ERF Working Papers Series

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Economic Research Forum
منتدى البحوث الاقتصادية

Working Paper No. 1625
March 2023

THINKING POLITICALLY ABOUT MONEY: THE CHANGING ROLE OF POLITICAL FINANCE IN THE POLITICAL (UN-)SETTLEMENTS IN ETHIOPIA AND SUDAN

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First published in 2023 by
The Economic Research Forum (ERF)
21 Al-Sad Al-Aaly Street
Dokki, Giza
Egypt
www.erf.org.eg

Abstract

This paper examines the relationship between 'political finance' and 'political settlements' in Sudan and Ethiopia. The countries are rarely compared, partially because governments in Addis Ababa and Khartoum pursued very different political and economic policies after the 1990s, such that Ethiopia was treated as a model developmental state, while Sudan faced recurrent political and economic crises. This paper argues that political finance – understood as discretionary cash available to a politician– has been a key determinant of the nature of political settlements in both countries, at all times mediated by violence or coercion. In turn, the nature of the political settlement has played a major role in shaping patterns of economic growth and development in these countries. Where political leaders have been able to exert control over and centralise the sources of political finance, so as to harness state power to achieve developmental goals, sustained economic growth has been the result.

JEL Classification: N1, N4, O2, P2

Keywords: political finance, political settlements, Ethiopia, Sudan

ملخص

تتناول هذه الورقة العلاقة بين «التمويل السياسي» و «التسويات السياسية» في السودان وإثيوبيا. نادرًا ما تتم مقارنة البلدان، ويرجع ذلك جزئيًا إلى أن الحكومات في أديس أبابا والخرطوم اتبعت سياسات اقتصادية وسياسية مختلفة جدًا بعد التسعينيات، بحيث تم التعامل مع إثيوبيا كدولة إنمائية نموذجية، بينما واجه السودان أزمات سياسية واقتصادية متكررة. تجادل هذه الورقة بأن التمويل السياسي - الذي يُفهم على أنه نقود تقديرية متاحة للسياسي - كان محددًا رئيسيًا لطبيعة التسويات السياسية في كلا البلدين، في جميع الأوقات بوساطة العنف أو الإكراه. وفي المقابل، أدت طبيعة التسوية السياسية دورا رئيسيا في تشكيل أنماط النمو الاقتصادي والتنمية في هذه البلدان. عندما تمكن القادة السياسيون من ممارسة السيطرة على مصادر التمويل السياسي وتركيزها، من أجل تسخير سلطة الدولة لتحقيق الأهداف الإنمائية، كان النمو الاقتصادي المستدام هو النتيجة .

I. Introduction

Ethiopia and Sudan invite comparisons that few have been brave enough to hazard. These two large multi-ethnic developing countries share a common border, the Blue Nile, and a host of political and economic challenges from separatism to chronic food insecurity, and both faced scenarios of imminent state failure at the cusp of the 1990s. For a generation thereafter, the respective governments in Addis Ababa and Khartoum pursued radically divergent political and economic policies, each guided by its endowment and history, but also by leadership decisions. In the policymakers' caricature, Ethiopia became a model for an African developmental state while Sudan reproduced a pathological rentierism that foretold intractable crisis. This paper seeks to explore the comparison in greater depth, using the concepts of 'political finance' and 'political settlements'[1] to identify what the political economies of Ethiopia and Sudan have in common and in contrast.

This paper argues that political finance – understood as discretionary cash available to a politician– has been a key determinant of the nature of political settlements in both countries, at all times mediated by violence or coercion. Political leaders have sought to exert control over and centralise the sources of political finance – whether to simply stay in power, or to pursue developmental or ideological projects or a combination. Where politicians have been able to do so and are able to operate according to a relatively long-time horizon, sustained economic growth has been the result. These episodes of growth can persist through periods of domestic and global turbulence because political settlements create institutional configurations in states which are difficult to alter in the short term. However, short spurts of economic growth can also occur due to political economic changes unrelated to the changes in the political settlement – for instance, due to a boom in primary commodity exports. Finally, the causal relationship between political finance and settlements is not unidirectional. Political competition or political unsettlements can shape how and why political actors seek political finance, who they seek finance from, and what they need to do in return. Corruption, crony-capitalism, asset-stripping, emergency privatizations, clientelism, etc., form part of this broader interplay between political finance and political settlements. Examining them in isolation from the broader context leaves much unexplained.

These questions are, of course, part of much broader academic and policy debates. The relationship between political settlements and economic development, in particular, is the subject of a vast (and contentious) body of literature. However, in recent years, something resembling a consensus appears to have emerged. This places institutions -- understood in the everyday sense of formal institutions of government and the extended sociological sense of the norms that govern societal

[1] A 'political settlement' can be understood as a 'distribution of power across organizations' underpinning a particular institutional configuration in a country/political system, which 'reproduces itself over time' (Khan 2018). In lay terms, this can be understood as a relatively stable or at least commonly accepted 'balance of power' (Khan 2010) , or the 'forging of a common understanding usually between elites that their best interests or beliefs are served through acquiescence to a framework for administering power' (Di John and Putzel 2009). Political settlements may be dynamic, evolve over time, and involve both formal and informal institutions (Bell and Pospisil 2017).

functioning -- at the centre of the development story. Put simply, institutions are thought to emerge from the need to regulate societal violence and are a result of political and economic competition (including control over resources and violence) between elites. In turn, institutions regulate violence, moderate and shape economic and political competition, and the way rents[2] are allocated within a political system. The differences between institutional arrangements in different political systems, scholars argue, is key to understanding differential patterns of economic development across countries (North, Wallis, and Weingast 2009; Acemoglu and Robinson 2012; Pritchett, Sen, and Werker 2017). The key variables in this explanation are institutions, violence (or coercion), and rents. Dercon (2022) adds another factor to this mix, namely how elite politics configures these variables. He develops the concept of the 'development bargain', which refers to a durable political economic deal among the elite in which the national leadership is focused on delivering development, and where state power is used to achieve these developmental goals, including through repeated course corrections.[3]

These theories of institutional development have emerged primarily from the study of what are today described as developed countries with a secondary focus on East Asia.[4] They are, at best, an imperfect 'fit' for the open, subaltern political economies of Africa, the Middle East, and elsewhere in Asia. Three shortcomings stand out. First, some of these theories seem to implicitly argue that the best possible institutional configuration for economic growth is the Western European/North American model of hierarchical rule-governed bureaucracies for the administration of public affairs (de Waal 2020). The corollary to this argument is provided by scholars who have accurately described the neo-patrimonial forms of governance[5] which characterise many African states, but

[2] The expression 'rents' is widely used in social science literature, but rarely defined with precision. The expression usually refers to 'incomes which are above normal' – where 'normal' incomes are those which would have been earned by an individual or a firm in a competitive market (Khan 2000). Since the competitive market beloved of economic theory usually does not exist in practice, rents may also be understood as an income which is 'higher than the minimum which an individual or firm would have accepted given alternative opportunities' (p. 5). Rents may include monopoly profits, but also subsidies and transfers organized through political mechanisms, illegal transfers organized by private mafias, short-term super-profits made by innovators before competitors imitate their innovations and so on. Rents may be legal or illegal, but in general, create incentives for the recipients of rents to maintain access to these incomes. This is described as rent-seeking behaviour.

[3] In his book Gambling on Development, Dercon compares meetings in Kinshasa, Democratic Republic of Congo and Addis Ababa, both times with senior national development officials. The Congolese had the slicker presentation containing all the right language. Dercon writes: '*I would have been happy to bet that literally nothing related to growth or development would be implemented in the coming months or even years in the DRC.' The Ethiopian proposals 'were far less polished.' But Dercon was confident that his suggestions would be noted and considered, and the plan would be implemented. 'The facts speak for themselves: in the fifteen years up to 2019, Ethiopia grew by more than 7 per cent in per capita terms, three times faster than the DRC. The Ethiopian state and the politics that controlled it were trying to grow and develop. The DRC's were not.*'

[4] Dercon (2022) is a notable exception.

[5] The term 'neo-patrimonialism' was first introduced to specify forms of governance in the Middle East and Latin America that fitted neither the mould of patrimonialism nor of emerging institutionalized governance but contained elements of both. It has since become the dominant framework used by political scientists for characterizing governance in Africa, in the process becoming all-encompassing to the point of losing its specificity. Most people begin, however, with the definition provided by Clapham (1985b, 48): 'a form of organization in which relationships of a broadly patrimonial type pervade a political and administrative system which is formally constructed on rational-

have extended the analysis by making causal claims about the negative effects of these governance systems on economic growth (van de Walle 2010). Neither argument stands up to careful empirical scrutiny. Autocracies in Asia and Africa have witnessed significant periods of growth, and while neopatrimonial governance may result in macro-economic mismanagement, this is not inevitable, and neopatrimonialism may itself not be growth-retarding (Kelsall et al. 2010; Pritchett, Sen, and Werker 2017; Mkandawire 2015; Dercon 2022). Ethiopia, with its rapid growth rates between 2005-2018 is usually held up as a counter-example, as are several Asian countries, including Indonesia and South Korea (Kelsall et al. 2010; Kelsall 2013; Ang 2020). A second issue is that shifts in the political economy which underpin and accompany politics are not reducible to rents or rent-seeking behaviour (Thomas 2017). In many countries, these changes include fundamental restructuring of the state and social relations (including citizens' entitlements and governance arrangements), the way wars are conducted and financed, and the way social and geographical peripheries are governed. In both Sudan and Ethiopia, rents are a significant part of the story – but they are not the whole story.

Third, and perhaps most critically, theories which foreground 'institutions' are based on a premise of 'slow, incremental, directional' social growth and change (Guyer 2004, 128). The focus of these theories is on stable institutional equilibrium, punctuated by *discrete* shocks such as war and social crises (sometimes referred to as 'critical junctures' (Falleti and Lynch 2009; Pierson 2004)). Those shocks are assumed to be either exogenous or the result of institutional failings. Economists similarly premise their analysis on the norm of sustained economic growth, determined by the 'right' institutions and policies. This bears little resemblance to the actual experience of most African countries, where multiple political-social-economic shocks overlap, and politics is persistently turbulent and violent (Jerven 2015; Bates 2008; Guyer 2004).

The dominant frameworks for analysing economic and institutional development no longer assume that the path of economic development is foreordained or easy to contrive or design. It may indeed by narrow and perilous (Acemoglu and Robinson 2020) and require unusually conducive external economic circumstances. Where these conditions are absent, the formal state structure and the informal agreements which sustain it may 'fall apart', to be replaced by transactional politics governed by the logic of political survival (Bates 2008). The disruptions wrought upon institutions by chronic violence and political turbulence push the variables that underpin societal functioning into territory where social stability is no longer possible, creating an expectation of impending violence akin to a perpetual state of 'inter-war' (Debos 2016) and give rise to *fundamentally disordered* forms of governance.

With these critiques in mind, this paper brings two frameworks for analysing disorder to bear on the analysis of political settlements and economic development in Sudan and Ethiopia: these are

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legal lines. Officials hold positions in bureaucratic organizations with powers which are formally defined, but exercise those powers . . . as a form of private property.'

the concepts of 'political *un*settlement' (Bell and Pospisil 2017), and the 'political marketplace' (de Waal 2015), which are discussed below. Sudan is usually held up as a paradigmatic example of a political market (de Waal 2019), while Ethiopia has faced multiple overlapping political, environmental, and economic crises since 2015 and civil war since 2020. At the time of writing, there is no political settlement in prospect.

Methodologically, the paper begins by taking some of the precepts of the political marketplace framework (especially the concept of 'political finance') and testing the two cases against it.[6] This serves two purposes.

First, it can help refine the understanding of recent political changes in Ethiopia and in Sudan. The political economies and political systems of Sudan and Ethiopia have been organized – or at least have been analysed -- very differently in recent years. Sudan is usually described as a rentier kleptocracy, characterized by ruling coalitions of military, business and political elites who have subsumed peace agreements and constitutional arrangements within their transactional political practices. Elite deal-making in Sudan has been based on a violent and extractive political economy, thwarting reform efforts led by Sudanese citizens and civil society. On the other hand, Ethiopia under the Ethiopian Peoples' Revolutionary Democratic Front (EPRDF) was characterized as a 'developmental state', in which a centralized political apparatus allocated rents strategically (Dercon 2022). Many scholars of Ethiopia – and many Ethiopians – take the robustness of their statehood for granted, drawing on the myth of an unbroken line of monarchs dating back to ancient times. They also note the progress made by the EPRDF government in extending basic services to its citizens, as well as the progress in poverty alleviation and improvements in human capital (Hoddinott 2019; Clapham 2019; Moller and Wacker 2017).

