POLITICS, PRACTICES, AND POTENTIALS:
ANALYZING THE ROLE OF DIASPORA-OWNED BUSINESSES
IN ETHIOPIA'S DEVELOPMENT

SARAH GEBRETSADIK

A THESIS SUBMITTED TO
THE FACULTY OF GRADUATE STUDIES
IN PARTIAL FULFILLMENT OF THE REQUIREMENTS
FOR THE DEGREE OF MASTER OF ARTS

GRADUATE PROGRAM IN INTERDISCIPLINARY STUDIES
YORK UNIVERSITY,
TORONTO, ONTARIO

August 2015

ABSTRACT

In 2010, under the guidance of its developmental state planning, Ethiopia launched its Growth and Transformation Plan (GTP) aimed to achieve accelerated economic growth and middle income country status by 2020-2025. In an attempt to realize its GTP, the Ethiopian government has strategically engaged its diaspora population as 'development partners'. Existing policies and proclamations outlined by the Ethiopian government speak to the institutionalized attempts to attract diaspora capital for the development of the country. Through an exploratory case-study of small and medium sized businesses in Ethiopia's capital Addis Ababa, this paper interrogates the complexities surrounding Ethiopia's state-led engagement of its diasporas and explores the potential of the Ethiopian diaspora to contribute to the country's development. While the politics of engagement and challenges with Ethiopia's business environment emerge as salient issues, findings indicate that diaspora business owners possess a unique potential to contribute to human capability transformation in the country.

ACKNOWLEDGMENTS

I would like to thank the Graduate Program in Interdisciplinary Studies for providing me with the unique opportunity and space to conduct my research, free to tread across conventional disciplinary boundaries. I would also like to acknowledge Program Director, Dr. Cheryl van Daalen-Smith, whose kind and encouraging words always lifted me up in moments I needed it most.

I was privileged to have the guidance and support of my supervisory committee during my research process. Thank you Professor Alena Kimakova, Professor Pablo Idahosa, and Professor Susan McGrath, for believing in me and my work. I am extremely grateful and know this thesis would not have been possible without your dedication and commitment to supporting me during this process.

To the participants of this research, I would like to sincerely thank you for the time you spent sharing your candid stories and experiences with me. I am honoured to have been able to capture your unique voices and perspectives that have been invaluable to this research.

Last but not least, to my blessings, my family and friends, I cannot thank you enough for always believing in me and pushing me to be the best I can be. I am deeply grateful, as I am a product of all your constant love and support.

Who am I, LORD God…that You have brought me this far? 2 Samuel 7:18

I give thanks to you, O Lord my God, with my whole heart,
and I will glorify your name forever. Psalm 86:12

TABLE OF CONTENTS

LIST OF TABLES

Chapter 1: Introduction

"Today, I take it back, the time I asked you not to leave (Ethiopia). Disregard that. Instead, when you leave, let me know so I can leave with you… But I will change my name and eventually return again. Then I will finally be accepted. Then I will finally be accepted and filled with love, by my people, my country, my honour." (Translated from Amharic)

The lines above are taken from the closing statements made by Meron Getnet in her now infamous and highly controversial poem titled *Atihid* (Don't Go). Less than a year ago, the famous Ethiopian TV personality and actress performed her piece *Atihid* regarding the tensions between local, diaspora, and government power relations in front of a live audience in Ethiopia. The video, subsequently posted on YouTube[1] and other Ethiopian video streaming websites, quickly stirred up much controversy and contention from both supporters and opponents of her message. In the quote above, Meron[2] retracts her original advice given to a fellow Ethiopian at the outset of the poem not to leave Ethiopia. Taking listeners through the ironies of remaining in Ethiopia and the privileges afforded to those who leave and then return, Meron, by the end of the poem, reaches the realization that perhaps Ethiopians would be better off if they left the country and came back as 'diaspora'[3] nationals.

With a live Ethiopian jazz band playing in the background, Meron delivered her poignant piece using metaphors and sarcasm to portray the privileges and power afforded to diasporas when returning to Ethiopia. "When you stand in the middle of the country and cry out for help, there is no one to listen," she declared. "But when you are far away your little whispers can change things…If you go abroad for three years, change your hair style and return, you wouldn't have these problems, they (the Government) would swiftly attend to what you need, and the one who will listen to your issues will be the honourable Minister". Playing off national sentiments and voices that urge locals "*atihid*" (don't go), Meron uses everyday scenarios that locals face including bureaucratic challenges, the lack of access to land, and the devaluation of local

---

[1] https://www.youtube.com/watch?v=Bh_HYB7VqVs
[2] In Ethiopian culture it is not customary to refer to a person by their last name, as that would refer to the person's father. As such, Meron Getnet is referred to as "Meron" throughout the chapter.
[3] While in literature the word 'diaspora' commonly refers to a location or group of people, for Ethiopians, the individual, as well as the collective group of people who have left the country are referred to as 'diaspora'. For the purposes of this paper, 'diaspora' will take on the latter meaning used by Ethiopians.

education, to poetically compare how diasporas appear to be treated with more privilege in these situations, and questions the value of staying in one's country while being treated like a stranger.

Through her poem, she also challenges the state-led 'development' taking place in the country, and the expense at which it is being pursued. "The mud that we worked on for our house last week has now been thrown away because they needed space for the cement bricks… and so we just have to say thank you, and accept that is what's best for us." Here, she is referring to all the Ethiopians being evicted and displaced from their homes so that their land can be passed on to those who can afford to construct a high-rise building on it instead. Meron's poem draws attention to the tensions and politicized contexts that surround diaspora engagement in the homeland and sheds some critical light on an issue kept dim amongst public dialogue.

In 2011, I travelled to Ethiopia for a one-year internship working with a local NGO. During that time, the nature of my work allowed me to meet and interact with local Ethiopians, and I was privileged enough to gain the trust of many of them and hear their personal stories and experiences. As a Canadian born to parents that had migrated from Ethiopia, I found it quite fascinating to be in Ethiopia as a 'diaspora' and hear about their frustrations regarding what they consider to be the imbalance of power between locals and diasporas in the country. During one conversation I had with a local, middle-aged business man, he shared with me that he was in the process of finalizing paperwork to leave for America, as he had just married a woman living there. He seemed to be quite successful in Ethiopia, so I asked why he would leave his business and start over in the U.S. rather than have his wife move to Ethiopia. To my surprise, he responded, "Oh, I'm not going to live in America. I'm just going to become an American citizen and then come back to Ethiopia to do business as a diaspora. That way I can surpass the ceiling I have reached as a local businessman" (*translated from Amharic*). While I was unsure of the accuracy of his assumed limitations as a local Ethiopian relative to a diaspora, I could not ignore that this was not the first time I heard about the local tensions that underlie Ethiopia's diaspora engagement. It became evident that while Ethiopia was gaining increased international attention as a model for diaspora engagement in development, the issue had much deeper layers at home. These local perceptions began to stir many questions within me and sparked my desire to examine diaspora engagement from a local perspective. I began to ask myself, who are the

Ethiopian diaspora? Why is the Ethiopian government attempting to engage them in homeland development? How is state-led diaspora engagement, particularly through investments, shifting or affecting local relations in the homeland? Do the Ethiopian diaspora really possess something of value that should be leveraged towards development? As Meron's poem reminds listeners, broad topics such as diaspora engagement and development strategies often have localized and contextually specific effects on the daily lives of those living within these 'developing' contexts. This paper attempts to acknowledge these political complexities and analyze potential local effects in the examination of state-led Ethiopian diaspora engagement in homeland development.

Research Context

Governments, international institutions, academics and community leaders have increasingly shown interest in the potential contributions of diaspora communities towards the development of their homelands. Diasporas are dispersed people that maintain a collective memory of an ancestral homeland, uphold a commitment to the maintenance or restoration of the homeland's prosperity, and foster ethno-communal solidarity through a continued relationship to the homeland (Safran, 1991). The term 'diaspora' attempts to capture the dynamic nature of immigrant populations and their descendants, and their transnational relations between the host and home country. In many diaspora communities, the sentimental desire to return or establish material and physical connections to the homeland has in fact become a reality. As the diaspora community spends more time abroad, increased financial capacities, and sometimes changes of political regime in the homeland, create spaces to obtain the dream of one day contributing to the homeland. In more recent years, 'contemporary' diaspora populations from developing countries that have situated in Western states have been the focus of much international development policy and practice. These diaspora groups have formed ties to the homeland through transnational flows that include remittances sent to families in the homeland (see Merz, Chen, & Geithner, 2007; Gammage, 2006; Bracking, 2003), the reversal of the 'brain drain' phenomenon through 'brain gain' and return migration (see Boon & Ahenkan, 2012; Patterson, 2007; Levitt & Jaworsky, 2007), and diaspora direct investment (see Debass & Ardovino, 2009; Smart & Hsu, 2004; Boly, Coniglio, Prota, & Seric, 2014). The World Bank estimated that in 2014 alone, developing countries would receive $435 billion USD in remittances, with this figure expected to grow to $454 billion USD in 2015 (Ratha, et al., 2014). Recognizing this opportunity,

developing country governments have incentivized their diasporas in the hope of attracting their skills and capital towards the development of the homeland. As part of its state-led development agenda, Ethiopia's current developmental state has focused on strategically channelling diaspora contributions towards the economic development of the country (Chacko & Gebre, 2013).

Over the last decade, the declining legitimacy and increasing critique of neo-liberal policies have led more and more African governments to reintegrate themselves into state-led economic development strategies (Dadzie, 2012). Ethiopia is one country that has actively worked to establish itself as a developmental state, applying a similar state-led governance model and policies that resulted in the extraordinary economic growth achieved during the 1960s to early 1990s by Hong Kong, South Korea, Singapore, Malaysia, Taiwan, and Indonesia (i.e. the East Asian Miracle) (Yuen, Sudo, & Crone, 1992). As part of the state-led development planning, in 2010, the government of Ethiopia prepared and launched its *Growth and Transformation Plan* (GTP), a five-year strategic policy intended to guide the country's economic growth and transformation, and eventually lead the country to middle income status by 2020-2023 (Ministry of Finance and Economic Development, 2010). Recent macro-economic indicators reveal that Ethiopia appears to have gained significant GDP growth through its developmental state planning. From the years 2005 to 2012, Ethiopia reported an average annual GDP growth rate of around 11% (African Development Bank Group, 2013). However, since 2005 Ethiopia has also experienced high and fluctuating annual inflation rates. Annual inflation (GDP deflator) has been on average 15.1%, and has ranged from 1.4% in 2010 to 33.5% in 2012 (The World Bank, 2015). This has led to significant rises in food prices and continues to worsen income inequality in urban Ethiopia (Shimeles & Delelegn, 2013). In order to achieve broad-based economic growth however, the Ethiopian government has identified its diaspora as official development partners and has been actively working to engage them in the country's growth and transformation. Specific policies and documents outlined by the Ethiopian government (such as Proclamation No. 270-2002*, Basic Information for Ethiopian in the Diaspora,* Ministry of Foreign Affairs: *Diaspora Policy)* demonstrate that the Ethiopian diaspora is a priority group identified as a resource to propel the development of the country, particularly through the form of direst investment.

While much national and international attention has focused on how developing countries can and should engage their diaspora in development initiatives (Brinkerhoff, 2012; Ratha & Plaza, 2011; Agunias & Newland, 2012), there is very little in existing literature that critically examines how diaspora engagement, specifically through direct investments, affects locals in the homeland. This is especially true within the context of Ethiopia's developmental state that continues to promote incentives and policies to attract diaspora investment. There has not been a critical look into the complexities surrounding state-led institutional engagement of diaspora in Ethiopia's development, or research to provide evidence on the potential impact of the Ethiopian diaspora. To address this gap in literature, this research examines investment taking place in the emerging Bole sub-city of Addis Ababa, a microcosm of these diaspora-development relations that are occurring in Ethiopia. Located next to the Bole International Airport in Addis Ababa, the Bole sub-city, or 'Bole', as it is commonly known, has experienced rapid commercial transformation as a result of increased investments and infrastructure development in the area, and is a location where many Ethiopian diasporas are investing. As the Ethiopian diaspora continue to invest in the homeland, it is important that the local effects be examined before further recommendations can be made for increased state-led engagement of diasporas for development. For this paper in particular, it will be the effects on the local business environment that is analyzed. The following research objectives have guided my research:

1. To critically examine the role of Ethiopian diaspora contributions, through the form of direct investments, in Ethiopia's state-led development plan;

2. To uncover and interrogate the complexities surrounding institutionalized, state-led engagement of diaspora;

3. To explore, from a local perspective, the potential of the Ethiopian diaspora to contribute to the growth and transformation of the country.

Research Rationale and Significance

The increasing focus on diaspora populations as important contributors to development has significant impacts on both localized and international contexts. As diasporas increasingly become key and institutionalized players in the international development apparatus, the changes and shifts in the flow of money, resources, skills, and people will have significant and inevitable impacts that will extend into many transnational spheres (Levitt & Schiller, 2004). Host

5

countries where diasporas have immigrated are also affected by the complex nature of transnational linkages that diaspora groups create across host-and home country borders and will have to ensure local and foreign policy (for example trade, migration, and foreign aid policy) adequately respond to these new institutional relations. Furthermore, reliance on 'harnessing' and 'exploiting' diaspora as a resource for development has implications on the role of bilateral and international development agencies that currently guide international development funding, policies, and priorities. Western governments and financial institutions, including the World Bank (WB), International Monetary Fund (IMF), and major bilateral development agencies, have established numerous programs and events in order to institutionally support diaspora engagement in homeland development (e.g. WB's *Annual African Diaspora Trade Forum*; USAID's *International Diaspora Engagement Alliance*; IOM's *Migration for Development in Africa* programme). As seen through these initiatives, diaspora engagement in development has been shifting some of the focus of international development policy and practice, and as such, the extent and reach of significance of diaspora and development cannot be overlooked.

There remains, nonetheless, a shortage of critical analyses of the institutional mechanisms through which the diaspora contribute to the development of Ethiopia, and the local effects of these contributions and interactions. As portrayed through the poem in the opening of this chapter, there are thick complexities and tensions that emerge when considering local perspectives of diaspora and development. By including local voices into the conversations surrounding diaspora and development, this paper does not claim these voices and perspectives are unbiased or objective. Nor are these perspectives uniform or singular. Rather, by interviewing both local and diaspora business owners in Addis Ababa, the capital of Ethiopia, this research attempts to fill the identified gap by providing some local perspectives in order to contribute to a more holistic analysis of the diaspora-development nexus.

Statistics from the Ethiopian Investment Agency reveal that more than 90% of all diaspora investment has taken place in Addis Ababa (Chacko & Gebre, 2013). My research specifically analyzes small and medium sized businesses (SMEs) in the service sector of Bole, as this is a location in Addis Ababa where both local and diaspora businesses exist and interact. The definition for SMEs used for this research is a business with 10-100 employees, as set by

Ethiopia's Central Statistical Agency (Strobbe, 2015). There are obviously many other points of interaction between locals and diasporas in Ethiopia, however, due to the strong focus on diasporas and direct investment by Ethiopia's developmental state, this research uses diaspora investment in business as a case-study for analysis. By doing so, this research provides an analysis of the potential impact of Ethiopian diaspora contribution towards not only Ethiopia's economic growth, but also *transformation*.

The concept of *'transformation'* was not something that I intended to address when I began this research. I have been academically trained to think with the terms 'growth' and/or 'development'. However, as I began to analyze Ethiopia's major policy documents and conduct interviews with business owners, I realized 'transformation' was a term that was frequently used, and it quickly became evident that it was a concept that needed further exploration. Ethiopia's central Growth and Transformation Plan (GTP) outlines that the five year plan focuses on achieving accelerated and sustained economic growth, while improving citizens' living standards and developing their human potential. While the document does not explicitly define the term *transformation*, the GTP is clear about its objective to use "broad-based, accelerated, and sustained economic growth" as a means of eradicating poverty and achieving transformation for the country (Ministry of Finance and Economic Development, 2010). I draw upon the works of Sen (1999) and Evans (2010) who maintain that the 21st century developmental state must look beyond solely economic growth as a development indicator, but also to the transformation of capabilities and lives of those living within the state. Using this human capability focused definition as a basis for the concept of *'transformation',* this research attempts to inform the quality and types of diaspora and development initiatives undertaken in Ethiopia by analyzing their potential to contribute to the growth and *transformation* of the country. This exploration of the concept transformation was enhanced through the interdisciplinary approach that I apply to my research, combining multiple disciplines and mixed methodology in order to interrogate my research objectives and questions. In doing so, this research also hopes to shift the focus and discussion of diaspora development impact from being solely measured through macro-level economic growth indicators, and instead emphasizes the transformation of lives and human capability to achieve a desired quality of life.

Outlining the Thesis Paper

The following chapter is a literature review concerning the themes framing my paper, namely, the developmental state, diaspora, and the diaspora-development nexus. In providing an evaluation of the scholarly works, I highlight some of the gaps in existing literature. The literature will draw upon interdisciplinary perspectives and approaches that include African studies, migration studies, and economic development. Chapter Three will then provide a brief historical and political analysis of Ethiopia to examine the factors that have influenced the formation of the 'Ethiopian diaspora', and provide context for understanding Ethiopia's current diaspora engagement strategies. Chapter Four will review the methodology utilized to conduct the research for this paper. This chapter will also include a section on research limitations, as well as some reflections on my positionality in relation to this research.

The remaining chapters are comprised of analyses drawn from my main findings. The chapters will draw from interviews, document analysis, and quantitative data collected while conducting field research in Ethiopia between May and June of 2014. Chapter Five will focus on the disconnections and politics of diaspora engagement in Ethiopia. Chapter Six will analyze the challenges of conducting business within Ethiopia's business environment that hinder diaspora potential to contribute to the country's growth and transformation. Building upon the findings of the previous two empirical chapters, Chapter Seven addresses the following question: considering the politics and limitations regarding Ethiopian diaspora engagement in development, what, if any, are the potentials for diasporas, and particularly diaspora business owners, to contribute to the country's growth and transformation. I conclude in Chapter Eight by providing a summary of the findings, and recommendations for future policy, practice, and research regarding the major themes that emerged as a result of this research.

Researcher's Note

Although the scope of this paper does not allow me to fully address this, I must acknowledge that by analyzing this research from within Ethiopia's developmental state model, I am already bound to certain conventional ideas of what 'growth' and 'development' mean. This limits the space available to challenge these assumptions, and even the idea of what Ethiopia is 'transforming' towards. There are historic and deeply entrenched international politics that influence Ethiopia's

current political-economic condition and position relative to other countries that cannot be ignored.

Furthermore, in presenting some of the politics and challenges faced in Ethiopia, I do not want the reader to assume that these are problems solely in 'developing' contexts. For example, through my work with small and medium sized businesses in Canada, I have seen firsthand that many business owners face similar challenges to those found in the Ethiopian context (ex. red tape, access to finance).

I encourage the reader to keep a critical perspective that does not assume there is a uniform definition of 'development', or a singular path of achieving it.

<center>**Chapter 2: Literature Review**</center>

Introduction

Inherent to the interdisciplinary approach of this paper are various fields of study that are used as lenses for my research. This chapter reviews literature from these separate fields of study that engage with the original research objectives outlined by my thesis. Beginning with early developmental state literature, this review will briefly examine the 'East Asian Miracle' and its influence on the proliferation of developmental state governance in Africa, and in particular, Ethiopia. I will then review the literature in the field of diaspora studies to analyze the themes of dispersal and identity amongst various diaspora groups. This will be important to understand diasporas and their relationships to the homeland, both historically and in present times. While I look at these fields separately, there is a convergence that occurs when analyzing the policies and paths of attaining economic development and growth of developing countries. Each of the sections below represents different components of Ethiopia's developmental state and the inclusion of the Ethiopian diaspora in the plan to achieve growth and transformation. The chapter provides a review of the academic discussions and debates available, as well as the gaps in literature, as it pertains to my research.

The Developmental State

<u>The 'East Asian Miracle'</u>

Coined by Chalmers Johnson to characterize an interventionist state that pursues developmental goals, the term 'developmental state' gained most prominence after it was widely attributed to the success of the 'East Asian Miracle' during the 1960s to early 1990s (Leftwich, 1995). This 'miracle' refers to the rapid and sustained economic growth that Hong Kong, South Korea, Singapore, Malaysia, Taiwan, and Indonesia experienced while under the direction of developmental states (Yuen, Sudo, & Crone, 1992). While there are different elements that characterize the developmental state, the prevalent and reoccurring elements in literature include leadership pursuing development, state autonomy, efficient infrastructure, and state-led economic policies. Yuen, Sudo, & Crone (1992) examine the strategies that five East Asian developmental states implemented during the 'miracle' period and conclude that it was their developmental state orientation that led to their economic growth. One major element that these countries already possessed was a political culture that upheld the state as an autonomous

<center>10</center>

decision making unit. This meant that, unlike the dominant hands-off culture that dominated Western politics at the time, the East Asian states were able to lead the direction and management of their country's economic affairs. With an embedded state autonomy obtained through the subordination, or elimination, of opposing internal powers, a core political elite that coordinated and led economic development could be established (Leftwich, 1995). In accordance with the developmental state model, Yuen, Sudo, & Crone (1992) write that the economic successes of the East Asian miracle countries were a product of the state's control over the public sector combined with strong encouragement and management of the private sector activities. However, while many scholars accredit the success of the East Asian economies to state planning, advocates of free market economies maintain their own theories to disprove this concept.

In his article, Powell (2005) critically analyzes the popular theory that state-led developmental planning led to the period of the East Asian Miracle. Writing from a neo-liberal school of thought, Powell (2005) identifies a weakness in the developmental state model he refers to as the 'knowledge or calculation problem'. According to his critique, there is a flaw in the assumption that state planners can predict which industries should be stimulated in order to produce the greatest growth and development. He writes that this is because it is impossible to gain necessary knowledge about the market before market processes actually occur. In addition, Powell (2005) utilizes a common neo-liberal view of competition in the market to further justify his position. He argues that by favouring certain industries, developmental states hinder the market from naturally eliminating weaker industries and businesses, while promoting those that consumers have found beneficial. Many neoliberal proponents also point to the 1997 Asian economic crisis to show the weakness and abuse of politically favouring industries for self-gain (Yeung, 2000). They argue corruption had contaminated the Asian development states system that were far from neutral or apolitical in their selective industrial growth plans. While Powell (2005) spends much of his time arguing against the developmental state successes, he makes an abrupt conclusion that it was rather the condition of the free market at the time of East Asia's economic growth that was the driving force for success. The article's main emphasis is on discrediting the role of the developmental state; however, the author's major weakness is the

counterfactual argument that lacks evidence to support his conclusion in support of free-market driven economic growth.

In contrast, Mkandawire (2001) addresses the neoliberal challenge to the legitimacy of the developmental state's role in the East Asian miracle and attempts to discredit the notion of a superior market-driven economy. Mkandawire claims that it is unrealistic to expect a state to be a 'deified, omnipotent, omniscient' creature. Instead, he writes that in order to avoid near sighted and shallow analysis, the role of 'trial and error' in the success of the developmental state must not be neglected. When juxtaposed with Powell's (2005) argument above, it is evident that Mkandawire does not assert the state is able to always successfully foresee the best industries to promote and stimulate. Rather, Mkandawire recognizes the possibilities of unforeseen and exogenous factors that may deter, or in the East Asian case propel, a state's economic growth experience. He writes that this acknowledgement allows for the expansion of the definition of the developmental state to be one that is underpinned with an ideological focus on attempting to carry out policies and interventions to achieve growth and development (Mkandawire, 2001). As seen in Powell (2005), neoliberal ideology insists on devaluing the role of state intervention and warns against the inadequacies of the developmental state. Furthermore, its scholars have attempted to credit the East Asian miracle to the countries' reliance on market forces and free-market driven export policies (Mkandawire, 2001). However, Mkandawire (2001), along with what he calls 'revisionist' scholars, argue that the East Asian developmental states did indeed operate under *'dirigiste'* economies, where the state strongly influenced the direction of their economic system.

Chibber's (2003) historical-comparative case study of Korea and India argues that rather than generalizing the effectiveness or ineffectiveness of state intervention, it is more important to study the conditions under which a state can successfully implement its development strategies. Comparing the success of Korea's developmental state to what he calls India's 'failed' developmental state, Chibber (2003) attempts to demonstrate how state intervention can have differing effects depending on the type and quality of development strategy implemented. A key element of a successful developmental state that he outlines is the necessary collaboration between the state and the capitalist class of the country. Chibber (2003) argues that Korea's state

managers were able to successfully harness the business class and make a 'pact' with them to avoid resistance to state-planning. This means that there needs to be structures in place that promote the state's 'embeddedness' into the economy, where state managers establish routes of communication and linkages with market actors before firms are expected to come on board with the developmental agenda.   In India however, while businesses openly welcomed state intervention in the form of subsidies for their businesses, they organized a strong opposition towards state disciplinary planning (Chibber, 2003). The provision of protection and funding for certain industries in India created monopolies and oligopolies in those sectors and did not promote a competitive economy where capitalists would benefit from higher regulations and standards imposed by the state.   There became divergent ideas and desires between the state and capitalists groups that Chibber identifies as a main failure of the developmental state in India. While Chibber has focused on the context of Korea and India, the debates surrounding the developmental state are not limited to an Asian context, but are further enriched when examining its legitimacy and effects on growth and development in the context of African states.

Africa's Developmental States

Through a historical-comparative analysis, Dadzie (2012) demonstrates that Sub-Saharan African (SSA) states experienced the fastest rates of economic growth and development during the beginning of their post-colonial period, when the state played a central role in the planning and direction of its nation. Rooted in a heterodox economic viewpoint, Dadzie (2012) analyzes the evolution of state involvement in development planning. He reveals that historically, the state did indeed play a significant role in the development of states in Europe and East Asia. This reality is also echoed by the economist Chang (2003) who conducted a historical analysis of the West's protectionist policies and state interventions that helped develop their economy before adopting a free-market ideology.   However, Dadzie (2012) describes the way in which neoliberal initiatives, and namely structural adjustment programs of the 1980s and 1990s, called for markets, rather than 'weak' and 'corrupt' SSA states, to lead economies. In the end, these new neoliberal policy recommendations failed to produce sustained economic growth and development, and had damaging effects in many SSA countries (Dadzie, 2012).

In the aftermath of the failures of neo-liberal prescriptions, the evidence in literature identifies that many African states have been increasingly abandoning market liberalization strategies and returning to a developmental state approach. Countries in SSA that are led by autonomous, developmental oriented states have experienced significant economic growth during the last decade (Shaw, 2012). However, scholars continue to debate the legitimacy of attributing growth in SSA to a developmental state leadership. For example, while Botswana has experienced significant economic growth since gaining independence, Hillbom (2012) argues this development should not, as is commonly done, be understood through a developmental state theory. After analyzing the case of Botswana, she concludes the state cannot be defined as a developmental state because of their continued natural resource dependency and flawed industrialization strategies. In a direct response to Hillbom (2012), Taylor (2012) contests the accuracy of Hillbom's characterization of Botswana, arguing it is the successful utilization and management of natural resources that legitimizes the state as a developmental state. Furthermore, similar to the case of Korea outlined by Chibber (2003), Taylor (2012) writes that the state was able to engage the capitalist elite making it a 'typical' developmental state situation where the state is able to strategically align capitalists with its developmental agenda.

However, a major point that cannot be ignored in the debates around the developmental state is the way in which a state's development success has been dominantly measured through its economic growth. Neoliberal ideology now appears so ingrained in development policy that measuring development through economic growth has become common logic (Marangos, 2009; Harrison, 2010). Writing on the recent developmental state experiences of South Africa and Ghana, Ayee (2013) cautions that in order to achieve a sustained developmental approach, there needs to be further strengthening of public service provision and delivery, as well as development-oriented leaders that are bound by an economic and social transformation commitment (Ayee, 2013). It is clear that many countries in SSA have undoubtedly been experiencing rapid economic growth. Over the last five years Ghana, Botswana, and Mozambique have averaged GDP growth rates of 9.9%, 6.2%, 7.3% respectively (The World Bank, 2015). However, how and if this economic growth has led to broader development and transformation in the lives of Africans is still a contested reality.

Evans (2008) argues that if African states are to construct a 21st century developmental state, they must leave behind the development theory and policy that is fixated on capital accumulation. A successful African developmental state will not be one that tries to imitate the models of the East Asian developmental, but rather one that focuses on a more holistic developmental agenda. According to Evans (2008), the new growth theory proposes that "growth of GDP per capita is not an end in itself, but a proxy for improvement in human well-being". He writes on the need to focus on a capability-enhancing state to bring about sustained growth. This would require an expansion of policy orientation beyond an industrial policy focus and a shift towards the transformation of institutions in order to have greater emphasis on education, health care, and the production of knowledge and skills (2008). Ansu and Tan (2011) also write on the crucial need for a developmental state strategy that focuses on skills development to achieve economic transformation. They write that this is a pragmatic issue for states in SSA to address as skills constraints present a major hindrance to the implementation and achievement of the state's development agenda. In order for this type of capability transformation to take place, Evans (2008) stresses not only state-business relations, but the critical importance of state-society ties. However, the possibility of this type of developmental state that aims to engage society in its plan brings about quite complex and challenging debates on the governance structure of the 'democratic developmental' state in Africa. Although the dominant narrative around developmental states supports the theory that they must be led by an authoritarian regime, many scholars are challenging the reality of this conception for the new developmental state (Dadzie, 2012; Mkandawire, 2010; Kim, 2010; Nega, 2011). These scholars argue the limitations of the typical South Korean-type authoritarian regime and the potential of 21st century African democratic-developmental states to achieve not only economic growth, but also social and political transformation.

While Sub-Saharan countries such as Botswana and South Africa have been at the forefront of these developmental state debates, Ethiopia is country that has emerged as a developmental state that has not gained adequate attention or examination in the new developmental state literature. A self-proclaimed 'democratic developmental state', over the last decade Ethiopia has averaged a 10.9% GDP growth rate and in 2012 was the twelfth fastest growing economy in the world (African Development Bank, 2014). With its recent significant growth, the analysis of the case of

Ethiopia's democratic developmental state will enrich the theoretical and pragmatic discussions around the 21st century developmental state.

