

**ADDIS ABABA UNIVERSITY**

**SCHOOL OF POST GRADUATE STUDIES**



**ETHNICITY AND ITS IMPACT ON ECONOMIC  
DEVELOPMENT IN AFRICA: CASE STUDIES FROM  
ETHIOPIA AND NIGERIA**

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## **ABSTRACT**

Trends in Africa show that ethnicity has been manipulated by rulers for political appointment, economic control, social supremacy and cultural domination. Previous studies on the continent, extensively tried to explore ethnicity in terms of its political and cultural implications. Its economic inferences has not been well explored until recently.

This study, by employing a qualitative approach, critically investigates the adverse effects of ethnicity on economic development in Ethiopia and Nigeria. It also aims at deriving constructive African lessons on how ethnic diversity can be managed and switched to fast, equitable as well as sustainable economic growth.

In general, the research findings show that although federalism (either in ethnic or other forms) has been implemented as a system for state building in Ethiopia and Nigeria, still there are rising laments on political and economic inequality as well as manipulation of federal power by dominant groups. Ethnicity, with having a great space on the politico-economic structure of the nations, has hampered economic development through influencing investment, intensifying brain drain, amplifying corruption, leading unfair competition, eroding trust and exacerbating economic marginalization. Thus despite registering remarkable growth over the past couple of years economies in Ethiopia and Nigeria, while they enrich few sections of political elites and affiliated spectrums, leave masses of ethnic groups to live under poverty and face inequality. This directly shows the nations' inability to implement genuine federalism for viable economic development.

By recognizing the very existence of various ethnic groups and widening space for their prosperity through implementing genuine federalism, the study suggests that, the governments should propagate the grand positive impacts of national identity for state building and harness it accordingly.

Key Words; Economic Development, Effects, Ethiopia, Ethnicity, Federalism, Nigeria.

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## ACRONYMS

AEDC	American Economic Development Council
AEO	African Economic Report
ANDM	Amhara National Democratic Movement (EPRDF)
CBN	Central Bank of Nigeria
CIA	Central Intelligence Agency
EFFORT	Endowment Fund for Rehabilitation of Tigray
EHRC	Ethiopian Human Rights Council
EPLF	Eritrean People's Liberation Front
EPRDF	Ethiopian People's Revolutionary Democratic Front
ESAT	Ethiopian Satellite Television
EWHRA	Ethiopian Women's Human Rights Alliance
FDI	Foreign Direct Investment
FDRE	Federal Democratic Republic of Ethiopia (1995- present)
HRW	Human Rights Watch
METEC	Metals and Engineering Corporation
MOSOP	Movement for the Survival of the Ogoni People
NOSCEF	Northern States Christian Elders Forum
OLF	Oromo Liberation Front
ONLF	Ogaden National Liberation Front
OPDO	Oromo People's Democratic Organization (EPRDF)
PDP	People's Democratic Party
SEPDM	Southern Ethiopian People's Democratic Movement (EPRDF)
TGE	Transitional Government of Ethiopia (1991-1995)
UNCTAD	United Nations Conference on Trade and Development
UNEP	United Nations Environment Programme
WIC	Walta Information Centre

# **Chapter One**

## **1. Introduction**

### **1.1 Background of the study**

Africa is the second largest continent next to Asia in terms of land and population, but at the same time it is the most under developed region in the world. While the continent has immense natural resources, old civilization, abundant human capital, autonomous political, economic, social, as well as cultural indigenous institutions, its development has been trickle down especially after independence. Researchers pointed out that the legacies left by colonial powers, illiterate population, corrupt governments, border demarcation problems as well as ethnic based civil wars are the major factors for the under development (Obioha 1999; Heleta,2007; Simensen,2008).

Even though it is now 50 years since majority of African nations gained their independence, the issue of tribalism, ethnicity, regionalism, nationalism and their overwhelming outcomes including violence, civil war, cleansing and migration still continued as the challenges of state building in the continent. While many of the global parts advocate about the issue of global village and regional integration, still in many parts of Sub Saharan Africa fighting along ethnic and tribal lines is a noticeable fact. Example can be taken from the Crisis of Somalia, the South Sudan ethnic conflict, the Niger Delta crisis, Central African Republic civil war and Tuareg rebellion in Mali. These conflicts are destructing thousands of lives and forcing people to displace from their home land which make state building in Africa so complex through exerting massive pressure on the local, regional and international community. Since ethnicity is the most relevant political identity in modern Africa, discontents and conflicts erupt everywhere. This leads the so called ‘central’ governments to become fragile and powerless in maintaining peace and order. Thus, underdevelopment, hopelessness, poverty, inequality, forced migration, hunger and other synonym words have been the manifestation of the continent at large.

In many literatures the problems of ethnicity and related concepts such as violence, fractionalization, ethnocentrism and diversity have been mentioned audaciously as the root causes of Africa’s instability and its negative effects on development.

As stated by Chichuri (2009), Africa is like an exhibition continent that is constructed and destroyed now and then. Chichuri tried to emphasize the inconsistent policies implemented by successive governments over period of times as a cause for African underdevelopment. He meant that African underdevelopment is the result of “try and error” policies constructed by succeeding political holders.

Similar to Chichuri’s symbolization, Osaghae et al. (2005), underlined that scholars of ethnicity and conflict management regard Africa as “a major laboratory for experimentation and theory building” being a home of various conflicts, wars, poverty, diseases, and instability. Even though civil wars, state crisis, civil strife and separatist struggles were the manifestations of Africa before and after independence, the post-Cold war period is the one African states have experienced relentless violent and intractable conflicts, genocide and ethnic cleansing, separatist movements as well as minor and major civil wars.

Examples include Rwanda, Burundi, Liberia, Sierra Leone, the Democratic Republic of Congo, Sudan, Côte d’Ivoire, Somalia, Nigeria, Cameroon, Senegal, Ghana, Zambia, and Benin. According to Porter (2011; para.6), the fertile ground for ethnic civil war before and during the Cold War was the fact that African rulers were “blindly assisted and this gave them a total liberty to manage ethnic differences as they wanted to, and often in violence”.

With his comparative analysis on ethnic conflict management issues in Nigeria and South Africa Irobi (2005), pointed out economic factors especially competition for scarce resources as one of the major causes of conflict among different ethnic groups in Africa. He also sketched out in multi-ethnic societies it is common to see that ethnic groups fiercely compete for property, rights, jobs, education, language, social services and good health care facilities.

In addition to structural ethnic consciousness and colonial factors, competition for economic and political power, as stated by Obioha (1999; para.19), has been a source of persistent conflicts among ethnic groups in Africa. This has been manifested when the “wealth producing ethnic groups feel cheated or marginalized ” which may lead to pro-independence movements.

Contrary to the above suppositions Elbadawi and Sambanis (2000), assumed that African civil wars are not caused by religious and ethnic differences but rather to high levels of poverty, failed political institutions, and economic dependence on natural resources. They argue that Africa's ethnic diversity helps for the establishment of the inter-group bargaining processes which is important for the emergence of stable development. These processes can be peaceful if ethnic groups feel adequately represented by their national political institutions and if the economy provides opportunity for productive activity. Similarly, the World Bank under lined that Africa's conflicts do not stem from ethnic diversity. Rather, in a pattern found around the world, conflicts are driven by poverty, underdevelopment, and lack of economic diversification, as well as by political systems that marginalize large parts of the population. The Bank advices Africa to improve governance and resolve conflict as perhaps the most basic requirement to foster development. Long run peace building and political reforms should be taken in to account in order to reverse the vicious circle of poverty -conflict dimensions. With success in these areas, countries can grow rapidly, and flight capital can return (World Bank, 2000).

Previous researches on the topic mainly address the causes and expenses of ethnicity and ethnic conflict as well as how ethnic diversity became a curse for African development. Only limited literatures pointed out how the ethnic diversity can be managed and switched to over all progress. There is also a little saying about countries which achieved rapid and all rounded economic development with their ethnic diversity like Botswana & Mauritius. This directly affects the dimension of literatures to be negative, partial and shady when ones talk about ethnic diversity and related issues in Africa broadly and in Ethiopia and Nigeria specifically.

Thus this research will try to explore the effect of ethnicity on Ethiopian and Nigerian economic development by scrutinizing ethnicity vs. state vs. population nexus and illustrate how some nations can able to accommodate their diversity and switched to constructive progress.

## **1.2 Statement of the Problem**

With its multiple meanings, ethnicity, as it is defined by The Free Dictionary, is commonly applied for “the characteristic of a sizable group of people sharing a common and distinctive racial, national, religious, linguistic, or cultural heritage or being a member of a particular ethnic group, especially belonging to a national group by heritage or culture but residing outside its national boundaries”.

It has recently become a source of debate in the field of political economy, where many scholars have investigated the relationship between ethnicity and civil war, growth, institutions and violence using econometric tools (Green, 2006). He noted that the relationship between ethnicity and economic development got much attention after the WWII and when colonization was over.

By reviewing the works of (Mauro, 1995; Easterly and Levine, 1997; La Porta et al., 1999; & Bluedorn, 2001) Montalvo and Reynal-Querol (2005; p.245) tried to relate high level of ethnic diversity with poor investment, economic growth, quality of government and democracy. As outlined by Posner (2005) and cited on Birnir & Waguespack (2011; p.2), ethnic fragmentation has a negative correlation with economic growth through ‘interest group polarization’ breeding “rent seeking and over-spending, [undermining] public goods provision, and [creating] positive incentives for growth reducing policies, such as financial repression and overvalued exchange rates that [create] rents for the groups in power”.

William Easterly and Ross Levine were the pioneers in associating African development tragedy with the direct effect of ethnic diversity. The researchers clearly concluded that Africa’s poor growth—and resulting low income—is associated with low schooling, political instability, underdeveloped financial systems, distorted foreign exchange markets, high government deficits, and insufficient infrastructure.

High ethnic diversity is closely associated with low schooling, underdeveloped financial systems, distorted foreign exchange markets, and insufficient infrastructure. They also outlined that interest group polarization leads to rent-seeking behavior and reduces the consensus for public goods, creating long-run growth tragedies (Easterly & Levine, 1997).

Alemante G. Selassie on the other hand attributed the inability to accommodate ethnic differences in Sub Saharan Africa as a cause for “failure of national integration and the absence of political legitimacy” (Selassie, 2003; p.52).

When you discuss with your closest friend about Ethiopian politics, socio – economic issues and, culture, take a cup of coffee and read newspapers or magazines, do business, attend

school, travel across regions, read Ethiopian diasporas websites, go to public service institutions....etc, there is one thing in common which highly pronounced i.e. ethnicity.

This bank belongs to... ethnic group; my boss is from ....ethnic group; I can't get my business license because I am...; He has this large construction company because he is; I don't bother about this public investment because the beneficiaries are from.... ethnic group e.t.c are some of the conversations in our every day interaction which enclose ethnicity and interrelated issues. The sentiments have their own attachment with employment, business arena, and public investment which directly or indirectly affect the economic performance of individuals and institutions.

Zahorik (2005) argued that ethnicity in Ethiopia is being a major obstruction for socio-economic and political development because of its politicization nature where by majority of decision-making processes are done through ethnic lenses. He argued that “this (decision-making process) causes an atmosphere where people, instead of searching for their own individual life-strategies are divided and treated according to their ethnic origin as a primordial entity allowing or restricting access to politics, business or education”(para.5).

Nevertheless Tesfaye Habisso who was a former Ethiopian Ambassador to Uganda and South Africa said “Yes” for his own question: Can Ethnic Federalism Help to Manage Ethnic Conflicts and Accommodate National Diversity?

The answer to the above question depends on whom you ask. If you ask most citizens of India, Ethiopia, Canada, Switzerland, and Belgium, they would say yes. Many people in other countries in Africa, Eastern Europe, and Asia are resistant to the idea of accommodating national and ethnic communities through federal institutions. For them, federalism in general and ethnic federalism in particular, is a dirty word and a detestable phrase (Tefaye, 2012, Oct.11: para.1).

Here the ambassador tried to show how multi ethnic Ethiopian citizens are accommodated and managed through ethnic federalism and enjoyed life like people in India, Canada, Switzerland and Belgium.

The ruling party (EPRDF) and its supporters as well as number of international institutions have advocated the success stories of Ethiopian ethnic federalism in bringing peace and stability as well as one of the rapid economic growths in the Sub Saharan Africa.

They claimed that ethnic federalism assures the people to guarantee of their culture, language, and mostly ethnic identity.

Other sections of the population, diasporas, human right activists, opposition groups and media members on their side accused the government for its failure to address multi ethnic questions and the mere politicization of ethnicity. These groups believed that ethnic federalism brings inequality i.e. either based on ethnic background or political affiliation, minor and major ethnic tensions and conflicts like inter-ethnic conflicts in the Gambella Region, conflict between Oromo and Somali along the Ethio- Kenya border, tension between the Wolayita and Sidama elites for political and economic control, the displacement of Amhara migrant-settlers in from different regions, renaissance of separatist sentiments, and establishment of ethnic based political parities as well as business affiliations, which have a negative effect on the political economy of the nation. Most importantly, proportional segment of the nation's population blamed the implementation of ethnic based federalism at the expense of nationalism and national identity whereby no one talk about Ethiopianism rather his/her own respective ethnic subdivision which hampers consensus decision-making process on public policies. The argument between opponent and proponent elites against Ethiopian ethnic federalism and its effects doesn't have an end which needs far more thorough understanding of the grass root reality.

Likewise, ethnicity and under development are intertwined phenomena in Nigeria- which hosts more than 250 ethnic groups. Many of ethnographic studies in Nigeria have narrated ethnicity and underdevelopment boldly. For example Umezinwa (2013) highlighted the negative impact of ethnicity against development efforts of Nigeria. He notified that each ethnic group is struggling for recognition and relevance in the political arena; each has terrible worry of being dominated by others; each is crying of political marginalization. This needs a proper management of the problem otherwise meaningful development will remain elusive and an illusion in Nigeria.

Former Nigerian President Olusegun Obasanjo told CNN the explosion of violence that claimed at least 200 lives in 2010 was not driven by religious tensions but by ethnic, social, and economic problems. In his words he confirmed that "if there are job opportunities in an area, and persons believe they are indigenous to that area, and (are) not getting enough out of the jobs that are available, they will fight those who are getting the jobs (Evans, March 12, 2010: para.4)".

The contemporary ethnic civil wars including the Niger Delta crisis and Boko Haram's terrorism, which is the most notable crisis in Sub Saharan Africa, are results of such ethnic complexity (Obi, 2009).

The well known blogger Hamilton Odunze (2012; para.13) even went further and put his concern that fight for self-determination of each province will be more revived this time than it was during the Biafran civil war, "mainly because Nigerians now know that the British experiment, which is divide and rule policy, called Nigeria has not worked and will never work". He concluded that if the government does not handle the danger of Boko Haram properly, then this is possibly the beginning of the CIA's prediction about Nigeria's disintegration as a nation in 2015. Even though the above listed tragedies are being narrated, the two countries have ambitious plans in common which they expect to achieve in 2020. Ethiopia set a goal of becoming a middle income economy where as Nigeria has a plan of becoming one of the 20 largest economies of the world in the specified year. How far this plan can be achieved in an ethnic turmoil environment is the basic question which must be addressed.

### **1.3 Research Questions**

Based on the stated problem, this study will try to address the following fundamental questions

- i. How far the ongoing "fast economic growth" of the two nations able to benefit all ethnic groups in terms of employment, poverty reduction and equitable distribution of wealth?
- ii. Are there ethnic hegemonies and political economy marginalization which hamper economic development in the two countries?
- iii. Is ethnicity a predicament for investment, good governance, good public policy and state stability in Ethiopia and Nigeria?
- iv. To what extent ethnicity is becoming a cause for corruption, competition for resources, brain drain, inequality, unemployment, poverty and mistrust between government- people and people – people in the two nations?
- v. What lessons should the two nations take from countries which register fast, equitable as well as sustainable economic development being ethnically diversified?

## 1.4 Conceptual Framework

Jabreen (2009; p.51) defined conceptual framework as “a network, or “a plane,” of interlinked concepts that together provide a comprehensive understanding of a phenomenon or phenomena”. Miles and Huberman (1994; p.18), on their part stated that a conceptual framework “explains, either graphically or in narrative form, the main things to be studied—the key factors, concepts, or variables—and the presumed relationships among them”.

Even though strait forward theoretical perspectives about ethnicity and economic development are not clearly found across the literatures, some like Simon Kuznets’ gap theory likely entertain the topic to some extent. The theory aims to explain the income gap between the rural agrarian society and urban industrial sectors at the early stage of economic growth in a nation as a cause of internal conflict which is an impediment for sustainable economic growth.

Most importantly, the researcher found that **relative deprivation theory** is the one which best describes the effect of ethnicity on economic development. As Walker & Smith (2002) described relative deprivation is the “experience of being deprived of something to which you think you are entitled. It has important consequences for both behavior and attitudes, including feelings of stress, political attitudes, and participation in collective action” (Publisher review: para.1).

Being different from others in some circumstances but as a matter of fact entitled to have an equal treatment, relative deprivation is all about being deprived from social, economic and political sectors. The theory clearly outlined that some portions of citizens have anticipations about where their economic, political, or social status or opportunity should be, but governments may unable to congregate their anticipations and finally the discontents led to political violence such as rioting, terrorism or civil wars.

As cited in (Salah, 2013; p: 165), Gurr asserted that ethnicity ‘is the obvious basis for mobilizing oppositions’ against the state”. Gurr stated that political volatility is directly related with high degree of dissatisfaction which unswervingly facilitated a ‘decline in ideational coherence’ which at last brings a question of state legitimacy and aggression.

