networks of the textile and garments, and leather and leather products sectors respectively<sup>4</sup>. The figures display the type of relationship each actor/group of actors has with firms in that particular sector. While the average relative influence score measures the intensity of the influence of a given actor, the number of connections of an actor indicates the centrality of the actor in a policy network. In this regard, the Leather Industry Development Institute (LIDI) and the Ethiopian Textile Industry Development Institute (ETIDI) are the most networked nodes of their respective sectors. These institutes are mandated to facilitate the development of the two sectors through all-rounded support to the private sector. The network maps show that LIDI and ETIDI are linked to firms in their respective sector via their roles in facilitation, regulation and capacity building. Much of the influence of the ministry of industry is exercised through its levers in LIDI and ETIDI. ERCA is the second most central node in the policy networks of both sectors.

---

<sup>4</sup> The network map depicting the whole industry network is presented in the Annex 1.

**Figure 1: Textile and Garment factories policy network**

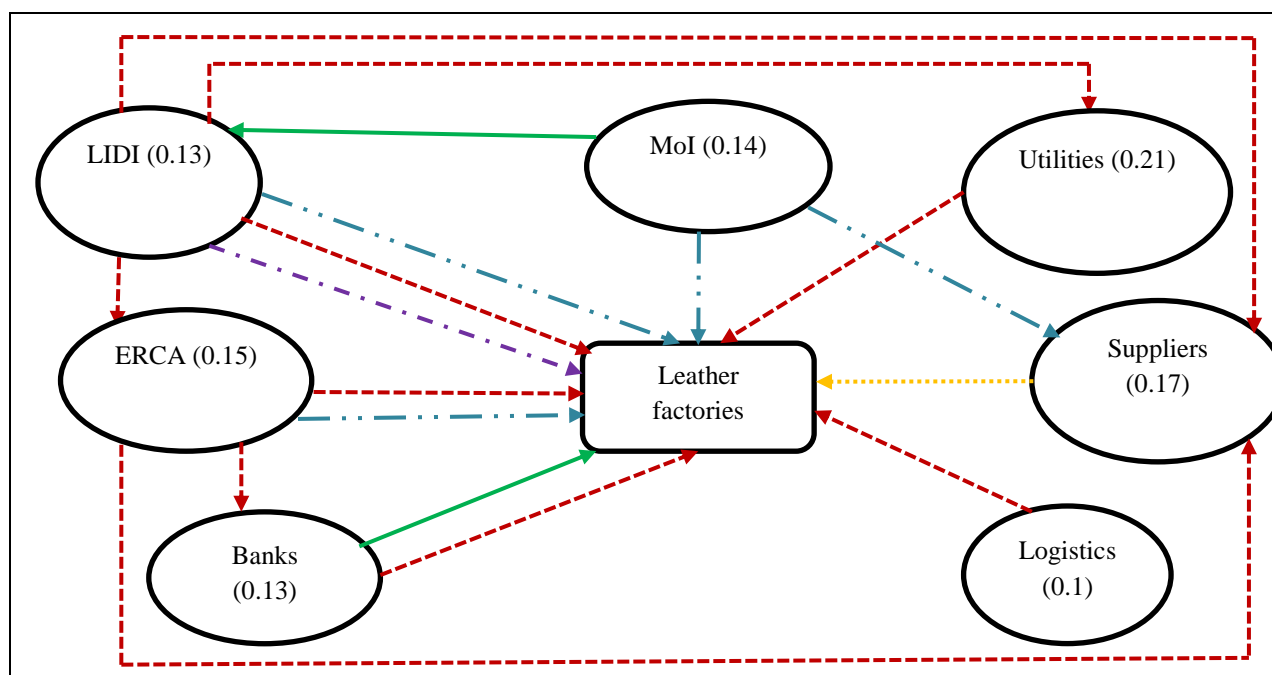


Source: Source: Own representation based on firms' survey

**Note:** The difference in the color of the arrow shows the type of relationship in the policy network:

Funding: ——— ; Regulation: - - - - - ; Facilitation and cooperation: - - - - -  
 Input supply: ..... ; Monitoring, Capacity building: - - - - -

**Figure 2: Leather Factories Policy Network**



Source: Source: Own representation based on firms' survey

**Note:**

Funding: ——— ; Regulation: — · · — · · ; Facilitation and cooperation: - - - - -  
 Input supply: · · · · · ; Monitoring, Capacity building: - · · · - · · ·

The network maps depicted in Figure 1 and Figure 2 abstract away from nodes (or actors) that are indirectly connected to private firms in the two sectors. This choice of parsimony helps us to focus on the part of the policy network that is immediately relevant for private sector operatives. But this does not mean the actors and relationships that do ultimately affect the making and implementation of industrial policy are only the ones shown in the two maps. Appendices 1 and 2 display a more comprehensive depiction of the policy networks in the leather and leather products, and textile and garments sectors. There are actors such as the Ethiopian Investment Commission that do not have direct influence over private firms at the operational stage, which is the focus here, but tend to have significant influence at the establishment stage. There are also actors such as the Industrial Parks Development Corporation which are relatively new and are expected to have major influence in the near future.

The broad representations in Appendices 1 and 2 show the indirect link between governmental and non-governmental stakeholders and private operators via sector associations and chambers of commerce. In this regard, the Ethiopian Textile and Garment Manufacturers Association and the Ethiopian Leather Industry Association serve as platforms for the state to exert influence in those sectors through the ministry of industry and sectoral institutes. The ministry of industry seems to exercise more direct influence over the associations than over individual firms whereas the sector institutes work more closely with individual firms. However, both associations receive poor evaluation from private sector firms regarding their effectiveness as collective platforms to influence and implement policy. The majority of firms use the direct route to resolve issues with government agencies instead of going through associations.

In general, the influence scores and the network maps show that both private sector players and government agencies are keys in shaping the functioning of firms in the leather and leather products, and textile and garment sectors. The public sector exerts influence in the sectors not only via civil service agencies such as ERCA or sector institutes but also via utility companies which happen to be owned by the state in Ethiopia. Since the focus of this analysis is on export-oriented firms and much of the export incentive is administered by ERCA, the key position ERCA holds in the policy networks is not surprising. However, the fact that most firms and association leaders mentioned customs clearing as one of the major impediments for export promotion indicates that improving the effectiveness of industrial policy in Ethiopia might require taking a closer look at the tax and customs administration. Provided that the sector institutes are the most central nodes in both networks, the role and capacity of those institutes to help resolve issues arising in areas such as customs clearing needs to be assessed.

Another issue that may impact the success of industrial policy for export promotion is the organizational platforms firms use to coordinate among themselves and to interact with the state. Appendices 1 and 2 reveal that many of the *de jure* channels of interaction with the ministry of industry run through the respective sector associations. This means that associations can potentially be a key part of the policy network providing a platform for collective action for the firms and rendering coordination easier for the state. Nevertheless, in practice, both of the main associations in the two sectors are deemed to be weak and ineffective by the firms interviewed. Interviews with firm and association leaders reveal that large firms tend to use direct communication with government agencies to influence policy and resolve operational problems more often than smaller firms. In the absence of effective industry wide organizational platforms, reliance on the individual route may distort the distribution of benefits from industrial policy in favor of large firms with the organizational and social capital to lobby policymakers.

## **4. Bureaucratic capacity of key government agencies**

### **4.1 Methodology**

The main sample for the study is drawn from the list of public officials actively engaged in the implementation of key industrial policies in various ministries and government agencies. Since the aim of the study is to understand implementation difficulties related with industrial governance, we attempted to contact mid-level public officials that regularly interface with private sector stakeholders in policy implementations. While the sample drawn is not representative of the public sector at large, our strategy of carefully identifying key respondents from each institution enables us to comment on the capacity, incentive and motivations of mid-tier public officials engaged in the formulation and implementation of industrial policy, without losing much by way of interpretation.

Our sampling frame constituted the list of mid-level officials obtained from key government institutions that participate in the industrial policy formulation and implementation. From each of the government agencies, we decided to select at least 10 respondents. After a sample of key respondents was *randomly* selected from the list, the survey was conducted in May and June 2016. Primary data was generated using a survey instrument developed by the research team. The survey instrument had four main sections. The first section asked detailed general information on respondent's demographic characteristics and labor market experiences. The second section delves into the nature and amount of incentives along with several measures of bureaucrat's motivations. The third section of the survey instrument consists of questions on the

relationship between the bureaucracy and the private sector. The fourth section outlined questions that explore bureaucratic capacity and efficiency of service provision. Table 2 shows the names of the government agencies included and the number of officials interviewed from each agency.

**Table 2: Government agencies and number of public officials consulted<sup>5</sup>**

<b>Name of the Agency</b>	<b>Number of Respondents</b>
<b>Development Bank of Ethiopia</b>	15
<b>Ethiopian Investment Commission</b>	15
<b>Leather Industry Development Institute</b>	15
<b>Ethiopian Textile Industry Development Institute</b>	15
<b>Ethiopian Revenue and Customs Authority</b>	30
<b>Industrial Parks Development Corporation</b>	10
<b>Ministry of Industry</b>	15
<b>National Plan Commission</b>	10
<b>Oromia Investment Commission</b>	10
<b>Total</b>	135

Source: Public Institutes Bureaucracy Survey 2016

## **4.2 Results from bureaucracy survey**

This section discusses bureaucratic capacity of public institutions involved in industrial policy making and implementation from two perspectives: meritocratic recruitment and long term predictable career path through internal promotion. These two are conducive for both screening capable officials and motivating them to deliver efficient services. In line with this, the study tries to understand how public sector employment is viewed by existing employees and how the recruitment process is implemented. Then the study looks at the mechanisms through which bureaucratic capacity is nurtured and the existing capacity is translated into better public services. In doing so, the study discusses various kinds of external factors which are related to the motivation of bureaucrats and the quality of government business relationship in industrial governance.