<u>Developmental State of Ethiopia</u>

Ethiopia is one of the countries in Africa that has been intentional in establishing itself as a developmental state. Under the leadership of the late Prime Minister Meles Zenawi of the Ethiopian People's Revolutionary Democratic Front (EPRDF) political party, Ethiopia embarked upon a democratic developmental state trajectory that focuses on economic growth and transformation. While Zenawi passed away suddenly in 2012, Ethiopia continues to follow in the developmental state model that he had established. In 2010, Ethiopia launched its five year Growth and Transformation Plan (GTP) that seeks to develop Ethiopia into a middle income country by 2020-2023 (Desta, 2012). Zenawi contributed his views and perspectives on the issue of economic development in a chapter of a book co-edited by prominent economist Joseph Stiglitz. Zenawi's (2012) chapter critiques neoliberal prescriptions for development and their ability to guide or accelerate economic growth. When reading his work, it becomes evident that Zenawi was writing from a very pro-developmental state and anti- neoliberal ideology. Zenawi (2012) writes that due to pervasive market failures and neoliberal processes, developing countries such as Ethiopia have suffered from deeply entrenched poverty traps that the market cannot adequately address. In his chapter, Zenawi explains that economic theory demonstrates persistent poverty traps can only be overcome by the political action and intervention of a state. Furthermore, the state should possess a single minded pursuit of accelerated development. The late prime-minister goes on to write that development is a political process, followed by a socio-economic process. In this regard, Zenawi believed the state of Ethiopia should be led autonomous from the private sector in order to effectively implement developmental policies without succumbing to nearsighted interests (Zenawi, 2012). However, as will be discussed below, this separation from the private sector and strict autonomous decision making has been identified by developmental state theorists as a weakness of the Ethiopian state.

Economic development scholar Desta (2012) utilizes a comparative methodology to provide his analysis on the strengths and weaknesses of Ethiopia's developmental state. Comparing Ethiopia's recent economic growth to that of the success of the East Asian state Malaysia, Desta

(2012) writes that it is undeniable Ethiopia has recently achieved exceptional economic growth. According to Desta, it can be concluded that Ethiopia's developmental state has indeed played a significant role in advancing the quantitative economic growth of country. However, a major issue Desta (2012) identifies in Ethiopia's developmental state model is the lack of transformation or change that is occurring amongst those with low incomes. Mkandawire (2001) writes that while the first generation of African post-colonial leaders were much more occupied with the political and social aspects of nation building, recent African developmental states are focused on the economics of nation building.

Furthermore, Zenawi's (2012) chapter advocates for the importance of achieving national consensus on the state's developmental agenda, regardless of the views of the private sector or other competing agendas. Zenawi justifies this strategy with the need for the state to discipline and reward the private sector to promote desired behaviour based on the state's development agenda. After examining a number of empirical studies, Sen & te Velde (2012) conclude that effective state-business relations have had a positive impact on economic growth in SSA. Through the establishment of formalized institutional relations, the state and private sector can participate in transparent dialogue in the process of policy formulation and information dissemination. Space within Ethiopia's democratic developmental state for effective state-business relations would also successfully propel its development agenda and have a stronger long-term impact on economic growth (Sen & Velde, 2012).

Ethiopia's developmental state autonomy has also ignored the demands made on it by its citizens and special interest groups, although such engagement is considered a necessary component of sustained development and growth (Desta, 2012). The lack of citizen participation and dialogue with citizens challenges the legitimacy of the state's organization as a *democratic* developmental state. In an analysis of the state's electoral process, Gudina (2011) writes that the country has kept its promise to hold state elections after coming into power. However, the author writes that the country has in reality become a one-party state due to its historically inherited authoritarian political culture. The state's challenge as a democratic developmental state will be its ability to effectively pursue political and social transformation alongside its economic growth agenda. While the state has remained dominantly centralized and authoritative in its planning and

implementation process, one group that the Ethiopian government has been strategically engaging to achieve its development goals is its diaspora population.

Diaspora Studies

<u>Diaspora Defined</u>

The concept of 'diaspora' has evolved and been redefined over time as migration patterns continue to shift due to global forces such as war, famine, colonialism, and globalization. Historically, the term diaspora comes from the Greek words 'sperio', meaning to sow, and 'dia', meaning over (Cohen, 1997). Its first use in literature dominantly referred to the dispersed Jewish diaspora, while early Armenian and Greek diaspora also became part of the 'classical' diaspora group (Brubaker, 2005). As the original 'diaspora' group, the concept 'diaspora' continued to be formed and influenced by the characteristics of the Jewish diaspora. The Jewish experiences of traumatic and forced dispersal became the comparative component to identifying and categorizing other diaspora groups. Over time however, continued changes in global conditions led to the increased dispersal of peoples, and especially from the 1980s and onwards, to the rethinking of the term 'diaspora' (Cohen, 1997). With the emergence of increased flows of migration across borders, a concern arose for the erosion of the concept of diaspora in academia.

In his greatly influential piece on the study of transnational and diaspora studies, Safran (1991) argues that 'diaspora' became undifferentiated from many groups of people and terms including immigrants, expatriates, and refugees. The definition of diaspora needed to be laid out clearly to avoid the broad use and ineffective application of 'diaspora' in migration studies. Using the dispersal from the homeland into a foreign region as a starting point, Safran (1991) connects the term diaspora to migrants with: a collective memory of an ancestral homeland that is the ideal home to eventually return to; the belief they are not fully accepted into their host society; a commitment to the maintenance or restoration of the homeland's prosperity; and, ethno-communal solidarity through a continued relationship to the homeland. Although modified over time, these characteristics that Safran outlined in 1991 have continued to be important references for diaspora classification through the years. The application of these characteristics extended 'diaspora' beyond just the Jewish diaspora and provided space to include newer diaspora groups.

Nevertheless, while instrumental in the proliferation of diaspora studies, the establishment of Safran's characteristics of 'diaspora' continued to remain within the framework and comparison of the Jewish experience.

Cohen (1997) demonstrates that the original idea of diaspora connected to the Jewish experience was too narrow to provide adequate space for academia to engage with the diversity of other emerging diaspora groups. Chambers (1994) also acknowledges the complexity of diaspora groups that challenges conventional migration studies. He writes that diasporic histories "interrogate and undermine any simple or uncomplicated sense of origins, traditions and linear movement" (Chambers, 1994, pp. 16-17). The dynamic movements of the diaspora have challenged the classic notion of diaspora and created diverse and new spaces for the study of diaspora and transnational studies.

However, Tölölyan (1996) critically examines the rising trend to rename all migratory groups as diaspora. He concludes that while the use of diaspora should not be restricted to its traditional application to a small selection of ethnic groups, it is also not useful to loosely rename all groups of people living outside the homeland as 'diaspora'. Building upon this analysis, Brubaker (2005) cautions on the dispersion of the meaning of diaspora, or the 'diaspora' diaspora, as its use has been overextended to accommodate for these new groups in academic and mainstream discussions. While he agrees with the literature of previous scholars that the Jewish experience should not be privileged as the benchmark, he argues that the term 'diaspora' loses its usefulness if it is applied to every migratory group. In order to bring back some conceptual and practical structure when engaging in discussions of these contemporary diaspora groups, Brubaker (2005) reaffirms three main criterion that characterize diasporas: dispersion, homeland orientation, and boundary maintenance "involving the preservation of a distinctive identity vis-a`-vis a host society". While it may seem redundant to continuously re-examine and challenge the evolution of the term 'diaspora', this process is imperative for building towards greater depth in understanding and analysis as new diaspora groups emerge and interact with wider global issues.

African Diaspora

The term diaspora has been one of much complexity and extended theoretical conversation, and even more so when examining literature and scholarly debate around the questions of who are the 'African diaspora', and what it means to be part of this group. Much of the earlier writings on the African diaspora were based on the experiences of the trans-Atlantic slave trade. As 'victim diaspora' of the slave trade, 'black diaspora' or 'African diaspora', became expressions widely used after the 1950s and 1960s (Cohen, 1997). In the couple of decades to follow, this diaspora group began to look towards their homeland in search of their roots and identity. This was also a time when many African colonies were gaining political freedom and a Pan-African identity was arising (Edwards, 2001). However, it would be problematic to generalize that this pan-African yearning and a sense of 'African' identity was shared by all. While the term 'African Diaspora' provided a theoretical framework to discuss the formation of a diasporic identity of those forcefully displaced by the slave trade, Patterson & Kelley (2000) write that scholars must move beyond this singular story of displacement when conceptualizing Africa and its diaspora. Zeleza (2010) also challenges this dominant Afro-Atlantic diaspora narrative in order to make way for new frameworks for understanding African diaspora. He argues that scholars need to de-Atlanticize and de-Americanize the histories of African diaspora. As scholarship around African diaspora has grown over the years, the complexity of these groups has been increasingly explored.

As Sheffer (2003) writes, even among the African diaspora considered to be dispersed by and during the Atlantic slave trade, some do possess a yearning and orientation towards Africa, while others do not identify with Africa as their homeland. Furthermore, Sheffer (2003) includes in his writing a 'modern' diaspora category that encompasses more recent Africans who have left their country of origin and maintain ties to the homeland. These newer African diaspora populations have caused for further exploration and examination of the term diaspora. With the emergence of multiple African diaspora groups, Cohen's (1997) categorization of African diaspora as 'victim diaspora' can no longer be universalized to describe the African diaspora. These new African diaspora groups, such as the Nigerian diaspora, Ghanaian diaspora, and Ethiopian diaspora to name a few, comprise migrants that look to an identifiable nation-state as the 'homeland' and a source of collective memory and diasporic identity. No longer confined to a

uniform 'African diaspora' narrative, these new diaspora groups have been dispersed due to various push and pull factors including economic globalization, political instability, and international educational opportunities (Gordon, 1998). While new African diaspora groups may not neatly fit into the original Jewish exile diaspora experience, their classification as diaspora based on Brubaker's (2005) 'maintenance of homeland orientation' and Safran's (1991) 'commitment to the maintenance or restoration of the homeland's prosperity' still remain. Furthermore, these African diaspora groups have emerged in a more globalized world, allowing for the establishment of transnational ties between host and home countries and the realization of their longing and desires for homeland prosperity. These theoretical discussions on contemporary diaspora groups provide a framework to understand and examine the proliferation of diaspora and development relations in recent years.

The Diaspora and Development Nexus

International Diaspora and Development Context

The academic study of diaspora and their contribution towards the development of their 'developing country' homelands has received increased attention in recent years. Diaspora populations have been migrating to countries in Europe and North America for many years and have contributed their time and money towards the development of their country of origin (Gillespie, Riddle, Sayre, & Sturges, 1999). The interactions and relationships migrants establish across borders have been thoroughly discussed and examined in the field of transnational studies. Migrants maintain transnational economic, social, political, cultural and religious ties through their simultaneous 'embeddedness' in more than one society (Levitt & Schiller, 2004). This understanding of migrants simultaneously being part of multiple spaces enriches the study of diaspora as it provides conceptual space to analyze the tangible (as in monetary remittances) and intangible (as in the transfer of ideas and knowledge) interactions that diaspora participate in across borders. As a result of their homeland orientation, diaspora have been motivated to engage in the political, social and economic 'development' of their homeland while settled in a new location (Brinkerhoff, 2012). This in turn becomes an expression of their collective identity and sense of longing and/or responsibility to 'home'. In recent years, there has been a growing amount of literature across different fields of study focused on the nexus between diaspora and their relations with the development of their homelands, especially when

discussing solutions for 'developing countries'. One subject that has garnered much interest in relation to development studies is transnational remittance flows from diaspora groups to their developing countries of origin.

The World Bank estimated that in 2014 alone, developing countries would receive $435 billion USD in remittances, with this figure expected to grow to $454 billion USD in 2015 (Ratha, et al., 2014). The figure was projected to reach $540 billion by 2016 (The World Bank, 2013). Many developing country states have recognized this significant flow of money into the country and have strategically begun to acknowledge their diasporas as important development actors. Naujoks (2013) writes that in India, the reality of the large amounts of diaspora remittances into the country has caused a shift in perspective amongst political actors to view this phenomenon as a positive opportunity for the country's development. Once received by family and friends in the homeland, remittances are not only used for daily needs and consumption, but also increasingly for investment in small-scale businesses, establishment of educational facilities, and local development initiatives (Merz, Chen, & Geithner, 2007). Remittances are believed to be beneficial in the contributions towards household incomes and a potential to enhance the economic growth of the homeland. However, the issue of remittances can be more complex and problematic than this suggests.

Bracking (2003) uses the case study of Zimbabwe to uncover that remittances do not have a uniform effect on all in the homeland. Remittances are often sent to the families of migrants who are usually concentrated within a specific class or social hierarchy (Bracking, 2003). Although the economy as a whole may benefit from the remittances, it can also intensify levels of inequality by providing benefits mainly to those who have families abroad. However in keeping with her assertion that remittances create a complex set of relations in the homeland, Bracking (2003) does admit that due to migration and remittances, there is a potential for vulnerable groups to benefit from economic development that they might not have had the chance to do otherwise. Remittances have not been the only form of diaspora engagement in homeland development. Over twenty years ago, Safran (1991) wrote that while diasporas expressed their homeland orientation through remittances, diasporic return to homeland was just a utopian ideal that would not be welcomed by homelands. An examination of more recent literature however reveals that recent global diaspora trends have proven otherwise.

'Brain drain' is a term to describe the mass flight of skilled and professional migrants from less developed countries to Western countries (Mercer, Page, & Evans, 2008). For many years this 'brain drain' has been seen as a detrimental aspect of global migration. However, globalization and increased transnational ties have opened opportunities for developing countries to leverage their diaspora's increased financial capacities, education, and professional experience gained while in the host country (Boon & Ahenkan, 2012). 'Brain gain' initiatives, which offer diasporas opportunities to return and contribute their time and knowledge, have proliferated as a response the 'brain drain' concern. Prior to the state-led institutionalization of many diaspora engagement strategies, diaspora groups were already forming associations and mobilizing themselves to contribute to development of their homeland. Sives (2012) writes that in the case of the Jamaican diaspora, it was not until recently that the Jamaican government recognized their potential and began to build formal relations with their diaspora community. However, Jamaican diasporas have for decades been organizing themselves to send back health professionals, school volunteers, and other professionals to local communities in Jamaica. Often, it is first the informal linkages motivated by diaspora-maintained collective orientation towards the homeland that have led to the formal state-diaspora structures we see today (Larner, 2007). As the conversations have now developed further to diaspora 'brain circulation' amongst transnational studies (Patterson, 2007; Saxenian, 2005; Tung, 2008), states are not only looking to the brain drain vs. brain gain debate, but are capitalizing on the circulatory capacity of their diaspora contributions across borders. This includes more of a focus on human capital and capacity development of locals through the skills and expertise of diaspora populations (Wei & Balasubramanyam, 2006; Mullings, 2011; Lin, 2010). Nevertheless, as homeland states increasingly formalize channels of diaspora engagement, a salient target both for state and international organizations has been diaspora engagement in economic development. Many governments have focused on strategically leveraging the increased financial capital of their diaspora through the active encouragement of direct investment into businesses and infrastructure in the name of homeland 'development'.

Ratha & Plaza (2011) outline the potential benefits of diaspora investment flows that should be 'exploited' by homeland countries. From an economic perspective, the authors write that

diaspora members who engage in homeland economic development through the flow of investments can contribute to the diversification of businesses in the local market and assist in the establishment of international business linkages through information they possess (Ratha & Plaza, 2011). Boly et al. (2014) have also conducted a study regarding the effect of diaspora investments in select sub-Saharan African countries. Their findings indicate that diaspora firms have a higher probability of exporting, have better access to international trade information, and are overall more productive than domestic firms (Boly et al., 2014). They cite these results as evidence that diaspora investments are crucial to homeland development. Looking at another geographic region, Balasubramanyam (2005) analyzes the foreign direct investments of the Chinese and Indian diaspora that have contributed significantly to the economic development of their homeland. He argues that compared to non-diaspora investment, the social rate of return to a unit of diaspora investment is higher. In his conclusion, Balasubramanyam (2005) suggests that one reason for this finding is that diasporas are influenced not only by profit but also altruism and ethnic ties. This is a problematic, normative assumption made in literature, considering motivations for diaspora investments are as complex as the differences in language, ethnic sub-group, political affiliation etc. within a diaspora group (Smart & Hsu, 2004). For example, those within the same diaspora group could have been dispersed for different reasons, have affiliation to specific ethnic groups, or maintain varied degrees of social connections in the homeland.

Furthermore, while some countries may have had success with their diaspora investment strategies, these have mainly been concentrated within specific success stories. Providing a critical analysis to the 'diaspora option', Pellerin & Mullings (2013) write that evidence of diaspora contributions to homeland economic growth are largely drawn from the successes of China and India, and in fact has little systemic or context-specific evidence for success elsewhere. However, even in the Indian region of Punjab, economic engagement of Punjabi diaspora has not been as successful as was expected. Writing on the 'Punjab paradox', Thandi (2014) interrogates the disconnection between Punjabi diaspora potential and actual economic investment in the homeland. While Punjabi diaspora have settled in various host countries and are a relatively wealthy diaspora group, Thandi (2014) outlines factors including the lack of large pool of skilled migrants, heterogeneity of Punjabi diaspora, and politicized nature of state-led

diaspora engagement as reasons for the failure to successfully leverage diaspora for development. While varied factors may influence the success of diaspora involvement in homeland development, governments continue to institutionally attract and engage diaspora to harness their potential. This has especially become the case in African countries, such as Ethiopia, that have experienced the failure of World Bank and IMF prescribed growth-oriented policies of the 1980s and see the potential of trying the 'Diaspora option' (Pellerin & Mullings, 2013). As can be seen in the case of Ethiopia, diasporas have been embraced as the new key partners in successfully achieving state-led developmental goals.

Ethiopian Diaspora and Development Context

With the establishment of the Ethiopian People's Revolutionary Democratic Front (EPRDF) government in 1991, its development agenda for accelerated growth has become a major target. A World Bank report estimates that in 2010, Ethiopian diaspora remitted about $387 million back to the homeland (Ratha, Mohapatra, & Silwal, 2011). By 2012 this figure had reached about $624 million, and made up 1.4% of Ethiopia's GDP (The World Bank, 2014). It is estimated that on average, remittances made up almost 5% of GDP in low- and lower-middle-income countries in 2013 (The World Bank, 2015). The potential and diasporic motivation of these large flows of remittances has been identified by the Ethiopian government as a tool to achieve its development goals. Ragazzi (2014) recently undertook a comparative analysis study of diaspora policies of thirty-five states. His analysis found that as a 'global-nation state', Ethiopia is part of a cluster of states that provides the widest range of diaspora policy features and rights for its diaspora population. However, Ragazzi (2014) also discovered the complex, and at times conflicting, conceptions towards diaspora and citizenship amongst diaspora policies. While the global-nation states are those who seem to have the most diaspora oriented policies, countries like Ethiopia that are found within that cluster also possess exclusionary and restrictive attitudes towards non-residents and non-citizens.

This politically complex reality is revealed through Ethiopia's Proclamation No. 270-2002 which "...provides foreign nationals of Ethiopian origin with certain rights to be exercised in their country of origin" (Federal Negarit Gazeta, 2002). The proclamation outlines the rights given to those who possess an Ethiopian Origin ID Card, including the right to enter the country without a

visa, to invest in Ethiopia as a domestic investor, and to work in the country without a work permit, excluding work in any government office or political establishment (Federal Negarit Gazeta, 2002). In other diaspora-oriented countries such as Mexico, these diaspora privileges have extended into political realms, with policies that encourage dual citizenship and allow for diasporas to vote for state officials in Mexico (Levitt & Dehesa, 2003). However, this is not the case for the Ethiopian Origin Card bearer, as Proclamation No. 270-2002 explicitly outlines the exclusion of any 'citizenship' rights. This can be seen as a strategic decision of the current Ethiopian government to hinder political involvement of Ethiopian diaspora that were violently displaced at the rise of the current government regime and desire to see political change in the country. The concern of the Ethiopian government was confirmed during the 2005 Ethiopian elections, when conflict arose between the current Ethiopian government and the opposition parties, mainly funded and supported by the Ethiopian diaspora abroad (Lyons, 2009). In Ethiopia's new *Diaspora Policy*, one of its major outlined goals is to provide Ethiopian diaspora with the right to participate in elections and Ethiopia's democratic process. Based on Ethiopia's political history and current trends however, there is no evidence that suggests this goal will be achieved in the near future. Pellerin and Mullings (2013) argue that underlying many diaspora policies are states' selective and market driven orientation to achieve their development goals. This can be observed in the Ethiopian context where much of the current evidence for the states focus on diaspora and development is seen through its salient policies and practices focusing on economic development through direct investments.

Ethiopia's Ministry of Foreign Affairs published a document in 2011 entitled *Basic Information for Ethiopian in the Diaspora* that compiles procedures and incentives for Ethiopian diaspora to invest in homeland development (Directorate, 2011). Incentives for diaspora investors include the ability to open foreign currency bank accounts, import into Ethiopia duty free, and open up small scale investment ventures that were previously protected for local Ethiopians (Chacko & Gebre, 2013). However, these favourable opportunities provided to the diaspora in the name of 'economic development' create new spaces for inequality to emerge. Chacko & Gebre (2013) have conducted one of the very few academic studies on Ethiopia's engagement of diasporas for development. In their article, they caution that while economic growth and development is evident in Ethiopia, the benefits of this growth have not been equitability distributed. Much of

the investment and growth in Ethiopia has taken place in the capital city, where 90% of diaspora investment has gone (Chacko & Gebre, 2013). Furthermore, the incentive structure of Ethiopia's developmental state has favoured investment by diaspora in certain sectors such as construction and real estate development that mainly take place in the capital city. Chacko & Gebre (2013), caution that while economic progress is being achieved in Ethiopia, their study of diaspora investment trends reveals that policies and incentives in place do not guarantee equitable distribution of the benefits of growth across space, sectors, and different class members in Ethiopia.

The current Ethiopian government has made great efforts to leverage diaspora investments without allowing for their involvement in politics, human rights, or democracy. As was noted in a UNDP report on democratization in Ethiopia's developmental state, the government's GTP explicitly outlines democracy and social justice a pillars in its developmental plan to achieve middle-income status (UNDP Ethiopia, 2012). However, Human Rights Watch (2010) reported that the government continues to heavily punish any opposition or dissent in the country. While the Ethiopian developmental state is attempting to achieve its economic development goals through actively drawing upon its diasporas, the government also prohibits any contributions that have the potential, in their view, to threaten local politics and power dynamics. As diaspora investors continue to invest in larger scale, long term projects, their effect on local policies increase (Moss, 2011). It will be important for the Ethiopian government to consider how this struggle to maintain power and authority may be limiting the potential gains to be made from the involvement of the diaspora in the state's developmental agenda. In its GTP, the Ethiopian developmental state has outlined its goals for the growth and transformation of the country. Through its policy and institutional focus, the state has made it evident that its diaspora will be included in the achievement of this plan. However, there is a gap in literature when it comes to the analysis of policies in the Ethiopian context and an exploration into the potentials and limitations they present for diaspora contributions within Ethiopia's developmental state. This paper attempts to critically examine these issues in order to provide a contextual analysis of the role of diaspora in homeland development.

Chapter 3: Historical and Political Context of Ethiopia and its Diaspora

Introduction

Understanding Ethiopia's recent developmental state intent, and the role it deems appropriate and relevant for the diaspora to play in it, requires some historical context of the relationship between previous regimes and migrants from Ethiopia. While Ethiopia's current developmental state government is seen to be actively engaging its diaspora in homeland development, this has not always been the case. This chapter will provide a brief examination of Ethiopia's political history in order to contextualize Ethiopian emigration and diaspora formation. In addition, this historical examination will allow for an investigation into the factors that have shaped Ethiopian diaspora identity and their homeland orientation. This chapter will look into the ways in which Ethiopian diaspora have mobilized and established their diasporic identity in their host countries of Canada and the United States, two of the primary sources of Ethiopian diaspora that engage in homeland development. Understanding diaspora identity and mobilization is crucial to understanding the motivations that underpin government policies in place to attract and leverage their diaspora for homeland development Furthermore, I will analyze Ethiopia's more recent socio-political context and transition into a developmental state that has given rise to diaspora-focused policies and programs. Through this analysis, I will provide a contextual understanding, as well as space for further exploration, of the potential role of diasporas in contributing to homeland development.

Major Waves of Ethiopian Migration

Migration to the United States of America

Since the reign of Emperor Menelik II in the early 1900s, various Western states have established diplomatic relations with Ethiopia, including the United States of America. After the Ethiopian defeat of the colonial Italians at the turn of the 20th century, the U.S. recognized Ethiopia's independence and sent diplomatic and trade missions to the country (Getahun, 2007). During this initial period of formal relations, the U.S. was gaining prominence as a global power. Sending a mission to Ethiopia at this time would have also been strategic for increasing access to international commercial markets. However, it was not until the reign of Emperor Haile Selassie beginning in 1930 that an emphasis was placed on Ethiopian foreign diplomacy. Emperor Haile

Selassie wrote in his autobiography of his active work to encourage foreign civilizations to enter the country (Selassie, 1976). Another major focus of Emperor Selassie during his reign was increasing the quality of education for Ethiopians. From 1930 to 1974, high achieving Ethiopian students were sent abroad each year to study in Europe and North America (Henze, 2000). Historically, Ethiopia primarily maintained foreign relations with European nations, such as Britain and France. This was reflected in the fact that most of the students sent abroad to study went to these countries (Getahun, 2007). However, after the weakening of European states and increasing foreign relations with United States, by the 1960s and 1970s the majority of students sent by the Ethiopian government to study abroad went to the United States. Furthermore, the increase of Ethiopians accepted into the United States was also influenced by the change in immigration policies in the latter. United States' pre-1960s immigration policy limited immigration and predominantly accepted migrants from North and Western Europe; however, in 1965 President Johnson ended the National Origin quota policy that was in place since 1920s (Getahun, 2007).

While these students became the first group of immigrants to the United States, their numbers were not very high. However the number of Ethiopian student immigrants to America increased steadily each year until it reached its peak of more than 1,000 students admitted into the United States by 1973 (Markakis, 1974). By the 1970s, the population of Ethiopians in America comprised mainly of students and government officials. These immigrants were dominantly from families that were connected to the Ethiopian ruling, affluent class and with kinship ties from the Shoa region where access to modern education and recruitment opportunities were more available (Getahun, 2007). However, the 1974 Revolution in Ethiopia brought about a new wave of immigration that comprised of larger and more diverse groups of people.

In 1974 the Derg regime, led by Mengistu Haile Mariam, overthrew Emperor Haile Selassie's reign and brought an end to Ethiopia's historic monarchial rule. During Mengistu's reign, Ethiopia experienced a period of violent military rule and severe human rights violations (Aneme, 2006). The violent dictatorship between 1974 and 1987 was exacerbated by a devastating famine in the mid-1980s and political struggles over neighbouring regions. These push factors created a surge in the number of Ethiopians fleeing from the country in search of

safety and security. It is estimated that between 1977 and 1982, the number of Ethiopian refugees jumped drastically from 91,000 people to 1,081,500 people (Bariagaber, 1997). Many Ethiopians fled to neighboring countries such as Sudan, Kenya, and Djibouti to take refuge while the students studying abroad in the U.S. who heard about the violence remained in the host country. For the first time, Ethiopian migrants were fleeing their country with the intention of permanent relocation, a notion looked down upon by previous Ethiopian immigrants who had viewed migration as a temporary passage until their return home (Koehn, 1991). This large flow of refugees fleeing Ethiopia began to enter the United States, leading to a much more diverse population of Ethiopians than the previous wave of migrants. During this period, immigrants comprised of people with diverse social, economic and educational backgrounds, and for the first time included many of the urban and rural poor (Getahun, 2007). Since this period of increased Ethiopian immigration into the Unites States, the flow of migrants have continued to increase.

A recent report published by Migration Policy Institute (MPI) (2014) reported that 60% of Ethiopian immigrants to the United States arrived during or after 2000. Furthermore, reasons for Ethiopian immigration are no longer dominated by political dispersal and asylum. Many recent Ethiopian immigrants gained legal permanent residence through the Diversity Visa and family reunification programs (Migration Policy Institute, 2014). This variety of Ethiopian immigrants to the U.S. speaks to the differentiated set of relations and connections diasporas maintain with their homeland. In addition, in contrast to the earlier Ethiopian diaspora groups, the more recent Ethiopian diaspora would possess more of a diverse set of skills, education levels, jobs, etc. According to MPI's report, there are around 255,000 Ethiopian immigrants and their children living in the United States. The largest population of Ethiopian immigrants, 35,000, live in Washington, DC; however this official number is considerably lower than other estimates of up to about 200,000 Ethiopians living in the DC area alone (Showalter, 2010; Lee, 2011). Ethiopian immigrants are mainly found to settle in major urban areas such as Washington D.C., Los Angeles, and Dallas. The concentration of large numbers of Ethiopians in metropolitan areas provides the concentration and scale of organization and wealth that can serve as a source of political mobilization in the diaspora. In addition, as will be examined further below, the concentration of settlement has enabled modes of diasporic identity maintenance that are important to understand when analyzing motivations for diaspora investments in the homeland.

<u>Migration to Canada</u>

Ethiopia's history of migration to Canada is recent relative to other older diasporic communities that have been dispersed around the world. When the Derg military regime established an absolute leadership in Ethiopia, Ethiopians found themselves in the midst of a repressive dictatorship. In February 1977 the Mengistu regime launched the infamous and brutal Red Terror massacres against all who opposed Mengistu, causing many Ethiopians to flee the country in search of safety (Getahun, 2007). Among those who were fleeing Ethiopia were the first wave of migrants that became refugees in Canada. Similar to the U.S., prior to the 1970s Canada had blatant discriminatory immigration policies that gave preference to accepting immigrants from United Kingdom, United States, France, and some Commonwealth countries (Green & Green, 1995). However, the 1970s brought about changes to Canada's immigration policy that were favourable to the mass migrants fleeing Ethiopia at the time. Canada's Immigration Act of 1976 recognized new classes of immigrants and opened Canadian borders to the first groups of refugees from Ethiopia (Naidoo, 2015). Many of the refugees accepted had first taken refuge in African countries such Sudan and Djibouti, and in European countries such as Italy and Greece. Ethiopians began to enter Canada after being selected as refugees while overseas, or after claiming asylum in Canada. However, it was not until the second major wave of refugees from Ethiopia in the late 1980s to early 1990s that Canada started to accept larger numbers of Ethiopian refugees. Between 1987 and 1991, the Derg's collapse led to the rise of a new political power, the Ethiopian People's Revolutionary Democratic Front (EPRDF), creating a new group of refugees that fled the country during this period of a scramble for power (Lyons, 1996). Many of the migrants from this period comprised of exiles that were supporters of, or had connections to, the overthrown Derg regime. Between the years of 1983-1992, the total number of Ethiopian refugees accepted had risen to 11,949 (McSpadden & Moussa, 1993). Many of these refugees and immigrants from Ethiopia have settled in Toronto, Canada's largest city and multicultural hub.

