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Continuity and Rupture in Ethiopia under the Ethiopian People's Revolutionary Democratic Front

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Was EPRDF’s Ethiopia a “Developmental Patrimonial” State? A Critical Engagement

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Abstract
Ethiopia was lauded for sustained fast economic growth for two decades under the Ethiopian People’s Revolutionary Democratic Front (EPRDF). Some scholars framed the regime’s political economy “developmental patrimonialism”, suggesting that EPRDF’s Ethiopia is characterised by “long-horizon rent deployment” that allowed the EPRDF regime to centralise rent for the greater good of entrenching the basis of development. This paper takes interest in such a framing and shows the possible gap in Ethiopia’s development narration. The paper revisits the story of Ethiopia’s economic growth that may have obscured the concentration of economic and political power by the party-state and its elites. It shows how the necessity of exploring the logic of the creation of party-military conglomerates and the nature of the economy remains important to understand what happened and persisted under the EPRDF regime. In this light, the paper argues, the developmental facade of the regime has served the double purpose of power concentration in the hands of the few and an apparent heroism for development that feeds into sacrificing other rights on the altars of authoritarian development. Methodologically, this paper takes a critical look at the economic growth and its interpretations that took centre-stage in EPRDF’s political economy through research conducted during the EPRDF era.

Keywords: Ethiopia, Economic growth, developmental patrimonialism

Introduction

The last decade of the Ethiopian People’s Revolutionary Democratic Front (EPRDF) regime in Ethiopia has seen undeniable economic growth. According to a state official, although there has been an impressive economic growth rate of 10 percent per year since 2000 and a decline of national poverty from 45.5 percent in 1995 to 23.5 percent in 2016, "poverty is still a major developmental challenge" (Manyazawal 2019: 176). In this context of unprecedented economic growth, there is a growing scholarly interest which resulted in multiple interpretations of economic growth and its developmentalist nature.[1] One approach this paper engages with is the Africa Power and Politics Programme (APPP), that conceptualises "developmental patrimonialism" and applies it to explain development processes in several regimes in Africa. APPP researchers argue that the developmental role of such regimes took the expensive road to development as opposed to achieving short-term political and economic gains. They argue that the political economy of these regimes is characterised by *rent centralisation* and a *long-horizon rent deployment* as features of African developmental patrimonial states (Kelsall 2013).

So, according to developmental patrimonial interpretations, Ethiopia under the EPRDF regime was developmentalist with neo-patrimonial characteristics. The theoretical underpinnings of this conceptualisation will be briefly discussed below. In contravention to a neopatrimonial explanation, I argue that the economic growth and associated processes of wealth creation of the EPRDF period was not a long horizon rent deployment that employed its rent centralization for the development and shared growth for all Ethiopians. Thus, in this paper, I show that the EPRDF regime has entertained the idea of developmental state in its ideological rhetoric for some time, which was understood as a developmental and patrimonial regime by the APPP scholars such as Kelsall. I argue that a developmental patrimonial interpretation blurs the nature and characteristics of the regime.

The politics of development of the EPRDF years (1991-2018) deserves an investigation in its own terms. This is about moving the discussion beyond the framework of neo-patrimonialism and developmental patrimonialism. The political motive behind the regime's self-assertion that Ethiopia is a "developmental state" makes the EPRDF and its core politico-military might a very interesting object of analysis. My interest here is to go beyond the claimed developmental state. I argue that the EPRDF regime planned a long-term vision of controlling power, not necessarily long-term rent deployment, towards the development of the Ethiopian state. In development terms, the economic growth recorded in Ethiopia should be understood cautiously because the underlying dynamics of economic power concentration by the political party and military establishment conceals fundamental factors in the economic growth experienced by the country. The same old power and wealth nexus dominated by politico-military elites underlies the politics of development in the country. One notable issue remains the invocation of ethnicity and the subtle art of deploying it politically. In post-1991 Ethiopia ethnicity is an answer to "a national question", a tool for mobilisation for war, a subtle code in economic administration and associated economic control.

For situating the object of my analysis and juxtaposing it with the APPP theorisation, I will first present developmental patrimonialism as an approach in general and as a specific narration of Ethiopia's development. Secondly, I will briefly discuss the nature of economic growth and associated debt issues as a context that matters in the development of party and military businesses. These party affiliated businesses were the central object of the APPP theorisation in the case of the so-called Ethiopia's neopatrimonial developmentalism. Then, thirdly, I show how these businesses are not necessarily (patrimonial) developmentalist and their overriding presence is complicated with possible promiscuity in the country's economy. Finally, I contend that economic and political power centralisation does not necessarily result in a developmentalist state with neopatrimonial characteristics, as purported by APPP scholars. In the next section I will provide a brief methodological reflection on the context of my research.

The object of the study: a methodological note

In the past three decades Ethiopian politics has been dominated by the party coalition of the EPRDF and, at its core, the TPLF. The EPRDF overthrew the socialist-military regime of the Derg in 1991 and immediately commenced liberalising the socialist state. This liberalisation has had a vanguardist flavour – the ruling party played a vital role in steering the direction of the privatisation which will eventually set the party to the upper hand of the economy. With a rather interesting ideological claim of revolutionary democracy, political and economic control took root in the hands of the party-state. In the framework of my PhD study, my investigation attempted to cast the net wide and studied the ideological turns and twists of the party, the foundations of economic growth, and, especially, what actors (corporations in particular) emerged as important players. Then, the study zoomed into specific actors and processes that emerged as culmination of wealth and power concentration.