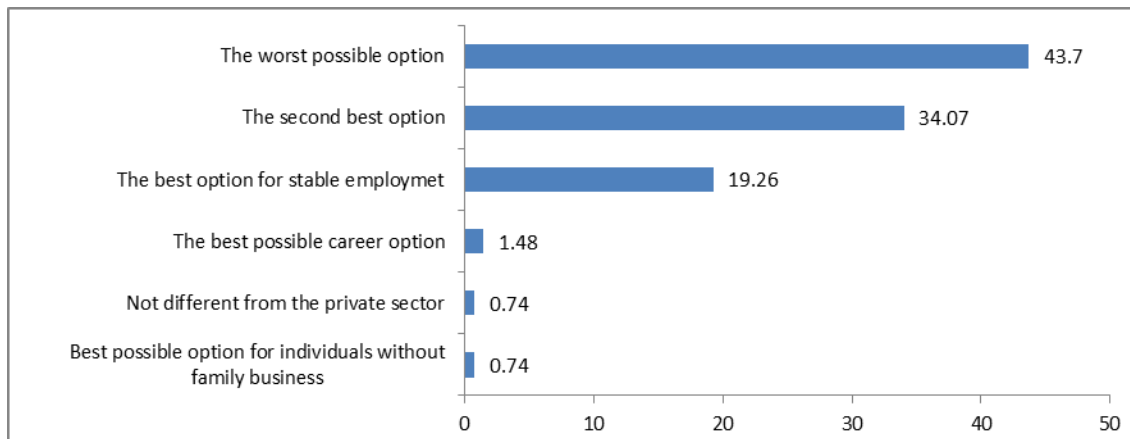
### **4.2.1 How Public Sector Employment is Viewed and the Recruitment Process**

For a self-proclaimed developmental state, the public sector in general and bureaucrats in particular are integral to the planning and effective implementation of developmental projects. Understanding the attitude of existing workers towards public sector employment is vital as a first step to realize the full potential of the sector for economic transformation. The survey reveals that the public sector is not considered as the best possible career path for many of the sampled government employees. Figure 1, for example, indicates that only 1.5% of the sample of public employees think of public sector as the best possible career option, while 19% consider it as the best option for stable employment. By contrast, 44% of public employees consider public employment as the worst possible option. One in three respondents also find public sector as a fallback second best option.

<sup>5</sup> National Bank of Ethiopia declined our request for the key government agencies survey.

This may indicate that public sector jobs, while they are perceived to provide stability, they do not seem to be considered as the best possible career options even among those who are already in the public sector. This finding is consistent with Abebe et al. (2016) recent survey of young job seekers in Addis Ababa which reveals that only a quarter of the job seekers with more than high school levels of education stated that they are looking for jobs with the government. But it is in sharp contrast with the East Asian Experience, where public sector employees considered public sector employment prestigious with attractive monetary rewards (Evans, 1998).

**Figure 3 : How is a public sector career viewed by government employees, in percent?**

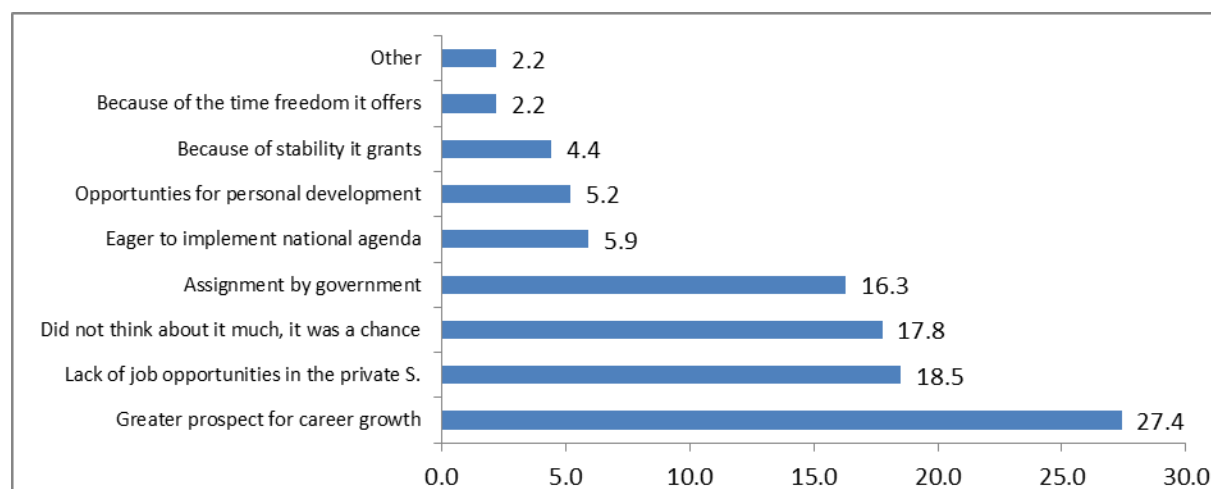


Source: Public Institutes Bureaucracy Survey 2016

The analysis of public employees' perception about public sector employment by different age group (Age 35 and below, between 35 and 45 and above 45) of employees also reveals that public sector employment is considered the worst possible option by plurality of all age groups. Appendices 3 and 4 show that less than 1.5% of the sample of public employees who are at the age of 35 and below, and between the age of 35 and 45 consider public sector employment as the best possible career option, while none of the respondents above the age of 45 see it as a best possible career option. Appendix 3 shows that compared to the other age groups, more civil servants in the older age group, with 50% of the respondents, consider public sector employment the worst possible employment.

Appendices 3, 4 and 5 show that 23.5% respondents in the younger generation consider public employment the best option for stable employment. This percentage declines for middle age (19% of respondents) and older generation (0% respondents). This may suggest that though public sectors jobs are perceived to provide employment stability for younger and middle aged public employees, older employees do not seem to value the employment stability that public employments grants as they become more experienced. This might be related to the demand for more qualified and experienced people in the private sector.

**Figure 4: Main reasons for joining the public sector, in percent**



Source: Public Institutes Bureaucracy Survey 2016

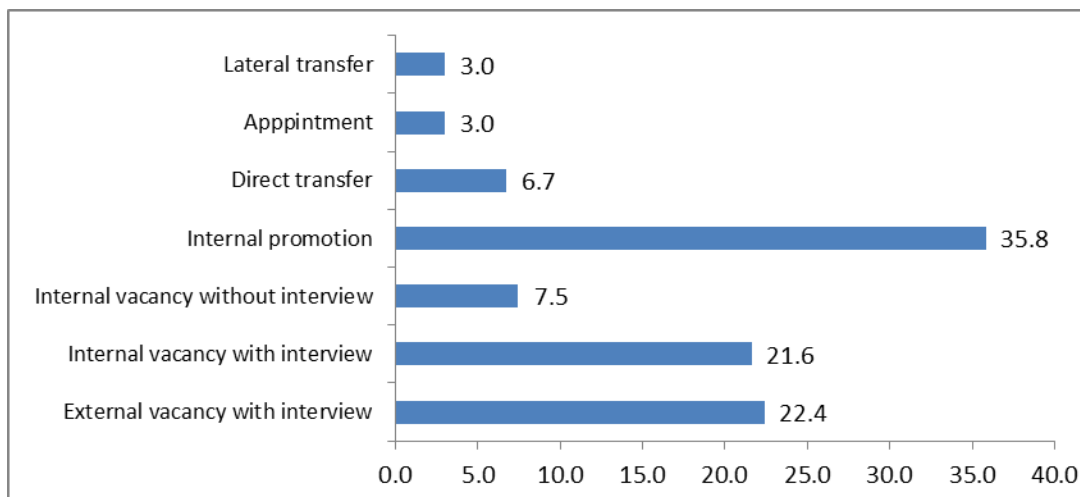
Respondents were also asked about the main reasons for joining the public sector. Presumably, people who join the public sector due to lack of opportunities or without careful deliberation might be less motivated and more prone to quitting than those whose decision was deliberate and well thought out. Figure 2 presents the results on the main reasons for joining the public sector. The majority of the respondents were not consciously looking for public sector employment; the survey reveals that 52% of the respondents did not plan to join public institutes, i.e. they are either directly assigned by government (16.5%), did not think about it (by simple chance) (17.8%), or couldn't find job opportunities in the private sector (18.5%). About 27.4% of the respondents expressed greater prospect of career growth as their main reason for joining the public sector.

A quick look at the respondents' reasons for joining the public sector by age group reveals the dynamics of employment opportunities across generations. Given the command economic system that Ethiopia used to follow prior to the mid-1990s and nascent private sector development in the past two decades, it is expected that the prospect of private sector employment would be low while the public sector is the major employer for older public employees. In line with this, appendix 3 shows that direct government assignment takes the significant share for joining the public sector for older age group of respondents. Appendices 4a to 4c show that public employees who were not deliberately considering for public sector employment increases from 41.2% for younger age group to 52.6% and then to 86% with the increase in the age group of the respondents' consecutively.

The study also reveals the prioritization of private sector job opportunities by new entrants to the labor market. This is demonstrated by the increase in the number of respondents who end up in the public sector after they failed to secure private sector employment. The share of such civil servants is 18.5% and 20% for middle age and younger age group respectively while it is 9.1% for the oldest age group (Appendices 4). This may suggest that though private sector employment opportunities are increasing with the decline in direct government assignment, the public sector is still the major employer and attracts "less competent" employees.