While official statistics from Census Canada tend to underestimate the number of Ethiopians in Canada, the Ethiopian Association in Toronto estimates that at least 50,000 Ethiopians have settled in the Greater Toronto area alone (Fenta, Hyman, Rourke, Moon, & Noh, 2010). Many of

the Ethiopian immigrants living in Canada are those that arrived during the period of 1976- 1993 (Ornstein, 2000). The outcome of this is that many Ethiopians in Toronto are those that have experienced a repressive government, witnessed or experienced the reality of mass killings and jailing, and/or struggled through situations of famine and drought. Furthermore, many of the immigrants in Canada are those that experienced hardships in refugee camps or in the countries they took refuge in before settling in Canada (Beiser, et al., 2012). In Canada, the settlement and living conditions of Ethiopian immigrants in Canada have not been as successful as other immigrant groups. While many are well-educated, they tend to experience one of the highest rates of unemployment and poverty (Ornstein, 2000). Nevertheless, a more recent 2006 study conducted by Statistics Canada (2009) indicates that while from 1996 to 2000 the number of Ethiopian immigrants had declined, this figure was beginning to rise again from 2000 to 2006, indicating that there are also more newcomer immigrants that make up the varied Ethiopian diaspora in Canada.

Ethiopian Diaspora Formation

Ethiopian Historic Identity

In examining the migratory patterns and settlement of the diaspora, it is also important to consider the sentiments of the homeland that are maintained amongst the Ethiopian diaspora. Typical of the characteristics of diaspora groups, many Ethiopian migrants maintain idealized memories of the homeland (Brubaker, 2005). One major attachment of much of the diaspora appears to be pride in Ethiopian identity rooted in the country's ancient history. According to Old Testament scriptures of the Bible, the Queen of Sheba had traveled to Jerusalem to visit King Solomon to test his wisdom. Ethiopians hold on to the legend that this Queen of Sheba was an Ethiopian queen who went on to conceive a child with King Solomon (Currelly, 1976). This son would become the first of emperors of the Solomonic lineage in Ethiopia. Furthermore, this lineage became the major source of legitimacy for emperors thereafter. Although the accuracy of this historic account has been questioned (Ullendorff, Ethiopia and the Bible, 1968), what is more relevant is the role that it has had in shaping a proudly distinct Ethiopian identity. Romanticized views of Ethiopia are also perpetuated through the stories of its prominent political figures in history (Crummey, 1969; Zewde, 2001; Ullendorff, 1965; Zegeye & Pausewang, 1994; Asefa, 2003). A major narrative that Ethiopians in the diaspora hold on to is that of Emperor

Menelik II's role in unifying Ethiopia and successfully defending the country against Italian colonizers during the late 1800s. However, this attempt to project a unified Ethiopia is challenged by some groups in Ethiopia and throughout the diaspora. For example, rather than perceiving Emperor Menelik II as an Ethiopian unifier, the Oromo people of southern Ethiopia maintain the view that he was an internal colonizer that forcefully brought together people who did not necessarily identify with an Ethiopian nationality (Triulzi, 2006). Furthermore, Menelik II is seen by some as disturbing an atmosphere of religious tolerance that existed in Ethiopia prior to his mission of Ethiopian unification. This was the case in the Harrar region of Ethiopia where he invaded and annexed the previously independent kingdom (Ullendroff, 1965; Gibb, 1998).

Emperor Haile Selassie, the last emperor of Ethiopia, was another controversial national symbol. While to some in the diaspora he represents Ethiopia's transition to modernity and protector of Ethiopia's independence, others hold him as a corrupt leader who was not for the needs of the people (Marcus, 1994). These divergent sentiments on Ethiopian pride and heritage reveal the heterogeneity of what an Ethiopian identity means to those in the diaspora. Nevertheless, over the years of migration and dispersal, many Ethiopians in the diaspora have created and discovered various outlets for their ethno-communal solidarity while in the host country *and* a commitment to the maintenance or restoration of the homeland's prosperity.

Ethiopian Community Organizations in the United States of America

The first group of immigrants to the United States were not focused on establishing Ethiopian community organizations. In addition to the fact that the few students sent to study in America were scattered across the country, these immigrants did not intend on settling in the U.S. and therefore did not see the need to establish Ethiopian associations (Getahun, 2012). However, once refugees began to settle in America, there became an increased desire to establish Ethiopian community organizations. Unlike the previous group of educated, elite immigrants, the refugees comprised of a wide range of people, from the highly educated to the illiterate, and from the wealthy to the rural and urban poor. Ethiopian community organizations were established out of necessity and assisted with the settlement process of Ethiopians in America (Getahun, 2012). Furthermore, these organizations became a space for immigrants to congregate and maintain an

33

Ethiopian heritage and solidarity, similar to Safran's (1991) description of 'diaspora'. Over the following years, Ethiopian organizations were established based on groupings of professional, ethnic, student, religious, and recreational affiliations. In addition, numerous Ethiopian immigrant press sources emerged in America both in print, radio, and more recently through Ethiopian news outlets online. These sources became a way to remain connected to the politics of the homeland; however post-1990s news was greatly influenced by the new ethnocentric government that shaped the more politically and ethnically charged content (Getahun, 2007). Today, some of these websites have been censored and banned in Ethiopia by the government, revealing the tensions that remain with the current government and diaspora members.

Ethiopian Community Organizations in Canada

Ethiopian immigrants in Canada also established many of the same types of Ethiopian organizations as those in the United States. A particularly unique facet of Canadian immigration policy is its multicultural and integration policies that aim to successfully integrate immigrants into Canadian society without eroding their cultural heritage (Reitz, 2012). Rather than solely adopting the host country culture, Canada promotes a multicultural society that allows for Ethiopian immigrants to maintain their cultural identity and ties to the homeland. This is especially the case in Toronto, a multicultural hub for many different immigrants including Ethiopians. Ethiopian immigrants are increasingly making their presence evident in Toronto, with the recent petition to create a "Little Ethiopia" in an area of the city where many restaurants, hair salons and convenient stores owned by the Ethiopian diaspora are located. In addition to this, there are many associations and organizations dedicated to Ethiopians in Toronto, including the Ethiopian Association of Toronto, a prominent establishment in the Ethiopian community that assists newcomers with their settlement into the city. Furthermore, the children of Ethiopians that have immigrated to Toronto have now reached an age where they are not only participating in Ethiopian community events, but also mobilizing within themselves to create organizations such as Young Diplomats, an Ethiopian youth-led non-profit organization, and events such as the Selam Youth festival, an annual Ethiopian arts festival in Toronto.

The promotion of multiculturalism in Toronto has not necessarily led to the idealized 'inclusiveness' and/or 'integration' outcomes for all immigrants, where many structural and

deep-seated discriminatory aspects of immigration and settlement still persist (Rahim, 1990; Oreopoulos, 2011; Ku, 2011). However, the idea of multiculturalism has fostered an environment for the proliferation of Ethiopian community organizations, funding to support immigrant settlement, and Ethiopian news sources including print, radio, and an Ethiopian television program (*Admas*). However, while Toronto has the largest Ethiopian diaspora population, as more and more Ethiopians migrate to Canada, there has become a growing number of diaspora concentrated in other major cities of Canada. Ethiopians have formed Ethiopian based, as well as ethnic specific, community associations in major cities such as Ottawa, Montreal, Calgary and Edmonton. These various community organizations and outlets reproduce a sense of Ethiopian identity and culture amongst the diaspora living in Canada and cultivate opportunities for maintenance of homeland orientation. Nevertheless, some of the most significant and tangible ways members of the Ethiopian diaspora have maintained attachment to the homeland are the remittances and contributions they send back to Ethiopia.

Diaspora and Homeland Prosperity

Some Ethiopian diasporas have been able to take advantage of their access to capital, resources, and skills in order to contribute towards the condition of the homeland. Defining the key characteristics of diaspora, Safran (1991) identifies the diaspora commitment to the maintenance or restoration of the homeland's prosperity over a period of time. A significant way we see the manifestation of this is through remittances sent back to the homeland. Specific and accurate data is difficult to find on the Ethiopia diaspora in North America. MPI's (2014) report provides a picture of the economic status of Ethiopians in the U.S. According to the report, the median annual income for Ethiopian diaspora households is $36,000 USD, which is lower than the overall U.S. median income of $50,000. In Canada, data from the 2001 Census provides information on the demographics of Africans in Canada. While not specific to Ethiopia, the census reveals that those in the African-Canadian community make an average annual income of about $24,000 CAD (Statstics Canada, 2001). Both in the U.S. and Canada, Ethiopians have an annual average income below the rest of the host country population. These low average annual income levels can have implications on Ethiopian diaspora decision making and ability to, among other things, provide remittances and/or investment in the homeland. Nevertheless, due to diasporic identity and living conditions in the homeland, like many other diaspora groups,

Ethiopian diasporas continue to send remittances back to the homeland (Fonchamnyo, 2012). In 2003, the Ethiopian diaspora contributed $46 million USD in remittances to Ethiopia, with the unreported amount estimated to be much greater (Merz, Chen, & Geithner, 2007). By 2012 this number had jumped to about $624 million USD, and grew from representing 0.5% of the country's GDP in 2003 to representing 1.4% by 2012 (The World Bank, 2014). Ethiopia's condition of relative poverty and poor living standards propels a desire amongst the diaspora to send money and help improve the conditions of their families in the homeland. Remittances, however, have not been the only form of diaspora engagement in homeland development. There are also those that have been returning for short- and long-term trips to contribute their knowledge and skills in Ethiopia, also known as 'brain gain'.

While this can take place during personal trips to the homeland, these types of trips have also been taking place through more formal channels of engagement. One diaspora group in Canada that is contributing to brain gain in Ethiopia is the Association for Higher Education and Development (AHEAD). Established in 1999, AHEAD is a not-for-profit organization that is dedicated to contributing towards the development of Ethiopia by "mobilizing, coordinating, and channeling resources and expertise needed to improve higher education in Ethiopia" (AHEAD Profile, 2013). In partnership with international volunteering organization CUSO International, AHEAD has sent members of the Ethiopian diaspora in Canada back to Ethiopia to volunteer their skills and time in various universities in Ethiopia (Diaspora Volunteering, 2013).

Furthermore, diaspora have increasingly been contributing to homeland prosperity, or development, through direct investments. In the United States, the Ethiopian diaspora have launched the Ethiopian Diaspora Business Forum. The forum's objective is to provide information on investing in Ethiopia and establish a platform for the Ethiopian diaspora to discuss ideas as well as potential challenges and opportunities of investing in Ethiopia (About the Ethiopian American, 2013). In addition to the annual business forum, there is also a partner, non-political magazine published that contains critical information on diaspora business and investment issues. These endeavors reveal the ways in which diaspora have been mobilizing into various interest groups that are focused on homeland development. While diaspora have been engaging in homeland development for years, those in the international political and financial

community have recently turned their attention towards the diaspora as agents and resources for development (African Diaspora Program, 2013; AEDP Home, 2014; Diaspora, 2014). Ethiopia's current developmental state has also recognized the Ethiopian diaspora's desire to contribute to homeland development and have transitioned to institutionalizing and facilitating diaspora engagement towards their state-led development goals and objectives.

Ethiopia's Growth and Transformation

Established by the Ethiopian government, the Growth and Transformation Plan is a document outlining Ethiopia's five year strategic plan with the overall objective of sustaining broad based economic growth to achieve poverty eradication (Ministry of Finance and Economic Development, 2010). The previous decades before the GTP were ones marred by the failures of the neoliberal structural adjustment programmes (SAPs) that were followed by Ethiopia and many other African states. Promoted by the international financial institutions during the 1980s and 1990s with the intention of achieving growth and development in Africa, loans were given based on the conditionality of applying these SAPs to their governance strategy (Carmody, 1998). Ethiopia was also a loan recipient and a participant of the structural adjustment conditions to create an environment for private sector development. Some of the key SAP components for Ethiopia included policy actions to adjust interest and exchange rates, reduction in fiscal imbalances, and the liberalization of foreign exchange (Olanrewaju, 1997). However, the inability of the SAPs to deliver expected levels of growth caused some governments of developing countries in Africa to turn to alternative forms of governance, from market-led to state-led development.

Under this new state-led trajectory, Ethiopia has experienced improvements in key development indicators such as GDP growth rate, life expectancy, and education levels (Desta, 2014). For example, during the 1987/1989-1991/92 period, real GDP growth in Ethiopia averaged negative 1.6% (Olanrewaju, 1997). In terms of social development, the ratio of female to male in primary enrollment rose from 56% in 1997 to 86% in 2006 (The World Bank, 2015). However, Desta (2014) does caution that, for example, although the quantity of enrollment and education has increased in the country, there is still work to be done on the quality of education, as Ethiopia has one of the highest student-teacher ratios in the world.

Over the last decade, the Ethiopian government has worked to establish formal channels of diaspora engagement through the establishment of institutions and policies specifically for diaspora relations. At the sub-ministry level, diaspora departments have been established under Ethiopia's Ministry of Foreign Affairs, Ministry of Capacity Building, and Ethiopia's Investment Agency (Agunias & Newland, 2012). Furthermore, existing policies and proclamations outlined by the Ethiopian government regarding the Ethiopian diaspora indicate an intentional dedication to leverage diaspora desire to contribute to the development of the homeland. One of the first and most significant actions the state made towards officially interacting with its diaspora was the establishment of the Ethiopian Origin Card in 2002. This card extends certain rights to the Ethiopian diaspora, such as the right to enter the country without a visa and the right to invest as a domestic investor in Ethiopia (Federal Negarit Gazeta, 2002). Being treated as a domestic investor provides diaspora rights that other foreign investors would not have, including access to protected sectors and exemption from the minimum 100,000USD capital requirement for a single investment project by a foreigner (Federal Negarit Gazeta, 2002). Furthermore, as a domestic investor, diaspora are able to take advantage of import duty exemptions and tax holidays (Kuschminder, 2010). The official extension of these legal rights and the establishment of the Ethiopian Expatriate Directorate about a decade ago, symbolized the shift and proliferation in official and institutionalized state-led engagement of diaspora towards Ethiopia's development. In addition to the Ethiopian Origin Card, to encourage the return of diaspora, those returning permanently were given duty free privilege to import their personal and household items; however this privilege has been discontinued as vehicles brought in by the diaspora were being signed over or sold to other individuals once in the country (Kuschminder, 2010). Another privilege provided to the diaspora is their ability to open a diaspora foreign currency account. Whether residing abroad or in Ethiopia, individuals and companies are able to open an account and deposit money in US Dollar, Pound Sterling, or Euro, while receiving interest (Commercial Bank of Ethiopia, 2012). Through trial and error, these types of diaspora policies and programs have been implemented because of the Ethiopian government's vision of establishing partnerships with its diaspora.

Recently, the Ministry of Foreign Affairs Diaspora Directorate has launched their long awaited *Diaspora Policy* in order to ensure diaspora participation and promote the benefits of engaging in Ethiopia's development (Ministry of Foreign Affairs, 2013). The policy outlines strategic ways in which the government must create a conducive environment for diaspora to utilize their economic potential and skills in Ethiopia. One major policy goal is the improvement of diaspora engagement in investment, trade, and tourism. Some strategies outlined to achieve this objective are establishing Ethiopian diaspora and government forums, increasing diaspora access to information, and providing members of the diaspora with support for project proposals and all around services at investment offices (Ministry of Foreign Affairs, 2013). While the policy is laid out clearly with ambitious objectives, it lacks details on the specific mechanisms through which many of the goals and objectives will be achieved.

Ethiopia's diaspora strategies have been largely influenced and modelled by India's diaspora engagement strategy; however, there are key differences between the Indian and Ethiopian diaspora, namely India's large skilled knowledge based diaspora compared to Ethiopia's smaller and dominantly refugee based diaspora (Kuschminder, 2010). The unique historical and political conditions of the Ethiopian diaspora must be acknowledged and accounted for when formulating and implementing the state-led diaspora policies specific to Ethiopia. This can be done through the mapping of the Ethiopian diaspora and considering their demographics and socio-economic status abroad in order to come up with appropriate and strategically targeted policies and programs. As is revealed through the discourse and documents surrounding Ethiopian diaspora and development, the state has placed a focus on engaging their diaspora for economic growth through direct investments. Given Ethiopia's past relationship with its predominant refugee diaspora in North America, there lacks a critical analysis of the deeper politics of engagement. The Ethiopian diaspora is not a homogenous group comprised of politically neutral migrants. Rather, they have been dispersed for various political, economic, and social reasons that influence the way in which they relate to the homeland and its current government, making it important to analyze the politics of the current government's interest in engaging the diaspora (Lyons, 2009).

Furthermore, there remains a need to pause and examine if diaspora investment should be the dominant focus for achieving not only growth, but also transformation of human development for Ethiopia. As was discussed in sections above, economic growth is taking place in Ethiopia as seen through the country's GDP growth rate over the last few years. Ethiopian diaspora are being encouraged to invest their finances at home in order to contribute to economic growth. However, an important question to address is if and how these diaspora investments are also contributing to human capacity development and transformation in Ethiopia's business environment. Drawing from interviews and government policy documents, the following chapters will attempt to address these gaps and contribute original insight to the conversations around the role of the Ethiopian diaspora in homeland development.

Chapter 4: Methodology

Introduction

Given the nascent nature of my research study, I have conducted an 'exploratory case study' (Martison & O'Brien, 2010) of small and medium sized enterprises (SME) in a major commercial area in the Bole sub-city of Addis Ababa. The interdisciplinary approach of my research has influenced the conceptual framework and methods used, as will be discussed in the sections below. Utilizing mixed methods, I collected both quantitative and qualitative data on diaspora engagement and investment in Ethiopian economic development. My mixed research design allowed me to minimize weaknesses of using a single quantitate of qualitative research method by instead integrating qualitative interviews and document analysis with quantitative data analysis methods (Johnson & Onwuegbuzie, 2004). Triangulation between sources and across different micro and macro level sources has enhanced credibility for my research (Mertens & Wilson, 2012). These will all be elaborated and discussed further in this chapter. Nevertheless, like any research study, there have been limitations that I have encountered that I also use this chapter to be transparent about and discuss ways in which I have tried to address or mitigate these limitations. I also hope to enrich this methodological chapter by acknowledging the role that my position as part of, and outside of, my research study has affected my data collection and analysis process.

Conceptual Framework

My research is fundamentally interdisciplinary given the multidimensional nature of the issues that I examine. By adopting an interdisciplinary lens, I have been provided conceptual space to integrate different epistemological and methodological approaches that different disciplines utilize (Repko, 2012). In particular, for my research on diaspora and development in Ethiopia, I have been able to integrate perspectives and approaches from African studies, migration studies, and economic development literature to contribute my own unique approach to this study. This interdisciplinary conceptual framework also discourages the limitations set by methodological boundaries of disciplines (Lyall & Meagher, 2012). It was important for me not to limit my research to specific quantitative or qualitative methodologies but rather utilize a mixed-methods research approach to the interrogation of my research objectives and questions.

Furthermore, one of the main objectives underlying my research is the examination of Ethiopian diaspora engagement in the state-led plan to achieve economic growth and development in the country. However, rather than take on a neoclassical economic framework that focuses on income and wealth, my research draws upon the work of economic thinkers, such as Sen (1999), that apply a multidimensional and holistic framework to the analysis of development. According to recent publications from sources such as the Ethiopian government, African Development Bank, and World Bank, Ethiopia has experienced rapid and impressive GDP growth over the last decade. The human development framework however looks beyond growth to capture people's economic, social, political freedom achieved in a society. Writing on the 21st century developmental state, Evans (2010) stresses that in order to successfully achieve development goals, the state must be constructed in a way that focuses not only on economic growth anymore, but also human capability development. This means investment from diaspora that not only leads to more businesses and GDP growth, but even further, investment that leads to transformation in the lives of Ethiopians. By applying a similar framework to my research, I plan to interrogate the politics of diaspora engagement in development and examine their role in Ethiopia's path of growth and transformation.

Research Design

At the outset of my research, my objectives involved a critical inquiry into how Ethiopian diaspora contributions, through the form of direct investments, are shifting local business and power relations in Ethiopia. This objective was informed by conversations and own my observations while working in Ethiopia for a year where I became aware of the complex power dynamics involved among the state, locals, and diasporas investing in the homeland. During casual conversations with locals, an underlying theme when discussing diaspora was the frustrations and concerns with the Ethiopian state's heavy focus on this group. I felt this was something important to examine in order to uncover local Ethiopian voices in the diaspora development nexus that so often are dominated by the perspectives of international organizations, scholars, or diasporas. After returning to Canada, I also conducted some preliminary literature reviews and found that, although not discussed in the dominant discourse surrounding diaspora and development, there were scholars who provided some conceptual space

to interrogate the unequal power relations created in the politics of diaspora and development (Levitt & Schiller, 2004; Shain & Barth, 2003; DuBois, 1991). My initial research methods, including rationale for field site, participant selection, and data collection instruments, were informed by my preliminary observations and objectives.

Upon arrival in Ethiopia in May 2014, I conducted some interviews with my research participants and began to discover that there were other reoccurring and salient themes that were emerging that I had not originally anticipated. Considering the exploratory nature of my research, I began to take notes and make some revisions to some of the interview questions that I had in order to better reflect these new observations (Tracy, 2013). What I noticed was that although there is an idea perpetuated by local Ethiopians in particular that Ethiopian diasporas seem to be privileged with policies and incentives in order to attract their investments, in reality these power relations are not as pronounced or clear cut. While returning to do business as diasporas did provide some power to some in the form of increased finance or market knowledge, what I discovered to be salient from the initial interviews was the disconnections between what was said or written on paper by the Ethiopian state versus what was actually taking place in the country. In addition, the lines of power were not so clearly drawn between diaspora and local, but rather possessed multifaceted dynamics. Furthermore, after arriving in Ethiopia I was able to discover there were more recent policy changes in Ethiopia that affected the privileges and incentives diaspora had initially been provided when the Ethiopian state began to institutionally attract diaspora for development. It was important for me to remain flexible with my research questions and allow what I observed on the ground to better shape my research objectives and discover appropriate questions to ask (Given, 2008). I did so however while still maintaining the integrity and ethics of my approved research. Through this process I believe my research has been enriched and more accurately captures the diaspora and development nexus that is taking place in Ethiopia.

Interviews

While I was in Ethiopia during 2011/2012, my work enabled me to connect with some key business people in the country. A couple of months before arriving in Ethiopia to conduct research for this thesis, I contacted these people through the already established relationships I

had and asked if they could arrange meetings for me with a couple of business owners in the Bole area. This provided me with an entry point and a place to start with my research. Once I arrived in Addis Ababa, I met with these business owners and, since I was referred by credible business people they knew, I was able to gain their trust and confidence.

I utilized a snowball sampling method for recruiting interviewees. Like many non-Western cultures, establishing personal contacts is much more effective while physically in Ethiopia than virtual attempts through email or phone calls (Leslie & Storey, 2003). Ethiopians are much more trusting and willing to speak their opinions once a personal connection has been established through a referral or personal relationship. Snowball sampling provided me more credibility and trust, as I was referred by a person that is known to the participant. Furthermore, given this type of research has not been conducted before in Addis Ababa, access to participants was a potential limitation. However, snowball sampling enabled me to collect a small-scale exploratory sample and conduct in-depth analysis (Denscombe, 2010).

I conducted semi-structured interviews with local small and medium sized business owners in the Bole area to extrapolate their personal experiences and opinions regarding the business environment of Addis Ababa in general, and specifically as it relates to the engagement of Ethiopian diaspora in economic development (see Appendix A). I also interviewed diaspora business owners in the area in order to gain a more holistic understanding of local diaspora-development relations (see Appendix B). Diaspora business owners also have their own perspectives and experiences that are important to capture. In total, I conducted fifteen interviews with business owners in Bole, seven with local business owners and eight with diaspora business owners. In addition, I also conducted interviews with some key informants involved with diaspora and development in Ethiopia. These include a member of the Executive Committee of Ethiopian Diaspora Association in Ethiopia, the Director General of Diaspora Engagement Affairs at the Ministry of Foreign Affairs, and a representative from the Diaspora office at the Ethiopian Investment Agency. These interviews allowed me to ask higher level questions regarding diaspora policies and programs available for diasporas, and provided government and macro-level perspectives for my research objectives.

Document Analysis

In order to understand the position of diasporas in Ethiopia's development strategy, it was necessary to conduct analysis of documents published by the Ethiopian government that encourages and seeks to attract the engagement of diasporas in the country's development. These documents include government proclamations on investment and diaspora rights, documents published by the Ministry of Foreign Affairs I obtained at their office and online, and the country's official *Diaspora Policy*. A critical discourse analysis approach was utilized in order to uncover the politics of diaspora engagement in Ethiopia's development deconstruct the position that diaspora are given in Ethiopia's developmental state plan (Denscombe, 2010). Furthermore, another key document that was analyzed was Ethiopia's Growth and Transformation Plan (GTP) (Ministry of Finance and Economic Development, 2010). While not specific to diaspora engagement, the document outlines Ethiopia's five year developmental state agenda and the state's plan to achieve these goals. The information found in Ethiopia's GTP is crucial for understanding the context and background of Ethiopia's pursuit for economic growth and development and the Ethiopian diaspora positioning within this context (Bowen, 2009).

Quantitative Analysis

While interviews and document analysis provide rich qualitative information, I also collected quantitative data pertaining to the economic growth and development in Ethiopia. General data on Ethiopia's business climate, economic growth, and key development indicators were analyzed using data from statistics and reports published by the African Development Bank, World Bank, and International Monetary Fund. I obtained data from the Ethiopian Investment Agency on investment in Ethiopia through domestic, foreign, and diaspora sources to analyze economic growth and development in Ethiopia. Collecting and analyzing quantitative economic data allowed me to apply a concurrent triangulation strategy to integrate both qualitative and quantitative findings and check validity of knowledge claims made during interviews (Terrell, 2012).

Description of Field Site and Research Participants

Between the years 2000 and 2008, the Ethiopian Investment Agency reports that diaspora investment totaled almost $1.8 billion, with 90% of that investment concentrated in Addis Ababa (Chacko & Gebre, 2013). Located next to the Bole International Airport in Addis Ababa, the Bole sub-city, or 'Bole', as it is commonly known, has become a center of this investment. Bole has experienced rapid commercial transformation as a result of increased investments and infrastructure development in the area. A major reason for this is the concentration of the expatriate community, diplomatic missions and international aid agencies in the area (Areas in Addis, 2015). *Merkato* has historically been the local commercial hub of Addis Ababa and continues to have a strong presence today. In more recent years however, Bole has become a microcosm of the diaspora and economic development relations that are occurring in Ethiopia. In addition, many high-end, western influenced malls, supermarkets, salons, and other services have been established in the area by both locals and diasporas in order to service and match the needs of those in the Bole area. Some of the most popular businesses established by diasporas include restaurants, cafes, hotels, and retails stores. Writing on these changes that are taking place in the area, BBC reporter Harper (2012) recently wrote an article on a cupcake shop located in Bole. Harper (2012) commented on the symbolism of 'modernity' that this cupcake shop, and other 'modern' shops in the area, brought to Addis Ababa, as well as the increasing divide in income and living conditions it is bringing. As diaspora increasingly invest in Bole, the area has become a transnational 'social field' where material and ideational transnational flows converge in, and transform, a particular space (Levitt & Schiller, 2004). It is through this commercial hub of Bole that I examine how local relations are being shifted as increasing numbers of diaspora return to invest their knowledge, technology, and capital into the country. I use this transnational space in order to provide a focused and detailed analysis that can be an instrument of understanding wider diaspora and development relations.

While Chacko & Gebre (2013) write that diaspora investment in construction and real estate dominated the amount of invest made from 1994-2008 (68%), this investment has taken place across the city through individual and business initiatives. This made it difficult for my scope of research to address my research questions on diaspora engagement in development in a focused and meaningful manner (discussed further in 'Limitations' section below). Furthermore, since

my research is an exploratory case study, it was important to select a specific location where diaspora are investing and are transforming the physical and social space in a bounded context (VanderStoep & Johnston, 2009). In the Bole commercial area, diasporas invest in the service sector alongside local investors, making it a key area of analysis of the diaspora and development question in Ethiopia. While the issue of diaspora and development is very large in scope, illuminating the service sector in Bole enabled me to conduct analysis that can be used as a study for gaining understanding into the politics, limitations, and potentials of engaging diaspora in development (Baxter & Jack, 2008). In addition to this, the service sector has been contributing more greatly to Ethiopia's GDP. While agriculture has historically been the dominant sector in terms of share of GDP, service sector made up 43.9% of GDP in Ethiopia by 2011 (African Development Bank Group, 2013). The service sector has increasingly become an integral component of Ethiopia's economic growth and development, further justifying the significance of selecting this sector in my analysis of diaspora engagement in development of Ethiopia.

Interview Participant Profiles[4]

There were a total of eight diaspora and seven local business owners interviewed for my research. The research participants chosen for the interviews were all small and medium sized business owners in the service sector. The majority of local and diaspora owned businesses interviewed were restaurants/café (57% and 50% respectively). The remaining businesses include a beauty salon, hotels, marketing firm, internet café, and IT services. Of the fifteen businesses interviewed, five are classified as a small business with ten or fewer employees, while the remaining ten are medium sized businesses with fewer than 100 employees (Central Statistics Authority, 2010). Furthermore, out of the eight diaspora business owners, two were female and six were male. Out of the seven local business owners, one was female and six were male. Male participants made up 80% of the total business owners interviewed.

All of the diaspora business owners interviewed were those that had migrated and lived in North America. In addition, all had given up their Ethiopian citizenship after migrating. From this group, three returned to invest in Ethiopia from Canada and the other five people returned from

---

[4] Efforts have been made to protect participants' anonymity; as such, detailed descriptions of participants have not been imcluded.

the United States of America. On average, the diaspora business owners I interviewed had lived in North America for about thirteen years before returning to Ethiopia. The range of years that their businesses had been established in Ethiopia was from one to six years, and on average was four years. In comparison to their educational background and work experience abroad, five interviewees established a business outside of their field, while three opened a business within their field of study or work experience.