Political crisis in Ethiopia has shifted this narrative. There has been greater focus on the shortcomings of the economic policies of the previous government, including its corruption which ostensibly held back growth, even as disputes around the best way to manage Ethiopia's diversity and contested history of state formation have dominated the political arena.[7] Transactional politics, always present, has come to the fore. In Sudan, at the same time, there has been a further entrenchment of a military kleptocracy, after civilian political leaders were unable to break the vicelike grip of transactional politics. The military used the first two years of the transitional

[6] The political unsettlement framework in itself, is not based around key variables which we can test across the two cases. Related frameworks – especially the 'formalised political unsettlement' (explained below) do – and are discussed in the substantive sections.

[7] The shift was neatly summed up by an official at a meeting of senior UN, IFI, and NGO staff in Addis Ababa in February 2022: "*Is the gloom and doom [of recent months] misplaced? There is a lot of research which tells us that the fundamentals of the Ethiopian economy are strong, and have delivered rapid growth over the last decade, even if the growth had slowed down somewhat. Could the fundamentals have changed so rapidly? Or was all the analysis incorrect in the first place?*"

government to consolidate its control of key economic sectors after which it mounted a coup (Cartier, Kahan, and Zukin 2022).

All that to say, analysis of these two countries have proceeded along radically different lines. But could changing the framework of analysis point to commonalities between the Sudanese and Ethiopian cases? In particular, does the long experience of Sudan hold any lessons for how we understand Ethiopia's predicament today and its likely trajectory? Equally, is it possible for a developmental state to emerge in Sudan, and what would be the pre-conditions for this? The intent here is not to shoehorn the Ethiopian case study into a theoretical framework where it doesn't fit, nor to attribute qualities to the Sudanese political system which it does not possess. Instead, the Ethiopian case study acts as a comparator for the Sudanese case study, allowing the key assumptions and frameworks of the political marketplace framework to be tested and refined. This is the second purpose of adopting this methodological approach – comparing these two cases can generate valuable insights into the theoretical understanding of disorder and political turbulence, while contributing to the broader literature on economic development and political settlements.

This paper is organized as follows. It begins by outlining the political marketplace framework (and the role of 'political finance' and 'violence' in it) as well as the concept of a 'political unsettlement'. It also touches on why it is important to think politically about 'corruption' (and in particular 'crony capitalism' and 'state capture') in these countries. The next four sections set out the relationship between the key variables -- organized around four key periods. To do so, the paper assumes a degree of familiarity with Ethiopian and Sudanese political history. It concludes with some tentative thoughts on the future, and some reflections on the political marketplace/political unsettlement frameworks.

II. The Political Marketplace Framework (PMF) and 'Political *Un*settlements'

Both the PMF and the idea of the 'political *un*settlement' emerge from an interest in the functioning of 'disordered' political systems – though they approach the issue differently. A 'political *un*settlement' refers to the political governance of unresolved radical disagreement . Political unsettlements are characterized 'not just by political instability but by institutional instability, flux or even override… state structures may paradoxically find a measure of resilience through extraordinary mutation. Within these processes, no political position, no alliance, no interest is set in stone' (Bell and Pospisil 2017, 581). Symptoms include long-lasting or enduring disorder, with fluid institutions which are constantly in a state of transition, with the loci of power located within and outside the geographical boundaries of the nation-state. A measure of order may be possible through institutions that function at a higher level (e.g. the British and Irish Governments and the European Union in the case of Northern Ireland). In others (e.g. South Sudan), there is no such higher-level ordering, and transactional politics are wholly dominant.

In some cases, political unsettlements may be formalized by peace agreements (or peace processes which keep belligerents talking within an agreed framework), or by constitutional arrangements. These 'formalized political unsettlements' (FPUs) are premised on the supremacy of public law and political institutions which 'contain' rather than resolve conflicts – they provide ways of managing radical disagreements within society. In other words, FPUs establish mechanisms by which processes of negotiation can continue within these institutions. While most of these FPUs are presented as temporary and exceptional state configurations to be quickly replaced by a 'proper' and 'stable' political settlement in time – they usually result in a a kind of permanent 'unsettledness', creating political dynamics which are indefinite and long-lasting (Bell and Pospisil 2017, 583). As we argue below, there have been efforts to create FPUs in both Ethiopia and Sudan – with limited success.

The political marketplace framework (PMF) is another way of analysing the condition of persistent political turbulence. The PMF is best understood as an explicitly realist analytical lens – with a set of empirically grounded assumptions about elite behaviour which allow researchers and analysts to investigate how power operates (Sarkar et al. 2021). The 'political marketplace' (PM) refers to a system of monetized political governance in which formal institutions, laws and regulations are subordinated to transactions or deal-making (Spatz, Sarkar, and de Waal 2021; de Waal 2015). Politics in PMs operates differently from states where rational legal institutions regulate transactional politics. At the most basic level, political elites (mostly men) try to gain and retain power through near-constant bargaining using violence and material reward ('cash violence'), which act as the 'twin currencies' of political power (Spatz 2020; Sarkar et al. 2021; de Waal 2015). For elite players in this market, securing 'political finance' is critical. In its narrowest sense, this refers to the discretionary money/cash available for a politician to spend on whatever purpose she may choose and includes the means of granting or withholding material reward. Material inducements are then used to buy or rent loyalty and/or violent capabilities in transactional political systems (Sarkar et al. 2021; Spatz 2020). In more institutionalised or hybrid systems, they can be used to create or expand patronage networks, and to consolidate political control. The PMF, like most political economy frameworks, does not explain everything, nor does it seek to. But it does contain a set of explanations and assumptions for the operation of transactional politics – against which the empirics of different cases can be tested.

PMs usually manifest as a type of permanent 'political unsettlement'. They are 'turbulent', in the sense that they are unpredictable over the short and medium term, but nonetheless have a recognizable structure. Many PMs are anchored only in informal norm institutions among the elite, which makes them more susceptible to violence and to breakdown. In fact, elite bargains in PMs are only likely to hold if the political market conditions in which they were struck persist and the senior members of the elite who set the rules remain in place and sustain those rules. Alliances are fluid; elite members can compete one moment and collude the next, and often do both simultaneously. Where democratic institutions and practices do exist, they are subordinated to the tactical calculus of elite bargains. Even those who attempt to chart a different course – those pursuing a 'democratic' reform agenda or a developmental agenda, for example – are obliged to work within these rules and take risks when they break them, though of course, they may sometimes benefit from these risks.

'Political finance' includes political 'income' and 'expenditure', which may overlap with, but are analytically distinct from government revenue and expenditure. This is particularly true of political income because, in most countries, 'political pay-outs on the scale required to outbid competitors, and to turn executive decisions into real action, are far greater than the money that can be legitimately extracted from institutionalized public politics' (de Waal 2015, 22–25). As a result, political finance straddles legalized influence peddling and the shadow world of illicit finance. Political income can range from primary accumulation in the form of theft and extortion, to selling licenses for pillage (as was the case in the 1980s in Sudan and Somalia), through the extraction of more complex (and often legal or quasi-legal) payments from trade, local production, and extractive industries, to payments from foreign governments for services rendered including security co-operation and anti-terrorism. Political finance is of the utmost importance in transactional political systems, but it can also exist in more institutionalised or centralized authoritarian political systems – though it is utilized differently and for different purposes. Violence plays a key role in shaping PMs and in many, control of the means of violence are often highly decentralized across society, with militia, rebels, vigilantes, and criminal gangs existing alongside and simultaneously competing and collaborating with state forces (which are themselves fragmented) (de Waal et al. 2020). Violence can be a force for state-building, a way in which rebels resist coercive power, a way in which elites can exert control over economic assets, and can affect the consolidation of identity units such as nations, tribes, clans or sects, or be a force for simple destruction. Limited violence can even act as a signalling or bargaining mechanism in some PMs.

Analytically, political finance is not the same as corruption, though the concepts overlap (Spatz, Sarkar, and de Waal 2021). At its narrowest – corruption is usually understood as 'the use of public office for private gain' (Bardhan 2015), but this has the effect of reducing corruption to either 'bribery' or 'graft', and treating it as something which hampers the functioning of an 'ideal' market democracy (Johnston 2005). More nuanced analyses of corruption exist, of course, which focus on understanding the role of corruption in the functioning of specific political systems, and its relationship with economic growth (Johnston 2005; Thompson 2018; Ang 2020). Nonetheless, it is difficult to escape the normative trappings of the concept – definitions of corruption are almost always connected to the ideal function of public office, or a political system, and the distortion or subversion of these functions in the pursuit of private, partisan, or sectional interests (Philp 2015).[8]

[8] Philp (2015) argues that corruption 'in politics occurs where a public official (A), violates the rules and/or norms of office, to the detriment of the interests of the public (B) (or some sub-section thereof) who is the designated beneficiary of that office, to benefit themselves and a third party (C) who rewards or otherwise incentivises A to gain access to goods or services they would not otherwise obtain'.

This obscures the fact that the distinction between public and private functions is always blurred in a political unsettlement and in a political market, and detracts from an examination of why political systems are organized the way they are, the political reasons for corruption, and the political objectives for which proceeds of corruption might be used (Spatz, Sarkar, and de Waal 2021).[9] The next section examines these issues in the context of Sudan and Ethiopia.

III. Political finance and political settlements in Ethiopia and Sudan

The analysis that follows is divided into four parts. Starting in the 1980s and extending into the early 1990s, state-formation processes appeared to have gone into reverse across much of sub-Saharan Africa. Sudan and Ethiopia too, went through periods of tremendous political ferment during this period, but the outcomes in the two countries were very different. This, and the period immediately preceding it, are our point of departure. The first two sub-sections which follow trace the few decades before 'things fell apart', and the decade of state crisis. Much of this history has been written about extensively, but some of it is worth re-examining. In Sudan, especially, this was the period when politics was marketised. The third sub-section traces the very different trajectories of Sudan and Ethiopia through the 1990s into the first decade of the 2000s. Sudan existed in a state of near-permanent crisis until its oil boom began in 1999, while in Ethiopia, efforts were made to implement the 'developmental state' model within the framework of a formalised political unsettlement, albeit in an authoritarian manner. These trajectories were not pre-ordained – they reflected a contingent set of events, and specific choices made by political leaders. The last sub-section examines the so-called 'transitions' in the two countries. These four periods are punctuated by critical junctures (see Figure 1) – which established patterns of political dynamics and institutional arrangements (no matter how turbulent) for some time to follow.[10]

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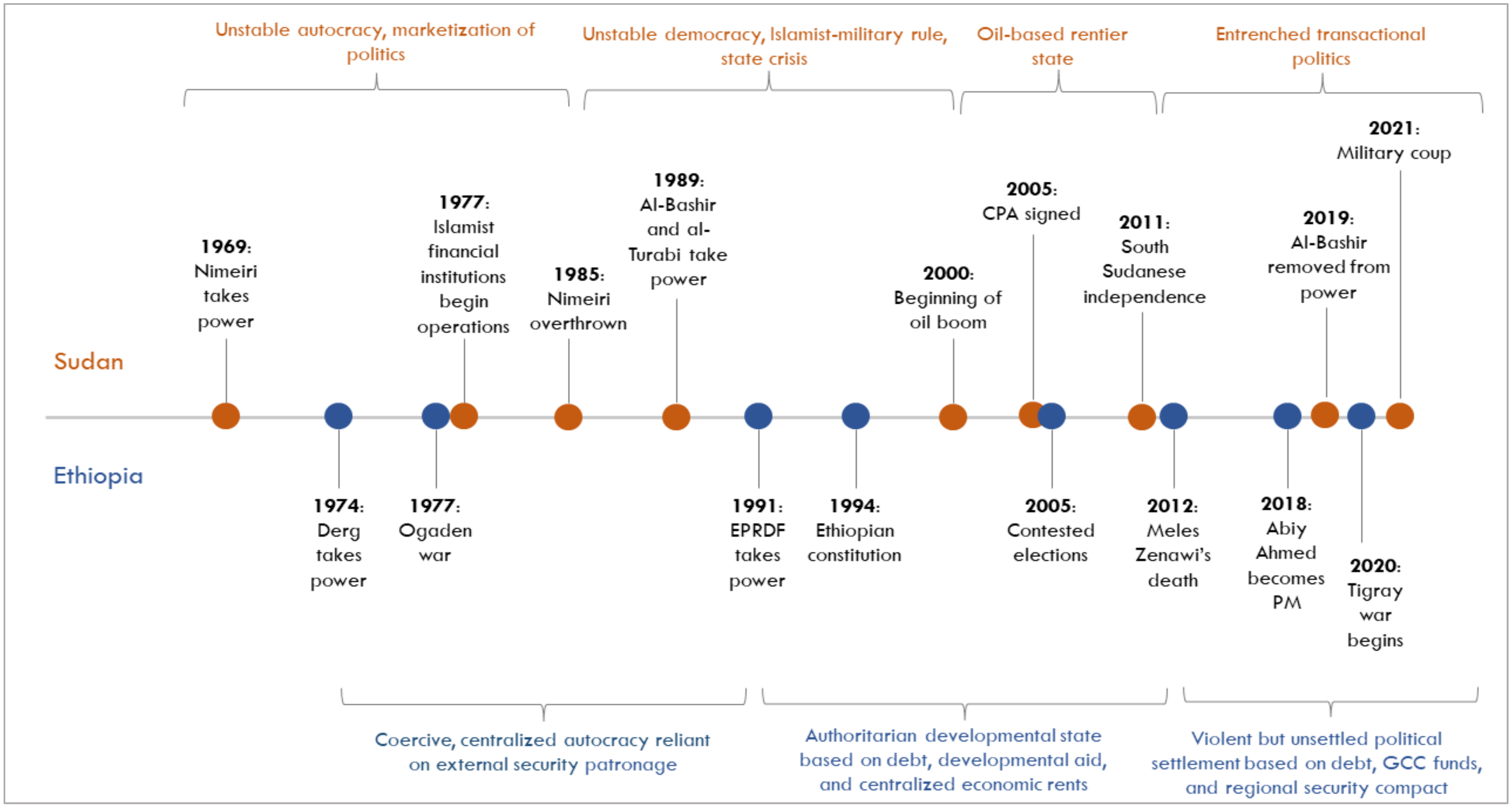
[9] This is, of course, aside from the fact that in many cases – the sources of political finance are licit, and the extraction of political funds is sanctioned by law.

