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Crony Capitalism through the 'Developmental State' Model of Ethiopia: An Identification of Its Main Manifestations

Outline of the Study

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Background to the Study

- There are **three** major issues a comprehensive study of crony-capitalism through DS model need to cover:
 - ▣ 1) The **first** is to explore what analytical frameworks are available and relevant to explain the cronyism in the ‘developmental state model’ of Ethiopia
 - ▣ 2) The **second** task needed is identification of politically connected firms and the mechanisms through which they are connected with the state in a crony relationship
 - ▣ 3) The **third** and perhaps the last part should relate to the implications of the cronyism identified for economic growth, development as well as political stability of the country
- The focus of this study **is primary on the second one**. For these purpose two research questions/working hypothesis has guided the study (shown below).

Background: Political Economy of Growth/Development in Ethiopia

- This study is based on the TPLF/EPRDF regime (1991-2018) and particularly its Developmental State Model period since 2000s.
- During this period the regime attained one of the highest growth in the history of the country (though it is a bit exaggerated): **Next slides.**
- Significant improvement in infrastructure and human welfare indicators (education, health, budget in poverty oriented sectors) is also made; although at the cost of macro instability, poor quality ,corruption & human right abuse that led to conflict
- Growth sustainability and development in Ethiopia is generally challenged by conflict that became an enduring feature of the country for centuries.
- The major causes of this conflict are grounded in competition for power and resources among the political elite

1. Background to the Study: Growth & Macro Picture

macroeconomic condition for the worst.

Table I: Major Macroeconomic Development before COVID-19 and in 2019/20 in Ethiopia (Ethiopian Fiscal year, July-June)

Macro Indicator	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20
Real GDP Growth Rate (%) *	10.3	10.4	7.6	10.1	7.7	9.0	6.1
Inflation rate (CPI, % Change)	8.1	10.4	7.5	8.8	16.8	15.3	21.5
Food Inflation (CPI, % Change)	10.3	12.5	7.2	11.2	14.1	19.8	23
End of period Exchange rate Br/\$	19.6	20.6	21.8	23.1	27.4	28.9	36
Reserve (Month of Imports)	2.3	2.5	2.6	2.4	2.1	2.4	1.7
Gross Domestic Saving (%GDP) *	22.5	21.9	22.4	22.5	19.7	20.2	20.9
Gross Domestic Investment (% of GDP)	40.3	39.4	38.5	38.4	34.1	37.7	30.8
Overall Budget Deficit including grants/Primary Deficit (% GDP)	-2.6	-2.5	-1.9	-3.28	-3.03	-2.5	-2.5
Current Acct Deficit, including official transfer (%GDP)	-7.7	-11.4	-10.4	-8.0	-6.3	-5.2	-4.1
Trade Balance (X-M) % of GDP	-18.7	-20.8	-19.1	-16.0	-14.7	-13.0	-10.1
External Debt (billions of US\$)	14.0	19.09	21.74	23.3	25.8	27.0	27.7
External Debt (% GDP)	25.6	29.5	30.1	29.4	31.9	29.1	28.8
Domestic Debt (% GDP)	28.6	31.8	32.1	34.9	35.6	35.7	26.7
Total Debt (% GDP)	53.2	61.4	62.2	64.3	67.5	64.8	55.6

Source: NBE, Annual Report (Various Years); MOFED (2016-2019)

*See Alemayehu and Addis (2016) for a critical review of this growth & saving figures. The WB estimated this to be 4% while IMF 3.2 percent in June 2020.

Macro and Growth Picture...Cont'd

(In Billions of Birr)

Items		2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
Sector	Agriculture	544.1	580.4	600.9	623.8	650.3	686.4
	Industry	343.9	413.8	464.4	526.2	576.9	618.8
	Services	575.9	619.3	673.9	745.7	786.9	836.2
Total		1,463.9	1,613.5	1,739.3	1,895.7	2,014.1	2,141.4
<i>Less FISIM</i>		14.5	17.0	19.8	21.0	24.5	27.2
Real GDP		1,449.4	1,596.5	1,719.5	1,874.7	1,989.6	2,114.2
Growth in Real GDP		8.0	10.1	7.7	9.0	6.1	6.3
Per capita GDP (USD) (Nominal)		815	876	883	985	1,080	1,092
Growth rate in Per capita GDP		9.5	7.5	0.9	11.6	9.6	1.1
Mid-year population(in millions)		91.2	93.4	95.5	97.6	99.7	101.9
Share in GDP (in %)	Agriculture	37.5	36.3	34.9	33.3	32.7	32.5
	Industry	23.7	25.9	27.0	28.1	29.0	29.3
	Services	39.7	38.8	39.2	39.8	39.5	39.6
Agriculture	Absolute Growth	2.3	6.7	3.5	3.8	4.3	5.5
	Contribution to GDP growth	0.9	2.5	1.3	1.3	1.4	1.8
	Contribution in %	11.3	24.6	16.5	14.6	22.8	29.0
Industry	Absolute Growth	22.2	20.3	12.2	12.6	9.6	7.3
	Contribution to GDP growth	4.7	4.8	3.1	3.6	2.6	2.1
	Contribution in %	58.8	47.3	40.8	39.5	42.4	33.6
Services	Absolute Growth	8.7	7.5	8.8	11.0	5.3	6.3
	Contribution to GDP growth	3.4	3.0	3.4	4.1	2.1	2.4
	Contribution in %	42.5	29.4	44.0	45.8	34.3	38.3