The recruitment of civil servants in these institutions involves different forms of hiring processes. As shown in Figure 3, 36% of sampled bureaucrats hold their current position through internal promotion. Recruitment through external and internal vacancies with interviews accounts for 44% of the recruitment process. Direct appointment (3%), lateral transfers (3%), direct transfers (6.7%) and internal promotion without vacancy (7.5%) are the other forms of recruitment used in the sampled public institutions. Looking further into the positions for which direct appointment was made indicates that the positions are mostly managerial positions, including Chief Executive Officer. Direct appointment of individuals to managerial positions in public institutions may be perceived to undermine a meritocratic recruitment process that is often associated with internal promotion. Moreover, the first civil service reform in the early days of the current government tried to root out an entrenched but ‘articulate section of the national elite’ that remained from the Derg regime (Clapham 1995: 131) which may suggest that merit may not be the first criteria in the appointment of managerial personnel in government agencies. However, if the directly appointed managers are recruited on the bases of talent, experience, skill and performance, the risk of the appointment being considered non-meritocratic by institution insiders would be considerably attenuated.

**Figure 5: Recruitment processes used in public institutions, in percent**



Source: Public Institutes Bureaucracy Survey, 2016

#### **4.2.2 Incentive, Motivation and Capacity of Public Employees**

In addition to meritocratic requirement, the creation of capable bureaucracy requires establishing a career structure that produces rewards commensurate with those that are offered in the private sector (Evans 1998; and Campos and Root 1996). To ensure employees in public institutions are equally capable as private sector employees the combination of salaries, fringe benefits, prestige, and security has to be close enough to the combination of rewards available in the private sector. Accordingly, public institutions in Ethiopia provide a range of fringe benefits in addition to the basic salary to attract and retain talented employees. Among all the incentives, the most popular incentive for many is the free public transport service that was rolled out starting from September 15, 2014.

Table 2 shows that almost 86% of the respondents receive fringe benefits. In monetary terms, the fringe benefits range from Birr 60 to Birr 7,000 with an average of Birr 1,044 per month.



However, only 27.4% of the responders state that their total earnings are enough to cover their basic expenses. As a result, 23% of the respondents take a part-time job to supplement their income and cover their basic expenses (Table 3). Consistent with this, 19.6% of the respondents also claim what they get from current employment is not fair. This would contribute to the lack of motivation and dissatisfaction in the current employment and result in poor quality of service delivery.

**Table 3: Total earnings covering basic expenses, fairness, and overtime work**

<b>Basic expenses, fairness, and overtime work</b>	<b>Percent</b>
Employees receiving fringe benefits	85.93
Total earnings is sufficient to cover basic expenses	27.4
Total earnings from the current job is fair	19.3
Employee taking up part-time work	22.96

Source: Public Institutes Bureaucracy Survey, 2016

In the past decade, government spending in Ethiopia has been inclined towards capital expenditure. Hence, public sector real wage drooped continuously. To offset the erosion of real wage and to have competitive public sector, the overall civil servant salary scale was increased on average by 43% in 2014/15 fiscal year. According to the World Bank (2015) the salary adjustment was not large enough to compensate for the erosion of the real wage observed over the past decade. Thus, to understand the current payment structure of public institutions relative to the private sector and government employees living conditions, respondents were asked to compare their total earnings with that of the private sector employees with roughly comparable qualifications, age and responsibilities.

As indicated in Table 3, more that 73.5% of the respondents evinced that their salary is lower than their private sector counterparts. Similarly, more than 78% of the respondents believe that the earning of higher officials in their institutions is less than private sector officials with the same qualification and other attributes (Table 4). The survey also reveals that despite the recent salary increment by the government, a more than 40% of respondents have experienced deterioration in their living conditions compared to their living condition ten years, five years and one year back (Table 4). Surprisingly, only 28% of the respondents stated that their living conditions today were better than what was 10 years ago. This finding confirms that, unlike the East Asian countries which kept public sector rewards commensurate with the private sector, the public sector in Ethiopia provides much lower rewards compared to the private sector and does not seem to be improving over time. Moreover, as pointed out by the World Bank, the recent nominal increase in the public servants salary was not enough to compensate the deterioration of living condition of many public employees.

**Table 4: Public employees total earnings comparison with the private sector, in percent**

Comparisons	Base salary of public employees with private sector		Current living standard compared to			
	Own	Higher official's	Ten years ago	Five years ago	Three years ago	One year ago
<b>Much higher</b>	0.75	1.5	10.47	8.8	4.62	1.49
<b>Higher</b>	2.26	1.5	17.44	15.2	18.46	7.46
<b>Comparable</b>	23.31	18.05	29.07	26.4	31.54	48.51
<b>Lower</b>	35.34	42.11	12.79	27.2	29.23	40.3
<b>Much lower</b>	38.35	36.84	30.23	22.4	16.15	2.24

Source: Public Institutes Bureaucracy Survey, 2016

Table 5 is based on respondents' perception of the motivation of public officials in the same institution across time and different institutions. The first column in Table 5 indicates that only 7.4% of the respondents are highly motivated. This figure declines substantially to 2% in the case of motivation of public officials in other institutions and current levels of motivation as compared to five years ago. The majority of the respondents (54.1%) are either highly unmotivated, unmotivated, or neither motivated nor unmotivated. For example, compared to five years ago, only 33% of respondents think motivation has improved. By contrast, more than 55% of respondents state that public servants in general are less motivated today than they were five years ago.

**Table 5: Motivation of public servants**

Level of Motivation	Same institute	Another institute	Relative to five years back in the same institute
<b>Highly motivated</b>	7.41	2.22	2.29
<b>Motivated</b>	38.52	14.07	30.53
<b>Neither motivated nor unmotivated</b>	23.7	22.96	10.69
<b>Unmotivated</b>	25.19	48.15	45.04
<b>Highly unmotivated</b>	5.19	12.59	11.45

Source: Public Institutes Bureaucracy Survey, 2016

The lack of motivation described in Table 5 is also manifested in late appearance and absenteeism in work places as indicated in Table 6. More than 42% of the respondents expressed that nearly 10% of public sector employees do not show up on time. Similarly, almost 25% of the respondents also evinced that 11% to 50% of the workers come late to their work places. Though absenteeism is not as severe as late appearance, a significant number of employees are absent from their work. 40.8% of the respondents reveal that up to 10% of the employees are absent in their work on a given day. While both late appearance and absenteeism have a significant implication on the quality of public service delivery, they are only symptomatic of a possibly more complicated problem with motivation. While we do not have quantitative evidence from the survey, informal communications with the respondents suggest

that lack of effort, shirking and even sabotage at workplace could possibly lead to a poorer quality of service delivery.

**Table 6: Percentage of public employees' late appearance and absenteeism, in percent**

Percentage of employees who came late or absent	Late appearance	Absenteeism
Zero	28.9	53.3
Up to 5 percent	31.1	31.9
6 to 10 percent	11.1	8.9
11 to 20 percent	8.2	5.2
21 to 50 percent	16.3	0
More than 50 percent	4.4	0.7

Source: Public Institutes Bureaucracy Survey, 2016

In its formative stage, industrialization also requires a coherent public action which in turn requires stable civil servants who are driven by personal career development aspirations. In East Asian countries, policy coherence was achieved by strong commitment in the part of economic technocrats who shifted positions but maintained a vision of the overall development enterprise (Evans, 1998). Such commitments, however, appears to be lacking in the Ethiopian public service. Appendix 5 shows that only 13% the respondents want to work in the public institutions until retirement. 61% of them are aged 45 and above. In the contrary, appendix 6, shows that almost 65.5% of the respondents do not want to stay for more than two years in their current employment position. Of this, 71.6% of them represent the younger generation who are aged 35 and below (Appendix 7). This percentage rises to almost 80% when we consider the public employees who want to leave after three years. Again here, the younger generation represents 73.3% of the respondents. Breaking down the composition of these respondents by institution, appendix 8 reveals that more than two thirds of the respondents from the Ministry of Industry (73.3%) and Ethiopian Revenue and Customs Authority (66.7%) do not want to stay in their respective institutions for more than three years.

In general, the main reasons that respondents would wish to depart their current job is low pay (52.2%), lack of self-fulfillment (19.1%) and lack of promotions (10.4%) (Appendix 9). This is consistent with the notion that living conditions for public servants has barely improved the last couple of years despite sporadic hikes in salary. Appendix 10 shows where these respondents intend to go to. Not surprisingly, a significant number of respondents expressed a desire to join high paying sectors like Non-Government Organizations (NGOs) (23.5%) and the private sector (21.7%), while a large share, 41.7%, wants to start their own business after leaving the public sector. The expected high turnover among public servants could undermine policy coherence and reduce institutional memory. As Mengistu and Vogel (2006) point out, institutional capacity, particularly human resource development, which hindered civil service reform, may continue to be a challenge in the face of industrial development.

The lack of motivation and the desire to leave public sector employment is expected to affect the capacity utilization and productivity of employees to provide public services. In addition, capacity utilization is related to the availability of on-the-job training and senior colleagues who can mentor new employees. Appendix 11 indicates that 48.2% of the respondents get training on annual, semi-annual or quarterly bases. 22.2 % and 29.6% of the respondents state that

they rarely get and they have never taken any type of on the job training respectively. The majority of the respondents, 55.6%, had a senior colleague(s) who can coach and mentor them in the job (Appendix 12). But, 29.4% of the respondents expressed that their senior colleagues who mentored them had already left the public institutions due to better pay offer by the private sector (Appendix 13).

