

Who is Benefiting from the Flood of Construction Projects in Ethiopia?

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Lately, the EPDRF has been showcasing infrastructure building, particularly the road and real estate-based construction that has been taking place in Ethiopia. In one of my previous write-ups, I dismissed the propaganda spread by the EPDRF showing that not only there is no economic development in Ethiopia, but what we observe is misery and squalor. In response to my write-ups, the agents of the government have been busy spreading their lies on many Diaspora paltalk shows about the growth in the economy- a few of them telling us that the economy of Ethiopia was growing at 11.5% in 2008. A majority of them- possibly the ones paid by the EPDRF who do its dirty work- have been seen jumping around on many paltalk shows, showcasing the ongoing road and real estate construction projects. In doing so, they have abhorrently tried to twist the truth and tell their listeners that since there are many road and real estate construction projects as far as the eye could see, there must be an economic development. Apparently, the advertisement seems to have worked, at least for now, as it seems to have earned them some praise from the donor countries, multilateral organizations such as the World Bank and the United Nations' aid agencies, and even from some members of the Diaspora community who happen to visit the country once in a blue moon.

The purpose of this short write-up is three-fold: First I show that infrastructure building has been the most lucrative source of revenue for corrupt governments and their officials all over the world. In particular, I show that the corrupt EPDRF government is heavily involved in the construction business mainly for the money that it can get out of it. In short, the leaders of the EPDRF are in it for the money. Secondly, when showcasing the so-called infrastructure building projects, the EPDRF leaders have been comparing their accomplishments with that of the Derg. I argue here that, such a comparison is not only unwarranted but also ridiculous. Thirdly, I would then like to warn the members of the Diaspora not to fall in this EPDRF propaganda trap. In the process, I intend to dispel the notion, possibly made subliminally – due to the intense propaganda about this issue by the EPDRF, that increased construction is tantamount to economic development.

Infrastructure building, particularly road construction is the most lucrative source of corrupt governments and their officials. This has been documented to be the case in many parts of the developing world, particularly in countries such as the Philippines, Indonesia, Ghana, and a host of other countries in Asia and sub-Saharan Africa. Moreover, it is also documented that multilateral institutions continue to fund such lucrative and exploitative projects for decades, even though they know there is a huge amount of fraud involved. Some have even suggested that these multilateral institutions are themselves participants of the same corruption scourge, directly or indirectly. As one source stated it: "Officials within many host governments saw international development projects as their major source of funds for political and personal gain, while staff in international financial institutions at worst participated in, and at best turned a blind eye to, corrupt practices."¹ Hardly a week seems to pass by without the EPDRF government controlled media outlets and poster boards announcing bids for construction projects. I will leave these two advertisements in this endnote for you to see what they look like.²

As all Ethiopians know, nearly all the tenders and consulting services go to the EPDRF controlled businesses and the cadres of the EPDRF. It has been a common phenomenon to see members of the EPDRF, who owned the parastatals being both the auctioneers and the buyers/contractors at the same time. Ethiopians, much to their disbelief, have been observing qualified bidders being denied of the contracts and the size of the list of the contractors restricted so that the EPDRF parastatals would

have the upper hand. Ethiopians have observed, much to their chagrin, inside information being given to the EPDRF cadres so that they could win the contracts. Ethiopians have been observing, almost on a constant basis, how the EPDRF contractors inflated the prices of the public procurements and how officials bought the same public procurements repeatedly, as it is a common phenomenon in the telecommunication and water and sewerage sectors of the economy. While this is known to be the fact, the EPDRF has used such a well-known source of scourge to its advantage – both financially and as a means to extol its corrupt regime. After exchanging the level of corruption involved in the Ethiopian infrastructure building, I asked a few Ethiopians – who live both inside and outside of the country, why the EPDRF leaders shamelessly use the infrastructure projects for their parochial political advantages. Does such a behavior of exploiting the foreign aid and using it for political expediency show a moral bankruptcy on the part of the EPDRF? I asked. I also asked them if they could explain why Ato Meles Zenawi would tell the world that the Ethiopian peasants have become wealthier, thanks to his policies, while in fact the peasants are starving en masse.