The non-business owners that I interviewed included one high-level government official, one government office worker at the Ethiopian Investment Agency, and one diaspora association executive member. All three are individuals with an extensive amount of knowledge on diaspora and development related issues in the country. The government official that I interviewed was head of the team that drafted and wrote the official *Diaspora Policy* published through the Ethiopian Ministry of Foreign Affairs. The Investment Agency employee worked specifically in the diaspora affairs office where diasporas are able to go directly and receive advice and guidance with laws, policies, and incentives on investing in Ethiopia. In order to gain a macro-level, nuanced understanding of the diaspora-development nexus in Ethiopia, I also interviewed someone who was not from a government perspective. Representing the Ethiopian diaspora, I interviewed an executive and founding member of the Ethiopian Diaspora Association in Ethiopia. He was able to bring out both the successes and shortcomings of Ethiopia's diaspora strategy over the last decade both from a personal perspective as a diaspora, as well as a voice for other diasporas who have been involved in the diaspora and development practices of the country.

Interview Process Reflections

Before starting any interview, I provided the interviewee with an informed consent form to read through and sign. The consent form was made available in either English or Amharic, Ethiopia's official language, which was translated by a professional translator. I went through the consent form with each participant, introducing myself and my research.   I also asked permission to record the interview and reassured each participant that everything they said would be kept confidential (Rowley, 2012).   After explaining any questions that arose, I also asked each participant if they would prefer to be interviewed in English or Amharic, and proceeded based on

their language preference. The interviews were semi-structured, with an outline of key questions to guide the interviews used as a starting point (Rowley, 2012). I was sure to maintain flexibility during the interview in order to rearrange questions or allow for more focus on certain questions as best fit for each interview.

In general, many of the interviewees were much more reserved during the beginning of their interview. The culture of freedom of speech in Ethiopia is limited and restricted so I even had interviewees at the beginning of our meeting ask me if I had any affiliation with any newspapers due to their apprehension of speaking their minds and critique government policies and programs publicly. I made sure to take the time to reassure each participant the purpose of my research, my background, and the steps that would be taken to ensure confidentiality. I strategically opened up the interview with more general questions that were easy to answer to allow the interviewee to become comfortable before going into more detailed questions (Denscombe, 2010). Not surprisingly, participants that I had built somewhat of a rapport with through email or phone conversation prior to the interview were much less reserved than those I had few interactions with before the interview. My ability to understand and speak Amharic fluently was almost always a conversation starter and a way to gain rapport and respect of the participants as they had not often met a young person born abroad of Ethiopian descent who can speak the language fluently.

I also found that language played a role in the level of comfort of the interviewees. When conducting interviews in English, interview participants would need to explain a word or a concept in Amharic, and they would open up much more when I reassured them that they could go in-and-out of either language to explain their thoughts. Their freedom to explain in Amharic also meant that I was able to capture the accurate thought and idea behind the word or concept they were trying to explain during the data analysis process (Smith, Chen, & Liu, 2008).

As the interviews progressed, even those that were reserved with their speech at the beginning all became very comfortable and noticeably more relaxed. Towards the end, and especially after the interview ended, I found that interviewees said their real and most insightful thoughts as the pressure of the 'formal' interview was lifted off and they just began to have regular

conversations with me. I made sure to write down any extra interview notes as soon as the interview was completed in order to accurately capture what was discussed during and after the recording stopped (Rowley, 2012).

Data Analysis Process

Upon arrival back from the research field, I began to think about how best to organize the data that I had collected. I decided to organize my data into files on my laptop based on the type of data collected (for example interview, government document) and who or where that information was gathered from (Tracy, 2013). My next step was to listen to the interview recordings and begin and transcribe each interview into separate word documents. While transcribing every interview verbatim is a time consuming process, I decided it would be most beneficial to my research process if I transcribed to text in detail in order to pull out key quotes and themes for my analysis (Silverman, 2010). I saved the transcribed texts and read them all in order to become well acquainted with the data. I continued to revisit and go through my data in order to see different patterns and themes that might emerge across the different interviews (Richards, 2009). The interview guide I had prepared and used for my interviews also served as an organizational guide and was one way I was able to organize responses. In addition, an important tool that I used during this analysis phase was making marginal comments in Word documents to make note of key words or ideas.

Once I was able to broadly observe major themes, I began a process of coding where I matched each theme and subtheme to a specific colour (Warren & Karner, 2010). This allowed me to visualize the themes and clearly see their prevalence and any overlap that occurred. For example, the challenges faced by business owners was a key theme that emerged often, however within this theme, interviewees would address issues that also overlapped with the theme of state-business relations. Based on these colour codes and key themes, I developed a 'codebook' document with a legend to keep track of the codes I used in my documents (Tracy, 2013). Using these codes, I created analysis charts in Word documents with each theme indicating a specific heading title. I went through each interview and matched the colour I coded the text with the colour of theme in the chart and created a new organization of my data. This was a very helpful process because it allowed me to bring together different parts of each interview in order to

visualize and analyze texts across and within interviews in a new way. In these charts, I was also able to coherently include the quantitative data as well as the key document texts into the appropriate themes in order to analyze the mixed data together in an integrated method (Johnson & Onwuegbuzie, 2004). The data from these multiple sources were illuminated in these charts and allowed for an integrated analysis of the data collected in accordance with my research objectives. From this stage of analysis, I was able to organize the findings into the empirical chapters of this paper.

Limitations

In any research study it is important to acknowledge any potential limitations that could impact research findings and conclusions. Transparency of these limitations enriches the discussion of conclusions of the research by informing the reader of any methodological factors that may have influenced research objective outcomes. During my research process and upon my reflections of my work, it became evident to me that my research had some limitations that I would need to reflect on and identify as part of my research.

One limitation of this research that I must acknowledge is the restrictions I had from accessing different sectors to include in my data sample. It is well known that Ethiopian diaspora have most heavily invested in the construction and real estate sector of the country (Chacko & Gebre, 2013). I had initially considered interviewing diaspora business owners from this sector considering the large amounts of diaspora investments in real estate and construction relative to other sectors in Ethiopia. However, as I began to think of a sampling strategy, I consulted with some key informants from these sectors and learned it would be hard to narrow down who to sample from this sector. One reason is because what many diaspora investors do is buy construction machinery or develop a property in Ethiopia while still living abroad and hire someone local to manage the use and rent of their investment. This made it difficult to identify the right individuals to interview in order to address my research objectives regarding Ethiopian diaspora investment and the effects of government policies and incentives. Furthermore, based on advice from key informants working in the sector, I was also able to gain insight into the politicized nature of the construction and real estate sectors of Ethiopia. Political and ethnic affiliation play large roles in the success of a business in the construction sector, making it

difficult to access business owners in the sector that would be willing to participate in any type of research that even remotely critiques government policy. While I acknowledge that the points I have brought up would all make for very interesting research objectives to uncover, due to my limitations including time, resources, and scope of research as a Master's student, it was necessary for my research to maintain a focus and be grounded in a more accessible sector and space. This led me to limit my sampling for my research to the next most important sector for diaspora investment, which is the service sector (Chacko & Gebre, 2013). In addition, this also allowed me to narrow my research sampling space to a specific area with the highest diaspora and local business interaction in order to conduct a more exploratory case study approach.

A second limitation that I encountered was reliability with regards to data on diaspora, including investment, remittances, and migration statistics. First, in terms of diaspora investment in Ethiopia, it is difficult to establish inter-rater reliability because the Ethiopian Investment Agency is the main source of data on investments in the country, making it difficult to compare its consistency or validity with another source (Mertens & Wilson, 2012). In addition, I found discrepancies with statistics on official amounts of remittances and migration figures when compared to the unofficial records. For example, Statistics Canada (2009) official figures reported that the Ethiopian immigrant population in Canada was a bit more than 19,700 in 2006. However, according to the Ethiopian Association in Toronto estimates there were about 30,000 Ethiopian immigrants living in Toronto alone (Noh, Hyman, & Fenta, 2001). This makes it difficult to map the Ethiopian diaspora and understand key demographics including income, education levels and skills that would be important information for understanding diaspora engagement in development. The mixed methods approach to my research however has allowed me to integrate qualitative and quantitative data in order to strengthen the study findings by using multiple types of source (Creswell, Clark, Gutmann, & Hanson, 2003).

I also acknowledge that there are potential limitations that occur when dealing with the interpretation and representation of my qualitative data I have collected. Throughout my research process I had to acknowledge and critically reflect on how my educational background and world views may impact how I select or represent what I felt to be important from the qualitative data (Mertens & Wilson, 2012). I believe that my continuous awareness of this

limitation however has enabled me to minimize this and I have made sure to establish a well-planned coding and analysis process in order to highlight themes that are illuminated from that process. In addition, the interdisciplinary framework of my research enables my interpretation to be grounded across different fields of study.

Positionality and Power

Over the years, scholarship has begun to move away from the assumption that research has to be rigidly objective in order for it to be credible. Through a feminist and post-structural school of thought, England (1994) dismisses the idea that 'good research' must involve impersonal and detached research methodology in order to produce objective research analysis free from biases. She argues for a more reflexive and self-critical methodology that provides space to challenge and critically analyze the construction of power and knowledge during the research process (England, 1994). By acknowledging my position within the research, there is a creation of space that allows for a self-reflective and critical process to challenge my ideas and assumptions regarding the issue of Ethiopian diaspora engagement in homeland development.

Born and raised in Toronto to immigrants from Ethiopia, I cannot claim to be completely separate from the research that I am undertaking. While I have grown up in a Western country my whole life, my upbringing in an Ethiopian household and sense of Ethiopian identity that has been cultivated in me over the years has created a desire in me to use my hybridized knowledge of the Ethiopian culture and language with my knowledge and skills developed while growing up in a Western school system, to in some way contribute towards the development and transformation of Ethiopia and its people. I have been able to self-reflect and acknowledge that even my intent and motive to conduct this research has been in some way a product of my position that connects to an Ethiopia identity (Chacko, 2004). I recognize that many of these characteristics would identify me as part of the 'diaspora' that I have defined in my literature review (Chapter Two). However, while I may be part of the broad diaspora narrative, I acknowledge that there are factors that also make me an 'outsider', including the fact that as a second generation diaspora, I possess unique identity, characteristics, motivations, and desires, than that of the first generation diaspora I interviewed for my research (see Bütler, 2006; Levitt, 2009; King & Christou, 2010). Furthermore, those that participated in my research were

business owners, making me an 'outsider' in that respect as well. As Ergun & Erdemir (2010) write, the researcher's insider-outsider position with relation to their research is not a mutually exclusive one but can find the researcher in a dialectical relationship formed through a "betwixt-and-between" position.

I found that my 'insider' position as a person of similar cultural and linguistic background to those I was interviewing facilitated access to respondents and they quickly showed a trust and willingness to connect me with other potential research participants in my snowball sampling process. Reflecting on her research process in Pakistan, Stiedenroth (2014) describes how her outsider positionality hindered her from being able to access enough informants for her research during her first month of fieldwork. I found that I did not have this issue during my research, and that instead I was able to have a continuous flow of research participants to interview until I completed my field work. The commonality in language and culture created a level of trust and openness amongst respondents as I was able to easily build a rapport with the participants by speaking in the local language, and making them feel at ease about my role as a 'researcher'. Furthermore, I noticed that my status as a student from a university in Canada provided me with an additional legitimacy during my fieldwork. Being affiliated to a university abroad put me in a position of power and gave me access to key points of entry during my research (Merriam, et al., 2001). I found this to be especially true when entering government offices and accessing official documents and data. My status as a researcher from Canada granted me a respected 'foreigner' status and formalized my requests to access information and people, which was also further emphasized by my 'Canadian' English. It was interesting that my position as an 'insider' of Ethiopian descent, and as an 'outsider' as a researcher from Canada, both granted me acceptance and a certain level of power during my field work.

Furthermore, beyond the general positions mentioned above, I found that I had some more specific layers that positioned me in a positive way amongst those participating in my research. My classification as a young, woman, and second generation Ethiopian fluent in the local language all contributed to a perceived notion about me by those I interviewed. Unlike other instances of cultural factors that make it difficult for young women to conduct research in the field, my situation was quite the contrary. I found as a young woman, myself and the questions I

asked were less of a threat or source of suspicion for the predominantly male business owners that I interviewed. Even when entering government offices, the insider-outsider positions I mentioned above layered with my position as a young woman all contributed to their desire to 'help me' gain information and assisting me in my pursuit to find out more on the topic of diaspora and development in the country. Nevertheless, I am also aware that my position as a young female researcher was also a barrier in my access to the male dominated construction sector. I realized that the perception of me as a young woman happened to benefit the research I was conducting but could have had a very different impact if I was researching another sector or area outside of the capital city.

In addition to being a young woman, my identity as a second-generation diaspora born and raised in Canada who could however speak the local language, Amharic, fluently added another aspect of positionality. In almost every interaction with my research participants, they would comment on how proud they were that I spoke the language and admired my focus and curiosity to learn more about 'my country'. While this position I encountered in the field became a great asset for my research, it also caused me to reflect on this position that I felt I did not earn. My awareness of this position and power made me uncomfortable at times, especially when thinking of the access that local students and researchers might or might not have relative to myself. However, in my self-reflection I knew it was important for me to access information and conduct research that perhaps others might not be able to, since I believe my research will not only contribute to academia but also positively affect development policy in Ethiopia.

Hamdan (2009) writes of her experiences as an Arab Muslim researching Arab Muslim Canadian women through a Western university. She says, "Reflexivity is researching myself and reflecting on my personal beliefs and values both as a researcher and as a member of the researched group" (Hamdan, 2009, p. 378). I too have attempted to continuously engage in self-reflexivity regarding my position not only at this point, but also throughout my research in order to enrich my understanding and analysis of my research.

Chapter 5: The Disconnections and Politics of Ethiopian Diaspora and Development

Introduction

The dominant picture that is perpetuated by scholars and international organizations of the Ethiopian government is one of a state that actively works to provide policies and incentives to leverage its diaspora for development. As discussed in previous chapters, there have been many scholarly articles, books, and reports published that describe Ethiopia's efforts to establish government sub-ministries, directives, and institutionalized channels of engagement for diaspora in their pursuit of state-led growth and transformation (see Agunias & Newland, 2012; Chacko & Gebre, 2013; Kuschminder & Siegel, 2013). Some of these include the creation of the Diaspora Directorate in the Ministry of Foreign Affairs, the Ethiopian National Bank's establishment of diaspora exclusive foreign currency accounts, and the Ethiopian Origin card that provides diaspora access to rights and privileges normally protected for locals. While there has been research describing the strengths and weaknesses of Ethiopia's engagement of diaspora (see Newland, 2010; Phillips, 2013; Ragazzi, 2014), what is missing in the diaspora and development discourse is a critical inquiry into the politics of Ethiopia's diaspora engagement.

This chapter will attempt to fill this gap using the findings and analysis of my research that portray a much more complex reality. As will be discussed below, my research revealed the crucial importance of looking beyond what is officially written and said, and instead interrogating the deep-seated history and politics of Ethiopia in order to properly analyze the Ethiopian state's engagement of diaspora in their developmental plan. The first part of this chapter will look into the discrepancy between what is written and said by the Ethiopian state regarding diaspora engagement in economic development, and the reality diasporas are met with on the ground when investing in businesses. Building upon these findings, the chapter will then move into an analysis of why such disconnections might exist, how history and politics influence policy, and the potential for diaspora to contribute to Ethiopia's economic development plan. Considering both these disconnections and politics of diaspora engagement, the final section of the chapter will analyze my research interviews to discuss why Ethiopian diasporas are still returning to invest and explore how much their motivations are influenced by incentives through government channels, profit as business owners, and/or by diasporic identity. Understanding

diaspora motivations for engaging in investment and entrepreneurship enables Ethiopia's government to go beyond tokenistic diaspora policies and incentives and, as the following chapter will discuss, create effective state-business relations within a developmental state context.

Disconnections between Diaspora Policy and Practice

During interviews with the research participants, there were distinct disconnections that emerged between literature and publications on Ethiopian state policies and incentives for diaspora, and the reality diaspora investors faced in Ethiopia. Seven out of eight diaspora business owners interviewed said they had not successfully utilized the incentives in place to attract diaspora direct investment. Many commented that although on paper policies seem very attractive, implementation of what is promised in writing is poor.

> What you hear before you come and what you get here are different things.
>
> When you read the policies and directives and all these benefits on paper, they are actually very nice, but the problem I see is with the implementation… what's the point of incentives if you get here and they can't be implemented?

Business owners felt they were not able to access what was promoted as being available for diaspora investors. One major incentive that business owners expected to take advantage of was the ability to import machinery and equipment for their businesses tax-free (Federal Negarit Gazeta, 2012). However some interviewees were very discouraged by how difficult it was to actually use this incentive when trying to bring in their machinery. One business owner discussed the lengthy and difficult process he went through, being sent from one office to another, when attempting to take advantage of the investment incentive.

> "But I won't do it again (*bring in tax-free items*); I don't want the tax-free. I would rather just pay instead of going through all the hassle of bringing in stuff tax-free… you are open to their abuse and corruption… there is too much of a hassle with it."

This interviewee was so discouraged by the process that he decided it was easier to pay taxes in full for any business related items he might need to bring into the country rather than go through

the hassle of trying to utilize the import incentive. Other interviewees who had not tried to import their machinery said they were advised by other business owners to "avoid the nightmare" and not use the tax-free import incentive. As is revealed in the quotes above, while the directive put forth by the Ethiopian developmental state does encourage investment, the reality faced by the business owners interviewed was a rather discouraging one. Not only was there a lack of implementation from the government offices, the stories heard from fellow diaspora business owners of stringent regulations and abuse deterred others from trying to take advantage of any policies that may be in place. While the issues of bureaucracy and corruption will be explored in further detail in the following chapter, we see here its effects manifested through policy incentives and diaspora investors' inability to claim them.

Furthermore, these respondents also revealed that while there were certain policies that previously existed when the Ethiopian state first began to attract diasporas for development, many of the dominant perceptions on which policies currently exist are actually outdated. Newland & Tanaka (2010) write that while Ethiopia used to permit its diaspora to import cars tax-free, the privilege no longer exists, as a lucrative import and resale business was created by this privilege exclusive to diaspora. The policy's creation of arbitrage opportunities for a select group is a major critique of the developmental state, as it is said to distort the market and hinder true competitiveness (Powell, 2005). This was also the case with land in Ethiopia that was previously provided to diaspora without charge in order to attract them to return. While Ethiopia's developmental state has ended this incentive, the often changing policies and incentives have caused confusion regarding which policies exist, and which do not anymore.

A significant incentive for diaspora to invest in Ethiopia would have been the diaspora foreign currency accounts provided through Ethiopia's National Bank. According to Directive No. FXD/31/2006 (2006), Ethiopian diasporas have been authorized to obtain a Foreign Currency Deposit account in Ethiopia. On paper, this places diasporas at quite an advantage for business compared to locals, since diasporas would be able to access foreign currency that local business owners would not have ready access to. However, when asked if they had a foreign currency account, one out of the eight diaspora business owners mentioned having opened one. The remaining interviewees admitted to not knowing about the privilege. What I found from my

interviews also reflects the low number of accounts opened by diasporas overall. From 2006 to 2009, the privilege had been claimed by 1,000 people, which Ethiopia's Foreign Affairs Minister, Seyoum, admitted was a very low number (Teshome, 2009). Once again, Ethiopia's developmental state put out an attractive privilege for diaspora, but the reality is that the plan has not been accessed by many diaspora, considering there are over 2 million Ethiopian diaspora living abroad (OECD, 2012). This brings into question, at the least, the implementation capacity of Ethiopia's developmental state and its ability to effectively disseminate policy information in order to engage its diaspora population in the country's development.

As a developmental state, Ethiopia has identified its diasporas as development partners in achieving the country's desired growth and transformation. However, the discrepancies revealed in the discussions above raise questions regarding the purposes of these policies and incentives to attract diasporas. Mkandawire (2001) writes that it is unrealistic to expect a developmental state to be a 'deified, omnipotent, omniscient' creature that can predict the inconsistencies and disconnections that may exist due to new and experimental policies. While this may arguably be the case for a developmental state, it is also not necessary that there ought to be only one explanation for what is occurring, as multiple and complex factors often underlie many of the issues researchers try to uncover. In exploring these discrepancies however, the topic of the politics behind Ethiopian diaspora engagement became a dominant discussion that emerged from the interviews.

Diaspora Engagement in Development through Direct Investment

The government official at Ministry of Foreign Affairs Diaspora Directorate reiterated what was written in the *Diaspora Policy*. The pro-diaspora stance is persistent in the official rhetoric surrounding the state's plan to engage diaspora for development. In our discussions, the official mentioned the importance of engaging Ethiopia's large diaspora population as 'development partners', considering Ethiopia has many diasporas who have not yet begun to invest in the country.

> There are 2.5 to 3 million diasporas living abroad. Out of these only 3,000 to 4,000 have actually entered into investment ventures (*in Ethiopia*). This means

there are still a lot more to target for investment. We cannot ignore this huge number of diaspora that have access to knowledge, technology, and investment capital.

Although the Diaspora Directorate official mentioned other methods of diaspora engagement in development, including medical missions and tourism promotion, much of the conversation returned to diaspora investing and establishing businesses in Ethiopia. This pattern of focusing on diaspora contributions through direct investments is also evident when analyzing the *Basic Information for Ethiopians in the Diaspora* (Ministry of Foreign Affairs, 2011) document that was published to fill any knowledge gap that might hinder diaspora contributions. Of the thirteen chapters in the document, nine are dedicated to information on some form of diaspora direct investment or financial contribution. Ethiopia's developmental state has predominantly encouraged diaspora investment contributions as a strategy for economic growth.

A major privilege that is currently extended to diaspora business owners is the right to be considered a domestic investor when conducting business in Ethiopia. Based on Proclamation No. 280/2002 (Federal Negarit Gazeta, 2002), diasporas are given access to invest in sectors normally reserved exclusively for locals, take advantage of local investment tax incentives, and are not held to the minimum investment capital of $100,000 required of foreign investors. This is a proclamation that all diaspora business owners interviewed are operating under. For example, an interviewee I spoke to is the owner of one of the few and most successful advertising agencies in the country. As a result of the proclamation, he was able to return to Ethiopia, identify an opportunity, and start a company in a market that is not open to foreigners.

> I am thriving because of policies that allow me to invest in areas restricted to locals. I am not competing with multinational advertising agencies… it gives us advantages that a lot of others don't have. I can have a Canadian passport and still invest in areas Canadians are not allowed to invest in.

As a result of this proclamation, diaspora investors have been able to enter the business market in Ethiopia even if their small amount of capital would not have allowed them to otherwise. This is a significant action that the Ethiopian state has taken to engage diaspora in the economic development of the country. While this may raise questions on how this proclamation is

affecting competition in Ethiopia's market, there is a general narrative in literature surrounding diaspora and development that diaspora direct investment is superior to foreign direct investment. Reasons given for this view include the increased technological spillovers as a result of their business, and the assumption that diaspora are not only driven by profit, but also altruism and a goodwill to invest in their home countries (Debass & Ardovino, 2009). While this perception may have merit (considering the significant success of, for example, the investment flows from Chinese and Indian diaspora into the development of their homelands), as will be discussed in the section below, Ethiopia has a unique historical and political context that should be considered when understanding the state's institutionalized focus on engaging their diaspora through investments.

Politics of Diaspora and Development

When speaking with both local and diaspora business owners I interviewed, there was skepticism regarding the reasons and methods of state-led diaspora engagement in Ethiopia's development. In every instance, interviewees did not initially vocalize this skepticism; however as time went on during the interview and they developed more trust and comfort, they would reveal there was more to diaspora incentivized engagement then what is perceived at surface level.

> "I don't think diaspora impact is as big as portrayed by the government. But politically it makes a lot of sense to say that because diaspora are a few but make a lot of noise. So politically, if that noise is positive then it is good for the government."

The quote above reveals further the dominant perspective by media, literature, and the Ethiopian government of the importance of Ethiopian diaspora as partners of development. However, despite this domestic and international attention, business owners interviewed doubted the real impact of Ethiopian diaspora investment towards development. According to data from Ethiopia's Investment Agency (EIA) (2014), from the years 2003 to 2013, the total number of diaspora projects was 1,906, with total investment capital of 19,816,874,000 Ethiopia Birr, or over $1.92 billion USD[5]. In comparison, total foreign investments in Ethiopia for the same

---

[5] This figure was calculated using EIA's stated capital for issued investment licences. OANDA.com average annual midpoint exchange rate for each year from 2003 to 2013 was used to convert to USD. www.oanda.com/currency/historical-rates/. The figure does not however represent the actual net flow of capital.

period was 275,564,825,000 Ethiopian Birr invested in 4,114 projects (Ethiopian Investment Agency, 2014). That amounts to almost $20.18 billion USD[6]. Writing on Ethiopian diaspora policies and incentives, Kuschminder & Siegel (2013) note that although Ethiopian policies have resulted in increased diaspora businesses and investment over the last decade, the country has not achieved the expected degree of investment from diasporas. In terms of actual financial impact and direct investment, the data suggests that while policies and incentives have been put in place to attract and favour greater diaspora investment, this has not been the outcome. The second part of the quote above reveals why the perception promoted by the Ethiopian government that diasporas are key development partners might be continuing to persist. It is politically strategic for the government to be seen as responding to the demands of the diaspora.

While the diaspora might not be making huge direct investment contributions, the Ethiopian state is still attempting, at least on paper, to bring them on board with the state-led development agenda. One key reason for this could be Ethiopia's position as a developmental state. A developmental state's ability to autonomously implement its developmental policies is an integral component of its nature. The late Ethiopian Prime Minister Meles Zenawi wrote that the developmental state must effectively implement its development agenda and policies while achieving widespread national consensus on its plan (Zenawi, 2012). As a developmental state, it would seem that Ethiopia's legitimacy is demonstrated through its ability to not only create national consensus, but also gain support of its diasporas that have not been fully removed from homeland politics. Ethiopian diasporas have dominantly consisted of refugees that have been dispersed due to politics in the homeland (Phillips, 2013). For this reason many have not supported the current government that has been in power for the last twenty-five years. While they may have left Ethiopia and have lived abroad for years, many diaspora remain transnationally connected to homeland politics, particularly through different forms of media including print, radio, and online political websites (Lyons, 2007). Ethiopian diaspora involvement in politics and in opposition of the current government was clearly manifested during Ethiopia's 2005 elections. The major opposition party running was largely supported by Ethiopians in the diaspora that were seeking the removal of the current government through elections in the homeland (Abbink, 2006). Although Ethiopian diaspora have not been extended

---

[6] ibid

the right to vote, through funding of opposition parties they caused significant 'negative noise' and conflict against the current government. This phenomenon of diaspora financing opposition parties in the homeland is not unique to Ethiopia. As Kapur (2007) writes, Sri Lankan Tamil diaspora living abroad finance the Liberation Tigers of Tamil Eelam, also known as the Tamil Tigers, and play an integral role in the political insurgency of their homeland. Those in the diaspora remain connected to the politics of the homeland and can either disrupt or support the legitimacy of the state's autonomous decision making power.

In Ethiopia, diaspora involvement and support of the opposition parties prompted the establishment of new restrictive laws concerning the media and civil society organizations (CSO) (Abebe, 2012). In the aftermath of the elections, many CSOs were shut down due to accusations by the government of being opposition sympathisers. Most notably, the Charities and Societies Proclamation No. 621/2009 was established to restrict any CSOs that receive more than 10% of their funds from foreign sources from engaging in human and democratic rights or advocacy work (Federal Negarit Gazeta, 2009). This action by the Ethiopian government was seen both domestically and internationally as a way to hinder any further Ethiopian diaspora involvement in the politics of their homeland. The business owners I interviewed did not underestimate Ethiopia's developmental state capacity to identify and find ways to mitigate potential roadblocks diasporas might create for their developmental state agenda.

> The government does want the diaspora, but not in the way that they present.

> Engaging the diaspora is beyond the money they bring in; it's about getting the diaspora to stop hating the government and causing opposition. It's not about if they are actually bringing in real revenue. They (*Ethiopian government*) are strategically changing the feelings and opinions of those that live abroad by providing incentives and attracting them through channels they control.

According to the business owners interviewed, the Ethiopian state engagement of diasporas is not strictly for development nor is it apolitical. Rather, they believed that the direction Ethiopia has taken to be an active state in the engagement of its diaspora was a strategic decision to pacify the diaspora. From a developmental state perspective, by providing diaspora with policies and incentives, or an idea that they in fact exist, eases diaspora tension and opposition, and facilitates

space for the state to pursue its developmental agenda. Privileges such as the tax-free personal car import provision and local investor status for diaspora have been few, and yet effective incentives have created a new shift in the relationship and perception between many diaspora and Ethiopia's current government, especially through the plan of economic development. However, one of the main policies designed for diaspora, Proclamation 270/2002, extends to the diaspora many key rights, while explicitly limiting all diaspora political involvement (Federal Negarit Gazeta, 2002).

Proclamation 270/2002 outlines the rights provided to those in the diaspora who obtain the Ethiopian Origin Card. From 2002 to 2011, over 10,000 cards were issued to diasporas, the majority to U.S. and Canadian citizens (Chacko & Gebre, 2013). While the card entitles diasporas to many similar rights and privileges given to Ethiopian citizens, these explicitly restrict diasporas from any realm of politics. For example, diasporas are not given the right to vote, be elected to any office of government, or be employed in political establishments such as National Defence or Foreign Affairs (Federal Negarit Gazeta, 2002). This legal restriction however is at odds with other policy documents and state efforts to engage diaspora. The new *Diaspora Policy* (Ministry of Foreign Affairs, 2013) written to guide the country's diaspora affairs includes the goal to advance diaspora involvement in democracy and good governance through their participation in Ethiopia's political elections. Once again there is the discrepancy that is seen between what is written about diaspora involvement in Ethiopia's development.

These observations shed light into some of the complexities and underlying politics of diaspora engagement that are not usually discussed in literature or by international agencies that have jumped on board with developing 'road maps' for state-led engagement of diaspora in the country's development (Agunias & Newland, 2012). Nevertheless, even with these disconnections and politics, average annual direct investment from Ethiopian diasporas has continued to increase (Chacko & Gebre, 2013). As such, it is important to ask if incentives and policies are not so favourable to diasporas, why they continue to establish businesses and invest in Ethiopia and its development.

