

Policy coherence between industrialization and poverty reduction in Ethiopian development planning from 2002 to 2030

Habiba Yimam

habibamoha5@hu.edu.et

Hawassa University

Logan Cochrane

Hawassa University

Melisew Lemma

Hawassa University

Tafesse Matewos

Hawassa University

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Abstract

Ensuring that economic growth translates into poverty reduction remains to be a fundamental challenge for low-income countries. While industrial development is generally seen as a driver of structural transformation, its role in poverty reduction depends on the extent to which development plans are coherently designed and implemented across national development planning frameworks. However, such policy coherence is often assumed rather than systematically examined. This study, therefore, evaluates the extent and evolution of policy coherence between industrial development and poverty reduction across five successive Ethiopian national development plans spanning 2002–2030. Using an element-level policy coherence analysis framework, the study employs structured qualitative content analysis to code policy document texts across policy dimensions and explicit coherence statements. Combining qualitative interpretation with descriptive comparative analysis, the findings reveal a persistent gap between policy coherence narratives and their operational translation into practical policy elements. While all successive development plans mention industrial expansion as a driver for poverty reduction, operational coherence increasingly declines over time. Poverty reduction goals become less explicit, shared policy tools disappear, and mandated institutions remain segregated. Furthermore, shared targets are random, and resource allocation progressively separates, as industrial development benefits from extensive off-budget financing while poverty related interventions remain tightly constrained. These results show that the pro-poor potential of industrialization has not been systematically realized in Ethiopia. Achieving sustained poverty alleviation necessitates intentional coherence across policy goals, instruments, targeting, institutional and financing mechanisms rather than relying on broad rhetoric.

1. Introduction

The relationship between poverty reduction and economic development remains dominant to contemporary economic development policy debates. For low-income countries seeking to escape persistent poverty, the key issue is not whether to achieve high economic growth, but how to ensure that growth translates into tangible and sustained improvements in the welfare of poor populations [1, 2]. Within this context, industrial policy has re-emerged as an important instrument for structural transformation and sustainable development. However, industrial expansion does not translate automatically into poverty reduction; its distributive effects rely on the structure of industrial transformation and on how industrial policies integrate employment creation, inclusiveness, and poverty-reduction objectives [3, 4].

Ethiopia offers a particularly informative case for examining this relationship. Over the past more than two decades, the country pursued a state-led developmental strategy characterized by strong government direction of investment and structural transformation [5]. This strategy overlapped with a period of rapid economic growth, making Ethiopia one of the fastest-growing economies in Sub-Saharan Africa [6]. Across successive development plans, including the Agricultural Development Led Industrialization (ADLI) strategy and later national development policies, policymakers have emphasized

both industrial development and poverty reduction as central objectives. ADLI in particular put agricultural transformation as the foundation for both poverty alleviation and industrialization, hoping for strong forward linkages to agro-processing and employment generation, especially for the rural poor who constitute the majority of the poor [7].

Despite this policy emphasis and sustained economic growth, the developmental outcomes have been mixed. Although Ethiopia achieved average double-digit economic growth between 2005 and 2015, it continues to face high rates of unemployment, persistent poverty, and increasing macroeconomic pressures [8]. Recent evidence indicates that poverty remains a renewed challenge in Ethiopia, with economic progress is constrained by macroeconomic instability, conflict, climate-related shocks, inflation, and the long-term socioeconomic effects of the COVID-19 pandemic [9, 10]. More importantly, evidence suggests that the linkages between Ethiopia's industrial expansion and poverty reduction, as articulated in development theories, have not been materialized in terms of poverty related outcomes. Employment generation has been concentrated mainly in low-productivity service sectors rather than manufacturing, while the poverty-reducing effects of industrial expansion have continued to be insignificant [8, 11]. This raises an important question about the extent to which Ethiopia's development plans have effectively integrated industrial strategies to poverty related objectives.

A useful analytical framework for answering this question is policy coherence. In this study, policy coherence refers not only to the absence of contradictions between policy domains, but also to the degree of alignment across policy elements, including goals, instruments, targets, institutional arrangements, and resource allocation, such that industrial expansion can support poverty related objectives [12].

Ethiopia's five successive national macro level development policy papers over the period 2002 to 2030 provide a rich foundation for examining these dynamics. Against this background, the current study addresses three interrelated objectives. First, it assesses the extent of alignment between industrial and poverty reduction domains at policy elements level. Second, it examines the extent to which coherence is reflected at the rhetorical level via the presence of explicit policy statements linking the two. Third, it analyzes how policy coherence between the two domains has changed over time.

The rest of the paper is organized as follows. The next section reviews the relevant literature on industrialization, poverty reduction and policy coherence in development planning. The third section outlines the methodology used in the study. The fourth section presents the empirical findings, followed by discussion. The final sections conclude with conclusion, policy implications, limitations, and directions for future research.

2. Literature Review

The relationship between economic growth, structural transformation, and poverty reduction has long had a central place in development economics. Early growth-oriented development theories, particularly classical dual-sector and capital-accumulation models, considered the expansion of modern economic

sectors as the main route to economic development [13, 14]. These economic models generally assumed that growth would ultimately improve the welfare of poorer populations through employment generation, rising incomes, and factor-market linkages, thus giving limited importance to explicit distributive interventions. By the 1970s, however, growing evidence on the fact that the benefits of economic growth did not automatically reach poorer groups encouraged to put greater importance on redistribution and poverty-oriented development strategies [15].

This recognition later contributed to a broader shift in development thinking toward the distributional pattern of economic growth and the mechanisms through which poor populations participate in and benefit from economic expansion. Evidence from developing economies showed that poverty reduction depends not only on economic growth rate but also on its distributional consequences and the structure through which growth occurs. This perspective created the foundation for pro-poor and inclusive-growth approaches, which assess whether poorer populations participate in and benefit from the growth process [16–18]. The pro-poor literature indicates that poverty reduction depends not only on the rate of economic growth but also on how its benefits are distributed across population groups.

Extending this perspective, the literature on inclusive and pro-poor industrialization stresses that the poverty-reducing effects of industrial expansion depend not only on manufacturing development, but also on the extent to which industrial transformation generates employment, enhances productive linkages, and increases participation in economic opportunities [17]. This perspective therefore calls for conscious integration of productive-sector policies with distributive objectives rather than treating industrial development and poverty reduction as separate policy domains [19, 20].

The renewed importance of industrial policy has further influenced this debate. Following its marginalization during the Washington Consensus era, industrial policy reclaimed prominence as the failures of market-led reforms became increasingly apparent and the developmental experiences of East Asian economies showed the positive role of strategic state intervention in structural transformation [21, 22]. Contemporary debate has consequently shifted toward the conditions under which industrial policy can be effective, including how state interventions can facilitate productive capabilities, address coordination and market failures, and support structural transformation [21].

In the African context, the re-emerging industrial policy agenda raises another important question: whether industrial development can be designed to produce poverty-reducing outcomes rather than economic growth alone. [19] show that the poverty related effects of industrialization depend not only on the scale of manufacturing expansion but also on the structure of economic transformation. Similarly, [20] stresses that industrial policy should integrate poverty related objectives rather than assume that the benefits of industrial growth will automatically trickle down.