The study also reveals that public institutions do not use the capacity of their employees properly. As shown in Table 7, more than 90% of the respondents evinced that their supervisors are capable or highly capable in providing basic services to the private sector. The same goes for their colleagues. But, as presented in Table 8, only 66.7% of supervisors take personal initiative to address private sector problem. With respect to the utilization of public employees' capacity the study indicates just over a quarter of the respondents (26.7%) use their full capacity in their work. This might be related to lack of motivation due to various reasons as discussed above as well as the lack of effective planning and monitoring.

**Table 7: Capacity of respondents' colleagues and supervisors to provide basic services, in percent**

Capability	Colleagues'	Supervisors'
Highly capable	16.7	33.9
Capable	74.2	60.0
Neither capable nor incapable	6.8	4.6
Incapable	2.3	1.5

Source: Public Institutes Bureaucracy Survey, 2016

**Table 8: Supervisors initiative and capacity utilization of public institutions, in percent**

Response	Do supervisors take initiatives to address private sector concerns?	Is the capacity of the bureaucrat underutilized?
Always	35.61	14.8
Mostly	31.06	24.4
Sometimes	25.76	24.4
Seldom	3.79	9.6
Never	3.79	26.7

Source: Public Institutes Bureaucracy Survey, 2016

To ensure that the motivation of public employees is high and to make them contribute to the best of their ability in the implementation of industrial policies and delivering public goods, various measures are recommended by the respondents. Table 9 presents the list of suggested interventions perceived to improve motivation by the respondents. The most recommended solution is increasing the total incentive package (94.1%), followed by salary increment (90.4%) and working conditions improvement (86.7%). A large number of respondents (79.3%) also expressed that the provision of promotion would help employees to be better motivated. These multiple recommendations suggests that nurturing bureaucratic capacity and translating the existing capacity into better public goods delivery by increasing the motivation of public employees is not a simple task. It requires a multifaceted and continuous effort from both the employees and the government.

**Table 9: Recommendations to improve the motivation of public employees**

<b>Recommendations</b>	<b>Percent</b>
<b>More incentives</b>	94.07
<b>Salary increase</b>	90.37
<b>Working condition improvement</b>	86.67
<b>Promotion</b>	79.26
<b>Work hour reduction</b>	0.74
<b>Others</b>	17.04

Source: Public Institutes Bureaucracy Survey, 2016

#### **4.2.3 Economic Bureaucracy and Government-Business Cooperation**

Coherent public action entails bureaucratic efficiency that can help avoid unwarranted burden on the operations of the private sector. The creation of institutional awareness and a mindset geared towards national objectives are often considered sine quo none for coherent public action. Pugel (1984) points out that those visions about the likely trends in the Japanese economy represent the outcome of discussions with various groups involved in industrial policy formulation and implementation including labor over several years. It is thus crucial for public institutions to convey their missions and objectives so as to create institutional awareness and a mindset geared towards national objectives from the outset. This would help better align their jobs with the interest of their clients and enable them to provide efficient services and meet their supportive role in industrial policy design and implementation.

The survey shows that though public institutions are performing well in conveying their missions and objectives, employees who understands the strategic objective of their organization is far below expectations. Appendix 14 shows that more than 52.6% of the respondents expressed that their organization is most of the time or always successful in conveying its mission, vision and objectives. Nonetheless, respondents who believe that employees have strong or very strong understanding of the strategic objectives of their agencies stands at 33.3% (Appendix 15). Similarly, the state of employee-job alignment, with standardized job profiles having core functional responsibilities, experience guidelines, qualifications, level of supervisory responsibility, key distinctions, and physical requirement, leaves a lot to be desired. Appendix 15 shows that respondents who believes the existence of proper job alignment in their agencies is 44.4%

**Table 10: Institutions' Achievement in conveying its mission, vision and objectives, in percent**

<b>Name of the institutions</b>	<b>Always</b>	<b>Mostly</b>	<b>Sometimes</b>	<b>Seldom</b>	<b>Never</b>
<b>DBE</b>	60.0	20.0	0.0	20.0	0.0
<b>EIC</b>	20.0	26.7	20.0	33.3	0.0
<b>LIDI</b>	20.0	40.0	40.0	0.0	0.0
<b>ETIDI</b>	33.3	40.0	26.7	0.0	0.0
<b>ERCA</b>	13.3	26.7	46.7	10.0	3.3
<b>IPDC</b>	10.0	10.0	60.0	20.0	0.0
<b>Mol</b>	13.3	20.0	33.3	20.0	13.3
<b>NPC</b>	40.0	20.0	30.0	0.0	10.0
<b>OIC</b>	30.0	40.0	20.0	10.0	0.0

Source: Public Institutes Bureaucracy Survey, 2016.

Since the agencies included in our sample have varying levels of exposure and importance to the private sector, we have looked at the efforts of individual institutions in conveying their missions and objectives, and employees understanding of strategic objectives of the institutions and their job alignment (See Tables 10 and 11). Our results indicate that compared to their peers DBE, ETIDI and OIC are the three successful public institutions in conveying their missions and objectives clearly. 80%, 73.3% and 70% respondents in these agencies, respectively, evinced that these agencies convey their mission and objectives always or most of the time. Agencies which are believed to have high degree importance to industrial policy implementation and exposure to the private sector like Mol and ERCA are the least performers in this issue.

With regard to employees understanding of the strategic objectives of these institutions, the study, however, reveals that even the employees of the institutions who are successful in conveying their missions and objectives need to work more. For example, only 46.7% of the respondents form DBE express that the employees' understanding of DBE's strategic objectives is strong or very strong. 50% of the respondents form NPC also expressed that employees' understanding of the institution's strategic objective is strong or very strong. In terms of job alignment, these two institutions also stand out to be good performers among their peers while OIC and ETIDI are least achievers.

**Table 11: Strategic objectives understanding and job alignment of employees, in percent**

Name of the institutions	Understanding of strategic objectives					Jobs alignment				
	Very strong	Strongly	moderately	Weak	Very weak	Very strong	Strongly	Moderate	Weakly	Very weak
<b>DBE</b>	0.0	46.7	46.7	6.7	0.0	13.3	73.3	13.3	0.0	0.0
<b>EIC</b>	0.0	26.7	60.0	13.3	0.0	0.0	33.3	53.3	13.3	0.0
<b>LIDI</b>	6.7	26.7	53.3	13.3	0.0	20.0	33.3	46.7	0.0	0.0
<b>ETIDI</b>	0.0	40.0	53.3	6.7	0.0	6.7	20.0	60.0	6.7	6.7
<b>ERCA</b>	6.7	16.7	56.7	16.7	3.3	13.3	23.3	46.7	13.3	3.3
<b>IPDC</b>	10.0	10.0	50.0	30.0	0.0	30.0	20.0	40.0	10.0	0.0
<b>Mol</b>	6.7	26.7	40.0	26.7	0.0	13.3	33.3	46.7	6.7	0.0
<b>NPC</b>	30.0	20.0	40.0	10.0	0.0	10.0	50.0	30.0	10.0	0.0
<b>OIC</b>	0.0	40.0	30.0	20.0	10.0	0.0	10.0	70.0	20.0	0.0

Source: Public Institutes Bureaucracy Survey, 2016

Ensuring rational action and the establishment of competitive industry requires effective government-business cooperation and coordination capabilities which involve the flow of large volume of high quality information between government and businesses. Governments can elicit useful information from the private sector only when it is engaged in an ongoing relationship with it (Rodrik 2004). This helps bureaucrats to understand the needs and interests of business so as to be market friendly and gain access to information about industrial operation at sectoral

level. The state should be able to do this at the same time as it expands the availability of information to firms about technological ‘best practice’ and foreign markets, and overcome coordination problems and lower the perceived risks to entrepreneurial initiatives (Evans, 1998). As a result, policy making process will not be isolated and government does not lose out to clientelistic interests and business does not lose out to remote and bumbling bureaucrats and remain passive due to institutional connectedness (Roderik, 2004 and Weiss, 1998).

With regard to this, the study reveals that 93.3% of the respondents believe that their colleagues are capable or highly capable in soliciting information that can be used in an ongoing relationship (Appendix 16) and more than 85% of the respondents also expressed that the relationship between their agency and the private sector is cooperative or very cooperative (Appendix 17). Furthermore, Table 12 indicates that almost 74% of respondents indicate that whenever the private sector actors have an issue they have the opportunity to voice their concern most of the time or always. 63.7% of the respondents also expressed that these concerns are addressed most of the time or always. Quite a large number of the respondents, 76.6%, claim that firms can often go to higher officials when an officer acts against the rules.

At the same time, however, the study reveals that such information gathering capacity of the employees and the good relationships with the private sector do not translate into efficient service provision. Appendix 18 illustrates that 63.7% of the respondents believe that the services provided by these public institutions are mostly inefficient, inefficient or very inefficient. Only 21.5% of respondents consider public institutions services as efficient or very efficient. Disaggregation of this response by institutions, Table 13, also indicates that the overwhelming majority respondents expressed that government agencies service provision is inefficient, inefficient or very inefficient. Employees of public institutions, which are considered to have a significant role in industrial policy formulation and implementation, and expected to lead the private sector development like LIDI, ETIDI, ERCA and Mol, are the one who believe public service delivery in general is inefficient.. Only 26.7%, 20%, 30%, and 13% of the respondents in these agencies respectively state that government agencies provide efficient or very efficient services. Compared to others, large proportion of EIC (40%) and IPDC (30%) employees expressed that public service provision to the private sector is either very efficient or efficient.

