

Mission to Attract Diaspora Funds

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Haunted by the specter of the popular uprising currently sweeping the Middle East and North Africa, Mr. Meles Zenawi has launched a propaganda campaign in North America and Europe. This campaign is under the guise of a dialogue about Growth and Transformation Plan (GTP) in Ethiopia. Deputy Prime Minister and Foreign Minister, Haile Mariam Dessalegn, led the first group of the delegation. On April 9 and 10 the remaining envoys of Mr. Meles Zenawi are planning to hold town hall meetings in 14 North American cities. According to one of the pro-government websites, the tasks and objectives of the delegations are to convince the Ethiopian Diaspora to:-

- be the ambassadors of the Government of Mr. Meles Zenawi;
- boost Ethiopia's foreign currency reserves by sending remittances through official channels;
- open foreign savings accounts in Ethiopia and get a better (nominal) rate of interest;
- buy the bonds of state owned enterprises; and
- not to be critical of the government because Mr. Meles Zenawi's party has won 99.6% of the seats of the parliament

According to the 2011 *Index of Economic Freedom* prepared by the Heritage Foundation and Wall Street, Ethiopia's economic freedom is one of the lowest in the world ranking 144th out of 166. This is considerably below the average of the Sub-Saharan Africa region. The economy underperforms in many of the major indicators of economic freedoms. As affirmed in the report, "The business and investment regime is burdensome and opaque. The quality and efficiency of government services are poor and made worse by the weak rule of law and pervasive corruption. State distortions in prices and interest rates undermine monetary stability."[\[1\]](#)

The report further indicates that the overall regulatory framework of businesses is so corrupt it is beyond repair to attract any meaningful and genuine investment. Obtaining a business license is extremely burdensome and the minimum capital investment needed to establish a business is illogically high. Exorbitant tariffs in some protected party owned industries, import taxes and restrictions, limiting foreign exchange controls, services market barriers, non-transparent government procurement, import licensing, cumbersome customs clearance, and inadequate judicial infrastructure make the cost of business transactions ridiculously unbearable.

1. *b) Prohibitive Tax Rates*

Ethiopia has one of the most outrageous and discriminatory above-average tax rates. The top income and corporate tax rates, from which party officials and affiliates and the endowed business establishments of the party are free, are 35 percent or more. Unincorporated businesses are unfairly and unevenly taxed at a rate of 30 percent or more. The skyrocketing inflation and

the government distortions of prices through its regulation of state-owned enterprises and utilities undermine the monetary freedom of independent business enterprises.

1. *c) No Guarantee of Property Rights*

Property rights are not enforced and protected in Ethiopia. The judicial system is underdeveloped, poorly staffed, and strictly controlled by the ruling party and the government. The judges and associated staff are inexperienced, and property and contractual rights are barely understood. The land-tenure policy, which gives the ruling party full ownership of land, is so antiquated that Ethiopia is ranked 101st out of 125 countries in the 2010 International Property Rights Index.

Further, with regard to investment and financial freedoms and property rights, Ethiopia is ranked as one of the worst in the world, with a score of 20 points out of 100 on the Index of Economic Freedom prepared by the aforementioned Foundation. This is reflected in the considerable constraints on the flow of investment capital in the country, and in the restrictions that limit the ability of individuals and firms to move their resources into and out of specific activities both internally and across the country's borders. In Zenawi's Ethiopia, all types of investment must be approved and certified by the incompetent and inefficient government bureaucracy, and must muster additional restrictions.

1. *d) TPLF Domination of the Financial Systems*

Ethiopia's financial system is one of the most corrupt and underdeveloped even by the Sub-Saharan African standard. The TPLF ruling party controls the public and private banking systems. Foreign exchange accounts, payments, and current transfers are subject to tight controls and restrictions.

In an ideal banking and financing environment where there is no heavy government interference, credit is allocated on market terms, and the government does not own financial institutions. Banks are free to extend credit, accept deposits, and conduct operations in foreign currencies.^[2] In Ethiopia, the ruling party's ownership of financial institutions, impedes competition, lowers the level of available financial services, and reduces economic opportunities to investors from home or the Diaspora.