The study of so-called authoritarian development and the nature of economic growth of regimes such as the EPRDF is complicated for various reasons. During my fieldwork in 2015 and 2016 people were afraid to openly discuss the relationship between politics and the economy. One of my informants, an expert working at the chamber of commerce, told me "Your study is sensitive. I would suggest you get government (quantitative) data from ministries and draw your conclusion on the subject, rather than bring direct interview questions".[2] My fieldwork required building trust with informants, accommodating the request of some respondents to change venue in the middle of interviews. Building trust was sometimes not enough. For instance, a prominent government official made it clear that it would have been impossible for me to interview military generals in relation to their business affairs and their affiliated military corporations. Indeed, studying the nexus between political power and wealth is sensitive as it implicates top political leadership. The relationship between political elites and business was hard to discern, and could be grasped only occasionally, such as in cases of political splits and controversies followed by corruption charges.

Methodologically, the paper follows a qualitative and interpretative approach. The analysis of economic control and its implications to the functioning of the economy attempts to uncover general mechanisms about the relation between economic means and politico-military elites, which include the analysis of critical junctures, elite bargaining and civil-military relations. The methods of data collection included interviews, informal discussions, media content analysis, studies of various documents, biographies and autobiographies. I believe that what is skilfully done by astute politicians requires a creative approach in research and a daring confrontation both with the socio-political system and possible "intellectual fans" of political processes in EPRDF's Ethiopia.

Developmental patrimonialism: the model

This section introduces the "developmental patrimonialism" framework as described by APPP scholars. The model deals with regimes and development performance in Africa inspired by the literature on Asia and has rent as a main focus of analysis. That is, "the degree of centralisation and the length of the time-horizon" (Kelsall *et al.* 2010: 1). The following quote from Kelsall captures the importance of rents (excess income) in the model: "*rents are centrally managed when there is a structure in place that allows an individual or group at the apex of the state to determine the major rents that are created and to distribute them at will. It is long-term when leaders have a vision that inspires them to create rents and discipline rent-seeking with a view to expanding income through productive investment over the long term*" (emphasis in original, Kelsall 2013: 24).

First, I focus on clientelist *rent centralisation*. According to Kelsall (2011a: 1), "there is growing evidence that some African regimes have [...] harnessed neo-patrimonialism[3] for developmental ends". Developmental patrimonialists argue that, "it is not neo-patrimonialism per se that is bad for investment and growth, this shows, but rather the specific form that neo-patrimonialism often takes" (Kelsall *et al.* 2010: 3). What is crucial is "the way in which clientelism is bound up with the creation, utilisation, and distribution of economic rents, and whether this occurs in an organised, or unorganised way" (*ibid*). While clientelism is central, other factors such as a visionary leadership are equally important. Economic rent management for these researchers is predicated on the existence of a system of concentrated power that envisages long-term growth. Thus, the mechanisms that underpin rent centralisation include the presence of "a strong, visionary leader, a single or dominant party system, competent and confident economic technocracy, a strategy to include, at least partially, the most important groups in some of the benefits of growth", as well as "a sound policy framework (...) broadly pro-capitalist, pro-rural bias" (Kelsall 2011: 2). Yet, these scholars argue that in addition to rent-centralisation, the rent process must be oriented to the long-term.

The second component of the model is a *long-horizon orientation*. This means that "the rent-earning opportunities were steered to activities that involved increases in value-added, or transformations in the productive forces over time, rather than the simple quick wins that could be gained from embezzling monies or taxing markets" (Kelsall 2011a: 2). The long-term rent management must be longer than a typical electoral cycle (Kelsall 2013). Based on the centralisation of rent and its time horizon, APPP authors developed a typology of forms of rent management, of which "developmental patrimonialism" is their theoretical interest. This type of regime "retains a neo-patrimonial character, with a more or less systematic blurring of the boundaries between public resources and the private property of the ruler(s)" (Kelsall 2013: 25). In these regimes "illegality and corruption" might be very high but the rent process does not hamper investments (*ibid* 25-26).

Although the various challenges of developmental patrimonial regimes are acknowledged, APPP researchers still want us to see political economic processes in a different, "unorthodox" light. They argue: "All of the regimes that appear to us to exemplify the more developmental form of neo-patrimonialism pose ethically difficult questions about trade-offs between liberal freedoms and human rights, on the one hand, and development outcomes (and thus other human rights) on the other. These issues merit discussion but we firmly believe that such discussions are only fruitful when they are grounded in a good understanding not just of all the relevant facts but also of systems and linkages" (Booth, Golooba-Mutebi 2012: 384).

In a nutshell, the factors responsible for "long-horizon rent centralization" are: a visionary leader, a dominant party, a top-down patron-client network, and competent technocracy (Kelsall 2013: 26). Based on the analysis of different case studies APPP scholars conclude that "neo-patrimonialism is a "good enough" form of governance for economic development, and that may go more with the grain, and make a "better fit' with socio-political realities in many African states, than good governance" (Kelsall 2013: 46-47). This proposition prompted Richard Joseph[4] to label APPP scholars "revisionists", asserting that the sequence of "development first and good governance latter" was advocated a long time ago, while it doesn't consider the long road that African states took since independence and the results they achieved. In any case, the developmental patrimonial model was put in use to explain recently booming economies such as Ethiopia and Rwanda.