Within this broader industrial-development discourse, policy coherence offers an important analytical tool for evaluating how different policy domains interact with each other and whether their objectives and implementation arrangements support or undermine one another. The concept has become particularly important within the policy coherence for sustainable development literature, where it is

treated as an essential tool of managing interactions across development objectives and supporting implementation of the Sustainable Development Goals [23]. Policy coherence is examined horizontally, across policy sectors, and vertically, across levels of government. In this study, the primary concern is horizontal coherence between industrial development and poverty reduction strategies. Despite its growing importance, policy coherence is difficult to achieve in practice, particularly where institutional fragmentation, conflicting priorities, and political interests limit coordinated action [24]. This makes policy coherence an empirical question rather than a condition that can be assumed from policy rhetoric alone.

The Ethiopian case offers a particularly relevant setting for examining these dynamics. [25] finds that although Ethiopia experienced periods of pro-poor growth, industrial and service-sector growth did not benefit the poorest populations, while employment growth happened to be an important driver of pro-poor development outcomes. [26] further shows that Ethiopia's export-oriented industrial-park strategy has been accompanied by low wages, weak labor protections, and limited social promotion, creating concerns about the pro-poor nature of the country's industrialization model. At the policy level, [9] identify a broad range of poverty-reduction, livelihood, and employment creation policies but reveal ongoing challenges of policy coordination and implementation.

Despite the growing body of related literature, analysis of policy coherence between industrial development and poverty reduction in Ethiopia remains limited. Existing Ethiopia-focused policy coherence studies have concentrated on other policy domains. [27], for example, assess coherence in the social-protection system and identify coordination and implementation challenges, while more recent studies have examined policy coherence in areas such as climate governance [28]. At the same time, a considerable size of literature [8, 26, 29] examines Ethiopia's industrial expansion strategy and its employment generation effects without systematically examining its alignment with poverty-reduction. Therefore, although industrial development, poverty reduction, and policy coherence have each received substantial attention separately, their horizontal integration across goals, instruments, targets, institutions, and resource allocation over successive Ethiopian development planning periods remains insufficiently studied.

Against this background, several research gaps develop. First, there is a lack of systematic empirical analysis of policy coherence between industrial and poverty reduction across successive development plans. Second, existing studies focus on either poverty or industrial expansion in isolation, rather than examining their coherence. Third, little attention has been given to the temporal evolution of coherence across policy periods. Fourth, in general Policy coherence is under-researched in developing country contexts, particularly in Ethiopia. The current study addresses these gaps by conducting a systematic element-level, rhetorical, and temporal analysis of policy coherence across Ethiopia's successive development plans, contributing to both the theoretical literature on development policy coherence and the empirical literature on inclusive industrial policy design.

3. Methods and Materials

This study employed structured qualitative content analysis to examine policy coherence between industrial development (ID) and poverty reduction (PR) across Ethiopia's five successive national development plans covering the period 2002–2030. Qualitative content analysis is appropriate for policy research because it enables systematic interpretation of textual materials while retaining contextual meaning and allowing comparison across documents and time periods [30]. The analysis combined a deductive coding strategy, guided by a policy-coherence framework, with limited inductive modification of subcategories that emerged during pilot coding. This approach enabled consistent comparison of industrial development and poverty related policy content across successive planning periods while allowing document-specific expressions of policy goals, instruments, target groups, institutions, and resource allocations to be kept.

The empirical material consisted of five national development policy documents: the Sustainable Development and Poverty Reduction Program (SDPRP, 2002–2005), the Plan for Accelerated and Sustained Development to End Poverty (PASDEP, 2005/06–2009/10), the first Growth and Transformation Plan (GTP I, 2010/11–2014/15), the second Growth and Transformation Plan (GTP II, 2015/16–2019/20), and the Ten-Year Development Plan (2021–2030). These documents represent the successive national development-planning adopted during the study period and therefore provide a foundation for examining changes in horizontal coherence over time.

The study focused on policy design as articulated in the official plans rather than on implementation outcomes. Accordingly, the analysis evaluates whether the two policy domains are connected in their stated objectives, instruments, targets, institutional arrangements, resource commitments, and explicit coherence narratives. It does not assume that policy elements were implemented as designed.

Table 1: Major attributes of Ethiopian national development policy documents (2002–2030)

Document Title	Publication year	Duration covered	Issuing office/agency	Policy type
SDPRP	2002	2002-2005	Ministry of Finance and Economic Development	Poverty reduction
PASDEP	2006	2005/06-2009/10	Ministry of Finance and Economic Development	Poverty reduction
GTPI	2010	2010/11-2014/15	Ministry of Finance and Economic Development	General Development
GTPII	2016	2015/16-2019/20	National Planning Commission	General Development
Ten-year plan	2021	2021-2030	Planning and Development Commission	General development

Source: Authors' compilation from the policy documents review

The analytical framework was informed by the policy-coherence literature and operationalized around five functional policy elements, goals, instruments, targets, institutions, resources allocations, and explicit coherence statements [12, 31]. In the current study, goals referred to stated policy objectives associated with either of the two policy domains. Each goal was coded as explicit when the relevant policy domain was directly identified as an objective and as implicit when the objective was embedded within a broader policy formulation. Instruments referred to policy tools, programs, interventions, or implementation mechanisms intended to achieve the stated goal.

Targets referred to the intended beneficiaries or actors identified in policy interventions, including demographic groups, geographic populations, households, firms, SMEs, private-sector actors, or particular industrial subsectors. Mandated institutions referred to organizations with responsibilities of implementation, coordination and financing that particular policy domain. Resource allocation coding captured stated financial or resource commitments, including budget allocations, expenditure priorities, development credit, foreign-exchange requirements and loan provisions.

Explicit coherence statements were coded separately from the element-level categories. A coherence statement was defined as a textual passage that connected industrial and poverty reduction interventions, either through explicit naming of poverty or through poverty-related outcomes such as employment generation, income improvement, food security, or livelihood enhancement. Directionality of the coherence was coded by identifying statements in which industrial expansion was mentioned as contributing to poverty reduction from statements in which poverty-related interventions were considered as contributing to industrial growth. The complete coding logic is summarized in Figure 1.

The basic unit of analysis in this study was a discrete policy statement, defined as the smallest textual or tabular segment expressing a policy proposition relevant to industrial, poverty, or their relationship. This approach was preferred to considering sentences or paragraphs as coding units because the development plans often express more than one distinct policy elements within a single paragraph or table.

Poverty-related propositions were coded through direct references to poverty or predefined development outcomes that are closely related to poverty reduction, including employment, income generation, food security, livelihoods and social protection. This broader strategy reflects the multidimensional character of poverty and avoids limiting poverty to income poverty alone [32]. Industrial expansion-related proposition was recognized through references to industrial development, manufacturing, industrial expansion, industrial-sector growth, industrial parks, private-sector development, SMEs, productive capacity, technology upgrading, and related industrial-policy interventions. The use of predefined inclusion criteria was used to reduce discretionary selection of text.

Coding was conducted in Microsoft Excel. Separate sheets were used for each development plan, with an additional summary sheet used to aggregate coded observations. Each record included, at minimum, the source document, policy domain, policy elements (including explicit policy coherence), coded policy

proposition and summarized content. Additional fields are used to record whether a goal was explicit or implicit and the directionality of an explicit coherence statement.