**Table 12: Private sector concerns and how often they are addressed**

<b>Response</b>	<b>The opportunity to voice their concerns</b>	<b>How often are these concerns addressed</b>	<b>How often they go to superiors during illegal actions of employees</b>
<b>Always</b>	40	26.61	57.81
<b>Mostly</b>	33.9	37.1	18.75
<b>Sometimes</b>	20.8	30.65	15.63
<b>Seldom</b>	2.3	4.03	6.25
<b>Never</b>	3.1	1.61	1.56

Source: Public Institutes Bureaucracy Survey, 2016

**Table 13: Government agencies service delivering efficiency in, in percent**

Name of the institutions	Very efficient	Efficient	Mostly efficient	Mostly inefficient	Inefficient	Very inefficient
<b>DBE</b>	0.0	13.3	20.0	13.3	26.7	26.7
<b>EIC</b>	6.7	33.3	0.0	13.3	40.0	6.7
<b>LIDI</b>	6.7	20.0	20.0	20.0	33.3	0.0
<b>ETIDI</b>	0.0	20.0	6.7	13.3	60.0	0.0
<b>ERCA</b>	0.0	13.3	23.3	0.0	46.7	16.7
<b>IPDC</b>	10.0	20.0	0.0	20.0	40.0	10.0
<b>MoI</b>	0.0	26.7	20.0	26.7	26.7	0.0
<b>NPC</b>	0.0	10.0	20.0	10.0	40.0	20.0
<b>OIC</b>	0.0	20.0	10.0	0.0	60.0	10.0

Source: Public Institutes Bureaucracy Survey, 2016

Looking at the intra-government agency coordination in implementation of new industrial policies, the survey reveals that there appears to be conflict among government agencies in serving the private sector and implementation problems are addressed rarely suggesting more to be done. It also appears that implementations problems in general are not quickly addressed. Appendix 19 indicates that 31% of the respondents state that they often or mostly run into conflict with other government agencies in dealing with the private sector. In addition, only 29% of the respondents expressed that adjustment to implementations problems in the new policies in and rules are made very quickly or quickly (Appendix 20). 37.4% of the respondents indicate that the speed of addressing such implementation problems is moderate while 34% of the respondents highlighted that it is very slowly, slowly or never addressed.

## 5. Concluding Remarks

Despite the government's repeated pronouncement of the importance of private investment as early as 2002 in the Industrial Strategy Paper (IDS, 2002) and in its several development papers since then (MoFED, 2010, 2015), the private sector in Ethiopia remains at a nascent stage. While this is partly related to the country's experience with command economic system from 1974 to 1991 and the slow pace of reforms in the early 1990s, recent progresses has also not been in par with the sector's potential. Ethiopia is, for example, ranked the six lowest in terms of the rate of private investment (World Bank, 2013). A weak private sector is not conducive for industrial growth and structural transformation. To promote the growth of the private sector, fine-tuning key policy levers, such as foreign exchange and credit, and reducing the possible crowding out effect of the public investment is vital. At the same time, however, the importance of gearing public services to better serve the private sector cannot be overestimated as bureaucratic inefficiency can put unwarranted burden on the operations of the private sector.

The objective of this study was thus two fold. First, it characterizes inter-organizational coordination and institutional coherence in the implementation of industrial policy using a network based analysis. Second, it captures the state of the bureaucracy in key government agencies responsible for industrial policy formulation and implementation. The network analysis conducted to map the influence of different stakeholders in the priority export-oriented manufacturing sectors reveal that suppliers, utility companies and the Ethiopian Revenue and



Customs Authority (ERCA) exert the highest influence over the performance of private sectors operators in those sectors. The fact that the ERCA is deemed more influential than every other bureaucratic organization across the network testifies to the critical role taxes play as policy instruments in the manufacturing sector. Although the government's effort to use specialized sector institutes as linchpins of industrial policy implementation seems to have borne fruit, the private sector is too disorganized to be able to match up the coordination effort with its sector associations.

Based on a primary data generated from mid-level officials in key government agencies, we also draw several important implications. We find that public sector employment is not first-order preferred job and appears to be employment of a last resort which bureaucrats took failing to find employment elsewhere. It is thus not clear that the sector is populated by capable and motivated bureaucrats who intrinsically value their job. Further, as in many developing countries, incentives in public sector jobs in Ethiopia are not particularly high; wages are often too low and compressed and rarely adjusted for inflation. Moreover, non-financial benefits in the public sector are not vastly attractive compared to the private sector and hence the total monetary and non-monetary compensation received by public sector workers at every level of the government do not seem to reflect the significance of the position and the public servant(s) assigned therein. As a result, we find that public sector employment is not very attractive and a large percentage of respondents seem to be inclined to move out of the sector within short period of time.

The study also finds that public sector employees are not highly motivated; nearly 55% of respondents stated that they are not currently motivated enough to do their job and that the motivation of public servants has declined substantially compared to five years ago. Late appearance, absenteeism, and shirking in work places are key manifestations of deterioration in motivations. Low preference to work in the public sector and the existing and impending high turnover among public servants would attenuate the benefits accruing from experience and learning-by-doing thereby creating policy coherence and implementation problems. It thus not surprising that a large majority of respondents stated that service provision by key government agencies responsible for industrial governance and policy implementation is inefficient. This largely mirrors the findings from the network analysis reported in chapter 3 of this paper.

It is evident that the nature of incentives that governments can extend to the bureaucracy sector is limited by the size of their budget and non-budgetary sources that they can mobilize. In many developing countries including Ethiopia public institutions are bereft of resources and bureaucrats are often poorly compensated and earn barely enough to cover their basic expenses. Moreover, many countries often freeze wages and resist wages increments even in the midst of escalating living cost, imposing a steep additional tax on public servants. However, it is not clear how a government that rely on an activist state to lead industrial and structural transformation can succeed without a capable and motivated bureaucracy. Policies that attract young and qualified professionals and nurture bureaucratic talent should be an integral component of industrial development policies. Notwithstanding budgetary limitations and possible short-term trade-offs between recurrent (such as wage) and capital expenditure (such as infrastructure), adequately incentivizing and motivating front-line bureaucrats is crucial for successful implementation of industrial policies. In fact, given that poor capacity and lack of motivation often leads to malfeasances and wastage of resources even in administrating physical capital such trade-offs might not need to be made in real terms. The resource savings and gain in service delivery efficiency from improved bureaucratic capacity (attracting better talent) and stimulating motivation might more than compensate for additional public expenses arising out of hikes in wages and incentives for the bureaucracy. Of course, further research is

warranted to establish the nature as well as the budgetary and inflationary impacts of incentive adjustment for the bureaucracy.

On the policy coherence front, the government could benefit from further strengthening the specialized sector institutes which are already playing an important role in mediating the policy community. Given the revealed influence of the tax administration, policymakers should give closer attention to the coherence of tax policy and industrial policy in the broader framework of stimulating growth and structural transformation. It is in the interest of the state in the long run to have vibrant and robust sector associations to serve as partners in implementing industrial policies. In this regard, more needs to be done to build the capacity of sector associations in export-oriented sectors for them to provide the necessary platform for private sector coordination.

## References

- Abebe, G.; Caria S.; Fafchamps, M.; Falco, P.; Franklin, S., Quinn, S. 2016. Curse of Anonymity or Tyranny Of Distance? The Impacts of Job-Search Support in Urban Ethiopia. NBER Working Paper No. 22409.
- Abebe G. and Schaefer, F.2013. High Hopes and Limited Successes: Experimenting with Industrial Polices in the Leather Industry in Ethiopia. Ethiopian Development Research Institute Working paper, No. 011
- Altenburg, T. 2011. Industrial Policy in Developing Countries. Bonn: German Development Institute. Discussion Paper 4/2011.
- \_\_\_\_\_. 2010. Industrial Policy in Ethiopia. Bonn: German Development Institute. Discussion Paper: 2/2010.
- Amsden, A. 1989. Asia's Next Giant: South Korea and Late Industrialization. New York: Oxford University Press.
- Atkinson, M. M. and Coleman, W. D. 1989. Strong States and Weak States: Sectoral Policy Networks in Advanced Capitalist Economies. *British Journal of Political Science*, 19: 47-67.
- Bergek, Anna.: Jacobsson, Staffan,; Carlsson, Bo, Lindmark, Sven; and Rickne, Annika (2008) "Analyzing the Functional Dynamics of Technological Innovation Systems: A Scheme of Analysis," *Research Policy*, vol. 37, no. 3, pp. 407–429.
- Börzel, T. A. 1998. Organizing Babylon: on the different conceptions of policy networks. *Public Administration* 76 (2):253-273
- Börzel, T. A., and K. Heard-Lauréote. 2009. Networks in EU multi-level governance: concepts and contributions. *Journal of Public Policy* 29(2):135-151.
- Calder, K. 1990. Strategic capitalism: Private business and public purpose in Japanese industrial finance. Princeton, NJ: Princeton University Press.
- Campos, J. E. and H. L. Root 1996. The Key to the Asian Miracle: Making Shared Growth Credible. Washington, DC: The Brookings Institute.