[10] For a theoretical discussion of critical junctures, see Mahoney (2001); Pierson (2004); and Capoccia (2015).

Figure 1. Timeline of critical events in the relationship between political finance and political settlement



A. The political topography of Ethiopia and Sudan before 'things fell apart' (1970s and the preceding decades)

The modern states of Sudan and Ethiopia are both constructed around a historical core, and a clearly identifiable geographical, political, and socio-economic periphery. In both, patterns of peripheral governance, and ideas about development were shaped by and in turn, shaped elite politics. In the decades prior to the 1980s, even though politics was fervently ideological, forms of 'political finance' existed in both countries. The evolution of marketised politics in Sudan was an outcome of the specific decisions made by Sudan's president, Jaafar Nimeiri, to stay in power, but also reflected the nature of resources available to him, and the broader Sudanese political economy. Sudan's integration into the regional and global economy, and its relationships with the superpowers of the day, international financial institutions, and the countries of the Arabian Gulf played a critical role in shaping its political settlement (Woodward 1985; de Waal 2019). In Ethiopia too, politics was both deeply ideological and ferociously contested. The evolution of Ethiopia's political settlement was a function not only of the decisions of its rulers and political challengers, but was forged through regional warfare and shaped by super-power politics during the Cold War (Clapham 1985a; Markakis 2011). The extent and nature of superpower (Soviet) support for the Derg regime in Ethiopia was a key difference between the political settlements in the two countries. War, violence, and coercion are laced through the events of both – sometimes coming to the fore, but always acting as the foundation on which broader social change rested.[11]

Sudan: Peripheral governance and development refracted through violence and elite political manoeuvres

Sudan came into being as a political entity in the 19th century. Ottoman-Egyptian Sudan was made up of a zone along the northern Nile valley and the rain-lands to its east whose administration was financed by taxes on agricultural production, and a southern zone financed by raids for slaves and ivory. In the half century after 1873, Darfur was chaotically incorporated into the new state. On the Blue Nile, the Gezira became the world's largest irrigated cotton farm, a remarkable feat of hydrological and managerial engineering with a vast demand for labour. At independence, in 1956, policymakers in Khartoum were confronted with responsibility for governing a vast but sparsely populated country, whose political economy was oriented around patterns of extraction. Sudan was effectively divided into a rural periphery, which provided raw commodities and labour, and a productive, export-oriented core based in and around Gezira and Khartoum (Duffield 2001; Thomas 2017).

The central regions of the country -- broadly lying between Atbara, el Obeid, Gedaref and Sennar (that is, within a day's drive from Khartoum) -- dominated both politics and the economy and

[11] The role of violence in the two countries can be described as "contrapuntal". This term is derived from music, and refers to melodic lines that are in "counterpoint" with each other, but maintain their independence. See Said (1993) and Bhatia (2017).

generated most of Sudan's export revenue, while colonial law classified vast swathes of Sudanese territory as 'closed districts', restricting the movement of people and goods. Some closed districts, like Darfur, functioned as a labour reserve for the irrigated and mechanized farming sector, while southern Sudan was maintained as a kind of ethnographic museum. At independence, the per capita income of the central regions was estimated to have been more than three times that of parts of southern and western Sudan.[12] Despite these glaring inequalities, the model of economic development chosen by Sudan's bureaucrats after independence continued to privileged the central regions which received most of the state's development, eduation and health funding (A. Young 2018). These inequities were a key element in the outbreak of every civil war since 1955 (Thomas 2015, 84).

In 1969, a group of army officers (who modelled themselves on Egypt's Free Officer movement) headed by Jaafar Nimeiri took power in an alliance with Sudanese Communist Party (SCP), vowing to sweep aside the 'stale' existing political class which consisted of sectarian parties closely linked to (and often overlapping with) business interests in trade and irrigated agriculture (Woodward 1985; de Waal 2019). Many existing businesses including financial institutions – especially those belonging to the sectarian political elites - were nationalized, and a peace agreement was signed in 1972 which ended the first Sudanese civil war. There was an effort to reorient development to the neglected peripheries and modernize agriculture, and to replace the colonial era tribal administration with a professional civil service (Thomas 2017, 20). The animating logic for the developmental planning of this period continued to privilege technocratic and so-called 'rational' approaches – relying heavily on mobilising domestic and foreign investment, and ignoring the traditional sector where the vast majority of Sudanese continued to work (Niblock 1991).

These developmental ambitions did not last long in the face of the political realities of holding on to power, but they cast a shadow over the next decade in Sudan. Three sets of intervening events played a role. First, an attempted coup by the SCP in 1971 was reversed and communists were purged from the regime, leaving Nimeiri without the only politically experienced supporters of his 'revolution'. At the same time, the extension and enlargement of the role of the state in the economy deprived the regime of the support of an immediate group of clients (Woodward 1985; Gurdon 1991). Finally, Sudan pivoted from the socialist bloc to the newly-oil rich Arab countries, which became investors in Sudan as well as the favoured destination for Sudanese professionals seeking well-paid jobs (Niblock 1991), creating a huge remittance economy.

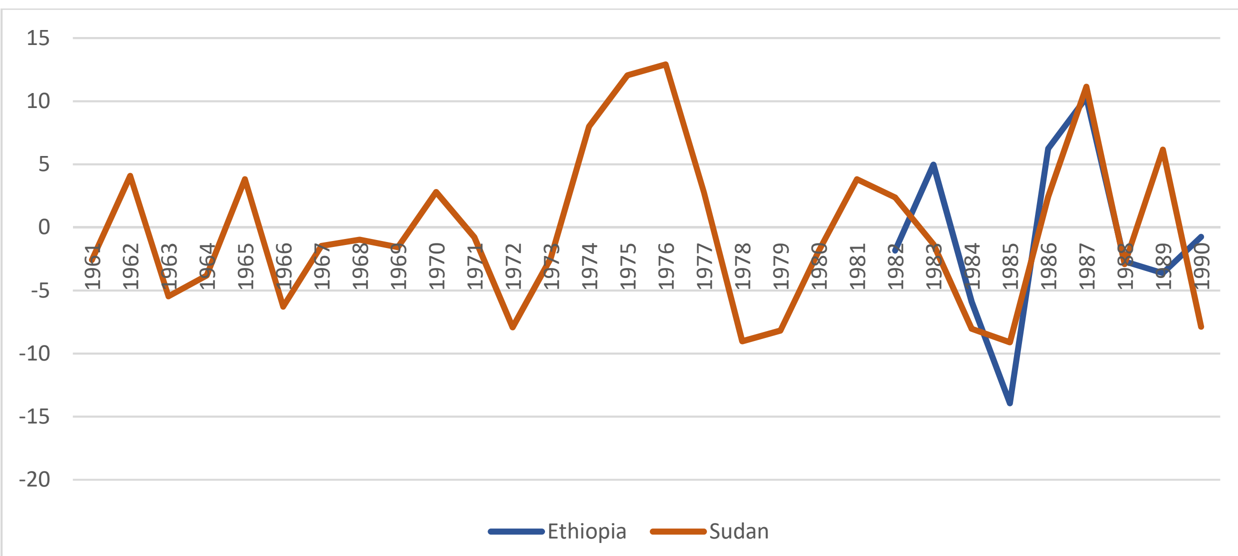
Staying in power required Nimeiri to build alliances, consolidate control over the army, and find new external patrons. He marketized politics in Sudan through a series of 'jerky steps' (Berridge et al. 2022). First, Sudan borrowed vast sums of money from the Arab and western states, and from

[12] Niblock 1987; Daly 2007.

international financial institutions – ostensibly to fund developmental interventions (de Waal 2015; Thomas 2017). Between 1971-77, debt fuelled an economic boom in Sudan. At the same time, the state attempted to consolidate its links with the remaining commercial elites (and expand economic opportunities for newly emergent elites) – leading to a rapid increase in corruption, as development projects and debt became the primary channel through with presidential patronage was extended (Woodward 1985).[13] Unsurprisingly, most of these development projects failed due to corruption, and poor planning and implementation (in part due to Sudan's increasingly hollowed out bureaucracy). Nimeiri also expanded the role of the army in commerce in an attempt to obtain the loyalty of its disaffected officers (El-Battahani 2016).

In 1976, following the most serious military-political challenge to his regime, Nimeiri adopted a 'national reconciliation' policy and invited the sectarian and Islamist parties back into governmeent. He opened the economy to Islamic financial institutions/banks. These were 'avowedly political in their lending practices' and 'supported emergent economic sectors using Islamic financial instruments with the explicit aim of building an Islamist constituency' (de Waal 2019). A flood of remittances from the migrant workers in the Gulf also meant that the importance of Nimeiri's ability to distribute largesse in the form of patronage was diluted by the presence of other sources of finance. By the late-1970s, Sudan was heavily indebted, and unable to repay the loans. Growth collapsed, and macro-economic crisis followed.

Figure 2. Rate of GDP growth in Sudan and Ethiopia, 1961-1990



Source: World Bank Development Indicators. No data is available for Ethiopia prior to 1982.

[13] This was not helped by the general incoherence of development planning at the time, and the mass emigration of Sudanese professionals began to affect the technical functioning of the bureaucracy.

While Nimeiri clung to power until 1985, examining this period points to two interesting conclusions concerning political finance. First, and perhaps most critically, it illustrates how challenging it is for a ruler like Nimeiri to balance the competing imperatives of political survival and policy 'success' in an open political economy like Sudan. In other words, Nimeiri's desire to implement his developmental programme (no matter how weak his commitment to it, or how misguided the programme) bumped up against the brute demands of staying in power. Further, the relationship between political finance, and the political settlement is bi-directional, and historically contingent. Much depends on transnational or external factors. This was also the case in Ethiopia, where external support was a critical factor in holding together the state 'form'.

Ethiopia: Centralization of power through revolution, repression, and war

Like Sudan, the Ethiopian state is also organized around a historical core. The imperial Ethiopian state emerged in the Abyssinian highlands, which were characterized economically by grain cultivation through ox-plough agriculture, and politically by deeply hierarchical social organization usually characterized as 'feudal' (Clapham 2019, 201; Markakis 2011; Zewde 2002). These areas were relatively densely populated and formed the nucleus of a state able to defend itself against European colonialism. At the same time, however, they produced little that could generate surplus through trade. These economic pressures were compounded by European colonial expansion during the reign of Emperor Menelik II (1889-1913). In response to these pressures, the emperor expanded his territory through conquest of vast areas to the south, east and west of the highlands. This provided the imperial Ethiopian state with a much-expanded economic base, including control over export crops such as coffee (Zewde 2002; Donham and James 2002). These areas were governed through an exploitative system where land was alienated on a large-scale to aristocrats and armed settlers, while the overwhelming majority of imperial subjects eked out precarious livelihoods in agriculture, sometimes required to give a third, or even half, of their crops to landlords (Clapham 2017; Berhe and Gebresilassie 2021). The divergence between the sources of political power -- historically concentrated in the northern highlands, and wealth – based in the southern and western regions, remains a fundamental contradiction in Ethiopia's political economy.

