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Aid, Predation and State Capture: The Role of Development Aid in Fuelling Corruption and Undermining Governance: The Case of Ethiopia

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Abstract: *This article exclusively focuses on theme-based (sector-based) development aid to show the captured nature of foreign aid in Ethiopia and its use of something other than development: penetrate households at the individual level and control them. The paper establishes that, by creating opportunities to the highly organized groups and elites, donor aid has led to a legacy of corruption, maladministration, cruelty, brutality, money laundering and the establishment of a ruthless oligarchy in Ethiopia. I show that the type of corruption which has transpired in Ethiopia is the strongest and highest form of corruption known as State Capture. The work also shows how, when it comes to Ethiopia, donor aid has poisoned the wells with deep corruption and, by implication, the unholy alliance between donor aid and corruption and donor aid and tyranny. The paper documents how various powerful ethnic, social, personal, regional, political and economic groups in Ethiopia were able to extract rents and use it for their own political survival and hegemony. The paper also shows that misusing and abusing of foreign aid by the TPLF/EPRDF is a learned behavior it acquired when it was a guerrilla force. This case study shows that development aid has been overwhelmingly captured by the ruling elites in Ethiopia and consequently, those who are able to capture the foreign aid resources have used them as tools of control and repression. In addition to foreign aid being used to finance repression, it has exacerbated the extent and level of the income gaps between the haves and the have-nots while at the same time increasing the vulnerabilities of the poor. Such a scenario and the increased level of rent-seeking that one finds in the country indicates that foreign aid has undermined governance in the country. By exploring the heavy handed use of development aid by the ruling party and the culpability of donors and aid agencies, the paper provides analytical support behind aid and corruption, aid and extraction of rents and the type of corruption that one finds in Ethiopia. The paper concludes development has been a curse and both Ethiopia and its people would have been better off without foreign aid than with it.*

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I. Introduction and Motivation

In March 2010, Human Rights Watch (HRW) published a 59-page long and damning investigative report on Ethiopia entitled: “[One Hundred Ways of Putting Pressure: Violations of Freedom of Expression and Association in Ethiopia](#).” This publication was followed by another 105-page long and embarrassing assessment entitled as: “[Development without Freedom: How Aid Underwrites Repression in Ethiopia](#)” that was made available in October of the same year. Both reports showed the myriad ways in which the Ethiopian regime used donor resources, such as emergency food aid and the benefits from the Safety Net Programs as political weapons. According to both reports, donor resources were used by the ruling party of Ethiopia “to control the population, punish dissent and undermine political opponents.” HRW’s March 2010 report also traced how local (kebele) officials abuse their power when determining eligibilities in food assistance, referrals to hospitals, access to land, seeds, fertilizers, micro-loans and to accessing healthcare services and secondary schools.

On August 5, 2011, the BBC, in collaboration with the Bureau of Investigative Journalism presented evidence indicating that the Ethiopian government was using development aid as a tool for political oppression, which included denying villagers and communities from having access to donated food, credit, seeds, and fertilizers. According to the report, the inhumane action on the part of the ruling party even went as far as denying access to the food aid programs that donors provided. This finding was in essence similar to that of the HRW’s 2010 depressing reports.

In her article titled as “Cruel Ethiopia”, Epstein (2010), who traveled around many of the rural areas of the country as a healthcare researcher, described her observation about the many things that local powerful government cadres, who themselves “earn meager salaries... control access to food aid programs, fertilizers, educational opportunities, jobs, plots of land, small business loans, and even health care.” She wondered why donors subsidize brutality and why aid agencies turn a blind eye to a regime that uses donor aid as a weapon for its repressive tactics.

In 2009, [Hassan produced](#) a disheartening report regarding the deep-rooted corruptive structure of the so-called Productive Safety Net Programs (PSNPs). The report was based on sworn testimonies from those who were involved in the administration of the PSNPs who later defected to the West. That specific report not only showed the corruptive structures of the PSNPs but also how donor aid has become a stranglehold against the poor peasants and as a crashing hand for authoritarian predatory state. Former and retired employees of the World Bank who read the testimonies were both depressed and mystified by the report wondering how the resources of the organization they worked for could be captured and extorted by a kleptocratic regime and be used as crashing hands against those who were supposed to benefit from them. We have now further evidence regarding the endemic corruption structure of the PSNPs including the research works of [Nigussa et al](#) (2009), [Bazezew](#) (2012), [Endale](#), and as well as further investigative reports from [Human Rights Watch](#) and the [Oakland Institute](#), the latter two revealing the fact that donor aid continues to bankroll criminal activity in the country, some claiming the atrocities going as far as forcible dislocation of people that is tantamount to ethnic cleansing.

This work is motivated in part by the studies and findings that I put forth above as backgrounds. I use the aforementioned reports to show that the control of donor resources allowed the ruling party- the Ethiopian People’s Revolutionary Democratic Front (EPRDF), not only consolidate its political power that it seized in 1991, but also virtually penetrate the Ethiopian society at grassroots level and expand its repressive and predatory practices. I lay out a number of hypotheses at the outset: (1) What one observes in Ethiopia is a near complete capture foreign aid resources by the TPLFEPRDF to the extent that these resources poisoned the country with wells of deep corruption, these same resources fuelling, aiding and abetting corruption and leading to a kleptocratic system of governance; (2) In the Ethiopian context, one finds an unholy alliance between foreign aid and corruption and foreign aid and tyranny. According to [Debalke](#) (2012), donors for too long have looked the other way while the ruling party members and officials manipulate aid resources including foods supplies. And as the facts on the ground can easily attest, there exists a strong partnership between the authoritarian and highly predatory regime of Ethiopia

and foreign aid agencies and organizations; in this regard, donors and aid agency workers who were supposed to have the moral high ground have paradoxically become (unintentionally or not) accessories to the immoral acts by the state; (3) foreign aid has the perverse effect in Ethiopia for the poor: it has been used as a tool for extracting rents and “fatten the fat boys” and garner political support leading to an entrenchment of political power while at the same donor aid is being used as a tool to deprive the poor, oppresses the weak and the powerless, thereby, paradoxically increasing their misery and suffering instead of alleviating them; (4) Western generosity has incentivized rent-seeking activities and corruption resulting in a continuous scourge; (5) Ethiopians find themselves in a vicious cycle of poverty indicating that donor aid is turning out to be a curse instead of a blessing for them.

Overall, this work and my research elsewhere indicate that capturing donor resources, pillaging and plundering have long been trademarks of the TPLF/EPRDF, for the organization is known to have scammed and looted humanitarian aid, ransacked banks and publicly owned structures, looted and confiscated warehouses belonging to individual business owners when the TPLF was a Front. There is a strong parallel between the structure of corruption that took place in Post-Soviet Russia and Post-communist countries of Eastern and central Europe and that of Ethiopia, leading one to conjecture that the structure of corruption that one finds in the Ethiopia of today is the highest and most intractable form of corruption known as *state capture*. And, unfortunately, both humanitarian and development aid have aided the establishment of such a suffocating corruption scourge.

That corruption has become an intractable problem in the country has even been admitted by the two influential powerbrokers of the ruling party: Messrs. Mr. Sebhat Nega and the late Prime Minister Meles Zenawi. For example, in his February 2012 and March 2012 parliamentary addresses, Mr. Zenawi expressed his frustration about the rampant corruption in the country, sounding more subdued and even defeated by the extent of corruption in the country in his follow-up March than in his February address. He admitted that his administration learned that going after corrupt officials was insufficient, and perhaps an exercise in futility and an unwinnable war. He said that the fight against corruption was an “uphill battle mainly because corruption has elephant owners and those entrenched into it are fighting the government reform efforts tooth and nail.” He said the fight against the evil alliance between those “thieves within his government” and “robbers within the people” was analogous to [eating one’s body like a wounded hyena](#). In an apparent effort to deflect from an upcoming and damaging corruption perception survey conducted by Kilimanjaro International Corp., Mr. Nega lamented about the pervasive nature of corruption in the country, castigating the Ethiopian Ethics and Anti-Corruption Commission and the government for their unwillingness to fight corruption. Corruption is so rampant in the country, he argued, it even permeates the religious institutions.

II. Methodology and Framework of Analysis: The Concept of State Capture

I use inductive reasoning as my methodology in this paper. I use several commonly *observable* and foreign-aid related corruptive practices of the TPLF/EPRDF to inductively validate the general premises laid out above. Several theme-specific (government-sector) illustrations are used to show the exploitation and capture of foreign aid resources by various ethnically and/or regionally organized powerful groups. The paper uses the concept of State Capture as a framework of reference to explain the predatory nature of the Ethiopian state.

State capture is a form of grand corruption initially observed in post-communist countries evolving to captured-economies during their political and economic transitions. The concept gained traction after experts working for the World Bank and the International Monetary Fund described the phenomenon of corruption that was found in transition countries of Eastern and Central Europe and the former Soviet Union. The initial research papers which popularized the concept include, among others, the works of [Hellman](#) (1998), [Hellman, Jones, Kaufmann and Schankerman](#) (2000) and [Hellman and Kaufman](#) (2001).

State capture is situation in which powerful groups exert their corrupt and undue influence in

order to shape the institutions and policies, laws and regulations of the state for their own benefit rather than for the public good (Hellman and Kaufman, 2001:1). The phenomenon of state capture could arise and be practiced in several ways: it could result from powerful individuals, groups or firms using both non-transparent provisions as well as legitimate and transparent channels to deny competing groups have access to state officials and resources. State Capture could also arise from the exploitation of the “unclear boundaries between the political and business interests of state officials” by specific groups and state officials for their mutual benefits at the expense of the society in question (Hellman: 1998:3). According to Broadman and Recanatini (2001) state capture is a harmful corruption that subverts the entire political process in order to ensure that policies and regulations favorable to specific groups and businesses interests are implemented.

State Capture may differ from country to country. State capture could also be considered as a variant of a corruptive practice known as crony capitalism in which powerful groups, individuals and oligarchs shape and manipulate the formation of new policies- “rules of the game”-to their own advantages. The phenomenon could be observed whenever state officials pass decrees and/or legislative votes favoring the organized business groups, oligarchs or powerful individuals. It could also be observed by huge “[concentration of economic and political power](#)” and economic inequality arising from self-interested actors gaining and controlling over the state and its resources. The State Capture phenomenon could also be observed by the collusive activities of powerful leaders (regional or national), ministers, and legislative and judiciary executives, corporate executives of state institutions /agencies and party-owned companies. In some cases, state capture is a result of weakened legal and political institutions. In some other instances, captors purposely weaken the country’s legal and political institutions so that they would be susceptible to capture. It is also manifested by the failure of economic reforms and the stripping of public assets by some powerful individuals or organized groups using the “privatization” process. In some instances, state capture could be observed when organized groups clandestinely create a state within a state (“[parallel state](#)”) in order to influence the state structures, including the judiciary, the security apparatus, the military, and even the media. In some countries where state capture has occurred, the line between what is private and what is public, what is official and non-official, [what is state and what is market](#) are totally blurred.

State capture is distinguished from *administrative corruption* - the latter being the type of corruption that is observed in non-post-communist countries and defined and observed in the traditional manner. In particular, *administrative corruption* deals with the extent in which the bribe payer uses the *existing* laws, rules, and regulations to tip the balance in his favor while state capture refers to corrupt efforts to *influence* how those laws, rules and regulations are formed and implemented. It is also noted that state capture is an insidious, systematic, organized and predatory type of corruption while administrative corruption is less organized, episodic and more of an individualistic activity. As [Kaufmann explains](#), the captors may include any powerful individuals, an autocrat’s family members, ethnically organized groups, the military, powerful firms, or a combination of them who try to exert undue influence, or capture the “rules of the game.”

While largely similar, state capture in Ethiopia differs from those in post-communist countries in some important ways: For one, unlike their Russian and East European counter parts, the Ethiopian captors do not exclusively belong to the *nomenklatura* (higher officials of the communist parties), since a large portion of them were rag tag guerrilla fighters who had marched all the way out from the bushes to seize power and enrich themselves. Secondly, the Ethiopian state capture phenomenon is highly parochial (and quasi-feudal and ethnic-based) in nature. One also observes a very strong patron- clientelistic and neo-patrimonialistic nature of corruption in Ethiopia. Thirdly, unlike in other post-communist countries, in which oligarchs were forced out of political power, the Ethiopian captors continue to hold both political and economic power. The Russian oligarchs made their fortunes through wheeling and dealing and by committing all kinds of economic crimes including buying Russian assets at throw away prices. Mr. [Putin](#) did not like the political meddling of some of them and hence used his scorched earth tactics to put some of them behind bars and sending some of the others into exile while at the same time stripping of their assets. The captors in Eastern and Central Europe gradually lost their political clout partly due to the

desires and efforts of those countries wanting to join the European Union and fulfill the EU's conditions and the latter's assistance in fighting and eradicating state capture. Fourthly, state capture in Ethiopia is unparalleled in that it is a stronger form than one finds elsewhere in that it encompasses the seizure of the political apparatus and the commanding heights of the national economy –the seizure extending to the military, security, foreign policy and judicial system and even the media. In Ethiopia, the predatory oligarchs' appetite for controlling the commanding heights of the country's economy, misappropriating its resources and accumulating wealth using a network of political power continues unabatedly, thereby exacerbating the gaps between the haves and the have-nots. The elite predation has led to a virtual criminalization of the state to the extent that mafia type of criminal activities pop up occasionally. Another peculiar characteristic of State Capture in Ethiopia is its high level ethnocentric nature. As a result, the lines between what is official and what is private are totally blurred, and the party and the state are almost indistinguishable. It is for this reason that many are tempted to label the Ethiopian corruptive system as kleptocratic. As a result, they say, this captured economy is trapped in a vicious cycle in which any policy reforms designed to improve governance are doomed to fail due to the constant collusions between the powerful groups operating from outside or within the government.