The coding procedure was iterative but rule based. An initial pilot coding was conducted by reading all the five documents in order to test the analytical categories, clarify vague definitions, and modify decision rules before starting the accrual coding. Pilot coding was important for getting familiar with the two policy domains, distinguishing explicit from implicit goals, separating instruments from policy objectives, identifying the boundaries of individual coding units, and determining when employment, income, food security, and livelihoods could legitimately be treated as poverty-related proxies.

In the summary excel sheet, the coded propositions were aggregated by development plan and analytical policy elements. Category-specific frequencies were used to compare the importance and coherence of policy elements across periods. These frequencies were used only as indicators of how frequently a particular policy element was mentioned within each plan.

To enhance consistency and reduce reliance on the interpretation of a single researcher, the policy documents were coded by two researchers using the same codebook. Coding decisions were compared after the application of the coding framework. Differences and disagreements were resolved through consensus. The two researchers reviewed the doubtful text in the policy documents and assessed it against the corresponding codebook definition and resolved their differences by discussion and consensus. No intercoder reliability coefficient is reported because the coding procedure was conducted based on consensus.

The analysis proceeded in three stages corresponding to the research objectives. First, element-level coherence was assessed through comparison of industrial- and poverty-related goals, instruments, targets, institutions, and resources allocations across the five development plans. Frequency distributions and qualitative comparison were used, where frequencies indicated policy articulation and interpretation of the coded content was used to assess the nature of coherence or separation.

Second, rhetorical policy coherence was assessed through the frequency and directionality of explicit coherence statements. Third, temporal coherence was assessed by comparing the element-level and explicit coherence statements presence patterns across the five planning regimes. The purpose of the temporal policy coherence analysis was to see if alignment between the two policy domains strengthened, weakened, or remained the same over time.

Several measures were taken to enhance the transparency and reproducibility of the analysis. First, the study examined the complete set of national development plans within the study period. Second, the coding dimensions were theoretically defined before starting the analysis. Third, the unit of analysis and inclusion criteria were predefined and tested through the pilot coding. Fourth, the use of two coders and consensus reconciliation approach for resolving conflicting coding decisions helped to overcome the problem of subjectivity and researchers' bias. Fifth, descriptive frequencies were produced from the coded dataset instead of being from narrative interpretation.

These procedures do not completely eliminate interpretive judgement, which is inherent in qualitative content analysis. Rather, they make such subjective evaluations rule governed. The analysis therefore intends for the reproducibility of the coding logic and transparency of policy elements rather than claiming that interpretation of the policy documents is researcher independent.

The document-based policy coherence analysis approach is appropriate for assessing design-level policy coherence, but the findings should not be considered as evidence of coherence in the implementation of policy documents. This distinction was kept in mind throughout interpretation of the results.

4. Results

This section presents empirical findings on horizontal policy coherence between industrial and poverty reduction across Ethiopia's five national development plans. The analysis is divided into three sections: element-level coherence, presence of explicit coherence statements and temporal evolution of coherence patterns.

4.1. Element-Level Coherence Analysis

This section examines coherence between industrial development and poverty reduction across five policy dimensions: goals, instruments, targets, institutions, and resources allocations [12]. Each dimension is analyzed by comparing how industrial development and poverty reduction are represented across policy documents to identify patterns of alignment and separation.

Table 2
Poverty reduction and industrial development goals presence across policy periods

policy period	PR goal presence	ID goal presence	coherence pattern
SDPRP	20 explicit; 21 implicit Total 41	9 explicit; 5 implicit Total 14	PR-dominant
PASDEP	15 explicit; 21 implicit Total 36	2 implicit; 25 explicit Total 27	PR dominant
GTPI	13 explicit; 16 implicit Total 39	38 explicit; 2 implicit= Total 40	ID-dominant
GTPII	29 implicit; 11 explicit Total 40	54 explicit Total 54	Strong ID-dominant
Ten-year plan	3 explicit; 20 implicit Total 23	18 explicit Total 18	Implicit PR, explicit ID, ID dominant in terms of explicitness

Source: Authors' compilation from the policy documents review

Table 2 presents goal-level patterns across the five policy periods. In the SDPRP period, poverty related goals clearly dominate relative to industrial development goals. During PASDEP, the gap narrows, indicating a shift toward greater balance between the two domains.

In GTPI, the number of industrial and poverty reduction goals reach near parity. However, differences emerge in terms of articulation: industrial development goals are more frequently stated in explicit terms, while poverty reduction goals appear in both explicit and implicit forms. This indicates a divergence between numerical balance and discursive emphasis. In GTPII, industrial goals become more dominant, while poverty related goals are more often presented in implicit terms. The Ten-year plan continues this pattern, with industrial goals remaining explicitly articulated, while poverty reduction goals are mostly entrenched within broader policy formulations. Overall, the trajectory shows movement from poverty reduction dominance toward growing industrial development prominence, accompanied by a shift in poverty reduction articulation from explicit to implicit forms.

Table 3
Poverty reduction and industrial development instruments across policy periods

policy period	PR-dominant instruments	ID-dominant instruments	shared instruments
SDPRP	Food security programs, cash transfers, resettlement, health, education	Support to industrial/private sector, incentive packages, industrial zones	Agricultural development, ADLI, SMEs, road construction, electricity, water, capacity building
PASDEP	Food security, women empowerment, tourism, off-farm income opportunities	Promotion of industrial sector, SME support, export orientation, privatization, industrial estate development	Agricultural development, TVET, SMEs, road construction, water resources
GTPI	Safety net program, food security, women empowerment	Support to industrial sector, SME support, TVET, industrial zones, privatization, land supply, HEIs	Agricultural development, infrastructure development
GTPII	Productive safety net program, food security strategies, youth empowerment, job creation	Promotion of industrial/private sectors, technology transfer, incentive packages, industrial parks, planned urbanization, kaizen, credit, market access	Industry-agriculture linkage, TVET
Ten-year plan	Labor mobility	Agricultural development	Labor mobility, agricultural development

Source: Authors' compilation from the policy documents review

Instrument-level analysis reveals variation in the degree of linkage between industrial and poverty reduction instruments across policy periods. In SDPRP and PASDEP, a set of shared instruments is observable, particularly in agriculture, small and medium enterprise support, and infrastructure development. These shared instruments suggest moderate practical alignment between the two policy domains.

From GTPI onward, shared instruments become less frequent. Industrial development instruments expand in scope and diversification, including industrial parks, technology transfer, and productivity enhancement programs, while poverty reduction instruments become more concentrated in safety nets, food security, and social protection measures. In GTPII and the Ten-year plan, instrument-level separation becomes more visible.