Elements of this system of governance persisted through the rule of Emperor Haile Selassie (1930-36 and 1941-74). The emperor presided over a patronage system in which he 'circulated members of the elite in and out of favour, and dispensed rewards (material and symbolic) and licensed the use of force through the feudal and armed settler systems and plunder of the lowland peripheries' (de Waal 2015, 156). This was a classic patrimonial system for renting loyalties on the cheap where the emperor was 'cash-poor' in comparison to the size of the state but controlled the levers of material and symbolic reward. In fact, much of Haile-Selassie's governance efforts were aimed at bolstering central control of a traditionally unruly periphery – for instance through the creation of a cash-crop economy for raising revenue; a communications network which centred on and radiated outward from Addis Ababa; a central bureaucracy and diplomatic corps; and critically, a standing army (Clapham 1985a). The 'developmental' efforts which took place during this period were also aimed at consolidating the power of the imperial government and were often implemented in peripheral parts of the country. The Ethiopian state was therefore a paradox – the state form was elaborate, but the state barely knew who its subjects were, and its institutions of government had little reach beyond the capital and areas near it (Markakis 2011; de Waal 2015).

The imperial regime was overthrown in a revolution in 1974, resulting from accumulated grievances, an economic downturn in the late 1960s, and a terrible famine between 1972-4 which the imperial regime tried to conceal. The military regime (known as the '*Derg'*)[14] which overthrew the imperial government, may have begun as a popular reaction to an autocratic ruler, but was rapidly transformed into a brutal military dictatorship – characterized by extrajudicial executions, torture and disappearances (Africa Watch 1991; Clapham 2002; International Crisis Group 2009). It sought to resolve the contradictions of Ethiopian statehood by adopting a model of political and economic development borrowed from the Soviet Union, which emphasized overwhelming and centralized state power (Donham 1999). Most of its economic policies were to prove disastrous over the longer term, but in its early days, it nationalized all rural and urban land, and both indigenous and externally owned enterprises – reflecting a long-standing demand of those opposed to the *ancien regime*. This destroyed both the economic and the political base of the imperial regime, 'a mixed traditional ruling class and new educated urban elite which had relied on its control of the central state apparatus and its access to new forms of wealth, especially the export cash crop growing areas of southern Ethiopia' (Clapham 1985a, 298–99). At the same time, the Derg created the *kebele*, or neighbourhood associations, which became a critical tool for extending the direct reach of the state.

In place of the old political economic order, the Derg constructed a political economy centred on a massive military-party apparatus, funded and supported by the Communist bloc. The Soviet Union recognized the Ethiopian Revolution as a genuine social revolution akin to 1917 in Russia, and took the opportunity of the 1977 Somali invasion of Ethiopia to switch support from Mogadishu to Addis Ababa. A massive airlift of Soviet weapons and Cuban soldiers and a cash injection estimated to be around 2 billion dollars helped Ethiopia defeat the Somali invasion decisively (Clapham 1985a; Markakis 2011) and build the largest conventional army in sub-Saharan Africa. Although this army did not defeat the insurgencies in Eritrea and Tigray, the Ethiopian state-form (as manifested in its security sector) was strengthened during the period of crisis, and Ethiopia did not turn to IFIs for borrowing on a large scale. By 1990, the military regime was falling apart militarily while other African states reliant on western or international credit began to 'fall apart' societally.

[14] The Derg, the Amharic-Geez word for a committee, refers to the nominally Marxist, Soviet-Union aligned and supported Provisional Military Administrative Council (PMAC) that ruled Ethiopia from 1974 to 1991.

At this time of crisis, the differences between the Sudanese and Ethiopian regimes can both be attributed to three factors. First, was the nature of the political economy. While both regimes were ostensibly revolutionary, the Ethiopian regime made radical changes to the country's underlying political economy, while Sudanese regimes changed the identity of elites in charge but not the political economy. The second major difference was related to this: the nature of political finance. In Sudan – the sources of political finance were diffuse, and the regime was one of several players in the market (albeit the most important one); in Ethiopia, with its low tax base and weak commercial class, external patronage consolidated a centralized security sector (Africa Watch 1991; Lefebvre 1992) and administrative apparatus which directly enforced social engineering projects. Sudan borrowed to finance its development – and much of these funds were channelled into its political market as well as building up a huge, unsustainable debt. Ethiopia didn't borrow at scale and its politics didn't become monetized. The third difference lay in who controlled the instruments of violence and how they used them. Where the Sudanese regime used a combination of violence, patronage and clientelism to maintain and consolidate power, deregulating and fragmenting state-authorized armed groups, the Derg used centralized, monolithic instruments of coercion as its principal instruments of control (Clapham 2002, 22; Hagmann 2005, 531).

B. Extended crisis of the state (1980s)

In the 1980s, a combination of external economic headwinds generated by the global oil price shocks and spiralling debt, compounded by austerity measures and structural adjustment programs promoted by international financial institutions, led to overlapping political, social and economic crises in many African states. Bates (2008) has argued that as levels of state revenue declined, the rewards from predation and primary accumulation increased (compared to taxation), and the time horizon of political leaders shrank, leading to the prioritization of immediate reward, in comparison to stable extraction over a longer period (Bates 2008, 19-29). Leaders began to focus on their own political survival by using a combination of violence and repression, asset stripping (privatization, corruption, and fire sales of public assets), and by exploiting existing divisions within society to ensure that there were few credible challengers for their positions. This is an elegant and parsimonious framework, and elements of this are borne out by the Ethiopian and Sudanese cases. However, there is one notable shortcoming – Bates did not account for the manner in which these states were integrated into regional and global geo-political and economic systems – which can allow political settlements to persist even during periods of severe economic crisis.

In Sudan and Ethiopia the outcomes of this period of state crisis reflected the historical trajectories of the previous two decades. In Sudan, a period of extraordinary austerity led to the withdrawal of the state from multiple facets of public life, and further de-regulated and decentralized control over violence – especially in peripheral regions, where militia proliferated. In Ethiopia, centralized (and external) sources of political finance which lasted until the late-1980s meant that the state retained a degree of control over violence, though a number of domestic challengers emerged, which were organized along the same lines as the state security sector – that is, highly centralized and institutionalized.

By the early 1980s Sudan faced a budgetary crisis caused by increasing interest rates and was no longer able to service its debts. Financial mismanagement, incompetence and incoherence in planning, and rampant corruption were compounded by the remittance economy, which drained foreign exchange, as demand increased among the urban elite for imported urban goods (Niblock 1991). As his supporters began to desert the regime, Nimeiri tried desperately to obtain funds – he deepened his connections with the Islamists, and repudiated the peace agreement with the South – eventually enacting a version of sharia law in 1983 (Thomas 2017), hoping to stay in power long enough for the revenues from oil exploration to begin flowing (de Waal 2015; Patey 2021). It didn't work. To sustain a front line against the Sudan People's Liberation Army, he armed nomadic groups in the borderlands, and exploited infighting between southern rebel groups, the SPLA and Anyanya II, in part to try to take control of the oilfields. These tactics had far-reaching consequences, fomenting a fragmented, mercenarized conflict landscape (Patey 2021).

The civilian government of Sadiq al-Mahdi, which succeeded Nimeiri, never managed to respond effectively to the multiple macro-economic crises facing it. In fact, his time in power was notable for the tightrope he had to walk to stay in power. On one hand, he needed money to run his government (which, in the absence of international funds, only the Islamist parties had in sufficiency). At the same time, he had to try and make peace in the south, which the Islamists did not want. Al-Mahdi chose to 'prevaricate' (de Waal 2015). The state contracted – public sector salaries either remained stagnant, or shrank, and were often not received at all in peripheral regions. Most critically, however, the war in the peripheries was privatized on his watch – a function of political expediency and of running a state on a shoestring budget. As de Waal (2019, 4) writes:

> *"Counter-insurgency in southern Sudan and the Nuba Mountains was principally pursued by renting the services of irregular militia, which conducted operations hand-in-glove with a military-commercial complex eager to acquire land for commercial agriculture and cheap labour from people displaced by war or land seizures, whose labour could often be exploited at sub-subsistence rates because of humanitarian aid. Darfur was essentially ungoverned, a cockpit in which Libyan and Chadian forces fought a proxy war, and the local authorities armed themselves in response"*

Al-Mahdi's sojourn in power was brief but it is notable for having further strengthened the role of the army in commerce. Although a formal decree on the 'Formation of Military Economic Corporations' had been issued in 1982, it was in the latter half of the 1980s that commanders in the field were given freedom to enter into localised commercial arrangements with businesspersons and traders (for instance, to provide protection or participate in trading) (de Waal 2015). Al-Mahdi was finally overthrown in a military coup by the military-Islamist alliance of Brigadier Omar al-Bashir and Sheikh Hassan al-Turabi in 1989.

Analyses of Ethiopian politics during this period was very different. Much of this has to do with the way in which many scholars, policy-makers, academics, and indeed Ethiopians themselves, focus on the purportedly exceptional nature of the Ethiopian state – pointing to its legitimacy and durability. There is an element of truth to this, of course, but this obscures the actual historical ebbs and flows of politics in Ethiopia, and the nature of episodic crisis and conflict. Many of the assessments of the 1970s therefore place a great deal of focus on the commitment and organization of the principal opposition movements which challenged the Derg – the Eritrean People's Liberation Front (EPLF) and the Tigrayan People's Liberation Front (TPLF). However, the underlying role of political finance in this story is often neglected.

The economic policies of the Derg were disastrous. For instance, collectivisation of agriculture and the establishment of exploitative state marketing organizations meant that agricultural yields actually declined during the Derg period. Overall economic growth was stagnant, or even negative, especially when the growth of the population was accounted for (Geda 2001; Kelsall 2013). Domestic resources were therefore never enough to finance the regime's political goals – which were nebulous in later years but premised on coercive centralization, and it was Soviet (and Eastern Bloc) security patronage which provided the financial and material support for this. The army grew in size from 41,000 in 1974 to 230,000 in early 1991 (Berhe 2017). Accounting for attrition and desertion, 1,124,973 men and women (roughly 3 percent of the total population) served as part of the armed forces during military rule (Tareke 2009). While the army suffered from high levels of desertion and was progressively de-professionalized, and suffered from degradation of 'command-and-control' mechanisms in later years – for much of the Derg's rule, it remained highly centralized (with power and decision-making residing almost entirely in Major Mengistu Haile Mariam, the leader of the Derg), and for the most part, relatively disciplined, if highly repressive. The gradual withdrawal of Soviet support after 1985, the increasing military successes of the TPLF and EPLF, and the impacts of the famine of 1984-5 (showing up the hollowness of the regime's claims) in a context of overall economic deterioration, meant that the *Derg* collapsed under the weight of its own contradictions (J. Young 1997).

If the organization of war and violence tells us how a state is structured, then the 1970s and the 1980s are instructive for both our case countries. In Sudan, the state withered away in the 1980s. The means of coercion were privatized and decentralized. Militias were licensed to pillage on behalf of the state, and between 1985-1989, the principal means of material reward available to the bankrupt Sudanese state was the granting of license to pillage. As a result, these militia looted, burned and killed their way through vast swathes of southern Sudan. The opposition which emerged to the Sudanese state took much the same form. The SPLM was, in the words of its founder and leader John Garang, a 'mob' and he spent his first years trying to 'reform the mob' (African Rights 1997). In Ethiopia, on the other hand, the means of coercion were centralized, as were the primary flows of political finance. As a result, both the EPLF and the TPLF mirrored, at least in organizational terms, the movement which they were fighting. The EPLF, for instance, took an essentially Jacobin approach to building its movement. Whereas earlier Eritrean resistance movements had tried to build multi-ethnic/religious alliances, 'the EPLF sought to suppress any reference to ethnicity, race or religion, and to create instead a single and united Eritrean nation, forged in the heat of the struggle' (Clapham 2017, 48). Similarly, over time, the TPLF evolved a doctrine of fighting which focused on 'ensuring that its forces had the specific training, size, arms, and command and control structures best suited to eliminating the centre of gravity of the army it was fighting' (Berhe 2017, 168). As a result, the when the Derg fell, the movements which took power in its stead were organized in the 'state-form'. This divergence, attributable to political finance and its relationship to the political settlements in these countries, was to determine the developmental paths of the two countries for the next two decades.