### **1.5 Objective of the study**

The general objective of the study is to explore the effects of ethnicity on Ethiopian and Nigerian economic development and deriving lessons on how ethnic diversity can be switched to fast, equitable as well as sustainable economic growth.

Specifically, the research will try to

- analyze whether ethnic politicization leads to creation of ethnic hegemony and political economy marginalization which directly impede fast, equitable as well as sustainable economic growth in Ethiopia and Nigeria or not.
- evaluate the effect of ethnicity on investment, good governance, good public policy and state stability in Ethiopia and Nigeria.
- assess the relationship between ethnicity in one hand; corruption, imbalanced competition, mistrust, brain drain, creation of weak public institutions and on the other hand in the two nations.
- derive constructive lessons from economically booming countries while they are being ethnically diversified.

### **1.6 Scope of the study**

This study is limited at examining only the percentage that ethnicity shares in influencing economic development in both nations not counting other various factors like colonialism, bad policies, corrupt governments, political instability, external intervention, inadequate infrastructure etc.

Concerning the time span this research is aimed at covering major ethnicity and economic development happenings and related issues after federalism, as a means of state building, has been implemented in the two most populous nations.

### **1.7 Significance of the study**

Most recently, Sub Saharan Africa governments have embarked a lot on their success stories especially in their economic performance by pointing out figures and statistical data. These figures are also welcomed by the international institutions.

But much attention is not given for their economic development equitability and sustainability. Governments' reports, IMF and World Bank publications, Africa Development Bank data etc summoned how fast growing economies have been emerged across the region. None of the report give due emphasis about equitable distribution of wealth, poverty reduction and employment creation among diverse population as someone describe it as "I can't eat GDP".

Consequently, implicit and explicit ethnic grievances and conflicts, which directly affect the tale of economic growth in Africa in general and in Ethiopia and Nigeria in particular, are being erupted which need a participatory and well versed development interventions so as to achieve equitable as well as sustainable economic development.

To this end, the researcher believed that the completion of this study will have the following merits to different stakeholders. First, by pointing out the overall effect of ethnicity on economic growth in Ethiopia and Nigeria and at the same time showing constructive lessons, it will remind policy makers, international institutions, donors, investors and local NGOs to re-adjust their economic policy implementations in line with this.

Second, by bringing ethnicity and economic development as an African contemporary issue to the academic sphere, it will pave the way for other development, social, political science and humanity students, academicians and researchers to conduct wide-ranging studies on it and related topics. As far as the researcher knowledge concerned, this study is the first which entertained ethnicity and economic development especially in Ethiopia in a more comprehensive manner.

Lastly, by analyzing the relationship between ethnicity and different economic variables like investment, corruption, brain drain, trust, economic marginalization etc in the two countries; it will add imperative knowledge to the existing literatures.

### **1.8 Limitations of the study**

In a country where by the "oppressor" and "oppressed" dichotomy of historical ethnic relationships used as a political foundation in one hand and the existence of infant democracy and free speech on the other hand, entertaining such kind of slippery and sensitive issue is something tough. So the first limitation of the study is the highly political nature of the subject which makes primary data collection so demanding. People in Ethiopia are scared of talking

about the issue. Officials are not willing to provide information, sometimes they act violently. “Leave me alone, Let me grow my children” is everybody’s verbal and non verbal language. To alleviate the problem, the researcher used mostly informal type of data collection mechanisms such as one-to- one interview and personal observation. The methods help the researcher not only obtaining information but also getting in-depth insights about peoples’ opinions and attitude towards their status hood. As Coughlan et el. (2009) noted that one to one interview is “a valuable method of gaining insight into people's perceptions, understandings and experiences of a given phenomenon and can contribute to in-depth data collection (para.1)”.

The financial shortage is the other critical problem which makes collecting primary data from Nigeria totally impossible. Thus to fill the gap, the researcher tries to explore recent researches, government and international reports as well as media reports from web sites.

Being the first of its type in Ethiopia in covering ethnicity with wide ranged issues, incapable of getting local related literatures was the last problem. Contextualizing others related researches to the local nexus is the technique used to minimize the shortcoming.

### **1.9 Organization of the paper**

The research paper consists of five chapters; Chapter two presents the main theoretical concepts and findings of previous researches on ethnicity and economic development under the review of related literature.

Chapter three briefly deals with the methodological approach implemented by the study. The study area and design, means of data collection as well as analysis and operational definitions of terms are included under here.

Chapter four presents and critically analyzes how ethnicity affects the economic ambitions of Ethiopia and Nigeria through the concepts and theoretical grounds which were discussed under chapter two.

The last chapter summarizes the major findings, underlines the core conclusions and forward recommendations for various stakeholders which are assumed to have direct and indirect relationships with ethnicity.

## Chapter Two

### 2. Review of Related Literature

#### 2.1 Defining Concepts

##### 2.1.1 What is Ethnicity?

As many scholars pointed out the term ethnicity has not universal definition. It is not surprising many scholars puzzled with the term ethnicity as it is not straightforward as we verbalize. For example Max Weber disgusted with the definition of ethnicity by stating “the whole conception of ethnicity is so complex and so vague that it might be good to abandon it altogether” (Weber, 1978; p.389). Abandoning or throwing away the word “ethnicity”, according to Weber, is better than to define it.

Bolaf et al. (2002), labeled the word ethnicity as “scientifically ambiguous and vague”. But they recognize its role as descriptive tool either in adjective or noun form.

Green (2006), on the other hand believed that the definition of ethnicity is suffering from two sides “polysemy” – whereby it has multiple definitions – and “synonymy” – whereby it is close in meaning to other terms like “caste” and “race.” He symbolized ethnicity as a “mine field” where by scholars have proposed an incomprehensible variety of approaches towards its definition.

Ethnicity must be viewed as a plastic and malleable social construction, deriving its meanings from the particular situations of those who invoke it... Ethnicity has no essence or center, no underlying features or common denominator (Smith 1998: 204; cf. Wallerstein 1987) as cited on Green (2006, p.4).

But this doesn't mean that the definition of ethnicity fills empty. One can extract diverse definitions and capture some common elements to form a group together.

#### **So what is Ethnicity in common?**

As Østergård (1992) defined and cited on (Jenkins, 2008) the word ethnicity is derived from the Greek word “*ethnos*”, which encompasses a wide range of situations where by human beings lived and acted collectively. Even though the definition didn't mention which are the wide ranged situations it provides living or acting together as one component of ethnicity.

On the other hand Bolaf et al. (2003) believed that the adjective 'ethnic' stands for either for common characteristics or unique traits as well as features associated to a certain people. They gave an example of an ancient Judaeo Christians who are non-monotheistic populations. The meaning identified religion as a distinctive element of ethnicity.

Different researchers, dictionaries and institutional web pages put their own definitions of ethnicity in different manners. For example The American Heritage New Dictionary of Cultural Literacy defines ethnicity in three ways-

relating to or characteristic of a human group having racial, religious, linguistic, and certain other traits in common, relating to the classification of mankind into groups, especially on the basis of racial characteristics and denoting or deriving from the cultural traditions of a group of people.

The Free Dictionary on the other hand puts ethnic traits, background, allegiance, or association as the meanings of ethnicity. Merriam-Webster dictionary labeled ethnicity as "ethnic quality or affiliation". Similarly United Nations Cyber school bus website describes that "ethnicity is a membership in a particular cultural group defined by shared cultural practices, including but not limited to holidays, food, language, and customs". Esman (2004), on his part defined ethnicity in terms of sharing traits by a group including a common origin, historical memories, culture and connection to a certain geographical entity where as Basedau (2011; para.4), labeled it in terms of primordialist approach. He stated that "ethnicity is the notion of a common ancestry and are associated with a variable set of objective identity markers such as language, religion, and physical appearance".

The list can go on as far one able to explore. But, there are some common elements among the lists which are able to define ethnicity in general manner. And it is wise full to put the components rather than putting it in a single paragraph.

The first component is common ancestry which refers to two or more people claim a share descent, origin and connection to a certain geographical entity. The second one is ethnic affiliation which is an association based on general markers for multistage purposes e.g. political association, economic membership, social inclusion etc. The third includes those shared cultural practices including holidays, food, sexual intercourse, marriage, dressing style, customs etc. Finally objective identity markers which include language, religion, color or physical appearance are considered as components of ethnicity.

Similar to the above general expression; Smith (1988), tried to define ethnicity by listing six essential attributes. These are collective name, common myth of descent, shared history, distinctive shared culture (comprising language, religion), institutions and/or other cultural characteristics with a specific territory, and lastly a sense of ethnic solidarity which is recognition of each other as members of the same ethnic group.

### **Is Ethnicity an inherited or invented entity?**

Concerning ethnicity there are two paradigms. The first one is primordialism (inherited) and the second one is contextualism/constructivism (invented).

**Primordialism** Ethnic groups here, have their own peculiar features like culture, tradition, history, physical traits, language repertoires, religion, etc which will not change over time and consistently maintained across generations. ‘Extended kinship relations’ with their emotional power are the bonding elements that stick the ethnic group together (Hale, 2004). According to Geertz (1963) and cited on Osaghae & Suberu (2005; p.5) primordial attachments are mainly “ascriptive” in which the groups are related in “the givens” of life like “tribe, kinship, and ethnicity”. Similarly Bandarage (2009) asserted that the primordial classification based on blood ties and ascriptive group identities is a base for deep human attachments. It sees ethnicity as a fixed, biological phenomenon which cannot be changed or modified or constructed over time, place or situation. They are common types of ties in the post-colonial African and Asian states.

**Constructivism / Contextualism** this classification on the other hand, as Geertz defined, includes civil ties which encompass “industrial society-type aggregations like class, political party affiliation, interest group membership” Osaghae&Suberu(2005:p.6). Likewise for Jennifer Widener (1999) ethnic identities are communally created, greatly flexible, and contextually defined as cited on Sisay(2005). Barth (1969) on his part stated that “group membership criteria and group membership itself tend to change over time as people come and go and develop new traditions and ways of life, but a group itself nevertheless endures as a way of structuring social life” as quoted on (Hale, 2004).This classification stresses the altering nature of ethnic characteristics which is a socially constructed over periods of times. Here USA can be a perfect example (Bandarage, 2009).

### 2.1.2 Ethnicity and some key related concepts

One of the reasons why many academicians face complication to define ethnicity is its intertwined relationship with its constituents and sometime other concepts. Many literatures used the term ethnicity interchangeably with race, tribe, culture and nationality as well as with their derivative formats. Though ethnicity shares some similar elements with them, using it interchangeably is not viable and will distort its actual meaning.

Here it is better to define them separately.

**Race:** it is “generally defined in terms of physical characteristics, such as skin color, facial features, and hair type, which are common to an inbred, geographically isolated population” (Waller, 2001,p: 43). On the other hand “Differ” website defined it as a concept of “dividing people into populations or groups on the basis of various sets of physical characteristics which result from genetic ancestry (para.4)”. The main element which differ race from other concepts in each definition is a trait which is genetically transmitted.

**Tribe: is** a collection of people who are connected with familiar “ ties of descent from a common ancestor, community of customs and traditions, adherence to the same leaders, etc or as social division of a people, especially of a preliterate people, defined in terms of common descent, territory, culture, etc” as it defined by the Free dictionary.

**Culture:** the Center for Advanced Research on Language Acquisition of the University of Minnesota defined culture as “the shared patterns of behaviors and interactions, cognitive constructs, and affective understanding that are learned through a process of socialization. These shared patterns identify the members of a culture group while also distinguishing those of another group” (accessed definition)

**Nationality:** As Dandeker (1998; p.76), outlined the word nationalism have “a collective claim to “nationhood”, which psychologically entails a claim of “groupness”, typically articulated in a definition and legitimization of the group and its boundaries based on historic, territorial, linguistic, religious, or cultural interdependence among its members”.

### 2.1.3 Economic development

#### What does it include?

Not only ethnicity, many theorists believed that economic development has no a single definition. It is a term which has variety of meanings.

Like ethnicity the term 'economic development' is mostly used as interchangeably with other synonymous expressions like economic growth, economic welfare, secular change, social justice and economic progress which makes it difficult to provide precise and straightforward definition (New Age International, n.d.). Moreover, since the term has changed its dimension through a period of times, it has multiple denotations. Traditionally, it had been equated with growth of per capita income only.

For example, Robbins (1968, p.151), defined economic development “in terms of increasing real income per head or increasing potential to produce such income”. Real income is not only about money rather it is essentially physically heterogeneous – “a flow of availability of different goods and services - bread, heating, transport, medical care, theatrical spectacles and so on”. This old definition regarded real income as a sole determinant of economic development. But today this definition is regarded as “economic growth” not “economic development” as argued by Nafziger (2006). Economic growth refers to increases in a country’s production or income per capita. As it has been described above the definition of the terms has gradually changed through time by incorporating significant elements. For example the American Economic Development Council (AEDC) definition gives due emphasis for job creation and mobilization of resources. Thus economic development is “a process of creating wealth through the mobilization of human, financial, capital, physical and natural resources to generate marketable goods and services” (Hunter, 1999; p.20).

On the other hand for Nafziger (2006) economic development is a sum total of economic growth and other changes (output distribution and fundamental change of economic structure).

These changes may include an improvement in the material well-being of the poorer half of the population; a decline in agriculture’s share of GNP and a corresponding increase in the GNP share of industry and services; an increase in the education and skills of the labor force; and substantial technical advances originating within the country (p.15).

Bellù (2011) further added other assets of economic advancement like effective utilization of resources to generate new goods and services, mass consumption and investment possibilities.

A comprehensive definition of economic development is summarized by Community and Regional Development Institute of Cornell University by reviewing the definition of International Economic Development Council. Here the meaning tries to relate economic development in terms of objectives.

Firstly, economic development should strive for creation of wide employment opportunities, inflation controlling as well as maintaining sustainable economic growth. Secondly, it should stress for service expansion including sustaining the lives of the disadvantaged groups. Finally, improving business environment should be taken into account through financing, marketing, locality development, business expansion, technology transfer and real estate development.

A more inclusive and contemporary definition of economic development is given in Todaro and Smith's leading text book "Economic Development (11th Edition)". In their book they argued that the old definitions of the term are not enough to explain what actually economic development mean since traditionally development is only "achieving sustained growth of income per capita to enable a nation to expand its output at a rate faster than the growth rate of its population" (Todaro &Smith, 2011, p.14). This approach, according to them, gives a high emphasis on rapid industrialization and manufacturing at the expense of agriculture and without considering the levels of the living of the masses. This intern brings wide spread absolute poverty, inequitable income distributions and rising unemployment as it was signaled during the 1950s and 1960s.

By quoting Dudley Seers's definition of development Todaro and Smith outlined that economic development should answer three basic issues - poverty, inequality and unemployment.

If all three of these have declined from high levels, then beyond doubt, this has been a period of development for the country concerned. If one or two of these central problems have been growing worse, especially if all three have, it would be strange to call the result 'development', even if per capita income doubled (Todaro &Smith, 2011, p.15).

It has been widely entertained that poverty and inequality as well as youth unemployment are critical challenges that face the new emerging world economies like the BRICS (Brazil, Russia, India, China and South Africa).

## **2.2 Theories on Ethnicity and Economic Development**

### **Ethnicity vs. Economic Development; where is the linkage?**

By referring the works of Tajfel et al. (1971), Greif (1993) and Alesina et al. (2000); Alesina and La Ferrara (2003), argued that ethnic diversity can affect economic choices through three things: Firstly, by directly involving with individual choices where by individuals may strive for “positive utility” of their own ethnic groups members and “negative utility” to others. Secondly, when there are market imperfections, individuals likely prefer to transact with their own ethnic members since efficiency is retained with trust. Lastly, ethnic diversity may go through the production function through positive contribution by implying more variety of “intermediate inputs,” that can be interpreted as more variety of individual skills, which increases total output.

Solimano (2005) stated that economic growth and the process of development need a political and institutional frame work to involve. The economic choices are highly dependable on government rules, institutions capacity as well as with social restraints which are mediated by political process. On the other hand good governance characterized by stability, the rule of law, and social collaboration in order to foster wealth creation and creating good economic opportunities. According to him underdevelopment can be attributed from different perspectives including political instability, weak public institutions and fragmented social structures besides scarcity of economic resources.

Ethnicity and economics have been a center of attention in the last decades. Especially after the end of the cold war many development, political science, economics and social researchers have been investigated the topic rigorously. But much of the literatures which deal about the correlation between ethnicity and economic development have been concluded negatively (Easterly & Levine, 1997; Ofodile, 2001; Alesina& La Ferrara, 2003; Montalvo, 2005; Dincer, 2011; Gören, 2013, Robinson, 2013 etc.). Only few of others are optimist on the

importance of ethnic diversity on economic advancement (Elbadawi & Sambanis, 2000; World Bank, 2000; Alesina & La Ferrara, 2003; Collier, 2004).

### **2.2.1 Ethnicity and its positive role on economic development**

Ibrahim Elbadawi and Nicholas Sambanis (2000) asserted that African civil wars, which are the major reasons for the continent underdevelopment, are not caused by ethnic and religious diversity rather high levels of poverty, failed political institutions, and economic dependence on natural resources. They suggested that Africa's ethnic diversity is helpful in ensuring the emergence of stable development since the diversity by itself call for intergroup negotiating process. They believed that groups with different interests but equal power will contest each other, thus forcing a compromise on the growth-inducing policies from which all could profit. Thus ethnic diversity is a valuable asset in promoting public discussion (they call it bargaining) which is a pillar to form a stable, non-coercive, development-oriented state.

Similar to their argument the World Bank (2000) in its report emphasized that ethnic diversity can reduce civil war since maintaining the unity of a rebel movement composed of diverse groups tends to become harder over time. According to the report since rebel groups represent diverse ethnic grounds, cooperating between them is imaginable. It further pointed out that ethnic diversity will become impede when there is a polarization between two dominant groups.