Indeed, it is interesting to see how neopatrimonialism is applied to explain Africa's political economy in its own specificities. A lot has been written on both neopatrimonialism and the developmental state. From a conceptual standpoint, I argue that the conflation of developmentalism with the already problematic notion of neopatrimonialism in explaining African political economies is problematic. Mkandawire (2015: 563) exhaustively debunks what he calls the "Neopatrimonialism school" – a school of thought whose "intellectual triumph is that its analyses have become part of the general knowledge of foreign policymakers and journalists reporting on Africa".

Neopatrimonialism provides "an impoverished understanding of the complexities of the continent" by "neglecting the cross-sectional and longitudinal variance of the African experience" (*ibid*: 602). As Mkandawire (2015: 571-72) succinctly captures, African neopatrimonialism is said to be characterised by three features. First, an "economy of affection or moral economy of corruption, which lends normalcy to corruption". Second, its "untoward deference to authority" and, third, "the nature of the African big man himself". Developmental neopatrimonialism pins a specific focus on the "developmental ethos" of authoritarian regimes.

Developmental patrimonialism in Ethiopia

For developmental patrimonialists EPRDF's Ethiopia has grown extremely rapidly and has done this "by ignoring a great deal of conventional donor advice, claiming to be following an Asian development model instead" (Kelsall 2013: 93). This was accomplished by mobilising a structure that "centralises rent management and gearing it to the long term" via sectors such as floriculture, leather industry and endowment companies (*ibid*). However, these are not yet the main sources of Ethiopia's economic growth.[5] The APPP researchers studied endowment companies, specifically the Endowment Fund for the Rehabilitation of Tigray (EFFORT), to make the case for "developmental patrimonialism in Ethiopia". For instance, they have contended that "The endowment-owned businesses constitute an important series of actors designed to "promote by example" the government and ruling party's agenda for economic transformation, "safeguarding the system" from within the private sector, which (arguably until recently) had played a relatively limited role in the process. But there are a number of other aspects of the contemporary Ethiopian situation that would need much more qualitative study if we were to have a fuller picture of the extent of Ethiopian centralisation of rents, and of the contours of its developmental patrimonialism" (Vaughan, Gebremichael 2011: 13).

This article explores the same case of EFFORT and related business endeavours of the ruling party to challenge these claims. EFFORT, led by senior members of the TPLF, was established in the mid-1990s through a cluster of sixteen companies operating in various sectors, ranging from industry to trade and services (Vaughan, Gebremichael 2011). One of the central arguments of the APPP researchers is that the party and its elites wouldn't benefit from the conglomerate, thus arguing: "The bulk of rents associated with EFFORT do not go directly to the ruling party or its members. In our analysis, whilst they do feed the ideologically defined and long-horizon social, economic and political interests perceived by the political organisation, there is little credible evidence that they serve the short-term decentralised individual or commercial interests of its members. Commercial profits and rents accruing seem to serve long-term economic purposes, and they do this to a lesser degree by means of formal taxation but primarily as a result of the creation of positive externalities. This analysis is, of course, controversial" (Vaughan, Gebremichael 2011: 33).

As controversial as the above analysis could be, business conglomerates such as EFFORT do not have to give immediate, short-term dividends to their owners and managers for several reasons. The political and economic externalities of the endowments are complicated at best. EFFORT is characterised by tight political connection with the ruling TPLF and lacks transparency (Vaughan, Gebremichael 2011). More importantly, the resource centralisation by EFFORT "perhaps reflects a strongly evolved collective sense both of emotional ethno-national commitment to the organisation and its region" (Vaughan, Gebremichael 2011: 36). Back in 2010 EFFORT's wealth was reported to be 360 million US dollars in assets and 160 million US dollars in capital, while its business activities were divided over five commercial business units: Engineering and Construction, Manufacturing, Services, Agro-processing, and Mining (Vaughan, Gebremichael 2011). With its ever-expanding investments and generous loans obtained from the Development Bank of Ethiopia, as well as its 14,000 permanent employees, EFFORT saw itself as the main driver of Ethiopia's developmental state (Vaughan, Gebremichael 2011). EFFORT has been an important player in the economy of post-1991 Ethiopia and this paper attempts to push the analysis a bit further to locate the meaning of this economic dominance and its implications.

Beyond and above EFFORT, the APPP researchers point out that, "growth has been broad based, with agriculture, industry, and services all recording double-digit expansion for much of the past decade" (Kelsall 2013: 115-16). Furthermore, "the upsurge in production of flowers, garments, and leather products demonstrates an ability to move into higher-value-added sectors", although "the impact of the growth on structural transformation, however, has been less impressive" (Kelsall 2013: 115-16). Yet, as I will discuss later in more details, the source of Ethiopia's economic growth is located in the commerce and service sectors, with state-led infrastructure development and construction playing a prominent role. Kelsall (2013: 118) concludes that the EPRDF regime has "succeeded in centralising economic rent management to a considerable degree" which "permitted some ambitious experiments in the industrial policy which appears genuinely focused on the long term". Apparently, "rent centralisation is driven by a regime that is controversial to large sections of the population, but which has chosen to pursue legitimacy through broad-based development" (Kelsall 2013: 118). Additionally, the developmental role of the regime has faced challenges relating to the political subservience of the civil service, political succession and poor performance in respecting civil liberties (Kelsall 2013). However, it is not difficult to see that the claim to broad-based development is as controversial as the regime itself. To show this, I will first briefly recap contextual discussions on the nature of Ethiopia's economic growth as well as the role of debt in it, and then I will return to EFFORT, the central object of APPP's analysis under the developmental state.