Nonetheless, it is believed here that the Ethiopian corruption experience of the last two decades largely resembles that of East and Central Europe and the former Soviet Union (and in some respects the type of state capture that one finds in some parts of Africa, such as Uganda and Rwanda).

The rest of the paper is organized as follows: The next section presents a review of the literature, with special focus on the links between humanitarian and donor aid and corruption, aid and conflicts and the role of aid in fuelling conflicts and prolonging wars. Part III presents several theme and sector-based cases of corruption and capture. The cases examined are the Productive Safety Net Programs, privatization of state owned enterprises, causes for trade mispricing and illicit financial flows, the judicial system, resettlement and villagization programs, health extension programs and primary and higher education expansion programs. As this article exclusively focuses on the foreign-aid-corruption nexus, it is important to note that the selection criteria applied here the sectors being either entirely or substantially funded by donors. The use of cases allows me to show the manners in which the TPLF/EPRDF captured donor development aid and in turn uses it as a weapon of repression. While illuminating some light about the dark sides of the ruling party, the case-based analyses also reveal the culpability of donors who happily provide the fodder for corruption. For, as Abbnik (2009:18) aptly notes, the financial contributions of donors in effect have reinforced and furthered the corrupt and repressive EPRDF machine and its continuation of misruling the country. The last section provides a summary of the findings and their implications.

III. Literature Review

There have been two distinct debates regarding donor aid: one dealing with its effectiveness (and lack thereof) and the second one dealing with the effect of foreign aid on corruption. There are two competing arguments in regards to the former: One competing argument is that foreign aid is good to recipient countries because it helps them get out of their poverty traps by filling in their financing-investment gaps, foreign exchange shortages and by enabling them to have access to new technologies. A second major competing theory provides several plausible theoretical reasoning and empirical facts as why aid wouldn't work and even be counterproductive. Harvey (2012) sums it up like this: regardless of the inundating research and the huge debate, donor aid remains a somnolence, all this after \$4.6 trillion outflow that took place in the last few decades. However, a closer look of the same divided literature also indicates a substantial portion of the empirical literature finding either no, and in some cases, negative relationships existing between donor aid and growth. The consensus is that the effectiveness of foreign aid depends on the existence of good institutional environments such as good governance with minimal corruption, high quality public institutions, democratic governance and good economic policies in the aid recipient countries.

Another strand of study even goes as to blame the aid industry for aiding and abetting internal brain-drain. A study by the World Bank (1998), for example, accuses aid agencies inadvertently luring the best

and brightest of civil servants from the bureaucracy since they both have the desire and financial capabilities to do so. This would in turn reduce the effectiveness of the public sector and economic development, pushing the aid recipient country into a dependency vicious circle. In addition to the pull factors (higher salaries), one also need to consider the push factors when it comes to internal brain drain: Unable to advance their careers, inadequately compensated for their hard work, and in most cases usually ineffective at what they do due to bad environment surrounding the government bureaucracy, highly qualified, capable, and honest civil servants also get annoyed by the ongoing patronage, nepotism and overall corruption, pushing them to seek those NGO jobs. As articulated by aidthoughts.org, one major drawback of donor aid is NGO's continuous poaching of the best and the brightest which could only push the government to reduce its investment for human capital. Paul Collier (*The Bottom Billion*, 2007:4) of Oxford University, who served as a development expert at the World Bank, for example, goes even farther to accuse the well-meaning but "headless" aid NGOs contributing to the increased destituteness of the bottom 50 countries in the world.

Regarding the debate on the effectiveness of foreign aid and its lack thereof, the interested reader can consult the works of, for example, Griffin and Enos,(1970), Bauer (1976), Bovard (1986), Boone (1996), Calderisi (2006), Griffin (1991), Dollar and Pritchett (1998), Collier and Dollar (2002), Burnside and Dollar (2000), Dollar and Levin (2006), Benedek, Crivelli and Dunning (2004), Gupta and Muthoorra (2012), Easterly (2001, 2002, 2003, 2004, 2006, 2010), Easterly & Pfutze (2008), Huntington (1970-71, 1971), [Edgren](#) (2002), Kilby (2006, 2009), Kilby and Dreher (2009), Lensink and White (2000), Levine, and Roodman (2003, 2004), Knack (2000, 2001), Brautigam and Knack (2004), Lesson (2008), Sachs (2005), Mosley (1985), Mourmouras, and Rangazas (2009), Natsios (2006), Neumayer (2002, 2005), Stern (2002), Riddell (2008), Svensson (1999, 2000a, 2000b,2003), Travis and Zahariadis (2002), Tingley (2010) Lane and Tornell (1999), Williamson (2009), Fleck, and Kilby (2001), Zahariadis, Nikolaos, Travis, and Ward (2000), Younas (2008), Wright and Winters (2010), Woods (2005, 2008), [USAID \(2002\)](#), [Hansen and Tarp \(2000\)](#).

The second debate, the issue in which this paper focuses on, deals with the development aid-corruption nexus. There is a substantial literature regarding the relationships between aid and corruption, even though it is not as rich as the debate dealing with the effectiveness or ineffectiveness of foreign aid. The late Peter Bauer (1976), an expert on economic development, was one of the early researchers who expounded the negative correlation between corruption and foreign aid and strongly argued that foreign aid only helps corrupt governments stay in power. Bauer explained how investment could be unattractive to both domestic and foreign investors in countries where governments, public institutions and courts of law are corrupt and how fewer investments lead to a reduction in economic growth and thus an increase in poverty levels, thereby creating a vicious circle. Easterly's (2001) analysis is similar to that of Bauer's in that they show aid being wasteful and mainly benefitting the elite, encourages bad governance and broadens bureaucracies. As reported by Shleifer (2009: 378), Bauer is reported to have defined foreign aid as "a transfer of resources from the taxpayer of a donor country to the government of a recipient country." A significant portion of the benefit goes to the political elite (who both are holders of the levers and supervisors of donor aid distribution and who [use it as a means of dominating the poor](#)) and the educated elite (who are capable of maximizing their benefits as [subcontractors and job gainers](#)). Alesina and Weder (2002) find no evidence indicating that less corrupt governments receive more aid, and, in fact, governments which are more corrupt receive more aid. They also find no evidence suggesting an increase in foreign aid reducing corruption. Since a substantial portion of the aid funds are given for foreign policy strategic reasons, it is safe to assume that aid follows corrupt and dictatorial regimes. It is therefore wasteful and counter-productive to good governance and accountability. Acemoglu, Verdier & Robinson (2004:185) believe donor aid leads to (unforeseen) consolidation of power by kleptocratic regimes.

Moss et al. (2006) and Chabal and Daloz (1999, see, particularly chapters 7 and 9) explain the potential collusion between donor agents and government officials and argue how aid has become the source of clientelistic revenues, these revenues being used to build patronage, cronyism and maintain their political power. Those who tend to benefit from such a political environment are private contractors and

procurement agents, and the politically well-connected businesses (Chabal and Daloz, 1999:116). Boone (1996) finds evidence in which foreign aid increases the share of income held by the elite and while at the same time it decreases the share of income held by the poorest. Svensson (2000) shows a strong and positive effect of foreign aid on corruption. Svensson and Reinikka (2004) provide evidence for project-aid recipient schools for their educational projects receiving only 13% of donor funds in Uganda, most schools receiving nothing and a substantial portion of the grant being captured by politicians and argue that Uganda is not alone in this case. Ali and Isse (2003) find a highly significant correlation between foreign aid and corruption. They argue that Official Development Assistance (ODA) strengthens the predatory power of the government and thus undermines the emergence of the private sector. Bräutigam (2000) finds a negative and statistically significant relationship between high aid intensity and institutional quality, as measured by the International Country Risk Guide's (ICRG) 18-point index. She also empirically finds the existence of negative relationships between aid intensity and the quality of governance and documents how foreign aid transfers for an extended period of time results in aid dependence on governance in recipient countries. Since aid fosters corruption, this in turn destroys whatever social capital a country has. Bräutigam argues that foreign aid given particularly to countries with weak institutions undermines governance by reducing local ownership, discouraging local tax collection, accountability and the democratic decision-making process. Bräutigam and Knack (2004) show how corruption has been rife and deep-rooted in most aid recipient countries. They argue that foreign aid may actually exacerbate corruption in part because aid brings in more resources for those who may be interested to fight over it. Adams (1991:105) also believes that all that donor aid has done is help "favoured companies that supply this captive market, and the political parties able to boast of the jobs created," forcing donor recipients to "spend the money on donors' products at inflated prices." Djanvov, Montalvo, & Reynal-Querol (2008) find a negative relationship between democracy and aid. They find, as does Svensson (2000) that foreign aid creates windfalls in the same way natural resources such as oil do - encourage rent-seeking activities. They find the curse associated with aid being bigger than the curse associated with scarce but valuable resources such as oil. Hodler (2007, 2006), Svensson (2000) and [Djankov et al \(2006, 2008\)](#) show how foreign aid, as a budget windfall income, raises revenues thereby raising the potential to rent-seek temptations by competing groups. Using an index of corruption to proxy for rent-seeking behavior, Svensson (2000: 455), finds a correlation between aid and other windfalls with increased corruption in the form of rent-seeking activities, the rent-seeking activities accomplished through "direct appropriation, or by manipulating the political system to implement favorable transfers, regulations and other redistributive policies." Svensson also shows how rent-seeking and corruption could be relatively high particularly in ethnically diverse nations with several powerful competing groups. Similarly, Ades and DiTella (1999) argue that, donor aid, by its very nature breeds corruption because aid disbursements are effectively rents to be distributed by local authorities at their own discretions. [Terry \(1998:139\)](#) argues that humanitarian aid as an invariably largest foreign resource entering into a conflict zone is susceptible to predation and criminality because controlling this vital resource becomes an "objective in itself." According to Terry, humanitarian aid has also been used as a tool to diminish a country's sovereignty and as a means for foreign powers to interfere in the internal affairs of a nation. The World Bank itself provides three ways in which donor aid could lead to a resource curse, such as donor resources "[provoking a fight to control resource rents.](#)"

Grossman (1992), analyzes the allocative and distributive effects of foreign aid within a positive theory of insurrections. As a consumption good, foreign aid is like a booty and gift to the ruler which in turn could be used to distribute to the ruler's parasitic clientele, reduce tax rates and use it to suppress potential insurrections. On the other hand, foreign aid may create political instability due to turf battles and an intense struggle to distribute shares of foreign aid. De Waal (1997:11, 86) argues that humanitarian agencies stunt the political contracts of a government by carrying out its functions in addition to making them dependent on foreign assistance. Using the occurrence of famine as a context, De Waal (1996: 201-203) argues that humanitarian aid has contributed to the decline of anti-famine system for several reasons. For one, the entrance of aid agencies into the crisis removes the "social contract" that exists between the potential famine victims and their leaders.

Moyo (2009: 59-60) argues that not only has foreign aid, particularly non-humanitarian aid, become a breeding ground for corruption, but aid overreliance has also trapped developing nations in a vicious circle of aid dependency, market distortion and increased poverty. She claims 50 per cent of UK's aid ending up in the bank accounts of corrupt bureaucrats and aid causing unrest and possibly even civil wars. De la Croix and Elavallade (2012) empirically find a positive correlation between increased flow of foreign aid and corruption, a finding which is line with the finding that corrupt countries may receive more foreign aid. Amundsen (1999) argues that foreign aid intensifies patronage thereby aggravating the privileges and gains made by the elite and organized groups. As the most organized group within a society, the political elite and their clientele use the party and state apparatus to extract, allocate and distribute benefits amongst themselves and even strengthen their dictatorial tendencies and capabilities to control both the state and the general public. Whenever neo-patrimonialism and patronage prevail, resources, including donor funds and material aid, are distributed among and controlled by ruling elites to the detriment of the general public. Others such as Rashid (2005) go a little further to associate donors and NGOs themselves for their lack of accountability and transparency and their engagements to malfeasance and a culture of intimidation. Similarly, Hanlon (2004) observes a pattern of coexistence and growth of foreign aid and corruption in Mozambique, the actions of donors allowing and encouraging corruption and state capture. He argues that donors tend to tolerate blatant corruption as long as they believe the government claims to have put into place "market-friendly policy changes." We find Hanlon's description of Mozambique being similar to that of Ethiopia. Rimmer (2000), reveals that donor agencies, including the prominent USAID and other western aid agencies were found to be immersed in corruptive activities to the extent that at one time, the U.S. Congress had threatened to abolish the agency altogether. He argues that program aid which supports balance of payments shortfalls, falls in export prices and is in the form of debt relief are more prone to abuse and corruption than project aid. And aid related corruption reinforces patrimonialism which "drives the expansion of state controlled economic activity" (Rimmer 2000: 124), and encourages patron-client relationships. By distributing the aid largesse to their clients (who happen to be mostly elites), they guarantee reciprocity. Just like Rimmer, Sherman (1991) in her summary of Graham Hancock's book entitled as *The Lords of Poverty...*, goes even further to show that those benefitting from foreign aid flow being donor countries' special interest groups, the aid bureaucracy and elites in the aid recipient countries.