Source: Planning and Development Commission

Background: Political background to Growth/Development in Ethiopia

- History, institutions, the path-dependent nature of state formation and external intervention were important in this process
- Lack of political stability is the result of lack of a functioning democratic system and inclusive economic institutions.
- Historically the TL-gov't came to power through 17yrs gruella fight and with the help of the US and EPLF.
- Accepted liberal ideology (dropping its Marxist party of 17 yrs.) & organized the country along ethno-linguistic federal states led by ethno-linguistic parties with patron-client relation with the TPLF.
- In this way it captured political power & held it undemocratically b/n 1991-2018 & created a fertile ground for cronyism.

Background, Political-economy..... Cont'd

- In a nutshell, the basic features of the political power that create the fertile ground for cronyism were (Institutional & political):
 - ▣ At the core of the TPLF/EPRDF (1991-2018) regime's power was the control/domination of the military & the state security apparatus (40 to 60% of top generals, Colonels... from 5% of Population, same across security, Ministries –control of violence
 - ▣ Organize and Control of ethnolinguistic parties in Patron-Client relations.
 - ▣ Establishment of party-owned companies (discussed below).
 - ▣ Use of all other existing institutions (including by deputizing major Ministries, Military firms etc to empower the ruling elite's grip on power (and resources).
- This dashed the hope of instituting a peaceful power-sharing mechanism for power protagonists (elites) in the country as it was for centuries.

Background, Political-economy..... Cont'd

- The regime openly stated its **developmental state** model/ strategy since the early 2000s by drawing a consecutive 5-years plan (the latest being 2 GTPs)
- The political-economy history which led to the capture of the political power in authoritative manner between 1991-2018 (esp. through the DS model) & how it deployed the DS model for entrenching cronyism is described in detail in the paper.
- With that background I will demonstrate first the manifestation of the fertile ground created for cronyism using the available economic and governance indicators and proceed to the manifestation themselves.
- A few points about the analytical/theoretical approach

Analytical/Theoretical Approaches

Various theoretical/Analytical Approaches are provide in the literature:

- ▣ Neoclassical economics approach of Rent Seeking
 - Is also related to **Institution economics** because **rent-seeking** (and later '**transaction cost**') is believe to emerge in the context of institutional failure
 - It also referred as **public choice theory** of rent-seeking
- ▣ In Africa literature cronyism is referred as '**neopatrimonialism**' Mkandawire 2015 (=corruption and state capture): **Ethiopian studies used this approach**
- ▣ Khan's (1995) perspective of '**Political Settlement**'
- ▣ **Kaleckian** theory of '**intermediate regimes**' in poor countries (I couldn't find it in the literature)

Background : Working Hypothesis

- *Working Hypothesis 1*: the cronyism in Ethiopia is not identical to the rest of the world where the state is captured by the private sector. In Ethiopia, it is the reverse owing to specificity of its political history: where the state is captured by ethnic elite, which engaged in cronyism through **a creation and control of myriad of firms** characterized by different ownership structure. The hold on economic and political power by the regime for long has also allowed the growth of few private firms (both foreign and domestic) with a crony link to the state that was perceived to offer a resemblance of stability and security of property.
- *Working Hypothesis 2*: Since the DS model requires a hegemonic ideology, the strategy has further strengthened the authoritarianism of the regime that was necessary to attain the economic dominance thorough creation of its own firms & cronyism and stay in power indefinitely. Th DS model is important for the regime since it is not accountable for the population too (source of legitimacy).

2: Fertile ground for Cronyism in Ethiopia

- Empirically, the regime's authoritative stance can be read from Table 3.1. In all standard indicators (notwithstanding Mkandawire's (2015) and Khan's (1995) theoretical critique of such ranking) it is authoritative. Corruption was less cause it was systemic,

Table 3.1: Political and Governance Indicator in Ethiopia and Comparator Countries in 2019

(For the year 2019) (Rank form -2.5 lowest to 2.5 highest)	Kenya		Ethiopia		Tanzania		Uganda	
	2019	2019	2019	2019	2019	2019	2019	2019
	Estimate	Rank	Estimate	Rank	Estimate	Rank	Estimate	Rank
Voice and Accountability	-0.29	36.45	-1.05	19.70	-0.50	32.02	-0.62	30.05
Political Stability and Absence of Violence	-1.12	12.38	-1.28	10.95	-0.36	32.86	-0.65	22.86
Government Effectiveness	-0.38	25.00	-0.63	28.37	-0.88	17.31	-0.59	31.25
Regulatory Quality	-0.28	41.35	-0.89	16.83	-0.64	27.88	-0.37	37.98
Rule of Law	-0.45	35.58	-0.47	34.62	-0.58	29.33	-0.31	43.75
Control of Corruption	-0.78	24.52	-0.41	39.90	-0.39	40.87	-1.17	11.54

Source: Based on World Governance Indicators, 20220 updates at www.govindicators.org

Note: For all indicators, the estimated scored ranges from -2.5 (weak) to 2.5 (strong). Rank shows the percentile rank among all countries (ranges from 0 (lowest) to 100 (highest)).