Ethiopian Diaspora Motivations for Investment

Much of the discussion in literature regarding diasporas and their contributions to development have taken on a romanticised narrative. Writing in a USAID report on the superior benefits of diaspora direct investment (DDI), Debass & Ardovino (2009) claim that while foreign firms usually adopt a business model to gain maximum profits, diaspora businesses in the homeland have motivations driven by altruism and goodwill. As earlier discussed, Ethiopia's developmental state has been seen as actively working to engage its diaspora in the country's development. Based on this, one could also assume that perhaps the incentives and privileges are attracting diaspora to return and invest in the homeland. However, what I discovered was closer to the conclusions of Barnard & Pendock (2013) who found the relationship of the South African diaspora to their homeland to be very complex and at times contradictory. When interrogating their views on the politics of diaspora engagement and their decision to invest in Ethiopia, I found that the business owners interviewed were not motivated purely by profit or desire for homeland prosperity; rather, personal history and experiences made decisions to invest interconnected and complex.

Incentives and Profit

The direct influence of the developmental state on the decision of diasporas to return and invest was not a prominent motivation amongst those interviewed. I found that only one out of eight diaspora business owners said he was motivated to start his business as a result of government incentives. After returning to Ethiopia about eight years ago, this business owner admitted that he did not have a desire to enter into his specific sector of business, but had heard about the incentives available to diaspora at the time and decided to start his business and reap the benefits. Six out of the eight diaspora business owners interviewed mentioned that their financial profit has been very high and acknowledged this was a motivating factor for investing in a business in Ethiopia. The privilege to invest as a local investor in the country has created an opportunity for diasporas to return and invest their capital towards sectors that are normally protected for local investment. While the business owners all addressed the policy and business environment constraints they face daily, as one business owner put it:

Doing business here is not a walk in the park, there are many challenges, but if you overcome them the returns are great. Challenges you face in Canada won't be as much as here because there have been structures established for so many years, but the returns are not as high either over there.

The diaspora business owners interviewed did not directly mention Ethiopia's developmental state plan and privileges available to diaspora investors as motivation to return and invest. In fact, as discussed in the sections above, they discussed the discrepancy they experienced between what is promoted for diaspora engagement, and what they are actually met with once in Ethiopia to invest. However, the high returns for investment that are available to diaspora investors are influenced by the opportunities found in Ethiopia's developmental state, assuming they are able to overcome the challenges of conducting business in the country (as will be discussed in the following chapter). The business owners are protected from competing with multinational companies and are able to potentially thrive in an economic climate that averaged 10.5 per cent GDP in 2013 (The World Bank, 2015).

National Identity and Development

While profit was a main motivating factor that seemed to weave through almost all business owners' motivations to invest, this was not the sole motivator that they discussed. Smart & Hsu (2004) note that from their study of overseas Chinese investors, they found motivations to invest at home were often a complex blend of wanting to contribute to one's native place, or one's relatives, and pursuing profit from new economic opportunities. This was also the case for the diaspora business owners I interviewed who were not able to untangle or distinguish their overlapping motivations. For example, when I asked a business owner what motivated his desire to return and invest, he admitted that as a businessman, profitability comes first. His decision to invest was influenced by his belief that it is now time for the rise of Africa's "Lion economy", making parallel reference to the successful East Asian Tiger developmental state economies. At the same time however, he urged that diaspora should not look at the current politics of the country but instead think of '*hager*', or home country, and invest in the development of Ethiopia.

Diaspora must not think in terms of government or political party, but in terms of '*hager*'. I can't vote here or I can't be elected. But I'm here to develop the

country and the people. That has nothing to do with a party that comes and goes; but country never goes away. This is the right time to come back.

An idea of being part of Ethiopia's development future, as well as Ethiopia's current economic climate of growth and profitability, were mixed as motivators for investment. These two motivations however could not be completely separated by the diaspora business owners I spoke to. The business owners would emphasize that profit was an obvious factor in their decision to remain in Ethiopia, however their underlying motivator to invest in Ethiopia was not due to the incentives provided, or in support of Ethiopia's official developmental plan, but rather was motivated by their own attachment to their 'home' and their people. Furthermore, as a developmental state, Ethiopia has, at least on the surface, made an effort to encourage its diasporas to become partners in the pursuit of the state-led development agenda. However, not all business owners equate a personal attachment and desire to see improvements in their Ethiopian 'home', to a desire to contribute to the Ethiopian government's macro-developmental vision for the country. This revealed that there could be a distinction between an attachment to 'home' and people, and a desire to take part in Ethiopia's growth and transformation. Even more, other personal push and pull factors have also surfaced through interviews as diaspora motivation for diaspora homeland engagement.

Personal Push and Pull Factors

Just as migration studies have for years wrote on the push and pull factors of emigration from a country of origin, this analysis of return migration reveals how diasporic identity and factors in the 'host country' have affected diaspora motivation to return and invest in Ethiopia (Cassarino, 2004). As part of a diaspora, the Ethiopian diaspora living abroad maintain a collective idea of an ideal homeland to eventually return to, and can hold a belief that they are not fully accepted in their host society (Safran, 1991). As such, diaspora business owners interviewed also discussed their maintenance of a feeling that Ethiopia was always 'home' and held a desire to return even while they were living abroad. Reasons for a desire to return to Ethiopia were personal and varied, including family responsibility, a longing for a sense of belonging, influence of friends and family, and a desire to live an easier lifestyle outside of the fast-paced North American society. However, once again, while personal motivations were mentioned by business owners, they would also at times overlap with broader profit motivations, a sense of responsibility to

their homeland and people, and/or a desire to contribute to development. For example, a business owner I spoke with addressed the fact that he never felt 'at home' in the U.S., and was propelled to return to Ethiopia and invest. However, while he described Ethiopia as 'home', he said that he did not connect with a national development agenda he needed to help achieve.

> When you come here it shouldn't be about helping your country. It should be that you see an opportunity and you are satisfied to be here. When I came here my aim was to live a peaceful and easy life.

Rather than being motivated by altruism or goodwill as diasporas are predominantly positioned, this business owner said he wanted to escape the busy life he lived in the U.S. and return home to do business. He talked about returning home "to be with my own people", and referred to Ethiopia as being his country. However, that did not translate into a desire to use his business investment to be part of growth and development of Ethiopia. Another business owner described his personal decision to move to a place where he would feel more welcome and felt he could fit in, rather than perpetually being considered an 'outsider' and visible minority while living abroad. He also stated that his decision to invest in Ethiopia would not matter if he was Ethiopian or not because in his opinion, doing business in the country was profitable and made sense. However, he referred to Ethiopia as 'home' throughout the interview, revealing a personal attachment to the country, though his speech seemed contradictory to his direct response to the question of motivation to return and invest. The difficulty of interviewees to separate or distinguish the complexities of their motivations to invest in Ethiopia was dominant throughout and presents an important element for Ethiopia's development state to consider in their institutional engagement of their diaspora.

Despite the politics and disconnections that may be found in Ethiopia's state-led engagement of diaspora for development, interviewees revealed that their motivations to invest were predominantly shaped by intertwined personal and individual processes that relate back to the 'home'. Both diasporic identity and profit opportunities in Ethiopia have been motivators to return to Ethiopia and invest in a business rather than being attracted by incentives or privileges for their contribution to development. Importantly however, in all cases of those interviewed, diaspora business owners reveled the complex and interwoven motivations for returning to invest

that cannot solely be attributed to state-led engagement strategies or altruistic and good will motivations. Nevertheless, every business owner I interviewed spoke of the many challenges of doing business in Ethiopia and the many times they wanted, and still want to, close their business and re-enter their host country. The business owners and the Diaspora Association executive discussed how many of their friends and family members had heard of the possibilities to invest in Ethiopia and attempted to establish a business, but had failed and returned to the host country. While the politics and history of the Ethiopian diaspora cannot be denied when analyzing the engagement strategies of the Ethiopian state, there are still diasporas who are looking to invest, or are investing, in Ethiopia for various reasons. Using Ethiopia's Growth and Transformation Plan (Ministry of Finance and Economic Development, 2010) and developmental state literature, the next chapter of my paper will analyze both local and diaspora business owner interview responses to uncover the actual challenges faced when conducting business within Ethiopia's developmental state.

Chapter 6: Doing Business in Ethiopia's Developmental State Context

Introduction

A strong focus of Ethiopia's developmental state is to achieve broad-based, accelerated and sustained economic growth for the country. The state's Growth and Transformation Plan (GTP) has outlined key goals and strategies to guide Ethiopia's path to achieving this development. Some of the major policy objectives include the maintenance of at least an average annual GDP growth rate of 11%, the establishment of suitable conditions to achieve economic growth through a stable democratic developmental state, and sustaining rapid growth within a stable macroeconomic framework. In order to realize the effective implementation of the policy goals, the GTP outlines that a major strategic pillar is the creation of favourable conditions for businesses to play a key role in the economy (Ministry of Finance and Economic Development, 2010). Coordination and cooperation with the private sector is outlined to be crucial for Ethiopia's development. As mentioned in previous chapters, the current Ethiopian government has identified its diaspora population as key development partners and have called upon them to contribute to the country's economic growth and transformation. The country has recently achieved significant economic growth in terms of GDP growth , where from 2004 to 2013 annual GDP growth rate average around 11% (The World Bank, 2015). However, its business environment is, according to some indices, discouraging to investors attempting to conduct business in Ethiopia. The recently published World Bank report, *Doing Business 2015* (2014), ranked Ethiopia on the ease of doing business at 132 out of 189 countries. In Sub-Saharan Africa[7], Ethiopia ranked much lower than countries such as South Africa (43) or Rwanda (46), but ranked higher overall than countries such as Uganda (150) and the regional average score (142). Compared to the year before, Ethiopia's ranking dropped overall by 3 places. While Ethiopia's developmental state is achieving economic growth, the report indicates it still ranks low in its achievement of a regulatory environment conducive to operating a business.

As will be explored in this chapter, while Ethiopia's developmental state has committed to establishing a conducive business and investment environment, both local and diaspora business

---

[7] The countries in Sub-Sahara included in the study were Botswana, Burundi, the Central African Republic, the Comoros, the Democratic Republic of Congo, the Republic of Congo, Côte d'Ivoire, Guinea, Kenya, Liberia, Malawi, Mali, Nigeria, Rwanda, Sierra Leone, Togo and Zambia (World Bank, 2014).

owners interviewed discussed key challenges when doing business in Ethiopia. As discussed in the previous chapter, because of Ethiopia's vibrant economic growth, business owners interviewed did find the profit opportunities of the country to be motivation to invest. However, the interviewees also revealed that not all diaspora are investing out of motivations that are altruistic or because of 'good will', nor are their motivations binary or clear cut. In order to retain and encourage diaspora investment, the developmental state of Ethiopia will have to address the challenges that investors are facing. This chapter will discuss these challenges of Ethiopian diaspora investors when conducting business in Ethiopia. This chapter will analyze Ethiopia's GTP to uncover how successful the state has been in creating suitable conditions for businesses, particularly diaspora owned businesses, to play a key role in the country's economic growth and transformation. Furthermore, a key component of previous developmental state success has been influenced by the success of state-business relations (SBR; see Chibber, 2003; Sen & te Velde, 2009; Cali & Sen, 2011). This chapter will explore the condition of SBR in Ethiopia and analyze its role in the achievement of Ethiopia's development agenda.

Challenges of Doing Business

<u>Access to Information</u>

During the interviews I conducted, six out of eight diaspora business owners and five out of seven local business owners revealed that a lack of access to up-to-date and accurate business information has been a major issue when attempting to do business in Ethiopia. Some of the types of policies and regulations mentioned by business owners included laws on taxation, import and export policies, and regulations specific to their type of business.

Inability to access current information

While there are specific policies and incentives outlined for diaspora investors and business owners, the majority of diaspora business owners interviewed were unclear about the current information regarding these incentives and how to access them. Business owners talked of their reliance on learning about the most recent policy information through other business owners and people they knew, rather than official sources or government offices. Beyond incentives or privileges related to diaspora investors, business owners interviewed spoke of their inability to access information related to specific regulations or policies that apply to their business. For

example, a business owner I spoke with said that his company had successfully won a bid for a large contract. However, it had taken them almost year to try and identify the appropriate policies and regulations to follow for this new business endeavour. The interviewee shared that the project was not able to move forward because they were still waiting to gather the new policy information. In addition to the difficulties with actually accessing the current information related to business, an added component is the difficulty of keeping up with frequently changing policies.

Frequently Changing Policies

When speaking of the lack of access to information on policies and regulations related to business, interviewees brought up the changing policies and regulations that are difficult to remain informed on. Business owners described the way in which policy discrepancies cause confusion when attempting to apply the most current regulations to their business activities. For example, a business owner described her experience of unknowingly possessing an expired business licence. The business owner had gone to a government office for a separate issue, and while there, found out that her business licence had expired due to a law that had changed half-way through the year. Business owners interviewed were concerned with the lack of consistent rules and regulation applied by the government for business owners to follow. They noted that as a result, they had to worry about unforeseen penalties and fines that occur as a consequence of unknowingly missing a new law. However, while both local and diaspora business owners brought up the inconsistent and changing policies, their perspective and approach towards these issues were quite different.

Local vs. Diaspora response to Policy Uncertainty

As a local business owner explained, the issue of changing government policies regarding business is not a new issue in Ethiopia. It is a common experience that business owners deal with in Ethiopia's business environment.

> My father has been doing business in this country for decades and he always says
> you don't have to worry about what (*government policies*) say. You just work by
> hope; hoping that it will work out or that the laws will be in your favour; there are
> no guarantees, you just hope for the best.

This and other interviews with locals depict the type of business environment that Ethiopian business owners work in, where policy uncertainty is just one of the realities of doing business. Furthermore, it was interesting to see the difference in perspective between locals and diasporas towards this lack of access to current policies and regulations. The clear frustration that came through during interviews with diaspora business owners was contrasted by local business owners who saw the uncertainty of Ethiopia's business policy environment as an accepted reality of doing business in the country. Rather than complain or voice frustration, the local business owner quoted above instead decided to work 'by hope', until policies inevitably changed again. Other local business owners also noted that while laws change frequently, there is a pattern of poor implementation of policies in the country. From the view of local business owners, even if a new regulation or policy is released, it is better to wait and see if the policy will actually have an impact on business before trying to fulfill all its new requirements.

The local business owners' knowledge of Ethiopia's business environment and policy uncertainties gave them a level of confidence and 'hope' that was not evident in the frustrations of the same issues from diaspora business owners. As previously mentioned, diaspora direct investment has been promoted by scholars and international development institutions as being crucial in developing countries with weak institutions and business environments. Coniglio, Prota, & Seric (2014) report that through their study on diaspora investments in Sub-Saharan Africa, they discovered diaspora investments can be quite successful relative to local and foreign investments. However, just like any other potential investor, they write that diasporas require a favourable business environment in order to successfully grow. The interviews revealed that although diasporas continue invest, despite policy uncertainty and business risk, they are not immune, or necessarily better equipped, to deal with this challenge. Access to information poses a significant challenge to both local and diaspora business owners and their ability to successfully conduct business. Furthermore, as was indicated by the interviews, the challenge of conducting business in Ethiopia also overlaps with the issue regarding the implementation capacity of government offices.

<u>Bureaucracy</u>

While access to current and accurate business information has posed a challenge to local and diaspora Ethiopian business owners, a major source of this issue has been the lack of coordination and implementation capacity in government offices. Ethiopia's GTP has identified the establishment of government structures with strong implementing capacity as an objective for their developmental plan. The plan outlines that under the strategic pillar of strengthening good governance and capacity building, the developmental state aims to increase efficiency and effectiveness of its offices by ensuring its civil servants fully understand the developmental state's policies and are capable of implementing them (Ministry of Finance and Economic Development, 2010). Even though Ethiopia's developmental state has established government offices in the Ministry of Foreign Affairs and Investment Agency with the objective of assisting Ethiopian diaspora investment, the diaspora business owners interviewed did not experience particularly smoother bureaucratic processes than the local business owners. As one diaspora business owner discussed, while the sub-ministry offices may be beneficial to obtain initial information on investment, most of the challenges experienced by business owners are experienced in other lower-level offices.

A major issue that repeatedly arose from the interviews was the time that is wasted going from one government office to another when trying to find information or attempting to address a matter related to their business. This was described to be due to a lack of coordination across offices, and civil servants' lack of knowledge on the details of regulations and policies. These bureaucratic challenges are particularly vital to identify in the context of Ethiopia's development state. Writing on the developmental state, Leftwich (1995) highlights the importance of a strong developmental state that has not only been able to achieve state-led economic planning, but has also influenced the successful implementation of its plan at all institutional levels. In other words, not only does the developmental state formulate the developmental plan, it also has to ensure its core planning board can, as the GTP outlines, build the administrative capacity of its civil servants to actually carry out its policies.

Not only are the bureaucratic hurdles discouraging to business owners and investors, they also open space for corrupt activity. From their research on the relationship between corruption and

business regulations, Brito-Bigott, Faría, Rodríguez, & Sánchez (2008) found a strong positive relationship between corruption and complex rules. Their study revealed that in a bureaucratic system where business procedures are lengthy and complex, it becomes cost and time effective for the business owner to engage in bribery, an idea to be further explored in the section on 'corruption' below. A business owner described his method of overcoming the bureaucratic obstacles that did not involve bribery- although it involved other opportunity costs and was clearly suboptimal.

> Most of the time I just wait. Or there are times I leave the issue for two weeks and then come back to it again because I have no choice since I have so much money invested in it. I have to nag them and keep going back and eventually the issue will be resolved.

As an alternative to engaging in bribery, this business owner has come up with an inefficient solution since he could have been using his time to, instead, do something productive towards his business. Business owners who have already invested a lot of money into their businesses become vulnerable to the decision making power that lies in the hands of the government offices workers. A major issue is that business owners have no real governing body to go to in order to resolve the bureaucratic challenges of doing business. An executive members at the Ethiopian Diaspora Association (EDA) described one of the mandates of the Association as being a body that can assist diaspora in taking their bureaucratic challenges to a higher level of government. However, diaspora business owners who had tried to receive institutional support through the association said EDA was not politically strong enough to make real change to the business owners' challenges. Ethiopia's developmental state has outlined its goal to improve its government structures and upgrade the capability of the civil service to respond to public demands and implement the GTP (Ministry of Finance and Economic Development, 2010). However, the lack of coordination and implementation of government policies at the lower, civil servant level, poses a major challenge to both locals and diaspora attempting to successfully conduct business in the country and contribute to the country's growth.

<u>Corruption</u>

While the challenges in this chapter have been presented as separate points, a significant challenge to doing business that can potentially weave through all is the issue of corruption. I acknowledge that the complexities and nuanced debates surrounding corruption and 'good governance' in Africa are not ones that can be fully exhausted in this section (see e.g. Marquette, 2003; Meisel & Ould Aoudia, 2008; Khan, 2012). However, dealing with corruption while conducting business was an issue that emerged across the challenges discussed by both local and diaspora business owners, including access to information, bureaucracy, and rent control. Good governance and the fight against corruption have been identified in Ethiopia's GTP as key strategic pillars and goals for the country's growth and transformation (Ministry of Finance and Economic Development, 2010). In order to establish this pillar, the government has set targets that include the establishment of transparent and accountable government financial management systems and enhancing civil servants awareness of the supremacy of the law. However, these do not seem to target some of the underlying issues related to corruption that emerged from my interviews with business owners. For example, the government policies and laws themselves were seen by business owners as promoting corruption. Business owners explained that while the establishment of laws and regulations are necessary for the country's growth, the way in which these laws are enforced position business owners to be vulnerable to corruption. One area where this is seen is through the stringent tax regulations that are applied to business owners.

In 2008, the Ethiopia Revenue and Custom Authority (ERCA) adopted the Electronic Tax Register (ETR) automated system and made it a requirement for business owners to use in order to comply with the Value Added Tax (VAT) collection process (Mohammed & Gela, 2014). The implementation of ETRs allowed for improvements in tax collection methods and enabled the ERCA to monitor business revenues and avoid evasion. However, in order to ensure the implementation of this new system, the legal punishments for any failure to produce an electronic receipt for sale has been very harsh. Under this new system, if a cashier sells an item and does not provide a receipt, the manager or business owner is at risk of being jailed. Rather than suffer this consequence, in the event business owners find themselves in this situation, they would rather pay off local authorities, which opens themselves up to corruption. While the regulation would seem to increase transparency and 'good governance' with taxation, the

punishment of not complying is so extreme that it has stirred up fear and provided an opportunity for civil servants to benefit through bribery and corruption. This situation of tax policy regulation points to the complexities around the debates of anti-corruption and good governance prescriptions for developing countries. On the one hand, the adoption of the ETR system in Ethiopia can be seen as a move by the developmental state to increase 'transparency' and 'accountability', key buzzwords of anti-corruption and good governance. In addition, taxation is a form of government revenue which is needed to finance the country's GTP. In the Plan, tax revenue was projected to increase from about 4.3 billion ETB in 2009/10 to around 12.7 billion ETB by the end of the five year plan in 2014/5 (Ministry of Finance and Economic Development, 2010). At the same time however, the stringent enforcement of the regulation in Ethiopia's business context has actually opened space for more corruption.

Business owners also provided insight into the way in which numerous and often changing business procedures perpetuate corruption. This quote below highlights the similar type of conversations that emerged in the interviews.

> The procedures are so tedious and at the end of the day they just want a bribe to make things happen; they say no but you know if you gave them a bribe they would say okay, and so it's hard for me to make improvements to my business.

Business procedures and regulations that are complex and tedious are found to have a positive relationship with corruption (Brito-Bigott, Faría, Rodríguez, & Sánchez, 2008). As the business owner's quote reveals, the many business procedures that are to be followed create increased points of interaction with government employees that have the authority to either approve or deny requests. For example, Ethiopian tax and customs laws undergo frequent repeal and amendments, making it difficult to understand business regulations (Yohannes, 2011). The confusion regarding complex policies and lack of coordination between offices makes business owners exposed to loopholes and points of bribery and corruption.

Nevertheless, business owners also use corruption itself to advance through other challenges in Ethiopia's business context. For example, during an interview with a business owner, the

interviewee described his frustrations when equipment he was importing for his business was held at the border.

> But it's all about who you know here. I knew someone who knew someone so they allowed me to pay a ridiculous amount of money in the end to take my PCs.

This business owner admitted that his connection to the right people in power allowed him to overcome the challenge he experienced when attempting to import business equipment. While he did not follow all regulations and procedures for import, he was able to avoid the confiscation of his equipment by bribing the right people in authority. In a comparison between Malaysia's and Ethiopia's developmental state, Desta (2014) writes that while Malaysia dominantly followed a meritocratic bureaucracy when hiring civil servants, in Ethiopia's developmental state, many civil servants are intentionally recruited based on ethnic affiliation and not on the merit of their qualification. This once again creates a system of unequal power relations and corrupt business relations that advantages some business owners, while hindering other businesses and investments from achieving full growth potential as per Ethiopia's developmental agenda and GTP. The few business owners interviewed that had family or friends connected to positions of power spoke of their challenges of doing business with less frustration than the business owners that did not, since the former had a way of overcoming of them. This group was not distinguished by diaspora or local, but consisted of both types of business owners.

Weak and Short-Term Rental Agreements

The challenge of weakly regulated short-term lease agreements arose in conversations with three out of eight diaspora business owners and three out of seven local business owners. While there was no direct question related to rent contracts or lease agreements that I asked in the interviews, the semi-structured nature of the interviews provided space for these business owners to raise this pressing issue for their businesses. Business owners stressed that the impact of this challenge has one of the most direct impacts on their business as it can determine if they will have a space to conduct their business. Due to start-up costs and a lack of access to finance, small and medium sized business owners in Bole predominantly rent out office spaces from the new buildings in the area in order to use it as a place of business. In many cases, business

owners are subject to the discretion of landlords under a poorly regulated system. One interviewee described the issue of short-term lease agreements that create insecurity in business.

> The biggest issue here is the lack of regulation for rental agreements; we need to have more regulation. Landlords raise rent prices without regulation. Very short term contracts are drafted, and when prices are raised, local business owners don't have a place to get a loan from a bank... I could have grown, maybe opened up another place, but too much insecurity has been developed.

Business owners described their fear of taking the risk to invest large amounts in their business because of the unpredictability of their lease agreements. While they possessed aspirations to grow and expand their business, the interviewees felt the lack of proper rental regulation and policy implementation created insecurity that hindered them from doing so. One reason for the ability of landlords to raise prices as they wish is due to the high demand for rental space in Addis Ababa, and especially in the Bole area. As more and more migrants move to Addis Ababa and its population increases, pressures for land and rental space have become a salient urban issue (Yusuf, Tefera, & Zerihun, 2009). Furthermore, as a growing urban centre, 90% of diaspora investments have been made in business in Addis Ababa (Chacko & Gebre, 2013). This is especially true in the burgeoning urban centre of Bole that has become a prime location for rental property for businesses. As a result of this high demand pressure and lack of protection, landlords are able to arbitrarily increase prices knowing current renters will have to comply. In competitive rental systems, while landlords can apply a percentage increase to rent at contract renewal, typically it is in the interest of both landlords and tenets to agree on terms and renew (Epstein, 1995). However in Addis Ababa's urban context, landlords hold more of a monopoly power as result of their knowledge of the high demand for space in Bole, striping business of negotiating power. During my interviews, I spoke to a business owner who echoed many of the similar sentiments felt by other business owners in the area.

> The one who has most power in this country are the landlords. They can break your lease and tell you to move out or raise prices, which hinders business people from taking risks and investing long term; that would mean my almost 100 employees would also lose their jobs.

According to these interviewees, the lack of consistent regulation of rent control creates insecurities for business owners and has discouraged them from further investing or growing their business. The implication of a business environment with rent regulations that discourage investment is also detrimental to the success of Ethiopia's GTP and its diaspora engagement plan. Ethiopia's high and fluctuating inflation rate could also be an added factor to the instability and rising rent prices. Since 2005, annual inflation (GDP deflator) has been on average 15.1%, and has ranged from 1.4% in 2010 to 33.5% in 2012 (The World Bank, 2015). These drastic and short-term changes in the value of money create further business insecurity that can effect rental prices and business owner investment confidence.

However, the challenges business owners face when dealing with rental and lease contracts also speaks to a deeper political-economic issues within Ethiopia's developmental state. For Ethiopia, ethnic affiliation and kinship has historically played a significant role in power structures, and continues to persist today (Desta, 2014). In his article on the "money politics" of Korea's developmental state, Kang (2002) writes that rent-seeking is created when actors manipulate prices and cause them to diverge from competitive levels. The lack of regulation or protection on rent control in Ethiopia's developmental state allows landowners to manipulate their prices and reap non-growth enhancing profits. Furthermore, Kang (2002) stresses the importance of understanding the political story behind investment and growth of a developmental state. While business owners described the effect of politics and power relations when dealing with various challenges, it had a pronounced effect for them on the issue of rental prices and contracts. The quote below summarizes the sentiments that were echoed by business owners experiencing this challenge.

> …the reason why the government does not regulate (prices) is because they themselves have buildings and they want to take advantage of the unregulated market… officials need to have a long-term focus. Short-term they can make good money, but businesses aren't able to sustain themselves long-term this way.

The current rental and lease system encourages an environment where power is limited for those few who have gained access to finance and prime real estate in the Bole business area. Writing on the case for a developmental state, the late Zenawi (2012) insists that the successful role of

the developmental state focused on accelerated growth would be to encourage growth-enhancing activities. The developmental state goal is to act autonomously from the private sector and implement its developmental agenda; however, it would be impossible to ignore the complex and deeply entrenched ethnic affiliations and politics that play a role in the Ethiopia's economic growth potential. Rather than be an issue of diaspora verses local power, the issue of rent control and power in the hands of landlords is revealed through who business owners know and are connected with in the city. The influence of politics plays out not only in terms of state-led diaspora engagement in development as discussed in the previous chapter, but also across issues and challenges faced by both local and diaspora business owners. Furthermore, challenges of doing business such as the lack of regulation associated with rental contracts, and access to finance that will be discussed below, pose direct impediments to investment and business growth in Ethiopia's developmental state.

Access to Finance

According to the World Bank's Doing Business 2015 report, Ethiopia is ranked as having one the least developed economies in terms of ease of obtaining credit for business owners (World Bank, 2014). Compared to a study of 189 economies, Ethiopia stands at 165 due to its very weak scoring on various credit indices, including rights of borrowers and credit bureau coverage. Ethiopia's ranking is also lower than the Sub-Saharan regional average ranking of a 122. Not surprisingly, access to finance and credit for businesses in Ethiopia was a prevailing challenge that business owners identified during their interviews. Both local and diaspora business owners experienced this challenge at initial start-up stage, and also posed a challenge for business owners trying to expand their business. Five out of eight diaspora business owners and all seven local business owners interviewed discussed their challenges with accessing financing. One of the major issues that hinder the ease of accessing credit is the significantly high collateral requirements for loans. In 2011, the value of collateral needed for a loan in Ethiopia was 234%, much higher when compared to neighbouring country of Kenya that had a collateral rate of 120.8% (Strobbe, 2015). When starting a business, many must rely on personal loans through networks of family and friends. In a report on SME financing in Ethiopia, the World Bank (2015) has also identified that SMEs are much more likely to be fully credit constrained and with no source of external financing compared to micro and large sized firms within the country.

81

This, however, is not an SME challenge isolated in Ethiopia, but rather a broader problem that is recognized across SMEs in Africa (see Kauffmann, 2005; International Finance Corporation, 2013). Similar to the context of other successful developmental states such as Korea, for Ethiopia's developmental state, the priority is given to certain large-scale industrial sectors that are believed to bring about accelerated growth for the country (Ministry of Finance and Economic Development, 2010). However, the World Bank (2015) reports that in Ethiopia's context, this lack of focus on financing for SMEs has created a 'missing middle' that has ignored the unexploited job creation and economic growth potential found in SMEs in Ethiopia.