Table 4
Target Populations and sectors in poverty reduction and industrial development policies

Policy period	PR targets	ID targets	Overlap
SDPRP	Rural, women, urban, food insecure	Non-peasant private sector	None
PASDEP	Rural, urban, youth, women, children, elderly	Private sector	None
GTPI	SMEs	Private sector, SMEs, different industrial sub-sectors	SMEs
GTPII	Women, youth	Private sector; youth; different industrial sub-sectors	Youth
Ten-year plan	Rural, urban	Urban	Urban

Sources: Authors' compilation from the policy documents review

Target analysis shows limited overlap between industrial and poverty related interventions beneficiaries across the policy periods. In SDPRP and PASDEP, poverty related targets are primarily socially defined groups such as rural populations, women, and vulnerable/food insecure households, while industrial targets focus on private sector actors, with no direct overlap. From GTPI onward, limited overlaps emerge, particularly around SMEs, youth, and urban populations. However, these overlaps are not consistent across periods and do not appear as systematically designed linkages between the two policy domains. Overall, target-level coherence remains limited, with only sporadic and non-systematic alignment across industrial development and poverty reduction target populations.

Table 5

Institutional mandates for poverty reduction and industrial development across policy periods

Policy period	PR institutions	ID institutions	overlapping institutions
SDPRP	• Ministry of Finance and Economic Development • Ministry of Rural Development • Disaster prevention and preparedness office	• Ministry of Trade and Industry • Ministry of Capacity Building • Ethiopian Export Promotion Agency	None identified
PASDEP	• Ministry of Finance and Economic Development • Federal Micro and Small Enterprise Development Agency	• Ministry of Trade and Industry • Ethiopian Road Agency	None identified
GTPI	• Ministry of Finance and Economic Development • Central Statistics Agency	• Macro-Economic Team that review sector plans including industry • TVET Institutions	None identified
GTPII	• National Planning Commission • Ministry of Labor and Social Affairs	• EIC & Industrial Park Development Corporation • Ministry of Industry	None identified
Ten-year plan	• Planning and Development Commission	• Sectoral Ministries, that are related to industrial expansion	None identified

Source: Authors' compilation from the policy documents review

Institutional analysis shows persistent separation between industrial and poverty-related implementing bodies across all policy periods. Poverty-related responsibilities are consistently assigned to institutions focused on welfare coordination, food security, and social protection. In contrast, industrial development responsibilities are assigned to institutions concerned with industrial promotion, trade, and structural transformation. Across all five policy periods, no institutional arrangements integrate industrial and poverty-related mandates.

Table 6
Resource allocation for industrial development and poverty reduction across policy periods

policy period	PR resource allocation	ID resource allocation	overlap/notes
SDPRP	• Pro-poor sectors (Agriculture, Education, Health, Water, Roads)	• large/medium manufacturing prioritized • Investment of 2.6B Birr in new horticulture businesses	Separate resource allocation, only linked through investment in the agricultural development
PASDEP	• pro-poor sectors (Agriculture & food security, Education, Health) • 75% of budget to pro-poor sectors	• Private Sector Development (9.76B capital; 15.35B total) • Funding: 3.8B from treasury for private sector support	Separate resource allocation, only linked through investment in the agricultural development
GTPI	• Pro-poor sectors (Agriculture & food security, Education, Health) • 529B for poverty-oriented expenditures	• ID Programs (193.56B off-budget) • Industries: Textile (15.95B), Metal (20.47B), Sugar (72.78B).....	Clear separation: PR funded through budget; ID through off-budget mechanisms
GTPII	• Poverty-oriented expenditure at 15.4% of GDP by 2019/20	• Manufacturing (15.2% of capital expenditure) • Credit: Manufacturing allocated 502.85B in domestic credit	Separate resource allocation
Ten-year plan	• Pro-poor sectors: Agriculture • Social protection: Direct cash transfers for 1.02M food insecure citizens	• Sectors: Industry (547.8B annually); Manufacturing (385.5B annually) • non-budget loans: 5.7T (40.7% of total) to industry sector	Separate resource allocation

Source: Authors' compilation from the policy documents review

Resource allocation patterns show variation in the degree of integration between industrial and poverty reduction. In SDPRP and PASDEP, both domains are financed within a shared budgetary framework, with agriculture playing a bridging role between poverty-related and productive sector investments. From GTPI onward, resource allocation becomes increasingly separated. Poverty relevant interventions continue to be funded through conventional budgetary allocations to social sectors, while the industrial sector increasingly depends on off-budget mechanisms, including dedicated industrial financing programs and credit-based investment channels. By the Ten-year plan, resource allocation between industrial and poverty reduction is mostly separated, with two different financing channels operating in parallel.

4.2. Explicit Coherence Statement Analysis

This section examines the presence of explicit statements linking industrial and poverty related interventions. The analysis distinguishes between poverty reduction is used as instrumental to industrial expansion and industrial sector growth is considered as instrumental to poverty reduction. It also examines whether poverty is mentioned explicitly or through proxy indicators such as employment and income generation.

The distribution of explicit coherence statements shows a strong irregularity across all policy periods. The majority of statements frame industrial development as instrumental to poverty reduction, while a small proportion use poverty reduction as instrumental to industrial development. Statements framing poverty reduction as instrumental to industrial development are concentrated in the SDPRP and PASDEP periods and vanish completely from GTPI onward. This indicates a shift toward a unidirectional framing logic in later planning regimes.

In addition, the use of explicit poverty language declines gradually over time. In earlier periods, poverty is directly articulated in a large number of statements. In later periods, poverty is progressively mentioned through indirect proxies, with explicit articulation of poverty vanishing completely in the Ten-year plan.

4.3. Temporal evolution of poverty reduction- industrial development coherence

This section synthesizes findings across all elements and explicit coherence statements to examine changes in the policy coherence over time.

Table 7

Temporal evolution of poverty reduction and industrial development coherence across policy periods

Coherence dimension	SDPRP	PASDEP	GTPI	GTPII	Ten-year plan
Goals	PR-dominant (41 vs 14); PR mostly explicit	PR-dominant, but shift toward balance (36 vs 27)	Near parity (39 vs 40); ID-dominant in terms of explicitity	ID-dominant (40 vs 54); PR becomes implicit	ID-dominant (23 vs 18); PR overwhelmingly implicit
Instruments	Concrete shared instruments	Continued shared instruments;	Shared instruments become fewer	Minimal overlap	Minimal overlap
Targets	No overlap	No overlap	Partial overlap	Partial overlap	Partial overlap
Institutions	Complete institutional separation	Complete institutional separation	Complete institutional separation	Complete institutional separation	Complete institutional separation
Resources	Both in budget; agriculture as conceptual link	Both in budget; agriculture as conceptual link	PR in budget; ID off-budget; clear separation	PR in budget; ID through capital budget and credit	PR in budget; ID through massive non-budget loans; separate channels
Explicit statement presence	28% PR as instrument; 72% ID as instrument; 44% explicit poverty language	8% PR as instrument; 92% ID as instrument; 31% explicit poverty language	0% PR as instrument; 100% ID as instrument; 50% explicit poverty language	0% PR as instrument; 100% ID as instrument; 25% explicit poverty language	0% PR as instrument; 100% ID as instrument; 0% explicit poverty language

Source: Authors' compilation from the policy documents review

The temporal analysis reveals a clear shift in the industrial and poverty reduction policy alignments across the planning periods. During SDPRP and PASDEP, the two policy domains show partial integration. This is evident in the presence of shared instruments, integrated resource allocations, and in the shared framing of industrial and poverty-related goals. However, institutional separation and limited target overlap indicate that the alignment is partial rather than comprehensive.