Fertile ground Cont'd

Table 3.3: Corruption in Ethiopia (WB, 2015 Manufacturing Survey)

	Ethiopia				SSA	Low Income
	Ethiopia (all)	Small Firms	Medium Firms	Large Firms		
Bribery incidence (percent of firms experiencing at least one bribe payment request)	26.8	28.3	17.5	44.1	25	31.6
Percent of firms expected to give gifts to get a construction permit	51.2	69.2	34.6	76.7	29.5	37.5
Percent of firms expected to give gifts to secure government contract	19.7	35.4	7.4	2.7	31.7	36.1
Percent of firms expected to give gifts in meetings with tax officials	17.4	26.2	2.4	7.1	18.1	25.2
Percent of firms identifying corruption as a major constraint	27.9				39.1	30.4*

* is for all countries. The Ethiopian data is based on data for manufacturing firms only.

Source: Author's computation based on WB (2015) Enterprise Survey.

Fertile ground Cont'd

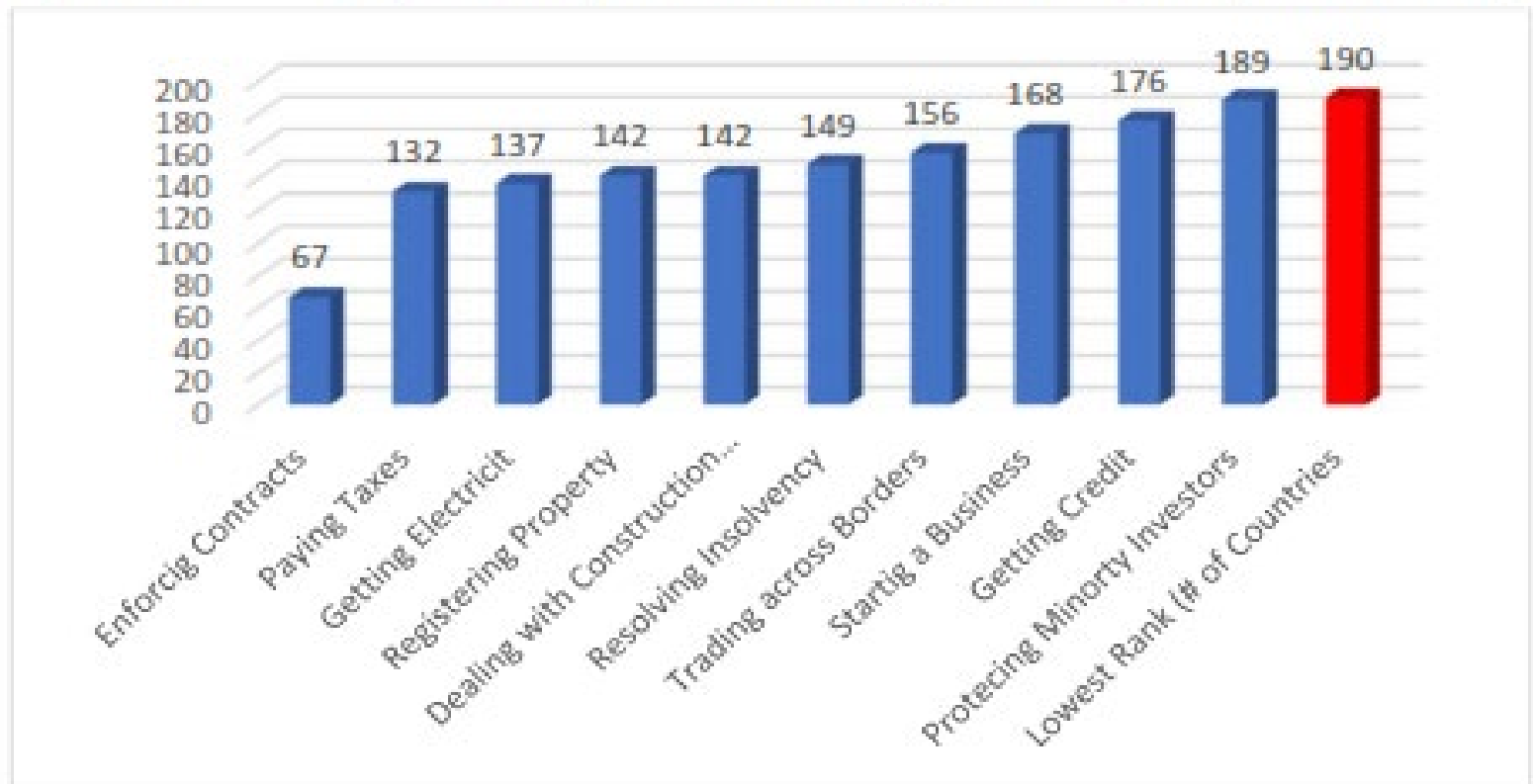
Table 3.2 Ease of Doing Business Ranking 2020 for ~~Rwanda~~ and Comparator Countries