- Dixit, A. 2010. Democracy, Autocracy and Bureaucracy. *Journal of Globalization and Development*, 1(1).
- Fugel, Thomas A. 1984. Japan's Industrial Policy: Instruments, Trends, and Effects. *Journal of Comparative Economics* 8, 420-435
- William, E. and Levine R. 1997. Africa's Growth Tragedy: Policies and Ethnic Divisions. *Quarterly Journal of Economics* 112:1203-50
- Evans, P. 1998. Transferable Lessons? Re-Examining the Institutional Prerequisites of East Asian Economic Policies. *Journal of Development Studies*, 34: 66-86.
- Evans, P. 1995. *Embedded Autonomy: States and Industrial Transformation*. Princeton, NJ: Princeton University Press
- Fong, Glenn R. 1990 . State Strength, Industry Structure, and Industrial Policy: American and Japanese Experiences in Microelectronics. *Comparative Politics*, 22(3): 273-299
- Keun, Lee (2013). Capability Failure and Industrial Policy to Move beyond the Middle-Income Trap: From Trade-based to Technology-based Specialization. in J. Stiglitz and J. Lin, (eds), *Industrial Policy Revolution* (New York: Palgrav MacMillan).
- Dodgson, Mark; Hughes, Alan; Foster, John; and Metcalfe, J.S. (2011) "Systems Thinking, Market Failure, and the Development of Innovation Policy: The Case of Australia," *Research Policy*, vol. 40, no. 9, 1145–1156.
- Gebreeyesus, M. 2013. Industrial policy and development in Ethiopia Evolution and present experimentation. WIDER Working Paper, No. 2013/125.
- Gebreeyesus, M and Mohnen .2013. Innovation Performance and Embeddedness in Networks: Evidence from the Ethiopian Footwear Cluster. *World Development*, 41: 302–316.
- Getahun, T.D. 2016. The Effect of Industrial Cluster Policy on Firm Performance in Ethiopia: Evidence from the Leather Footwear Cluster. ZEF-Discussion Papers on Development Policy, No. 208
- Griffiths A, and Zammuto R .F. 2005. Institutional Governance Systems and Variations in National Competitive Advantage: An Integrative Framework. *Academy of Management Review*, 30(4): 823–842.
- Bruce, G., and Stiglitz, J. 2013. Industrial Policy, Creation of a Learning Society and Economic Development. In: J. Stiglitz and J. Lin, (eds). *Industrial Policy Revolution I: The Role of Governance Beyond Ideology*. NewYork: Palgrav MacMillan.
- Hausmann, R., and Rodrik, D. 2003. Economic Development as Self-discovery. *Journal of Development Economics*, 72: 603-33.
- Hobson, J. 1997. *The wealth of states: A comparative sociology of international economic and political change*. Melbourne: Cambridge University Press.
- Johnson, Chalmers. 1982. *MITI and the Japanese Miracle: The Growth of Industrial Policy, 1925-1975*. Stanford, CA: Stanford University Press
- Kenney, M. 1998. *Institution and knowledge: The dilemma of success in the Korean electronics*

- industry. *Asia Pacific Business Review*, 5: 1–28.
- Lee, K. 2013. Capability Failure and Industrial Policy to Move beyond the Middle-Income Trap: From Trade-based to Technology-based Specialization. In: J. Stiglitz and J. Lin, (eds). *Industrial Policy Revolution I: The Role of Governance Beyond Ideology*. New York: Palgrav MacMillan.
- Lin, Justin. 2012. *New structural economics: a framework for rethinking development and policy*. World Bank Publications: New York.
- Mano, Y. and Suzuki, A. 2013. *Measuring Agglomeration Economies: The Case of the Ethiopian Cut Flower Industry*. Technical Report.
- Mengistu B and Vogel E. 2006. Bureaucratic Neutrality among Competing Bureaucratic Values in an Ethnic Federalism: The Case of Ethiopia. *Public Administration Review* 66, 205-216
- Meyer-Stamer, J. 1997. New Patterns of Governance for Industrial Change: Perspectives for Brazil. *Journal of Development Studies*, 33: 364-391.
- Ministry of Finance and Economic Development (MoFED). 2010. *Growth and Transformation Plan (GTP I) – Vol I: Main Text*. Addis Ababa: Government of Ethiopia.
- Ministry of Finance and Economic Development (MoFED). 2015. *Growth and Transformation Plan (GTP II) – Vol I: Main Text*. Addis Ababa: Government of Ethiopia.
- Ministry of Civil Service (MoCS). 2013. *The Civil Service Reform Program: In Brief*. Addis Ababa: Government of Ethiopia.
- Ministry of Capacity Building (MoCB). 2003. *Report on Civil Service Reform Program (CSRP)*. Addis Ababa: Government of Ethiopia.
- Page, J. 2010. *Learning to Compete (L2C): Accelerating Industrial Development in Africa*. Project Paper.
- Polidano, C. (2000) *Measuring Public Sector Capacity*. *World Development*, 28(5): 805-822
- Powel, W.W. 1990. Neither Market nor Hierarchy: Networks Forms of Organization. *Research in Organizational Behavior*, 12: 295-336.
- Rodrik, D. 2004. *Industrial Policy for the Twenty-First Century*. CEPR Discussion Paper, 4767. Centre for Economic Policy Research.
- Schaefer, F. and Abebe G. 2015. *The case for industrial policy and its application in the Ethiopian cut flower sector*, Ethiopian Development Research Institute. Working Paper, No. 012.
- Stiglitz, J.E., J.Y. Lin, C. Monga. 2013. *The Rejuvenation of Industrial Policy*. The World Bank Policy Research Working Paper, No. 6628.
- Wade, R. 1990. *Governing the market: Economic theory and the role of government in East Asian industrialization*. Princeton, NJ: Princeton University Press.
- Weber, Max. [1904-1911] 1968. *Economy and Society*. Edited by Guenter Roth and Claus

Wittich. New York: Bedminster.

Weiss, L. 1998. *The myth of the powerless state: Governing the economy in a global era*. Cambridge: Polity Press.

Weiss, L., and Hobson, J. 1995. *States and economic development: A comparative historical analysis*. Cambridge: Polity Press.

Whitford, J. and Schrank, A. 2011. *The Paradox of the Weak State Revisited: Industrial Policy, Network Governance, and Political Decentralization*. In: Block, Fred and Matthew Keller (eds). *State of Innovation: The U.S. Government's Role in Technology Development*. New York: Paradigm.

Wong, P. K. 1995. *Competing in the global electronics industry: A comparative study of the innovation networks of Singapore and Taiwan*. *Journal of Industry Studies*, 12(2): 35–61.

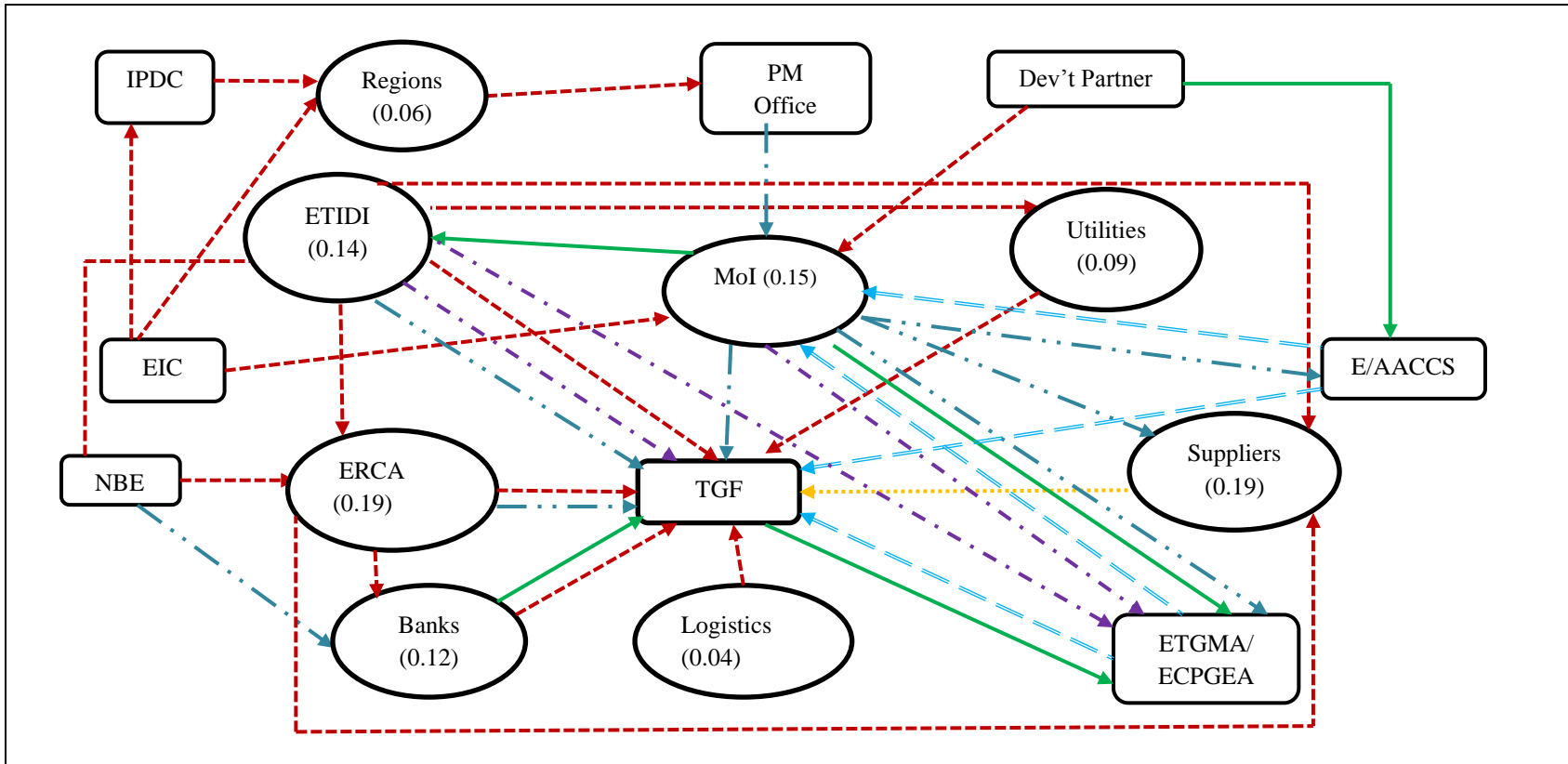
World Bank, 2013. *Laying the Foundation for Achieving Middle Income Status*. Washington, DC: World Bank.