They responded to my questions, sarcastically, by asking me what else would I expect from Mr. Meles Zenawi who professes to follow a capitalist system, while in fact practicing the economic system that he is a disciple for, the late Enver Hoxa of Albania. What else would I expect from leaders who are shamelessly in a thug of war with the international aid community, denying the number of people who are starving and in need of immediate help? What else would I expect from ruthless dictators who hold hostage of the starving people so that they could stay in power as long as the want? Isn't that what the leaders of North Korea, whom the Ethiopian authorities buy some of their weapons from, doing to their people? They told me that this is what real communists do: attempt to deceive their followers and extol themselves at the expense of many dying and starving citizens.

If my readers want to see the graft involved in the real estate sector and how the EPDRF and the system is mired in the corruption scourge, I ask them to look into the condominium construction projects. They would observe, among other things that it is EPDRF cadres who are hoarding the rooms. They would literally see that the funds are approved mainly to cadres and the government affiliated businesses. As one of my friends put it, you can find all the conventional grafts in this sector.³

The corruption scourge regarding the infrastructure building in Ethiopia is so rampant that it is even reported in some of the pro government news papers. For example, *allafrica.om*, quoting *Addis Fortune*, reported that Addis Ababa's real estate business is so corrupt that the toothless government Federal Ethics and Anticorruption Commission (FEACC) was forced to suspend the Geographical Information System (GIS) bureaus in the 10 districts and the municipality from rendering services.⁴ In fact, the same members of the toothless FEACC had a meeting on July 4th, 2008. During the same meeting, it became apparent to the commission members that the corruption scourge is too obvious for anyone to see, and felt they ought to do something about it, at least for appearance. One could read from the faces of some of the commission members, some insiders say, the rampant corruption could possibly threaten the survival of the regime itself. It is partly due to this worrisome reason why the commission decided to design a corruption mapping covering administrative bodies at all levels of government structure. One should not forget the fact that the regime uses the same gamesmanship – fighting corruption- to appease the donor countries and its backers, who, at times, seem to show some toughness in fighting corruption. The regime is also known for using some lower level officials as sacrificial lambs in the so-called: “fighting corruption.” The same gamesmanship has been used to accuse potential opponents, some of it with tramped-up charges, and send them to jail. Since the corruption scourge has instead intensified over time, one wonders if those who are still heavily involved in the scourge sent their opponents to jail because they got so jealous about the scapegoats sharing the pillaging with them.

The EPDRF, Ato Meles being at the helm, seem to have perfected the hoodwinking business too. While at the same time practicing his Albanian type communist philosophy and unashamedly micromanaging the Ethiopian economy for nearly 18 years, Ato Meles has succeeded in hoodwinking the donor nations and multilateral agencies behind the veneer of free markets and privatization. One wonders, however, why both the donor and the multilateral agencies continuously choose to support Meles knowing full well that the “government” owns all the rural land and urban property, thereby controlling the lives of millions of Ethiopians. The reader may wonder why the same multilateral institutions, such as the World Bank, vow to get tough on corruption while continuing to support the same lucrative business of infrastructure building by such regimes.

As a matter of fact, it should not surprise us why the multilateral institutions are so engaged in pushing economic aid, whether the so-called aid is used properly or not. First of all, they can only exist by pushing the so-called aid. Second, if past history is any evidence, it seems that they are part of the corruption scourge. Multinational organizations, such as the World Bank, know full well that road construction, followed by heavy investment in the defense industry, is the most corrupt of all sectors. Moreover, as one of my friends correctly reminded me, it is common knowledge among development aid researchers that projects are judged by the size of their cost estimate rather than by the problems they could solve for the poor and starving people. Development agencies like to fund big projects such as big dams, irrigation systems and power lines are funded while important activities such as grass roots agriculture works, self-sufficiency efforts which solve real social problems are unfinanced⁵. As Peter Bosshard and Shannon Lawrence (2006) have succinctly argued:

“Building infrastructure projects in the developing world is a \$200 billion business that provides a plethora of opportunities for corruption. Bribes are paid to secure concessions and kickbacks are provided in exchange for contracts. Bid rigging occurs, shell companies are established, and procurement documents are falsified. Sub-standard materials are used in construction, regulators are paid off, and prices for infrastructure services are inflated. Compensation for forcibly displaced communities ends up in the pockets of bribe-seeking local officials. A recent bank report about infrastructure acknowledges that “anti-corruption is the area where the largest gaps remain in our understanding of what works and what does not.... Given the enormous potential pay-offs, it is not surprising that there are often powerful vested interests behind big, new public works projects”⁶