Countries: Doing Business Ranking	Rank (Out of 190 Countries)	Score in % (2020)	Profit tax (% of commercial profits, 2019)
Ethiopia	159	48%	30
Switzerland	1	86.8	7.8
Mauritius	13	81.5	10.3
Rwanda	38	76.5	25.7
Kenya	56	73.2	30.1
Botswana	87	66.2	21.5
Uganda	116	60	22.3
Tanzania	141	54.5	20.8
Malawi	109	60.9	20.4

Source: Author's Compiled from the "Doing Business Report 2020" & WDI, the World Bank

Fertile ground Cont'd

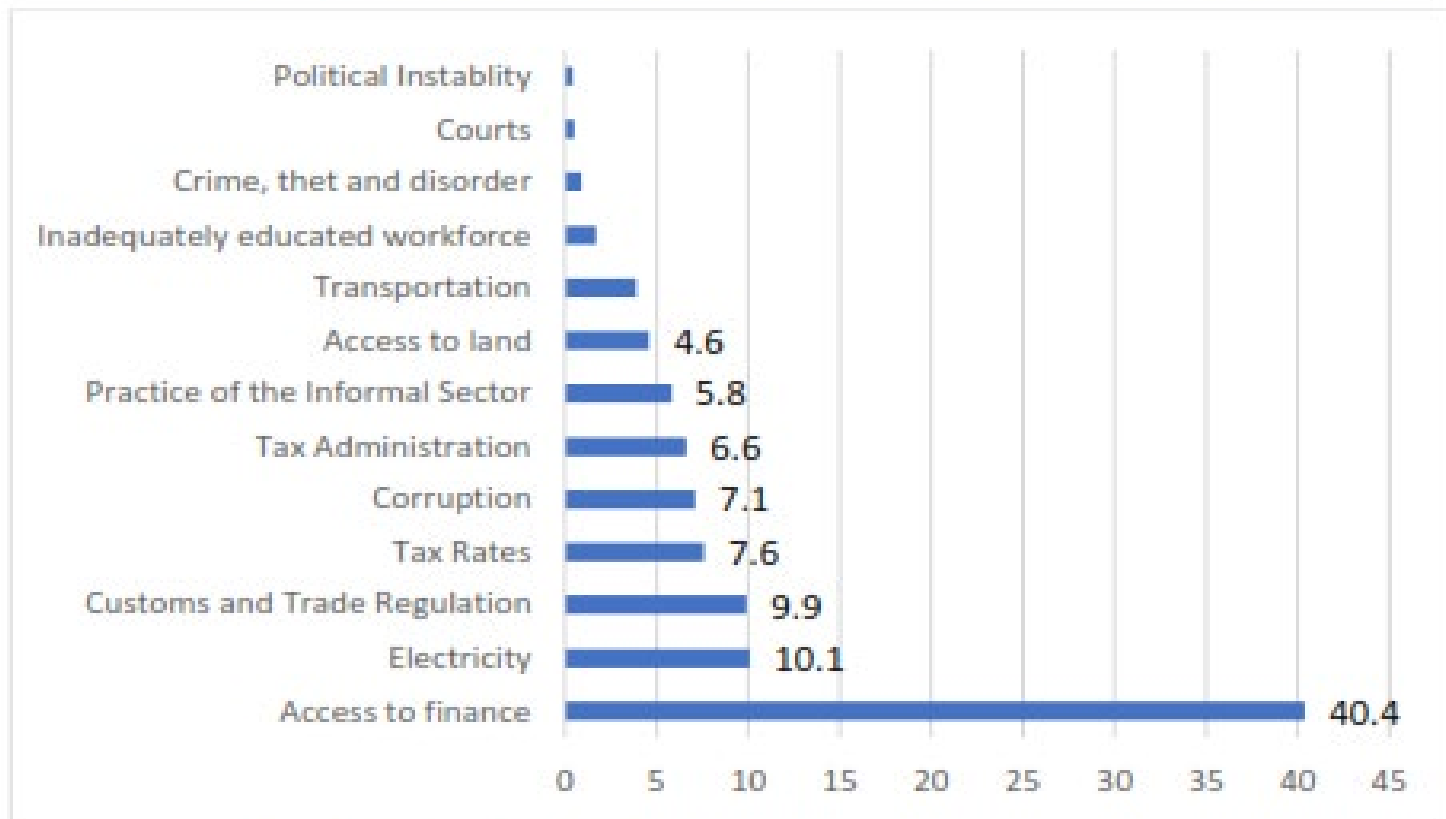
Figure 3.1 Ethiopia: Doing Business Ranking in 2020 (among 190 countries)