World Bank, 2015. *Overcoming Constraints in the Manufacturing Sector*. Washington, DC: World Bank.

# Appendix

## Part Three

### Appendix 1: Textile and Garment Industry Policy Network

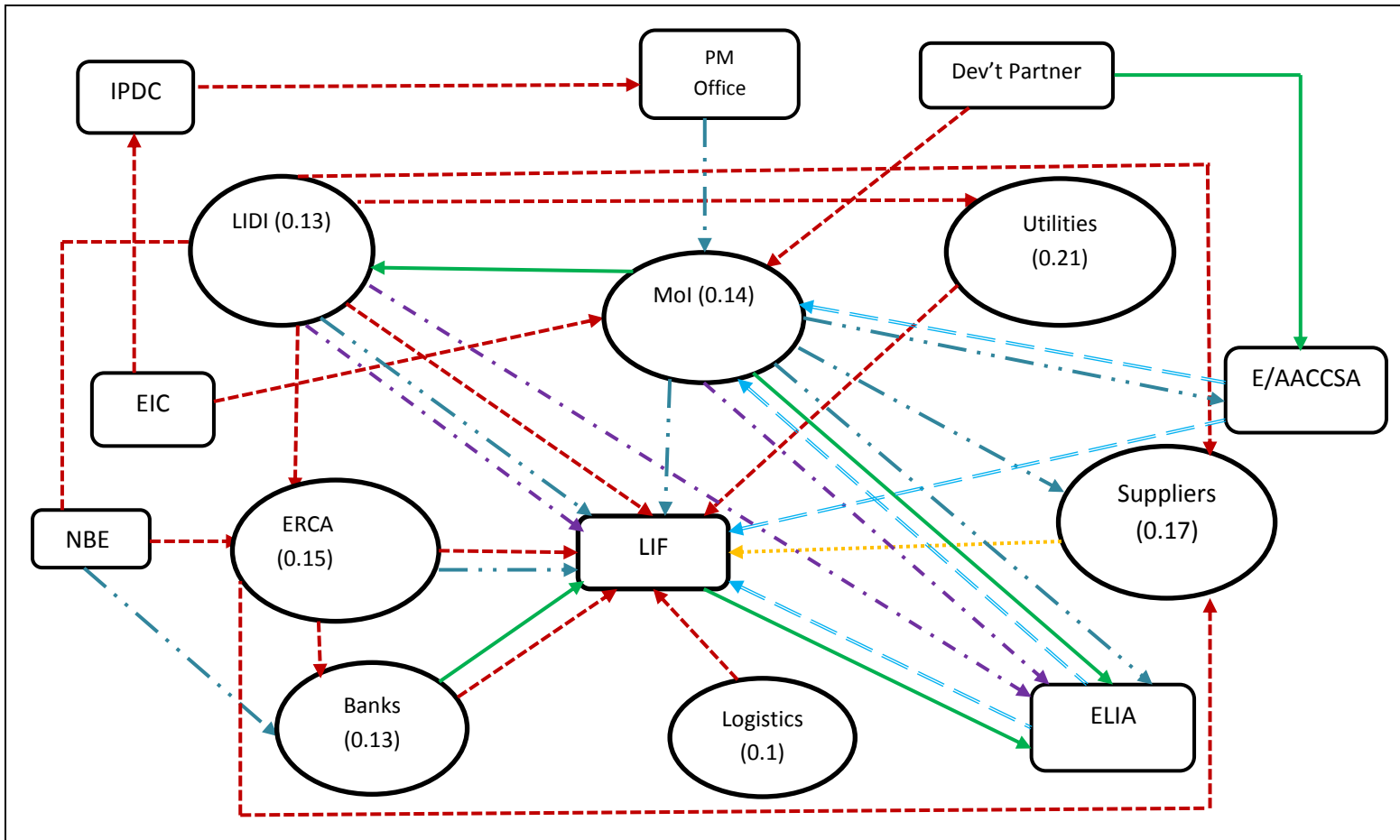


Source: Own representation based on firm's survey

**Note:**

Funding: ———— ; Regulation: - - - - - ; Facilitation and cooperation: - . - . - .  
 Input supply: - - - - - ; Monitoring, Capacity building: - - - - - ; Advocacy and promotion: - . - . - .  
 NBE (National Bank of Ethiopia); and TGF (Textile and garment factory)

## Appendix 2: Textile and Garment Industry Policy Network



Source: Own representation based on firm's survey

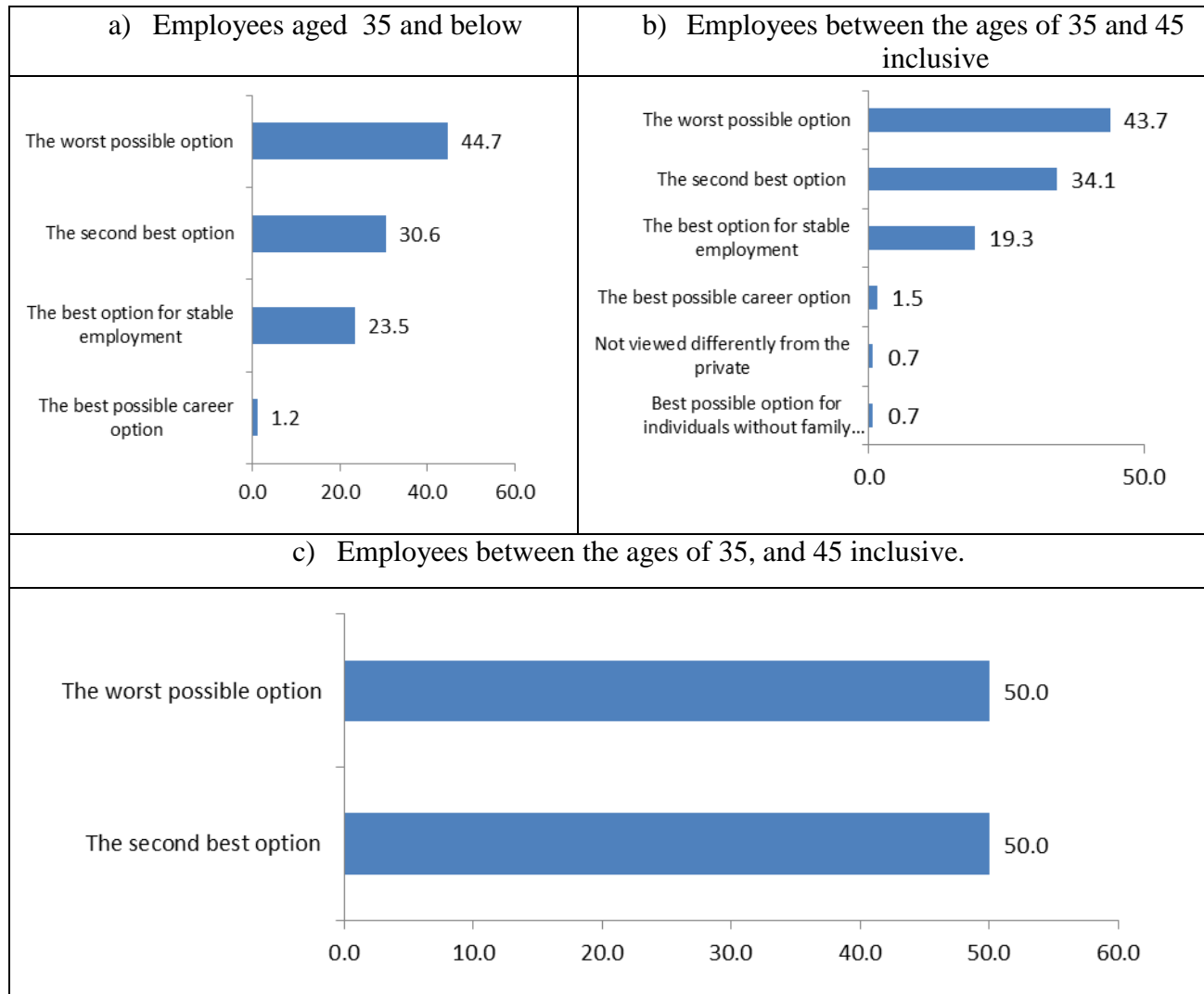
### Note:

Funding: ———— ; Regulation: - . - . - . ; Facilitation and cooperation: - - - -  
 Input supply: - . - . - . ; Monitoring, Capacity building: - . - . - . ; Advocacy and promotion: ————  
 LIF ( Leather Industry Factory)