The issue of collateral in Ethiopia's developmental state also poses a challenge to the state's engagement strategy of diaspora in business and investment. When returning to invest, Ethiopian diasporas are in need of credit, but since they, for the most part, do not own property in Ethiopia that can serve as collateral, they face constraints with access to finance. In order to assist diaspora in overcoming this challenge, in 2008 USAID began a collateral program with its partner banks in Ethiopia. USAID's Development Credit Authority (DCA) identified Ethiopian diaspora inability to present collateral and began to provide credit guarantees for Ethiopian diaspora business owners of up to 50% of losses in the case of default (Newland, Diasporas: New Partners in Global Development Policy, 2010). This was a significant advantage for diaspora business owners as they were given an opportunity to invest in Ethiopia while overcoming the country's financial constraints. The program was also made available to women-led businesses in Ethiopia, with a total of more than $17 million USD made available in potential loans (U.S. Embassy, 2008). However, between 2008 and 2010, only 10 diaspora businesses in predominantly the service and agriculture sectors had used this USAID program to borrow 37 million birr (about $2.8 million USD) in loans (Newland, 2010). Furthermore, the figure is substantially low compared to over 4 billion birr of diaspora investment that was registered by the Ethiopian Investment Agency (2014) for the 2008-2010 period. There is an indication from these figures that although diaspora were provided with an advantage through the credit guarantee program, potential factors such as lack of access to information or low approval may have resulted in a low number of diaspora accessing finance through the guarantee program.

Access to finance is not only a constraint at the start-up stage of a business in Ethiopia. The lack of access to finance also cripples the potential of business growth and expansion. The quote below provides an example of the type of challenges that business owners discussed with regards to expanding their business.

> …if I want to expand this place and need new machinery, I should be able to go to the bank and ask for a loan to expand my business….Say I have an idea and there are 40 containers of products that I need to bring in. I'll be told by the banks I can't get a loan; or there is not enough foreign currency to begin with.

This business owner spoke of her desire to expand her business that is hindered by the lack of financing available through banks. While business owners may have ideas and aspirations, they are discouraged by the knowledge that they will be turned down for a loan and therefore are not able to grow their business as much as they would like. Furthermore, the interviewee brings up a key issue regarding access to foreign currency that emerged through other interviews as well. A local newspaper, *Capital,* reported that the Director of Corporate Communication Directorate at the Ministry of Industry, stated that Ethiopia does have enough foreign currency, yet priority is given to its distribution towards large governmental projects and manufacturers belonging to focus sectors that need to import raw materials (Yewondwossen, 2013). As previously mentioned, SME constraints with access to finance are particularly challenging in a developmental state context that focuses on large scale business and selective industrialization to achieve growth (Grabowski, 1994).

One major distinguishing characteristic of Ethiopia's development state is that it has one of the few remaining strongly protected financial markets (Kassahun, 2012). There are no foreign banks, and state-owned banks continue to have dominant role in the strong capital controls that are in place (Kiyota, Peitsch, & Stern, 2007). As a developmental state, Ethiopia's protection of certain sectors is not surprising. The East Asian developmental states were able to achieve rapid economic growth by subscribing to a state-led plan that protected certain industries rather than following a neoliberal free-market policy orientation (Mkandawire, 2001). Ethiopia in many ways follows the model of the East Asian developmental states in order to achieve its economic growth and transformation agenda. However, it is also argued that current rates of Ethiopia's

growth will be very difficult to maintain in Ethiopia's context where in 2014 only 22% of individuals had a bank account and only 7% of adults had access to credit (World Bank, 2014). The limited access to finance and foreign currency for business owners in Ethiopia can limit the potential growth that can be achieved through business investments.

State-Business Relations

In order to achieve accelerated economic growth and transformation, the Ethiopian developmental state has outlined key implementation strategies of its GTP. Collaboration with stakeholders and the enhancement of public and private consultation are major strategies that have been identified as pillars for growth and transformation (Ministry of Finance and Economic Development, 2010). In their study of state-business relations and economic growth in Sub-Saharan Africa, Sen & de Velde (2012) discovered that formalised public-private sector dialogue and institutional relations between the state and the private sector has led to economic growth in the African context. This can include, for example, coordination of information sharing through business associations and government departments, and institutionalized government bodies dedicated to facilitating public-private cooperation. When considering state-business relations in the context of Ethiopia's engagement of its diasporas in direct investments, the Ethiopian state has established state-diaspora dialogue both within Ethiopia and abroad. For example, in the Ethiopian embassies located in Ottawa and Washington, D.C., Ethiopian state initiated business forums are held in order to build relationships with its diaspora and attract investment to Ethiopia (Kuschminder & Siegel, 2013). In addition, before the final publication of Ethiopia's *Diaspora Policy*, a draft of the policy was discussed in Addis Ababa and across cities with large diaspora populations for diaspora input and to cultivate a formalized relationship between Ethiopian diaspora and the Ethiopian government (Gebreselassie, 2012). As one interviewee explained, while the forums and relations between state and business owners have not been perfected, there are changes that have taken place that should be acknowledged.

> There is a dialogue in place… at least that has opened…. We have a government that listening to you on certain issues. That doesn't necessarily mean that those issues are solved right away, but at least you have that door open which was not the case 10 years ago.

As a diaspora business owner who moved to Ethiopia ten years ago, the interviewee explained that he has witnessed the evolution of state-business relations with regards to diaspora investors. The rise in state-led formalized diaspora engagement in direct investments has led to a space for interactions and dialogue to occur that were not imaginable in the highly political context of Ethiopia. However, while the establishment of some sort of formalized dialogue may seem like an improvement, both local and diaspora business owners I spoke to were skeptical of the real impact of these 'improved' state-business relations.

> I had a business before (my current business) but had to close it because of construction that was happening on the street. They had to tear it down and I was not given any compensation for it. I lost over 1 million birr because of this and it was so hard to start back up again.

While there is evidence that some forums and dialogues are taking place between the state and businesses in the context of diaspora attraction and engagement in Ethiopia, business owners who are conducting business in Ethiopia are still reporting information-related market and coordination failures that state-business relations are meant to solve (Sen & Velde, 2012). The interviews with business owners reveal that, at least at the small and medium sized business level, there remains a lack of state-business relations that has translated into coordination between state and business. In an article exploring the reasons behind the failure of Punjab diaspora engagement in development, Thandi (2014) describes a type of 'ritual dance' that occurs where prominent Punjabi diaspora recite a list of familiar grievances, and politicians make empty promises and pay lip-service to the demands. In a similar sense, in Ethiopia's diaspora and development context, the quality of state-business relations taking place brings into question the reality and potential of diaspora contributing to economic growth in Ethiopia's business environment. This is not to say that diaspora should or must be encouraged to invest by diaspora. However, within the context of diaspora engagement by the government that is taking place in the name of economic growth and transformation, business owners are challenged by the condition of poor state-business relations they face.

> The government is like an olden day father who doesn't consult his children. They just go buy their clothes and do what they want without consulting business owners. For example, when a new road is being built they don't tell us; when

there is a new plan, we are not informed; there is no consultation with the business community. We are not asked what we think about the plan; they just want to buy the clothes and present it to the child.

Using a comparison between a father-child relationship and state-business relations, the business owner interviewed portrays a picture of a business environment that has not successfully applied its GTP strategies of enhancing private sector participation in the achievement of the state's developmental goals. The late Prime Minister Zenawi who was in power when the GTP was launched has been clear on his views of an autonomous developmental state. Zenawi (2012) wrote that a successful developmental state must make and implement its developmental plans regardless of the views of the private sector. At the same time however, he acknowledged that a state's developmental agenda must be hegemonic and receive broad based support from its citizens (Zenawi, 2012). Keeping the state autonomous from the private sector has been identified as a means to avoid corruption and rent-seeking behaviour within state-business relations. In the instance of the Philippines for example, historically the state-business relations that persisted during the country's history created a context for corruption and monopoly that hindered economic growth (Kim, 2010). However, as the interview quote above describes, it seems that while the state has kept out these small and medium sized businesses from its decision making, it has also not gained consensus or support on the plan from this group either. In a report on Ethiopia's investment climate, the World Bank reported that the Ethiopian government would benefit from being more open and transparent about its goals and policies that impact the private sector (The World Bank, 2009).

Nevertheless, it also must be considered how the sample group of small and medium sized businesses could impact the findings on state-business relations. As a developmental state, Ethiopia follows a pattern of the East Asian miracle developmental states that achieved accelerated economic growth through selective industrial policy (Chang, 2010). Industries such as leather, textile and garments, and horticulture have been identified as strategic sectors the Ethiopian state is focused on developing. At the same time, the service sector in Ethiopia has seen the most growth in recent years, even showing signs of dominating Ethiopia's historically principal agriculture sector. In 2010, the service sector share of GDP output was at 45.1%, while agriculture was 44.7%, industry 10.2%, and manufacturing 4.3% (The World Bank, 2015). The

plethora of previous development policies and programs have proven that an approach that works in one context, might not work if it is duplicated in another. As Ethiopia works towards its GDP goals and engages its diaspora in the achievement of economic growth, policies aiming to encourage these goals must take into account the specific contextual experiences of both the diaspora and Ethiopia's economy (Boly, Coniglio, Prota, & Seric, 2014). Furthermore, as a developmental state in the 21st century, the state must consider if the industrial policy focus that worked in previous decades should be narrowly duplicated in an increasingly service driven context. As Evans (2010) cautions, the successful 21st century developmental state must be able to have broader goals that encompass human capability enhancement. The next chapter of this paper will explore the role of Ethiopian diaspora business owners beyond their direct investments, in order to consider their potential as transformative agents of human capability in the pursuit of Ethiopia's growth and transformation.

Chapter 7: Diaspora and Human Capability Transformation

Yes the country is changing and people are getting richer, but money is just a number and it doesn't give satisfaction. Until you get rich you think money is all that matters; but once you have the money you see that lasting change and transformation is what really matters, not just growth in numbers that the government keeps promoting. The business owners might have a house and car, but what about your kids? What school are they going to go to? What kind of business culture are they going to inherit? – Local Ethiopian business owner

Introduction

While Ethiopia's Growth and Transformation Plan (GTP) places an emphasis on economic growth, there is also a focus on achieving broad based social, as well as economic, transformation in the country. In addition to good governance and government capacity building strategies that were discussed in the previous chapter of this paper, the GTP also includes as a strategic pillar the plan to increase education and training of its citizens to improve their skills and human capital. Data from Ethiopia's Ministry of Education (2013) reveals that gross secondary enrollment for 2012/13 year was 24.4%, while enrollment at the undergraduate level was around 6% for the same school year. The percentage of total government expenditure spent towards education has increased in recent years from 23.6% in 2008/09 to 25.5% in 2012/13 (Ministry of Education, 2013). The GTP specifically focuses on the expansion of higher education and technical and educational vocational training (TVET) in the country, with an emphasis on increased quantity and quality of human resources to meet the country's development plan and labour market needs. The Ethiopian government recognizes in the plan that a major part of achieving the country's development goals will be contingent on adequate financing sources, one of which being domestic revenue (70% is expected to be financed through tax revenue, 11% listed as non-tax revenue, and the remaining 19 per cent to be financed through external grants) (Ministry of Finance and Economic Development, 2010). A major determinant in the achievement of these finances will depend on the economic conditions of its citizens. As such, the plan also outlines its aim to increase the economic capacity of citizens by expanding employment opportunities through policies that encourage cooperation with, and the strengthening of, small and medium sized industries in the country (International Monetary Fund, 2013). This SME policy focus intersects with Ethiopia's plan to actively engage its diaspora population in its development plan through direct investments. Some of the diaspora population that are investing in Ethiopia are establishing SMEs and are contributing to local

employment creation. As previously discussed, there is skepticism amongst local business owners with regards to the monetary impact that diaspora are making through direct investments. Statistics on diaspora investment also provide some support for this notion, with diaspora investment totalling around $1.92 billion USD from 2003 to 2013, compared to foreign investment of at least $20.18 billion USD during the same period (Ethiopian Investment Agency, 2014). However, the potential impact of small and medium sized business employment creation cannot be overlooked within Ethiopia's developmental state context.

There has been a surge in the number of higher education institutions and skills training centres over the last five to ten years (Akalu, 2014), however this has not been adequately matched by the urban job creation which has been slow. While unemployment rates have been declining in the country, urban unemployment rates continue to range from 18% to 35% of the labour force (Brixiova, 2009; International Labour Organization, 2012). Business owners interviewed for this research are employing from 10 to 100 people each, with almost all as full-time employees. These employees are provided training opportunities for skills development and are encouraged to develop new ideas and thoughts towards their work. This chapter will analyze the perceived impact of diaspora investors and their contributions towards development from local and diaspora perspectives. In addition, this chapter will explore the issue of skills shortage in Ethiopia, as well as the potential opportunity for Ethiopian diaspora business owners to contribute to Ethiopia's developmental state plan of 'growth and transformation' through human capacity development. This, however, will be done with caution in order to remain critical of the assumption that all diaspora inherently possess something beneficial to contribute to the homeland as a result of their exposure to experiences, ideas, and systems while living abroad.

Perceptions of the Impact of Diasporas on Ethiopia's Development

Literature on diaspora and development insist that diaspora have a significant role in their homeland's development (see Balasubramanyam, 2005; Boly et al., 2014; Ratha & Plaza, 2011). Beyond direct investment, diaspora are said to be able to impact their homelands by providing their expertise to influence policy and reform systems, provide managerial knowledge, and act as bridges to access international markets (Kuznetsov & Sabel, 2006). In Ethiopia, policies and

incentives have been predominantly targeted at attracting diaspora investment contributions towards the achievement of the country's economic growth plan. In a report on Ethiopia's investment climate, the World Bank (2009) outlined the potential that Ethiopian diasporas have to contribute their exposure to international ideas and knowledge, and improve Ethiopia's challenges related to investment and doing business. As investors, Ethiopian diasporas establishing businesses in the homeland are facing many challenges due to the weaknesses of Ethiopia's investment climate, including the lack of access to finance, extensive bureaucratic challenges, and policy discrepancies. According to the World Bank (2009), diaspora can apply the knowledge and expertise they apparently have to transform Ethiopia's investment climate. Through interviews with business owners, this research explored their perceptions of the impact of diaspora contributions towards Ethiopia's development.

As previously discussed, business owners in Ethiopia are not fully convinced that Ethiopia's engagement strategy of diaspora towards direct investment will have a significant impact on Ethiopia's growth and development. Two main reasons that were mentioned include the politics that underlie Ethiopia's institutional engagement of diaspora in direct investment, and the doubt that Ethiopian diasporas actually have sufficient financial capability to invest and make a significant impact in Ethiopia. These sentiments were not only held by local business owners, but also became a major theme that came up during interviews with diaspora business owners as well. However, when it came to the impact of diasporas on Ethiopia's development on a broader level, divergent responses and views surfaced from local and diaspora business owners. The table below (Table 1) provides a summary of some of the different quotes from local and diaspora business owners.

Table 1: Perceptions of Diaspora Impact on Development in Ethiopia

Diaspora Business Owners	Local Business Owners
"Diaspora increase competition… if we are giving the best service, and other businesses realize that, they have to beat my service"	"The diaspora who come here are the ones who just want to relax and drink; but in North America there are many educated, professional, and skilled diaspora"
"When you bring the diaspora back here, you're also bringing something else. Not just the money. They've lived somewhere else so they have been exposed to a completely different system…"	"You would probably only be able to find 1% of the diaspora who are rich, and those that are rich don't want to come here; at most they might build a house here to vacation in"

"The fact that diaspora are coming to this area and opening businesses for one creates jobs; it also brings new ideas"	"Ethiopian diaspora come and open a building and collect rent, or bring in a bulldozer and collect revenue from renting it out to construction companies—they're not creating employment opportunities"
"As a business I think I am contributing. I am employing 47 staff members. I am trying to bring my expertise and do something good."	"…us local business owners are not given the same treatment or focus as the diaspora who maybe open up a small shop or bring in a construction machinery and employ 1 or 2 people."
"…we spend a lot of money and energy on teaching a standard of running a shop like wearing gloves when handling the food, spending a lot of money on uniforms, importing twist ties, customer service.... We're changing what people think of business and are doing something different."	"to me I don't see their impact as bringing major changes; after diaspora come they cannot risk getting into a new business venture so instead they stick with the regular restaurant or cafe that they open; there's nothing really innovative or different that they bring"

Diaspora and local business owners had contrasting views on the development impact diasporas are making in Ethiopia. On the one hand, diaspora business owners spoke of their sense of contribution to Ethiopia's development through direct channels such as employment creation, as well as through the contribution of their expertise, ideas and new ways of 'doing business'. They felt their presence would affect the business environment through increased competition, and have a broader positive impact towards the transformation of human capital in Ethiopia (this notion will be examined further in the sections below). Local business owners on the other hand did not believe that Ethiopian diasporas are making a meaningful impact in the country. In their view, the majority of those returning are investing in areas that require the import of machinery in order to undertake real-estate and construction projects, and collect revenue by renting out the equipment. This means that the country does not benefit because employment creation is low, not does it collect import tariff revenues because diaspora import machinery tax free. In addition, local business owners noted that returning diaspora invest in homes or real-estate rather than investing their professional skills and education. Local business owners said that while there are those in the diaspora who have skills and capital to make a developmental impact in Ethiopia, the majority of those returning are not part of that group. When examining data on actual investment areas of diaspora in Ethiopia, real-estate, machinery, and equipment rental had the highest percentage of investment from 2003 to 2013, making up 62% of total diaspora

investment in Ethiopia (Ethiopian Investment Agency, 2014). This view of the local business owners is the most common and wide spread image of diaspora contributions in Ethiopia due to the relatively large number of projects and capital invested in this area.

The generalization made by local business owners that educated and skilled Ethiopian diaspora are not returning or contributing to human capital development, however, is not entirely accurate. There have been various development projects that have attempted to connect diaspora with local NGOs, educational institutions, and hospitals through "brain gain" initiatives (Newland, 2010; ex. Twinning Program, CUSO's Diaspora for Development, USAID's Volunteers for Economic Growth Alliance). In 2008, for example, a program financed by Swedish and French development agencies was launched to connect Ethiopians teaching in European and US universities to the University of Addis Ababa. The purpose of the program was to have these professional Ethiopian diaspora collaborate on research initiatives and create linkages to strengthen Addis Ababa's higher education programs (UNCTAD, 2013). While efforts like these to connect educated and professional Ethiopian diaspora to the homeland do exist, they have not been very successful in establishing long-term or larger-scale transnational connections. A United Nations report noted that the developmental impact of these efforts has been limited due to the lack of synergies across other initiatives, including smaller projects that are not state-led or institutionalized (UNCTAD, 2013).

In Ethiopia's context, the issue of politics also plays a role in the poor success of these attempts to engage diaspora beyond direct investment. During discussions on the potentials impacts of diaspora on Ethiopia's development, a common theme emerged similar to the following comments:

> What we need is not the money of the diaspora but the educated group of diaspora. From the government level, to those in the service industry…even managers... But the problem is there are many things involved, for example politics, ethnicity, that keep people away.

Politics and ethnicity are significant factors that influence the historical and social composition of those in Ethiopia and the diaspora. On the side of the diaspora, to be involved in Ethiopia's state-led development would require many who were dispersed as refugees to collaborate with

the same government that was the reason for their dispersal. From the developmental state perspective, the diaspora and their 'new ideas' from abroad have also been a source of political opposition towards the Ethiopian government (Abbink, 2006). Through her research on skilled members of the Jamaican diaspora, Mullings (2011) found that diaspora members who returned to Jamaica sought to disrupt norms and change the way things were done in the country. This can potentially be a positive contribution towards removing barriers and challenges that have hindered economic growth. However, the disruption of norms by the diaspora also poses a threat to the power of Ethiopia's current government, as diasporas attempt to shape local agendas and ideas through democratic views they have formed abroad (Newland, 2010). As seen through policies and incentive structures, the Ethiopian government has placed emphasis on engaging Ethiopian diaspora through direct investments in order to achieve its development agenda. However, during our conversations, diaspora business owners revealed that their investment in businesses in Ethiopia has not only had a financial impact in the country. Through their businesses, diaspora business owners are also providing training to employees and impacting the way business is conducted in the country.

Skills Shortage and the Role of Diaspora Business Owners

Technical Skills Shortage of Employees

The issue of skills and human capital of employees was a repeated discussion topic that arose in all eight diaspora and seven local business owner interviews. All business owners described the shortage of skills that they experienced when hiring and employing labourers. This shortage is especially experienced at the supervisor and managerial level. Business owners have a very hard time finding skilled and professional labourers to fill their management level positions. In particular, business owners identified that it is not a lack of educated people that is in shortage, but rather those that are trained with professional customer service and management skills that are needed for Ethiopia's growing service sector (totaling 45.1% of GDP in 2010 (The World Bank, 2015)). In its goal of achieving the GTP and becoming a middle income country in the next ten years Ethiopia has aggressively expanded its higher education system. From 2002/03 to 2012/13, undergraduate enrolment in Ethiopia grew by more than 730% (Ministry of Education, 2003; 2013). However, the massive expansion of universities and student enrollment has not been matched by improvements in the quality of education. While there is a strong state focus

on increasing quantity of enrollment, the lack of strong mechanisms to monitor and ensure the quality of education has been detrimental to the quality of student learning (Akalu, 2014). Since 2010, enrollment in Technical and Vocational Educational and Training (TVET) market-oriented programs has reported decreasing trends, along with decreasing TVET trainers (Ministry of Education, 2013). Business owners discussed that even employees that possess educational and training credentials have difficulties completing their duties at the standard expected by diaspora business owners. While business owners do provide training for their employees, they have also resorted to other alternatives when seeking management level employees. Many of the business owners are forced to stay at their location of business to manage employees and the store in addition to their many other responsibilities as an owner. Other business owners mentioned hiring managers from outside of the country, hiring foreign educated and trained managers, and hiring highly educated and overqualified people to act as managers. Even with these coping strategies however, business owners noted that due to high turnover rates of employees, there is a continuous shortage in skilled employees.

Training and Skills Development

Seven out of eight diaspora business owners said they provide formal training to their employees when initially hired or throughout the time they are employed. Due to the shortage of skilled staff, business owners know the importance of providing thorough training for their employees for the success of their business. Training that is provided to employees range from training on specific skills related to the position they are working in, to more general, customer service skills and transferable professional skills. Some business owners who are themselves skilled in the area of business- for example chefs who have opened restaurants- conduct formal and informal trainings with their employees. Three business owners said they hire external trainers to lead training sessions for their employees, while two specified that they hire people who are not from Ethiopia to train their employees. Business owners also discussed the poor level of training and skills development that is available through formal institutions within the country. For the most part, employees that are hired by business owners have some type of prior accreditation or training program that they have completed. However, business owners shared that from the management level to waiters and waitresses, all are retrained once on the job. Similar to what other business owners said, one interviewee described his business' process of hiring employees.

94

There is a huge gap in the service sector because the hospitality academies are not at an international level. What we do is recruit fresh graduates from the academies we find here and then we train them again ourselves.

The issue of skills shortage is not necessarily caused by a lack in the number of schools or training centres. According to an African Development Bank report on small and medium sized enterprises in Ethiopia, unemployment rates are very high among young people who have completed high school or higher education because skills supplied by the educational system do not match the skills that are being demanded by the private sector (Brixiova & Asaminew, 2010). Some business owners noted that while they had tried to hire local, external professionals to train their employees, they found that the trainers themselves did not possess the skills and experience to teach at the "international standard" that diaspora business owners required. Recognizing this mismatch of skills and poor quality of education and training, two diaspora business owners spoke of their plans to establish training centres in the near future to cultivate a higher standard of service skills and meet the changing economic and business needs in Ethiopia.

Diaspora Business Owners and Human Capability Transformation

In addition to managerial level skills shortage, business owners also discussed the level of employee motivation and potential for the 'transformation of minds' that are missing with the majority of their employees. Phrases that were used by business owners included:

- Employees are not motivated
- Lack of exposure to different ideas and ways of thinking
- People are scared to take risks
- Need for transformation, not just of roads and buildings, but also of minds

Six out of eight diaspora business owners and four out of seven local business owners discussed the lack of motivation amongst employees that affected work ethics and professionalism in their business. Many of the business owners said that while they do provide on-the-job technical training for their staff, it is very hard to find employees who are motivated to approach their work with a sense of professionalism, initiative, and customer service needed in their service sector jobs. It is important to note that these businesses are operating within the service sector, and specifically in the Bole area of Addis Ababa that has its own unique features. Bole is

described by the business owners to be an area that has experienced significant infrastructural transformation over the last ten to fifteen years. Their reasons for opening a business in Bole were due to the large crowds of upper-middle class Ethiopians, Ethiopian diasporas, and foreigners that frequent the area. Prices for products and services in the area are set by business owners to generally match prices found in North America and Europe rather than the local market. In many ways, the physical and cultural transformation that has taken place in the Bole area does not reflect the rest of the country, or even the rest of the city. At the same time, those who apply to service sector job positions, especially within hotels, restaurants, cafes or offices that require lower levels of education and skills, are predominantly filled by employees who are from other, less affluent areas of the city. The standard of "professionalism" and "motivation" that is expected of employees is set through Western ideals of customer service that business owners are attempting to cultivate in Bole in order to compete and cater to the "Western" customers of the area. Three business owners for example used the word "exposure" when explaining why employees were limited in their approach and motivation towards their work. To the business owners, while employees are capable of doing the work needed, due to the lack of "exposure" to experiences and ideas of professionalism that are expected when working in Bole, the manner in which they do the work does not match the transformation that business owners say needs to be taking place in the area.

> There is a huge lack in exposure of customer service skills even at top level.… the government is doing a lot, building a lot of roads; but more important to that is the transformation of minds of your citizens. Just because infrastructure changes, doesn't mean the minds of people are changing.

This quote captures business owners' descriptions of the mindset transformation that they believe is needed in Ethiopia as the government leads the country through its growth and transformation plan. As Ethiopia embarks on this transition, business owners said they needed to also have employees who are not scared to break out of older ways and apply new ways of doing work, including being creative and willing to take risks. The identified shortage in human capital may be a legitimate limitation in business owners' ability to compete and grow in an increasingly globalized context. Nevertheless, a consideration of Ethiopia's political and economic history and its influence on the shaping of minds also provides an alternative perspective. Within the last century Ethiopia has only had three political rulers, with two violent transitions of power. In

96

addition, for the last quarter of a century, the current Ethiopian People's Revolutionary Front (EPRDF) government has held its position of power, and while a self-proclaimed democratic developmental state, has been widely criticized by human rights groups due to its political oppression and censorship (Human Rights Watch, 2013). Furthermore, while the country is experiencing economic growth, poverty remains to be a reality for many in the country (The World Bank, 2015). Describing the situation of his employees, a business owner provided insight into the economic conditions of those who work in the shops of Bole.

> Work ethics is very poor… They give their work less value which affects their results…to survive nowadays people need to work three jobs… everyone here works just to survive, so they just do the basics and leave to move on to the next job, but I hope this changes in the generations to come.

This quote, along with other similar conversations with business owners, reveals that while parts of the city might be experiencing some growth and physical transformation, the lives of many seeking employment even within the Bole area are filled with economic difficulties. This economic context along with the repressive political climate that many have lived through their whole lives does not make it surprising that business owners are finding their employees do not take risks with creativity or seem motivated beyond doing just what they are required. Most have not had the freedom to think or engage in their daily work in the way that diaspora are expecting. Furthermore, Ethiopia has just begun its journey of economic growth and transformation and it would be hasty for business owners to expect their employees to already have their mindsets changed to reflect business owners' desire to deliver 'Western' style services to their customers in Bole. While universities and numbers of students enrolled in school may be increasing, this does not necessarily mean that what students are learning is encouraging them to think and approach their work in ways that business owners say is needed in their employees. However, there are those that believe the presence of diaspora owned business will assist in bringing about transformation of human capital. Beyond their investment impact, business owners interviewed described their use of formal training, as well as technology and knowledge spillovers, as assisting human capital development in Ethiopia that will in turn positively affect the economy in an increasingly competitive and globalized business environment.

Potential of Diaspora Business Owners

As investors, business owners' motivation to develop their employees is not driven by a desire to improve the skills and human capital of the country alone, but also by an understanding that their employees can directly influence the potential for profit. As a result, diaspora business owners have a direct interest in establishing a work culture that promotes employee development and in turn influences the success and competitiveness of their business. For example, in order to address the lack of motivation and the way in which employees approach their work, two diaspora business owners described incentive structures that they implemented into their business. The following quote captures the discussions around these incentives.

> We provide training, we have incentives. For example we have secret shoppers to evaluate the products and services each week. At the end of the month, they will get a bonus… that's something I started when I came. I learned that people really like bonuses. Money really motivates people.

These incentives and bonuses are modeled after systems that the business owners had seen or worked under while living abroad. As a result, they both said that they have seen significant changes in the performance of their employees. Not only does this motivate and change the work habits of employees to be more productive, it is beneficial for the business to have motivated employees as it increases the business' competitiveness and opportunity for profit. In addition, business owners spoke of their efforts to relate with employees that is unlike the distant and hierarchical relationship that is customary in the employer-employee workplace culture of Ethiopia. For example, a diaspora business owner described her efforts to implement a management style that she was used to while living in Canada in order to positively influence her work culture. She believed that the success of her business was linked to her ability to foster an encouraging work environment by rewarding employees and ensuring they knew opportunities for promotion are available. Another business owner gave an example of his efforts to not only train his employees on technical skills, but also encourage them to not be afraid of thinking creatively and finding innovative approaches to their work. Diaspora business owners noted that it can be quite challenging to influence employees and change the standard of doing business in Ethiopia; however, they also acknowledged that as business owners, investing in employees is

necessary in order to provide a standard of service that ensures competitiveness in Bole, and within Ethiopia's growing and transforming economy.

Barnard & Pendock (2013) write that diaspora knowledge sharing is influenced by positive and negative feelings about the homeland. They found that individual level variables such as emotions can determine if the knowledge contributions of the diaspora will be beneficial or ongoing in the homeland. However, business owners described their desires to share knowledge and develop the skills of their employees in order to be competitive and increase profit in the Bole area that they conduct business. Unlike Ethiopian diaspora that are leveraged to contribute their knowledge and skills largely based on altruistic motivations or personal attachment to the development of the 'homeland', diaspora business owners in Ethiopia are distinct in that their success is directly linked to the human capital development of the people of Ethiopia. This creates a situation where diaspora business owners are not only investing their capital towards the establishment of businesses, but are also investing in their employees and contributing to the GTP goal of creating "knowledgeable, inspired, and creative citizens" (Ministry of Finance and Economic Development, 2010). Through the experiences of small and medium sized diaspora business owners interviewed, the findings suggest that unlike the assumptions of local business owners, there are diaspora investors who are not only investing in low-employment, and rent-seeking projects, but are establishing businesses, training employees, and attempting to contribute to the transformation of the ideas and minds of locals, as well as the business environment they work in. However in saying this, there is also a need to be cautious of any romanticisation of diaspora knowledge and the ideas they possess as a result of living abroad.