Source: Author's Compiled from the "Doing Business Report 2020" the World Bank

Fertile ground Cont'd

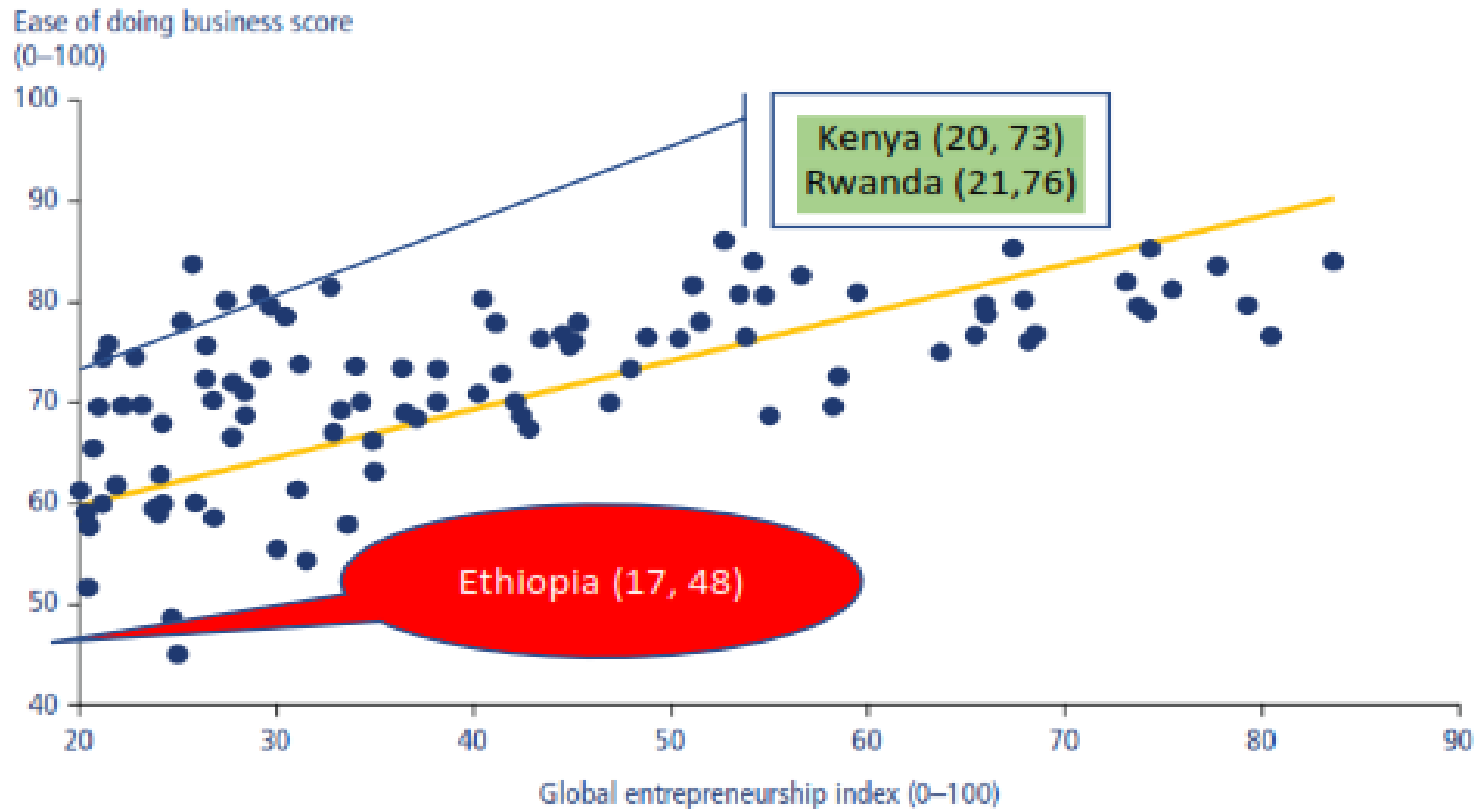
Figure 3.2 Top Major Obstacles to Enterprises, (% of firms, 2015)



Source: Doing Busine Report 2020

Fertile ground Cont'd

Figure 3.3 Ease of Doing Business and Entrepreneurship (2020 Doing Business Report)



Source: WB doing business report 2020 and the global entrepreneurship index at <http://thegeedi.org>

3: Manifestation of Cronyism in Ethiopia

- How big was the private sector? Does the public sector dominate the economy as is usually reported by IFIS in Ethiopia
- What are the Major type of firms (private, public, semi-public)
- How can we map these profile of firms with cronyism in relation with the TPLF-led government
- What is the nature economic size of firms in the systematic corruption (cronyism) what is its compared to private firms