By referring the global trend of countries with homogeneous or highly diverse societies which are vulnerable to violent conflicts than are polarized countries, World Bank report concluded that Africa's' ethnic diversity is a prevention mechanism rather than a cause of civil war.

Equivalently Alesina & La Ferrara (2003; p.1), believed that ethnic diversification can be sometimes an engine for productivity and innovation since different ethnic groups have different productive skills that complement each other. They said that "an ethnic mix also brings about variety in abilities, experiences, cultures which may be productive and may lead to innovation and creativity". Their best examples are USA cities like New York City and Los Angeles which are the regular producers of innovation in the world arts and business.

Collier (2001), on the other hand tries to differentiate between ethnic fractionalization (in which there are many small groups) and ethnic dominance (in which one group constitutes a majority). For him, fractionalization in democratic nations is not a problem by itself because it creates a reasonable competition among the private sector even though societies will have worse public sector performance.

On the other hand societies characterized by dominance will have poor economic performance even though his empirical evidence showed that the outcome is minimal. Like the World Bank report, Collier conclusion confirmed that fractionalization has the ability to make societies safe.

In general proponents/optimists of the ethnicity vs. economic development asserted that ethnic diversity has positive role on a nation economic development because it create a stable, non-coercive, development-oriented state through bargaining/ intensive public dialogue; it minimizes the incident of civil war; it improve varied productivity and innovation and lays a foundation for better private sector performance

### **2.2.2 Ethnicity and its adverse effect on economic development**

When one explores the effect of ethnicity on economic development, it is common to obtain plenty of works which conclude negative linkage. Sub Saharan Africa and the former Soviet Union are the prime examples for many of the studies. It is undeniable that with other national, regional and international variables, ethnicity has played a paramount role in lagging nations' ride to development.

Easterly and Levine for instance , 1997 in their work entitled “Africa’s Growth Tragedy: Policies and Ethnic Divisions”, pointed out that Africa’s poor growth and its result low income is the direct result of high ethnic diversity which in turn is closely associated with low schooling, underdeveloped financial systems, distorted foreign exchange markets, and insufficient infrastructure. Moreover, by reviewing the works of (Alesina and Tabellini 1989; Alesina and Drazen 1991; Shleifer and Vishny 1993; Alesina and Rodrik 1994; Alesina and Spoloare 1997), they mentioned that ethnically polarized societies will be both prone to competitive rent-seeking by the different groups and have difficulty agreeing on public goods like infrastructure, education, and good policies. Particularly Alesina (1994) as cited on Easterly and Levine (1997),

argued that ethnic diversity may increase polarization and thereby impede agreement about the provision of public goods and create positive incentives for growth-reducing policies, such as financial repression and overvalued exchange rates, which create rents for the groups in power at the expense of society at large. According to them ethnic polarization brings about two fundamental setbacks which are endemic diseases for economic development i.e. rent-seeking and incongruity on public policies.

Based on the studies of (Lewis 1996; Holsti 1996, Holsti 2000), Nafziger&Auvinen (2003) on the other hand underscored that ethnic and regional competition tends to degrade the institutional foundations of the economy and state since there will be predatory rule which involves a personalistic regime, ruling through coercion, material inducement, and personality politics. When ethnic and personal attachments are the governing principle rather than the rule of law, public institutions capacity will likely deteriorate. Those ethnic politicians will develop a rent seeking behavior rather than adding value to the national economy and “use their positions and access to resources to plunder the national economy through graft, corruption, and extortion and to participate in private business activities” (Holsti, 2000, p. 251 as cited on Nafziger&Auvinen., 2003, p.34). What we can understand from here is that ethnicity can affect national economy through two ways. The first one is the creation of weak public institutions since elites have no time (because they are spending their time on personal gains) or willingness to contribute for the growth of the national economy and the second one is the involvement of the ruling party in businesses activities which dampen private investment. The participation of the Ethiopian People Revolutionary Democratic Front (EPRDF), the ruling party since 1991, on mega businesses can be a remarkable example which will be discussed on chapter four.

Moreover, ethnicity can be a means of power maintaining for ruling elites. Availability of weak institutions and the presence of extensive unproductive as well as profit-seeking activities in a political system are encouraging opportunities to control power for short terms wealth creation rather than from long-term efforts to build a well-functioning state in which economic progress and democratic institutions flourished. Since democratic institutions and well functioning economic growth put accountability and transparency as a key principle, rent seekers will prefer to govern failed states (Keen 1998; Väyrynen 2000; Keen 2000) as cited on Nafziger&Auvinen (2003).

As mentioned on Ojie and Ewhrudjakpor (2009); Furnivall (1948) argued that ethnic diversity or pluralism usually inclines to confliction and coercive political behavior in a society since there are usually struggles and wars of subordination, rebellion and hegemony. These large groups characteristically struggle for autonomy and freedom from exploitation by small groups. The small group exploiters are the one who are considered to be hegemony. When there is a stiff bid to gain relative advantage in competitive access, the result will be crisis of state power which leads to ethnic unionization, to seize the apparatus of the state as an instrument for seeking advantage or exclusive aggrandizement (Otite 2001) as cited on Ojie and Ewhrudjakpor (2009).

By analyzing the provincial data from 1982 to 2007 across Chinese provinces, Dincer & Wang (2011) concluded that there is negative relationship between ethnic diversity and economic growth. They found that going from complete ethnic homogeneity to complete ethnic heterogeneity a growth rate is sharply reduced in China. They used ethnic fractionalization (two randomly selected individuals in a country belong to two different ethnic or religious groups) and polarization (the distance of any distribution of ethnic and religious groups from the situation that leads to the maximum conflict) indices to measure ethnic diversity.

In addition to their original finding, Dincer & Wang (2011) assessed the works of (Glaeser and Saks, 2006; Treisman, 2000; Vanhanen, 1999 and van den Berghe, 1987) and pointed out that ethnic diversity diminish the quality of institution on the one hand and raises corruption on the other hand since ethnocentric members of an ethnic group favor their group members over others. Accordingly, even though politicians are known to be corrupt they have solid support from their patrons as far as they intend to allocate resources towards their ethnic members. Similarly Nafziger & Auvinen (2003) concluded that most élites received their support from ethnic and regional bases, allied with other communal élites to control the state, and used this power to distribute benefits to their communities. But the communal competition will lead to aggression not only at a class rather mass level.

Here the main thing is the “offer vs. acquire issue”. Politicians will allocate nation’s resources towards the utmost benefit of their ethnic group and in return they will gain a political back up. On the other hand favored ethnic groups will support their bureaucrats, knowing they

are corrupted, as much as their economic and political advantage is going on, excluding other ethnic groups.

By referring the study of Delhey and Newton (2005), Dincer & Wang (2011, p.3) also stated that ethnic diversity reduces social capital and trust since people have a tendency to “associate with, socialize with, and be more comfortable with people who appear similar to themselves”. Similarly, ethnic diversity is one of the reasons to create social barriers that hamper the positive opportunity obtained from knowledge creation. It makes the integration of individual actors more difficult, and therefore reduces the level of social capital that would otherwise be attained since suspicion, anxiety and uncooperativeness will be the outcomes (Ofodile, 2001).

On his part Robinson (2013), tried to associate ethnic difference with greater market segmentation. He concluded that an ethnic diverse country in general and ethno-regional segregation in particular has a negative effect on national market integration and long-term economic development.

By taking Malawi as an example, he confirmed that “when ethnic groups are geographically segregated and interpersonal trust tends to be concentrated within ethnic groups; individuals tend to trade only within their homogenous counterparts or pay higher transaction costs for trading across ethnic lines (p.1)”.

This in turn will lead to national market disintegration which contrasted with the well accepted notion of importance of the integration of markets which are conducive to economic growth through reducing the volatility of prices, allowing gains from trade based on regional comparative advantages, and facilitating the efficient movement of goods from areas of surplus to areas of deficit (Ibid).

### **2.3 Ethnicity and Major Economic issues**

Even though these issues have been underlined above, for the better understanding of the effect of ethnicity on economic development, it is imperative to see how ethnicity and some other economic issues have been related in a more comprehensive manner. By economic issues, it is to mean investment, brain drain, corruption, unfair competition, mistrust and economic marginalization. These issues have a direct and indirect influence on a national economic

development. If for instance investment is influenced by ethnic grievances and favoritism, highly skilled human labor is migrated, corruption and rent seeking are determinants of each activities in public institutions, the playing ground is not the same for each business player and if there is mistrust between government and people or among the population on public expenditures, it is likely that a nation's economy will be endanger which can be manifested through extreme poverty, inequality and deteriorating of human development as well as rise of unemployment.

### **2.3.1 Ethnicity and Investment**

Investment as it is defined by the Comprehensive Dictionary of Economics (2009; p.95) is “creating capital goods as well as acquiring or producing structures, machinery and equipment or inventories”. It includes both domestic and foreign direct investment and it is all about profit making. For a country to grow rapidly and sustainably investment is the driving engine. But it needs favorable conditions like political stability, infrastructure, availability of labor, good public institutions, market etc.

Ethnicity and investment are interconnected in many ways. In order to have vibrant domestic investment, investors should feel that they are part and parcel of their country affairs. Investors will invest if and only if they have sense of belongingness, if they have a warranty for their investment and if they believe that they are treated equally in all spheres. If there are ethnic discriminatory policies and inequitable market treatment, private investment will not be realized. Even vigorous foreign direct investment (FDI) can be magnetized if a nation can maintain political stability and has vibrant public institutions besides other many pulling factors like existence of large market, good taxation system, availability of accountable and transparent institutions etc.

Empirically, Mauro (1995; p.681) proved the null hypothesis of ethno linguistic fractionalization effect on investment not only by increasing corruption and political instability, but also by slowing down the diffusion of ideas and technological innovations within the country and weakening institutional efficiency. “Low security of property rights over physical capital, profits, and patents may reduce incentives and opportunities to invest, innovate, and obtain foreign technology”. Similarly Montalvo &Reynal-Querol (2005; p.308) find a negative correlation between ethnicity and rate of investment. They asserted that when there is ethnic

polarization, reduction of investment is common since government consumption increases and there will be a probability of a civil conflict.

With politicians having rent seeking behavior and “the resources spent by the groups in order to obtain political influence (time, labor, etc.)” is a social cost which is nonproductive and shrink investment in the productive sector. On the other hand the presence of heterogeneity and the measurements taken to normalize violence and civil war directs to instability and uncertainty which reduce investment.

Concerning ethnicity and FDI, there are two correlations. On the one hand FDI in the Third World especially investment by multinational corporations is seen as a source of political instability, ethnic civil war, ethnic strife and grievance since experiences have shown that the MNCs are believed to extract resources with no profit for the local community. Ecological destruction, land grabbing, displacement of the local community, corruption and local proxy trading are some of the harmful outcomes of FDI in ethnically diverse nations. Since there are unregulated large-scale resource extraction and short-term profits without considering the environmental protection, benefits of local communities or a national interest, FDI in these countries has exacerbated conflicts and created ethnic armed groups (Buchanan et.al, 2013). On the other hand in order to attract sound FDI, the investment destination should be free of war and insecurity. FDI needs hospitality. Vadlamannati (2007) for example noted that ongoing civil war and poor economic performance are the major reasons for volatility in FDI flows. When foreign investors choose investment destination, they will consider internal and external security. If there are civil war intensifications, the functioning of business operations will disrupt and it will force investors either not to invest or disinvest fully or part of their investments. This in turn hampers a country’s benefits accumulated from FDI which may include the “acquisition of new technology, employment creation, human capital development, contribution to international trade integration, enhancing domestic investment, and increasing tax revenue” (Hung., 2005, p.1).

### **2.3.2 Ethnicity and Brain Drain**

Brain drain as it is defined by (Bushnell and Choy 2001) and cited on Giannoccolo(2009) consists of two words; “Brain” pertains to any skill, competency or attribute that is a potential asset where as “Drain” implies that this rate of exit is at a greater level than “normal” or than

what might be desired. Linking the two implies that the exodus of mainly talented at a palpable rate.

According to the International Organization for Migration (IOM) data, and summarized by African Renaissance Ambassador Corporation, since 1990 African doctors, university lecturers, engineers and other professionals have leaved and it is now estimated that she has already lost one third of its human capital and is continuing at an increasing rate. According to the report Ethiopia ranked first in the continent in terms of rate of loss of human capital, followed by Nigeria and Ghana. Among the pushing factors social unrest, political conflicts and wars as well as discrimination in appointments and promotions are some of them.

Dr. Lalla Ben Barka Deputy Executive-Secretary, Economic Commission for Africa (ECA) said that “African governments have a great responsibility to ensure that brains remain in the continent; otherwise, in 25 years’ time, Africa will be empty of brains” (para.2). The message clearly stipulated that brain drain have been a major impediment for African development.

### **The Relationship between Ethnicity and Brain drain**

Many social, economic and political researchers tried to associate brain drain with economic and political problems which have aroused in the Third world. Among the problems better job opportunities, peace and security seeking, attachment with the former colonial powers, good immigration policies and other related pushing and pulling factors have been mentioned. Moreover political instability, civil war and ethnic division are identified as pushing factors which stimulate the migration of skilled workers mostly to OECD. This large outflow of skilled persons is directly affects the economic development of developing world including Africa.

Marfouk’s (2008) empirical analysis on the determinants of African highly-skilled emigration shows that 10 out of the 53 African countries have lost more than 35 per cent of the their tertiary educated labor force. Marfouk pointed out that the degree of fractionalization (ethnic, linguistic and religious) at origin countries is among economic and noneconomic driving forces for brain drain in the continent. By looking at Mauro (1995) and la Porta et al. (1999) arguments he indicated that, ethnic and religious heterogeneity, which are associated to lateness tensions and bad quality of institutions, may affect positively emigration flows.

By investigating the impact of civil war on high skilled emigration rates to the Organization for Economic Co-operation and Development (OECD) over the period 1985-2000 and controlling other economic and institutional variables of countries, Bang & Mitra (2010) found that civil war raises high skilled emigration by about 5 percent on the average. Especially the brain drain from countries with ethnic conflict is about 6-8 percent greater than it is from countries without conflict. When there is continuous worsening of ethnic conflict the brain drain increases between 0.4 and 1 percent. They also confirmed that while ethnic civil war increases the fraction of tertiary skilled emigrants, non ethnic civil war has no significant impact on the extent of brain drain. This means that ethnic civil war is more directly connected with brain drain than other type of conflicts because ethnic civil wars tend to last longer on the average than non ethnic wars.

Most recently BBC in its News Asia report on 5 June 2013 explores how far brain drain which is mostly caused by ethnicity is becoming a curse for Malaysian economy. Under a headline “Will Malaysia's brain drain block its economic ambitions?” the media exposed how ethnic Chinese and Indians which make up a third of Malaysia's population of 29 million people leave the country. These ethnic minorities are being deprived by the government by long-standing policies that give preferential treatment to indigenous ethnic Malays in areas from housing and education to government projects. This means that non Malays companies have fewer opportunities, something that hurt profits and left them demoralized. This report showed that whenever there is economic and political inequity, because of their ethnic background skilled and non skilled personnel will migrate from their native soil and live in a nation where by they can be treated equally or even less.

In general; in addition to other economic and political variables; ethnic fractionalization, bad qualities of institutions, civil war as well as ethnic discriminatory policies are major deriving forces which are behind the massive migration of Third World highly skilled personnel which directly affects the innovation, technological change, productivity and overall development of respective nations (Croix & Docquier, 2010).

### 2.3.3 Ethnicity and Corruption

Corruption as it is defined by Professor Khan is “the transgression of formal rules governing the allocation of public resources by officials in response to offers of financial gain or political support” (Khan & Sundaram, 2000, p.8).

The correlation between corruption and ethnicity has been well explained in many studies. Beginning from Mauro, 1995; Easterly and Levine, 1997; LaPorta et al., 1999; Treisman, 2000; Yehoue, 2007; Burgess et al., 2009; Cerqueti et al., 2011 to Parboteeah et al., 2013 tried to relate ethnicity and corruption in detailed manner.

Easterly and Levine (1997) in their “African tragedy”, supported the view that ethnic diversity encourages the implementation of growth-impeding policies which promote rent seeking behavior. They believed that rents appropriated by each ethnic group do not finance growth enhancing expenditures like public goods since everybody is running for his/her personal utilities.

Even though Treisman (2000) hypothesized that corruption will be greater in countries that are more ethnically divided, he couldn't find a direct relationship. Rather since he asserted that ethnic division may slow economic development which indirectly increases the level of corruption.

Yehoue (2007), on his part argued that ethnicity is a reason for “rent-extracting technology” in a democratic society where democracy is at the early stage but it will phase out when democracy matures. If we take this argument into Africa's context, it can be concluded that the continent is struggling from “rent-extracting technology” since democracy is at the infant stage.

A study made by Burgess et al., (2009) showed a positive relationship between ethnic favoritism and infrastructure especially in the road sector in Kenya. Road investment in Kenya can be explained in terms of political appointments and their ethno favoritism approach. Respective presidents excessively invest in their birth place and those regions where their ethnicity is dominant. Ethnic favoritism in turn leads to regional disparities and political instability in Kenya.

Contrary to the above findings Cerqueti et al.,(2011), showed the nonlinear relationship between ethnic fractionalization and corruption in intermediate fractionalized society since there is check and balance mechanism which limit ethnically based corruption. But he couldn't deny the high prevalence of ethnic based corruption in homogeneous or very fragmented countries.

In general ethnicity and corruption are usually portrayed together. Incongruity on public goods, rent seeking behavior, regional disparity, slow economic development are some of the effects of ethnicity which are directly related to corruption and related malfunctioning practices.