The GTPI period represents a transitional phase. Although numerical balance in policy goals is attained, differences emerge in articulation patterns and in the disappearance of poverty reduction-as-instrument framing. This suggests that coherence becomes increasingly rhetorical rather than operational. From GTPII onward, separation between industrial and poverty reduction becomes more visible. Goals increasingly favor industrial with poverty reduction articulated implicitly, instruments become more

separate, and resource allocation shifts toward parallel budgetary systems. These trends continue into the Ten-year plan, where poverty is completely entrenched within broader development goals.

Across all periods, institutional separation remains persistent, and targeting overlap does not exist except a few sporadic similarities. Overall, the findings suggest a gradual shift from partial functional coherence in early periods toward increasing structural separation in later periods. Whereas, the rhetorical coherence persists throughout the whole study period though there are some variations in terms of directionality and explicitness.

5. Discussion

The findings of the study indicate a gradual erosion of policy coherence between industrial expansion and poverty reduction in Ethiopia's development planning framework. Early plans show limited alignment, but this weakens over time. Overall, the evidence suggests a widening gap between policy intent and operational design, reflecting deep structural division in development planning.

5.1. Structural Coherence: Goals and Instruments

The findings indicate an evolution in goal-level coherence from the predominance of poverty-reduction goals in the earlier planning periods toward greater dominance of industrial-development goals in the later policy documents. This trajectory is consistent with broader accounts of Ethiopia's economic-policy shifts, which consider the GTP period as giving a stronger strategic importance to industrialization and structural transformation [8, 33]. In the current study, GTP I is found to be a transitional period in which industrial- and poverty-related goals attained near numerical parity. However, this numerical balance conceals a difference in policy articulation.

This finding suggests that numerical parity alone does not certainly indicate functional coherence when policy goal framing becomes unequal. This interpretation aligns with [12], who argue that policy coherence must be examined through functional design features rather than by the mere presence of policy goals. It also echoes with [34], who claim that implicitly articulated policy goals are systematically deprioritized during implementation, leading to policy bias toward more explicitly stated objectives.

Although focused on a different policy domain, [28] show that competing development policy priorities can hinder coherent integration of climate objectives within Ethiopia's national planning framework. This provides a useful match to the present study's finding that poverty-reduction objectives become progressively subordinated to more explicitly stated industrial priorities in later planning periods. Similarly, [35] shows that functional and procedural policy incoherence contributes to the sustained marginalization and exclusion of pastoral communities from development agendas in Ethiopia, demonstrating how policy incoherence can have distributional effects for groups that are not adequately represented in policy design.

The increasing implicit articulation of poverty objectives may have distributive implications. In line with this concern, [36] find that investment in Ethiopia's priority industrial sectors and industrial parks produces only modest reductions in poverty and income inequality. This supports the view that policy incoherence at the design level limits distributive outcomes. Comparative evidence from successful late industrializers further confirms that inclusive development can be achieved only when economic and social policy goals are jointly integrated within development plans rather than treated separately [37, 38].

From a policy-coherence perspective, misalignment among policy objectives can create trade-offs in which causes one priority undermines or weakens attention to another [23]. In the present study, the increasing presence of explicitly articulated industrial-development goals alongside implicit poverty-reduction goals suggests such disproportionateness in policy prioritization. Taken together with the evidence of only modest distributive gains from Ethiopia's industrialization [26, 29, 36], these findings suggest that poverty outcomes may be determined not only by the practical constraints of structural transformation but also by degree of integration of poverty-reduction objectives into industrial-policy design.

Instrument-level findings indicate that earlier development plans contained a greater number of instruments that connected industrial-development and poverty-reduction objectives. From GTP I onward, however, industrial-policy instruments became aggressively diversified while shared mechanisms linking the two policy domains became less present. This pattern exemplifies what [39] describe as policy "patching," whereby new instruments accumulate within an existing policy sets without being systematically incorporated into a coherent package. In the Ethiopian case, the declining presence of shared instruments therefore suggests an increasing separation of the operational mechanisms through which industrial development and poverty reduction were expected to have a coordinated implementation.

Generally, Ethiopia's development planning shows weakening coherence, with industrial policy becoming more detailed and operational while poverty goals remain weakly articulated. This may reduce the effectiveness of transmission from growth to welfare outcomes and indicates the need for stronger integration between economic and social policy goals.

5.2. Institutional, targeting and resource separation

The findings of the study show that weakening coherence between industrial and poverty reduction is driven by institutional fragmentation, targeting decoupling, and resource allocation bifurcation, resulting in parallel subsystems with minimum coordination across design, financing, and implementation.

At the institutional level, industrial and poverty reduction structures remain separate. Although early plans show some alignment in goals, this does not extend to governance arrangements, as both domains operate through separate institutional mandates and implementation channels. This institutional dualism demonstrates the nature of Ethiopia's broader development planning, where sectoral policies have evolved along parallel institutional paths rather than through integrated

mechanisms [5, 40]. The ADLI framework and successive development plans reinforced this separation, sustaining sector-specific implementation structures instead of a unified institutional system [41].

Developmental state literature emphasizes that institutional coherence rather than state capacity alone is important for successful structural transformation, as weak coordination across institutions can undermine the effectiveness of even ambitious strategies [42, 43]. This view is supported by industrial policy research evidences, where structural transformation is claimed to depend on strong institutional complementarities across economic and social domains. Industrial policies are unsuccessful without coordinated institutional arrangements, especially in Africa, where they hinder effective implementation and limit transformative outcomes [44, 45]. In Ethiopia, this dynamic is reflected in an institutional separation that keeps industrial and poverty reduction policies decoupled, in so doing weakening coherence in spite of their rhetorical alignment.

Institutional separation in Ethiopia is aggravated by targeting incoherence, as industrial and poverty reduction policies target separate beneficiaries and actors, poverty reduction targets vulnerable households, while industrial policies target firms and investors, creating a divergence between social protection and productive sector policies.

Empirical evidence shows that structural transformation in low-income economies avoids poorer populations due to skill, location, and informality related challenges, limiting their participation in productive economic sectors [46, 47]. In Ethiopia, investors-oriented industrial policies and export-led manufacturing strategies have generated limited inclusion of low-productivity workers, while social protection programs operate outside these economic transformation processes [48]. More broadly, poverty and economic growth policies operate in parallel rather than through integrated targeting systems [49], economic growth, however, reduces poverty only when deliberately designed mechanisms connect disadvantaged groups to new economic opportunities [50]. As a result, policy targeting overlaps, such as SME support and youth employment, remain fragmented, making targeting alignment in Ethiopia episodic rather than systemic.

Resource allocation fragmentation is the third mechanism contributing to the incoherence between ID and PR in Ethiopia. Earlier development plans such as SDPRP and PASDEP depended on a unified fiscal system, but later policy periods show growing dualism. PR remains dependent on conventional budgetary allocations, while ID start to rely on state-directed credit, development banking, and external financing. Under the GTP framework, finance sources such as development bank lending and industrial park financing expanded outside standard fiscal channels [51, 52].

This dual financing structure creates parallel financing systems that weaken coordination in development planning. Evidence from Ethiopia's public expenditure system shows long lasting challenges in aligning sectoral spending with general development priorities, mainly because of the expansion of off-budget financing mechanisms [53]. Public finance literature similarly finds that fragmented expenditure systems reduce effectiveness by weakening accountability and limiting integration across policy domains [54, 55].