C. Path divergence: Crisis and Consolidation (1989-2011)

Through the 1990s and 2000s there were crucial changes to the political economies of Sudan and Ethiopia, accompanied by shifts in the flows of political finance. In Sudan – the rules of transactional politics were well established by this time, and an oil boom simply resulted in a grander scale of bribery and patronage in politics. Centralized flows of political finance in the form of oil rents strengthened those who controlled the state-form. After the Comprehensive Peace Agreement in 2005, the SPLM/A in southern Sudan was able to outspend al-Bashir. In other words, the changes in political finance reconfigured elite dynamics and elite positioning and power, but the rules of the political game remained essentially the same. In Ethiopia, political finance played a nominal role in the first decade of the EPRDFs rule, and it was the political leadership which dictated (often coercively) what forms of political finance were permissible, how this was to be used, and which forms of political finance were to be suppressed though these lines were progressively blurred in face of political realities.

In Sudan, the two decades following the military-Islamist takeover of government represent two sides of the same coin – where the economic system transitioned from an export-led, austerity-driven, security state to a rentier state based on oil revenues. In the first half of this period, coercion and violence kept the price of politics low; in the latter, oil rents were meant to fund peace with the South by providing an open-ended structure for resolving political disagreements, but ended up inflating the price of loyalty, and South Sudan in became independent in 2011. The key difference between the two periods lay in the availability of political funds, not in the way politics were transacted.

Between 1989-1999, Sudan embarked on a ruthless austerity programme, and government spending was cut to just 9.4 per cent of GDP (de Waal 2015). Development programmes and financing for local government were cut ruthlessly – and much of the responsibility for social services was placed on newly re-organized states, without any financial resources to meet these obligations. As a result, existing inequities, and regional differences in social outcomes (especially in health and education) between regions were exacerbated. Military spending remained relatively low but was protected. Islamist leaders were tasked with marshalling political finance – including for paramilitary forces[15] and for creating parallel/outsourced channels for delivery of social programs, such as the institutionalization of a semi-autonomous zakat chamber (El-Battahani 2016; Thomas 2017) while al-Bashir used coercion and political manoeuvring to keep the military-Islamist duopoly in power. The use of coercion in particular, kept the price for political loyalty low, while waves of privatization and financial reform allowed the regime to create and/or reward a group of clients (El-Effendi 1991). Politically well-connected groups, including those with links to Islamic financial institutions benefited, as did officers within the army who were drawn into crony capitalist networks (El-Battahani 2016). A constrained regional security arena, where all of Sudan's rivals were cash-strapped, and limited flows of political finance within the political economy meant that Sudan's rulers could limp along. By 1999, al-Bashir side-lined the Islamist leader Hassan al-Turabi, and centralized power.

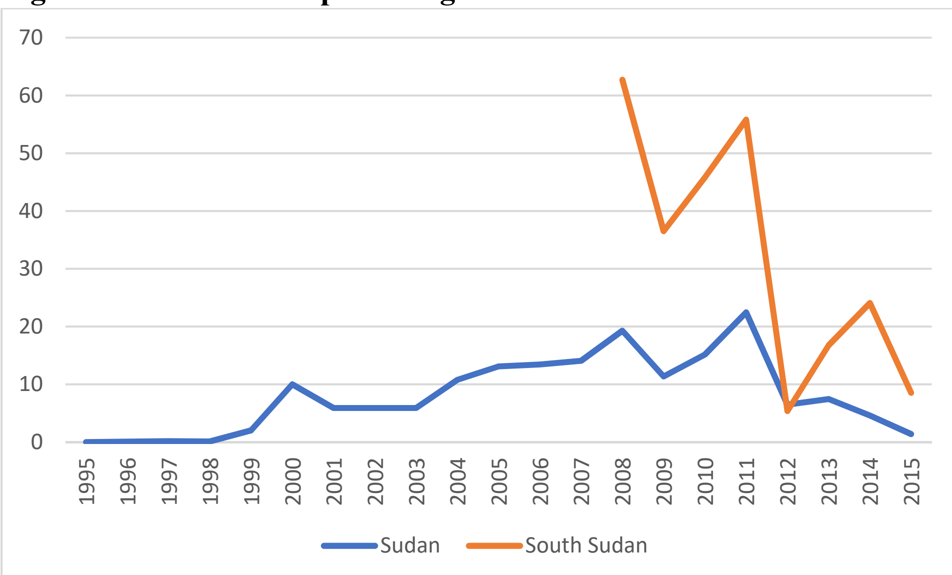
In the 1990s the Sudan government continued 'counter-insurgency on the cheap', and expanded the military-commercial complex. On one hand, investments from diverse actors such as Osama bin Laden, and the Iranian government expanded the role of the military in trade. The Military Industry Corporation was established, and soon became deeply imbricated within Islamist, trading, and crony capitalist networks. At the same time, military and paramilitary forces were licensed to pillage and trade in the southern and western war zones. This meant that bargaining became the filter through which orders were transmitted through ranks – with officers interpreting instructions in line with self-interest, and factoring in the interests of local businesses who supported military operations through money and supplies. A key focus for the regime was control over (future) oil producing areas (Patey 2014).

The beginning of oil exports in 1999 marked the end of austerity politics in Sudan, and the sidelining of Islamist forces meant that these funds could be used to fund peace in the south and in the east (though disgruntled Islamists, drawing on discontented constituencies in Darfur, rebelled against the regime). Over the following five years the government of Sudan's revenue expanded tenfold. The Comprehensive Peace Agreement, signed in 2005, was enabled by increasing oil revenues[16] (see *Figure 3*), but was also to serve as the mechanism through which oil

[15] For instance, the Islamist agencies trained Popular Defence Forces and found food and fuel for military operations.
[16] The SPLM/A signed the agreement because it feared that the Government of Sudan would be able to expand its military capacity and neutralize the support from neighbouring countries (on which the SPLM/A depended) through

rents were to be distributed to the SPLM/A. The CPA was essentially a formalized political unsettlement – its provisions left the most important national questions unresolved. For instance, while the stated intent of the CPA was to broaden representation in both Khartoum and Juba prior to a referendum on self-determination in 2011, it could equally be seen as establishing a 'roadmap' for the independence of the south, or a mechanism for allocating oil rents between two opposed parties (de Waal 2014, 353).

Figure 3. Oil rents as a percentage of GDP



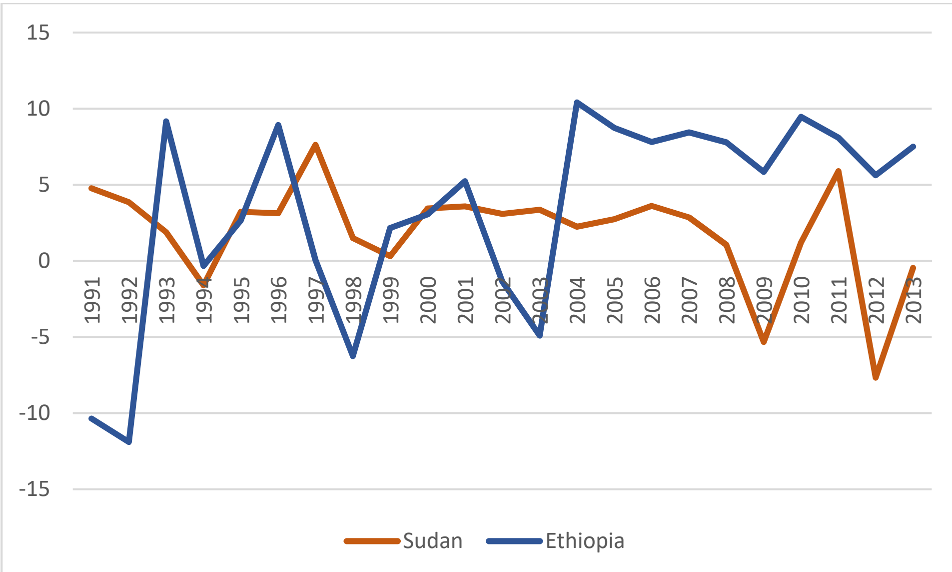
Source: Data on oil rents as a proportion of GDP (defined as the difference between the value of crude oil production at regional prices and total costs of production) is extracted from the World Bank (Indicator: NY.GDP.PETR.RT.ZS, available at data.worldbank.org).

Either way, the CPA did little to alter well-established patterns of transactional politics. Whether South Sudan remained as part of Sudan or became independent was formally to be decided in the self-determination referendum, but both the SPLM/A and the Government of Sudan worked on the assumption that the underlying power formula would be control over territory and populations by armed units, and the allegiance of members of southern Sudan's political and military elite. That allegiance would be determined, at least in part, by money. '[W]hoever paid most to southern Sudanese commanders (who controlled territory) and politicians (who controlled the seat of government in Juba), would get to decide whether or not the referendum was held and whether it was a credible vote' (Boswell et al. 2019). In southern Sudan, oil rents were used to construct a 'big-tent' patronage system, and the SPLA absorbed militiamen, former soldiers from the Sudanese army, new recruits, and actual and potential rebels. From around 40,000 soldiers in 2004 (itself a generous estimate), the SPLA's payroll jumped to about 240,000 in 2011, with another

oil diplomacy, while the Sudanese government feared further counter-terrorist retaliation after September 11, 2001, and wished to be in the USA's 'good books' (Boswell et al. 2019).

90,000 in allied roles (Snowden 2012). The SPLM/A had decisively priced the Government of Sudan out of the market for loyalty.

Figure 4. Rate of GDP growth (%) in Sudan and Ethiopia, 1990-2013



Source: World Bank Open Data.

In Sudan oil rents were used by al-Bashir to consolidate power. The centralized nature of oil rents meant that a small group controlled much of the political finance in the country. Bargaining continued within the elite, but al-Bashir was more powerful than ever before. As a result, when elections were held, they were effectively mechanisms by which the public could vote for the candidates most likely to be able to get concessions from the very small elite group. This period was also associated with the creation of a massive patronage system, alongside elevated levels of public spending. Finally, the political economy of centre-periphery relations was again reorganized but not restructured. The focus on semi-mechanized farms in the irrigated and rainfed lands near the capital served the interests of well-connected traders, officials and companies which licensed them from the government, but the successive wars in the peripheral regions continued to generate both a precarious labour force and freebooting militia which sided with the government and against it, depending on material inducements. One of these, the Rapid Support Forces, led by General Hamdan Dagolo 'Hemedti' has become a key player in the Sudanese political market. Overall, between 1999-2011, the regime was able to transform oil revenue, into political quiescence. This ended with secession of South Sudan in 2011, which led to a sharp fall in GDP.

If the evolution of Sudan's political marketplace during this period was a tale of two halves, the story for Ethiopia involved a bumpy start, followed by a process of increasingly rapid growth (after 2005) as the EPRDF government consolidated its control over the country, and power within the EPRDF came to be centralized in Meles Zenawi, the Prime Minister (see Figure 4).

On coming to power – the EPRDF was confronted with two major questions – one political, and one developmental (de Waal 1992). Politically, the challenge was to respond to the tensions implicit in Ethiopian statehood -- to accommodate the interests of the different groups who had been historically marginalised by the Ethiopian state. This was further complicated by the fact that the dominant party within the EPRDF was the TPLF, which drew its support disproportionately from the small, northern region of Tigray. The developmental challenges were just as pressing. At the time, there was only a small non-agricultural/urban sector in Ethiopia, with the vast majority of the population involved in (subsistence) agriculture – which suffered from low yields and labour productivity.[17] Poverty was pervasive in rural and, to a lesser extent, urban areas, and food consumption constituted between 56 and 60 per cent of consumer budgets (Hoddinott 2019, 456). School enrolment and literacy levels were very low (Rekiso 2019), connectivity was poor, and the country became landlocked with Eritrea's independence in 1993. The EPRDF sought to resolve both these issues through a mixture of pragmatism and ideology, but broadly its strategy centred on centralised control of political and economic power – with those being utilised in the pursuit of economic development (which, in turn, was seen as key to retaining power).