Cautions on the Role of Ethiopian Diaspora

In providing an analysis of the Ethiopian diaspora contribution to Ethiopia's growth and transformation, it is also necessary to acknowledge and challenge some of the underlying assumptions that affect the discourse surrounding their role. As discussed so far in this chapter, when diaspora business owners spoke of their impact on development in Ethiopia, they often referred to the 'expertise', 'knowledge' and 'exposure' they bring back to Ethiopia after living abroad. Both local and diaspora business owners discussed the new ideas and knowledge diasporas potentially bring to the country. However, as seen in the quotes below, the language

used by diaspora business owners often positioned these elements as being superior or better than what is found in Ethiopia.

> Diaspora have lived somewhere else so they have been exposed to a completely different system, *and to be honest, quite a better one too* (emphasis added). So when you look at how business functions there and the structure and when you look at how businesses function here, huge difference right? So that's also what they're bringing. They're bringing what they learned and all of that.

> It's going to take time because here they (locals) are used to doing things a certain way. You're asking people to change something that worked for them. *But eventually they learn to accept the new and better ideas*. (emphasis added)

Diaspora business owners spoke of their efforts to transform the minds and ways of doing business of Ethiopians in order to conform to what they learned while living abroad. This type of discourse that assumes Western ideas and knowledge are more 'developed' and better than those found in 'developing' countries is not new or unique to Ethiopia's development context and is part of a much broader critique of capitalist driven ideals and power constructs within the international development paradigm (see Escobar, 2011; Kothari, 2005; Watts, 1993; Matthews, 2004). Within Ethiopia's developmental state that is seeking economic growth and transformation, the Ethiopian diaspora are being called upon to contribute their capital, skills, and knowledge in order to realize these goals. An argument for the need of diaspora contribution could be the need for Ethiopia to compete based on international standards in an increasingly globalized world. However, when taking a closer examination of the group of business owners interviewed, only three out of the eight diaspora business owners have opened a business in a field related to their work while living abroad. The rest did not have any experience in the service sector. Instead, they had some money accumulated while working abroad, and due to relatively low start-up costs and opportunities for profit, decided it was best to invest in Ethiopia's growing service sector. This indicates the need to be cautious of generalizing the impact or role of Ethiopian diaspora, and even business owners, in the country's growth and transformation. When taking diaspora members as direct investors, it might not matter that they have no experience in areas they are investing. However, it is important to note and recognize that the Ethiopian diaspora is not a homogenous group that all inherently have something to offer or contribute to skills and human capital transformation as a result of living abroad. This was a

point that came up when speaking to local business owners. Similar to what was described by others, the quote below displays how local business owners do not romanticize or idealize the role of diaspora in Ethiopia's development.

> You cannot generalize who the diaspora are. There may be a few who have money and can invest, but others could be uneducated, unemployed, refugees. Diasporas are not all the same. Diasporas could even be women who have moved to Arab countries to work for a few years as maids then come back.

As examined so far, despite politics and challenges that exist with Ethiopian diaspora engagement in homeland development, diasporas are returning to Ethiopia and investing in the establishment of small and medium sized businesses. While many diasporas are investing their capital towards real estate and construction rental equipment that may result in low employment creation, business owners interviewed are employing around 10 to 100 employees each and investing in their skills and professional development. Diaspora business owners are making an impact beyond economic growth, and are also contributing to the transformation of human capital through formal and informal training and knowledge transfer to their employees. As a result of the new ideas and ways of doing business, Ethiopian diaspora business owners have seen positive changes in their employees that has in turn positively affected their business competitiveness. While these findings suggest that diaspora business owners have the potential to contribute to Ethiopia's growth and transformation, as the quote above indicates, 'Ethiopian diaspora' are not a homogenous group that all possess knowledge, skills, or expertise to contribute as an inherent result of living abroad. Rather, as will be discussed further in the concluding chapter, if Ethiopia's developmental state does have a legitimate plan to engage its diaspora beyond tokenistic or monetary investment means, policies will have to be strategically targeted at specific Ethiopian diaspora members or groups based on growth and transformation priorities outlined by the developmental state. Furthermore, as seen in this paper, with the strengthening of state-business relations and the creation of a conducive business environment in Ethiopia, there is a unique opportunity for the state to intentionally leverage current and potential diaspora business owners towards the achievement of not only economic growth, but also human capability enhancement, and lead to the *transformation* of the country and its citizens.

Chapter 8: Conclusion and Recommendations

Summary of Findings

This paper has analyzed Ethiopia's state-led engagement of its diaspora population as 'development partners' towards the achievement of the country's growth and transformation. Specifically, I have presented an exploratory case study of diaspora business owners who have invested in small and medium sized businesses (SME) within the service sector of the Bole sub-city of Addis Ababa, Ethiopia. The methodology informing this research has included interviews with local and diaspora business owners and relevant government and diaspora association members, as well as an analysis of various state policy documents. The findings are meant to contribute primary research towards the theories and debates on the impact of diaspora engagement in homeland development in Ethiopia, with the potential application to other contexts.

An examination of Ethiopia's developmental state attempts to institutionalize engagement strategies towards its diasporas reveals a specific focus on engaging diasporas in direct investment and economic growth towards the achievement of its GTP. When analyzing the context of this state-led engagement, the issue of politics and the disconnections within the Ethiopian state's engagement strategy emerged as salient themes. Diaspora business owners revealed that they are not utilizing the policies and incentives used to attract them, such as tax-free import of business equipment and foreign currency accounts available to diasporas. Business owners noted the discrepancies between what is promoted by the state regarding state-led diaspora engagement in development, and the poor business environment they found when trying to conduct business in Ethiopia. Business owners identified concerns with their overarching state-business relations with the Ethiopian government. The weakness in state-business relations in Ethiopia's business context is a contradiction within Ethiopia's developmental state context that has established policies to promote investment from diaspora towards the achievement of economic growth. As a developmental state attempting to achieve its own development agenda, business owners expressed concern the Ethiopian government was making tokenistic gestures and keeping the major channel of contribution through direct investment as a strategic attempt to pacify diaspora opposition on the part of the state.

In addition to the disconnections found between policy and practice within Ethiopia's state-led development strategy to engage its diaspora population, both local and diaspora business owners discussed the significant challenges they face when attempting to conduct business in Ethiopia. While the country has been achieving notable GDP growth over the last decade (11% average annual GDP growth rate from 2004 to 2013 (The World Bank, 2015), the business environment that diaspora business owners are met with has become a hindrance to their efforts towards investing in SMEs. Ranging from difficulties with accessing financing for their businesses, to corruption, to complex bureaucracy, business owners are faced with challenges that are detrimental to their ability to succeed. The weak business environment that diaspora investors work within not only hinders their contribution to economic growth, but also limits their potential contribution towards skills development and human capability transformation through their businesses.

A reoccurring theme identified by all local and diaspora business owners interviewed surrounded challenges they experienced when attempting to find skilled and motivated labourers to employ in their businesses. Diaspora business owners in particular discussed the human capital shortage they experienced with employees, indicating the low levels of 'motivation' and 'professionalism' amongst their employees. To fill this gap in the market, business owners discussed their efforts to contribute to the transformation of skills and minds of their employees through formal and informal training, and by fostering a type of business environment that promotes customer service and motivates employees. The investment in employees' human capital development by diaspora business owners is directly linked to the success of business owners' ability to provide a standard of customer service competitive within the increasingly globalized and transnational context of Addis Ababa. As a result, this has created a unique opportunity for diaspora business owners to contribute not only to the country's economic growth plans, but also to the transformation of systems, ideas, and people within Ethiopia's developmental state context.

Implications and Recommendations

Disconnections between Policy and Practice

Exploring diaspora potential within Ethiopia's developmental state will require a state-led plan to have targeted and specific policies and incentives that promote business and employment creation, rather than implementing the type of incentive structures that have been in place to attract all types of diasporas to Ethiopia. For example, Ethiopia had in place a policy that allowed all diaspora to import cars tax free into the country. However, this privilege created an opportunity for a lucrative import and resale business to be established in the country that was exclusively available to diaspora. Rather than implementing this type of broad and problematic policy to attract all diasporas, the establishment of, for example, a lower small business corporate tax rate can encourage small business creation and can be targeted at both local and diaspora business owners. Similar to the privileges extended to diaspora through the Ethiopian Origin Card, policies do not have to exclusively apply to diasporas, but can be local provisions that are extended to qualifying diaspora groups. Newland & Tanaka (2010) caution that policies and interventions to promote diaspora entrepreneurship must be careful not to distort local markets when attempting to open new opportunities for diasporas. The point is not to abandon investment incentives all together, but rather shift policies from those that create arbitrage opportunities for diaspora, or do not facilitate growth and transformation, towards targeted and strategic diaspora engagement policies that identify the desired skills and capital that will lead to the achievement of GTP goals and objectives.

Challenges in Ethiopia's Business Environment

Writing on diaspora potential for innovation capacity development in the homeland, Lin (2010) identifies the importance of questioning whether the home-country business environment is ready to embrace the professional and diaspora entrepreneurs that homeland governments are trying to attract. In this sense, Ethiopia's engagement strategy of diaspora through investment also needs to address the many challenges and obstacles its business environment presents to business owners. For example, business owners interviewed revealed that not only are the bureaucratic hurdles and complex business laws they face discouraging for investment, these also open space for corruption. Brito-Bigott, Faría, Rodríguez, & Sánchez (2008) also found in their study that in a bureaucratic system where business procedures are lengthy and complex, it

becomes cost and time effective for the business owner to engage in bribery. While good governance and plans to decrease corruption have been outlined in Ethiopia's GTP (2010), a practical way to address high levels of bureaucracy, difficulties with accessing information, and corruption in the country is through the simplification of business rules and policies. This would allow for business owners to focus on investing in the innovation and growth of their business, rather than attempting to understand and keep up with constantly changing policies. Establishing simplified laws, procedures, and policies, would address the uncertain and complex policy environment that business owners are currently operating under that impedes their investment potential.

Another hindrance of the Ethiopian business environment that emerged from this research is the weak rental and lease agreements that challenge business owners. Reformation of property rights in Ethiopia was identified by Brixiova & Asaminew (2010) as a major determinant of improving the business climate for SMEs. In order to achieve the sustained economic growth outlined in the GTP, the Ethiopian developmental state should apply a long-term perspective of the effects of rapid and unpredictable price increases in rental property that business owners are not able to afford. For example, business owners said that they do not have enough confidence or security in the stability of their rental agreements to expand their business or envision long-term investment. This not only takes away from the business owner's ability to invest in the growth of their business, but also hinders their ability to invest in the skills and training provided to employees.

State-Diaspora Business Relations

The strengthening of channels of information sharing and formalized public-private dialogue are necessary elements that the developmental state should work towards. Sen & de Velde (2012) write that formalised public-private sector dialogue and institutional relations between the state and the private sector have led to economic growth in the sub-Saharan African context. Ethiopia's GTP has already outlined the importance of state-business relations and its commitment to creating favourable conditions for SMEs to play a role in the growth of Ethiopia's economy. In practice, however, local and diaspora business owners shared many experiences that they have faced, emphasizing that this is not taking place. SME owners claimed

that they are doing business despite the state, rather than alongside it. Improved communications between the Ethiopian government and business owners will create space for the developmental state to promote its development agenda and establish private sector support, similar to what Korea's state managers were able to successfully achieve with their business owners (Chibber, 2003). In addition, these formalized channels create linkages with the private sector that allow for the developmental state to identify and respond to emerging markets and opportunities (such as the case of diaspora SME owners' contribution towards human capability transformation) and successfully lead the country and its people towards the achievement of growth and transformation.

Diaspora and Human Capability Transformation

Much of the focus of Ethiopia's developmental state has been rooted in the ideology of economic growth planning as the main driver of the country's development. While this has previously brought success to the 'East Asian Miracle' states, economic development scholar Evans (2008; 2010) writes that focusing solely on economic growth will no longer be adequate for the 21st century developmental state. Evans writes that it will be necessary for developmental states like Ethiopia to construct a capability-enhancing developmental state with policies oriented towards the transformation of institutions and people; this means placing a focus on improving human wellbeing and enhancing the knowledge and skills of citizens. Ethiopia has achieved significant growth since the implementation of its GTP, and there are positive implications of this economic growth, including increases in GDP per capita from $344 in 2010 to $505 in 2013 (The World Bank, 2015). However, as Sen (1999) writes, economic growth and indicators such as GDP per capita alone do not equate to a high quality of life or enhancement of the capability to achieve this quality of life. If diasporas are indeed "development partners", it would be strategic for the developmental state to recognize the unique motivations that influence diaspora investment in their businesses and employees, and implement specific policies to target this diaspora potential to contribute to human capability transformation through their businesses.

It would be problematic to assume, however, that all diaspora inherently possess something to be 'leveraged' or 'exploited' as a resource for development solely because they have spent some time living abroad. At the very least, the Ethiopian diaspora group is comprised of people with

varied motivations, relations to the homeland government in power, education levels, and financial capabilities. These can all be factors that influence the potential of state-led engagement of their diaspora populations towards homeland development. As a developmental state leading the country's growth plan, the identification and selection of appropriate policies and strategies to drive growth and transformation is an important determinant of its success.

Areas for Further Research

<u>Addressing Limitations</u>

The research conducted and discussed in this paper is based on an exploratory case study and as such, was limited to one sector within a specific geographical area of Addis Ababa, Ethiopia. Due to limitations of time and access to other sectors that diaspora invest in, I was not able to conduct a cross-sectoral comparative analysis or include a larger sample to make broader conclusions regarding the potential for diaspora to contribute to the country's growth and transformation. Further research on diaspora investment in, for example, different sized businesses across the construction, real estate, and manufacturing sectors, will allow for an examination of converging or divergent issues that arise, as well as an analysis of diaspora impact, if any, on human capability enhancement through businesses.

<u>Building on Findings</u>

In order to ensure a balanced perspective on state-led engagement of diaspora in development in Ethiopia, both local and diaspora business owners were interviewed for this research. However, I did not anticipate the fact that skills development and investment in human capability transformation would emerge as a salient issue. In order to build upon this research and gain alternative perspectives on the potential contributions of diaspora for transformation, it would be useful to interview employees of these businesses to gain their insight on these issues. Furthermore, it would be ideal to research these employees over long-periods of time and across sectors to measure and analyze the actual impact diasporas may have on skills development and human capability enhancement.

Another theme that emerged from the interviews that I was not able to explore was the phenomenon of diaspora that return 'home' to invest and start a business, but as a result of the politics and challenges related to conducting business in Ethiopia, return back to the 'host' country. Individuals that fit this profile are a new group to be explored to gain insight into unsuccessful attempts or negative experiences associated with 'returning home'. It would be interesting, for example, to explore how this may influence diasporic identity and associations or feeling towards the homeland and host country, as well as other Ethiopians in the diaspora. The process of re-entry into the host country after an attempt to return home has many issues and themes that could potentially emerge for further areas of exploration.

Contextual Expansion

There are many studies on the impact of diaspora through investment and business creation based on the successful cases in China and India (see Smart & Hsu, 2004; Balasubramanyam, 2005; Lin, 2010; Chand, 2014). However, there are increasingly many different 'developing' countries, especially in sub-Saharan Africa and Latin America, that are establishing state-led strategies to engage and attract their diasporas in development. There is a need for more context specific evidence on the role of diaspora contributions to homeland development and the production of nuanced and critical research analysis across a wider range of contexts. As more and more countries look to institutionally engage their diaspora populations in homeland development plans, there is much more room for further exploration and analysis of the role of diaspora in homeland development. However, when conducting context-specific research and analysis on diaspora and development, it is imperative that local voices and perspectives on diaspora contributions not be neglected; locals and their environments are the ones, whether positively or negatively, that are being shifted and altered by this engagement. The supposed 'development' that diaspora are potentially contributing to is ultimately in the homeland, and matters most to those who are living there and desire to see not only economic growth, but also transformation of their lives and the lives of those around them.

Researcher Reflections

As I make these critiques, conclusions and recommendations for state-led diaspora and development in Ethiopia, I have tried to remain critically reflexive of my position not only as a researcher, but also as a member of the Ethiopian diaspora that I am researching. As a member of this 'diaspora' in Canada, I often hear first-hand anecdotes of people going 'back home' to build a house, invest in a business, send back construction machinery, or somehow take advantage of the new opportunities available to diasporas as a result of shifting economic and political environments in Ethiopia. In addition, the increased focus from government to attract diasporas through, for example, an annual 'Diaspora Day' or special import incentives, made the state's focus on its diaspora population explicit and visible. These observations sparked my interest to analyze the institutional engagement of Ethiopian diasporas in homeland development. My initial intention was to critically analyze this subject and uncover how Ethiopian diaspora contributions, through the form of direct investment, are shifting local business and power relations in Ethiopia. As a student in Canada, I had access to the vast amount of literature and reports being published by development agencies that focused on the diaspora and their role as a resource for developing countries. Reviewing this body of scholarship, I quickly became aware that 'local' voices were largely absent; also missing were critical perspectives of the effect of diaspora engagement on daily life in Ethiopia. Thus, it was imperative that I interview not only diaspora business owners, but also consider the perspectives of local business owners.

In my own critique and analysis of Ethiopia's growth and transformation plan and strategy to engage the diaspora, I have realized that my interest driving this research topic is in itself driven by my diasporic characteristics and an awareness of my Ethiopian identity. My interest stems in part from a desire to see the achievement of growth and transformation in Ethiopia and improved quality of life for its people. As a result, the critiques and challenges that I identify are not intended to be anti-government or meant to paint a negative picture of the growth and transformation that the state has achieved so far. Rather, by identifying the political complexities, as well as the weaknesses and challenges that affect state-led diaspora engagement in development, I hope to contribute original research that can be utilized towards the enhancement and achievement of Ethiopia's growth and transformation plan.

My research findings are particularly meant to contribute primary research to inform the theories and debates surrounding the impact of diaspora engagement on homeland development in Ethiopia. However, the insights should prove relevant to other countries and contexts, especially in Africa. This research has uncovered some of the complexities and challenges surrounding diaspora and development in Ethiopia, as well as the potential to engage Ethiopian diasporas beyond economic growth in order to achieve the transformation (human capability enhancement) necessary for success in the 21st Century developmental state context. Through findings however, I am aware that the power relations that I originally set out to investigate have not been adequately addressed. I want to be cautious that in making my conclusions, I am not saying that all diaspora *should* be leveraged towards development, but that my research has found that diaspora business owners are investing in the human capacity of their employees, and as such there is a potential for some groups of diaspora to contribute to the human capability transformation through their businesses. Nevertheless, as explored in the section above, there are key areas of research that have emerged and still remain for academics and practitioners to explore and further enrich the study of diaspora and development, both in Ethiopia and across other contexts.

Bibliography

Abbink, J. (2006). Discomfiture of Democracy? The 2005 Election Crisis in Ethiopia and Its Aftermath. *African Affairs Volume 105, Issue 419*, 173 - 199.

Abebe, A. (2012). *Rule by law in Ethiopia: Rendering constitutional limits on government power nonsensical, Working Paper 1.* Cambridge: University of Cambridge Centre of Governance and Human Rights.

About the Ethiopian American. (2013). Retrieved from The Ethiopian American: http://www.theethiopianamerican.com/aboutus.php

AEDP Home. (2014). Retrieved from African-Europe Development Platform: http://africaeuropeplatform.ning.com/

African Development Bank. (2014). *African Economic Outlook 2014.* Kigali: African Development Bank, Organisation for Economic Co-operation and Development, United Nations Development Programme.

African Development Bank Group. (2013). *African Statistical Yearbook 2013.* Tunis: African Development Bank Group, African Union Commision, Economic Commision for Africa. Retrieved from http://ea.au.int/en/sites/default/files/Yearbook_2013_web.pdf

African Diaspora Program. (2013). Retrieved from World Bank: http://go.worldbank.org/7IIOFCZPL0

Agunias, D. R., & Newland, K. (2012). *Developing a Road Map for Engaging Diasporas in Development.* Geneva: International Organization for Migration (IOM); Migration Policy Institute (MPI).

AHEAD Profile. (2013). Retrieved from Association for Higher Education and Development: http://www.aheadonline.org/index.php/profile/

Akalu, G. A. (2014). Higher Education in Ethiopia: Expansion, Quality Assurance and Institutional Autonomy. *Higher Education Quarterly Volume 68, No. 4*, 394–415.

Aneme, G. A. (2006). Apology and Trials: The Case of the Red Terror Trials in Ethiopia. *African Human Rights Law Journal v6*, p.64.

Ansu, Y., & Tan, J.-P. (2011). Skills Development for Economic Growth in Sub-Saharan Africa: A Pragmatic Perspective. In A. Noman, K. Botchwey, H. Stein, & J. E. Stiglitz, *Good Growth and Governance in Africa: Rethinking Development Strategies* (pp. 462-498). Oxford: Oxford University Press.

Areas in Addis. (2015). Retrieved from Wanted in Africa: http://addis-ababa.wantedinafrica.com/areas/265/bole.html

Asefa, S. (2003). Developing Democratic Institutions in Ethiopia: The Challenge of Building Enabling Institutions for Economic Growth and Development. *Northeast African Studies Volume 10, Number 1* , 67-113.

Ayee, J. R. (2013). The Developmental State Experiment in Africa: the Experiences of Ghana and South Africa. *The Round Table, Vol. 102, No. 3* , 259–280.

Balasubramanyam, V. N. (2005). The Diaspora and Development. *Malaysian Journal of Economic Studies 42, 1/2*, 7-18.

Bariagaber, A. (1997). Political Violence and the Uprooted in the Horn of Africa: A Study of Refugee Flows from Ethiopia. *Journal of Black Studies , Vol. 28, No. 1* , 26-42 .

Barnard, H., & Pendock, C. (2013). To share or not to share: The role of affect in knowledge sharing by individuals in a diaspora. *Journal of International Management 19* , 47–65.

Baxter, P., & Jack, S. (2008). Qualitative Case Study Methodology: Study Design and Implementation for Novice Researchers. *The Qualitative Report 13(4)*, 544-559.

Beiser, M., Taa, B., Fenta-Wube, H., Baheretibeb, Y., Pain, C., & Araya, M. (2012). A comparison of levels and predictors of emotional problems among preadolescent Ethiopians in Addis Ababa, Ethiopia, and Toronto, Canada . *Transcultural Psychiatry 49(5)*, 651-677.

Boly, A., Coniglio, N. D., Prota, F., & Seric, A. (2014). Diaspora Investments and Firm Export Performance in Selected Sub-Saharan African Countries. *World Development Volume 59*, 422–433.

Boon, E., & Ahenkan, A. (2012). The Socio-economic Contribution of African Migrants to their Home and Host Countries: The Case of Ghanaian Residents in Flanders, Belgium. *Journal of International Migration and Integration Volume 13, Issue 3*, 343-363.

Bowen, G. A. (2009). Document analysis as a qualitative research method . *Qualitative Research Journal 9.2*, 27-40.

Bracking, S. (2003). Sending Money Home: Are Remittances Always Beneficial to Those Who Stay Behind? *Journal of International Development v15*, 633–644 .

Brinkerhoff, J. M. (2012). Creating an Enabling Environment for Diasporas' Participation in Homeland Development. *International Migration Volume 50, Issue 1*, 75-95.

Brito-Bigott, O., Faría, H. J., Rodríguez, J. M., & Sánchez, A. (2008). Corruption and Complex Business Rules. *The Journal of Private Enterprise 24(1)*, 1-21.

Brixiova, Z. (2009). *On determinants of SME start ups in Ethiopia: A theoretical exploration.* Tunis: African Development Bank, Development Research Department.

Brixiova, Z., & Asaminew, E. (2010). *Unlocking Productive Entrepreneurship in Ethiopia: Which Incentives Matter?* Tunis: African Development Bank Group.

Brubaker, R. (2005). The 'Diaspora' Diaspora. *Ethnic and Racial Studies Vol. 28, no 1*, pp.1-19.

Bütler, M. (2006). *Potentials and Limitations of the second-generation Tamil diaspora to engage in the Sri-lankan peace process.* Berlin: Intercultural Conflict Management.

Cali, M., & Sen, K. (2011). Do Effective State Business Relations Matter for Economic Growth? Evidence from Indian States. *World Development Volume 39, Issue 9*, 1542–1557.

Carmody, P. (1998). Constructing alternatives to structural adjustment in Africa. *Review of African Political Economy Volume 25, Issue 75*, 25-46.

Cassarino, J. P. (2004). Theorising return migration: The conceptual approach to return migrants revisited. *International Journal on Multicultural Societies (IJMS), 6(2)*, 253-279.

Central Statistics Authority. (2010). *Report on small scale manufacturing industries survey.* Addis Ababa.

Chacko, E. (2004). Positionality and Praxis:: Fieldwork Experiences in Rural India. *Singapore Journal of Tropical Geography, 25(1)*, 51-63.

Chacko, E., & Gebre, P. H. (2013). Leveraging the diaspora for development: lessons from Ethiopia. *GeoJournal Volume 78, Issue 3*, 495-505.

Chambers, I. (1994). *Migrancy, Culture, Identity.* London: Routledge.

Chand, M. (2014). Diaspora Identity, Acculturation Policy and FDI: The Indian Diaspora in Canada and the United States. *Asian Business and Management 13.4* , 283-308.

Chang, H.-J. (2003). Kicking Away the Ladder: Neoliberals Rewrite History. *Monthly Review, Vol. 54, No. 8*, 10-15.

Chang, H.-J. (2010). How to 'do'a developmental state: political, organisational and human resource requirements for the developmental state. In O. Edigheji, *Constructing a democratic developmental state in South Africa* (pp. 82-96). Cape Town: Human Sciences Research Council Press.

Chibber, V. (2003). *Locked in Place: State-Building and Late Industrialization in India.* Princeton: Princeton University Press.

Cohen, R. (1997). *Global Diaspora: An Introduction.* Florence: Routledge.

Commercial Bank of Ethiopia. (2012). *Diaspora Account*. Retrieved from Commercial Bank of Ethiopia: http://www.combanketh.et/DomesticBanking/Deposits/DiasporaAccount.aspx

Creswell, J. W., Clark, V. L., Gutmann, M. L., & Hanson, W. E. (2003). Advanced Mixed Methods Research Designs. In A. Tashakkori, & C. Teddlie, *Handbook of Mixed Methods in Social & Behavioral Research* (pp. 209-240). Thousand Oaks: Sage Publications.

Crummey, D. (1969). Tewodros as a Reformer and Modernizer. *Journal of African History vol.10* , 457-469.

Currelly, C. (1976). I Brought the Ages Home. *Royal Ontario Museum*, 286-289.

Dadzie, R. B. (2012). Developmental State and Economic Development: Prospects for Sub-Saharan Africa. *Journal of Sustainable Development; Vol. 5, No. 9*, 14-26.

Debass, T., & Ardovino, M. (2009). *Diaspora Direct Investment (DDI): The Untapped Resourace for Development.* USAID.

Denscombe, M. (2010). *The Good Research Guide for Small-scale Social Research Projects (Fourth Edition)* . Berkshire: Open University Press.

Desta, A. (2012). The Continuing Saga of Globalism: Comparing Ethiopia's Developmental State Strategies to those of Malaysia. *International Journal of Management Sciences and Business Research, Vol. 1, Issue 11*, 87-103.

Desta, A. (2014). *From Economic Dependency and Stagnation to Democratic Developmental State.* Trenton: The Red Sea Press.

Desta, A. (2014). The Continuing Saga of Globalism: Comparing Ethiopia's Developmental State Strategies to Malaysia. In A. Desta, *From Economic Dependency and Stagnation to Democratic Developmental State* (pp. 215-228). Trenton: The Red Sea Press.

Diaspora. (2014, January 30). Retrieved from USAID: http://www.usaid.gov/partnership-opportunities/diaspora-engagement

Diaspora Volunteering. (2013). Retrieved from Cuso International: http://cusointernational.org/volunteer/diaspora/become-a-partner

Directorate, D. E. (2011). *Basic Information for Ethiopian in the Diaspora.* Addis Ababa: Ministry of Foriegn Affairs.

DuBois, M. (1991). The Governance of the Third World: A Foucauldian Perspective on Power Relations in Development. *Alternatives: Global, Local, Political v16*, 1-30.

Edwards, B. H. (2001). The Uses of Diaspora. *Social Text Volume 19, Number 1*, 45-73.

England, K. R. (1994). Getting Personal: Reflexivity, Positionality, and Feminist Research. *Professional Geographer, 46(1)* , 80-89 .

Epstein, R. A. (1995). *Simple Rules for a Complex World.* Cambridge: Harvard University Press.

Ergun, A., & Erdemir, A. (2010). Negotiating Insider and Outsider Identities in the Field: "Insider" in a Foreign Land; "Outsider" in One's Own Land. *Field Methods 22(1)* , 16-38.

Escobar, A. (2011). *Encountering Development: The Making and Unmaking of the Third World.* Princeton: Princeton University Press.

Ethiopian Investment Agency. (2014). *Summary of Licensed (Ethiopian by Birth) Investment Projects.* Addis Ababa: Ethiopian Investment Agency.

Ethiopian Investment Agency. (2014). *Summary of Licensed Investment Foreign (Pure and Domestic) Projects.* Addis Ababa: Ethiopian Investment Agency.

Evans, P. (2008). *In Search of the 21st Century Developmental State.* Brighton: Centre for Global Political Economy.

Evans, P. (2010). Constucting a 21st Century Developmental State: potentials and pitfalls. In O. Edigheji (Ed.), *Constructing a Democratic Developmental State in South Africa: potentials and challenges* (pp. 37-58). Cape Town: HSRC Press.

Federal Negarit Gazeta. (2002, February 5). *Proclamation No. 270/2002.* Addis Ababa: Federal Democratic Republic of Ethiopia.

Federal Negarit Gazeta. (2002, July 2). Proclamation No. 280/2002. Addis Ababa: Federal Democratic Republic of Ethiopia.

Federal Negarit Gazeta. (2009). *Charaties and Societies Proclamation No. 621/2009.* Addis Ababa: Federal Democratic Republic of Ethiopia.

Federal Negarit Gazeta. (2012, November 29). Regulation No. 270/2012. Addis Ababa: Federal Democratic Republic of Ethiopia.

Fenta, H., Hyman, I., Rourke, S. B., Moon, M., & Noh, S. (2010). Somatic symptoms in a community sample of Ethiopian immigrants in Toronto, Canada. *International Journal of Culture and Mental Health v3*, 1-15.