In fact, the World Bank itself, in one of its publications has confirmed that between 20% and 40% of the value of the construction can be lost *even when no wrongdoing is detected*.⁷ Not only fraudulent bids, bribery, and intimidation are rampant but the frauds are difficult to detect unless there is full cooperation from the government bureaucrats. When the auditor general reported to the Prime Minister that billions of birr nationwide were unaccounted for, the Prime Minister told him that it was none of his business to report the fraud. When the same Prime Minister was told that a study by Addis Ababa University indicated that billions of birr was missing, he was quoted as saying that it was not his business to follow up on the scourge. If the multilateral cared about where the money that they send to Ethiopia goes, they should have rushed to the country and demanded accountability. Of course, they didn’t.

As Raymond Fisman and Edward Miguel, in the most recent *Foreign Policy* magazine stated: “Just as corrupt customs officials might look the other way for a slice of the action, crooked politicians and contractors have been siphoning cash from road-building projects *for as long as there have been roads*. Road construction requires materials such as sand and stones and lots of manual labor, all purchased locally by contractors. The Tony Sopranos of the world have figured out that there is good

money to be made by over-invoicing these contracts: Double the budget for supplies, buy some cheap concrete, and split the leftover cash with your cronies in the roads ministry.”⁸ To illustrate how these multilateral institutions and the EPDRF have been preoccupied in such activities, here is an excerpt from the Ethiopian embassy in the UK from June 1, 2007: “World Bank Continues Supporting Ethiopia's Road Sector with US\$225 million approved for the third Road Sector Development Project. ...The project was a continuation of the one approved in 1998, the total contribution amounting to US\$535.59 million from 1995 – 2006. As follow-on support, the World Bank approved the first stage of the Road Sector Development Project with a US\$126.8 million grant in 2003, and has since approved a total of US\$600 million in grant and credits, including the credit approved today.”⁹

Note that this author is not arguing per-se that Ethiopia does not need such infrastructures. In fact, our country lacks basic infrastructures such as good roads, bridges, dams, public hospitals, schools, universities, research centers, etc., but what we observe here and, therefore, object to is the looting of scarce public funds and the thriving in corruption brought about by the contracts awarded to the EPDRF controlled conglomerates. What we object to is the amount of foreign debt piled up on Ethiopia without any progress to show for it. What we object to is the same debt, piled up on the country, when the debt becomes unbearably too high, the same leaders shaming our beloved country by begging lenders for debt relief. What we object to is the effects: the overemphasis of the infrastructure building sector and its side effects to lower the expenditures on the other sectors of the economy, its effects to reduce the productivity of that expenditure itself, in part due to diminishing returns. What we object to, as one source puts it, is: “... wasted investment, increased indebtedness and continued suffering of the most vulnerable.”¹⁰ The same source adds that: “officials within many host governments saw international development projects as their major source of funds for political and personal gain, while staff in international financial institutions at worst participated in, and at best turned a blind eye to corrupt practices.”

One of the deceptive propaganda tools that the regime has been using is an attempt to compare the building of roads, schools, etc. in order to hoodwink the gullible. The EPDRF autocrats lament, using their highly controlled media- communist style- that many more schools and universities, roads and power systems, etc. have been built compared to the previous (Derg) regime. Indeed, there are more infrastructure projects now compared to the previous regime. But wasn't that expected to happen, to begin with? They even try to tell us that the EPDRF has brought all of these for Ethiopia. They never understand that the world community knows the foreign contractors they work with are notorious in their dealings with corrupt officials, since similar dealings have been documented in many other countries of the world, such as the Philippines, Indonesia and other sub-Saharan countries. They never care to remind themselves that the Ethiopian people know they had dismantled the same infrastructure and exported them to Eritrea and the “Greater Tigray” both before and after they assumed power. They think that both the Ethiopian people and the world community at large do not know what the EPDRF has brought to Ethiopia: increased misery, not development and prosperity. They don't even understand that governments are judged by the effectiveness of their policies, not the resources they “have brought to the people.” There are no resources that government bureaucrats, let alone ruthless dictators like Meles, could bring to the country. None! Can you hear me?