#### **2.3.4 Ethnicity and unfair Competition**

Competition as the name replies, is an event where by one competes with another to win. It is generally believed that in liberal and mixed economy healthy market competition by business players brings sustainable and equitable development. This fair competition makes the market system efficient and standardized in terms of price, quality and service. Fair competition benefits customers in lowering prices, keeping the quality of goods, widening choices and rendering reasonable services (Stucke, 2013). Most importantly competition forces, willingly or unwillingly, business players to maximize their efficiency and innovate new findings as well as service mechanisms.

Fair competition allows citizens to have equal access to resources and shut the door of civil war. But if there is a market system where by a single ethnic business group alone control the economic sectors, decide the price and quality of the market as it wants and supported by the ethnic government discriminatory policies, ethnic grievances and rebellions will likely erupt. "People don't kill each other just because of being from different ethnic groups; they actually tend to kill each other because of the unhealthy and unfair competition (Jany, 2013, para. 3)".

Here there is a paradox; those beneficiary ethnic business groups think that everything is flat and quiet where as the discriminated majority business group is always at the "thumping the teeth" mood as it is well explained by (Jasso 1980) as cited on You (2005, p.11), "poorer people are more likely to believe they are "unjustly under-rewarded," while richer people are more likely to think they are "justly rewarded".

Discrimination specially "racial discrimination" as it is defined by International Convention of the Elimination of All Forms of Racial Discrimination Article 1 also has its economic implications. It

shall mean any distinction, exclusion, restriction or preference based on race, colour, descent, or national or ethnic origin which has the purpose or effect of nullifying or impairing the recognition, enjoyment or exercise, on an equal footing, of human rights and fundamental freedoms in the political, economic, social, cultural or any other field of public life.

Here it is clearly under lined that any kind of denial of fundamental economic rights based on ethnic ground shall be regarded as racial discrimination. If there is discrimination, healthy competition is impractical, people innovation and skills will go down, frustration and aggression as well as crimes will be common. For example Bélanger et al., (1991) tried to relate ethnic competition with ethnic conflicts. For them there are three conditions for ethnic competition to lead to ethnic conflict. The first one is when the competition is perceived to be unfair.

Ethnic competition will tend to be perceived as unfair when it is seen as violating accepted norms (e.g., when discriminatory practices prevail), when it is seen as involving unjustified threats to claimed rights and possessions (e.g., infringing on one's turf), or when the rules of the game themselves are contested or the outcomes of competition are seen as unduly unbalanced (e.g., the same ethnic region wins government allocations more often than others (p.418-419).

The second one is the competitors' relationships with each other must be purely competitive. If high levels of complimentary, interdependence and dependence relationships are present, they are to be perceived as mutually beneficial and peaceful. Providing goods and services for each other and presence of reciprocal relationships among ethnic groups will not lead them for stiff competition.

Finally, "the objects of competition must involve collective goods rather- than individual goods" as (Rose 197 1, p. 300-301 and 445-46) outlined and cited on (Bélanger et al., 1991, p.450). These collective goods include political rights and regional-ethnic power, regional or group ethnic parity in the economy, group status including the status of the group's culture, and language.

Antecol & Cobb-Clark 2006), on their part underlined the negative effects of consumer market discrimination at the individual and societal level since it limits access to fundamental

goods and services, contributes to disparities in wealth by raising prices and search costs, diminishes individuals' economic and psychological well-being, and perpetuates inequities within society.

### **2.3.5 Ethnicity and Trust**

Lewicki & Wiethoff (2000; p. 87) described trust as "an individual's belief in, and willingness to act on the basis of, the words, actions, and decisions of another".

Trust can be developed either through one's evolutionary personality, rules and norms of institutions and societies as well through experience from a given relationship.

Similarly definition by Gambetta (2000) stated that "it is our expectation that another person (or institution) will perform actions that are beneficial or at least not detrimental to us, regardless of our capacity to monitor those actions" as cited on Sapienza & Zingales(2009, para.4).

Knack (2000), mentioned the importance of trust played by governmental and social institutions. Where they are effective, they can reduce uncertainty and transactions costs, enhance the efficiency of exchange, encourage specialization, and promoting investment in ideas, human capital, and physical capital. Based on the studies of Almond and Verba (1963), Putnam (1993), Easterly and Levine (1997), Knack argued trusts' influence on economic performance at the "micro-economic" (minimizing transaction costs, putting into effect contracts and simplifying credit for individual investors) and "macro-political" level (strengthening democratic governance, improving the effectiveness and sincerity of public administration and improve the quality of economic policies).

Sapienza & Zingales(2009) stressed that no matter a country has immense natural resources, without trust development is unthinkable. By taking Germany and Japan as reinstated world giants after World War II, they believed that trust can make things right, if it persists for a long period of time. Since trust is fundamental to all trade and investment, without it, cooperation and financing break down as well as investment stop.

In many studies the relationship between ethnic diversity and trust found to be negative. For example, You (2005), by assessing the studies of Saguaro Seminar (2001), Alesina and La Ferrara (2002) and Delhey and Newton (2004), stated that ethnic diversity has its own negative linkage with trust especially social trust. Trust among dissimilar which means heterogeneous

societies is lower than homogenous groups. The heterogeneity is manifested by race, ethnicity and income differences. He further pointed out that social trust can be positively build through maintaining economic development, democracy, income equality as well as control of corruption.

### **2.3.6 Ethnicity and Economic Marginalization**

The last economic issue which will be discussed here is economic marginalization. Economic marginalization can be done in terms of different grounds. Ethnicity is one of the identity markers in which ethnic officials based their economic advantage over others. Economic marginalization as it is defined by Kanbur (2007; p.2) is both process and outcome. On outcome for example, “X relative to Y meaning simply “X is worse off relative to Y”, where “worse off” can itself be measured in a number of ways, covering income and non-income dimensions”. On the other hand marginalization can mean “X has got less of the increase in the pie than Y” ”.

The first statement is related to the level of inequality, the second is about changes in inequality. As a process it relates to structure and integration of markets in which some individuals or groups engage in are segmented from the economy in general which indicates economic inequality among citizens.

On the other hand, Wydick (2008) stressed on imperfect information in the labor market and purely race based forms of preferential policies as a reason for discrimination. The discrimination might be a reason for the creation of dominant and dominated groups as Iturralde (2001), pointed out. The long term effect of racial and economic discrimination when it lasted for a long period of time tends to cement over generations and difficult to achieve reform.

Dertwinkel (2008) outlined the overall effect of economic marginalization at the national and regional level. If ethnic minorities are excluded or discriminated from education, payment and employment, the economy of the country and neighboring countries will be damage.

With his analysis, he tried to explain economic marginalization at two levels at the consumption and production level. By consumption he meant the capacity of an individual to purchase goods and services and earning income and savings, where as participation in economic activities through labour market is what he called production. When relative economic deprivation exists, it has a positive correlation with higher crime rates and urban violence.

## **2.4 Relative Deprivation theory**

### **2.4.1 Meaning and Historical Trends**

This theory was developed by Runciman in 1966. Runciman was interested to see the attitudes to social inequality in the 20<sup>th</sup> century England. Runciman borrowed the term “relative deprivation” which was originally coined by Merton and Kitt who are the authors of “The American Soldier”. But their definition was not rigorous and had only the general sense.

In his book entitled “Relative Deprivation and Social Justice- A study of Attitudes to Social Inequality in Twentieth – Century England”, Runciman believed that ‘relative deprivation’ and ‘reference group’ are two terms which are inseparable and rooted from a common point. They refer people’s attitudes, aspirations and grievances largely depend on the frame of reference with in which they are conceived. Similarly Neckerman (2004, p.935) said that “as inequality increases, the opportunity for negative social comparisons increase because the distance between the rich and the poor increases”

Runciman asserted that despite the objective deprivation, that is a person demonstrably lacking something in a physical sense compared to others, relative deprivation should always be understood to mean a “sense of deprivation”. This means that to say there is relative deprivation, apart from the objective denial of something; people should have the psychological sentiment of being deprived. According to the definition ‘objectively’ here includes not only intentional but also unpremeditated and undetectable deprivation acts by others which mean the sense of deprivation is such as to involve a comparison with the imagined situation of some other person or group. This other person or group is the ‘reference group’ or more accurately the ‘comparative reference group’. Reference group need not be a group at all; it may be a single person or even an abstract idea.

### **2.4.2 Core assumption**

The main assumption of the theory is people satisfactions is conditioned by their expectations and measured in parallel with their reference group.

Runciman said that “the proverbial way to make oneself conscious of one’s advantages is to contrast one’s situation with that of others worse off than oneself” (1966, p: 8).

The theory formula looks like the following

**A**= who doesn’t have something but wants it

**B** =who does have. Therefore A is ‘relatively deprived’ with reference to B. Similar to this

**A**’s = expectations are higher than **B**’s or

**A**= was better off than **B** feel relatively deprived by comparison with him.

Generally, A is relatively deprived of X when

- i. He doesn’t have X
- ii. He sees some other person or persons, which may include himself at some previous or expected time as having X
- iii. He wants X
- iv. He sees it as feasible that he should have X. Here ‘feasibility’ doesn’t mean fantasy wishes e.g. a woman that she wants to be as beautiful as a reigning film star can’t be grouped under relative deprivation sense.

To make it clear **A** may represent different ethnic groups; for example in Ethiopia Oromo, Amhara, Tigre, Sidama, Somali, Wolayita etc and in Nigeria Hausa, Yoruba, Igbo, Ijaw, Ido, Isoko etc; whereas **X** can be codified to stand for political power and freedom, economic advantage, , social justice, resource equality and other related variables.

**“Revolution of the rising expectations”** At a class or national level, Runciman believed that, people will be conservative when there is long term poverty.

If people have been led to see as a possible goal the relative prosperity of some more fortunate community with which they can directly compare themselves, then they will remain discontented with their lot until they have succeeded in catching up. This is the so called ‘revolution of the rising expectations’ (Ibid).

'Revolution of the rising expectations' is against "comparative reference groups" or against their representatives. "When a comparative reference group is 'positive' (in the sense that a person wants to share the situation of another group, not to disassociate himself from it), a relative deprivation is necessarily engendered (Ibid; p.9)". This clearly illustrated that when 'comparative reference groups' compete to share power, resource, equality or justice, there will be probability of conflict.

Runciman supposed that the rate of recurrence of relative deprivation will be low when there is equal promotion or demotion. The equal demotion is labeled as 'absolute deprivation'. But the assumption that 'absolute deprivation' will slowdown the rate of 'relative deprivation' is not convincing according to him. When there is disparity in promotion and demotion, the rate of recurrence of relative deprivation will rise and fall.

### **2.4.3 Contextualizing Relative Deprivation Theory**

#### **Causes of relative deprivation**

According to Runciman external variables play a pivotal role in aggravating relative deprivation but when 'external stimulus' is absent the mobility of relative deprivation might be minimum because the underprivileged may take their status as a habit or the presence of poverty and conservatism as well as they may lack ambition. In order to have 'rising spiral of expectations and comparisons' which will continue until a new equilibrium is reached, first the vicious circle should be broken and second some external influences should be there.

The external influences might be war, media, education or economic change. War as a valuable drive force behind any change can intensify underprivileged aspirations and expectations to get concrete rewards after victory.

Runciman believed that two ways contribute to elevate the frequency of relative deprivation during a war time. Firstly, under privileged groups who suffer from exertions will inspire to take their share from the 'better world' of their superiors and secondly, war by its nature brings people together and open a door for immediate contact with each other than peace. Media (recipient of news) is the other major task force to tell people about their horrible economic or social situation even though they may not think over about it before.

Here politicians and opinion leaders are the key players. By taking Rwanda as an example Gérard Prunier (1995, p. 140–141) quoted that “positive (or negative) group feelings are manipulated by the élite in their struggles for controlling scarce and even shrinking financial, cultural and political resources”. So the oral discontent is made by revolutionaries and agitators to aware about previous deprivation and convince their people in order to ally with them for their political and economic profits.

In addition to media, education can “upset traditional reference groups and heighten the general level of aspirations” but conversely, religion since it mostly propagates that the existing order is fair and people life is on heaven, it can sometimes restrict aspirations. Lastly, economic change which has the power to break the vicious circle of poverty and conservatism can aware people of the possibility of grouping themselves to a higher standard.

Based on (Stewart 2000,p. 16) & (cf. Davies 1962, pp. 5–19) Nafziger & Auvinen (2003) pointed out that stagnation, decline, social injustice and vertical (class) or horizontal (regional or communal) inequality related to those of others within society are the basic grounds of relative deprivation. The deterioration of living conditions during a period of high expectations is the one which results socio-political displeasure. Thus, the psychological feeling of relative deprivation often corresponds to some economic or material deprivation. Here war and violence have major catalytic roles.

### **Consequences of relative deprivation**

Collective violence, social disruption, political instability, undermining economic activity, spreading hunger and disease, and fuelling refugee flows are the major outcomes of relative deprivation (Gurr 1970) as cited on Nafziger & Auvinen (2003).

To extreme extent even other researchers went further and found the positive linkage between relative deprivation and poor health conditions. When a person has low income and live in bad conditions, compared to others, his health status will deteriorate.

Eibner et al., (2004), for example find that those with low relative income are at higher risk of experiencing a mental health disorder including depressive disorders and anxiety/panic disorders. Similarly they concluded that a 25 percent decrease in relative deprivation could decrease the probability of any likely mental health disorder by as much as 9.5 percent.

## **2.5 Ethnic Federalism and Developmental state:**

### **Challenges and Opportunities**

After independence and long time civil war African countries, especially ethnically diversified nations like Ethiopia, Botswana, Nigeria, Democratic Republic of Congo, South Africa, Mauritius, Sudan etc, have been trying to achieve economic and political legitimacy through two means. The first is the implementation of federalism as a path to multi plural democracy by bringing an end to discrimination based on class, language, gender and culture. The second one is following developmental approach state as an economic engine with advanced planned state intervention on the economic sector. Some of them have been successful like Botswana and Mauritius where as others are experiencing the discontents still.

Developmental state, “a state that focused a leadership ruthlessly committed to a national development (and not to partial interests or its own enrichment)” as defined by Chalmers Johnson and cited on (Allen & Thomas, 2000), is seen as a best development approach by African countries since 1990s. They have been trying to capture the experiences of many of the East Asian tigers after the WWII. On the other hand African policy makers set federalism as “an institutional design to deal with the problem of unity and diversity” since 1980s and 1990s (Aiyede, 2009, para.1).

From different experiences one can understand that integrating developmental state as an economic approach and ethnic federalism as a democracy tool have their own opportunities and challenges. Even from the conceptual references of developmental state’s “high state intervention and mobilization” in one hand and federalism’s “self rule” on the other hand, there is a paradox on accommodating the boundary of jurisdiction. This contradiction has been seen a reality of Ethiopian ethnic federalism system as it is well explained by (Selassie, 2003; p.78) “constitutionally, the country [Ethiopia] has proclaimed itself "federal." In reality, however, the state is so dominated by the TPLF”.

But it should be remembered that the challenges and opportunities are the results of either a poor or well management of ethnic diversity by the respective states. As Erik & Anderson (2010; p.2) pointed out

federalism has features that are both secession inducing- since recognition also means that collective groups will have the institutional tools to strengthen their internal cohesion, heightening the 'us vs. them' mindset- and secession preventing –because federalism is one of the most important tools of collective representation, providing autonomy to the constituent regional political structures.

Since the principle of developmental state promotes high level of deliberate state intervention in the economic sectors and if the state is dominated and guided by a single ethnic group, the nation's resource, income, employment opportunities and business prospects will be at the hands of state actors and loyalties to their respective ethnic ground. This is against (Selassie, 2003; p.80)'s argument of the very principle of ethnic federalism which give a privilege for each ethnic group “to decide its own form of governance, identity, future association with the state, and the rights of individuals subject to its jurisdiction”. If the federal government has a sole controlling power over the nation's economy, “sub national governments lack primary economic authority which provides few or no incentives for subunits to compete among themselves” (Ibid). This in turn dampens respective ethnic groups' right for managing and utilization of their own resources which leads them to live under poverty and be economically marginalized as well as structurally excluded. In such cases since pro - poor and sustainable growth which can overcome poverty in the long run can't be maintained; state stability is always in question.

Here, Doctor Aklog Birara stated that put into practicing ethnic federalism under high level of endemic poverty, injustice, inequality and plunder of national income and resource allocation by state party in developing nations like Ethiopia, a system will be ethnic, repressive and corrupt in which corruption, illicit outflow, nepotism and discrimination are consequences of the system. Capital accumulation and concentration will be in few hands which is contrary to a democratic developmental state principle of fostering economic growth and development for the lives of the majority. Under ethnic politics, justice, equitable accesses to economic and social opportunities, political pluralism, the rule of law, the sovereignty of the people and the chance to participate in the political, policy and decision-making process freely are difficult to attain. He concluded that ethnic federalism is a treat for “national cohesion, stability, democratic interactions, equitable and inclusive growth and development” (Aklog, 2012, para.5). This suggests that when corruption, limited freedom and inequality prevail under ethnic lessons democratization and sustainable development will be endanger.

This was a onetime reality of the Asia's high growth period where corruption, clientelism and other forms of rent-seeking were widespread which finally led to multi faceted financial crisis and impermanent halt of the rapid economic growth of the region(Khan & Sundaram, 2000). This forced, for example, Malaysia to reduce economic disparity among ethnic groups through poverty reduction and ethnic reformation of employment and business ownership by introducing the New Economic Policy program (Snodgrass, 1995).

So the first challenge of developmental states which implement ethnic federalism is the deliberate accumulation and distribution of resource and capital to a single dominant group at the expenses of others. The second one as A.V. Dicey on Selassie (2003; p.56) pointed out is the "inherently fragile nature of federal form of governments even with the absent of ethnicity". Professor Messay Kebede on the other hand articulated the third defy of developmental state as "usage of economic advantages for absolute political control and rejecting the path of liberalism" (Messay, 2011; para.6). By this, he meant that politicians will do their economic homework if and only if they gain the assurance for the control of state power. This in turn will make states to be authoritarian.