**Part Four**

**Section One**

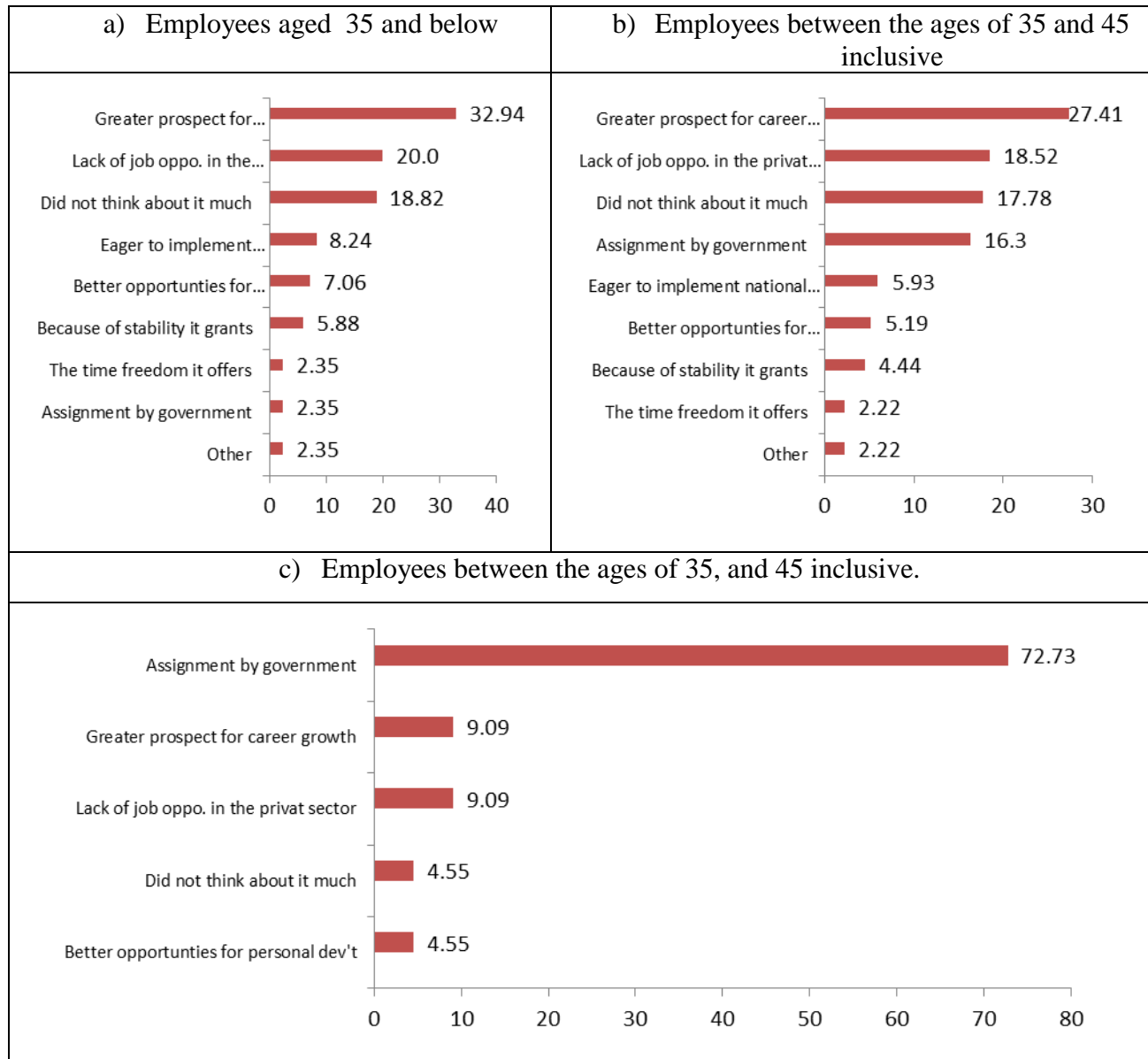
**Appendix 3: How is public sector career viewed by different age groups of government employees in percent?**



Source: Public Institutes Bureaucracy Survey 2016



**Appendix 4: Main reasons for joining the public sector by different age groups, in percent**



Source: Public Institutes Bureaucracy Survey 2016

**Section Two**

**Appendix 5: Number of Employees who wants to stay up to their retirement**

All	Aged 45 and above	Ratio
18	11	61%

Source: Public Institutes Bureaucracy Survey 2016

**Appendix 6: The number of years the respondent would like to stay in the organization**

Years	Freq.	Percent	Cum.
0	13	11.5	11.5
0.1	1	0.9	12.4
0.2	1	0.9	13.3
0.3	2	1.8	15.0
0.5	2	1.8	16.8
1	23	20.4	37.2
2	32	28.3	65.5
3	16	14.2	79.7
4	6	5.3	85.0
5	11	9.7	94.7
6	3	2.7	97.4
8	1	0.9	98.2
10	2	1.8	100.0

Source: Public Institutes Bureaucracy Survey, 2016

**Appendix 7: Number of respondents who do not want to work for more than two or three years**

All respondents		Respondents aged 35 and below		Ratio of respondents aged 35 and below	
Not more than two years	Not more than three years	Not more than two years	Not more than three years	Not more than two years	Not more than three years
74	90	53	66	71.6	73.3

Source: Public Institutes Bureaucracy Survey, 2016

**Appendix 8: Number of respondents who are aged 35 and below, and don't want to work for more than two or three year**

Name of Institutions	Less than two years	Less than three years
<b>DBE</b>	6.7	26.7
<b>EIC</b>	40.0	46.7
<b>LIDI</b>	33.3	46.7
<b>ETIDI</b>	26.7	40.0
<b>ERCA</b>	56.7	66.7
<b>IPDC</b>	20.0	40.0
<b>MoI</b>	73.3	73.3
<b>NPC</b>	34.0	30.0
<b>OIC</b>	0.0	40.0

Source: Public Institutes Bureaucracy Survey, 2016

**Appendix 9: The would be reasons for respondents departure**

	<b>Freq.</b>	<b>Percent</b>
<b>Low pay</b>	60	52.17
<b>Lack of promotion</b>	12	10.43
<b>Poor working condition</b>	9	7.83
<b>Lack of self-fulfillment</b>	22	19.13
<b>Political interference</b>	1	0.87
<b>Others</b>	11	9.57

Source: Public Institutes Bureaucracy Survey, 2016

**Appendix 10: Where does the respondent intend to move to?**

	<b>Freq.</b>	<b>Percent</b>
<b>To the private sector</b>	25	21.74
<b>To start own business</b>	48	41.74
<b>NGOs</b>	27	23.48
<b>Retirement</b>	1	0.87
<b>Other public agencies</b>	7	6.09
<b>Migrate outside the country</b>	2	1.74
<b>Other</b>	5	4.35

Source: Public Institutes Bureaucracy Survey, 2016

**Appendix 11: How often respondents take on-the-job training in the areas of private sector development**

	<b>Freq.</b>	<b>Percent</b>	<b>Cum.</b>
<b>Quarterly</b>	13	9.63	9.63
<b>Twice a year</b>	24	17.78	27.41
<b>Annually</b>	28	20.74	48.15
<b>Rarely</b>	30	22.22	70.37
<b>Never</b>	40	29.63	100

Source: Public Institutes Bureaucracy Survey, 2016

**Appendix 12: If the respondent had a senior colleague who mentored him/her and whether his/her mentor is still in the same institution**

<b>Response</b>	<b>Did the respondent have a senior colleague who mentored him/her professionally</b>	<b>Is the senior colleague still working with the institution</b>
<b>Yes</b>	55.56	77.33
<b>No</b>	44.44	22.67

Source: Public Institutes Bureaucracy Survey, 2016

### Appendix 13: Why the mentor of the respondent left the institution?

	Freq.	Percent	Cum.
Transferred to other agencies	1	5.88	5.88
Got better offer in the private sector	5	29.41	35.29
Retired	5	29.41	64.71
Other	6	35.29	100

Source: Public Institutes Bureaucracy Survey, 2016.

### Section Three

### Appendix 14: Organizations achievement in conveying its mission, vision and objectives

	Freq.	Percent
Always	34	25.19
Mostly	37	27.41
Sometimes	43	31.85
Seldom	17	12.59
Never	4	2.96

Source: Public Institutes Bureaucracy Survey, 2016

### Appendix 15: Strategic objectives understanding and job alignment of employees, in percent

	Employees' understanding	Jobs alignment
Very strongly	5.93	11.85
Strongly	27.41	32.59
Moderately	49.63	45.19
Weakly	15.56	8.89
Very weakly	1.48	1.48

Source: Public Institutes Bureaucracy Survey, 2016

### Appendix 16: The capacity of respondents' colleagues in soliciting information from the private sector, in percent

	Freq.	Percent
Highly capable	29	22.14
Capable	93	70.99
Neither capable nor incapable	6	4.58
Incapable	3	2.29

Source: Public Institutes Bureaucracy Survey, 2016

### Appendix 17: The relationship with the private sector

	Freq.	Percent
<b>Very cooperative</b>	36	27.07
<b>Cooperative</b>	78	58.65
<b>Neutral</b>	11	8.27
<b>Uncooperative</b>	8	6.02

Source: Public Institutes Bureaucracy Survey, 2016

### Appendix 18: The efficiency of the state bureaucracy in delivering services

	Freq.	Percent
<b>Very efficient</b>	3	2.22
<b>Efficient</b>	26	19.26
<b>Mostly efficient</b>	20	14.81
<b>Mostly inefficient</b>	16	11.85
<b>Inefficient</b>	56	41.48
<b>Very inefficient</b>	14	10.37

Source: Public Institutes Bureaucracy Survey, 2016

### Appendix 19 : How often public intuitions run into conflict with each other

	Freq.	Percent
<b>Always</b>	13	10.08
<b>Mostly</b>	27	20.93
<b>Sometimes</b>	59	45.74
<b>Seldom</b>	10	7.75
<b>Never</b>	20	15.5

Source: Public Institutes Bureaucracy Survey, 2016

### Appendix 20: How quickly implementation problems are addressed?

	Freq.	Percent
<b>Very quickly</b>	10	7.63
<b>Quickly</b>	28	21.37
<b>Moderately</b>	49	37.4
<b>Slowly</b>	38	29.01
<b>Very slowly</b>	4	3.05
<b>Never made</b>	2	1.53

Source: Public Institutes Bureaucracy Survey, 2016