Structurally, this reflects dual-track development models, where targeted financing for productive sectors functions along with standard budgeting, often creating coordination challenges. Resource allocation signals policy priorities favoring sectors with dedicated funding [54]. In Ethiopia, ID's reliance on off-budget financing versus PR's dependence on conventional budgets creates different resource flows, reflecting a shift in policy emphasis toward industrial priorities and contributing to their decoupling [39].

The conceptual framework presented in Fig. 3 is supported by three complementary groups of development and policy literature that help discuss the observed structural incoherence between the two policy domains. First, the institutional perspective advanced by [56] emphasizes that policy effectiveness depends on the coherence of mandated institutions across policy design and implementation. When institutional mandates are separated, as observed in the Ethiopian case, policy implementation coordination failures occur and policies go in parallel.

Second, the targeting literature, particularly [49, 57] claims that pro-poor development outcomes necessitate explicit linkages between growth-oriented interventions and vulnerable groups. The weak and sporadic targeting overlap between the industrial and welfare related beneficiaries identified in this study demonstrates the absence of such intentional linkage mechanisms. Third, the public finance and policy integration literature, such as [39] emphasizes that incoherent financing structures and incremental "policy patching" reduce policy alignment by creating parallel resource systems and uncoordinated instrument layering. Taken together, these literatures provide a sound explanatory basis for the empirical finding that poverty reduction and industrial development policies in Ethiopia function as disconnected systems across institutional, targeting, and resource allocations, limiting their capacity to generate pro-poor structural transformation.

5.3. Rhetorical versus operational coherence: political economy synthesis

This study finds a persistent gap between rhetorical and operational coherence in Ethiopia's development planning. While industrial expansion is framed as a vehicle for poverty reduction, particularly in earlier plans, this relationship increasingly fades over time. Poverty started to be increasingly reframed via indirect proxies such as employment and income generation, and by the Ten-year plan becomes largely implicit. This shift reflects more than semantic change: it signals a change of direction of policy priorities, where industrial expansion is pursued as an end in itself, with social outcomes expected to follow indirectly rather than being structurally entrenched within policy design.

From a policy design perspective, this separation reflects a shift from functional to discursive integration. Framing theory suggests that policy linkages influence implementation only when institutionally embedded, not when kept rhetorically [58]. In Ethiopia, the persistence of poverty language alongside declining operational linkage indicates symbolic coherence. This is strengthened by goal related shift dynamics, where measurable indicators such as employment and income substitute for broader welfare objectives [59]. Practically, industrial development and poverty reduction remain separated across planning systems, targeting, and financing channels, restricting coordination despite

formal alignment. Together, these dynamics explain how policy intent is kept intentionally while functional structures go in a different direction.

Political economy factors aid in explaining why this decoupling keep existing. Policy coherence is determined by elite incentives and governance structures that influence how policies are operationalized [60]. In Ethiopia, industrial policy has progressively prioritized competitiveness and foreign direct investment, accompanied by a conscious distancing of the industrial sector from social responsibilities. A study reports that labor reproduction costs are successfully shifted onto workers and communities, allowing firms to remain competitive while limiting the integration of social objectives into industrial policy design [26, 29]. This reflects the government's development strategy in which industrial growth is promoted first, with the expectation that social benefits will materialize indirectly, an approach consistent with a "trickle-down" logic rather than coordinated inclusion.

From a comparative perspective, this trajectory departs from models of integrated developmental states. Effective structural transformation necessitates coherence between economic growth and distributional objectives within coordinated development planning [61]. In contrast, Ethiopia shows parallel policy tracks, where industrial and social policies operate with limited integration. Similar patterns of policy related fragmentation are observed across African contexts, where weak coordination between productive and social sectors limit inclusive outcomes [60, 62]. Overall, the Ethiopian case reflects a structurally entrenched shift from PR-oriented development toward an industrialization-first strategy, resulting in a decoupling between policy intent and functional strategies that limits the capacity of growth to translate into sustained PR.

6. Conclusion

This study examined coherence between industrial development and poverty reduction domains across Ethiopia's five national development plans (2002–2030). The evidence shows not only a gradual weakening of coordination, but also the consolidation of a structurally decoupled planning system in which industry and social welfare function as parallel policy logics within a shared national development framework.

Across the policy cycle, the relationship between industrial and poverty reduction is characterized by persistent rhetorical integration accompanied by increasing functional separation. While poverty is consistently framed as an envisioned outcome of industrialization, this linkage is not kept in translating intentions into policy goals, instruments, institutional arrangements, targeting and financing mechanisms. Instead, policy evolution reflects the presence of separate practical pathways that weakly interact across policy domains.

Taken together, the findings suggest that Ethiopia's development planning architecture is better understood as a system of practical divergence alongside rhetorical coherence. The evidence does not merely reflect coordination gaps across policy domains, but indicate a deeper institutional configuration

in which poverty reduction and industrial transformation are governed through separate logics of prioritization, resource allocation, and implementation.

From a theoretical perspective, the study contributes to policy coherence debates by showing that coherence cannot be inferred from shared policy framing alone, but must be evaluated through the degree of alignment across functional structures and resource governance systems. It also stresses the limits of assuming automatic complementarities between industrial expansion and poverty in contexts where development policies institutionalize separation.

7. Policy Implications

The findings of the current study point to several implications for Ethiopia and comparable developing economies pursuing structural transformation alongside poverty reduction goals. First, filling the gap between rhetorical commitments and operational design is crucial. Industrial policy should move beyond implicit assumptions of poverty reduction and clearly define transmission channels, target groups, and measurable social outcomes.

Second, persistent institutional divergence between industrial and poverty reduction calls for formal coordination mechanisms. A dedicated cross-sectoral body with authority over planning, monitoring, and implementation alignment could reduce incoherence and improve policy consistency. Third, the growing dependence on implicit poverty framing weakens accountability. Poverty related objectives should be explicitly incorporated within industrial strategies to make sure that social outcomes are not subordinated to industrial growth targets.

Fourth, fragmented financing structures weaken policy coherence. Aligning budgetary and off-budget resource flows is essential, particularly where development finance is increasingly channeled through industrial-specific instruments. Integrative financing models that link SME development, employment creation, and industrial expansion may enhance policy cooperation. Fifth, the observed overlaps in targeting, especially around SMEs, youth, and urban employment, represent underutilized paths for policy alignment. However, these remain weakly institutionalized and require systematic merging to function as active bridges between industrial growth and poverty objectives.

Finally, broader evidence suggests that coherence depends not only on strategic intent but on institutional alignment. Strengthening these linkages is therefore critical to ensuring that industrial transformation translates into sustained poverty alleviation.

8. Limitations of the Study

This study is subject to the following limitations that should be acknowledged. First, the analysis focuses on policy design. While design level policy coherence is a necessary precondition for implementation coherence, it does not guarantee that policies are effectively executed or achieve

expected results. Second, the documents analyzed are official government policy documents, which may reflect ambitious policy goals rather than realistic institutional capacity or implementation limitations.