Knack (2001) shows how increased aid flow erodes the quality of governance. The author argues that, in addition to aid making recipient countries aid dependent, it increases the opportunities of corruptive rent-seeking activities and conflict over the control of donor funds. Kasper's (2006) findings show that entrenched corruption occurs in countries with poorly protected private property rights, over-regulated markets and a poor rule of law. Simply disbursing donor funds to kleptocratic regimes, therefore, would further debase the institutions of the aid recipient countries. In her book that used many years of her own field work, Polman (2010) provides numerous examples of collusion among aid agencies, the global media, and warmonger regimes and rebel fronts. She shows how tyrants engineer famines then invite the international media to film the results and generate aid flows into their coffers and how the agencies prop up the same appalling regimes by paying taxes on the aid they distribute and/or allowing their supplies to be looted by warring factions, thereby making donor aid a crime hot bed. Polman (op. cit.) cites numerous examples in which appropriated aid distributed in refugee camps had been looted by rebel forces, fuelled further conflicts and how rebel fronts have fed and armed themselves with resources obtained from international aid agencies and NGOs. According to Polman, the flocking of thousands of journalists and aid workers and journalists into the country brought a much needed foreign exchange for the regimes of Ethiopia which helped fuel the Derg's war machine. She convincingly argues why conflict-ridden countries and regions would have been much better off without aid and the intervention of international aid agencies. Polman's observations show why aid is politically non-neutral both in nature and in practice as aid agencies falsely claim. To begin with, the motivation to give aid by donors is largely skewed towards political considerations: military alliances with recipients and towards regional stability. The large amounts of money injected into the country enlarges recipient governments' bureaucracies, perpetuates corrupt governments, enriches their elites (Radelet, 2006), provides increased

fodder to corruption and props up weak and corrupt governments (Alesina and Weder, 2002), removes the pressure to reform, creates moral-hazard problems, fuels patronage and intensifies rent-seeking activities, among other things (Brautigam and Knack, 2004).

Using his extensive long experience in the Greater Horn and east Africa, Prendergast (1996) presents evidence showing how humanitarian aid sustained the military capabilities of governments and rebel fronts, exacerbated conflicts and hence intensified (unwittingly) destructions. Maren (1997: 38), another former relief worker and journalist, shows why the international aid industry has become a big business. The author uses a litany of examples, including the unbelievable fat salaries and perks of aid workers, thereby making the whole exercise insincere. Aid workers collect donations by inserting the photographs of emaciated children into their brochures while living luxurious lives in the midst of abject poverty. Using Somalia as an example, the author shows how the Siad Barre government and its elite collaborators enriched themselves by selling donated food and other aid material and by manipulating it for political purposes. In addition to creating dependency, Maren argues, international aid provides fodder to ethnic factions, political strife, wars and supports (perhaps unwittingly) dictatorial regimes. Nunn and Qian (2012) find direct correlations between food aid and civil conflicts. The authors find every 10 percent increase in U.S. food being associated with a 1.14 percent likelihood increase in the onset and duration of violent civil conflicts. Unwin (2004) argues that given the fact that nearly all aid recipient African countries are ranked high year-after-year in corruption rankings, this indicates the correlation between increased donor aid and corruption, not the other way round. One logical connection between aid and corruption is an issue that is as old as aid itself: aid fungibility, which involves the reallocation and redirection of donor aid by aid partnering countries. As Newby (2010: 9) illustrates:

Aid intended for the social and economic sectors in order to generate improvements in welfare may simply substitute the funds that governments would have spent on these sectors anyway. Thus, instead of increasing funds directed at growth and welfare improvements, aid may free funds for other purposes not intended by donors - and which are unlikely to benefit the majority of the population - such as military, personal appropriation of funds etc. (Swaroop and Devarajan 1998). This undermines the purpose of development aid, helps legitimize governments engaged in rent seeking and renders evaluation of aid effectiveness difficult.

While both the theoretical and empirical research on the aid-corruption nexus is replete with negative correlations or relationships, one hardly finds research showing a causal association between the two. No serious theoretical or empirical research is able to refute the existence of conceptual or empirical correlations between corruption and foreign aid. However, Tavares (2003) suggests that foreign aid, particularly the one which is associated with rules and conditions, and one which limits the discretion of the recipient country's officials is associated with decreases in corruption. Okada & Samreth (2012) show official development assistance (ODA) reducing corruption. Goldsmith (2001) finds positive correlation between increased development assistance and democratization in Africa. Charron (2010) tests the empirical relationship between aid and corruption reduction and finds a strong relationship between multilateral aid and lower corruption levels, but finds no significant relationship between bilateral aid and reduced level of corruption. Winters (2011:27) argues that, even though it is easy to find correlations between donor aid and corruption (incidence of capture), particularly in countries perceived to be corrupt, corruption and capture are less likely to be a problem in well-defined and targeted projects. Dalgaard and Olsson (2006) find a decrease in corruption with low levels of aid but find corruption increase with high levels of aid.

Another book that is worth mentioning dealing exclusively with Ethiopia is Famine and Foreigners: Ethiopia since Live Aid (2010)-a product of Peter Gill, one of the few journalists who extensively wrote about the infamous 1984-5 Ethiopian famine. At the outset, we like to state that the book by Gill is full of contradictions. For example, he describes Mr. Zenawi as smart and intelligent but also describes him as a dictator who is walking following the footsteps of his predecessors. Gill praises the government's Social Safety Net Programs but also says the influx of donor aid has brought little

improvement in alleviating poverty. Gill has got a few things right, however. For example, he is right in saying that famine is not a result of only drought; rather, it is mainly a result of maladministration, conflicts and civil wars. Second, he correctly blames donors and donor agencies for creating dependency and their friendly dealings with the ruling party and implicates them for the ills of the country. Third, we find his revealing depictions of aid agencies interesting and real. In particular, he says international NGOs must exaggerate the situations in the country in order to garner more donations from donors and ensure the viability the industry that they are deeply involved in. Fourth and most importantly, Gill says abject poverty in the country still exists because the causes and the forces that bought the 1984-85 famine still exist today. These include: authoritarianism and lack of political stability; conflicts and wars; climate change, natural disasters and environmental degradations; unconstrained population growth rates resulting in population explosions; and the ruling party's bad land tenure policies and highly fragmented land-holding practices, etc. Lastly, Gill's book suggests that the Ethiopian world has not changed after 25 years of Live Aid and Live 8 and despite the fact that the country has been an experimental hub for donors and aid agencies. [Geda's](#) (2011) work evaluates the impact of foreign assistance on the Ethiopian economy for the years of 2000-2010. He finds that donor aid was associated with increased inflation rates and dependency, with minimal impact in closing the country's saving-investment gaps². Some of the other and select donor aid related literature about Ethiopia include the work of Alemu (2009) who focuses on the [healthcare sector](#), Wassie on the [effect of foreign aid on government expenditure and revenue](#), and Gelan on [food aid serving as a disincentive to local production](#).³

IV. Development Aid, Predation and State Capture: The Role of Aid in Fueling and Sustaining Corruption and Undermining Good Governance

A. Introduction

Ethiopia is a darling of the aid community. It is the top recipient of bilateral aid from many donor countries such as the USA, Canada and the U.K. It is the largest recipient of Official Development Assistance (ODA⁴) in Africa and the third largest recipient in the world according to OECD's [Aid at a Glance](#). According to <http://www.oecd.org/dac/stats/>, the Net flows of ODA alone for the years of 2009, 2010, and 2011 was \$3.819 billion, \$3.525 billion, and \$3.563 billion, respectively, with a Net ODA/GNI of 12%, 11.9%, and 11.3% for the same years. The country's GNI per capita was \$350, \$390, and \$400, for the years of 2009, 2010, and 2011. It also reports that the country also receives [Emergency Relief Funds \(ERF\) from the United Nations, international NGOs, and several other countries](#) on a continuous basis in addition to the above. According to [one-org](#), in 2010, about six million people were in need of emergency food aid with another "7.5 million receiving government aid in return for work on community projects as part of the National Productive Safety Net Program. Across the wider region, 23 million people are badly affected." According to Bräutigam and Knack (2004), aid dependency as a situation in which a government is unable to perform core governance functions without foreign aid and expertise, as measured by aid allocation as a percentage of GDP (usually exceeding 10%). Given that the ODA/GNI ratio exceeds more than ten percent in the Ethiopian case and millions of people depend of the resources that donors provide, it is safe to say that Ethiopia is an aid dependent country. Studies by [Little](#) (2008) for

² Using his results from household perceptions who are known to be chronically food-insecure district in the Amhara region and who receive food assistance from the PSNP programs, [Dagnachew Siyoum](#) (2012), however, doubts the assistance would create a dependency syndrome due to the fact that food aid assistance comprise only a small amount of total food consumption needs.

³ The famous blogger, Professor Al Mariam seems to have taken the seriousness of the donor aid-corruption nexus and donors' culpability to the attention that it deserves. He has argued using several of his write-ups that donors have been busy "feeding the beast" and bankrolling kleptocracy irrespective of the regimes human rights transgressions and culture of corruption and in effect has been bankrolling kleptocracy in Ethiopia.

⁴ ODA is aid provided by donor governments to low- and middle-income countries and excludes and excludes Private voluntary assistance includes grants from non-government organizations, religious groups, charities, foundations, and private companies.

South Wollo and [Dagnachew-Siyoum](#) (2012), for two villages in the Amhara region go even further to indicate that the regions they studied rise to the level of dependency syndrome. It may be as a result of this dependency that foreign aid is not only welcome in the Ethiopia of today but also begged for to the extent that the leaders of the ruling party are heard bragging about their abilities to attract more foreign aid as years go by.

This section uses sector-based (theme-based) corruptive practices to show how the billions of dollars provided by multilateral financial institutions and donors have been captured by (ethnically organized) elite groups and how these funds have played pivotal roles in making communities and aid recipient citizens of Ethiopia to become highly vulnerable to capture by local elites. It is also intended to show how donor aid has undermined governance and intensified and fuelled corruption leading the country to be under the yolk of the highest form of corruption known as *State Capture*. In addition to supporting the research and investigative findings made by Human Rights Watch ([2010\(a\)](#) & [2010\(b\)](#); [2012\(a\)](#) and [2012\(b\)](#)), [Epstein](#) (2010), Hassan (2009), [BBC \(2011\)](#) and others, the following eight cases and theme-based studies provide conceptual ground to them. The cases examined are Productive Safety Net Programs, privatization of state owned enterprises, trade mispricing and illicit financial flows, the captured judicial system, resettlement and villagization programs, health extension programs, and primary and higher education expansion programs, which are all either entirely or substantially are funded by donors.

B. The Productive Safety Net Programs (PSNPs)

According to the [World Bank](#) and the consortium of the main aid donors group known as [Development Assistance Group \(DAG\)](#), Ethiopia started implementing the so-called Productive Safety Net Programs (PSNPs) beginning in 2005. The program was approved initially by the World Bank on November 30, 2004. According to [Gilligan, Hoddinott, and Taffesse](#), the PSNPs that are being implemented in Ethiopia are the largest social protection programs in Sub-Saharan Africa outside of South Africa. These programs were created to help households and individuals who are chronically food insecure, unable to work, or experience temporary decline in their purchasing power. The [World Bank](#), says the support constitutes in cash and in-kind transfer programs, in which subsidies were expected to protect the beneficiaries “from distress sales of their assets and build-up of assets such that they could graduate from the program.” According to those involved in monitoring and administering the PSNPs and the aforementioned donor sources, about eight million or more Ethiopians living in different regions were diagnosed to have faced chronic and temporal food insecurity problems in 2004. The mechanisms used for targeting eligible households included geographical, administrative, and community targeting approaches. As described by [Gilligan, Hoddinott and Taffesse](#) and individuals involved in administering PSNPs whom we interviewed, donors make funds available to the Ethiopian government (to the tune of an annual operating budget of \$500 million in 2008) so that the programs would be implemented, monitored and evaluated. The implementation of the PSNPs requires households and individuals to be identified and divided into several categories: Those categorized as labor-poor households/individuals which included vulnerable groups such as female-headed households, people affected by HIV/AIDS, disabled and the elderly were targeted to receive fee transfers (otherwise known as Direct Support or DS group) in the form of cash or food transfers. Those who were designated as “non-labor-poor-group” were targeted to benefit from the food-for-work program which otherwise is known as the Public Works (PW) and are paid 6 birr/day for being engaged in labor-intensive projects designed to build community assets. According to the [World Bank’s Project Assessment Report](#) (2011: vii), the PSNP was also intended to be a “mechanism to replace annual appeals for emergency food aid with a more predictable safety net to address chronic and seasonal hunger.” Those involved and who testified to us and the available literature (see, “[Case Study on Ethiopia’s Productive Safety Net Programme](#)”, for example) indicate to us that voluminous books/manuals were prepared by local officials dealing with the PSNP’s implementation, transfer modalities and [assessments are conducted](#) by those representing donor agencies and/or their contractors. As described by [Sharp, Brown and Teshome](#), the funds are under the control of the

government, that is, [kebele](#) (local) officials and party cadres who wield an immense amount of power. They are the ones who determine eligibilities to and designation of who is in the DS or PW category. This enabled the cadres, whose career in turn depends on recruiting all as party members and or supporters, to penetrate and control their own respective local residents at the household/individual level in a suffocating manner. I briefly illustrate some of the problems associated with PNSPs as follows:

Using the sworn testimonies provided by one of those who was involved in the administration of the PNSPs and who later defected to the West, [Hassan \(2009\)](#) produced evidence about the corruptive structure of the Productive Safety Net Programs (PNSPs). The nauseating report revealed that the ruling party has hijacked the PNSPs and inhumanely uses them as a political weapon. We later found out that [Nigussa et al](#) (2009: 255-57) have reported findings that are similar to that of Hassan (2009). Hassan's investigative report and that of [Nigussa et al's](#) (2009) research findings reveal that the PNSPs were entangled with a complex web of corruption that included outright fraud regarding the assessment of the value of household assets and their farm size; about how the PNSPs' resources are to be allocated to non-poor households,⁵ and the immense amount of nepotism that is prevalent within them. Researchers, observers and those who testified to me complain about a disproportionate share of the aid being appropriated to those who do not need it and to those who are close friends or relatives to the political cadres and kebele administrators, and those voting for kin, relatives, and households. As a result, they say, the PNSPs have played a big role in strengthening the existing patron-client system – this same patron-client relationship going all the way from the kebeles to high level party officials and cascading towards an asymmetrical relationship in which case the aid recipients lack any bargaining power while at the same time the political cadres and kebele officials (who are one and the same most of the time) enjoy very domineering powers over the “benefit” recipients. They find and testify that over-invoicing and falsification of accounts are common practice; that intentional misclassification of wealth and allocation of quotas do take place. In many cases, appropriate transfers were not made in a timely and effective manner. The aid appallingly failed to reach to those who were most vulnerable and fail as prescribed in the manuals, and in some cases aid resource cadres at kebeles extort funds from targeted recipients.