First, the EPRDF led the crafting of the federal constitution which came into effect in 1995.[18] This created 9 states centered around ethno-linguistic groupings (though in practice most of these states consisted of a majority and several minority groups) – and re-organized Ethiopia as a federation of 'nations and nationalities' (Art. 8) who have the right of self-determination and self-government, including and up to secession (Art. 39), drawing on similar formulations in the 1923 Constitution of the Soviet Union and the 1947 Yugoslav Constitution (Aalen 2006; Berhe and Gebresilassie 2021). In effect, the formulation tried to create a public law framework within which the contentious political question of accommodating Ethiopia's diversity could continue to be debated, while providing a formula for a governance regime to be constructed out of a series of insurgent movements (de Waal 2018b). In other words, it was an attempt to put in place a formalized political unsettlement for the regulation of elite politics. This was not merely instrumental – the structure of the constitution was a response to specific debates in a political

[17] 85-90 per cent. of the rural population was engaged in crop agriculture, and pastoralism and non-sedentary agriculture constituted the rest (see Dercon and Gollin 2019).

[18] Other opposition movements contributed to the drafting of the constitution. In particular, the 'nations' and 'nationalities' formulation was proposed by the Oromo Liberation Front (OLF) (De Waal and Pendle 2018). In 1991, representation of the Oromo (the largest 'nationality' or ethnic group) was divided between the OLF, the EPRDF-affiliated OPDO, and a number of smaller parties. Although all the parties were invited to a transitional conference in 1991 which formed the basis of a transitional government, the relationship between the OPDO (favoured by the EPRDF) and the OLF (which viewed itself as the sole representative of the Oromo people) was inherently conflictual, and in 1992 the OLF withdrew from government, attempted to mount an armed resistance, and was roundly defeated by TPLF forces (Clapham 2002).

system marked by hierarchical governance and a history of protest against centralized, autocratic state power.[19]

The EPRDFs response to the development challenge took more time to crystallise. In its first decade in power, the government undertook modest reforms aimed at liberalising the economy – in particular to facilitate recovery in rural areas. Private financial institutions were slowly allowed to begin operations and the foreign exchange market was gradually liberalized, even as efforts were made to increase revenue from domestic sources, incentivise exports, and obtain greater external assistance (Geda 2001). The overarching developmental logic during this period was articulated in an approach described as Agriculture Led Development Industrialization (ADLI, prepared in 1993) which was premised, probably correctly, on the logic that increases in agricultural productivity would lead to structural change in the economy (Ronnås and Sarkar 2019).[20] Nonetheless, growth was slow. War broke out with Eritrea in May 1998, while various processes of macro-economic stabilization (with the assistance of international financial institutions) continued in the background (Feyissa 2011). Between 1992-2003, growth per capita until 2003 was about 1.6 per cent per year, and GDP per capita remained below US$ 200 (Dercon 2022, 291–92). As Figure 4 demonstrates, economic growth during this period was marked by peaks and troughs with the latter especially marked during climatic crises, such as the drought of 2002-3. In Meles's own words, the EPRDF spent its first ten years in power bewildered by the changes in the global economic order and in trying to formulate an independent approach to development (de Waal 2015, 161–62).

This changed in the early 2000s, for three reasons. First, the TPLF split over the handling of the war with Eritrea, cementing Meles Zenawi's position as prime minister. Over time, his style was to become increasingly personalised, and decision-making became confined within his inner circle, with TPLF members present at the highest levels of the most important ministries, and in the security and intelligence services (International Crisis Group 2009). This meant that he was able to push through his vision of developmentalism without significant opposition. Meles's emergence as the undisputed leader of EPRDF also coincided with the drought of 2002-03, which drove home the need to overcome the country's continued food insecurity – historically a harbinger of political crisis (de Waal 2018a, 150–51). Second, in 2005, the EPRDF faced the most significant challenge

[19] The Constitution had several far-reaching impacts. It recognized the equality of cultural-nations and the rights of minorities, overturning the notion that Ethiopian identity could be defined by any one culture, language or value system (de Waal 2018). Racially denigrating expressions (especially used against indigenous groups from the South-West) were outlawed, though some steps towards this had already been taken by the Derg (Abbink 2011). The federal system has provided different public-political goods to different groups, including: recognition of status as indigenous peoples with a privileged claim on their historic lands, self-government and an expression of national identity; cultural and language rights; and opportunities for political mobilization.

[20] More specifically, Ethiopian policy-makers argued that agricultural productivity growth, especially among smallholders, would stimulate industrial demand through: (i) higher rural incomes, (ii) lower food prices in urban areas, (iii) increased savings in rural areas, leading to mobilization of capital for domestic industry, and finally (iv) the expansion of domestic markets for non-agricultural goods.

to its rule – when it organized relatively free and fair elections, and suppressed the opposition when the latter disputed the outcome as illegitimate and tried to mount an uprising (Clapham 2017). Third, the EPRDF finally began to implement its model of a 'developmental state' through a series of development policies prepared after 2002. In general, this had three declared elements: (1) a strategy of state-directed economic growth; (2) commitment to pro-poor welfare policies; and (3) transformation of the nature of the state institutions, and particularly the bureaucracy, to implement the other two limbs of the model (Clapham 2018; de Waal 2018b).

These events led to the acceleration of developmental policies which had already begun to be implemented – with an explicit acknowledgement that rapid economic development, and the delivery of basic services to the population was critical for the EPRDFs continued political legitimacy.[21] In turn, the developmental transformation of Ethiopia – or so Meles argued – depended on the EPRDF remaining in power for a sufficient period of time.[22] A genuine commitment to transformation and development coexisted with and complemented the 'use of development programmes to… legitimize the authoritarian exercise of political power' (Fantini and Puddu 2016, 113).[23]

Two concurrent strategies were utilised to concentrate political and economic power. Politically, this was accomplished through the wilful fusing of party and state structures, and the maintenance of political control (especially over EPRDF coalition members from peripheral regions) through informal networks, and the use of material inducements and coercion. The footprint of the state was increased significantly – through expansion of EPRDF party membership, and the re-structuring of local government structures (at the kebele level). Party membership became a pre-requisite to obtaining positions on expanded and restructured kebele councils, which were then used (sometimes coercively through kebele militia) to mobilise local populations (Lefort 2012; Emmenegger, Keno, and Hagmann 2011). In cities, development schemes (such as youth employment schemes) were used to expand the power of the state – through local cadres' involvement in the selection of beneficiaries (Di Nunzio 2015; 2019). The net result was the creation of a new localized elite who depended on state and party patronage for their power (Lefort 2010; Vaughan 2011). The promise of regional autonomy set out in the constitution was never fully realized. The federal system was subordinated to a monolithic party state, and the EPRDF did not recognize the legitimacy of any regional or ethnic movement which was not under its control (Clapham 2009, 187; Vaughan and Tronvoll 2003). Nor was it willing to cede space, even at the local level, to these movements.

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[21] This included, for instance, the creation of a safety net covering a large number of chronically food insecure Ethiopians – the Productive Safety Net Programme –-- with significant donor support (Hoddinott 2019; Lavers 2022).
[22] Dercon (2022, 307) notes that Meles told UK Prime Minister Tony Blair in 2005: 'We did not fight for years in the trenches [against the Derg] to give power to these people through some election'.
[23] For a similar argument – see (Weis 2016).

The EPRDF financed its development strategy by generating 'rents' through control over strategic sectors of the economy, while mobilising increasing amount of external financial support – in the form of official development assistance, concessional loans, and debt (especially Chinese investment). In effect, the nature of the elite settlement, with its explicit 'development bargain', and relatively long-term time horizon, allied with the centralization and bureaucratization of political power allowed for political finance to be centralised and yoked to the project of building a 'developmental state'. Between 1991 and 2011, Ethiopia was the second largest recipient of official development assistance (including concessional loans) among least developed countries.[24] This was despite Ethiopia's explicit disavowal of the policy prescriptions which form part of the Washington Consensus. The liberalization of the economy (however limited), the explicitly developmental approach taken by the ruling elites, geo-political considerations – and especially the way in which Ethiopia positioned itself as the partner of choice in the Horn of Africa in the 'Global War on Terror' -- all helped facilitate these aid flows (Feyissa 2011). After receiving debt relief in 2001, Ethiopia also borrowed heavily from China, and received significant assistance in infrastructure construction projects. Finally, the government emerged as an effective rent-manager, by controlling sectors such as telecom (through state-owned enterprises), strategically allocating of credit through state-owned financial institutions, and through measures such as forcing banks to hold a proportion of their deposits in government bonds at low interest rates – which effectively amounted to a forced loan at below-market rates to the government (Clapham 2018).

In contemporary political discourse in Ethiopia, it is commonly argued that the TPLF leaders arraigned around Meles, and occupying various leadership positions were also engaged in large scale corruption – their own form of rent-seeking, even as the EPRDF vilified alternate voices in politics and the economy as rent-seekers, who would divert the state from its developmental path (Dercon 2022; Lanfranchi and Meester 2021). Corruption, or so the argument goes, was usually organized around land acquisitions, control over state or party-owned businesses (specifically, the so-called endowment companies owned by the various constituent parties of the EPRDF), and access to government contracts or favourable legislative/fiscal exemptions. There is little 'hard' evidence for this, however, either in academic and policy literature (Dercon 2022). In fact, a World Bank Study from 2012 argued that corruption varied widely across sectors – being relatively low in the delivery of basic services, higher in construction, land, and mining (albeit lower than most other contexts), and high in (then) new investment sectors such as telecommunications and pharmaceuticals (World Bank 2012). That said, it is almost certainly the case that certain leaders derived some degree of financial benefit from their positions at the helm of state/party-owned companies, and that some businesses/business groups benefited from proximate access to the state and to favourable legislative and policy measures (Dercon 2022). However, and perhaps more

[24] Afghanistan was the highest recipient. Data available at https://stats.oecd.org/qwids/. To estimate the ODA received by country – we compared disbursements from all official donors to least developed countries in current prices, USD millions. If the selection is expanded to include lower middle-income countries, Ethiopia falls to 4th place behind Afghanistan, India, and Egypt. Further, it is worth noting that when aid per capita is calculated, Ethiopia falls further behind countries such as Uganda, Ghana, and Tanzania.

importantly, the Ethiopian state was *perceived* to be corrupt, and critically, corruption was seen to be increasing over time (World Bank 2012; Frontieri 2021; Horn Research Facility 2022). Narratives of corruption played a major role in how citizens understood the functioning of the state (D. Mulugeta 2019).

A contrasting line of argument suggests that even while there may have been a degree of corruption in the operation of state owned/party-controlled enterprises – these companies played a far greater role in implementing the developmental vision of the EPRDF leadership and in re-emphasising the need for affiliation with the party in economic matters (Vaughan and Gebremichael 2003; Kelsall 2013). It is likely to be impossible, in the absence of additional empirical research to resolve this debate and to quantify the degree of corruption in Ethiopia during EPRDF years. But perhaps it is not necessary to do so: as the anthropologist Miriam Driessen has argued in the context of construction contracts – corruption was tolerated, but only so far as a good road was built (Driessen 2019). In other words, corruption (which is essentially impossible to eradicate entirely in all its forms) was subordinated to the developmental political bargain.

The processes of illiberal state- and market-building in the EPRDF era were mutually compatible and reinforcing, but they undermined the formalized political unsettlement set out in the Ethiopian constitution. As noted above, the constitutional schema provided a mechanism for the resolution of the 'national' question in Ethiopia. This was ‘indeterminate’ – not only was the exercise of the right of self-determination – especially secession – onerous in practice, it could also not be actualised without a destructive political crisis (De Waal and Nouwen 2021; Berhe and Gebresilassie 2021). At the same time, the fundamental problem with this formula was that it was both top-down and extremely simplistic. It is now overwhelmingly accepted in academic scholarship that ethnic identity is socially constructed. Social categories, and rules about who belongs to them, their meaning, and value are the result of human action and speech; they can and do change over time (Fearon and Laitin 2000; Hagmann and Mulugeta 2008). People adopt multiple identities which shift depending on circumstance. The Ethiopian constitution includes no mechanism for responding to those changes, or reflecting them in the political and administrative system (de Waal 2018b). Under Ethiopia’s Constitution, political ethno-nationalism is overlaid onto constitutional-administrative federalism. Political parties are organized along ethno-national lines; material resources flow from the centre to administrative units organized on the basis of ethnicity. This means that the system remains vulnerable to political entrepreneurship and rent seeking behaviour based on appeals to ethno-nationalist identity.