Manifestation of Cronyism...Cont'd

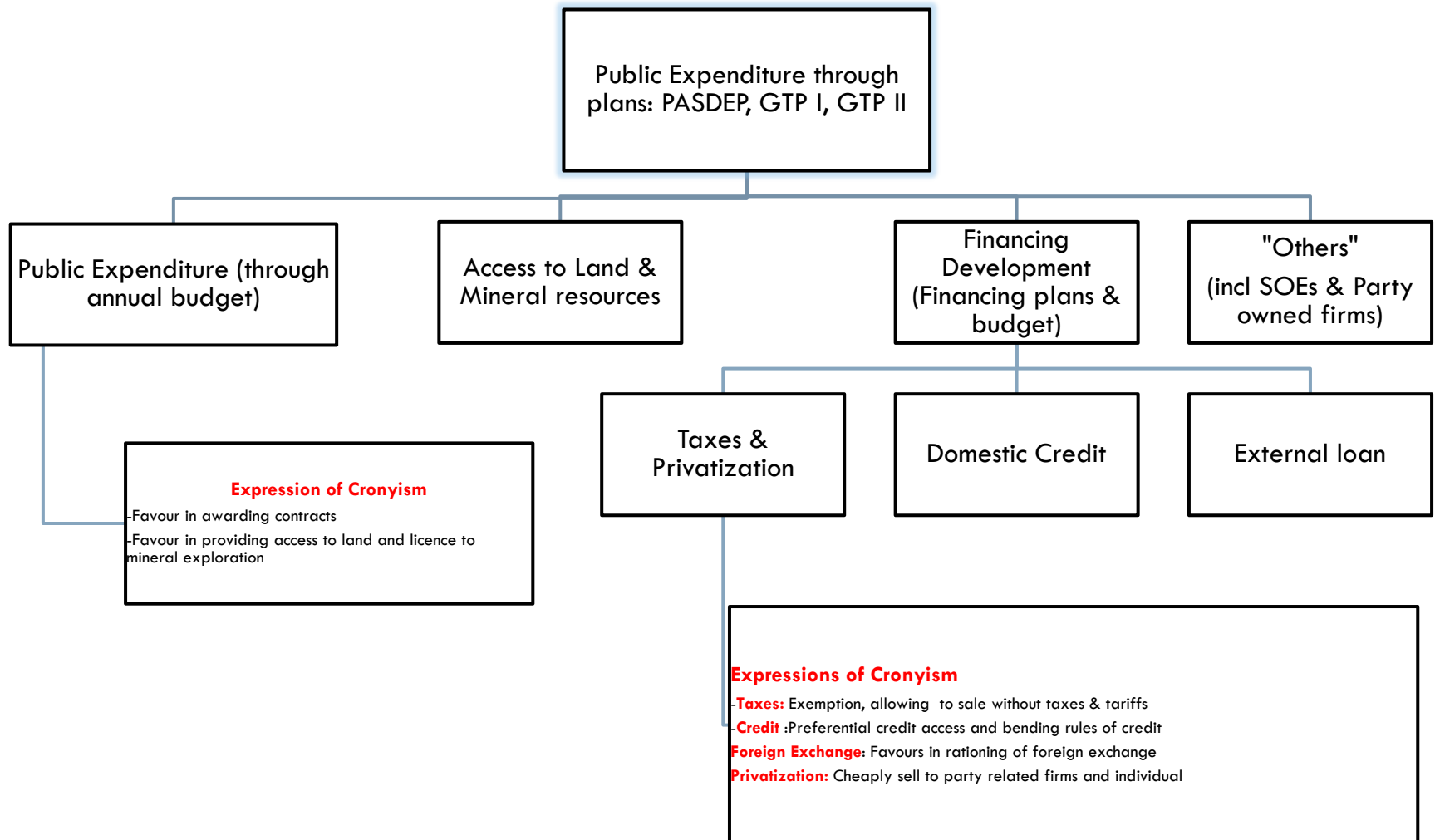
Table 4.1: Total Output (GDP) by Private and Public Sectors (2015/16 -2019/20)

Sectors/Sub-sectors (Sub-sector shares are within the sector and Sectoral shares are share in GDP)	Ave. Annual Share in GDP % (2015/16- 2019/20)	Private Sector	Public Sector
Industry (% GDP) [Public/Private share in Industry]	26.7	15.4 [56%]	11.35 [44%]
Mining and Quarrying	1.0	1.0	
Manufacturing (1*)	24.5	20.2	4.3
Electricity & Water	2.6	0	2.6
Construction (2*)	72.6	36.3	36.3
Services (% GDP) [Public/Private share in Services]	38.3	26.3 [70]	12.0 [30]
Whole Sale & Retail Trade (3*)	35.6	35.6	0
Hotels & Restaurants	6.7	6.7	0
Transport & Communication	13.1	8.4	4.7*
Real Estate, Renting and Business activities	11.1	11.1	0
Public Administration and Defense	11.1	0	11.1
Others***	33.5	7**	26.5
Non-Agriculture Private Sector [Public/Private share in Non.Agr]		41.7 [64%]	23.4 [36%]
Agriculture (% GDP)	35	35	0
Private Sector Share, National		[76.6]	[23.5]
Ave. Annual Real GDP (Br, in Biln)	1,662.1		

Notes: *In 2019/20 the Ethio Telecom which had value added of about Br. 30 billion out of the value

Manifestation...Cont'd

Figure 4.1: The Manifestation of Crony-Capitalism in Ethiopia



Manifestation of Cronyism...Cont'd

4.3 Taxonomy of Ethiopian Firms and Crony Capitalism

Informed by the analytical framework and the summary given by Figure 4.1 as well as the recognition of the relative size of the private sector as estimated above (Table 4.1), I have categorized the Ethiopian firms into the following seven groups. This categorization is informed by attempt to understand the relationship these firms have with the TPLF/EPRDF

- 1) The first group of firms are **Civilian State-Owned Enterprises/firms (SOEs)** that operate on many sectors. In principle these firms have management autonomy and are expected to work largely on commercial basis. However, the influence of the state through assigning board and executive directors is decisive. They are also given priority in handling government related businesses. If we measure the size of these SOEs by the number of employees, they employ less than 2 percent of the employed people in the country, and hence are not that important.
- 2) The second categories of state-owned enterprises are **Military-Affiliated State-Owned Enterprises (MA-SOEs)**. These are very big companies that are run under the Army and engaged in production of both military and civilian goods and services. They were run by military generals as their CEOs.