Even though critics and supports against or pro developmental state ideology have been dealt over many years, currently there is an optimism towards the key principle of it i.e. "state intervention". There is a mass consensus that "state intervention" as a concept is neither a hell nor a heaven. The way of management and the extent of the intervention are the two essential concerns which must be given due emphasis. The deliberate state intervention for "Good" can accelerate economic growth and equitable distribution of wealth among diverse ethnic groups. The state has a legitimate power to effectively congregate public resources for optimal social and economic benefit and ensuring equitable growth, development, transformation, and service delivery. According to Johnson (1982), a developmental state can directly and enthusiastically influence the rate and objective of development by reducing fragile market forces to distribute resources for the mass.

Ethnic federalism on the other hand has the potential for fostering competition among regions (if they have self-determining economic power) through expanding resources and enhancing the efficiency of a nation as a whole by adopting policies and favorable economic policies (Selassie, 2003).

## **2.6 Ethnicity and Economic Conditions in Ethiopia and Nigeria**

### **2.6.1 How Ethnicity is being denoted?**

Historians pointed out that the 19<sup>th</sup> century Emperor Menelik II territorial expansion and formation of the modern Ethiopian state and its subsequent effects was a corner stone in denoting regionalism, centralism and ethnicity (Alem, 2003; Vaughan, 2003). Ethiopia, which is the second most populous nation in the African continent and hosts about 85 ethnic groups which have different languages, cultures, and religious beliefs, faced the mess of ethnicity especially after the reign of Haile Selassie II. Adegehe (2009) argued that the notion of ethnic inequality was well articulated at the end of 1960s because of the thoughts of Marxist-Leninist ideology which advocates the so called “national question” and ethnic self determination up to secession. The then ethno nationalist politicians perceived the modern Ethiopian state was not a union of Ethiopia’s many ethnic groups rather it was merely a political entity of Amhara which is one of the dominant ethnic group along with Oromo and Tigray as Selassie, (2003) well explained. This was a reason for the establishment of the major liberation movements including EPLF (Eritrean People Liberation Front), TPLF (Tigrayan People Liberation Front) and OLF (Oromo Liberation Front) which represented the Eritrean, Tigrian and Oromo people respectively.

It was the sentiment that for centuries the Ethiopian state was highly dominated by Amhara where by the imperial governments used assimilation through promoting Amharic as a national language and prohibiting the development of other languages (Selassie, 2003; Adegehe, 2009). Besides this, the neglect of economic development and its subsequent recurrent famine especially in Tigray region (the then province) was the cause of the grievance in which ethno nationalists utilized it as a political campaign. Thus bitter liberation movements were held across the country especially during the military junta (1974-1991). In 1991, with the combined forces of EPLF, TPLF and OLF and with other internal and external pressures, the Derg government was officially come to an end. Eritrea gained her independence and the Transitional Government of Ethiopia (TGE) established. In 1995 a constitution was adopted which changed the name of the country into "Federal Democratic Republic of Ethiopia". The then provinces were re-arranged into nine ethnic regions (“kilils”) and two self city administrations. By chairing the ruling Ethiopian People's Revolutionary Democratic Front (EPRDF), which is a coalition of four

different regional parties, Melese Zenawi (from Tigray ethnic group) became the Prime Minister of the nation until his death in 2012.

Contrary to Ethiopian federalism which accounted only 20 years, Nigerian federalism is the oldest in Africa. It dates back to 1954 with the adoption of Littleton Constitution which allowed the federal system to consist three regions namely Western, Eastern and Northern (Fawole & Bello, 2011). But the adoption of the constitution couldn't satisfy the minority groups and they began to rouse for their recognition to avoid domination. Their grievance forced the central governments to create Mid-western region in 1963; twelve states in 1967; nineteen states in 1976; twenty one states in 1987; thirty states in 1991 and finally thirty six states in 1996 (Ozoigbo,2008). The development of federalism as a political system in Nigeria goes to the "The North - South Dichotomy" as Jinadu (2002) claimed and substantiated by Ozoigbo (2008; p.2)

prior to Independence in 1960, the North was complaining of marginalization by the South especially from the time of federalism in 1954. This fear of domination informed the refusal of the North to agree with the South to demand for independence in 1956.

This dichotomy was a reason for the Biafran bloody war (1967-1970) which is also known as the Nigerian civil war. The war was broken out because one of the three dominant ethnic groups the Igbo, which are mostly followers of Evangelical Christianity and lived in the southeastern Nigeria, perceived that the federal government was dominated by Hausa/Fulani, which are mostly Muslims and reside in the Northern part, and initiated to form an independent Eastern Nigeria republic. Led by Igbo military personnel, the federal government was overthrown and the prime minister as well as other primers were killed in January, 1966. The widespread of chaos and disorders brought a massive murder and forced migration of the Igbo ethnic groups who lived in the Northern Nigeria. The same action was taken towards Hausa/Fulani ethnic groups who lived in the Eastern Nigeria. On 30 May 1967, the independent sovereign Republic of Biafra was declared by its military governor Colonel Odumegwu Ojukwu. But after a month a war between the Federal government and the Biafra military erupted. Though so many regional and international efforts were made to end the civil war, it has continued until January, 1970 when the federal forces supported by British had totally conquered the Biafran state. The final military campaign was led by Col. Olusegun Obasanjo who is the later elected president.

From 1970 to 1999 Nigeria was ruled by successive military and civil rulers. Elections were held but military coups followed. It was finally in 1999 the Constitution of the Federal Republic of Nigeria, which is currently operational, was enacted to bring democratic rule in the country. The constitution's devotion for the unity of Nigeria is clearly underlined in the First Part, Article (2), sub article (1) "Nigeria is one indivisible and indissoluble sovereign state to be known by the name of the Federal Republic of Nigeria". The country is now divided into 36 states with many local government administrations. From the ruling People's Democratic Party (PDP) Olusegun Obasanjo, who is from Yoruba ethnic group and the former military head of state, was elected as president until 2007.

### **2.6.2 Ethnic Composition**

Ethiopia with 93 million people and Nigeria having 173 million people are the two most populous nations in the African continent. The 2005 United Nations estimation shows that Ethiopia and Nigeria are among eight countries, India, Pakistan, Democratic Republic of the Congo, Bangladesh, Uganda, United States of America, and China as the remaining, which are expected to account half of the world's projected total population increase from 2005–2050. Currently, their population growth rates are among the fastest in the world. Unless the alarming explosive population growth which is accompanied by high ethnic diversity is well managed, extreme poverty, inequality, strife, unemployment as well as conflicts are inevitable. The current situation entails the two countries' effort to formulate and implement progressive political, economic and demographic policies which can accommodate the various needs.

Ethiopia has been home to more than 85 different ethnic groups. Oromo 34.5%, Amhara 26.9%, Somali 6.2%, Tigray 6.1%, Sidama 4%, Gurage 2.5%, Welaita 2.3%, Hadiya 1.7%, Afar 1.7%, Gamo 1.5%, Gedeo 1.3% and others accounted for 11.3% (CIA Fact book ,2013). The northern part of the country is inhabited by the two most dominant ethnic groups (Amhara and Tigray) which are claimed to rule the country over the past many years. Oromo, which is the largest ethnic group and alleged to be excluded from the political arena in the past, inhabits mainly in the Central part of Ethiopia including the capital city Addis Ababa and extends to the Northern Kenya and some parts of Somalia. The Southern part is a homeland of various ethnic groups which includes about 56 "nations, nationalities and people". Wolayita, Sidama, Gurage, Hadiya, Gamo and Gedio are some of the largest ethnic groups in the region. Like the Oromo,

these ethnic groups were not politically privileged in the past but after 1995 prominent government officials appeared including the current Prime Minister HaileMariam Dessaiegn who is from Wolayita ethnic group. On the other hand the peripheral areas are occupied by “minor” ethnic groups like the Somali, Afra, Gumuz, Agnuak, Nuer etc.

On the other hand, in Nigeria there about 250 ethnic groups. Hausa and Fulani 29%, Yoruba 21%, Igbo (Ibo) 18%, Ijaw 10%, Kanuri 4%, Ibibio 3.5%, Tiv 2.5% and the remaining 12% belongs to other ethnic groups (CIA Fact book, 2013). The political and economic powers have been dominated by the three major ethnic groups namely the Hausa/Fulani, Igbo and Yoruba which are inhabited in southwestern Nigeria and followers of both Christianity and Islam.

The Hausa/Fulani ethnic groups have been politically dominant especially after British independent. The Igbo on the other hand were politically and economically influential during the British administration like that of Yoruba. Now a day the two ethnic groups are eclipsed by the dominant Hausa-Fulani politicians. Like that of the Ethiopia’s southern region Ijaw ,which is the fourth largest ethnic group and enriched with oil resources including the Niger Delta, is currently gaining political popularity in Nigerian politics. Goodluck Jonathan, the current president of the Republic of Nigeria, is quite a good example.

### **2.6.3 Economic Conditions**

Besides their ethnic composition, brief explanation about the contemporary economic conditions of Ethiopia and Nigeria is imperative to contextualize the relationship between the two variables in a more comprehensive manner.

Thus by seeing their potential it can be said that Ethiopia and Nigeria are among the greatest development prospects in Sub Saharan Africa since they are endowed with diversified natural resources and have abundant young human capital.

Ethiopia, the "water tower" of Eastern Africa, has the greatest water reserves in Africa where as Nigeria, the 12<sup>th</sup> largest producer of petroleum in the world, has the 10<sup>th</sup> largest proven reserves. In 2025, Sub Saharan Africa will share the one seventh of the world’s projected labour force. Ethiopia and Nigeria along with Democratic Republic of Congo, South Africa, Tanzania

and Kenya together will have a labour force over a quarter of billion (v. Geest & v. Hoeven, 1999). The existence of this active labour force is a huge asset for both nations but needs education and viable economic development policies to harness the potential.

Another encouraging progress, according to a recent CIA Fact book projection, is Ethiopia and Nigeria are among the seven largest economies in Africa in terms of their GDP - Purchasing Power Parity (PPP) - which is the sum value of all goods and services produced in the country valued at prices- along with South Africa, Egypt, Algeria, Morocco and Angola (CIA Fact book, 2014). Their economic growth has averaged about 7 % annually over the past couple of years. The growth is driven by mostly with increasing the role of the service sector and relative industrial expansion. The huge public investment allocated by the two countries, boosted the service industry especially in the infrastructure on education, telecommunication, road, health and power as well as the hotel and construction sectors (African Economic Outlook, 2012).

But regardless of these potentials and recent remarkable economic growths Ethiopia and Nigeria are still among the poorest countries of the world. According to AEO report their robust economic growths have not reduced poverty nor created enough employment opportunities. For example in Ethiopia 29.6% of the population is living below the poverty line and there is also a growing dissatisfaction among the public servants on issues of underpayment i.e. employees receive less than what the living standard demands. Similarly in Nigeria 63% of the population lived on less than USD 1 per day in 2010/11(AEO, 2012).

In terms of employment even though there is a slight difference between them still indicators show that unemployment is widespread and continued as a serious setback. 17.5% of Ethiopian population is unemployed in 2012 where as in Nigeria the unemployment rate in 2011 was 23.9% (CIA Fact book, 2014).

The growing of external debt compared to the size of economy is another critical challenge which hampered private investment and damaged the overall macro economy through debt service payment and fiscal deficit in Sub Saharan Africa (Ajayi, 1991; AEO, 2012& Shabbir,n.d). Reliance on primary goods exports, shortage of foreign exchange, unfavorable agricultural conditions and aid dependency are also critical issues that both nations have experienced.

## **2.7 Federalism in Ethiopia and Nigeria**

### **Opportunities Vs Concerns**

The current federal constitution of both countries at least theoretically paves the way for the establishment of a democratic state. The constitution becomes a tool for peace and stability since it allows respective regional states a level of autonomy and self administration and as the same time retorts a question of representation at the national level which has been a fundamental concern for underprivileged ethnic groups. Moreover, the power sharing mechanism between the federal and regional states opens for checks and balance system.

For example in Ethiopia promising changes in peace and stability as well as non oil economic development have been observed after the implementation of federal state. As supporters believed the ethnic federalism has become a tool of maintaining the unity of the nation through territorial integrity whilst providing bursting acknowledgment of ethnic equality (Alem, 2003). Besides this the ruling party, Ethiopian People Revolutionary Democratic Movement (EPRDF), which is a coalition of four different regional ethnic parties which represent the largest ethnic groups (Oromo, Amhara, Tigray and Southern Nations, Nationalities and People), has enhanced the formal representative character in the higher administrative centers of the government (Fisseha,2010).

Similarly in Nigeria, the three levels of government i.e. the federal, state and local administrations have enjoyed autonomous authorities. These three government structures agree on the areas of powers, duties and privileges that each will concede. The federal system has functioned comparatively well in reducing ethno-separatist demands as (Onwudiwe & Suberu 2005) argued. On the other hand as Okpanachi (2010) noted after the federalism implementation, humble economic growth in terms of increasing GDP, reduction of inflation rate and debt rate as well as growing of foreign exchange reserve has been observed. Most importantly the Nigerian ruling People Democratic Party (PDP), which is a non religious or tribal as well as non ethnic political party at least at a face value, accommodates diverse opinions and interests which is a pillar for the formation of multi democratic society (Okocha, 2014; para.4).

Having these opportunities in mind, however in both Ethiopia and Nigeria, there are growing laments on inequality, political discrimination, economic exclusion as well as

manipulation of federal power by dominant groups. An establishment of genuine federalism, which allows a non intervention and independent power sharing between the federal and regional states, is subjected.

Reports show that central governments in both nations become increasingly more centralized and authoritarian. In Ethiopia for example, though the Ethiopia ruling party (EPRDF) is a composition of four ethnic based parties, the dominance of Tigrayan People Democratic Front (TPLF) is becoming increasingly a huge dread. TPLF, which claims to represent the 6.1% Tigray ethnic group and believed to create its allied parties like Oromo People Democratic Organization (OPDO) and Southern Ethiopian People's Democratic Movement (SEPDM) (Fisseha, 2010), has monopolized key political and economic decisions at the national level. This monopolization opens a door to turn away national resources towards the Tigray region as (Selassie, 2003; p.80) claimed, “it is a common lament heard throughout Ethiopia today that the ruling party unfairly diverts national resources to a region of the country [Tigray] that constitutes the core base of its political support ”.

On the other hand TPLF’s governing principle which is based on “authoritarianism” and “ethnicization policy” brings recurrent conflicts, “tense ethnic group relations”, increasing of religious aggressions, repression of both human and democratic rights, “over-reaction’ by the security, “economic favoritism’ and corruption (Aregawi, 2008, p.382). Furthermore, the ethnic mobilization strategy of the TPLF which used to maintain power, creates “ethnic polarization” which in turn endangers

the state power structure and national cohesion. There is insecurity about sharing on national agenda, mistrust against the government and other ethnic groups, many times irrational (political and economic) competition, and a new dynamics of ‘we vs. them’ conceptions (Ibid, 383).

The study clearly outlined that the governing principle is hindering national solidarity; becomes a source of unfair competition; brings distrust among different ethnic groups and against the ruling party. Even after the implementation of federalism system other striking issues have been visible. The revival of separatist armed struggles; persistence of conflicts among different ethnic groups either for resource or political power competition; recent displacements of Amhara ethnic groups from other regions can be mentioned. These issues are eroding the

legitimacy of the federal system, impeding stability and pose a question of sustainable development.

In the same way and even boldly, Nigeria's federalism is facing a crisis. Some researchers labeled the federal system as only a paper based as Anichebe (2005, p.261) claimed "Nigeria is a federation only in name". The country is currently experiencing frequent conflict among various ethnic groups along tribal, religious and social differences. As Clark (2003; para.1) pointed out the federal system which was formulated to evade such clashes "remains in serious jeopardy and has come under considerable criticism". By reviewing the work of Rotimi Suberu's "Federalism and Ethnic Conflict in Nigeria" volume, similar to the Ethiopian case, Clark asserted that the Nigerian federalism system is manipulated by the central government for personal gains rather than striving for national development and solving ethnic, religious, or regional tensions. This makes the "Nigerian federalism as highly distorted and overly centralized" (para.2) which has opened a door for political corruption as Ikejiaku (2013; p.14) argued. The political corruption "has actually threatened and, is still threatening the very existence of the nation".

The drain off oil resources from the Eastern part of Nigeria to the central government for personal enrichment and commercial purposes have become increasingly indignant for minority indigenous ethnic groups like Ijaw and Ogoni who lived under extreme poverty. The exploitation of the oil resources, by the central government which is mainly dominated by the Hausa/Fulani Muslims and multinational corporations like Royal Dutch Shell, become a reason for the emergence of armed groups in Niger Delta which aggravated a conflict between the regional armed militants and the federal government. The armed groups have recurrently agitated a larger share of the oil resource from central government.

The rise of Boko Haram, i.e. a Hausa name meaning "Western education is a sin" in Northern Nigeria which aims to form a pure Islamic state, is another shocking issue that Nigeria has experienced. The jihadist group is responsible for an estimated 10,000 deaths between 2001 and 2013 according to various reports compiled by Wikipedia (6 March, 2014). Even though the conflict is portrayed as a Muslim- Christian conflict, it has political and ethnic dimensions (Solomon, 2013). Since the Hausa/Fulani Boko Haram is targeted Northern Christians (mostly

Igbos), there is a wider perception among the Igbo that this is 'systematic ethnic cleansing'. The same measurement is taken against Muslim Hausa communities, which were living among the Igbo for decades in Eastern Nigeria (Ibid).