There have been a continuous stream of conflicts since the adoption of the new constitution – mostly over resources but carried on using the emotive language of ethnicity, which has the become the basis on which Ethiopian political life and conflict is organized (Turton 2006, 25). As individual claims for resources -- such as for land and related resources such as water holes, forest areas and pasture -- are pursued under collective guise, the advantage to be gained from declaring oneself a member of a group that has legal identity and can claim rights is obvious. These conflicts have always existed in Ethiopia's lowland peripheries, but the allocation of budgetary resources from the centre, and the ethno-national formula used to administratively organize the country meant that local elites have increasingly sought to instrumentalize ethnic identity to make territorial claims, with its accompanying share of central state resources (Abbink 2011; Berhe and Gebresilassie 2021). In other words, politicians have used identities as a way of claiming power, jobs, and access to federal budgets (Aalen 2011). Under Meles, the hierarchical and highly centralised governance system of the EPRDF was able to keep these forces in check through a mixture of accommodation and coercion: on occasion, offending local elites were arrested, on other occasions special woredas would be created on an *ad hoc* basis to satisfy the demands of specific groups. The political settlement did not survive for long after his unexpected death in 2012, and at the root of its breakdown (arguably) was the fundamental contradiction between the EPRDF's approach to resolving its foundational developmental and political challenges.

None of this is to suggest that the developmental model followed by Ethiopia was an unqualified success. Much of the rapid growth, especially after 2011, is attributable to large, debt-financed public capital investments, which have had very little impact on increasing productivity (Moller and Wacker 2017; World Bank 2022). More critically, growth (as measured by consumption data) in rural areas effectively stagnated (growing by about 6%) between 2011-16 and rural households at the bottom of the distribution *did not experience any consumption growth at all* — a pattern that was also observed between 2005 and 2011 (World Bank 2022). The macro-economic policies pursued through the EPRDF era have also contributed to suppression of private sector growth, increase in the debt burden on the country, and high inflation. The point here is not to criticize the economic policies of the EPRDF, but to note that even the centralized use of political finance in pursuit of a developmental bargain may not result in unambiguously positive development outcomes.

A. Transitions and a hint of convergence? (2011 -- ?)

The final section of this paper examines the 'transitions' which have taken place in both Sudan and Ethiopia during the second decade of the 2000s. Much remains uncertain at the time of writing, but it is clear that neither transition has resulted in the sort of liberal-democratic transition hoped for by either domestic activists or international observers. In Sudan, the political changes of the past decade can be clearly attributed to the shifts in political finance. Macro-economic crisis caused by, among other things, the loss of oil led to civic revolution in end-2018/early-2019. However, the goals of revolutions were thwarted by transactional politics practiced by military leaders, who used the transitional period to consolidate their control over the Sudanese political economy. They then overthrew the civilian government in October 2021. As a result, Sudan remains suspended in a state of protracted macro-economic crisis with no end in sight.

In Ethiopia, the story is more complex. Dissatisfaction with the EPRDF's governance model arose in part because of the very success of the rush for growth, and the disruptions and evident inequalities that resulted. The starkest example of both disruption and the divergence in life chances between different groups was manifest in the expansion of the capital city, and the adoption of a plan for massively enlarging the metropolis by dint of absorbing the surrounding rural areas, which are ethnic Oromo. The local farmers who lost their land were awarded a pittance in compensation, and the protests morphed into demands for democratic rights among Oromo youth. The protests spread and led to the collapse of the political bargain that sustained the EPRDF, and the appointment of Abiy Ahmed as Prime Minister in 2018. Insofar as Abiy inherited a revolution of rising expectations, he then further inflated those expectations, promising prosperity for all and blaming the country's problems on the TPLF having stolen the country's resources. He began dismantling the dirigisme of his predecessor and selling state assets in a liberalization programme. Abiy also entered into a security pact masquerading as a peace agreement with the Eritrean president Isaias Afewerki. This set off a violent chain of events -- effectively dismantling the 'formalized political unsettlement' enshrined in the constitution. Ethiopia's political settlement today is marked by violent and radical disagreement, and no institutional mechanisms exist to facilitate a political resolution. Victory by force (even if it were possible) is unlikely to resolve these disagreements. Political finance remains important, but it is largely subsumed under the role of violence. While it remains to be seen what form of political unsettlement will emerge from the current crises, it appears that Ethiopia's developmental trajectory has stalled, or perhaps even reversed.

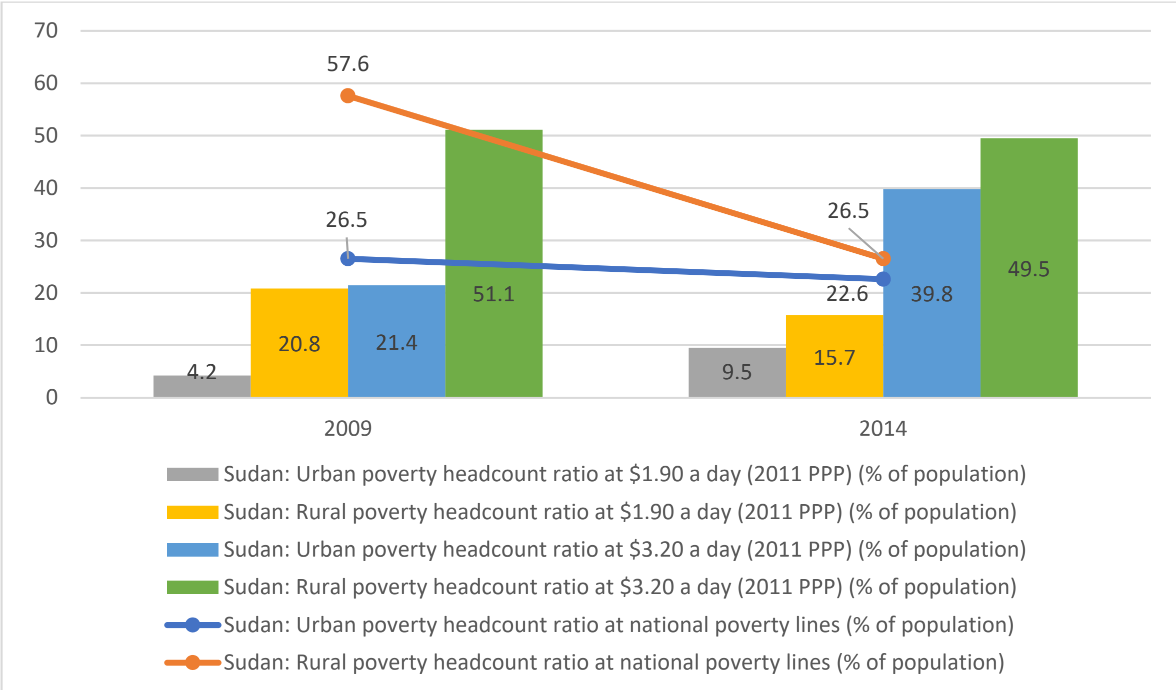
When South Sudan became independent in 2011, Sudan lost most of its oil production. In the years that followed Sudan's foreign earnings have come from gold, petroleum products, and agriculture (Gallopin et al. 2021). But it was the loss of oil, and the efforts made by Sudanese politicians to replace it with gold, which restructured Sudan's political economy and flows of political finance.

After 2012, petroleum production from the remaining oilfields continued to meet most of the domestic petroleum needs of the country, but provided very little of the foreign currency and cash needed for the elite political budget. Despite this, President al-Bashir continued to cling to power for several years, and turned to artisanal mining to fill the revenue gap, with gold replacing oil to become the most important source of foreign currency, alongside mercenarism -- the provision of soldiers to fight the UAE and Saudi Arabia's wars in Yemen. He also sought to supplement his revenue through agricultural exports, and the lease of vast swathes of agricultural land to Gulf investors. The locus of export revenue, which had historically been located in the partially mechanized farms on irrigated and rainfed lands near Khartoum, and had shifted to a handful of remote oil enclaves during the oil boom, shifted again, to a huge number of gold enclaves located in geographically peripheral parts of Sudan – but especially in Darfur (Gallopin et al. 2021).

Gold mining in Sudan is predominantly artisanal. Unlike oil which requires capital intensive investments and infrastructure to extract and transport, gold is relatively easy to mine and to smuggle (especially from border areas) (Ille, Salah, and Birhanu 2021). As a result, control over gold was diffused, and it could never play the role that oil had played in strengthening President Bashir's role in Sudan's political market. Starved of funds, President al-Bashir's carefully managed patronage system began to fray at the edges and then unravel at the centre. Paramilitary groups, especially the Rapid Support Forces (RSF) led by general Mohamed Hamdan Dagalo (commonly known as 'Hemedti') who controlled some of the gold-mining areas, gained in prominence (Patey 2021). In addition to gold – the RSF also earned money through smuggling vehicles to and from Chad and Libya and facilitating/participating in the trafficking of migrants across the Sahara (Berridge et al. 2022, 56–57).

The government of Sudan tried a number of methods to try and control the export market for gold– most critically, the central bank tried to monopolize the sector by outbidding all other buyers. It paid for gold in Sudanese pounds, at a price reflecting parallel (or black-) market foreign currency rates. Deeply indebted since the 1980s, the bank could not borrow foreign exchange from international markets to pay for gold, so instead it printed money, sending inflation spiraling upwards (Elbadawi and Suliman 2018; de Waal 2019). Other macroeconomic adjustments, including reform of existing subsidies, elimination of multiple exchange rates, and alignment of divergent official and parallel market foreign exchange rates exacerbated the distributional effects of inflation. Between 2009 and 2014/15 – the last two household consumption surveys -- extreme poverty rates fell, while moderate poverty rates increased significantly (Figure 5). Those earning salaries such as formal sector workers or even civil servants (as opposed to the poor who are more likely to be producers of staple foods or agricultural laborers) were worse affected (Thomas and El Gizouli 2020). There were also sharp increases in urban poverty, and especially moderate urban poverty.

Figure 5. Poverty headcount ratios by residence (rural-urban), 2009-14



Source: NHBS 2009; NHBPS 2014/15, World Bank Development Indicators

The worsening economic situation, and in particular, the removal of the wheat subsidy (the basis of urban diets) triggered widespread protests in cities (Thomas and de Waal 2022). As the movement grew, a coalition of trade unions called the Sudanese Professionals Association (SPA) established informal leadership of nationwide demonstrations, generating unprecedented unity among opposition forces. In January 2019, a coalition of armed groups, civil society organizations, and opposition parties formed the Forces of Freedom and Change (the FFC) (Gallopin 2020). President Bashir finally fell in April 2019 – overthrown by the military which then began to negotiate with the FFC on the contours of a power-sharing agreement.

Broadly, and even though it was riven with internal faultlines, the FFC sought to put in place a mechanism to work towards a 'developmental state' or at the very least, to put in place a developmental approach to governance. The prime minister, Abdullah Hamdok, and his cabinet were endorsed by the FFC precisely because they were not professional politicians – and tasked with stabilising the economy before economic deprivation resulted in mass disenchantment with the revolution. Their agenda was ambitious – to make peace with armed groups in peripheral regions, economic reform and democratisation. Unfortunately, they controlled neither the means of violence/coercion, nor the sources of political finance, and were outmanoeuvred by the generals over the course of the next 18 months.

The technocratic government struggled to raise the money needed to finance economic stabilisation – essentially the removal of subsidies, rationalisation of exchange rates, and devaluation of the currency. Needless to say, these could not take place without some measures to shield people from the immediate economic impacts. But debt relief negotiations moved slowly, external support (including for social safety programmes) was slow to materialise, and financial support pledged by the UAE and Saudi Arabia disappeared after their favoured political leaders were replaced by the technocrats. The government also did not control much of the economy, which were actually controlled by either the armed forces, the RSF, or specific military leaders through a shadowy network of companies, many of which were incorporated in other countries and controlled through holding companies. These operated in some of the most productive sectors of the economy – ranging from banking, gold exports, and agriculture. By the time the civilian government made peace with the armed factions (by signing the Juba Peace Agreement in October 2021) – it had no financial resources which it could commit to the deal, other than positions in government.

In fact, it was during this transitional period that the military leaders extended and consolidated their control over this network of parastatal companies – appointing loyalists to head them, and diversifying their holdings – including through acquisition of control over state-owned and private companies. For instance, Sudan's largest bank – Omdurman National Bank has come to be nearly completely owned by the Sudanese army – which purchased shares from the Central Bank of Sudan (in an opaque transaction) in 2019 (Cartier, Kahan, and Zukin 2022). Similarly, Hemedti acquired control over Al-Khaleej Bank through a series of gradual acquisitions ending in September 2020. This gives Hemedti access to international financial markets because Al-Khaleej maintains correspondent banking relationships with banks in the UAE, Bahrain, Egypt, Saudi Arabia, Turkey, and Italy, and through those to banking networks in Switzerland, the UK, and the United States.