Politically, the process of selecting the beneficiaries and their designations as DS and PW groups have raised the political influence of the ruling party, thereby increasing the suffocating power of the elite and the cadres over the aid recipients. In effect, they say, the PNSPs have become party recruiting and vote maximizing tools and resources for the ruling party particularly during election periods, in addition to enabling the government to penetrate each household at the grassroots level in a highly intrusive manner. In a nutshell, the \$500 million a year donor aid has become a rich resource in a midst of extreme scarcity for the powerful to grab it and use it for their own advantage- revealing that the TPLF/EPRDF has captured this resource⁶.

Other researchers who find similar problems include the survey results obtained by [Bazezew](#) (2012: 605, 611-2), who says that the PNSPs suffer from serious limitations during the planning and implementation process to the extent that the process has thwarted beneficiaries from graduating thereby creating a dependency syndrome. As [Endale \(2012:6\) notes](#), “targeting the chronically poor households is exposed to cheating and corruption,” and one of the examples includes those who are non-chronically poor being included in the program.” Similarly, [Uraguchi \(2012\)](#) finds several difficulties including errors of inclusion and exclusion (that is, food-secure households being included and food-insecure households being excluded)⁷.

To sum up, this social experiment and financial wherewithal has allowed the regime to be

⁵ As reported by [Belay and Abebaw](#), the Agricultural Extension sector also faces similar problems such as extension agents supplying “more services to those farmers who are financially sound...”

⁶ Jason McClure from Bloomberg News [was briefly arrested, beaten and threatened to be expelled out of the country](#) when he attempted to investigate reports regarding the misuse of Productive Safety Net Programs.

⁷ Of course, one would expect arguments being made favoring the PNSPs. One can find a plethora of such documents indeed, nearly all of them coming out of the multilateral institutions such as the World Bank, bilateral agencies, and the government of Ethiopia. Some of these include that of [Gilligan, Hoddinott and Taffesse](#) (2008), [Sharp, Brown, and Teshome](#) (2006), [World Bank \(2011\)](#) and [Andersson, Mekonnen, and Stage](#) (2009).

domineering, extremely intrusive and abusive. In the Ethiopia of today, the repressive hands of the TPLF/EPRDF virtually control all the economic and political resources in predatory ways, the predation resulting in *state capture*, the most pernicious form of corruption that is observed in Russia, Eastern and Central Europe and some parts of Africa. State capture goes beyond humanitarian and development aid. As [Lefort succinctly put it](#) (26 November 2012): "... the tentacles of the single party penetrate to every level of the administration: it has consumed the State from the inside. Its agenda takes absolute precedence. The TPLF holds the key positions in the nationalised companies and the web of 'private' firms that in reality it controls, the so-called 'parastatal companies.'"⁸

C. Economic Restructuring and Privatization

There are numerous economic benefits to be gained from economic restructuring/liberalization and privatization (see Filipovic, 2005, for example). *A priori*, I, therefore, understand why the World Bank and the International Monetary Fund were keenly supporting privatization in Ethiopia. However, many citizens, observers and even researchers such as [Young](#) (1997), Hailu (2005), Regassa (2003), Berhanu and Vogel (2009), Demissie (1996), [Minga Negash](#), [Mulataa](#), [Ewnetu](#) (2005), [Kidān](#), [Assefa Negash](#) (1996), Anonymous (2006), [Ayele](#), [Agerachinen Enadin/TG](#) (pseudo name) and [Mersha](#), find several problems with the ways in which the Ethiopian economy and the State Owned Enterprises (SOEs) were restructured and privatized, the restructuring process done with the help and push of the World Bank and the International Monetary Fund. Young (1997:86) notes, for example, that the IMF was known to have praised the late Mr. Zenawi for his privatization plans "... despite the fact that a number of companies have subsequently been taken over by TPLF and other EPRDF affiliates..." Vestal's (1999) take (see, particularly, Chapter 7 of his book) is similar to that of Young regarding the mishandling of the privatization scheme. [Wikileaks](#) reported that illegal acts such as insider deals took place during the privatization process in addition to the party-owned conglomerates receiving special treatments, including access to limited credits, access to foreign exchanges and to bids of contracts and customs clearances. Even the pro-government biweekly news magazine, *The Reporter*, in both its [English](#) and [Amharic](#) versions in 2010 questioned how the Legedembi gold mine was sold to Sheikh Al-Amoudi' Mohammed International Development Research and Organization Companies (MIDROC). The paper said that there were signs indicating that competitive bidding was not accomplished and contents of the concession agreement were hidden from the public. The paper implied that Al-Amoudi's companies benefitted from "special treatments he gets from the government in terms of bank loans, access to land, taxation, and privileged bidding for government contracts." It also said that, when it comes to the Legedembi gold mine, there were reports to the effect that a South African company had participated in the bid that was

⁸ My conjecture is that achieving double digit economic growth, if it indeed has occurred, would be an exception in that development is impossible to be achieved under conditions of State capture. Regarding this issue, a more constructive and deeper analysis why the purported high level of economic growth may not be possible, is provided by two manuscripts written by Abu Girma Moges (2013) entitled as: "Fiscal Federalism in Theory and Practice" and "The Challenges and Policies of Poverty Reduction in Ethiopia." The public sector investment-led growth strategy which is "largely geared towards extraction of fiscal resources from the economy" constantly runs unsustainable budget and current account deficits and is unacceptably dependent on foreign assistance. The current system is "highly intrusive and restrictive in nature creating hurdles for private investment, weakening the domestic saving effort, stifling competition and dampening cooperation, and in the process affecting the sustainability and pace of economic growth in the country." P. 14.

In his poverty paper, Abu Girma Moges goes on show the problems faced by the agricultural, industrial and service sectors of the economy. For example, the agriculture "has been saddled with serious problems of lack of access to land, ownership right of the peasants to their land, deterioration in fertility, soil and land degradation, lack of access to credit services, poor agricultural and marketing infrastructure, and dependency on the vagaries of nature. Pp. 28-32. The industry sector is also besieged by "hostile investment climate, institutions and attitudes set a hurdle for sustained improvement in the productivity of labor." P. 31. The service sector may be growing but, as Professor Abu indicated, (p. 21) its growth is a result of Ponzi scheme in which games are played in the distorted financial and real estate markets. The artificially low interest rates has allowed party and government-owned corporations and private companies to extract rent from the general public- the government and its policies playing a big role in the Ponzi game.

All of these factors exert adverse influence on the growth of the sector and hence the national economy.

floated to privatize the mine and that the bid documents it submitted were improperly taken to an individual's private home and used as a template to prepare a superior bid to benefit MIDROC.

According to Hailu (2005: 54), survey respondents involving key Ethiopian officials and informants believe that the privatized enterprises were underpriced and hence sold at throw away prices. His informants also indicated that the entire Ethiopian Privatization Agency (EPA) was understaffed, ill-equipped, lacked sufficient resources and was filled with mostly less qualified personnel for it to be able to carry out its duties of restructuring and privatization. Regassa's (2003:57) work indicates that the EPA was understaffed, ill-equipped and many of its staff members lacked the professional qualifications commensurate to their job, to the extent that it was not possible for EPA to carry out privatization effectively and "ensure speedy privatization." In his response to Professor Ejigu Demissie's article, [Minga Negash](#) notes that "favouritism and clique building flourished around the privatization boards, [to the extent that] in one day, 98 new cadres were appointed to head the 104 factories." In her several commentaries, Mersha has argued that some of the privatized Ethiopian SOEs were sold to TPLF supporters at throw away prices. In a public perceptions survey about Ethiopia's privatization policy and procedures, Mengistu and Vogel (2009) find that survey respondents believe the Ethiopian government had failed to address important issues before implementing privatization. These include the government's inability and unwillingness to establish "adequate institutional and technical capacities for proper implementation." Survey respondents also believed that the privatization scheme was non-transparent. The culture of corruption, scandals and nontransparent nature of donor funded projects has even affected the fabled [Ethiopian commodity Exchange](#), an agency established with financial support from the World Bank and USAID. As reported by [Hassan \(2009\)](#), [Mersha](#), and [Bloomberg News](#), Mr. Zenawi used the ECX as a cover to expropriate the assets of privately owned coffee exports, and make way for the party-owned company- Guna Trading which afterwards came from nowhere to be a leading exporter of coffee. According to [Mezlekia](#), the World Bank was forced to cancel a loan for the ECX due to alleged fraud during a specific bidding and procurement process. In fact, awarding no bid contracts in Ethiopia under the EPRDF is a common practice. Examples include the [Gilgel Gibe](#) hydroelectric projects and projects pertaining to Ethio-telecom

The history of privatization has indicated that privatization is effective only if and when the necessary regulatory structures are put in place to enhance and maintain competition, maintain transparency in transactions, avoid regulatory capture and patronage, and if and when it is possible to ensure that the revenues from privatization sales are put to productive uses and long-term economic development. When it comes to the Ethiopian economic restructuring and privatization, many authors such as Vaughn and Tronvoll (2003), Abegaz (2011), Altenberg (2010), Milkias (2003), Gellaw (2009, 2010), Mersha (2010), Young (1997), [Vestal](#) (2009), and Negash (2010) present numerous examples why the restructuring process did not work and/or was improperly handled. They report practices of nepotism, patronage and cronyism. They argue that the rushed and mishandled restructuring and privatization schemes had led to the commanding heights of the Ethiopian economy being in the hands of a few party-owned conglomerates known as EFFORT (in which high level party leaders serve as Board of Directors) and the Al-Amoudi owned conglomerate -[MIDROC](#). In its 2007 report, the World Bank states: "...In some instances, direct competition between endowment and private firms has resulted in the closure and exit of the private firm...." The World Bank's 1998, 2007 and 2009 reports also acknowledge the Ethiopian system as being highly opaque in which patronage is common practice, particularly of party cadres being appointed to posts (below the level of head-of-department, normally the lowest position that is politically appointed) and thus politicizing the bureaucracy. Politically appointed officials, some in low-level positions, are reported sometimes to be more powerful than ministers and to be amongst the people who ensure that government contracts are directed to party-affiliated companies. In describing the peculiar Ethiopian situation, Anonymous (2006: 2) notes: ".....When political parties become traders especially those in power, all other traders would be at a disadvantage." Eyesus W. Zafu, the former president of the Addis Ababa Chamber of Commerce complained to the same effect as presented in the May 16, 2002 edition of the now defunct *Addis Tribune*. In its March 2006 Country Report, U.S. Department of State mentions several problems as late as 2005 expressing its frustration about the "lack

of transparency in the cancellation of telecommunications, power, and other infrastructure tenders raised suspicions of corruption. In addition, government officials appeared to manipulate the privatization process, as state and party-owned businesses received preferential access to land leases and credit.” [Ayele](#) informs us that the TPLF had to dismiss thousands of non-Tigryan civil servants and professionals and replace them with Tigryans to “facilitate wholesale plundering of Ethiopia” and the hauling process. Similarly, Assefa Negash (1996) explains how the TPLF systematically dismantled the country’s developmental structures, resources, machinery and other assets and hauled them off to Tigray, the home state of the hegemonic TPLF. [Mulataa](#)⁹ explains some of the major initial capital sources of EFFORT and its subsidiaries. They were obtained from selling equipment and military hardware considered by the TPLF as its own war booty and from selling surplus food and non-food resources that the TPLF obtained from international donors.

The above brief presentation shows that corruption is endemic and corruptive practices are the modus operandi in the Ethiopian body politics. Most importantly, I believe and my research elsewhere also indicate that the type of corruption that exists in Ethiopia is similar to (and in some respects worse than) those found in transition countries whereby power is subverted and has become subservient (by design and intent) to the interests of party-owned companies and powerful interest groups. Unlike that of Eastern and central Europe, State Capture in Ethiopia is still ongoing further indicating that state capture in Ethiopia has become more endemic and pervasive than what was observed in Eastern and Central Europe.¹⁰ Big business and officialdom are so intertwined that in the Ethiopia of today, the country’s resources are distributed according to the whims of those in power in a predatory manner. The restructuring and privatization scheme has helped the establishment of a clan-based oligarchic system in which wealth, power, family and ethnic affiliations are intertwined. In effect, the multinational institutions’ rush for privatization and liberalization has led to the stripping away of Ethiopia’s assets and the creation of a suffocating oligarchy.