These and other salient issues in both federalist states, unless they are well managed early and get appropriate remedies, likely seeing riotous and devastating consequences is inevitable. They are serious challenges and feasible barriers to Nigeria and Ethiopia's estimated economic developments.

## **Chapter Three**

### **3. Research Methods, Materials and Procedures**

#### **3.1 Study Area**

##### **Why Ethiopia and Nigeria?**

In order to study the effect of ethnicity on economic development in Africa, though one can take many Sub Saharan nations which are most ethnically diverse like Tanzania and Democratic Republic of Congo (Fearon, 2003), the researcher particularly wants to focus on Ethiopia and Nigeria. Besides their high ethnic diversity, they are the two most populous states in the continent; they have been implementing federalism; they are regarded as among the world's fastest – growing economies in recent years and finally they also have notable crises for example in Nigeria “The Delta Crisis” and in Ethiopia separatist movements around the coastal areas including “The Ogaden crisis”.

But this doesn't mean that Ethiopia and Nigeria have totally similar ethnic diversity, economic conditions, characteristics of ethnic conflict, history and implementation of federalism (either in ethnic or other format) as well as question of separatism. Apart from their difference, the researcher believed that an African lesson can be drawn on the relationship between ethnicity and economic development.

#### **3.2 Study Design**

This research used both descriptive and analytical study methods. Descriptive research can be used to identify and classify the elements or characteristics of a subject under study where as analytical research often extends the descriptive approach to suggest or explain why or how something is happening (Collis & Hussey, 2003).

In a more detail manner “descriptive research is used to obtain information concerning the current status of the phenomena to describe "what exists" with respect to variables or conditions in a situation” (Key, 1997; para.1). Key described that this method portrays the status quo, investigates the relationship between variables and determines changes over time.

On the other hand in analytical research “the researcher goes beyond merely describing the characteristics, to analyzing and explaining why or how the phenomenon being studied is happening. Thus, analytical research aims to understand phenomena by discovering and measuring causal relations among them (Neuman, 2008; p, 6)”. Here the main emphasis is analysis of the cause and effect relationships of a subject under study. Thus the approach is first explaining the existing situation of ethnicity and economic development in Ethiopia & Nigeria and second analyzing its effect on the livelihood of people as well as implication for the future.

Since, the study mostly uses qualitative approach; the researcher will try to measure poverty, inequality and unemployment- which are the final outcomes of negative ethnicity as Wamwere, (2003) argued- in a subjective manner. Here the researcher wants to draw attention that it would oversimplify the problem to say that all poverty, inequality and unemployment issues are entirely attributable to ethnicity alone rather other significant internal and external variables are at work as well.

Even though poverty, an intertwined phenomenon with inequality and unemployment, measurements have “traditionally been dominated by the objective approach” as Makoka & Kaplan (2005, p.8) pointed out, more recently subjective measurements are seriously gain academic interests by the international community. This is mainly associated with the limitations of quantitative indicators and the “value of understanding the perspectives of the poor” (Ibid). For example the subjective approach of measuring poverty gives due emphasis “on people’s preferences, on how much they value goods and services” which is entirely focus on “individual utility” (Jamal, 2002; p, 80). This approach stresses on the well being of the poor rather than “income poverty”. Thus the parameters of living standards are “based on the range of non-income indicators” including housing quality, nutritional status, access to services, and asset holdings (Carvalho & White, 1997; p. 4)

For academicians whose interest is to define poverty qualitatively, the term is a multifaceted process and interaction among social, cultural, political and economic dynamics. Thus “vulnerability, isolation, powerlessness, survival, personal dignity, security, self-respect, basic needs, and ownership of assets” are its aspects (Ibid). But this doesn’t mean that

quantitative figures shouldn't be taken into account rather the study tries to mix up both quantitative and qualitative facts.

So here the presumption is ethnicity is one of the root causes of corruption, mistrust, economic marginalization, brain drain, unfair competition and disinvestment. These interns bring poverty, inequality and unemployment which are the features of underdevelopment. Thus, the approach of the study is showing the general effects of ethnicity on Ethiopian and Nigeria economic development mostly through qualitative investigation of poverty, inequality and unemployment conditions.

### **3.3 Sampling method**

In qualitative study samples, which are anticipated to provide sufficient information about the subject under study, are chosen purposefully. So the sampling method here is purposeful sampling. The samples are chosen with preselected criteria that are expected to provide pertinent data about ethnicity and its economic implications. MacNealy (1999; p. 157), noted that a purposeful sample has “the characteristics . . . necessary to answer questions about a certain matter or product”.

Hence, the researcher had tried to systematically select government officials & policy makers, intellectuals, politicians, business personnel, students and households who are assumed to have theoretical insights and practical experience on ethnicity and economic development in Ethiopia. But data collection from the government side was totally impossible and information gap was inevitable. For the Nigeria case since secondary sources including previous studies, media outlets, policy manuals, and annual reports are the main sources of data, samples are not determinant factors.

### **3.4 Method of Data Collection**

As cited on Maxwell (2008), Denzin (1970) stated that qualitative studies generally rely on the integration of data from a variety of methods and sources of information, a general principle known as triangulation. The strategy is by far important to minimize biases and limitations of a single data collection method.

Hence, the following are the major tools which are used to collect the relevant data.

- A) **Document analysis;** Document analysis, according to Payne and Payne (2004, p.60), is important to “categorize, investigate, interpret and identify the limitations of physical sources, most commonly written documents whether in the private or public domain”. Here the researcher tried to explore secondary documents including policy manuals, journals, working papers, articles, media outlets, internet sources etc which directly or indirectly dealt with the relationship between ethnicity and economic development in Ethiopia and Nigeria.
- B) **Interview; General interview guide approach -** McNamara(1999) noted that in general interview guide approach the interviewer can collect similar issues having a degree of freedom and adaptability in a conversational way. The researcher follows this approach and conducts series face to face interviews with intellectuals, politicians, business personnel, students and households who live in Addis Ababa.
- C) **Personal Observation;** The researcher experience in living and working in ethnically diverse population for about four years is also one major source of the research data.

### 3.5 Description of concepts

In the process of studying the effect of ethnicity on economic development in Ethiopia and Nigeria, besides the two main concepts (variables in quantitative study) i.e. ethnicity and economic development, other related issues have been assessed. Among many investment, brain drain, corruption, unfair competition, trust and economic marginalization are some of them.

**Investment** - as it is defined by the Comprehensive Dictionary of Economics (2009) is “creating capital goods as well as acquiring or producing structures, machinery and equipment or inventories” (p.95).

**Brain Drain-** it is a combination of two words i.e “Brain” pertains to any skill, competency or attribute that is a potential asset where as “Drain” implies that this rate of exit is at a greater level than “normal” or than what might be desired (Bushnell and Choy 2001) and cited on Giannocolo (2009).

**Corruption-** it is “the transgression of formal rules governing the allocation of public resources by officials in response to offers of financial gain or political support” (Khan& Sundaram, 2000, p.8).

**Unfair competition-** it is “unjust and often illegal attempt to gain unfair competitive advantage through false, fraudulent, or unethical commercial conduct.” (business dictionary.com).

**Trust-** Lewicki & Wiethoff (2000; p.87) described trust as "an individual's belief in, and willingness to act on the basis of, the words, actions, and decisions of another".

**Economic marginalization-** it is both a process (relates to structure and integration of markets in which some individuals or groups engage in are segmented from the economy) and outcome (inequality which covers income and non-income dimensions) (Kanubr, 2007; p.1).

## **Chapter Four**

### **4. Data Presentation, Interpretation and Analysis**

Critical assessment of the relationship between ethnicity and economic development in Ethiopia and Nigeria is the focus of this chapter. The chapter is designed to cover firstly the historical trends of ethnicity, ethnic composition, economic conditions and the contemporary opportunities and challenges of federalism in both countries. After that, the correlation between ethnicity and some economic terms (investment, brain drain, corruption, unfair competition, trust and economic marginalization) is thoroughly investigated. Thirdly, some African success stories who could manage ethnic diversity for viable economic developments are discussed in an attempt to derive constructive lessons on the relationship.

#### **4.1 Critical Examination of Ethnicity and Economic Issues in Ethiopia and Nigeria**

As it is already stated in chapter two, by economic issues the researcher wants to mean investment, brain drain, corruption, unfair competition, trust and economic marginalization. The relationship between ethnicity and economic development has been examined in terms of these economic terms by scholars. Among the many Easterly & Levine, 1997; Nafziger & Auvinen, 2003, Ojie & Ewhrudjakpor, 2009; Dincer & Wang, 2011; Robinson, 2013 are some of them. These issues are neither pure quantitative economic measurements nor ends by themselves; rather they are the closing stages of bad ethnicity which play a colossal role in impeding wide-ranging economic development through increasing poverty, inequality and unemployment.

##### **4.3.1 Ethnicity and Investment**

Investment is a key driver of an economy through boosting the productivity and efficiency of people that is essential for sustained economic growth. As reviewed in Dixit and Pindyck (1994; para.3) among the primary factors that determine the optimal decisions of investors either to invest or disinvest, uncertainty which is “doubt over the future rewards from the investment” is one of them.

Uncertainty in investment is determined by political instability, governments’ financial and economic policies as well as external pressures (Wrone & Park, 2009; Durnev, 2011).

Alesina and Perotti on their part concluded that socio-political instability is a reason for the occurrence of uncertain political economic environment as well as rising of risks and shocks which finally reduce investment. They noted that “Political instability by increasing the probability of coups, revolutions, mass violence or, more generally by increasing uncertainty and threatening property rights has an effect on investment and, as a consequence, reduce growth” (Alesina & Perotti, 1996; p.1). A similar study conducted by Bohn (2005) asserted that there is a corresponding relationship between ethnic diversity and political uncertainty in generating prejudiced government traits which impede investment. Having this theoretical model in mind, it is audaciously pinpointed out that ethnicity, the major tool for political mobilization which has been used in many parts of the African continent, has been a major cause of political instability, chaos and carnage including in Ethiopia and Nigeria.

Ethiopia’s Investment Proclamation (2002), Proclamation No. 280/2002 affirmed that the objectives of the country’s investment policy “are designed to improve the living standards of the peoples of Ethiopia through the realization of sustainable economic and social development” (Chapter, 2; Article, 4; p.1770).

In addition to this general objective the policy has detailed specific objectives which aim to raise the living standards of citizens through reduction of poverty, maintaining balanced development among regions and creating wide employment opportunity. Besides the favorable investment policy, reasonably speaking Ethiopia is relatively politically stable and has abundant natural and human resources which invite business doing in the country.

Even though there has been a general consensus about the economic growth and a large market size, reports show that investing in Ethiopia is not an easy task. According to World Bank report Ethiopia is ranked 125<sup>th</sup> on doing business index in 2014 which is the lowest one when it is compared to Mauritius- 20<sup>th</sup>, Rwanda -32<sup>nd</sup> and South Africa- 41<sup>st</sup> which are the high ranking in the continent. By holding ethnicity as a center of attention, here mentioning three investment impeding factors in Ethiopia is significant: the state dominance in the economic sector, security problems in the peripheral areas and internal discriminations by “natives” on “non natives”.

Firstly, state dominance in major economic sectors is a challenge for investors to break into the Ethiopian market. Both local and foreign investors complain about the

dominance of state-owned and ethnic affiliated party-owned businesses, which control cement, transport, fertilizer, construction and textile industries. The following list of business companies owned by the ruling party illustrates how far the state is a dominant economic actor in Ethiopia.

**Table 1 EPRDF Businesses in Ethiopia**

Name of Company	Type of sector	Affiliated with
Trans Ethiopia	Transport	TPLF
Almedan Garment Factory	Textile Manufacturing	TPLF
Mesfin Industrial Company	Equipment manufacturing	TPLF
Mesob Cement Factory	Cement Manufacturing	TPLF
Almeda Textile Share Company	Textile Manufacturing	TPLF
Sur Construction	Construction	TPLF
Dedebit Saving & Loan	Finance	TPLF
Ezana Mining Development	Mining	TPLF
Addis Pharmaceuticals Production	Pharmaceutical Manufacturing	TPLF
Wegagen Bank	Finance	TPLF
Guna Trade Services	Trade (Import and Export)	TPLF
Adwa Flour Factory	Flour Industry	TPLF
Organization for Rehabilitation and Development in Amhara	-	ANDM
Dashen Beer Factory	Beer Factory	ANDM
Ambassel Commerce	Trade	ANDM
Blue Nile Transport	Transport	ANDM
Tikur Abbay Transport	Transport	ANDM
Dinsho Transport	Transport	OPDO
Dinsho Trading	Trade (Import and Export)	OPDO
Dinsho Agro Industries	Agro Processing	OPDO
Oromia Credit Bank	Finance	OPDO
Wondo Trading and Investment Plc.	Trade (Import and Export)	SEPDM

Data Derived From Firehiwot (Sept 4, 2013) & Ginbote 7 Report (July 13, 2009).

\* N.B. as it is stated EPRDF is a coalition of TPLF (Tigray), ANDM (Amhara), OPDO (Oromo) and SEPDM (Southern Nation, Nationalities and Peoples) political parties.

This is just a partial list derived from different sources. Opposition websites estimated that EPRDF has more than 66 large companies which makes it “one of the largest conglomerates in Sub-Saharan Africa” as Altenburg (2010, p.10) stated. As the table already shows, from the partial list, TPLF owned 12 (54.5%) of the business companies under the umbrella of Endowment Fund for the Rehabilitation of Tigray (EFFORT); ANDM has 5(22.7%) followed by OPDO 4 (18.2%) and SEPDM 1(4.5%). It is not surprising to see that TPLF is the leading where as SEPDM shares a small amount which directly related with their historical establishment.

Over private firms, these state and party owned companies have ease of access to credit, priority foreign exchange allocation, preferences in government tenders, marketing assistance and speedier customs clearance (The US Department of State, 2013; Altenburg, 2010).

Furthermore, the involvement of The Metals and Engineering Corporation (METEC), a public enterprise under the Ministry of Defence which runs 15 industries and about 100 factories in the metal manufacturing sector, is another setback for private investors to compete in the manufacturing sector including metal works, car assembly and production of electric products. According to one opposition member the involvement of the corporation in mega projects is not a new thing rather a way of maintaining the economic dominance of TPLF with its Tigirians military executives (Interviewee, Member of the Blue Party, personal communication, March 5, 2014). The electro mechanical works of megaprojects including the Grand Ethiopian Renaissance Dam, assembly of light and heavy construction machineries, assembly of cars and railways as well as building huge fertilizer and sugar plants in various parts of the country are some of the projects where by the corporation is involved(Yonas, 2013).

Here the subject must be what this implied for investment and ethnicity relationship in Ethiopia? The ethnic and political affiliation of business companies and their preferential treatment by the ruling parity forced the private investment to be low even by African standards.

According to a report by the World Bank (2013; p.8), while the expansion of economy in the other parts of Africa is driven by “favorable commodity prices, public and private investment, and robust private consumption”, in Ethiopia “soaring public investment” (2/3)

explains the economic growth where as the private investment rate is the sixth lowest in the world. As it is already stated the public investment is largely operated by ethnic based business companies, which have closed the door for non ethnic private firms.

For example SUR Construction P.L.C, which belongs to TPLF, since its establishment in 1992 has build more than 31 road projects, over 44 various building projects, 2 Airfield and 2 Hydropower projects accounted together 775 million dollar (The company website, 2014). Similarly the country's mega public projects are solely constructed by the TPLF's Messebo Cement Factory. Haileb (2012) for example reported that the cement is being used to construct the Grand Ethiopian Renaissance Dam and Gilgel Gibe three hydroelectric powers where as Dawit (2011) affirmed that the Great Ethiopian Renaissance Dam and the Gilgel Gibe III hydroelectric dams together cost a total of 150 million quintals of cement which is about 1.5 billion dollar at current price. The African Union's \$200 million new headquarters in the capital Addis was also constructed by this cement. Furthermore, recently the Ethiopian government awarded five Ethiopian contractors including Sur construction and Mesfin Industrial engineering to build a 371 MW hydroelectric power plant on Geba River which costs about 650 million dollars.

These are only samples which show how far the Ethiopian economy including the investment opportunities are dominated by the ethnic based ruling party. With a political system where by a state and business relationships prevail intrepidly, here it is pretty to pose a question: what will be the fate of the huge public investments if the ruling party is not in power? Will they sustain or collapse? From academic persuasion, it can be said that if the billion dollars projects could be allocated to private firms based on productivity and efficiency, vibrant private investors could emerge and ease the stated dilemma. But this doesn't mean overall state non intervention economy is possible rather it is to mean the magnitude and the way companies' operated should be tested.

Secondly, ethno nationalist struggles in the peripheral areas are the other factors which encumber FDI in Ethiopia. Due to the growing grievance over political and economic segregation from the national franchise, there have been copious ethnic based struggles especially in Gambella, Afar, Somali, Benishangul and Some part of Oromia.

According to AFP (2012) report, in Gambella which is one of the most fertile and resource-rich areas of the country, five people including a Pakistani national were killed and eight others suffered injuries who were working for the commercial agricultural farm Saudi Star Agricultural Business which is owned by Saudi-Ethiopian billionaire Mohammed Al-Amoudi. The region is a home of minority ethnic groups (Nuer and Agnuak) which have been political and economically marginalized from the nation's power and resources for decades.

Another notable example can be taken from the 2007 killing of 65 Ethiopians and nine Chinese workers by Ogaden National Liberation Front (ONLF) in Ogaden region, Eastern Ethiopia which enriched with natural oil and a home of deprived Somali ethnic groups. As BBC reported the workers were employed by a Chinese petroleum exploration company. After the causality the spokesman of the armed force said "we have warned the Chinese government and the Ethiopian government that... they don't have a right to drill there... Unfortunately nobody heeds our warning and we have to defend our territorial integrity (Henshaw, 24 April 2007; para, 11&12)."