Manifestation of Cronyism...Cont'd

- 3) The third types of influential firms are *Party-Owned Enterprises (POFs)* that are run by the top political elite governing the country as board chairs and CEOs. Most of these firms are owned by the dominant ruling party – TPLF. Small number of firms are also owned by the other EPRDF coalition member ethnic parties. The government calls them “endowment fund” firms. They are in every sector of the economy and get explicit favour from the government along all the lines depicted in Figure 4.1.
- 4) In the fourth category are a group of firms owned by one of the most influential private sector operators, Sheki Mohammed Alamudi – **the MIDROC-Ethiopia Industrial Group** (*Mohamed International Development Research and Organization Companies*). He is a very influential individual, the richest person in Africa, following Dangote. His firms are operating globally and its Ethiopian group of firms engaged in multitude of sectors. He is the biggest employer next to the government. He offers a lot of service to the politicians/government and works closely with the regime, with expected reciprocity.

Manifestation of Cronyism...Cont'd

- 5) The fifth category of firms are *Large and Medium Size Enterprises/Firms (LMSEs)*. Most such firms are privately owned (about 84% of gross value added of such firms in 2016/17 comes from the private sector). Some of these firms could be genuine but some others, especially in the construction sub-sector, have strong ties with politicians and benefit from access to finance, land and lucrative contracts – with clear sign of cronyism.
- 6) Related to the above type of firms are a number of **Small and Micro Size Enterprise/firms (SMEs)**, some of them bordering the informal sector. Some of these firms are also given small credit and, in urban areas, sheds for trade by the government. In return, the government generally expects them to be members of the ruling party or support it.
- 7) Finally, there are also a number of *foreign owned firms*, owned in particular by China, Turkey and India as well as some Western countries that came to Ethiopia using the FDI and Privatization vehicles. They are also the dominant actors in the construction sector as

Manifestation of Cronyism...Cont'd

Proclamation No. 46/1985/article 31 of the party organization proclamation of the country.

Table 4.2: Summary Profile of the Top 6 TPLF Firms (in Birr, for 2017/18, Annex B for details)

Dominant TPLF Firms	Initial Capital (Birr)	Initial capital at current Birr (2021) value [^]	Loans from DBE as % initial capital#	Estimated Current Capital (Birr)**	Estimated Annual Sales/turnover (Birr, 2017/18)	Estimated Current Employment
1. Guna Trading	10 million	90 million		7.8 billion	10 billion	500 (+2000)
2. Almeda Textile*	180 million	1.6 billion	380% [64%]	9.4 billion	700 -900 million	5,278
3 Sur Construction	108 million	1.13 billion	245%	6 billion	15 billion	1700 (15000)
4 Messebo Building/ Cement	240 million	2.2 billion	406% [63%]	9.3 billion	7 billion	1800 (291)
5. Mesfin Industrial*	10 million	90 million		7.8 billion	2.14 billion	600 (1000)
6. Addis Pharmaceutical	169 million	1.5 billion	257% [68%]	2.6 billion	800 million	720 (200)
7 Trans Ethiopia	102 million	918 million		3.5 billion	7.5 billion	1700
8. Wegagan Bank	60 million	540 million		3.8 billion ^{^^}	3.1 billion ^{^^}	4,907
Total	879 million	8.1 billion		51.7 billion	39 billion	
Including additional 5 Firms not included above that worth 26.4 billion in 2017/18##				78.1 billion		
##If we include 5 firms which are given in Ermias (2016) and update the data to 2017/18, these firms have additional capital of Birr 26.4 billion (Mega Net corporate grew from Br 4 million (initial capital) to 26 billion; Hiwot Farm mechanization from Br 25 million to 1.2 billion; Ezana mining from Br 89 million to 4.7 billion; Bruk Chemical from Br 20 million to 7.6 billion; Dede-bit bank from Br 20 million to 10. Billion						

Source: Appendix B (see details about growth, functions and national spread of these firms in Appendix B)

Note: * Air-bombed by the Federal Air force suspected of producing war-related materials during the war between the Fed and TPLF at the time of writing. ** Ermias' 2016 figure is extrapolated by the historical growth rate for one year. ^{^^}Br 5.1 billion in 2019/20& revenue Br 4.4 billion in 2019/20.

Manifestation of Cronyism...Cont'd

- Some of the major conclusion that we make about the TPLF firms is the following:
 - ▣ The initial seed finance for these firms came through converting aid money, robbing of banks, private and public property during the civil war days and contribution of the party members.
 - ▣ A significant amount Cf to their initial capital (about 65 % for the sample of major firms from CBE and 322% from DBE) however comes from public bank, through cronyism once TPLF captured political power (for a sample of big firms: Messebo Cement, Almeda Textile, Sur Constn, &Addis Pharmaceutical)
 - ▣ A previous study by Bogale (2003) put the number of TPLF firms at 56 with a combined initial capital of 3.8 billion Birr at the time. This at the 2003 exchange rate comes to about \$200 million at 2003 US dollars.