D. Illicit Financial Flows

In a rather lengthy report entitled as “Bringing The Billions Back: How Africa And Europe Can End Illicit Capital Flight,” [Fröberg and Waris](#), tell us that the sum total of illicit financials flow leaving developing countries each year “amounts to ten times the annual global aid flows and twice the debt service developing countries pay each year.” As [Bouchet and Gros Lambert](#) (2006:13) argue, to the extent that foreign aid fuels corruption, it also instigates and contributes to capital flight and money laundering. This is because those who obtained funds in a corruptive manner send them overseas fearing those funds would be caught by authorities sooner or later. The lack of an environment conducive for safe saving and investment is known to exacerbate the problem of illicit financial flows. According to [Eurodad fact sheet](#), the flight of capital coming out of developing countries such as Ethiopia diverts development finance given by donors. As [Reed and Fontana](#) state, “illicit flows are intimately linked to large scale corruption.”

⁹ In an article that appeared on July 16, 2002 in Addis Fortune, [Worku](#) says that, at one time, the President of the World Bank, following the complaints of the Chamber of Commerce and perhaps realizing the difficulties claimed by the TPLF, who are at the same time ruling the country, to claim the resources it confiscated from Ethiopia as its war booty, asked the late Mr. Zenawi to divest the party enterprises. Similar requests are known to have been made by the EU and the IMF. It is widely speculated that Mr. Zenawi refused their requests, telling them that the properties of the companies exclusively belong to the TPLF. It should be known that business leaders had confronted the late Prime Minister complaining about the blatant favoritism of these same companies which had forced other privately owned companies to close and for the Para-NGOs to monopolize some of the vital sectors of the Ethiopian economy.

¹⁰ The TPLF is known to have created sisterly par-NGOs to be owned by its satellite/surrogate ethnic-based coalition partners. These regional-party owned businesses, Endeavour of ANDM (Amhara), Tumsa Endowment (formerly Dinsho) of OPDO (Oromiya), and Wondo Group of SEPDM (Southern). Several reports indicate a diminishing market share of the latter three due to several factors. These include corruption and lack of competitiveness, stiff competition from privately owned companies, and most importantly, increased dominance of the supra-national EFFORT and its subsidiaries as well as from MIDROC.

Indeed, the amount of capital leaving Ethiopia is staggering. Such a staggering loss of funds was reported by [Freitas](#) as well as [Global Financial Integrity](#) (which puts the amount of funds that Ethiopia lost between 2000 and 2009 to be \$11.7 billion.)¹¹ Similar reports have been made by local biweekly magazine, *The [Ethiopian] Reporter* in its [Saturday, 11/3/2012](#) edition, [Boyce and Ndikumana](#) (October 2012) and the [UNDP](#). According to [Boyce and Ndikumana](#), Ethiopia has lost \$24.9 Billion in Capital Flight in 40 years and 3.4 Billion in 2010 alone. The *Reporter* notes that as much as 15 billion dollars flew out of Ethiopia in less than a decade - 3.5 billion lost in 2010 alone¹². When it comes to Ethiopia, other than trade mispricing (that is, under-invoicing of exports and/or over-invoicing of imports), the other major hard currency and money laundering sources for the illicit capital flows are remittances and donor aid. In this regard, the amount of wealth sent from (mainly) developed nations is just rerouted back to its origin, instead of being retained and used for development purposes. In an expression that probably represent the majority of Ethiopians and those who care about its people, [Freitas](#), put it:

No matter how hard they [i.e. Ethiopian people] try to fight their way out of absolute destitution and poverty, they will be swimming upstream against the current of illicit capital leakage. The global shadow financial system happily absorbs money that corrupt public officials, tax evaders, and abusive multi-national corporations siphon away from the Ethiopian people.

According to Global Financial Integrity, what is more worrying is that the study showing Ethiopia's losses due to illicit capital flows are on the rise. For example, in 2009, illicit money leaving the economy totaled US\$3.26 billion, which is double the amount in each of the two previous years. According to the UNDP, the illicit financial flows involve the "cross-border transfer of the proceeds of corruption, trade in contraband goods, criminal activities, and tax evasion." In its 2010 report, the global standard setting body for anti-money laundering (AML) and combating the financing of terrorism (CFT)-[Financial Action Task Force \(FATF\)](#) -complained about Ethiopia's failure to commit to the AML/CFT international standards and its refusal to constructively engage with the FATF or the FSRB. According to that report, Ethiopia was identified as being among the world's top five worst countries (along with Iran, North Korea, Angola and Ecuador) in the world for strategic AML/CFT deficiencies. Such a refusal would make the country to be extremely vulnerable to illicit activities, the report stated¹³.

This brief section is intended to show the [intimate link between illicit financial flows and large-scale corruption](#). The limited sources I examined and studied indicate that capital flight is both a symptom and an outcome of governance breakdown in source countries as well as in the international financial system. It is a result of corruption, dysfunctional regulation and weak enforcement of rules which includes a recycling of generous development aid flows. As [Kar and Freitas](#) note, illicit flows are driven by the

¹¹ Given this fact, it is not impossible to think that donors did not know the billions of aid dollars they push out of their doors were being rushed into Western banks by greedy and corrupt government officials of Ethiopia.

¹² In a meeting he has with business people in mid-2011, even the late Prime Minister Zenawi admitted that \$2 billion was stolen and the funds extradited to overseas banks and that he knew who stole them and where it is deposited. But, as usual, his administration never followed up the case to prosecute the thieves, as he used to like to call them.

¹³ In 2009, [Wikipedia](#) listed the late Mr. Meles Zenawi as the 10th richest leader with a net worth amounting \$1.2 billion. In May 2013, [therichest.org](#) reported Mr. Zenawi's net worth as \$3 billion. While it is very difficult to ascertain the validity of these numbers, there are indications that the rumors are largely true. For example, [dwardo Molano](#), Africa correspondent of the Spanish newspaper, ABC Internacional, filed a report regarding the most extravagant first ladies of Africa. According to Molano, Meles Zenawi's wife spent 1.2 million Euros just in one of her shopping sprees in Europe. One can get the picture if he is told that Mr. Zenawi's monthly salary was Birr 6400, which is equivalent to about \$385, not even enough to sustain the family monthly livelihood. [Several reports](#) in the past have also reported that TPLF's leaders and their families having their own foreign bank accounts as well as "[financial securities, real estate companies, and mansions in upscale residential areas of the UK, Germany, France and the United States](#)" some of them being observed traveling to foreign capitals to complete their shopping sprees. In addition to the meager salaries of the officials, the birr is not an internationally convertible currency and hence has to be internally converted. Repeated anecdotal evidence also strongly indicates that members of the TPLF are active players in the parallel market. All these show, therefore, that the sources of humanitarian and development play a big part for the illicit financial flows out of Ethiopia.

existence of a large scale underground economic activity in which the latter is a byproduct of bad economic policies. Looked this way, the Ethiopian *huge illicit financial outflows and money laundering should not surprise anyone given the web of corruption that the country is mired in and the strong mix between politics and business* that is unparalleled anywhere else in the world, as Minga Negash (2013) shows. In corrupt countries such as Ethiopia, development aid fuels illicit financial outflows as some of this same humanitarian and development resources which are flooding the country are rerouted back to developed countries via the active foreign exchange black markets.

E. The Captured Judicial System

The fact that the Ethiopian judiciary system is highly corrupt is common knowledge. This all began as soon as the TPLF/EPRDF took power in 1991. According to [HRW](#) and the *Ethiopian Register* #5 (April 1998), the problem exacerbated as a result of the summary replacement of experienced judges by cadres and inexperienced “judges” in mid-1990s. This fact is also corroborated by a study that was conducted in 2003 and funded by one of the donor countries, the [Swedish International Development Agency \(SIDA\)](#). The study says the judiciary problem all began in the mid-1990s with the purging of the competent former members of the judiciary and their replacement with those cadres masquerading as judges. The [bertelsmann-transformation-index](#) puts the situation this way: In Ethiopia, “there is no rule of law and no equal treatment of all citizens before the courts, most judges serving under the Derg were sacked, and although in theory the regions have extensive judicial powers, devolution has tended to weaken judicial autonomy further.” Similar accounts were made by [Ashebir Alemu](#) in an article which appeared in Sudan Tribune. Describing the steps taken to assault the judiciary system preparing the ground for a complete capture, Alemu wrote: the TPLF/EPRDF “summarily fired trained and experienced judges; opened a ‘law school’ for its cadres at the Ethiopian Civil Service College” and then on the authorities began routinely intervening in court proceedings so that judges would not be able to operate independently, to the extent of “ordering judges to pass verdicts against citizens perceived as enemies of the party.”

According to [Abebe \(2013\)](#), the abuse of the judicial system in Ethiopia has [nonsensically](#) risen to a situation in which the ruling party reverted to rule by decree and proclamation that is poorly drafted and serves the political exigencies of the day, instead of following the rule of The legal expert and human rights activist Professor [Al Mariam shows](#) that the ruling party’s practice of ruling by law (ruling by diktat) violates Article 20 (3) of the Ethiopian Constitution. It is now customary for Ethiopian courts to pass judgments against political opponents and journalists following the [government’s pronouncements](#). As [experts in the field](#) attest, the regime passes highly restrictive laws so that it would be conveniently used to attack opposition parties and citizens who resist its repressive activities¹⁴. As [Awol Allo](#) describes it, the rule by law and the passing of new laws have allowed the regime to, for example, transform its potential political adversaries and the Ethiopian people as a whole as threats and potential terrorists and to rationalize, justify and legitimize its own violence against the people and the ones it labels as “terrorists,” and strikes them with torture and long-term imprisonments. The investigative report from International

¹⁴ As everyone knows, the late Mr. Zenawi was a regular attendee of the G8 and G20 Summits. Mr. Zenawi had in fact attended all the G-8 summits since 2005, except that one that was held in Russia in 2006. He also has attended many of the G20 summits, including the one that was held before his death [in Los Cabos](#), Mexico. He attends all of them representing Africa and partially to make the case for more aid. This being the fact and even though he goes there as an invitee and not a part of the deliberative body of the G8 or G20 members, the highly controlled and captured local media was trumpeting his appearance as if Mr. Zenawi was there because the G8 and G20 leaders recognize him as being one of the Great Leader. At one point, when Meles Zenawi showed up in London, the TPLF’s mouthpiece, Aigaforum.com posted this on its web page in Amharic: “የኢትዮጵያው አንበሳ ሎንዶን ላይ አገላ”, whose loose translation means: “The Ethiopian Lion is roaring in London.”

This clearly shows that, when it comes to Ethiopia, donor aid plays a king maker’s role. In addition to the regime’s perfection of the art of beggary, his appearance along the G8 and G20 leaders is used to boost the public image of an absolute dictator, his continuous appearance bestowing him prestige among the gullible while at the same time being used, directly or indirectly, to intimidate his opponents, we all in deep trouble.

[Crisis Group](#) also describes the Ethiopian situation as: “Authoritarianism was given a veneer of legitimacy through laws that – under the guise of national security – the parliament passed between 2007 and 2009 to stifle dissent and ensure against any interference in government affairs.”

Even the country’s major benefactor, the World Bank’s own [2004](#) and [2012](#) and several of its other reports indicate that the donor institution knew all along that Ethiopian authorities frequently interfere with judicial independence. Nevertheless, the World Bank and donor countries continued to provide their financial support to the country’s judicial sector as part of the so-called [Public Sector Capacity Building Program Support Project \(PSCAP\)](#) and the comprehensive Justice System Reform Program (JSRP). The World Bank has been relentlessly and endlessly furnishing millions of dollars in the name of “reforming the justice system, “civil service reform,” “institutional capacity building,” etc. despite its acknowledgement of the existence of serious corruption in the country. Even the Bank’s own “[rather watered down report](#)”- [Diagnosing Corruption in Ethiopia](#) (2012: 319) - that it produced in collaboration of the Ethiopian Federal Ethics & Anticorruption Commission (FEACC) says that “... in cases important to the government, judges were more likely to sway their decisions (a) in line with explicit instructions, or (b) still more likely, terms of with what they believe the government wanted. Judges could be dismissed if they fail to execute what officials who look at them over their shoulders tell them to do so. Another lengthy assessment of corruption survey conducted by [Kilimanjaro International Corporation](#) sanctioned by the World Bank and the FEACC identified the judiciary, law enforcement community, municipalities, and the Ethiopian Revenue and Customs Authority (ERCA) as places that most people perceived as being prone to corruption. Previous reports such as the 1998 and 2008 surveys of the World Bank and the surveys conducted by other agencies have also reported that, in many occasions, the police frequently refuse to obey court orders. Such favorable justice (or injustice) is observed particularly when prosecuting government supporters and party members is involved, and when judges instruct prosecutors to release political detainees held in police custody. In the Ethiopia of today, an endless cycle of judicial adjournments is the unwritten law of the land which is largely the result of political pressure on the judicial system. The U.S. State Department annual reports such as the one for [2012](#) reports the judiciary being “subject to political influence” and the police, the judicial and administrative being highly corrupt. In the Ethiopia of today, authorities such as the late Prime Minister Zenawi, in [collaboration](#) with the [captured media pass guilty verdicts on suspects before they have their days in court](#), in violation of the constitution. Once instructed, the newly appointed judges pass verdicts as pronounced by the authorities and the captured media. Such atrocities have been repeatedly reported by [HRW](#), [Amnesty International \(AI\)](#), and the Committee to [Protect Journalists \(CPJ\)](#). As we noted above, the capturing of the judicial system all began as soon as the TPLF/EPRDF took power in 1991. Using the words of the HRW, “[powerful local administrators have in many instances shown alarming indications of interference with the independence of the judiciary.](#)” As we reported in the introductory part of this paper, the fact that the country is mired by a web of corruption is admitted even by the two powerbrokers of the regime and founders of the TPLF (the dominant party within the EPRDF of the ruling party) - the late Prime Minister Zenawi and Mr. Sibhat Nega, one of the founders of the TPLF.