These confrontations show how security issues impinge on the flow of investment towards the regions. Without adequate solution for ethno nationalism inquiries, spending money for investment either privately or publically is a zero sum game.

The last frightening issue, which challenge investment doing in Ethiopia at the micro level, is the discriminatory polices practiced by "native" local officials against "non-natives" in some regions. As Assefa (2012) sketched, the ethnic federalism in some regions enabled the accumulation of power for the "natives" and ability to make discrepancy on "non-natives" sometimes known as '*metes*' in Amharic, which is against the rights of internal migrants to work and live other than their homeland. Because of historical trends (expansion during the formation of modern Ethiopian state in the 19<sup>th</sup> century) and economic reasons (villagization by successive governments and frequent drought as well as hunger), the largest percent of immigrants and victims in different regions are Amhara ethnic groups. As evidence recent examples can be taken from the forced displacement and evacuation of the ethnic group from Gura ferda in the Southern and from Benshangule Gumuz regions, which are even confirmed by the state media.

Likewise, with their frequent travel and business doing habit in many parts of the nation, Gurage ethnic groups couldn't escape from the mess. The researcher asked an admired young business man, whose ethnic group is from Gurage (Southern region) and lived in a small town near to Addis Ababa which belongs to Oromia region, why he is unable to build his own hotel if he has enough money to do so.

He squeezed that

Why I squander my money here, which I accumulated since my childhood? You know more than the construction cost, the bribe that I should give for engineers, municipality officials, trade and industry personnel, health officials...out ways because I am not Oromo. I never think to live and work here for long period of time. I will return back to Woliqite (his home town) (Interviewee, A young business man, personal communication, March 2, 2014).

These and other related issues, according to Ethiopian Human Rights Council report “led to discrimination, disenfranchisement and marginalization of minority ethnic groups in ‘majority’ regions and opened the way to frequent ethnic conflicts over contested boundaries, resources and political power” (EHRC, 2009; p.4).

And most importantly it is against the constitutional principle of the country which affirmed that “Every Ethiopian or any other person lawfully within Ethiopia shall have the freedom to freely move and establish his residence within Ethiopia as well as to travel abroad” (FDRE constitution, 1995; Article 32; Sub article 1).

In the same vein, even if Nigeria has reformed its economic policy, investment laws and financial system with a large market size with having vast population and could attract a remarkable growth of FDI in West Africa, the investment climate is affected by three factors. First, the investment type is extractive-sector FDI. Second, it is mostly hit by political instability, internal conflict and poor governance. Lastly, there is an internal discriminatory policy at the micro level by “natives” against “non-natives”.

Dinda (2009) findings suggest that the bulk of FDI inflow to Nigeria is explained by “resource-seeking FDI” which is an extractive type emphasized on minerals, oil and gas. This kind of FDI is largely a common and growing type in most Sub-Saharan Africa and attributed by its growth impeding character. As Vleeschhouwer (2012), argued extractive-sector FDI is

explained by its inability to create wide employment opportunity, its capital intensive nature, its domestic market monopolization character due to its large economic scale and mostly the profit of exports is used to spend for consumption rather than investment.

### **A Win- Lose relationship: Case study from Ogoniland**

The situation of Ogoniland has been selected to illustrate how extractive-sector FDI and ethnicity are associated in Nigerian investment climate.

The Ogoni people are inhabited in Central Niger Delta in the Rivers State at Southeastern Nigeria. They are dominantly Christian followers and numbered about 1 million. In 1957 Shell Oil Company began production of oil from Ogoniland which now days produces half of Nigeria's total daily production. The land of the Niger Delta is the source of over 90% of Nigeria's oil (UNPO, 2008). Despite the natural endowment, the region is one of the poorest in the country and the indigenous groups could get nothing. Since the oil industry exploited and polluted the area, their traditional livelihoods of fishing and farming is endangered. According to World Bank report "the main beneficiaries of the oil sector are foreign oil companies and the Nigerian government. As yet, there has been very little direct impact of oil and gas production on the lives of Nigeria's poor" (World Bank, 2002: p.9). This is confirmed by the former Nigerian Permanent Representative to the United Nation, Alhaji Yusuf Maitama Sule in an organized public event when he condemned Nigerian politicians:

We have leaders today as a result of the oil discovery who buy luxury cars for their girl friends. They imbibe the culture of looting the treasury and shamelessly stuffing them outside, building mansions where there is no road network (Muhammad, 2013; para8).

While the Nigeria politics is dominated by the three largest groups (Hausa/Fulani, Igbo and Yoruba) and in view of the fact that the Ogoniland is in total economic isolation by the government (with no employment opportunities, infrastructure underdevelopment, exclusion from the oil revenue etc), there have been bloody conflicts between militants from these minor groups and the central government (Asuni, 2009).

### **"Environmental Genocide" in Ogoniland**

Besides the chronic poverty, inequality and unemployment that Ogoni people currently faced, their human survival is at stake by what Ken Saro-Wiwa, an environmental activist and

president of the Movement for the Survival of the Ogoni People (MOSOP), declared “environmental Genocide”:

The Ogoni country has been completely destroyed by the search for oil....Oil blow-outs, spillages, oil slicks, and general pollution accompany the search for oil....Oil companies have flared gas in Nigeria for the past thirty-three years causing acid rain....What used to be the bread basket of the delta has now become totally infertile. All one sees and feels around is death. Environmental degradation has been a lethal weapon in the war against the indigenous Ogoni people” (Interview, Channel 4 (U.K.), 15 Nov. 1995) and reviewed by Nixen (1996, p.3).

A United Nations Environment Programme (2011) assessment on Ogoniland shows that it is likely to take 25-30 years to complete the cleanup and restore of Ogoniland and it may cost up to an initial of 1 billion dollar.



The impact of an oil spill near Ikarama in the Niger delta. Photograph: Amnesty International UK on Guardian

To sum up, the story of the extractive oil industry in Ogoniland is a complex tragedy where by the Ogoni are forced to gain neither the economic share nor the environmental protection. A double crime is done against the innocent people of Ogoni.

### **The rise of Boko Haram as a threat to investment**

The second investment challenge in Nigeria is the peace and security problem. Based on the interview of Owo, an international businessman, a report by Daily Times Nigeria revealed that foreign investors considered the country as a high risk to invest in and FDI is slowing down due to the situation since investors preferred to leave somewhere their investment will be safe

and develop (Ogbo, 2011). The international investor pointed out how investors are losing ground from investing in Nigeria with blasting of bombings by Boko Haram. He said that

Our company was about to sign a business funding investment in the real estate sector to the tune of 1.2billion dollars, to build houses in Abuja and Lagos, but the independence day bombing last year scared the investors away”(Ogbo,2011:para,8).

He articulated that poverty, unemployment, absence of formal (Western) education and the socialization processes of Boko Haram are the basic factors which twist the youth militants against their country. Nwagbosa (2012) in his part found that the insecurity problems especially kidnapping forced investors, businessmen and manufacturing companies to transfer their plants from North and Niger Delta region to other peaceful parts of Nigeria. There has been also a decline of FDI flows to the country’s economy in recent years. UNCTAD (2013) annual report declared that FDI inflows to Nigeria declined by 21 per cent. The governor of the Central Bank of Nigeria, Lamido Sanusi, also stated how security issues in Nigeria have weakened the country’s economic performance. He noted that

The current spate of bombings across the country by terrorist groups alludes to the fact that our business environment is becoming more and more threatened and therefore the need to urgently develop a framework that will enable us to effectively respond to any crisis and thus safeguarding lives and properties and ensuring stability and growth in our economic system (Owuamanam et al., February 29, 2012: para, 5).

As Prof. I.C. Achumba, O. S. Ighomereho, M. O. M. Akpor-Robaro, (2013) concluded besides irregularity of electric supply, the fall of FDI flow can be largely attributed to the state of insecurity in the country. The security problem is not only an impediment for private investment and FDI rather it also weakens the government financial capacity to execute its development policies. Thus the projected construction of federal roads, dams and power plants in 2007/2008 in different areas of the country has not been effective largely due to shortage of financial resources caused by militancy/security problems as Nwagbosa (2012) argued. The 2012 Nigeria budget allocation shows that the security sector received over 900 billion naira (\$5.5billion), the highest ever since independence in 1960 as stated by Oriakhi (2012).

Researchers concluded that sources of dissatisfaction and annoyance which trigger security infringes in Nigeria are the failure of governments to alleviate poverty, reduce

unemployment and inequitable allocation of resources among the various ethnic groups (Nwagbosa, 2012; Prof. I.C. Achumba, O. S. Ighomereho, M. O. M. Akpor-Robaro, 2013).

Even though the common portray about the emergence of Boko Haram and its sects deal with “religious fundamentalism” or “ideological radicalism”, the multifaceted result of corruption, inequality, economic seclusion and poverty are the root causes especially in the Northern part of Nigeria, where Boko Haram is actively engaged. The following table show how a sharp contrast in poverty, unemployment and inequality is being observed between the Northern and the South.

**Table 1.2 Unemployment Rate states in Nigeria in 2011**

Highest unemployment rate					Lowest unemployment rate			
<i>State</i>	<i>Percent</i>	<i>Region</i>	<i>Major Ethnic group</i>	<i>State</i>	<i>Percent</i>	<i>Region</i>	<i>Major Ethnic group</i>	
Zamfara	42.6%	N/Western	Hausa/Fulani	Osun	3.0%	S/Western	Yoruba	
Bauchi	41.4%	North	Hausa/Fulani	Kwara	7.1%	N/Western	Fulani, Yoruba	
Niger	39.4%	N/Western	Nube,Gwari, Hausa	Lagos	8.3%	S/Western	Yoruba	
Gombe	38.7%;	N/ Eastern	Fulani	Oyo	8.9%	S/Western	Yoruba	
Nasarawa	36.5%,	Central	Afo, Agatu, Akye					
Jigawa	35.9%	C/ Northern	Hausa/Fulani					
Edo	35.7%;	S/Western	Bini, Okpe, Esan..					
Yobe	35.6%	Northern	Kanuri					
Adamawa	33.8%	N/Eastern	Fulani					
Kaduna	30.3%	C/ Northern	Hausa/Fulani					

Data Taken from the news of Ynaija.com. Esene (August 12.2012)

The table clearly stipulated that the dominant Muslim Hausa/Fulani which occupied Northern parts of the country are living under poverty (with no job) when it is compared to the Southern Christian Yorubas and Igbos. The poverty and inequality of the Hausas is being a great opportunity for Boko Haram to recruit cruel militants. A gang member from Diffa in Niger republic explained the situation as “we have no jobs; some of us are still at high school but we need money. Violence has become a form of work for us” (Elombah Special Reports; April 24, 2014).

Additionally, the private investment which is dominated by the Igbo in Nigerian economy, likely exacerbates the grievance of the North. A report by Vanguard news paper revealed that in each states of Nigeria, Igbo investments in business and commerce is more than N5 billion (30 million US dollar). However since Igbos are the targets of the bombings especially in Northern states they “have resorted to selling their houses and other landed property, at ridiculously cheaper rates, saying that they no longer feel safe to carry out their businesses (July 26, 2013, para.16)”.

Lastly similar to Ethiopian regional discrimination by “natives” against “non-natives”, in the same stratum in Nigeria there is bigoted system known as ‘statism’ and ‘localism’ under which people from other regions(non- natives) living in other areas are deprived of political and economic rights and privileges (Osaghae& Suberu, 2005; Mustapha, 2006). This trend is mostly seen in Northern Nigeria against Christian Minor groups.

The Chairman of the Northern Christian Elders’ Forum, NOSCEF, Elder Saidu Dogo briefed Vanguard newspaper that foreign citizens who live in North Nigeria have a better chance of treatment than the minor indigenous groups because of their religious similarity with the majority groups. He described the situation as “Muslims from neighboring countries like Chad and Mali living in the area were treated better than natives who were native Christians”. (Binniyat, December 04, 2013: para. 2).

Huber (2013; par.8) on his part remarked that:

Discrimination against settlers manifests itself not only in the prohibition of land ownership, but also in extra taxes and, in some cities, the exclusion of settlers from living in the city and forcing them to live in a separate community.

The practice of internal discrimination in Nigeria is against the country's constitution which states "every citizen of Nigeria is entitled to move freely throughout Nigeria and to reside in any part thereof; and no citizen of Nigeria shall be expelled from Nigeria or refused entry thereto (Nigerian Constitution, 1991: Section 42, Sub Section 1).

The above figures and stories in both Ethiopia and Nigeria pinpointed that ethnicity and investment are the two intertwined phenomenon in their business climates which hinder competitiveness in the private sector and long term economic development.

#### **4.3.2 Ethnicity and Brain Drain**

Raising the issue of brain drain in developing countries in general and in Ethiopia and Nigeria in particular is a disappointing topic. A report by OnlineUniversities.com shows, among the 10 countries facing the biggest brain drain, Africa is represented by the top four nations. It includes Ethiopia, Nigeria, Kenya and South Africa respectively. Ethiopia according to the report is losing about 75% of its skilled professionals over the past ten years, whereas Nigeria has about 2 million people who lived in the USA only (OnlineUniversities.com, 2011).

Mohamoud, (2005) found that from African Diasporas who lived in the Netherlands 7 out of 30 interviewees have PhD in environmental, natural and agricultural sciences, where Africa is in need of them badly. The International Office for Migration, according to Shinn (2002), estimates that there about 300,000 professionals from Africa who live and work in Europe and North America only. Studies conducted by many researchers affirmed that apart from economical factors civil conflicts, bad governance, political instability, political persecution, lack of academic freedom and favoritism based on ethnic affiliation are the pushing factors which forced African skilled labours to migrate out of their homeland (Shinn, 2002; Mohamoud, 2005; OnlineUniversities.com, 2011; FikreJesus, 2014).

The former US ambassador to Ethiopia David H. Shin, (2002; para.19) concluded that "Poor human rights practices, political and/or arbitrary arrests coupled with a backlogged court system, intolerance of political dissent, lack of academic freedom, civil conflict and the ravages of war, illegal regime change and favoritism based on ethnic affiliation" are the political push factors for brain drain in Ethiopia.

FikreJesus, (2014; para,30), based on Human Rights Watch 2013 report; on his part reinforces Shin's conclusion by asserting "political oppression, ethnic discrimination, extrajudicial executions, torture and other abuses in detention, in addition to economic factors, have led hundreds of thousands of Ethiopians to flee the country".

Other sources tried to emphasized inequality based on ethnicity as the major factor for intellectual brain drain in Ethiopia. Since academicians, more than other ordinary people, are reluctant to admit inequality as a norm, they are forced to flee from their motherland where they believed to get an equal or proportional treatment. .

A young physics lecturer from Dilla University, who belongs to Oromo, claimed that the ethnic politics which implemented in Ethiopia in the last 20 years aggravated ethnic inequality and forced skilled labour to migrate.

You know academicians are not resistant of inequality and lack of freedom. Here everything is interpreted in terms of ethnic and political grounds. After studying my MA in Netherlands and returning back here, I hoped a lot to work courageously but the environment is so skeptical. Even though I couldn't bring you a quantitative data, I can tell you that the best of Oromo intellectuals are either in USA or Europe" (Interviewee, A young physics lecturer, personal communication, March 16, 2014).

Similarly a graduating political and international relations student at Addis Ababa University, who is not willing to reveal his ethnic background, on his part questioned:

I failed to understand government's intention. Why EPRDF is only wasting its time in developing only the hardware. You can have as many buildings, dams, industries, plants, military air craft as you can. But unless inequality based on merit rather than ethnic or political affiliation is set as criteria; I don't think a single academician has the aspiration to live here (Interviewee, A graduating student, personal communication, March 15, 2014).

What the student tries to emphasize here is that apart from massive physical buildings, the Ethiopia government should give priority for national integrity and maintaining equality.

Unless and other wise equality is realized in terms of productivity and competence rather than ethnic or political affiliation, whatever economic growth can be achieved, national integrity is likely to be eroded and push skilled human power to see the exit door.

Reports speak a lot about how the economic and social cost of brain drain in Ethiopia is serious. The country spends over US\$5.3 million every year to recruit expatriates to fill the gap shortage of human resources in higher education institutions (Yosef, 2005); the brain drain has left just one doctor for nearly 30,000 people (Hamond, 2011); there are more doctors in Chicago than in Ethiopia(Foreman, 2013).

As cited on Yosef (2005; para.1), an economic correspondent of the Reporter Newspaper claimed that the:

...repeated failure of the country in retaining its educated and key professionals has also created an undeniable resource persons gaps in such areas as policy formulation, strategic management, quality leadership and severely damaged the quality of education at home.

Yosef on his part affirmed that it has become a norm to hear policy makers' attachment of government failure with "lack of skilled/trained human resources and capacity". He believed "poor planning and outcomes, and persistent allegations of inefficiency, corruption, ineffectiveness, misfeasance, and malfeasance" are the effects of the brain drain which are manifested in government and its institutions" (Ibid).

In general the high costs of training skilled labours, deterioration of quality education, health hazards, absence of good governance, corruption and incompetence in civil service sectors are some of the negative impacts of brain drain in Ethiopia.

Similarly in Nigeria, brain drain is a serious challenge for development. Even though it is difficult to find a recent comprehensive data, Ashenafi (2002) notes that about 20,000 Nigerian academicians are now employed in the USA alone. The 2008 Health Work Force country profile for Nigeria shows that from 2004 -2007 there were 16,383 nurses who seek employment outside Nigeria and from 2005-2007 there were 8,893 doctors who requested for certificate of good standing and destined to different countries (Labiran et al., 2008).