Economic growth: serving the service sector or the poor?

Ethiopia's rapid economic growth has received appreciation from international financial institutions such as the World Bank and the International Monetary Fund. Indeed, as

Cochrane and Bekele (2018: 2) indicate, there have been multiple narratives about Ethiopia's post-1991 economic growth: "while high levels of sustained macroeconomic growth is one of the most common narratives about the Ethiopian economy, it is not the only narrative that is common to the Ethiopian macro-economic story". The most recent narrative relates to "an emerging debt crisis and, in particular, the problematic role of Chinese lending contributing to that" (Cochrane, Bekele 2018: 2). According to some officials, Ethiopia's economic growth since 1991 has gone through two phases, the first of which was a decade-long recovery from the war economy of the preceding military regime, while the second led to a process of "shared growth" (Gebregziabher, Hout 2018). In Ethiopia, "the agricultural sector has been the mainstay of the economy and the driver of growth" (Tesfaye 2017: 94). Emphasising how agriculture remained the most important sector in the economy, Altenburg (2010:1) writes: "From 2004 onwards, the Ethiopian economy has grown at 11% annually. This growth, however, has mainly been due to favourable agro-climatic conditions, high coffee prices, considerable inflows of aid and remittances, and a boom in construction; it does not reflect increased competitiveness, and it has not yet prompted significant changes in the economic structure. The share of manufacturing in GDP stagnates at 5%, and still virtually all exports are unprocessed or at best semi-processed".

In recent years, however, the service sector has taken over and has become the main recipient of loans and investments. Tesfaye (2017: 95) notes an "expansion of the sectoral distribution of the services sector by 7 per cent to nearly 45 per cent from 2005 to 2010, due to rapid expansion in financial services, real estate, and retail trade". The service sector has been the most dynamic economic sector, representing almost half of Ethiopia's GDP. Its contribution to the GDP was 36 per cent in 2001 and 47 per cent in 2015 (Tesfay 2017). While agriculture and industry lagged behind, leading sectors have been construction, electricity, and water resources development (Tesfaye 2017). As Hardy and Hauge (2019: 4) succinctly put it, "state-funded infrastructure projects have been driving the economic boom". They add, more than 50 percent of the federal budget has been spent on infrastructure projects, primarily transport and power generation (Hardy, Hauge 2019). One of my interviewees, who has a centre-stage role in the Ethiopian private sector, contended that "the new rich in the country only opt to put up buildings in the cities and collect rents from its commercial malls".[6] *Africa confidential* has also captured this trend, pointing out that "the most obvious sign of growth is the building boom in Addis Ababa".[7]

To sum up, it is evident that the sub-sectors that drove economic growth figures in Ethiopia have been "commerce (wholesale and retail trade, hotels and restaurants) and public services (public administration and social services, education, health and social work)" (Gebregziabher, Hout 2018: 502). Construction, especially roads and other public works recorded particularly significant rates of growth (*ibid*). Though there are inconsistencies in, and contestations around, the growth and poverty statistics of

Ethiopia (see Cochrane, Bekele 2018; Mandefro 2016), the emergence of the service sector as an important driving force of the economy is quite clear. A number of reports and studies underscore the existence of real growth and the pace of dividends in EPRDF's Ethiopia. The question is, all things considered, how much does the booming service sector contribute to a shared growth and economic development. According to the World Bank (2020: 139), "poverty reduction due to the sectoral shifts has been negligible in urban Ethiopia, in line with the familiar "growth without structural transformation" narrative". The level of absolute poverty, and the precariousness of jobs in the low-paying growing service sector is staggering. According to national and international poverty lines, "30% of the population (25.1 million) were considered extremely poor in 2010–11" (Moller, Wacker 2017: 210). The United Nations Development Programme (UNDP), while lauding the country's economic achievements, warns about possible pitfalls in the growth model: "That Ethiopia achieved fast economic growth while reducing poverty significantly and maintaining inequality at a low level is commendable. However, *due attention should be given to rising inequality observed recently*, especially in urban areas. Inequality in rural areas is still low and that is the reason why national inequality is also low" (UNDP 2018: 40, emphasis mine).

The UNDP report points to rising urban inequality. Reasons behind this may be related to the nature of growth. Some authors have already indicated that headline statistics conceal shortcomings.[8] As far as rural Ethiopia is concerned, the World Bank's poverty assessment report concluded that the level of consumption of the poorest section of rural Ethiopia has not increased in a long time. Rather, rural poverty in 2016 was higher than in 2005 (World Bank 2020: 61). The industrial sector has not achieved what the country's transformation targets, which expected to radically change the structure of the economy (UNDP 2018). Here, some of the challenges include: "Limited performance of the manufacturing sector and poor growth performance of micro- and small-scale manufacturing industries (…), challenges in attracting new and high-quality export-oriented private investments into the manufacturing sector (…), limited management, technology and capital capacity leading to poor quality, inefficient and low productivity and challenges in competing in global markets. Unreliable energy supply and inadequate financial services" (UNDP 2018: 7-8).