The repugnance nature of the system was revealed by a recently leaked document involving minutes that was held at the late Prime Minister Zenawi’s office dealing on how to suppress the growing peaceful protests by Ethiopian Muslims.¹⁵ That specific meeting involved major personnel of the state security team - the then Deputy Prime Minister and now Prime Minister Haile Mariam Desalegn, Security Chief Getachew Assefa, Police commissioner Workneh Gebeyehu, defense minister Siraj Fegesa, Federal Affairs minister Dr. Shiferaw Teklemariam. The meeting was chaired by Mr. Zenawi. Even though the

¹⁵ Even though there are no differences of opinion about the ruling party’s use of corruption as a trap, there two widely divergent views about this leaked document. One of the referees of this manuscript and few many others believe the document was purposely leaked for disinformation purposes. On the other hand, this writer and many other Ethiopians who examined the document believe the document was genuine and leaked by top level government officials who are either sympathetic to the protesting Muslims and/or who had a falling out with the regime.

leaked minutes are important revelations, as far as the Ethiopian people are concerned, all the leaked document did was reveal the open secret and the elephant in the room: that the TPLF/EPRDF intentionally and repeatedly pushes members of the military officers, politicians, bankers, businessmen, tax collectors, potential future opponents, bureaucrats, and prominent individuals, and according to this specific leaked document, even religious leaders into repeated corruptive activities for the sole purpose of trapping them! As the prominent Ethiopian journalist [Sisay Agena](#) describes it, the TPLF's trapping is just like grabbing a professional soccer player's hand (other than the goal keeper) to touch the ball in the midst of an ongoing professional soccer match play within the penalty area so that the player would be red-carded and sent-off the field. They do this because they know these folks would not turn out to be whistleblowers and potential political enemies once their hands are dirtied with their involvement in corruption. But most importantly, once they become corrupt birds, they would have no choice but flock together along with the EPRDFites! This is how scandalous and sickening the current Ethiopian political system has become.

Now that we have the above as backdrop, I leave the issue to those whose area of expertise is law and reforming the judiciary system. My purpose here is to show the reader the predatory nature of the judiciary system that is under full control of the TPLF/EPRDF. I argue that the unprecedented level of predation has led to a criminalization of the entire state. The regime's control of state institutions, including the judiciary, law enforcement and security apparatus as well as the regulatory agencies (through a rubber stamp parliament) has allowed it to control the entire economic system via formal or informal means. Nevertheless, international donors continue putting their funds into the coffers of the regime in the name of judicial reform despite the fact that these same funds are being used to recruit and hire "judges" who are subservient to the regime and despite the fact that the judicial system continues to lack accountability, transparency and integrity. I argue that the captured donor funds play a huge role for the malaise that the Ethiopian judicial system is in. In his article titled as "[Donor Dollars Aiding Political Repression in Ethiopia](#)," Peebles (16 July 2012) says the Ethiopia of today is such that an ideological poison has polluted all of life, rural as well as urban and every part of the government sector, including the judiciary which are all "washed in Revolutionary Democracy", the doctrine of the ruling party." Thanks to donors who provide about \$3 billion each year in long-term development aid (more than a third of the country's total annual budget, according to Peebles and others), these funds are used for strengthening the suffocating hands of the dictatorial regime. Since the government holds the purse strings of every dollar and cent allocated for all major areas of development work such as the so-called Protection of Basic Services (PBS), Productive Safety Net Program, Public Sector Capacity Building and the General Education Quality Improvement, those who want it and depend on it have no other means than obliging to do whatever the regime wants them to. In the words of [HRW](#), donor aid and the ways in which the funds are set-up to be in the hands of the ruling party has enabled higher level authorities to control the *woreda* (regional) and *kebele* (local) officials so that the "state/party officials [would] have significant influence over the livelihoods of citizens."

Thanks to the assault, interference and other repeated abuses of the judiciary system, the regime is able to change the norms and traditions of the country leading to a continuous deterioration of governance to the extent that the patron-client structure erected across most key positions has turned out to be repugantly nepotistic. This fact was even admitted by the pro-government local weekly, *The Reporter*, in its [December 1, 2012](#) edition. The paper summarized the frustration as follows:

The laws continue to be broken favoring the rich, the well-connected and those who can afford to pay bribes. The corruption virus has even affected the judicial sector to the extent that it is also engulfing the diplomatic sector of the government.... Justice is getting scarcer by the day in Ethiopia. It has become pointless to lodge a complaint with government agencies because none of them are responsive to the public's grievances. The problem of dispensing justice is systemic; we find ourselves at a time when corrupt and dictatorial public officials as well as their network of cohorts have taken the upper hand leaving honest, law-abiding and patriotic citizens victims of injustice and feeling sidelined and disenfranchised.

In its [April 2nd 2012](#), report, the *Reporter* describes the situation as if the entire country is mined with a web of corruptive explosives. It called on the government and the general public to find experts who would dismantle the explosives before they destroy us all.

The fact that the country has slid into mafia type of corruption as the *Reporter* put it supports my argument about the country being afflicted by the highest form of corruption known as State Capture. This finding is supported by another sisterly working paper of mine. That specific working paper affirms that the TPLF is a very secretive organization, such a depiction giving credence to the *Reporter's* claim about the existence of organized crime in the country.

F. Donor Aid and the Health Extension Programs

According to [Alemu \(2009\)](#), the Ethiopian health sector is one of the many government-run institutions that is heavily funded by donors, with at least “10 multilaterals, 22 bilaterals, and more than 50 international NGOs” contributing millions of dollars into it on annual basis. Admittedly, donor funded health care have resulted in [improvements](#) in the overall [access to healthcare services and health indicators](#), the gains appearing in reductions from maternal and infant and child mortality rates, decreases in malaria infections and mortality rates, increases [in immunization and contraceptive use](#) and the delivery of services to HIV and tuberculosis (TB) infected persons. Among all the donor-funded Protection of Basic Services (PBS) programs, this is perhaps the only sector in which laudable achievements have been recorded and in which the benefits of providing the services perhaps outweigh the costs associated with the corruptive practices brought about by donor aid. Unfortunately, and as one would expect, the political desire to boost the number of extension workers has compromised the quality of the health delivery system in the country, a complaint that one can hear even from the health extension workers themselves. The compromised quality is attributable to inadequate training and the healthcare workers being sent to rural areas without [adequate supplies of equipment and drugs](#). Even one of the benefactors of the program, the [World Health Organization](#) (WHO) could not resist voicing its concerns regarding the overemphasis on health personnel numbers and the compromised quality exhibited by the increase in the number of lower-level healthcare staff. Even though these are mostly efficiency issues, both past and current practices of the regime in power strongly indicate that the rush to boosting the number of healthcare workers is also associated with guaranteeing the flow of donor funds. We want to show here that, in addition to the captured donor supplied sources being used for recruiting an increased number of political cadres, there is deception involved here as well. For one, an increased number of healthcare workers do not necessarily guarantee better results. But most importantly, there is a moral hazard problem here perhaps due to the asymmetric information regarding how the donor provided healthcare funds are used. The regime knows there are serious quality issues involved even though the 2006 edition of the World Bank's [Healthcare Financing Guide](#) indicates that donor also know this to be the case. In many cases, a substantial portion of the health care funds do not reach the clinics and hospitals at the end of the line. The government also knows that these funds are vital in recruiting more party members contrary to donors. Furthermore, past experience regarding both humanitarian and development aid indicates that the regime in power knows that there is a willful neglect on the part of donors even though they might know the risks involved when their aid captured by the state.

Unfortunately and as illustrated by [HRW](#), the distribution of healthcare services, including the placing of clinics, referral notes for hospitals, etc. are completely in the hands of kebele officials who abuse their power while determining eligibilities. According to [Abbnik](#), (2009:21), the government's control of people's lives has led trust in the government institutions to be very low, “even as compared with other countries in the African region” to the extent that only 13% of those surveyed in the 2007 Gallup Poll having confidence for the health care system. The control of the health care resources and personnel is similar to those that one finds within the PSNPs and the agricultural extension sector- a strong patron-client relationship which characterizes the regime in power. The patron-client relationship is also observed in contracting. This fact is even admitted by the much ado about nothing [World Bank report](#) (2012:34) which is produced in collaboration with the FEACC.

In a rather heart-wrenching article titled as “[Cruel Ethiopia](#),” Epstein reports her finding which is based on her own field-work that took her around the country. Epstein’s report reveals that the cadres and kebeles (local) leaders cared less about the difficult conditions that the Ethiopian peasants and poor people are under. Like their communist compatriots elsewhere in the world, the cadres and kebele officials control the people under them, a reality that is described by [Abbnik](#), (2009:21). The ways in which Epstein describes the behaviors of the party officials from top to bottom sounds as if each one of them is acting like a parrot, each one of them repeating the words of his/her immediate superior: each one of them claiming about the rapid declines in child mortality rates and AIDS and malaria infection rates; the abundance of medicines; the mushrooming of rural clinics; the absence of corruption; the lack of absenteeism of the diligent health workers from their posts and the overall high quality health delivery system that existed in the country. Such an efficient delivery system, thanks to donor funds, they all told her, would lead the country to meet its U.N.- supported Development Framework (UNDAF), the Millennium Development Goals (MDGS), and the Plan for Accelerated and Sustained Development to End Poverty (PASDEP). Unfortunately, her observations of the reality on the ground led her to conclude that the authorities and the powerful cadres were cooking up the books! Contrary to the parrot-like claims of the cadres and kebeles leaders, she was surprised to see instead thousands stunted children and mothers who were afflicted with diseases due to malnutrition, despite the fact that donors had been pouring into the country billions of dollars in foreign aid, estimated to be in excess of \$30 billion (excluding remittances) since the regime took power. As one would expect, her reporting was met by applause from prominent [bloggers](#), [aid experts](#), and, of course, attacks¹⁶ from [government corners](#), and the highly [organized aid industry](#), in addition to the lukewarm [criticisms](#) and [denials](#) from those representing aid institutions, which includes the World Bank, the World Health Organization (WHO), the U.S.’s USAID and the U.K’s DFID. One who follows the harsh criticisms being hurled at her from the NGOs and government supporters cannot stop the thought if the so fitting title of her article-Cruel Ethiopia- also fits the appalling cruelty of the donors and their enabling funds.

For our purposes, albeit the great strides made in saving lives, the health sector and the funds provided by donors are also captured by the ruling party, the TPLF/EPRDF, to the extent that donor aid has been fuelling corruption in this case as well. Headed by a TPLF executive member, Ministry of Health was one of the captured institutions in the country. The capturing is manifested by healthcare extension workers being coerced to serve as political cadres¹⁷, to the extent that their tasks as political cadres and as healthcare extension workers have become indistinguishable from each other. The capturing is assisted by the fact that, most, if not all, of the donor funds are channeled into the government’s budget through the PBS programs. That is why health care workers are caught lying about the increased provision of public services, in the same way that their compatriots absurdly pile up their double digit economic growth rates *ad nauseam*. The parroting of achievements in the healthcare sector is similar to that of repeating the ambitious targets set out by the government as if they are real, as [Lefort](#) aptly noted which is worth repeating here:

Although the “developmental state”, in its current form, has brought remarkable progress, it has reached its limits. The first question concerns the reality of its achievements, notably the famous “double digit growth” since 2004, which the authorities constantly extol. In fact, this figure is the product of a vicious circle. The government sets absurdly ambitious targets. The work of every public servant is assessed against those targets. Their careers depend on it. And of course, they claim to have achieved them. Then the targets are raised again. Once again, they claim to have met them. The lie becomes institutionalized. The gap between basic national realities and the image that the authorities perceive and communicate, from summit to base,

¹⁶ And whenever the regime suspects that NGOs whose resources that they depend and feed on may reveal the truth, it never hesitate [suspending their operations and kicking them out the country entirely](#).

¹⁷ Additional factors that played in the crystallization of the captured nature of the community health workers sector system to me include anecdotal testimonies from the members of the healthcare workers themselves. They include testimonies heard on the Saturday programs of the [Deutsche Welle Amharic radio](#) and personal testimonies provided to me.

has become so great that it could be said that Ethiopia has turn out to be not so much a Potemkin village, as a Potemkin country. Sooner or later, the authorities will have to deal with the shockwave those results when the truth inevitably comes out.

The captured nature of the entire system is illustrated by [Epstein's own words](#): “Local government officials earn meager salaries, but are enormously powerful because they control access to food aid programs, fertilizers, educational opportunities and jobs, plots of land, small business loans, and even health care.”

The fact that the Ethiopian healthcare sector would not be immune to corruption is even attested by the most friendly corruption report from the World Bank, an institution that lets corruption take place under its noses and then throws on us its “whitewashes and half-truths.”¹⁸ Writing for the health care sector, [Safedoff and Crepin](#) (pp. 35, 37), state that within the health care sector, the units that highly prone to corruption include the budgetary misappropriations and financial oversights, drug and healthcare equipment procurements and distributing, with rampant record keeping failures (p. 37). In a [separate and more candid exposition](#), Savedoff, whose same work was funded by the World Bank candidly, put it as follows:

Though the study was not as in-depth as I had hoped, I still came away with the sense that corruption – in the sense of theft and failure to deliver services – was relatively small in the health sector. Yet people continued to tell me that the health sector was “corrupt.” When I inquired further, I realized that they meant the government was using health services and employment opportunities to amass greater power (not personal wealth). That showed me just how tricky the role of benevolent dictators can be to policies on foreign aid....When leaders are repressive but provide good government (in the sense of delivering public services and presiding over growing economies), support for foreign aid is easier to justify. In such cases, though, the long-term impact on development (in the sense of building functional political institutions) can still be devastating.