1. *e) Corruption and Lack of Transparency*

Ethiopia ranks 120th out of 180 countries in Transparency International's Corruption Perceptions Index for 2009.^[3] Corruption in the country is so pervasive and real, it has eroded economic freedom by introducing insecurity and uncertainty into economic relationships in the country. Officials manipulate privatization such that they benefit themselves and their family members. State-owned and party-owned businesses receive preferential access to land leases and credit.

As noted by Ken Ohashi, the World Bank Country Director for Ethiopia and Sudan, six factors are attributable to the structural bottlenecks and problems in the Ethiopian economy, viz.: lack of access to finance driven in large part by government policy or collateral; lack of confidence by

business that contract disputes can be rapidly and equitably resolved; limited access to land for small, start-up firms; government industrial policy that tends to channel resources to a few priority sectors; existence of endowment companies that hinders open and fair competition, and regulatory barriers to entry for a substantial number of economic activities.[\[4\]](#)

1. *f) Lack of Good Governance and Democracy*

There can be no legitimate investment opportunity and free economic activity in the absence of good governance and democracy. As indicated in the recent US Department Country Report, the TPLF regime has one of the most egregious human rights records in the world. Successive elections have been characterized by fraud and repression, and basic human rights are brutally violated.

Challenging the Diaspora

Under normal circumstances those of us in the Diaspora would feel obligated to contribute to sustainable and equitable growth and development in our country of origin. We would mobilize and deploy not only our monies, but also our considerable human capital resources. Cruel and repressive single party governance makes it virtually impossible for us to make meaningful contributions to our homeland. We believe that Ethiopia cannot achieve sustainable and equitable development and transformation without political freedom, civil liberties, human rights, the rule of law and a regulatory environment in which all Ethiopians would have access to social, economic and political opportunities.

In light of this reality, we do not believe that the Ethiopian people or the country would be served by channeling and transferring our monies or expertise to Mr. Meles Zenawi's regime. Its primary intention is not to advance equitable and participatory development, but to prolong single party dictatorship for the coming five more years.

Furthermore, many Ethiopians in the Diaspora have been unwilling to invest in Ethiopia because of the lack of conducive environment for investment for some of the reasons listed here below[\[5\]](#).

- There is legitimate concern that the rampant and uncontrollable inflation rate could wipe out the profit they may make. As confirmed by the recently released report of the Economists Intelligence Unit higher inflation and devaluation are expected in the next two years.
- The absence of political stability in the country creates insecurity for their investment. In the inevitable scenario, the overthrow of the TPLF regime would lead to possible confiscation of their businesses.
- The control of financial market by the TPLF and the preferential treatment of the endowed businesses preclude a level-field for competition in the market place. The rampant corruption drives the cost of investment very high.
- Most importantly, the Diaspora is unwilling to finance the oppressive TPLF regime and its security apparatus by providing hard currency in the name of investment in the motherland. Many of those in the Diaspora who, with good intentions, tried to invest in

the country, have failed miserably, and fled the land frustrated by the corrupt, bureaucratic, highly discriminatory and greedy economic policies of the regime. Some even have committed suicide.

To sum it up, Ethiopia is not an investable country. The economy is not liberalized; it is controlled by a single political party. Land is owned by the State and given to whom the regime wants. Inflation has sky rocketed and most of the returns from investments are negative in real terms. There is a latent civil war environment in almost all parts of the country. The government of Mr. Meles Zenawi has parceled out Ethiopian fertile land to foreign investors at dirt cheap prices, embezzled billions of dollars in foreign aid, and squeezed every cent out of the people he has ruled for decades with an iron fist. Now, Mr. Zenawi has dispatched his cadres to the cities of North America and Europe, with a determination, deceit and fraud he has effectively used over the years to complement his brutal force to oppress, subjugate, enslave and plunder a defenseless people.

Ethiopians in the Diaspora, therefore, should remain vigilant and be forewarned of the tasks and objectives of Mr. Meles Zenawi's messengers. They should not succumb to the messenger's false propaganda, but confront them with determination and purposefulness. Ethiopians in the Diaspora should repulse this affront. They must ask the messengers of the regime why they would expect us to provide our hard-earned dollars while the regime is arresting, harassing and disappearing our compatriots at home even as we speak. They should be told that they would be accountable for the crimes they have been a party to. These messengers should not be given a chance to spread their lies, hate and ethnic division using the freedom to speak that they have denied over 80 million Ethiopians at home!

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