Fonchamnyo, D. C. (2012). The Altruistic Motive of Remittances: A Panel Data Analysis of Economies in Sub Saharan Africa. *International Journal of Economics and Finance v4.10*, 192-200.

Gammage, S. (2006). Exporting People and Recruiting Remittances: A Development Strategy for El Salvador? *Latin American Perspectives vol. 33 no. 6*, 75-100.

Gebreselassie, E. (2012, April 22). *Forum to discuss draft Diaspora policy.* Retrieved from Capital Ethiopia : http://www.capitalethiopia.com/index.php?option=com_content&view=article&id=907:forum-to-discuss-draft-diaspora-policy-

Getahun, S. A. (2007). *The history of Ethiopian immigrants and refugees in America, 1900-2000: patterns of migration, survival, and adjustment.* New York: LFB Scholarly Publishing LLC.

Getahun, S. A. (2012). Ethiopian Diaspora [Recorded by L. a. MATRIX: The Center for Humane Arts]. East Lansing, Michigan, United States of America. Retrieved from https://archive.org/details/EthiopianDiaspora

Gibb, C. (1998). Religious Identification in Transnational Contexts: Being and Becoming Muslim in Ethiopia and Canada. *Diaspora: A Journal of Transnational Studies Volume 7, Number 2*, 247-269.

Gillespie, K., Riddle, L., Sayre, E., & Sturges, D. (1999). Diaspora interest in homeland investment. *Journal of International Business Studies 30, 3*, 623-634.

Given, L. M. (2008). *The Sage Encyclopedia of Qualitative Research Methods: Volume 2.* Thousand Oaks: SAGE Publications, Inc.

Gordon, A. (1998). The new diaspora-African immigration to the United States. *Journal of Third World Studies 15.1*, 79-103.

Grabowski, R. (1994). The successful developmental state: Where does it come from? *World Development, Vol. 22, No. 3*, pp. 413-422.

Green, A. G., & Green, D. A. (1995). Canadian Immigration Policy: The Effectiveness of the Point System and Other Instruments. *The Canadian Journal of Economics Vol. 28, No. 4b*, 1006-1041.

Gudina, M. (2011). Elections and democratization in Ethiopia, 1991–2010. *Journal of Eastern African Studies Volume 5, Issue 4*, 664-680.

Hamdan, A. K. (2009). Reflexivity of Discomfort in Insider-Outsider Educational Research. *McGill Journal of Education, v44 n3* , 377-404 .

Harper, M. (2012, Novemer 10). *BBC Africa.* Retrieved from BBC News: http://www.bbc.co.uk/news/world-africa-20266225

Harrison, G. (2010). *Neoliberal Africa: The Impact of Global Social Engineering.* London: Zed Books.

Henze, P. B. (2000). *Layers of Time: A History of Ethiopia.* New York: Palgrave Publishers Ltd.

Hillbom, E. (2012). Botswana: A development-oriented gate-keeping state . *African Affairs 111 (442)*, 67-89.

Human Rights Watch. (2010). *Ethiopia: Development without Freedom.* New York.

Human Rights Watch. (2013). *World Report 2013.* Retrieved from https://www.hrw.org/sites/default/files/wr2013_web.pdf

International Finance Corporation. (2013). *Access to Finance: Sub-Saharan Africa.* International Finance Corporation. Retrieved from http://www.ifc.org/wps/wcm/connect/e8ea2e004149f9f48008a39e78015671/For+Print+E +FY13+highlights.pdf?MOD=AJPERES

International Labour Organization. (2012). *Unemployment rate by sex and education (%) - Ethiopia.* Retrieved from ILOSTAT Database: http://www.ilo.org/ilostat/faces/help_home/data_by_country/country-details/indicator-

details?country=ETH&subject=UNE&indicator=UNE_DEAP_SEX_EDU_RT&datasetC
ode=YI&collectionCode=YI&_afrLoop=55982077067609#%40%3Findicator%3DUNE_
DEAP_SEX_EDU_RT%26subject%3DU

International Monetary Fund. (2013). *IMF Country Report No. 13/308.* Washington, D.C.:
International Monetary Fund. Retrieved from
http://www.imf.org/external/pubs/ft/scr/2013/cr13308.pdf

Johnson, R. B., & Onwuegbuzie, A. J. (2004). Mixed Methods Research: A Research Paradigm
Whose Time Has Come. *Educational Researcher, Vol. 33, No. 7*, 14–26.

Kang, D. C. (2002). Bad Loans to Good Friends: Money Politics and the Developmental State in
South Korea. *International Organization Volume 56 / Issue 01*, 177 - 207.

Kapur, D. (2007). The Janus Face of Diasporas. In B. J. Merz, L. C. Chen, & P. F. Geithner
(Eds.), *Diasporas and Development* (pp. 89-118). Cambridge: Harvard University Press.

Kassahun, T. E. (2012). Ethiopia's WTO Accession and Financial Services Liberalization. *Mizan
Law Review volume 6 no.2*.

Kauffmann, C. (2005). *Financing SMEs in Africa* . Paris: OECD Policy Insights No. 7 .

Khan, M. H. (2012). Governance during Social Transformations: Challenges for Africa. *New
Political Economy, Vol. 17, No. 5*, 667-675.

Kim, E. M. (2010). Limits of the authoritarian developmental state of South Korea. In O.
Edigheji, *Constructing a democratic developmental state in South Africa* (pp. 97-125).
Cape Town: Human Sciences Research Council Press.

King, R., & Christou, A. (2010). Cultural geographies of counter-diasporic migration:
perspectives from the study of second-generation 'returnees' to Greece. *Population,
Space and Place Volume 16, Issue 2*, 103-119.

Kiyota, K., Peitsch, B., & Stern, R. M. (2007). *The Case for Financial Sector Liberalization in
Ethiopia.* International Policy Center Working Paper Series Number 29.

Koehn, P. H. (1991). *Refugees from Revolution: U.S. Policy and Third-World Migration.*
Boulder: Westview Press.

Kothari, U. (2005). Authority and Expertise: The Professionalisation of International
Development and the Ordering of Dissent. *Antipode, 37*, 425–446.

Ku, J. (2011). Ethnic activism and multicultural politics in immigrant settlement in Toronto,
Canada. *Social Identities 17 (2)*, 271-289.

Kuschminder, K. (2010). *Diaspora Engagement in Ethiopia: Finding its Footing.* Maastricht:
Maastricht Graduate School of Governance.

Kuschminder, K., & Siegel, M. (2013). Diaspora Engagement and Policy in Ethiopia. In M. Collyer (Ed.), *Emigration Nations: Policies and Ideologies of Emigrant Engagement* (pp. 50-74). London: Palgrave Macmillan.

Kuznetsov, Y., & Sabel, C. (2006). International migration of talent, diaspora networks, and development: overview of main issues. In Y. K. (ed.), *Diaspora networks and the international migration of skills* (pp. 3-19). Washington, DC: World Bank.

Larner, W. (2007). Expatriate experts and globalising governmentalities: the New Zealand diaspora strategy. *Transactions of the Institute of British Geographers Volume 32, Issue 3*, 331–345.

Lee, T. (2011, April 08). *As Black Population Declines In Washington D.C., Little Ethiopia Thrives.* Retrieved from Huffingtton Post: http://www.huffingtonpost.com/2011/04/08/black-population-declies-dc-little-ethiopia-thrives_n_846817.html

Leftwich, A. (1995). Bringing politics back in: Towards a model of the developmental state. *The journal of development studies Volume 31, Issue 3*, 400 - 427.

Leslie, H., & Storey, D. (2003). Practical Issues. In R. Scheyvens, & D. Storey (Eds.), *Development Fieldwork: A Practical Guide* (pp. 77-95). London: SAGE Publications Ltd.

Levitt, P. (2009). Roots and Routes: Understanding the Lives of the Second Generation Transnationally. *Journal of Ethnic and Migration Studies Vol. 35, No. 7*, 1225-1242.

Levitt, P., & Dehesa, R. d. (2003). Transnational Migration and a Redefinition of the State: Variations and the redefinition of the state: Variations and explanations. *Ethnic and Racial Studies Volume 26, Issue 4*, 587-611.

Levitt, P., & Jaworsky, N. B. (2007). Transnational Migration Studies: Past Developments and Future Trends. *Annual Review of Sociology 33(1)*, 129-156.

Levitt, P., & Schiller, N. G. (2004). Conceptualizing Simultaneity: A Transnational Social Field Perspective on Society. *International Migration Review, 38(3)*, 1002–39.

Lin, X. (2010). The diaspora solution to innovation capacity development: Immigrant entrepreneurs in the contemporary world. *Thunderbird International Business Review Volume 52, Issue 2*, 123–136.

Lyall, C., & Meagher, L. R. (2012). A Masterclass in interdisciplinarity: Research into practice in training the next generation of interdisciplinary researchers. *Futures, Volume 44, Issue 6*, 608-617.

Lyons, T. (1996). Closing the Transition: The May 1995 Elections in Ethiopia. *The Journal of Modern African Studies, Vol. 34, No. 1*, 121-142.

Lyons, T. (2007). Conflict-generated diasporas and transnational politics in Ethiopia. *Conflict, Security & Development Volume 7, Issue 4*, 529 - 549.

Lyons, T. (2009). The Ethiopian Diaspora and Homeland Conflict. *Proceedings of the 16th International Conference of Ethiopian Studies*, (pp. 589-599). Trondheim.

Marangos, J. (2009). What happened to the Washington Consensus? The evolutions of international development policy. *The Journal of Socio-Economics vol.38*, 197-208.

Marcus, H. G. (1994). *A History of Ethiopia.* Berkeley: University of California Press.

Markakis, J. (1974). *Ethiopia: anatomy of a traditional polity.* Oxford: Clarendon Press.

Marquette, H. (2003). *Corruption, Politics and Development: The Role of the World Bank.* London: Palgrave Macmillan.

Martison, K., & O'Brien, C. (2010). Conducting Case Studies. In J. S. Wholey, H. P. Hatry, & K. E. Newcomer (Eds.), *Handbook of Practical Program Evaluation* (pp. 163-181). San Francisco: Jossey-Bass.

Matthews, S. (2004). Post-Development Theory and the Question of Alternatives: A View from Africa. *Third World Quarterly, Vol. 25, No. 2*, 373-384.

McSpadden, L. A., & Moussa, H. (1993). I Have a Name: The Gender Dynamics in Asylum and in Resettlement of Ethiopian and Eritrean Refugees in North America . *Journal of Refugee Studies Vol. 6. No. 3*, 203-225.

Meisel, N., & Ould Aoudia, J. (2008). *Is 'Good Governance' a Good Development Strategy? Working Paper No. 58.* Paris: Agence Francaise de Developpement (AFD).

Mercer, C., Page, B., & Evans, M. (2008). *Development and the African Diaspora.* Zed Books.

Merriam, S. B., Johnson-Bailey, J., Lee, M.-Y., Kee, Y., Ntseane, G., & Muhamad, M. (2001). Power and positionality: negotiating insider/outsider status within and across cultures. *International Journal of Lifelong Education, 20:5*, 405-416.

Mertens, D. M., & Wilson, A. T. (2012). *Program Evaluation Theory and Practice.* New York: The Guilford Press.

Merz, B. J., Chen, L. C., & Geithner, P. (2007). *Diasporas and Development.* Massachusetts: Harvard University Press.

Migration Policy Institute. (2014). *Ethiopian Diaspora in the United States.* Washington, D.C.: Migration Policy Institute.

Ministry of Education. (2013). *Education Statistics Annual Abstracts.* Addis Ababa.

Ministry of Finance and Economic Development. (2010). *Growth and Transofrmation Plan Volume I.* Addis Ababa: Federal Democratic Republic of Ethiopia.

Ministry of Foreign Affairs. (2011). *Basic Information for Ethiopians in the Diaspora.* Addis Ababa: Ministry of Foreign Affairs, Diaspora Engagement Affairs General Directorate.

Ministry of Foreign Affairs. (2013). *Federal Democratic Republic of Ethiopia Diaspora Policy.* Addis Ababa.

Mkandawire, T. (2001). Thinking about developmental states in Africa. *Cambridge Journal of Economics 25, 3*, 289-313.

Mohammed, H. K., & Gela, Z. D. (2014). Challenges of Electronics Tax Register Machine (ETRS) to Businesses and its Impact in Improving Tax Revenue. *International Journal of Scientific Knowledge Vol. 5, No.3.*

Moss, T. J. (2011). *African Development: Making Sense of the Issues and Actors .* Boulder: Lynne Reinner Publishers, Inc.

Mullings, B. (2011). Diaspora strategies, skilled migrants and human capital enhancement in Jamaica. *Global Networks 11, 1*, 24-42.

Naidoo, J. C. (2015, March 4). *African Canadians*. Retrieved from Historica Canada: http://www.thecanadianencyclopedia.com/en/article/africans/

National Bank of Ethiopia. (2006). Directive No. FXD/31/2006. Addis Ababa.

Naujoks, D. (2013). *Migration, Citizenship, and Development: Diasporic Membership Policies and Overseas Indians in the United States.* Oxford: Oxford University Press.

Nega, B. (2011). Short Changing the Value of Democracy for Economic Development in Africa. *Forum for Social Economics Volume 40, Issue 3*, 313-334.

Newland, K. (Ed.). (2010). *Diasporas: New Partners in Global Development Policy.* Washington, DC: Migration Policy Institute; USAID.

Newland, K., & Tanaka, H. (2010). Mobilizing Diaspora Entrepreneurship for Development. In K. Newland (Ed.), *Diasporas : new partners in global development* (pp. 25-59). Washington, DC: Migration Policy Institute; USAID.

Noh, S., Hyman, I., & Fenta, H. (2001). *Pathways and Barriers to Mental Health Care for Ethiopians in Canada.* Toronto: Centre for Addiction and Mental Health; Department of Psychiatry, University of Toronto.

OECD. (2012). *Connecting with Emigrants: A Global Profile of Diasporas.* OECD Publishing.

Olanrewaju, S. A. (1997). *Structural Adjustment Programme Project Completion Report.* African Development Bank.

Oreopoulos, P. (2011). Why Do Skilled Immigrants Struggle in the Labor Market? A Field Experiment with Thirteen Thousand Resumes. *American Economic Journal: Economic Policy v3*, 148-171.

Ornstein, M. (2000). *Ethno-racial inequality in the city of Toronto: Analysis of the 1996 census.* Toronto: York University, Institute for Social Research.

Patterson, R. (2007). *African Brain Circulation: Beyond the Drain-Gain Debate.* Leiden: Brill.

Patterson, T. R., & Kelley, R. D. (2000). Unfinished Migrations: Reflections of the African Diaspora and the Making of the Modern World. *African Studies Review, vol. 43 no. 1.*

Pellerin, H., & Mullings, B. (2013). The 'Diaspora option', migration and the changing political economy of development. *Review of International Political Economy Volume 20, Issue 1*, 89-120.

Phillips, D. A. (2013). *Development without Aid: The Decline of Development Aid and the Rise of the Diaspora.* London: Anthem Press.

Powell, B. (2005). State Development Planning: Did it Create an East Asian Miracle? . *Review of Austrian Economics 18.3-4*, 305-323.

Ragazzi, F. (2014). A comparative analysis of diaspora policies. *Political Geography*, 74-89.

Rahim, A. (1990). Multiculturalism or Ethnic Hegemony: A Critique of Multicultural Education in Toronto. *The Journal of Ethnic Studies 18,3*, 29-46.

Ratha, D., & Plaza, S. (2011). *Harnessing Diasporas.* Finance & Development.

Ratha, D., De, S., Dervisevic, E., Christian Eigen-Zucchi, S. P., Wyss, H., Yi, S., & Yousefi, S. R. (2014). *Migration and Remittances: Recent Developments and Outlook.* Washington, DC: The World Bank.

Ratha, D., Mohapatra, S., & Silwal, A. (2011). *Migration and Remittances Factbook 2011, 2nd Ed.* World Bank.

Reitz, J. G. (2012). The distinctiveness of Canadian immigration experience. *Patterns of Prejudice, 46:5*, 518-538.

Repko, A. F. (2012). *Interdisciplinary Research: Process and Theory.* Los Angeles: Sage.

Richards, L. (2009). *Handling Qualitative Data: A Practical Guide 2nd Ed.* London: Sage Publications.

Rowley, J. (2012). Conducting research interviews. *Management Research Review Vol. 35 No. 3/4*, 260-271.

Safran, W. (1991). Diasporas in Modern Societies: Myths of Homeland and Return. *Diaspora: A Journal of Transnational Studies Volume 1, Number 1*, 83-99.

Saxenian, A. (2005). From Brain Drain to Brain Circulation: Transnational Communities and Regional Upgrading in India and China. *Studies in Comparative International Development, Vol. 40, No. 2*, 35-61.

Selassie, H. (1976). *The Autobiography of the Emperor Haile Selassie I: "My Life and Ethiopia's Progress" 1892-1937.* (E. Ullendorff, Trans.) London: Oxford University Press.

Sen, A. (1999). *Development as Freedom.* Oxford: Oxford University Press.

Sen, K., & Velde, D. W. (2012). State–Business Relations, Investment Climate Reform, and Economic Growth in Sub-Saharan Africa. In A. Noman, K. Botchwey, H. Stein, & a. J. Stiglitz, *Good Growth and Governance in Africa: Rethinking Development Strategies* (pp. 303-321). Oxford: Oxford University Press.

Shain, Y., & Barth, A. (2003). Diasporas and International Relations Theory. *International Organization Volume 57 / Issue 03* , 449 - 479.

Shaw, T. M. (2012). Africa's Quest for Developmental States: 'renaissance' for whom? *Third World Quarterly, Vol. 33, No. 5*, 837–851.

Sheffer, G. (2003). *Diaspora Politics: At Home Abroad.* Cambridge : Cambridge University Press.

Shimeles, A., & Delelegn, A. (2013). *Rising Food Prices and Household Welfare in Ethiopia: Evidence from Micro Data.* Tunis: African Development Bank.

Showalter, M. (2010, October 22). *Marketplace Africa.* Retrieved from CNN: http://www.cnn.com/2010/WORLD/africa/10/22/little.ethiopia.washington/

Silverman, D. (2010). *Doing Qualitative Research: A Practical Handbook, 3rd ed.* London: Sage.

Sives, A. (2012). Formalizing Diaspora–State Relations: Processes and Tensions in the Jamaican Case. *International Migration Volume 50, Issue 1*, 113–128.

Smart, A., & Hsu, J.-Y. (2004). The Chinese Diaspora, Foreign Investment and Economic Development in China. *The Review of International Affairs Volume 3, Issue 4*, 544-566.

Smith, H. J., Chen, J., & Liu, X. (2008). Language and rigour in qualitative research: Problems and principles in analyzing data collected in Mandarin. *MC Medical Research Methodology, 8, Article 44*.

Statistics Canada. (2009, October 14). *Immigrant Population by place of birth and period of immigration (2006 census).* Retrieved from Government of Canada: http://www.statcan.gc.ca/tables-tableaux/sum-som/l01/cst01/demo24a-eng.htm

Statstics Canada. (2001). *The African Community in Canada.* Retrieved from Statstics Canada: http://www.statcan.gc.ca/pub/89-621-x/2007010/t/4123266-eng.htm

Stiedenroth, K. S. (2014). Female, Young, Unmarried: The Role of Positionality while Conducting Fieldwork in Pakistan. *The Oriental Anthropologist, Vol. 14, No. 1*, 81-95.

Strobbe, F. (2015). *SME Finance in Ethiopia : Addressing the Missing Middle Challenge.* Washington, DC: World Bank Group. Retrieved from

http://documents.worldbank.org/curated/en/2015/02/24011867/sme-finance-ethiopia-addressing-missing-middle-challenge

Taylor, I. (2012). Botswana as a 'Development Oriented Gate-Keeping State': A Response. *African Affairs 111 (444)* , 466–476.

Terrell, S. R. (2012). Mixed-Methods Research Methodologies. *The Qualitative Report 17.1*, 254-280.

Teshome, M. (2009, December 27). *Low Remittance Spurs Ministry On.* Retrieved from Addis Fortune: http://addisfortune.com/Vol%2010%20No%20504%20Archive/Low%20Remittance%20 Spurs%20Ministry%20On.htm

Thandi, S. S. (2014). The Punjab paradox: understanding the failures of Diaspora engagement. *Diaspora Studies Volume 7, Issue 1*, 42-55.

The World Bank. (2009). *Ethiopia Toward the Competitive Frontier.* Washington, DC: The Wold Bank.

The World Bank. (2013, October 2). *Migrants from developing countries to send home $414 billion in earnings in 2013.* Retrieved from http://www.worldbank.org/en/news/feature/2013/10/02/Migrants-from-developing-countries-to-send-home-414-billion-in-earnings-in-2013

The World Bank. (2014, October). *Migration and Remittances Data.* Retrieved from The World Bank: http://econ.worldbank.org/WBSITE/EXTERNAL/EXTDEC/EXTDECPROSPECTS/0,,c ontentMDK:22759429~pagePK:64165401~piPK:64165026~theSitePK:476883,00.html

The World Bank. (2015, January). *Stability of Remittances.* Retrieved from The World Bank: http://www.worldbank.org/en/publication/global-economic-prospects/stability-of-remittances

The World Bank. (2015). *World Development Indicators.* Retrieved from World DataBank: http://databank.worldbank.org/data/reports.aspx?source=world-development-indicators

Tölölyan, K. (1996). Rethinking Diaspora(s): Stateless Power in the Transitional Moment. *Diaspora: A Journal of Transnational Studies 5.1* , 3-36.

Tracy, S. J. (2013). *Qualitative Research Methods: Collecting Evidence, Crafting Analysis, Communicating Impact.* Chichester: Wiley-Blackwell.

Triulzi, A. (2006). The Past as Contested Terrain: Commemorating New Sites of Memory in War-Torn Ethiopia. In P. Kaarsholm, *Violence, Political Culture, and Development in Africa* (pp. 122-138). Oxford: James Currey.

Tung, R. L. (2008). Brain circulation, diaspora, and international competitiveness. *European Management Journal, vol. 26, issue 5*, 298-304.

U.S. Embassy. (2008, September 26). *USAID Loan Agreement Increases Credit Access for Diaspora and Women Entrepreneurs.* Retrieved from Embassy of the United States: http://ethiopia.usembassy.gov/pr3308.html

Ullendorff, E. (1965). *The Ethiopians, an Introduction to Country and People 2nd Ed.* London: Oxford University Press.

Ullendorff, E. (1968). *Ethiopia and the Bible.* London: Oxford University Press.

UNCTAD. (2013). *Harnessing Remittances and Diaspora Knowledge to Build Productive Capacities.* Geneva: United Nations.

UNDP Ethiopia. (2012). *Democratization in a Developmental State: The Case of Ethiopia Issues, Challenges, and Prospects.* Addis Ababa: UNDP.

VanderStoep, S. W., & Johnston, D. D. (2009). *Research methods for everyday life : blending qualitative and quantitative approaches.* San Francisco: John Wiley & Sons, Inc.

Warren, C. A., & Karner, T. X. (2010). *Discovering Qualitative Methods 2nd Ed.* New York: Oxford University Press.

Watts, M. (1993). Development I: Power, Knowledge, Discursive Practice. *Progresss in Human Geography, 17(2)*, 257-272.

Wei, Y., & Balasubramanyam, V. N. (2006). Diaspora and Development. *The World Economy, Vol. 29, No. 11*, 1599-1609.

World Bank. (2014). *Doing Business 2015.* Washington, DC: Wold Bank Group.

World Bank. (2014). *Financial Inclusion Data / Global Findex.* Retrieved from The World Bank: http://datatopics.worldbank.org/financialinclusion/country/ethiopia

Yeung, H. W.-c. (2000). State intervention and neoliberalism in the globalizing world economy: lessons from Singapore's regionalization programme. *The Pacific Review, Vol. 13 No. 1* , 133 162.

Yewondwossen, M. (2013, February 3). *Lack of foreign currency jeopardizes local industries.* Retrieved from Capital Ethiopia: http://www.capitalethiopia.com/index.php?option=com_content&view=article&id=2427: lack-of-foreign-currency-jeopardizes-local-industries-&catid=35:capital&Itemid=27

Yohannes, A. (2011, September 14). *Ethiopian Tax and Customs Laws*. Retrieved from Ethiopian Legal Brief: http://chilot.me/2011/09/14/ethiopian-tax-and-customs-laws/

Yuen, N. C., Sudo, S., & Crone, D. (1992). The Strategic Dimension of the "East Asian Developmental States". *ASEAN Economic Bulletin, Vol. 9, No. 2* , 219-233.

Yusuf, B., Tefera, S., & Zerihun, A. (2009). *Land Lease Policy in Addis Ababa.* Addis Ababa: Addis Ababa Chamber of Commerce and Sectoral Associations.

Zegeye, A., & Pausewang, S. (1994). *Ethiopia in Change.* London: British Academic Press.

Zeleza, P. T. (2010). African Diasporas: Toward a Global History. *African Studies Review 53:1*, 1-19.

Zenawi, M. (2012). States and Markets: Neoliberal Limitations and the Case for a Developmental State. In A. Noman, K. Botchwey, H. Stein, & J. E. Stiglitz, *Good Growth and Governance in Africa: Rethinking Development Strategies* (pp. 140-174). Oxford: Oxford University Press.

Zewde, B. (2001). *A history of modern Ethiopia, 1855-1991.* Addis Ababa: Addis Ababa University Press.

Appendix A
Semi-Structured Questions for Local Business Owners

Introduction to business owner and business
1. Can you describe to me what your business is?

2. What was the vision/motivation for starting your business?

3. Are you the sole owner of this business or do you have business partners investing as well?

4. How many employees do you currently have?
    - Are these part-time or full-time employees?

5. Do you provide any training to your employees? If yes, what kind? Do you feel there is a shortage of certain skills in the Ethiopian labour market?

6. On a scale of 1 to 10, 1 being very difficult and 10 being very easy, how would you rate the process of starting your business?
    - Please tell me about the start-up process and the main challenges you experienced.
    - How did you overcome these challenges?

7. Did you receive any support when starting your business? Ex. Information, financial, family, friends

8. Where do you source your products from?

9. Did you use any of the directives for local business owners?
    - Ex. tax breaks available, importing
    - Were you well informed about the incentives provided to local business owners?
    - Were you able to actually use them to your advantage when starting your business?

10. How has the growth of your business been in the last X years?
    - Has it been what you expected?

Business in Bole
11. Why did you decide to locate your business at this site?

12. Who are your main customers? What is their profile like? Has there been a change in types of customers since you started the business?

13. Are there any benefits of owning a business in the Bole area? Please elaborate

14. Are there any challenges you face as a business owner in this area? Please elaborate

15. What would be the impact on your business if you raised prices 10%? 20%?

16. Who are your competitors in the area?
    o How do you compete or make yourself stand out from others?

Diaspora interaction
17. Do you interact with other local/diaspora business owners in the area?
    o If so, can you please describe your interactions as business owners?
    o Suppliers, competitors (ex. frequency, formal/informal etc.)
    o If not, can you please explain why?

18. In Bole there are both diaspora and locals investing in the same area. Have you noticed any changes in the business environment of the area since this has happened?

19. What is your knowledge regarding the way in which the government has been engaging the diaspora in local investment?
    o If none, ask if they know about the opportunities for locals ex. import incentives, tax breaks

20. Are you aware of any opportunities diaspora have when returning to invest in business? If so, what are some of these? What about challenges they face?

21. Are these opportunities and challenges similar or different to what a local business owner would experience?

Economic Development
22. What kind of institutional or government support (ex. financial loans, tax breaks, information) would you like to receive in order to experience growth in your business?

23. The government is placing a strong focus on economic growth and development of this country. How do you feel that businesses like yours fit into this plan?
    o Have you ever considered your role?

Appendix B
Semi-Structured Questions for Diaspora Business Owners

Introduction to business owner and business
1. Can you describe to me what your business is?

2. What was the vision/motivation for starting your business?

3. Are you the sole owner of this business or do you have business partners investing as well?

4. What motivated you to come back to Ethiopia and invest in a business?

5. Why did you choose this specific business endeavour?

6. How many people are employed by your business?
   a. Break down of full-time/part-time and if possible also gender break down

7. Do you provide any training to your employees? If yes, what kind? Do you feel there is a shortage of certain skills in the Ethiopian labour market?

8. On a scale of 1 to 10, 1 being very difficult and 10 being very easy, how would you rate the process of starting your business?
   o Please tell me about the start-up process and the main challenges you experienced.
   o How did you overcome these challenges?

9. During the business start-up phase did you receive any type of support when starting this business?
   a. For example in finding information on business start-up in Ethiopia?
   b. Financial support?
   c. What level was this support from? (family, community, Institutional)
   d. Diaspora community in Ethiopia?
   e. Anything you were offered in terms of tax breaks or import incentives?

10. How has the growth of your business been in the last X years?
    a. Has it been what you expected?

11. What are some of the main challenges you face when running your business now?

Business in Bole
12. Why did you decide to locate your business at this site?

13. Who are your main customers? What is their profile like? Has there been a change in types of customers since you started the business?

14. Are there any benefits of owning a business in the bole area? Please elaborate

15. Are there any challenges you face as a business owner in this area? Please elaborate

16. What would be the impact on your business if you raised prices 10%? 20%?

17. Who are your competitors in the area?
    o How do you compete or make yourself stand out from others?

Local Interaction
18. Do you interact with other local/diaspora business owners in the area?
    o If so, can you please describe your interactions as business owners?
    o Suppliers, competitors (ex. frequency, formal/informal etc.)
    o If not, can you please explain why?

19. Do you interact with other diaspora business owners? Do you know who they are?
    a. If so, can you please describe you interactions as business owners?
    b. If not, can you please explain why?

20. Can you please describe any changes in the area over the last few years (since the business started but also with personal experience).

Diaspora Engagement
21. What is your knowledge regarding the way in which the government has been engaging the diaspora in local investment?

22. Were you able to take advantage of the proclamations/directives that are in place to support diaspora investment in Ethiopia?
    a. Tax breaks; Foreign bank account; Bringing in equipment/machinery tax-free
    b. Do you have an Ethiopian Origin Card?

23. Which of the proclamations/directives do you think have the greatest impact on businesses here? Or are most attractive as a business person?

24. What do you think about this strategy? Are the diaspora an effective group to engage?

Economic Development
25. The government is placing a strong focus on economic growth and development of this country. How do you feel that businesses like yours fit into this plan?
    o Have you ever considered your role?