It is even extremely difficult, and, in fact, even ridiculous to compare the two ruthless dictatorial regimes- the Derg and the EPDRF itself. The Ethiopian economy now is supposed to be market based. The Derg was an accomplished communist entity- a bloody regime which devoured tens of thousands of lives. That is why the rest of us spilled our bloods to remove it from power. The Derg was a regime which was punished by the Western world for its audacity to ally itself with the decaying Soviet Camp. Because of its stand, the amount of economic aid it received from the Western world and the multilateral

institutions such as the World Bank and the IMF were a drop of water in a large bucket compared to the ones which flocked to the coffers of the EPDRF. Moreover, the Derg was a regime which wasted the meager resources of the country in fighting a civil war that the EPDRF was a part. Whatever infrastructure it built came from whatever was left from its huge and scandalous military expenditures.

So, if the EPDRF cadres want to compare the number of schools and other infrastructures they declare to have built, they ought to open their accounting books and show us how those funds were spent. They ought to allow independent inspectors so that the same inspectors would be able to interview the government officials, workers, and the general public. They ought to allow the independent media to do its work – investigative reporting. From our side, we acknowledge the fact that more infrastructure is built today than during the previous regime.

At one time, when Ato Meles was asked if he had embezzled any of the country's resources, he responded by saying that all that he owned was the number of books he reads. If he still has the audacity to "mislead" us again, and, if his accomplices want to tell us that they did not participate in the smuggling of the country's resources, which we all know they did, we should tell them "that would be fine." However, here is a pledge form for them to sign on telling the world that they did not participate in any kind of corruption, embezzlement and capital flight. The pledge form asks them to swear to the fact that, if the world community finds any embezzled property that could have been hidden in Swiss and other European banks, American and Asian banks, they would forfeit all of them. In the same pledge form, they would be asked to inform the world that they had nothing to do about the transfer of formerly government owned establishments to the now TPLF owned conglomerates at throw away prices. The same pledge form states that they would be brought to justice if the preponderance of evidence indicates that they have lied to the world...." Just think about it folks: how many EPDRF leaders would venture to sign this pledge form?

A Parable:

Now, let me leave you with this interesting parable that aptly summarizes my point. In the 1920s and 1930s, there was a notorious American bank robber who went by the name of Willie Sutton. He was known to impersonate police officers, mail carriers, and maintenance workers to pull off heists in broad daylight. The notorious American bank robber was asked by a reporter why he robbed banks. He responded by saying: "*because that's where the money is.*" **Yes, you got my point: We should tell Meles and company: "you are busy in infrastructure building because that is where the money is!"**

Legend has it that when Willie was asked if the guns he used during his robberies were loaded, he responded in the negative. Unlike the pillagers in Addis Ababa, who continuously would love to suck the bloods of poor Ethiopians, the robber Willie Sutton is known to be quoted as saying that he never robbed a bank when a woman screamed or a baby cried. Thanks to the highly corrupt and selfish pillagers of the EPDRF, the culture of that country seems to have changed to the point that darkness has prevailed, good virtues, societal values and morals to have waned. That is scary, indeed! So, move over, Willie! We have thieves who embezzle public property on broad daylight and showcase their booty as if it is good for all Ethiopians. Move over Willie, we have embezzlers who have perfected patronage and cronyism, who have put their loyalists in the most lucrative sectors and tell the world that all what they have done has helped the Ethiopian economy to grow. Move over, Willie, we have leaders who inform the public that, thanks to their government, they have brought so much "economic aid" while in fact they are in it for the money! Move over Willie....!

A few members of the Diaspora community seem to succumb for the advertisement trap of the EPDRF and attempt to compare the construction projects of the two dictatorial regimes. Yes, indeed, there are many more construction projects, both finished and unfinished, now than during the Derg regime. But what the members of the Diaspora community fail to recognize is the huge difference in the

amount of aid money that has gone to the country and EPDRF pockets. What they fail to recognize is that the infrastructures which were built during the Derg regime were also much higher than those of the Haile Sellassie regime. What they fail to compare is the increase in the size of the population and total resources (but not on per capita basis). What they fail to recognize is that it is expected for them to observe changes whenever they visit their Homeland only “once in the blue moon.” It is just human nature to admire the changes that took place in his/her absence. It will not be surprising to me, for example, if some of my friends who came to visit me a couple of years ago for them to find many changes to have taken place in my little college town. What some of the visiting Diaspora members and the EPDRF propagandists fail to report is that Addis Ababa suffers from lack of the essential basic amenities such as housing, piped water, sanitary facilities (toilet facilities – people defecating by the side of the streets and in their backyards), electricity, housing shortages, telecom and road network. The city suffers from, among other things: increased high unemployment rates accompanied by starvation and squalor, environmental degradation, rampant corruption, etc. Showcasing just the corruption-field condominium expansion and road construction rather exposes how desperate the EPDRF dictators have become.