Categorizing it as one of the new sectors, this same [World Bank](#) -EPRDF/FEACC (2012:34) joint report says the sector is “on a trajectory similar to highly corrupt countries.” As [Lewis](#) (2006) notes, “Unfair hiring practices, nepotism and preferential treatment to well-connected individuals” is a common practice as is [missing medical equipment](#). Political party owned pharmaceuticals commonly [distribute counterfeit drugs](#), thereby threatening the safety of the poor citizens of Ethiopia, in addition to negatively impacting intellectual property. Counterfeit anti-retrovirals being in the market is even admitted by the ruling party itself, as reported by [whpa.org](#). This fuelling corruption by donor aid is in addition to these same funds being used to recruit party members, for handing out jobs for party loyalists and to sustain the patron-client system of governance. The natural questions is: Why do donors continue to pour their funds into the hands of a kleptocratic regime if these same funds continue to fuel corruption and get siphoned off to other uses?

G. Corruption in the Education Sector

Education is also another government sector that is heavily funded by both multilateral and bilateral donors. Unfortunately, this sector is also afflicted by the corruption conundrum to the extent that it cannot even escape being labeled as “one of the expanding sectors prone to corruption” by its major benefactor, the World Bank (See, Latham, pp. 67-120 in [Diagnosing Corruption in Ethiopia](#)¹⁹.) It is

¹⁸ These terms are borrowed from a prominent lawyer and blogger: Professor Al Mariam.

¹⁹ Diagnosing Corruption in Ethiopia is produced in collaboration of the government controlled [Federal Ethics and Anti-Corruption Commission](#) (FEACC).

vividly clear that school physical infrastructures and enrollments have ballooned at all educational levels in the last few years, all due to the huge influx of funds from donor nations and multilateral institutions such as the World Bank. At the same time, [Hassan and Ahmed](#) (2010) report that these infrastructure and enrollment “explosions” have been accompanied by dramatic erosions in quality and even exaggerations in enrollments- these exaggeration being partly due to fabricated statistics and double-counting enrollees who later dropped out, rapid increase in the number of school structure (primary, secondary and tertiary) being erected as a show-offs to donors. Quality has been compromised due to extreme inadequacies in [staffing, resources and finance](#). The newly built universities have been facing several challenges ranging from staffing to shortages of books, equipment, supplies and in the overall rendering of better quality of education. As [Dyson](#) (2012) reports, serious issues such as “growing doubts about the quality of teaching and other resources, as well as the employability of graduates” are now surfacing within the educational system. Increased enrollment, both real and fabricated, are in turn used to extol the popularity of the regime, defraud donors and attack opposition parties.

As of 2008, the regime declared that only 30% of college-bound students would be allowed to major in social sciences while 70% of them would be designated towards the fields of science and technology. Such a statist (dirigisme) policy for education put the selection of college-bound students in the hands of party officials (and out of universities), which in effect made the selection process to be “not only based on academic but also on ‘political qualifications.’” ([Abbnik, 2009: 17](#)). [According to Addis Fortune](#), the directive was intended to reduce the skilled manpower that the country has been facing and in reducing those intending to leave abroad. If that is the case, the question that the authorities should answer is “Why do young and educated Ethiopians just want to leave the country?” Is it exclusively due to economic reasons or to avoid political and religious repressions? Why do Ethiopians, 46% of them on net, want to leave their own country, as the research work of [Esipova, Ray, and Srinivasan](#) reveals? Instead of minimizing the country’s vulnerabilities and going after the roots of the problem to minimize vulnerabilities, as [Addis Fortune](#) noted, the ruling party instead put undue burdens on potential employers by denying them “access to any students’ grade reports to measure the talents of candidates for certain jobs.” The statist and control freak nature of the regime is revealed by its 2010 directive that the regime issued regarding higher education. Using that directive, the government banned off-campus education, and ordered private universities to close their degree programs in law and education. Would a government that depended on taxpayers’ revenue follow such a statist and dictatorial policy? I seriously doubt it. The sad truth is that donor aid has enabled the regime to dictate the terms of who should go to college and what each student must study.

It is virtually impossible to find a job in party-affiliated companies, which, according to the [World Bank](#), the party-affiliated companies account for at least roughly half of the rest of the national economy. One cannot find a job within the government sector either unless a graduating student had already become a member of the ruling party while in college. Given that educational expenditures are largely borne by the public through government expenditures, and given that nearly all the assets for education are in the hands of the government, foreign aid in this sector is also used to recruit party members and discriminate those who are unwilling to join the ruling party- a patron-client (state capture) type of corruption that I have been explaining to have taken place in several other government sectors.

Of course, State Capture is always accompanied by other forms of bureaucratic corruption. Unfortunately, it is reported that higher level of the educational institutions in Ethiopia are being engulfed with corruption- a fact even the pro-government webpage, [aigaforum](#) could not hide its disappointments. The rather friendly World Bank-FEACC collaborative report admits that, favoritism/nepotism, cronyism, and extortion and falsification of documents are common; capture of recruitment by vested interests, fraud and cheating during examinations are at higher level of risk (See Latham, [Diagnosing Corruption in Ethiopia](#), pp., 88-107.) [Tekeste Negash](#) (2006) illustrates this in a rather lengthy and devastating report titled as: Education in Ethiopia: From Crisis to Brink of Collapse. He fears a gradual deterioration of education quality in the country leading “to the collapse of the education system.” The report from [the Independent Commission for Aid Impact](#) published by the OECD notes that donor aid, such as the one

provided by the UK's DFID, might have expanded access to basic education and boosted enrolments but quality has been compromised. As [Gebre-Selassie](#) aptly put it, the Ethiopian education system is now in shambles, for the:

Ethiopian education system under EPRDF is primarily an incubation ground for party hacks and political cadres. Teachers who should have been helped with professional training and whose input into the betterment of education should have been sought, are instead politically indoctrinated constantly, harassed for independent thinking, and locked with the government in a never-ending war. A party that had 300,000 members in 2001 now boasts a staggering 5 million members.

What is perplexing is the extent of wishful thinking and delusion that one finds within college-bound students and those who are already in college to believe that joining the ruling party would guarantee those promised jobs to them by the time they are done with college. It is impossible to believe that such a Dirigisme system would create enough jobs for all those who want to join the TPLF/EPRDF. To their dismay, many of the Ethiopian college graduates are finding it out that the misguided and corruption afflicted Ethiopian economy cannot generate enough jobs for all EPRDFite, no matter how loyal they are to the party. The ruling party is now embroiled by the fact that graduate unemployment has become an explosive issue in the country.

The fact that the TPLF/EPRDF is using development aid as a political tool by conditioning access to essential government services such as education reveals nothing other than the existence of an impermeable corruption. To guarantee the flows of those funds, all that the regime has to do is erect more buildings to be used for "education" but effectively to maximize the number of party members. Donors may be providing huge sums of funds but, as the 2013 report of the [Auditor General](#)²⁰ indicated, there are serious financial irregularities within the ministry of education and several universities. Even the much ado about nothing report of the World Bank (Latham) report (2012) could not resist admitting the existence of high level of corruption related to procurement within the sector and substandard building supplies being bought and some of the newly built schools being unsafe. The reality on the ground is that the quickly erected universities are surrounded by overcrowded classes, shortages of textbooks, outdated teaching materials and (intentionally blocked) a lack of access to the World Wide Web. It is not uncommon to hear professors complaining about the threats they receive from their (party-member) students who demand specific grades that they do not deserve. In addition to grade inflation, the high risk of bribery, extortion, favoritism reported by [Latham](#) (op. cit.), one can also observe the debilitated nature of the Ethiopian college level educational system by looking into the structure of the secondary education which has created students that come to universities totally unprepared, the politically motivated syllabi and educational curricula, promotions and tenure process being linked one's political views, the decreased level of research and the demoralizing working conditions. In the situation that Ethiopia is in, success is not measured by its real benefits, nor is it measured by its opportunity costs, nor by the side effects of some decisions. It is rather measured by erecting gigantic infrastructure projects, which in turn are used as show offs to guarantee more flows of donor funds. The long-term consequences for all of these mess-ups are unthinkable, indeed.

H. Corruption in the Villagization and Resettlement Program

The resettlement/villagization program is one of the Promotion of Basic Services (PBS) programs that are funded by donor nations such as the United States and United Kingdom and the World Bank. As described by the World Bank and bilateral donors, the PBS aims to expand access to services to the rural population, the services encompassing the areas of education, health, agriculture, water supply and sanitation, and rural roads. The program is supposed to bring together the heavily scattered villagers into

²⁰ I thank one of the referees for asking me to include these corruptive practices to show the unbounded use of donor funds by the ruling party.

new and urban-like villages so that the aforementioned provision of public services could be economically feasible and their benefits maximized. As advocated by the Derg regime and perhaps now by the EPRDF, the resettlement is designed to resolve the country's recurring drought problems and population pressures from northern areas where the land had been badly overused. As [Guyu Ferede Daie](#) (2012) put it, the current “villagization is aimed at collecting a scattered settlement pattern of rural populations onto a nucleated form of villages to sustainably supply rural communities with social and economic infrastructures so that they can improve agricultural production and productivity.” According to [Oxfam](#), the Derg’s villagization scheme was even more comprehensive in that it was “intended to regroup the scattered homesteads, small hamlets and traditional villages of the *entire countryside* into a completely new pattern of grid-plan villages, laid out in accordance with central directives.”

Assuming that the authorities have the necessary resources and administrative capacity to provide the prescribed services and provided that all stakeholders are adequately consulted, I argue that the country could benefit from villagization and resettlement programs. One has to know that highly scattered and fragmented rural population make the delivery of economic and social services such as establishing internet servers, mobile phones, water wells, electricity power lines, freight, and airports to be very expensive, if not impossible.²¹ If done properly, therefore, villagization and resettlement programs could lead to clusters thereby helping the nation to benefit from economies of agglomeration.

It is also important to note that the idea of villagization and resettlement is neither new nor is it a grandiose idea concocted by the current regime. As we all know, such programs have been implemented in [other African countries](#) such as Tanzania, Rwanda, and Mozambique. Resettlement programs in Ethiopia began during the Imperial regime of Haile Selassie and were largely funded by the World Bank. The projects implemented during the Imperial regime of Haile Selassie included undertaking agricultural research, the construction of roads, reforestation, providing credit to farmers and marketing services. Such programs were implemented using regional programs such as the Chilalo agricultural Development Unit (CADU). They became widely practiced during the Derg regime and the programs were largely funded by the World Bank and the United Nations. The implementation practices of TPLF/EPRDF villagization programs are nearly identical to the ones practiced by the Derg regime.

However, the scope, and the sources and magnitude of the funds flowing into the coffers of the current regime are wider and bigger, with many bilateral nations (in addition to the World Bank) such as the U.S., U.K. and the European Commission being heavily involved in funding the programs. One distinguishing characteristic of the Derg and EPRDF’s resettlement and villagization programs is the high degree of coercion and family separation as compared to those practiced during the Imperial regime of Haile Selassie and to the other East African countries. The ways in which the current regime has sold the programs to donors is also seemingly to be more modern and sophisticated in that the villagization schemes are intended for better schools, clinics, cleaner water, and as the [authorities tell us](#), more democratic than would be otherwise.

The programs implemented by the Imperial regime were criticized because the government failed to compensate the evicted peasants while at the same making way for large and mechanized farms. The Derg’s villagization and resettlement programs failed due to the politicization of the issue and the mistakes and missteps committed by the regime during the implementation process. The controversies surrounding the Derg’s and EPRDF’s implementation of the programs are largely similar in the deplorable atrocities being committed against the peasants by both regimes²². The Derg regime is known to have

²¹ As reported by [Foster](#), a study conducted by the World Bank and other donor agencies indicate that low density is makes infrastructure investment to be very expensive, believed to be near \$400 per capita in sub-Saharan Africa as compared to \$200 per capita elsewhere. When it comes to electricity, for example, the operating costs are estimated to be \$0.30 per kilowatt hour in sub-Saharan Africa as compared to just \$0.10 per kilowatt hour in other places of the world.

²² According to [William Davison of Bloomberg News \(2013\)](#), those affected by the current regime’s villagization, particularly the Anuak refugees in Kenya “allege that villagization mirrors previous brutal resettlement campaigns. They charge the government with Stalin-style collectivization that has increased poverty, carried out by beatings, rape, and killings.”

used excessive force “[including executions of uncooperative farmers, the burning of houses and crops](#)” during the resettlement process. The Derg Regime’s resettlement programs are also known to be too harsh on separating families and the lack of medical attention provided in the resettlement centers. According to HRW and other humanitarian organizations, [tens of thousands died](#) due to the Derg’s forced resettlement and villagization programs.

The similarities of the Derg and the current regime’s implementation of the programs emanate from both being too statist (dirigisme). Implementation of the programs is wholly top down rather than bottom-up, based on coercion and compulsion rather than consultation or voluntarism. One of the distinguishing characteristics of the EPRDF’s implementation scheme is the amount of secrecy involved and the lack of transparency, this being the case even to the donors²³. As a result of the politicization and mishandling of the programs, the two statist regimes perhaps irreparably damaged the potentially useful programs to the extent that no politician would venture to touch it again.