Third, although the coding process was systematically conducted using a theoretically informed analytical framework, it inevitably involves interpretive judgement. Different researchers may code policy statements differently, particularly in cases involving implicit or ambiguous framing. In spite of these limitations, the study offers a structured and theoretically grounded policy coherence analysis on more than two decades development planning.

9. Directions for Future Research

This study is limited to policy coherence analysis at the design level. An important remaining question is whether observed patterns of coherence or incoherence translate into development outcomes.

Future research could address this gap through empirical, field-based analysis of industrial policies implementation processes and outcomes. This direction responds to calls in the literature for more systematic evaluation of whether industrial policy interventions produce inclusive development outcomes in practice [52, 63]. More broadly, such research would help connect policy design analysis with industrial expansion impacts, helping to understand how industrial development interacts with poverty dynamics.

Declarations

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Author contributions: All authors contributed to the study conception and research design preparation. Research problem conceptualization and methodology were developed by Yimam HM, Cochrane L, Lemma M, and Matewos T. policy document selection and coding, and analysis were performed by Yimam HM. The first draft of the manuscript was written by the corresponding author, Yimam HM, and all the other authors (Cochrane L, Lemma M and Matewos T) reviewed, edited, and commented on the draft manuscript. All authors read and approved the final manuscript.

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Data Availability: The secondary data analyzed in this study consist of five Ethiopian national development plans spanning 2002 to 2030 (SDPRP, PASDEP, GTP I, GTP II, and the Ten-Year Development Plan 2021-2030), originally formulated and published by the Ministry of Finance and Economic Development (MoFED) and the Ministry of Planning and Development (MoPD)(whose

institutional designation evolved across successive government administrations), and retrieved from archived national, regional, and international policy repositories:

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<https://www.dpgethiopia.org/frameworks/sustainable-development-and-poverty-reduction-program-sdpr/>

2. A plan for accelerated and sustained development to end poverty (PASDEP, 2005/06–2009/10) published by MoFED (2006); retrieved via DPG Ethiopia. Ethiopia - Building on Progress - A Plan for Accelerated and Sustained Development to End Poverty (PASDEP)

<https://www.dpgethiopia.org/resources/a-plan-for-accelerated-and-sustained-development-to-end-poverty-pasdep/>

3. Growth and transformation plan I (GTP I, 2010/11–2014/15) published by MoFED (2010); retrieved via DPG Ethiopia. GTP-I.pdf

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<https://www.nepad.org/agenda2063-national-development-plan/ten-years-development-plan-pathway-prosperity>

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Figures

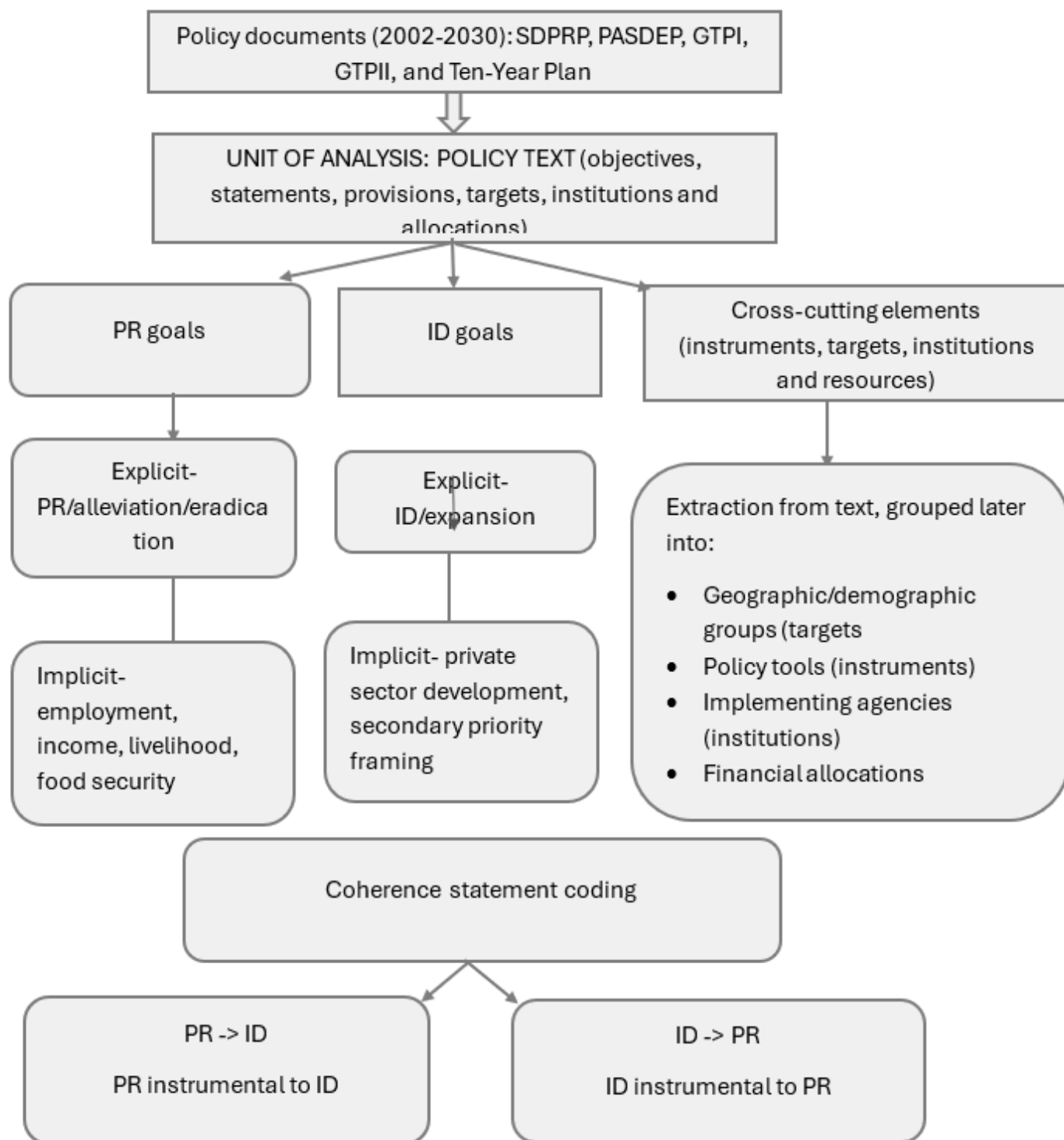


Figure 1

Coding framework for poverty reduction – industrial development policy coherence analysis

Source: Authors' conceptualization based on [12, 31].