Considering the multiple challenges of the industrial sector and the lack of structural transformation, GDP growth has been largely driven by international aid, diaspora remittances and the national budget (Tesfaye 2017). As mentioned above, concessional and commercial debt has also increasingly contributed towards economic growth. Tesfaye (2017: 97) has emphasised that "the growth also produced inflation, large income gaps in society, increases in the cost of living and more demands for basic services". Ultimately, the sector that contributed to economic growth the most is service, a sector that does not necessarily capture the overall structure of employment. It is agriculture, not the service sector, that is "the mainstay of employment in Ethiopia as a whole, it is particularly important for the livelihoods of the poor" (World Bank 2020: 72). According to Lie and Mesfin (2018: 26), Ethiopia is one of the poorest countries in the world and growth did not serve the poor majority. As shown in the World Bank's 2015 poverty assessment report "national inequality has increased steadily from 2000 until 2011 and some 80% of rural households and two-thirds of urban households still experience deprivation" (*ibid*). The position taken by government after the emergence of a reformist group within the ruling coalition illustrates this point further. In a letter addressed to the World Bank, the Ethiopian government admitted that "in spite of the impressive progress in economic growth and [sic] poverty and unemployment remain high causing growing discontent particularly among the youth" (World Bank 2018: 56-57). In a nutshell, publicly financed infrastructure projects (undertaken mainly through party and military businesses) as well as growth in the service sector characterise the nature of Ethiopia's GDP growth. I will now turn to the thorny issue of debt and borrowing in Ethiopia's GDP growth.

Economic growth and debt

Summarising the complex issue loans in EPRDF Ethiopia is a difficult task. In the following discussion I will attempt to show the nexus between financial sources and the public projects that underlie the sector that is responsible for GDP growth. The task is difficult in view of the various actors involved and the level of confidentiality of financial dealings beyond the headlines. First of all, it is crucial to point out that in post-1991 Ethiopia decision-making has been highly centralised in the hands of the Prime Minister and the central committee of the ruling party (see for example Furtado, Smith 2009: 139). According to Altenburg "This growth has been fuelled by inflows of official development aid, including soft loans from China and India, by remittances from the diaspora, and by foreign direct investment (FDI). Furthermore, Ethiopia has recently benefited from a series of good harvests. As a result of development aid and other inflows, public investment – primarily in roads, dams, education, and health – has grown much faster than private investment. This has spurred employment growth, but also provoked a foreign-exchange crisis" (Altenburg 2010: 5).

Concessional and commercial borrowing has increased, including borrowing from the international bond market. The country's external debt increased ten-fold in ten years (from 2.3 billion US dollars in 2006 to 23.1 billion US dollars in 2016) and Ethiopia is categorised as a "High risk of debt distress" (Cochrane, Bekele 2018: 10). A key informant in the finance sector pointed out that "the TPLF has been burying the country under heavy burdens of borrowing that even our grandchildren wouldn't be able to pay back".[9]
As Cochrane and Bekele (2018: 10) point out "An emerging narrative, raising concerns for many, is the level of debt in many African nations, particularly, as new forms of financing have emerged, with many reports focusing on the role of China". In Ethiopia, the reconstruction of the Addis-Djibouti and the Addis Ababa light-railway lines have

primarily been funded by Chinese investments (Rode *et al.* 2020). Under the EPRDF regime, the country's indebtedness has grown tremendously. After a reformist group within the regime took power in April 2018, the Ethiopian government has openly declared how serious the problem has become.

Other studies have pointed out that "in the mid-1990s donors provided substantial increases in aid to support an agreed set of sector programmes, most notably in the health and education sectors" (Furtado, Smith 2009: 133). These highlight that "Ethiopia is one of the few countries in the world still consistently receiving substantial quantities of food aid, and this somewhat distorts the aid picture. Such humanitarian relief has averaged about USD 330 million per year in the recent past and accounts for almost a third of all donor inflow" (Furtado, Smith 2009: 132). The multilateral aid that Ethiopia receives from sources like the World Bank, the European Union and the African Development Bank has been greater than bilateral aid. As a result, international aid has contributed to growth in addition to borrowing. Here, two important points should be noted. The first relates to the party-state's tight grip on major economic activities that took place through endowment companies. Secondly, the flow of money and decisions is tightly controlled by central committee members who chair the boards of banks like the Commercial Bank of Ethiopia. The discussion on the nature of rising GDP and subsequent debt-burden offers a different perspective on what role rent-centralisation played in Ethiopia's developmental trajectory.

EFFORT and others: development vehicles?

Going back to EFFORT, the analytical object of developmental patrimonialism in Ethiopia, it is important to highlight that its economic role and associated rents is murky (see for example Gebregziabher, Hout 2018). It has been clear from the onset that, in post-1991 Ethiopia the "relationships, especially those between government, ruling party, state-owned enterprises, and endowment-owned enterprises, are quite opaque" (Tesfaye 2017: 104). Altenburg summarises this as follows: "The government deliberately employs a carrot-and-stick approach that differentiates between economic activities and firms, up to the point where targets for individual firms are sometimes negotiated on a case-by-case basis in exchange for public support. At the same time, resource allocation for industrial policy is not fully transparent, e.g. it is not clear when firms are eligible to get preferential treatment in terms of access to licenses, land, credit and foreign exchange, on what condition ailing firms will be bailed out, and whether these conditions vary between state-owned enterprises, firms affiliated with the ruling political parties, and independent private firms" (Altenburg 2010: 2).