Hemedti's position was also been bolstered by support from the UAE and Saudi Arabia, having provided fighters as mercenaries in Yemen and offered them for Libya (Berridge et al. 2022, 69; El-Battahani 2016). Flush with funds, he played a significant role in Sudan's transitional government – both competing and collaborating with General Abdel Fattah al-Burhan, the head of the Sudanese Armed Forces to undermine the civilian government. When the civilian government was overthrown in October 2021, Hemedti took power as part of a duopoly with al-Burhan. Despite the churn amongst the elite, and the extraordinarily courageous pro-democracy protests which continue to agitate against the military takeover, the broader system of transactional politics in Sudan remains largely the same.

It is likely that only multilateral financial institutions will be willing and able to provide the support needed to stabilize the economy. The generals have not been able to form a government and have only been able to fill the ranks of senior officialdom with a handful of old-school party leaders who were earlier part of al-Bashir's regime. Inter-communal violence has increased in Darfur, partly due to the land-restitution provisions of the Juba Peace Agreement, and open fighting has broken out between militias owing allegiance to the RSF, the Sudanese Armed Forces and the Justice and Equality Movement of Jibreel Ibrahim, the finance minister. In the meantime, economic meltdown has continued apace accompanied by a nationwide food crisis (Thomas and de Waal 2022). The elite rivalries continue while suppressing and ignoring the needs of the broader populace. 'Hemedti [in particular] appears to see the future of Sudan as a transnational enterprise in illicit commerce, [an] exporter of mercenaries, the welfare of its 40 million citizens be damned' (de Waal 2022). This is a far cry from the developmental state hoped for by the civic revolutionaries.

If Sudan's civic revolutionaries underestimated the scale of the political economic and institutional transformation needed to create a developmental state, Ethiopia's political class may have been guilty of taking the developmental state for granted.

De Waal (2021a) argues that Meles was aware of the tensions implicit in the developmental strategy adopted by the EPRDF and 'hoped that economic growth would run faster than the tide of democratic aspiration and identity politics'. Balancing these tensions required formidable political skills. After Meles's untimely death in 2012, Hailemariam Desalegn took power, and continued on broadly the same developmental path, but without the same degree of ideological commitment to the development project or Meles' political management skills. During this period, party and state structures were weakened, ethnic mobilization intensified, and corruption is perceived to have spiked rapidly – especially in local service delivery (Feyissa 2022; Horn Research Facility 2022). The economy grew rapidly, but not necessarily in an equitable manner. Facing increasing likelihood of debt distress, and an increasing fiscal deficit, the government reduced borrowing, and slowed down the rate of public infrastructure construction (Ronnås and Sarkar 2019).

GDP growth in Ethiopia was fuelled primarily by construction (funded by massive public investments in infrastructure), distributive services (that is, services involved in moving commodities, people, and less commonly, information), and agriculture. Unlike in the East Asian models for the developmental state (South Korea and Taiwan) there was no vibrant commercial class poised to take advantage of these assets, with the exception of party-affiliated endowment corporations, military-owned business conglomerate, and a handful of high-profile foreign investors such as Sheikh Mohamed al-Amoudi. The development of manufacturing was disappointing, despite significant policy efforts focused on the development of industrial parks to attract FDI. Most critically, economic growth did not lead to the structural transformation of the economy and labour market that EPRDF had hoped for. By the middle of the second decade of the 2000s, the economy was effectively split into two parts – with a large-scale, capital-intensive, and often foreign-funded and export-oriented modern sector and a traditional sector of very small enterprises typically using traditional techniques and technology. This divide mapped neatly onto the urban-rural divide. Wage employment remained scarce, while underemployment and precarious employment were widespread (Ronnås and Sarkar 2019). These trends only appear to have accelerated since – preliminary analysis of the 2021 labour force survey suggests that the labour market has stagnated since 2013: fewer people are entering the labour market and the unemployment rate has doubled. Labour market challenges are particularly pronounced for people living in rural areas, women, and youth. The accelerated transformation of the economy has left many behind.

The combination of loosening central control, weakening party structures, and increasing ethnic mobilization in a context marked by perceptions of increasing corruption, and inequitable economic development, led to various ethnic political mobilisations. Protests were triggered among the Oromo by the possibility of land grabs by elites in the guise of implementing Addis Ababa's controversial master plan. Over time, these protests snowballed, expanding to other ethnic groups – and were fairly widespread across Oromia and Amhara, only beginning to tail off in mid-2018 – by which time Abiy Ahmed had been appointed to the position of Prime Minister. Interestingly, most of these protests sought to work within the broad contours of Ethiopia's constitution – seeking (simplistically) more complete implementation of its provisions around self-determination. The formalized political unsettlement still held – and was only to be dismantled with violence.

Rent-seeking behaviour increased at the local level during the transition, as regional and local officials either instigated, or turned a blind eye to violence between ethnic groups at the kebele level over control of resources, land and administrative areas. Internal displacement increased rapidly, conflict proliferated, and ethnic groups began to arm themselves in self-defence (Yusuf 2019; Yared 2021). At this juncture, the opportunistic search for political finance by local and regional elites reflected the renegotiation of the political settlement at the national level; it does not appear to have shaped the political settlement.

Much was expected from the transition which began with the return of armed groups such as the the Ogaden National Liberation Front (ONLF) and the OLF from exile, each of which had been labelled by EPRDF a 'terrorist' group. A 'peace agreement' was purportedly signed between Eritrea and Ethiopia in Saudi Arabia ending two decades of armed stalemate and regional proxy warfare, but its contents were never made public. Subsequent events - the actual lack of substantive changes on the ground in Ethiopia-Eritrea relations, and the participation of Eritrean troops in the war which broke out in November 2020 suggests that it was more in the nature of a pact against a common enemy (TPLF).

Among the more critical and disputed political changes initiated by Abiy was the dissolution of the EPRDF, and the refusal of the TPLF to join its successor—the Prosperity Party (PP)—under the leadership of the prime minister. This became a key point of contention between the two groups, with TPLF (and some other parties) alleging that the move undermined the ethno-federal political order, while the PP argued that it was trying to strike a balance between regional autonomy and the need to curb the worst excesses of ethnic federalism and was trying to root out corruption associated with the past regime. The use of rhetoric bordering on hate speech by Amhara nationalists and members of the government, increased militarization in the Tigray region through strengthening of regional militia, the delay of planned national elections due to COVID-19, and disputed regional elections organized in Tigray all contributed to the outbreak of conflict in November 2020. The war has been characterized by the use of egregious violence (including sexual violence) – especially by Eritrean troops, and also by Amhara militia and the Ethiopian National Defence Forces (ENDF), and the Tigray Defence Forces (TDF) (Human Rights Watch 2021a; 2021b). The blockade imposed by the ENDF and the Eritrean Forces may have led to famine in Tigray, and has certainly caused increased levels of mortality and horrific humanitarian suffering (A. Mulugeta and Gebregziabher 2022; World Food Programme 2022). Between offensives and counter-offensives, the ENDF has effectively been destroyed as a cohesive army. In general, the security arena has fragmented, with the proliferation of regional/ethnic militia. In the meantime, conflict continues in Oromia between state security forces and the Oromo Liberation Army, and in Benishangul-Gumuz between state security forces and ethnic militia.

Violence cannot be explained using a single analytical framework, nor is it monocausal. Some violence that is immediately destructive can lay the foundations for a new social order, but other episodes or acts of violence may generate only disorder. In the Ethiopian case, the use of violence has made political consolidation and compromise extraordinarily difficult. Even if parties do agree to a tactical compromise or ceasefire, it is unlikely to be the basis for a lasting or stable political settlement. More significantly, and as we have argued elsewhere in this paper, the way in which a war is organized indicates the way in which a state is structured (de Waal 2021b). The patterns of war-making and violence in Ethiopia suggests that the centralized state has contracted and been weakened. There has been a concurrent process of state disassembly. At the very least, Ethiopia no longer possesses a unified security sector, and is better described as a rivalrous security arena, in which ethnic demagogues, warlords and soldiers-for-hire compete for power. State contraction has meant that basic service delivery has become impossible/difficult in many parts of the country (Horn Research Facility 2022). The entire transition process has been imbued with a messianic and anti-institutional flavour -- with an emphasis on the individual personhood of Abiy Ahmed (Feyissa 2022; Haustein and Feyissa 2021). State fragmentation – where constituent parts of the polity formally break away or try to do so, setting up recognized or de facto secessionist states -- remains a distinct possibility.

Political finance has played a subsidiary role in Ethiopia. Elements of transactional politics have emerged and increased in recent years – especially as more and more resources are needed to obtain political quiescence, or to fight on multiple fronts. Some of this appears to have been obtained as direct cash infusions or strategic support from the Gulf states, especially the UAE. In other cases, businessmen have been shaken up for contributions, and influence-peddling has become normalized.[25] Nonetheless, it is difficult to characterise Ethiopia as a political marketplace in which allegiances are traded for material reward (de Waal 2018b). There are certainly individual cases of corrupt transactions that affect gaining or holding political office, but this is not the dominant logic according to which contemporary politics is organized.

The upshot, of course, is that the use of violence by Abiy and Isaias has comprehensively dismantled what remained of Ethiopia's formalised political unsettlement. The developmental project has come to a shuddering halt – there are almost no coherent pro-poor strategies on the direction of economic growth, and while de-institutionalization – or the weakening of formal institutions -- has already occurred, it is unclear what informal institutions have emerged/will emerge in their stead. A war economy has developed, with parallel currency markets for remittances, especially across the front lines to Tigray and in other conflict-affected areas. The emergence of a fully-mature political marketplace cannot be ruled out.

IV. Conclusion

The differences between the historical political economies of Sudan and Ethiopia are such that meaningful comparisons are difficult except at a high level of generality. Both are countries facing the same fundamental challenge: how to maintain societal functioning and economic growth while precariously positioned on the margins of the global political economy, subject to the turbulence of that political economy.

Since that challenge became particularly acute in the 1970s, Sudan has been a paradigmatic example of the marketization of the political sphere, with its current crisis readily explicable as the culmination of that process. Successive Sudanese governments have enjoyed autonomy only insofar as they had sufficient resources to rely on their own political finance (i.e. during the country's decade as an oil exporter). Political finance is the heartbeat of Sudan's governance.

Ethiopia has tried two different revolutionary paths – garrison socialism followed by a 'developmental state' – each of which protected state autonomy, while the latter delivered remarkable economic growth. The developmental state and its remarkable economic growth has now ended, and questions arise as to whether it collapsed under its internal failings, external pressures, or the contingencies of bad leadership. Ethiopia now has the preconditions for an accelerated marketization of politics, becoming more like Sudan.

One thing that Sudan and Ethiopia had in common was an attempt to manage radical political disagreement by means of a formalized political unsettlement.

[25] Multiple interviews with Ethiopian political commentators, Addis Ababa, February 2022; June 2022.

In Sudan this was the six years of the CPA's interim period, made possible by oil monies and favourable international engagement. However, when the reckoning came – in the form of the 2011 referendum and the subsequent independence of South Sudan – the absence of a political settlement became clear. Both Sudan and South Sudan reverted to transactional political marketplaces, governed only by the informal norms of that market. In a conjunction of circumstances similar to the 1980s, when 'things fell apart', neither Sudan nor South Sudan possesses the material capability for delivering the basics of governance, let alone development.

In Ethiopia, the 1994 constitution similarly allowed for the fundamental national questions to be set aside while the country pursued a developmental project. The developmental state project was in essence a gamble that Ethiopia would become a middle-income bourgeois state before its unresolvable political disagreements re-emerged. That gamble failed, and with it the formalized political unsettlement that maintained a measure of stability. The Ethiopian political elite has little experience of the political market and has not developed the normative order that allow for its management, so that the current war has truly the potential for disintegration. The institutions and infrastructure inherited from the developmental state era may yet be sufficient to allow Ethiopia to deliver the basics for societal functioning, but that question will be tested by the stresses of the coming years.

In closing, it is worth reflecting on whether these case studies hold any lessons for studies of transactional political systems elsewhere in the world. Many such studies begin by equating transactional politics with 'corruption', 'crony-capitalism'. A more productive approach may be to move away from theories of personal corruption (i.e. bribery) and consider the political purposes and institutional uses of corruption. What if, as some theorists of institutional corruption argue – corruption were necessary for the functioning of institutions (even as it inevitably undermined those very institutions), was not motivated (solely or primarily) by desire for personal enrichment, and was pervasive – permeating both state and non-state institutions? (Thompson 2018). This is where the PMF is most useful. Even when it is not a perfect fit for specific cases (such as Ethiopia), its assumptions can help connect practices which might otherwise be categorized as corruption to politics and political choices.

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