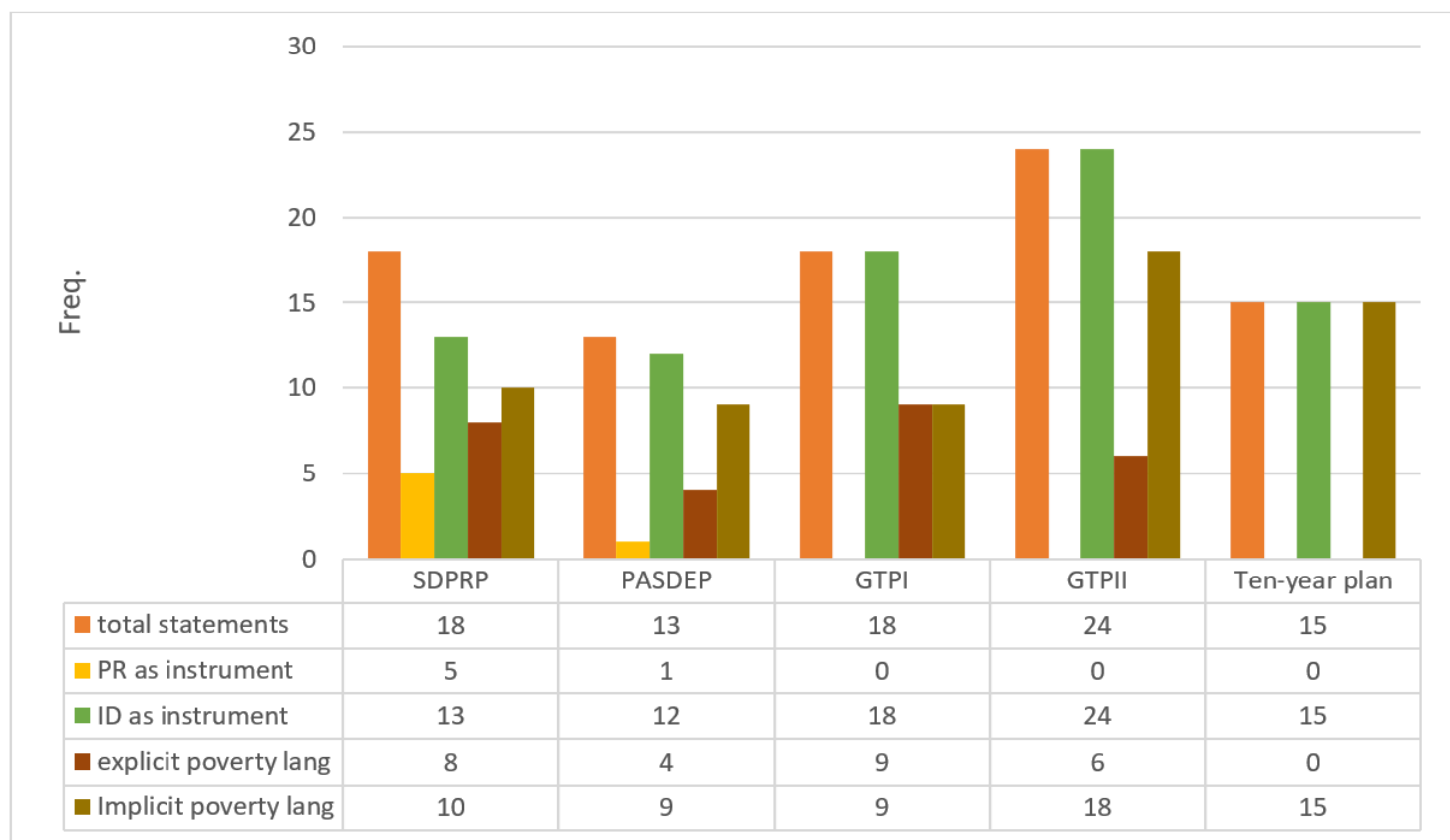


Figure 2

Explicit coherence statements presence across policy period

Source: Authors' compilation from the policy documents review

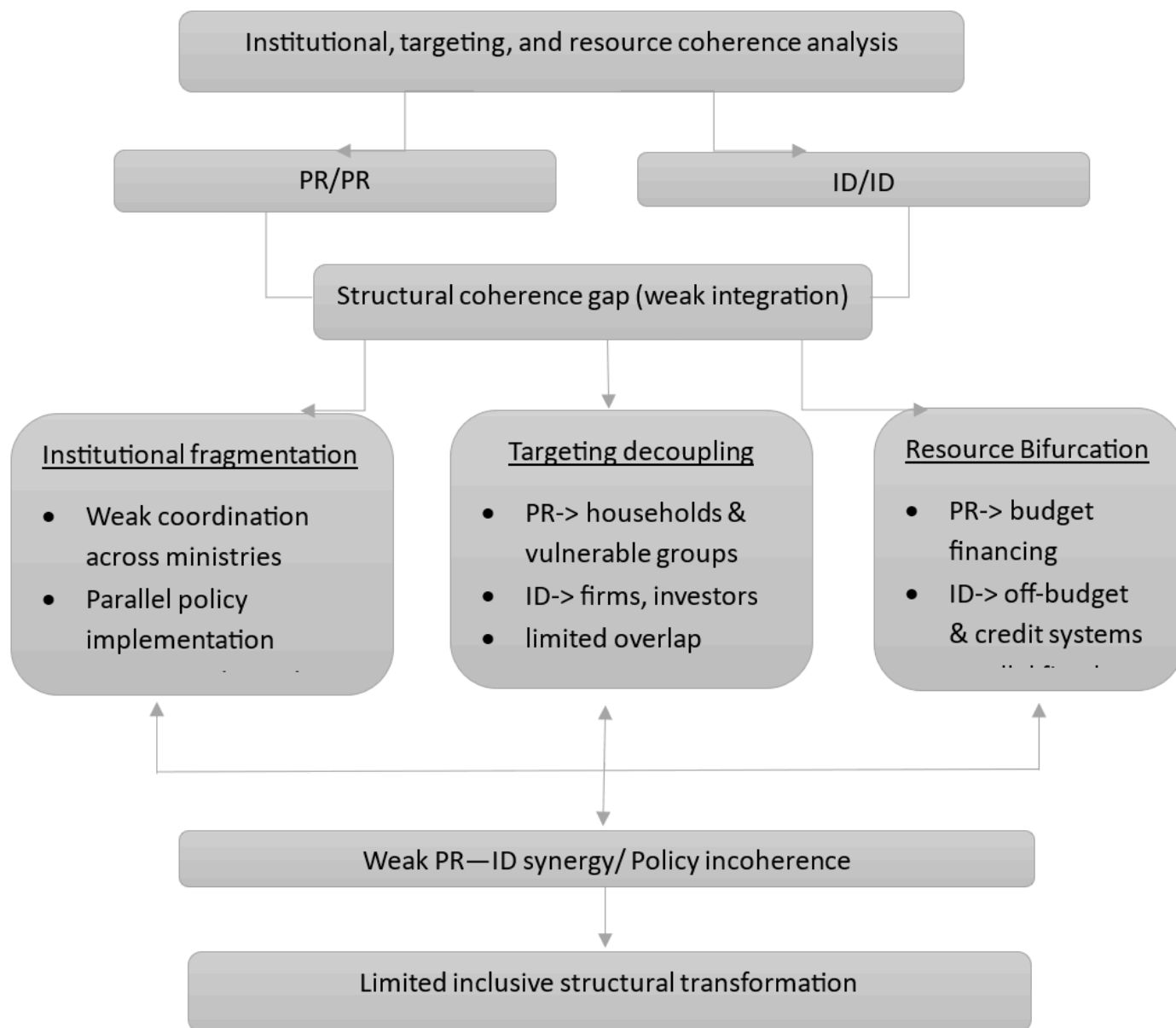


Figure 3

Institutional, targeting, and resource coherence analysis

Source: Authors' compilation from the policy documents review