The above discussion illustrates the lack of transparency in policy decisions. Beyond the secrecy, the nature of business capture by the party-state has been clearly identified in the literature. According to Abegaz (2011: 1-2), party-owned businesses "are politically embedded, profit-seeking, and patronage motivated". He contends that a party-owned business “much like military-controlled businesses, is an integral part of the drive for a total “capture” by an insurgent vanguard party, of key state and societal institutions in weak market economies”. Furthermore, “The party, having captured the state, subsumes the latter instead of governing through it. Key private sector allies are also embedded in the party and its business interests” (Abegaz 2011: 9). Indeed, the political control of EFFORT is clear to APPP researchers who point out: “EFFORT’s leadership, all still senior members of the leadership of the Ethiopian ruling party, continue to see themselves as playing a key role in contributing to Ethiopia’s economic transition, not least in helping alternately to boost, inspire, rein in, discipline, and control an entrepreneurial sector regarded as weak, conservative, mercurial and politically unreliable. As such EFFORT and the companies it owns are increasingly integrated into the wider fabric of economic, political, social and developmental actors involved in promoting the economic agenda of “revolutionary democracy”. This is an idea and a strategy with long-horizon resilience” (Vaughan, Gebremichael 2011: 52).

The party business of the EPRDF regime was made up of four large umbrella endowment holdings that constituted a “complex of companies which also includes for-profit entities owned or co-owned by allied regional elites and politically-connected associations” (Abegaz 2011: 38-39). The largest in terms of assets, number of subsidiaries, sectoral coverage and supra-regional orientation, as discussed above, is EFFORT.[10] Beyond government subsidies and protection, Abegaz summarises the privileges of the party businesses as follows: “The menu of policy instruments for tilting the playing field by providing a soft budget constraint for politically linked enterprises is quite expansive (…) directing business toward Parbus [party-businesses], preferential allocation of public tenders and contracts (including supplies during inter-state conflicts), preferential access to government credit facilities, preferential treatment in obtaining licenses and customs clearances, manipulation of privatization and other state property sales, tailoring public sector infrastructural investment to the needs of the Parbus, directing aid-generated business to them, and targeting high-profit and easy to enter private-sector activities in order to displace the latter” (Abegaz 2011: 43).

In addition to the party businesses mobilised through EFFORT, there is the military conglomerate of the Metal and Engineering Corporation (METEC). METEC’s stated mandate is to industrialise the Ethiopian developmental state (see Gebregziabher 2019b). This military conglomerate was given privileged access to various mega projects including the Ethiopian Grand Renaissance Dam, ten sugar factories, as well as several fertiliser and thermal energy projects (Gebregziabher 2019b). According to legal documents,[11] METEC’s mandate relates to developing the manufacturing industries, including industrial machineries, capital goods and industrial spare parts, as well as to enhance engineering and technological capabilities by creating partnerships for industrial resources. Additionally, METEC’s focus includes the manufacturing and upgrading of weapons and equipment for defence and security forces at home and abroad. It is interesting to see how the creation of party and military companies distorted the application of the developmental state model which plays a significant role in sustaining the power of political elites. Liberal freedoms aside, the nature of economic control is clearly concentrated at the party-military level. I will explore this issue further in the next section.

What is in a centralisation?

The fundamental question about a model that deals with rent centralisation, and its long-term deployment, concerns *how* rent is centralised and for what purpose.[12] For developmental patrimonialists, EFFORT and other endowment companies are set to be exemplary economic entities of rent centralisation for long-horizon orientation. However, endowment companies helped concentrate power in the hands of party elites and have been an instrument of economic dominance by the EPRDF/TPLF, rather than aiding in the development of Ethiopia's economy. In other words, endowment companies contributed to amass economic power in the party and to configure the economic structures that sustain political power, which are not necessarily geared towards long-term growth. To understand this further we need to look at the material basis and systemic scope of oligarchic minority power (Winters 2011: 3-5).

The underlying mechanisms that facilitated and sustained the emergence of party and military businesses in Ethiopia, in the context discussed here, seem to be political insecurity and economic control for the few (rather than shared growth for all with an eye on long-term economic development). Maintaining economic power for purposes of political power is different from concentrating rent for genuine long-term development. The political insecurity characterising EPRDF Ethiopia relates to the lack of legitimacy of the core party (i.e. TPLF) within the coalition that has historically employed ideological justifications and held a monopoly on the coercive apparatus (see for example Gebregziabher 2019a). From 2010, the monopoly was further advanced by giving the military a stake in the Ethiopian economy (see Gebregziabher 2019b). In post-1991 Ethiopia, the origins of political inequality can be traced back to the emergence of a small clique of young revolutionaries within the TPLF. This clique emerged as a result of the establishment, in June 1985, of a communist core under the Marxist–Leninist League of Tigray (MLLT), wherein Meles Zenawi played a central role. The late Prime Minister Meles and a few fellow revolutionaries in the TPLF used ideological rationales and harsh measures to guard their political power.

