

PhD Topic: Institutional economics approaches and Developmental State: A case in Northern Ethiopia (Tigray), Raya Valley Ground water Irrigation Project

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Abstract: Institutions are a set of formal and informal rules of conduct that facilitate coordination or govern relationships between individuals or groups in the economy and the state. Institutions have an influence on the characteristics and outcomes of economic performance, efficiency, economic growth and development. Neo-classical and neo-liberal economic analysis assumes that markets are efficient and characterised by full information and full rationality. However, in the real world, markets are inefficient and characterised by asymmetric and high transaction costs. Developing countries face formidable market failures and institutional inadequacies that create vicious circles and poverty traps that can adequately be addressed only by an activist state. Even if a developmental state were concerned solely with accelerating growth, it would have to build the high social capital that is vital for its endeavours.

The economic and political renaissance of Africa is an issue that continues to preoccupy both Africans and non-Africans alike. Although various methods of achieving an African renaissance have been proposed, most of the proposals are variations on the dominant neo-liberal paradigm of development. This paradigm, however, is incapable of bringing about economic transformation in Africa. A fundamental paradigm shift is therefore required to bring about economic transformation in developing countries, including those in Africa. It is a developmental-state paradigm that remains an indispensable approach for transformation in the 21st century.

The neo-liberal paradigm suggests a non-activist and non-interventionist state as well as a night-watchman state (where the state protects property rights and enforces contracts) and assumes that this is conducive to economic growth. Historical practice, however, has shown that state intervention has been critical in the development process. There are arguments for developmental states and the realisation, simultaneously, of growth and of democracy in these states. There are indeed successful developmental states that are both developmental and democratic at the same time but there are also developmental states that are achieving development but that are not yet achieving democracy. The activities of such developmental states are consistent with the interests of the peasants and with their socio-economic transformation into a democratic force.

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This study will focus on the role of institutional environments and arrangements in creating conducive environments for developmental states in the realisation of economic development and growth and of simultaneously building a democratic process. The primary question of this study will therefore be the following: Can developmental states achieve economic growth, democracy and decentralisation and, if so, how? The general aim of the study will be to assess how institutional environments and arrangements support developmental states in bringing about economic growth and building democratic processes and decentralisation. To achieve the overall objective, the study will undertake a transdisciplinary research approach through engaging different stakeholders at different levels, accompanied with detailed case studies at community level. The contribution of this research will be to develop an alternative approach to how developmental states can achieve cooperation between market and non-market actors and co-ownership of infrastructure at community level.

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