Manifestation of Cronyism...Cont'd

- Some of the major conclusion about POEs
 - ▣ This number of firms has grown to 66 in 2009; and to 90 firms in 2016. The initial capital of 8 sample TPLF firms has also increased on the average 60-fold during this time (7-fold taking Birr inflation in to account). These 8 sample firms on average have an annual turnover of about 39 billion Birr in 2017/18 and provided permanent employment to about 17,000 persons.
 - ▣ EFFORT-owned companies are organised into five clusters each led by a senior TPLF politburo or central committee member which is a high-ranking government authority:
 - Engineering and Construction; Manufacturing; Service; Agro-Processing and Mining.

Manifestation of Cronyism...Cont'd

- A summary of my estimate about the sample of prominent firms shows the total capital of the top 13 big TPLF firms (out of the 90) could be about 78 billion Birr at 2018 prices.
- Assuming the national survey of large and medium manufacturing firms (LMMF) by CSA included these TPLF-POF, this amount could be at least 40 percent of the capital of the country's total 3,529 LMMF. If the capital POEs is not included in the CSA survey, this figure would be 61%.
- This estimate, although on the down side because of its coverage, clearly shows the dominant position of TPLF firms in the national economy

Manifestation of Cronyism...Cont'd

How do these POEs manage to get this dominant position?” – the short answer is through cronyism. The cronyism observed took various forms that includes:

- (i) financing of this firms by public banks without collateral
- Some of the firms, at times, were not paying back the debt. This debt is then converted to bad debt and transferred from (CBE) who provided the loan to the (DBE) by direct order of the government, PM Melesse
- (ii) through privatization of SOEs offered at a giving away prices to POEs (eg., land price > the factory value in AA),
- (iii) through offering market opportunities without bid in the public sector by political order,

Manifestation of Cronyism...Cont'd

How do these POEs manage to get this dominant position?" – the short answer is through cronyism. The cronyism observed took various forms that includes:

- (iv) through getting significant discount/subsidy from public and private firms by putting political pressure on them;
- (v) through not paying due taxes and tariffs; and
- (vi) through putting political pressure on SOEs and some big private firms not to compete with POEs or by putting them in disadvantageous position through the board chairs SOEs (which are the party officials) of (and firing of CEOs if they refuse the order, e.g. Muger Cement CEO)
- (vii) The Policy of creating synergy among POEs began to have a monopoly position, enclave to national economy, with negative effect on genuine private sector dev't

Manifestation of Cronyism...Cont'd

- **Civilian SOEs:** EAL, CBE, DBE, ELPA, ESL, Ethio-telecom: by leading by The CC as board chair they exercise cronyism in this firms
- **Military-owned SOEs:** Controlled by the TPLF general with no capacity but outsourcing/, involved in cronyism and grand corruption/court cases
- **Private Foreign Firms, including MIDROC:** are indicators in privatization of SOEs at give away prices, lucrative gold mines, tract of land across the country, being held illegal without construction for decades etc. Difficult to get crony related information from FDI firms (both from China & West).
- **Other Private domestic firms:** a clear indication of cronyism top construction firms with strong tie with TPLF officials, SOEs given to such ppl at give away price to those related to TPLF

Manifestation of Cronyism...Cont'd

- **Other Private domestic firms:** a clear indication of cronyism top construction firms with strong tie with TPLF officials, SOEs given to such ppl at give away price to those related to TPLF
 - ▣ LMSMEs: three categories of privately owned firms have strong relation with the TPLF-led government and benefited. In fact, some of these firms are owned by the ruling elite of TPLF-led government and/or their relatives. These are:
 - (a) big construction firms (especially grade one construction firms) that were getting lucrative business contracts from the government,
 - (b) a number of medium size firms engaged in distribution such as construction materials, especially metals, iron bars (including those who claim to build big 5-star hotels and allowed non-tariff imports for sale
 - (c) a number of private firms in the real-estate sector who get access to land in prime location at ridiculous price (in 2009/10 out of the total number of real-estate firms that received land , 50 percent of them were ethnic Tigrayans with strong link with the TPLF
 - ▣ Cronyism in **small and micro firms** takes a different form. It is generally carried out through the provision of micro credit & Sheds to party support

Conclusion and Implications

- The study demonstrated the fertile ground created (political and governance) for cronyism in through DS strategy and its prevalence using available data
- attempted to examine crony-capitalism in detail by characterizing and categorizing firms operating in the country into seven major categories, each having differentiated crony relationship with the government
- The analysis generally shows the state-led capitalism (the DS model) in the last two decades is essentially an exercise in crony capitalism. The system was also characterized by significant corruption through establishing a business-government relation using a myriad of firms that were dominated by party owned firms (40% initial investment POEs lost to corruption according to their own reports in 2001). Needs detail study
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Conclusion...

- Corruption in turn is primarily executed through “state capture” by a minority ethnic political elite, which wants to remain in political power through controlling the economic sphere that disfranchised the majority in the process.
- Corruption is entrenched in planning, budgeting and project preparation (at the expense of rational planning and budgeting) with no transparency according to WB study in 2012. Thus studying such systemic corruption is important.
- This model has implication for economic growth, welfare of the majority and the sustainability of the DS model, genuine private sector dev’t as well as the political stability of the country (both positive & negative). This impacts requires further in-depth study
- Sets up dangerous precedence |(it is our turn to eat) with implication for conflict and authoritarianism & unstable agent/private sector actor.



Thank You Very Much