What is at stake here is "the power of actors who deploy material resources *politically* with important economic effect" (Winters 2011: 9, emphasis in original). The booming service sector as the main source of economic growth has been driven by interlocked party conglomerates and was steered by party-state elites. Indeed, there are other firms in the economy that survived as a result of their close ties with the party-state. When studied from the standpoint of who concentrated economic power during the

EPRDF era, three broad categories emerge: the political nomenklatura, the Sheik, and tiny oligarchs.[13] I have focused my discussion on the first oligarchy, that is, *the political nomenklatura* whose main economic basis are corporations such as EFFORT and METEC. When viewed as an oligarchic concentration of economic power through inherent political backing these two economic giants played a significant role beyond their economic intent. The way these conglomerates were established and sustained speaks to how they were able to concentrate significant economic and political power. As a result, since 1991 "the ruling party is the major arm of the executive branch with the cabinet and party's executive indistinguishable", and the two houses of parliament as well as the judiciary serve as extensions of the TPLF (Milkias 2010: 363). Economic decision-making was mainly in the hands of the Prime Minister and his confidants. Legesse (2016) recaps how the various activities of EFFORT were conceived and executed by the central committee of the party and how critical economic decisions boosted the role of the economic arm of the party, including the provision of loans to EFFORT, debt cancellation, and the issuing of shares of party businesses. For Lefort "the functions of political leadership, economic decision-making and the management of public and para-public enterprises are concentrated in the hands of the same people at the summit of the party-state" that "led to the creation of a tentacular and increasingly voracious and arrogant oligarchy".[14] It is these same people that "have destroyed free business competition by running a lucrative party enterprise" (Milkias 2010: 364). The executive-legislative dominance also extends to the judiciary. The nomenklatura appoints judges that are loyal to the party by finding "incentive-compatible" individuals and other mechanisms that restrain the judiciary.[15]

Party endowment firms were compounded by METEC, the state-owned enterprise and military corporation that provides civilian and military goods and services. METEC remains a vivid example of the EPRDF's ambition to capture developmental efforts in the hands of trusted soldiers. Obviously, different questions can be raised as far as the centralisation of political power and the concentration of economic power are concerned. Firstly, METEC is hugely influential. The military conglomerate took over ninety-eight state-owned enterprises, organised them into fifteen semi-integrated businesses that combine two huge sectors, including basic metal and engineering industries. METEC was bound to re-shape the economic might of the military and the civil-military relations of the country (Gebregziabher 2019b). As a result, with its special economic status the corporation indulged in mega projects and provisioned diverse goods and services, often with no prior sectoral expertise. Secondly, the military is inextricably linked to the political leadership of the party – the (ethnic) tie goes back to the civil war period. The fifteen industries are headed by middle to high-ranking military officials (from Major to Colonel) coordinated by a Director General (a Major General).[16] These are connected to the EPRDF through a board composed of military and political officials.

The creation of party and military business empires generates by-products. Specifically, intentional or otherwise, this resulted in the intensive expansion of infrastructure and the implementation of mega-projects, which were presented as evidence of the "developmental" nature of the EPRDF regime. Giving the military and trusted officers an interest in the economy is an important aspect behind the creation of military corporations in Ethiopia. As the varied involvements of METEC in mega-projects show, soldiers have no skill to run sophisticated mega-projects, this often leading to their failure and generating an unprecedented level of corruption.

Following this economic logic, various sub-contracting opportunities in the mega-projects, government procurement contracts, civil service positions at federal and regional levels, and many more micro-level opportunities were given to party loyalists, sometimes only based on ethnic considerations. Key informants,[17] especially those from the legal and business professions, detailed stark reports of how the party directly interfered in legal processes and undermined family businesses that were not particularly supportive of the regime or perceived to be from a different ethno-religious identity. The control of economic processes has important political outcomes. In Ethiopia, the vision of the ruling EPRDF "favors continued government ownership of all land; restricting foreign investment in public utilities, defense-related industries, and banking and insurance; interventionist trade policies with a view to maximizing foreign exchange earnings; and directed currency and credit allocation" (Abegaz 2011: 38).

Ultimately, it is clear that in Ethiopia the ruling EPRDF created party businesses and military conglomerates, and channelled public project works towards these businesses. This is by no means indicative of a long-horizon rent deployment geared towards a rational development effort.

Conclusion

In this article I have critically examined the emergence of party and military business corporations, in terms of endowment and state enterprises, in EPRDF Ethiopia. I have attempted to locate the circumstances and the factors behind the emergence of party and military businesses and the way they undertake their business. I have argued that the "developmental patrimonial interpretation" tends to obscure key aspects of the EPRDF's political economy. To analyse the emergence and entrenchment of party endowment businesses as patrimonial-developmentalist is analytically misleading. The paper engaged with the analytical framework of developmental patrimonialism and the APPP researchers" analysis of Ethiopia's political economy. It is reasonable to conclude that EPRDF's political economy could be defined as clientelist in terms of rent-centralisation. However, this does not mean that it resulted in long-horizon rent management geared towards changing the lives of millions of Ethiopians, as well as transforming the structure of the economy. It is very difficult to contend that the EPRDF regime has taken the long road to development, especially through its endowment companies. The underlying mechanisms behind the emergence of economic conglomerates run and owned by party and military elites, relate to the political insecurity and the use of business to preserve political power.