Economists know that, as some of the Diaspora have observed, massive buildings and skyscrapers alone have never brought development to any country in the world. They will not bring and have not brought any development to Ethiopia either. Rather, construction and massive infrastructure activities are known to be fertile grounds for corruption, and waste of scarce resources. In the last 17 years, they have enriched a very few while throwing the majority of the people into abject poverty.¹¹

Can we now use the famous Ethiopian parable involving the cat and the mouse and tell the pillagers: aha! Egnam awuqenal gudguad misenal! Thank you for reading my write-up and the message I tried to share with you!

Note 1: This short write-up is taken from an ongoing research project about corruption in Africa in general, and that of Ethiopia, in particular.

Note 2: This write up has benefited from quick responses and feedbacks of, using their first initials: A, F, M, N, S, and T. Thank you all!

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Sources used (in addition to those mentioned in the endnotes):

Easterly, William and Tobias Pfitze, 2008. “Where Does the Money Go? Best and Worst Practices in Foreign Aid.” *The Journal of Economic Perspectives*, Volume 22, No. 2, pp. 29-52.

“Combating corruption” to be found at: <http://www.ruralroads.org/en/corruption.shtml>.

World Bank, Infrastructure: Lessons from the Last Two Decades of World Bank Engagement, January 30, 2006, pp 38f.

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..... (August 15, 2008). “Are Democracy and the Rule of Law Necessary for Ethiopia?” <http://www.eprp-ihapa.com/images/articles/Articles2/yes%20to%20democracy%20for%20ethiopia.pdf>.

¹ <http://www.ruralroads.org/en/corruption.shtml>.

² 1) REQUEST FOR EXPRESSIONS OF INTEREST
(CONSULTANT SERVICES)

COUNTRY: Federal Democratic Republic of Ethiopia

PROJECT: Road Sector Development Stage III (APL -3) in Support of Government's Road Sector Development Program

SECTOR: Transport

CONSULTING SERVICES: Technical Assistance for Institutional Strengthening

CREDIT No: 43150-ET.

PROJECT ID No. P-091077

EXPRESSION OF INTEREST.

2) *Tenders and consulting opportunities worldwide* 1) Monitoring of Contractors/Consultants Performance and Construction Cost. (ICB. No. S/10/2008) 2) Design and Procurement of a Pilot Contract for an Output- and Performance-Based Maintenance Contract. (ICB No. S/11/2008) 3) Technical Assistance for Quality Assurance. (ICB No. S/12/2008) Contact Information (address) Abdu Mohammed-Division Manager
Ethiopian Roads Authority/Engineering and Regulatory
Ethiopia Road Authority
Ras Abebe Aregay Street, P.O. Box 1770
Addis Ababa-Ethiopia. Tel. 251 011 5515002, FAX: 251 011 5514866.

³ Thank you, "A" for asking me to inform my readers about this currently hottest source of scourge.

⁴ <http://allafrica.com/stories/200711060668.html>, and also as reported by Addis Fortune on 6 November 2007.

⁵ For more on this, please see Easterly and Pfutze. Op.cit.

⁶ Peter Bosshard and Shannon Lawrence: "The World Bank's Conflicted Corruption Fight", to be found at:
<http://www.internationalrivers.org/en/south-asia/pakistan/world-bank%E2%80%99s-conflicted-corruption-fight>.

⁷ J. Edgardo Campos and Sanjay Pradhan, The Many Faces of Corruption: Tracking Vulnerabilities at the Sector Level, Published April 2007, Washington, D.C.

⁸ By Raymond Fisman, Edward Miguel: "How Economics Can Defeat Corruption." *Foreign Policy*: September/October 2008.

⁹ <http://web.worldbank.org/WBSITE/EXTERNAL/PROJECTS/0,,contentMDK:21354777~menuPK:64282137~pagePK:41367~piPK:279616~theSitePK:40941,00.html>

¹⁰ <http://www.ruralroads.org/en/corruption.shtml>.

¹¹ Thank you, "F" for reminding me to re-emphasize this fact.