There are additional problems that are peculiar to the TPLF/EPRDF regime regarding the implementation of the resettlement and villagization programs. For one, the environmental problems and the issue of land scarcity are more acute than ever. Secondly, the TPLF/EPRDF’s so-called (small-scale based landholding) Agricultural Development Led Industrialization (ADLI) experiment that began around the mid-1990s has miserably failed. ADLI failed largely due to its misguided implementation and due to a system which encourages rent-seeking activities. This failure is exacerbated by the regime’s land tenure policy which has alienated the peasants by denying their security of ownership. The current rulers of Ethiopia have realized, as the [Economist](#) noted, that highly fragmented and tiny farms are unreliable to make money, to depend on as sources of input for potential agro-based industrialization, failed to bring the planned and sought after foreign exchange revenues and even to withstand the “inevitable seasonal failures.” Aware of the failure and out of desperation, the ruling party now moved to large-scale based ADLI, subsumed under the so-called Growth and Transformation Plan (GTP). But, as we pointed out above, difficulties rose partly due to scarcity of land. Faced with these and other problems, the current authorities see no other option than evicting hundreds of thousands of peasants from their villages. Unfortunately, the Ethiopian people are paying for the policy mistakes that the ruling party has made in designing and implementing its ADLI program. Third, the misguided land tenure policy, while hampering economic development and holding millions in poverty traps, has boxed the ruling party in an unenviable position while at the same time exacerbating the land degradation and environmental problems. In addition to these, the system has created a mismatch of understanding (asymmetry) about who owns land between the peasants and ruling party and its cadres. On the one hand, the government and its cadres think all land belongs to them and can do anything with it, including doling out the farmlands to foreign investors at throw away prices and a select party-owned companies and political allies, while at the same time kicking peasants out of the land without adequate compensation. As is observed in urban and semi-urban areas, the erected system has emboldened local cadres to evict individual occupants and even entire villages at will and sell the land several times over to different constituents. The government’s eviction of peasants from their land contradicts its own constitution and land policy which are supposed to guarantee social equity and tenure security. On the other hand, the peasants who still believe the constitution guarantees (usufruct) them to hold the land that they obtained from their ancestors had to resist eviction. The resistance of peasants from eviction also emanates from the fact that the constitution protects them from the government’s arbitrary eviction without commensurate compensation. It also emanates from real fear and insecurity on the part of the peasants since they lack marketable skills that are easily transferable to others uses of production.

Fourth and most importantly, the current regime has become extremely dictatorial and unpopular. What this and the Derg regime failed to understand is that gigantic programs such as villagization require cooperation from the people who are being relocated. But, the people who are being relocated can only

²³ Another distinguishing feature may be the amount of money that the current regime receives from donors. According to [William Davison of Bloomberg News \(2013\)](#), for example, the World Bank in 2012 approved \$920 million for the resettlement/villagization (and perhaps other) programs.

trust a government that is honest, credible, and democratic and one which prefers to use consultation rather than coercion, important ingredients that are not part of EPRDF's DNA.

What is even more different and fitting with the current regime is its insatiable desire to seize and capture resources, whether those resource are provided by the donors or not. The extreme desire to capture everything might have emanated from a feeling of insecurity, which in turn is a result of being politically unpopular. It may also have emanated from the desire to give the ruling party a monopoly power to land while at the same time denying anyone else its ownership, for ownership could beget independence. It is only viewed this way that one can understand the atrocities committed by the current regime as described by reputable organizations such as Human Rights Watch ([Ethiopia: Forced Relocations Bring Hunger, Hardship](#) and ["Waiting Here for Death"](#)), [Oakland Institute](#), [Inclusive Development International](#), [David Pred](#) (who happened to visit the refugee camps), and even researchers such as [Guyu Ferede Daie](#) (2012). These humanitarian organizations, investigators and researchers all have noted that atrocities such as intimidation, beatings, arbitrary arrests and detentions, rape, torture and extra-judicial killings have been committed by the current regime during the eviction process. Many say that the eviction of peasants in the Gambella region from their ancestral land amounts to a crime against humanity.

Several sources also indicate that, in large part, the government has failed to provide the basic infrastructures and services it promised to the peasants being evicted; that the government has been dishonest in saying that the land given to investors is [unused and the resettlements were voluntary](#) contrary to the facts on the ground. May sources, including those evicted say that the granting of the fertile lands to foreign investors are actually at the expense of local peasant farmers; that the implementation of the programs have failed, and in some cases it has already brought [hunger and suffering](#) and has exacerbated poverty; and most importantly, the level of coercion involved is so high that it has resulted in land grabbing and ethnic cleansing, such an atrocity evidenced by the evictions of the Amaras from the Benishangul-Gumuz and Guraferda, Bench Maji Zone²⁴. The land grabbing that involves ethnic-cleansing by local officials is even now condemned by Prime Minister Hailemariam Desalegn, who told his captured parliamentary audience that the evictions were illegally made by "land-grabbing and rent-seeking local officials" and has pledged to stop it. Unfortunately, he did not say those who committed crimes against humanity will be brought to justice.

The fact that local officials could grab lands illegally and criminally evict tens of thousands of Amharas and more recently Oromos and Afars, from their homes and the lands they had been using for decades, and the fact that officials in the Gambella region could evict indigenous people, while at the same time committing numerous atrocities says a lot about how much power local officials have over millions of citizens. This overwhelming nature of their power is also evidenced by the extensive level of corruption involving urban land. Now that kingmaker Zenawi is dead, the actions of the [regional kingmakers](#) (local rent-seekers, according to [Prime Minister Haile Mariam Desalegn](#)) seem to be beyond the control of even higher level authorities. The high level of corruption (State Capture) regarding land grabbing, selling and reselling of both rural and urban land by officials at all levels is a kind of corruption unseen anywhere else in the world. The sad part about the whole issue it is that, all these atrocities are committed in the name of villagization and resettlement programs which are totally funded by donor nations and institutions such as the World Bank. In effect and as claimed by the human rights organizations and opposition groups, donors are indeed underwriting the political objectives of the ruling party, its policy failures and corruptive practices. The fact that donor funds provided for the resettlement and villagization programs to illegally evict hundreds of thousands of peasants from their land also testifies to the classic case of fungibility of donor funds. That is, donor aid given for one program is being

²⁴ Implementing the villagization and resettlements programs was supposed to take place primarily within the Amhara and Tigray regions, for the population pressures and land degradations are more acute in those regions than within the Benishangul-Gumuz and Guraferda, Bench Maji Zone and the Gambella region. Perhaps, this is the reason provided to donors for providing their funds. If this happens to be the case, it may be safe to say that donors' funds are used for undesigned purposes and commit ethnic cleansing.

spent on another program, in this case for ethnic cleansing and mass internal human displacement. The ruling party would not have committed all these atrocities were it not for the financial largesse it obtained and controlled from donors, an enabling corruptive practice that has its roots when the ruling party was a liberation front. It is for this reason why donors cannot escape culpability to the crimes against humanity that are being committed by the ruling party.

Summary, implications and Conclusions

This paper went beyond and above of the misuse of donor aid resources and tools of political repression. In particular, the paper shows that donor aid has been and continues to be captured by TPLF/EPRDF resulting in the highest form of corruption known as State Capture. The paper also showed that the provision of development aid played and continues to play a big role in the development and institutionalization of state capture in Ethiopia. This paper, particularly if it is read along with the sisterly paper dealing with humanitarian aid-corruption nexus would help the reader understand that capturing foreign aid is a learned behavior and practice on the part of the TPLF-beginning all the way when it was a rebel force in the 1980s. The analysis provided in that paper ties the capturing of development aid by the TPLF/EPRDF and its skillful use of donor aid to advance its own narrow political and economic interests, which has resulted in a strong form of patron-client relationship and kleptocracy.

The provision of welfare in the form of development assistance has reduced the ruling party's responsibilities to the people it ostensibly represent, and reduced its legitimacy. Despite the huge annual influx foreign aid (to the tune of \$3.3 billion by 2009 and rising), life in Ethiopia has gotten worse, not better- with the poor getting poorer, income inequality worsening, citizens leaving their country in droves trying to escape the onslaught of poverty and oppression that has been aided and abetted by foreign aid. In short, all that foreign aid begat is absolute dictatorship, repression, kleptocracy, aid dependence, all leading to the highest form of corruption known as State Capture, and, close to 20 million Ethiopians still depending on foreign aid.

Thanks to the "free food" that has been flocking into Ethiopia, the country and its people have found themselves in the vicious cycle of dependency syndrome. The country's sovereignty and the dignity of its people continue to be violated because foreign aid continues to fuel corruption and destroys good governance and institutions. Development aid has disfranchised Ethiopians, heavily intruded in their affairs and national sovereignty; it has dismantled their proud history of independence and their culture. It has decreased democracy and accountability and exacerbated bad governance. In so doing, it has broken their institutions while at the same helping the elite and government bureaucrats turn into monsters. Ethiopians are unable to realize their potentials because their rulers, who benefit in so many ways from the influx of foreign aid, would not let them get out the aid trap and break the dehumanizing begging bowl.

Taken together, therefore, both humanitarian aid and a large portion of development aid have exacerbated the already worse governance structures of the country. When it comes to Ethiopia, donor aid has indeed "paved the road to hell" for its people. My examination of what has transpired in Ethiopia has led me to conclude, therefore, that charitable giving has been a curse to the extent of being an addictive poison pill for the majority of Ethiopians and the country as a whole. I am convinced that Ethiopians are worse off with foreign aid than they otherwise would have been without it. The vicious cycle has to be broken and the only way to do it is by shutting off the tyrannical and trapping huge influx of foreign aid. Lastly, I want to draw the reader's attention to important caveats and promising notes. First of all, the conclusions that I have reached only apply to aid passed on to conflict-ridden regions (and/or countries ruled by undemocratic governments) in general, and the country-case study that I examined-Ethiopia, in particular. Second, I expect this article and the conclusions reached to garner attention from several quarters, including from the "headless" (Collier, 2007) aid pushers. After reading this and my other sisterly article dealing with the humanitarian aid-corruption nexus, some others may stagger in despair and conclude that the unholy alliance between the "[cartel of good intentions](#)" (i.e. the aid industry) and kleptocrats probably has irreparably damaged the country. Some may object and argue that the poor

would have suffered if the funding is to be withheld and the aid influx shuttered. Those who are already addicted in pushing aid and receiving foreign aid may think this conclusion is satanic, barbaric, heartless, etc. Calling for stopping foreign aid may even be called as a treasonous act, as the editor of the local paper, *The Reporter* opined about a year or so ago. Others may genuinely ask questions such as: “If foreign aid has been so bad for Ethiopia, why do we so let it take place unabatedly?” As it turns out, there are built-in incentives for doing so (in addition to the addictiveness aid). It involves several stakeholders and elephant owners, including donor nations, multinational organizations, aid agencies and hundreds of thousands who work for them, local kleptocrats and elites. I intend to entertain such questions in separate and upcoming popular version write-ups.

Corruption Cases for Future Research

Some readers may wonder (and even be disappointed) why I failed to include some of the government sectors that are known to be hugely immersed with corruption. Readers may be thinking about, for example, corruption within the [Ethiopian telecommunications corp.](#), the Ethiopian Electric Power Corp., and corruption involving several infrastructure projects such as dams and sugar factories. These are excluded because this paper primarily focuses on foreign aid related corruption. But again, one may legitimately be disappointed by my failure to include other heavily donor funded projects that are known to be highly engulfed with corruption. These include, among others, the Ethiopian Road Authority and the unfair channeling of Donor-Funded Projects to Tigray Region. Indeed, some of these sectors may be more corrupt than some of the ones examined above. In assessing the Construction Sector Corruption in the country, Goldie-Scot of the World Bank ([Diagnosing Corruption in Ethiopia, 2012: 284](#)) writes, for example, that the Ethiopian Road Authority (ERA) is marred with nepotism, an unfair contracting system, lack of competition and no bid contracts. As a result, the agency’s regulations are opaque and non-transparent and that the ERA lacks accountability. The corruptive activities regarding the former indeed have its roots when the TPLF was a rebel liberation front. Thanks to the millions of dollars that the Front amassed from humanitarian agencies, the TPLF now [monopolistically controls](#) the transportation sector. This near complete control of the transportation sector and the immense amount of corruption associated with it has also been assisted by the mere hegemonic political power that the TPLF wields for more than two decades. As to the latter, unfair and highly skewed distribution of foreign aid, budget support allocations, etc., favoring the region of Tigray have been documented by reputable studies such as by Chanie (2007), [McCracken \(2004\)](#), [Yimaz and Venugopal \(2008\)](#), [Abbink \(2009\)](#), [Michigan State University’s Department of Agricultural Economics](#) (a study conducted on behalf of the International Food Policy Research Institute-IFPRI), and several others. Indeed, these two and many others also fit our state capture model but these need to be treated separately partly due to lack of space and the incomprehensive nature of this study.

While there is no doubt that the main beneficiaries of both humanitarian and development aid are government bureaucrats and the elites members of the Ethiopian community, my main argument, however, is that foreign aid has been a curse for the general public (including Tigrayans) and the nation as a whole. As I show in my sisterly article dealing with the humanitarian aid-corruption nexus, the people of Tigray have been victimized due to the TPLF’s desire and huge appetite to access and control humanitarian aid. Since development aid has raised the hegemonic power of the TPLF/EPRDF, I argue that the coercive, enslavement power of development aid and the dependency syndrome are more debilitating within Tigray than the other regions.

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