Moreover, the labelling and explanation of economic processes and associated political motives as neopatrimonial-developmentalist obscures the analytical focus concerning the nature of the economy. This paper demonstrated that economic growth under the EPRDF has been mainly driven by infrastructure development and the service sector, as well as by international borrowing and aid. A nuanced investigation of the developmental aspect of the EPRDF regime requires a detailed assessment of the intersection between political and economic networks and ethnic politics, as well as how these have been mobilised through economic and political decision-making.

The most worrying finding that came out of the analysis does not necessarily relate to the recognition of oligarchic tendencies in politics and the concentration of economic power in the hands of political parties and military establishments. Rather, it is the justification by elites, supported by some research projects, that these phenomena are signs of capitalist development and that it even makes sense to emulate them in other contexts. In Ethiopia, these phenomena have brought about a general mistrust in the economic system and have led to youth protests. Meanwhile the ruling TPLF party has experienced a historic defeat within the ruling coalition. As indicated by the International Monetary Fund (2018: NA), "in 2017/18, Ethiopia's economic growth dipped to 7.7 percent due to reduced government public expenditure aimed at tackling the growing current account deficit and indebtedness". This report adds that "despite positive developments, the large external imbalances and the public debt burden are constraining future growth and pose risks to the medium-term outlook" (*ibid*). The ideological justifications and public relations exercised by political elites clinging to state power have taken many forms. The most daring one, so far, is the justification of the channelling of state assets and state loans to party-businesses and military conglomerates. As argued by Behuria, Buur and Gray (2017: 521), "scholarship that has emphasized "developmental patrimonialism" - arguing that rents derived as outcomes of clientelism can be used in productive ways - continue to emphasize a "modal pattern" of rent-seeking in relation to economic development".

Ethiopia's economic growth was led by infrastructure projects and other activities that fundamentally related to the party-state. This "miraculous economic growth" has been fuelled by state projects, next to development aid and commercial loans. While this has been beneficial to political elites in the short term, it is likely to become potentially devastating in the long run. Ethiopia was declared near to insolvency by the reformist group that came to power in April 2018. The economic sectors that have shown significant growth have been captured by politically connected individuals and party-military businesses. The political economy dynamics that have characterised EPRDF Ethiopia (1991-2018) require particular attention. Ultimately, the EPRDF's political economy reflects a case of oligarchisation that has created a timid business class on the one hand and a totalising party-military elite on the other.

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NOTES:

1 - There are several scholarly works that dealt with the developmental state in Ethiopia which depict the developmentalist character of the regime, see for example Clapham (2018) and Chang and Hauge (2019). Yet, it is also useful to critically evaluate what informs the emergence of the developmental state rhetoric in the country and its political accomplishments. According to Gebregziabher (2019a), the developmental state rhetoric begun in Ethiopia after a political split within the Tigray People's Liberation Front (TPLF) in 2001 and was used to purge dissidents and recalibrate an ideological upper hand by the late Prime Minister Meles Zenawi and his camp in the split. Furthermore, the rhetoric and practice of developmental state help engineer control to the village level by the regime through the securitization of poverty.

2 - *Expert interview*, Ethiopian chamber of commerce, 16 November 2015, Addis Ababa, Ethiopia.

3 - For Kelsall (2011b: 76), "Most African political economies, it is well known, are characterised by high levels of clientelism, corruption and rent-seeking – a constitutive feature of systems frequently called 'patrimonial' or 'neo-patrimonial' in development literature".

4 - See Richard Joseph's lecture titled "Development without Democracy: Confronting the Revisionist Paradigm", Ghana Center for Democratic Development, 13 March 2014, Accra. Found at https://www.effective-states.org/richard-joseph-argues-against-development-without-democracy-in-africa-cdd-ghana/.

5 - I owe this emphasis to one of the reviewers of my paper.

6 - Kibur Genna, *interview*, 28 April 2015, Addis Ababa, Ethiopia. Kibur Genna is a renowned Ethiopian economist and businessman, who held various leadership positions including president of African chamber of commerce.

7 - *Ethiopia: Counting on growth*, «Africa Confidential», 22 October 2010.

8 - *Ethiopia's Imperfect Growth Miracle*, Carnegie Endowment For International Peace, 20 October 2011.

9 - Mushe Semu, *interview*, 21 March 2016, Addis Ababa, Ethiopia. Mushe Semu is a businessman and politician.

10 - The junior partners of the ruling coalition also own for-profit companies of lesser importance, again overseen by holding companies registered as endowments. They are Endeavour (Tiret) of ANDM, Tumsa Endowment (formerly Dinsho) controlled by OPDO, and Wondo Group controlled by SEPDM.

11 - «Negarit Gazeta», 9 June 2010.

12 - Rents are taken as excess income. A nuanced analysis is required to distinguish between "bad" and "good" rents in developmental terms (Vaughan, Gebremichael 2011).

13 - See detailed exposition of the three oligarchs in Gebregziabher (2019c).

14 - René Lefort, *The Ethiopian Spring: Killing is not an answer to our grievances*, «Open Democracy», 9 September 2016.

15 - Dagnachew Assefa, *interview*, April 2016.

16 - When the reformist group led by Abiy Ahmed took the political upper hand in April 2018 the Director General, Maj. General Kinfe Dagnew left METEC after eight years of service and subsequently jailed for grand corruption charges along with his former colleagues.

17 - Key interviews undertaken during fieldwork included discussions with lawyers and businesspersons in Addis Ababa.

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