According to Adefusika(2010) the causes of brain drain in Nigeria are two types. Internally unemployment, low wages, unsatisfactory living and working conditions, poor social conditions, corruption and political instability are some of the pushing factors where as externally globalization, better economic opportunities and political freedom are the pulling factors.

There are quite few numbers of studies on the linkage between brain drain and ethnicity in Nigeria. A pioneer study conducted by Chukunta (1979), on ethnic membership and the brain drain on the bases of expatriation or indefinite delay of return, concluded that the Igbo are the least ready to early return from USA.

The reason was related with unfavorable working conditions in their origin of area and lower socio-economic status in the country. Conversely, for Yoruba re-entry is a much easier task since “the options are wider, the chances greater” (p.38). Benedict & Ukpere (2011) have shown that the Christian-Muslim religious conflicts and traditional tribal rivalries likely contribute to brain drain in Nigeria.

Furthermore, an article published on California University about Igbo of Nigeria underscored that since the traditional Igbo homeland is too small when it is compared to Igbo’s high population growth, many of the members of the ethnic group have immigrated internally and externally. Besides the high population growth, decreasing of land and poor infrastructure in Igboland forced Igbos to emigrate not only to Nigerian metropolitan cities such as Lagos, Benin city and Abuja but also to neighboring countries like Togo and Ghana as well as to Canada, United Kingdom, and USA. A similar report by the Igbo National Council, coalition of New Generation of Igbo Political Leaders of Thought and pro-Igbo interest organizations, in its December 2012 meeting condemns “the high level of brain-drain and human capital flight that has been going on in Igboland (News Express, December 8, 2012; para.8)”. The council call for the deliberate formulation of rewarding policies by the federal government to improve the living conditions in order to reduce the massive emigration of academic and medical personnel, legal officers, administrators, engineers and other professionals so far produced by the ethnic group to other parts of the country and parts of the world.

The impacts of brain drain in Nigerian economic and social development is massive. A study conducted by JO Omonijo (et al., 2011) demonstrates that in Nigeria, the petroleum industry hired about 1,000 skilled expatriates who are highly paid than the locals.

Furthermore, the shortage of manpower in areas of science and technology deteriorates the tertiary education as it is evidently shown in a lecturer/student ratio of 1: 19 which should be lower than the UNESCO standardized ratio of 1:10 where as the health needs of the country fall

short of the minimum World Health Organization (WHO) standard of 20 physicians per 100,000 people (Ibid).

Vanguard news paper in its September 11, 2012 report indicated that Kano state, the largest State in Nigeria and located in North-Western, loses 100 doctors in six months. The mass departure of doctors from the state's busiest hospitals leaves some special medications like pediatrics ward to be shut down with lack of man power.

On the other hand Adefusika (2010) asserts that the brain drain in Nigeria establishes only two class society with no middle class. The higher class is composed of few corrupt military and government officials where as the massive underclass is represented by 60% of poor people who are unable to find a job and feed themselves. Medical personnel, engineers, lawyers and administrative staffs who believed to make the middle class and could "provide a market for consumer goods and contribute to political, social and economic stability of the country" (Hagopian et al 2005, quoted in JO Omonijo et al., 2011) are fleeing the country.

### **4.3.3 Ethnicity and corruption**

#### **"Our turn to eat" as a governing principle**

After reading the very popular book entitled "It's Our Turn to Eat. The Story of a Kenyan Whistleblower," which is written by Michela Wrong, one may nod his head on how ethnicity and corruption make romance in the African politico-economic system.

Wrong in her personal website stated that

"Under former President Moi, his Kalenjin tribesmen ate. Now it's our turn to eat," politicians and civil servants close to the president told Githongo". As a member of the government and the president's own Kikuyu tribe, Githongo was expected to cooperate. But he refused to be bound by ethnic loyalty (Michela Wrong's web page, synopsis, para.2).

John Githongo, from Kikuyu ethnic group, was the former head of anti corruption office under the president of Mwai Kibaki who also belongs to the same ethnic group.

As Wrong already uttered when power was transferred from President Moi (Kalenjin ethnic group) to Kibaki (Kikuyu tribe) the men from the later group were impatient to eat their

own turn but they were unwelcomed by the brave Githongo. This is the general theme of the book which gives an important portrait about the nexus between ethnicity and corruption in Kenya in particular and Africa in general. Bring the scenario to the Ethiopian and Nigerian contexts, one can take a broad view that they are not exceptional.

Corruption is becoming a grave issue in Ethiopia which is also proved by the government itself in different ways. As reported by Inter Press Service, Berhanu Assefa, public relation advisor of the Federal Ethics and Anti-corruption Commission of Ethiopia said, “Corruption is occurring in higher places than we had previously expected. Areas vulnerable to corruption are land administration, tax and revenue, the justice system, telecommunications, land procurement, licensing areas and the finance sector” (McKenn, June 16, 2013: para.7).

When we look at the measure taken to arrest the minister of Revenue and Customs Authority and other high-status government officials on alleged graft charges after the death of the late prime minister Melese Zenawi in 2012, it shows how the government is worried about the political-economic challenges of corruption in the country. Being one of the intentions of this study to look at the nexus between ethnicity and corruption, deep investigation on the nature of corruption in Ethiopia provides sufficient examples. Corruptions committed by the high profile officials at the macro level are stemmed from the politico-economic structure of the government. Since power is assured by political allegiance to the system, officials perceive that they have political back up even though they know that committing a corruption is a crime.

On the other hand the dominance of state in the economic arena, paves the way for elites to transfer public property for private purposes. For example a report organized by Inter Press Service shows how EFFORT (Endowment Fund for Rehabilitation of Tigray) is manipulated by TPLF to transfer public resources to the political elites’ pocket.

Dr. Getachew Begashaw, a professor of economics at Harper College in the United States, uttered on the report that “EFFORT has been used by the TPLF to channel public resources and funds to the coffers of the TPLF through illegal deals, contracts, tax evasion, kick-backs and all sorts of illegal operations” (Ibid; para.14).

The professor predicts that unless the government takes measures to correct the illegal behaviors of party affiliated business conglomerates like EFFORT, Ethiopian's economy will face a question of sustainability and may collapse lastly:

The Birr (Ethiopian currency) will depreciate and inflation will skyrocket. The capacity of the state to provide public goods and services will decline. Free market competition will be eroded. Government revenue will be reduced and the budget deficit will rise (Ibid, para.21).

Equivalently, Altenburg (2010) notes that the companies run by the EPRDF are not audited since their establishment; there is no transparency about their management structures and financial matters; they use also excessive credit facilities from the state owned Commercial Bank of Ethiopia. If there is no auditing, transparency about management and financial matters as well as credit limitation from public financial institutions, it is possible to presume that corruption is inevitable in the conglomerates.

Given the sensitivity of the issue, even though it is not easy to verify the accusations, Diaspora opposition's websites listed out the top 10 richest Ethiopians in 2013. Many of them, except the Saudi- Ethiopian billionaire Mohammed Al Amoudi, are all from a single ethnic group and active in the state-party business affairs. But their prosperity couldn't be a source of pleasure for the whole Tigraian ethnic group. Though it is commonly portrayed that the contemporary Ethiopian politico-economic system is inclined towards the benefit of the Tigirian ethnic groups, deeply looking at the lives of the masses disproves the allegation. Today it is common to see so many Tigrian households especially women with their children pleading money for their daily subsistence in the capital Addis.

A street beggar in Addis Ababa, who came from Tigray with her very thin three children, portrayed how TPLF is commercializing with her name.

I came here a year ago. We had a plot land but it was taken for gold mining. I spent the reimbursement for travelling and clothing my children. Now I am here for nothing to feed them. We are homeless. I was confused last time when a person gave me 1 birr and said 'is there a Tigrian beggar'. I don't know why he said like that" (Interviewee, A street beggar, personal communication, February 29, 2013).

Alemayehu on his part has shown how the construction sector in Ethiopia is exposed to corruption. In his emphasis on educational corruption he asserted that the education construction quality is deteriorating and he questioned how contractors and consultants are selected

Other procurement related corruption includes “favoritism, nepotism, or bribery in the short-listing of consultants or contractors or the provision of tender information.” There are some “favored contractors and consultants” who have a “dominant market position” and are “awarded contracts for which they were not eligible to bid (Alemayehu, May13, 2013:para.24).

It is not surprising to see such kind of reports since it has been common to hear accusation of the Ethiopian government for its favoritism action towards Tigrian contractors over others. Most importantly, anyone who has the chance to see the newly opened 13 Ethiopian universities will prove this allegation. As a staff of one of the universities, the researcher witnessed how far the construction quality in the education sector is diminished. Lots of applications have been presented to maintenance department before the completion of the construction project and handover to the university management. The doors, windows, roof as well as stairs of buildings smashed before they serve at least a year. It is common to see everybody’s lament about the wasted public money on them.

On the other hand at the micro level corruption is a norm in Ethiopia. The popular old narration “ሲኾም ያልበላ ሲሻር ይቆጠዳል” (a person, who doesn’t eat while he is in power, will regret when he resigns) (the translation belongs to the researcher) is transferred from generation to generation and is now a common phenomenon everywhere in our daily life.

Ethnicity is one of the bases. Considering one case study will sufficiently elaborates the statement. Dilla University is one of the new public universities found in the Gedio Zone, Southern Ethiopia where the majority Gedio ethnic groups live together with minor Oromos, Amharas and Gurages. Since the Ethiopian ethnic federalism gives priority for local empowerment, before a couple of years a PhD holder from the ethnic group was appointed as the president of the then college and the now University. As he immediately took his office he was rushed to recruit Gedios in all the academic and administrative sections. A senior lecturer who was there during that time remembered the situation:

It was a kind of massive campaign. Vacancies were posted deliberately to hire the “natives” only. For your surprise each sections of the university were filled by unskilled

and semi skilled human power. To be a lecturer, librarian, administrative personnel, security official or cleaner, there was only one requirement i.e. being Gedio”. (Interviewee, A senior lecturer, personal communication, June 15, 2013).

This is a single incident but a common phenomenon in many public institutions especially in the regional states. The researcher has been exposed to hear stories related to bribery and ethnicity in various ways. Public servants get promotion of positions on account of their ethnic or political loyalty. Conversely new graduates face difficulties to find a job if they are unable to speak languages of their residence. Long distance drivers, when they crossed regions other than their own, forced to give either money or may face take off their driving licenses unless they speak the same language with traffic controllers.

Yet again the researcher was an eye witness when residents who belong to other ethnic groups express their grief about the amendment of the town master plan for the benefit of few wealthy “native” tenants through bribery in a rural small town of the Oromia region. Even though the accusation needs to be verified well, the polarization couldn’t be easily ignored.

In the same way, corruption in Nigeria looks a governing principle in all interactions. President Goodluck Jonathan, most recently, stated how corruption is blackening the image of Nigeria and its people. In his public speech for Nigerian community in Namibia he asserts that “Corruption is everywhere but it is over-celebrated in the country to the extent that the nation and its people are stigmatized” (Leadership online newspaper, March 21, 2014). Miserably, this image has become a source of deterioration of diplomatic relationships between Nigeria and Zimbabwe as President Robert Mugabe remarked Zimbabweans are becoming highly corrupted like the Nigerians. On the other hand transparency International in its 2013 report ranked Nigeria as the 33rd most corrupt country in the world out of 177 countries. Corruption in Nigeria is a troubling phenomenon which everyone in the nation is accepted as a norm. Dike, Founder/CEO at Center for Social Justice and Human Development Sacramento, California, describes the daily corruption in Nigeria in the following way:

The menace of corruption leads to slow movement of files in offices, police extortion tollgates and slow traffics on the highways, port congestion, queues at passport offices and gas stations, ghost workers syndrome, election irregularities, among others. Even the mad people on the street recognize the havoc caused by corruption - the funds allocated for their welfare disappear into the thin air (Dike 2008, para.1).

If corruption is the day to day life of Nigerians, does it has any linkage with ethnicity is the next question? Yes. The editor of Nigeria Intel news paper claimed that ethnicity is a “folder” for corruption. It is common to see blind political support on the basis of ethnic membership. He stated that

As portrayed by the protests against the House of Representatives Oil Subsidy Probe Report, when an issue goes against those in power, there arises the cases of ‘rent-a-crowd’ where groups are mobilized either on ethnic or communal grounds to support their son or daughter ( Nigeria Intel Editorial, May 10, 2012:para.3).

When the Nigerian government removed the oil subsidy in January 2012 to save \$8 billion from the government's annual budget, there was a tedious public protest since the price of fuel was jumped to 116% increment. The protesters have condemned the government with their banner “THIS IS OUR STAND! Remove the Corruption Not Subsidy” and later the government was forced to form a probe committee to investigate corruption and mismanagement charges in the oil industry. As BBC reported the House of Representatives Oil Subsidy Probe Report 'reveals \$6bn fraud' (BBC, 24 April 2012), which was stolen by government officials and business organizations.

Based on the report, despite the ethnic difference it would be imagined, every Nigerians would stand as one to denounce the government’s corruptors. But according to the editor there was ethnic and communal mobilization in favor of those in power by their ethnic groups and the bribers use their ethnic networks and the corrupted system as well as the court to escape from facing any kind of long-term imprisonment (Nigeria Intel Editorial, May 10, 2012). A similar conclusion is made by Eke (2011):

They (ethno nationalists) see Nigeria as a ‘cash cow’ where they go to pillage for their ethnic groups. Even though these corrupt and debased Nigerians have committed serious crimes against her, they are defended and honoured by their ethnic groups in an attempt to put ethnic loyalty above universal moral and civil values (para.14).

The suspension of Lamido Sanusi, Governor of the Central Bank of Nigeria (CBN), from his position in February 2014 raises another shockwave in Nigerian politico-economic system which can be seen in terms of ethno- corruption linkages.

As his personal history shows, the governor was a reputable financial manger. He has received lots of honorable prizes as the “Best Bank Governor” from IMF/WB, Financial Times

and the African Banker Magazine, “Person of the Year” from Forbes Africa and among “Most Influential People” by Time magazine in different times. (Business Day; March 17, 2014). BBC on 20 February 2014 report discloses that the governor was suspended for alleged “financial recklessness and misconduct” (para.1) where as the governor himself contends that \$20bn in oil revenue had gone missing from the state Nigerian National Petroleum corporation for the upcoming national election campaign.

Even though time will bring where the truth lays, the decision is not easily received by prominent figures and business owners. For example the UK Independent newspaper on 12 March 2014 reveals the political game behind the suspension of Sanusi, who is a Northern Fulani Muslim. According to the newspaper the measure was taken since the governor was tried to attack the corrupt officials including the president, who is a Christian Ijaw from the Southern Nigeria, to refrain from committing corruption. Apart from his honorable financial management skill, his political participation was a fear factor for Jonathan and what makes the issue intricate is that the governor was ready to leave his office when his legal term expires in June 2014.

‘If you attack us, we will deal with you’, was the response given to him since the president himself had previously asked him to resign. Besides this there was a systematic attempt to link the governor with the Islamist terrorist group Boko Haram (The Independent March 12, 2014: para.3). Similarly Emerging Markets Strategist at Standard Bank, London, Samir Gadio as he spoken to THISDAY newspaper the measure is a sign of violating the rights of the bank’s independence. He affirmed that “We suspect the risks that the next CBN governor will be a closer ally of the current administration - and less independent for the central bank” (Andrews, 10 Jan 2014: para, 16).

As the latest PUNCH newspaper report shows 96 civil society organizations have already planned to participate in the intended protest against the stolen money of the state owned Nigerian National Petroleum Corporation.

Albeit mixed reactions intensified throughout the country with the governor suspension, a careful examination of the measure demonstrates a reincarnation of contemporary ethno political heat in Nigeria’s 2015 election.

As a summary the relationship between ethnicity and corruption in Nigeria is well articulated in the latest Malomo (2013) study. His findings disclose that those business managers who have a similar ethnic group with the local politician are less likely to pay a bribe than business managers who are dissimilar with the local politician.

#### **4.3.4 Ethnicity and Unfair competition**

As Bookman (2002; p.7) postulated ethnic competition emanates from groups' self-centeredness of the desire to maximize their political and economic hegemony over others. The competition occurs with the wrong politico-economic view of "a zero sum game in which the loss to one ethnic group is perceived as again to another". He outlined that there are about four major economic issues where by ethnic groups want to compete: for "access to scares resources, input into policy making to voice their concerns and demands, control over productive units and for allocation of economic favors including jobs, educational infrastructures as well as industrial" plants(p, 8-9).

Bélanger et al., (1991; p.418-419) on their part noted some of the preconditions for ethnic competition to be called unfair which were also stated in chapter 2 of this study. They are the pervasiveness of discriminatory policies, involvement of "unjustified threats to claimed rights and possessions", contesting the rules of the game themselves and unbalancing of the outcomes of competition" It is generally believed that such unfair trends in Africa trigger ethnic conflicts for the past centuries.

In Ethiopia the sources of unfair ethnic competition originated from various historical and contemporary trends. Historically, the nature of the modern Ethiopian state structure beginning from Menilik II till now plays a pivotal role in triggering unfair ethnic competition. Since Menilik II and succeeding regimes including Haileselassie and Derg were concentrated mainly in the Northern and Central Ethiopia, the other parts of the country were relatively inactive during the previous times which limit their economic and political power at the national level. Today it is impossible to find a proportional high ranking officials or economic actors at the national level from "minor" ethnic groups such as Somali, Hareri, Aguak, Nuer, Gamo, Gedio, Gumuz or Afar when they are compared to other major ethnic groups like Oromo, Amhara, Tigray, Gurage etc.

Contemporarily, plenty of reports show that the dominance of the state and involvement of party owned business companies in Ethiopian economy bring unfair ethnic competition at the national level. As Aklog (2012; para.6) stated in Ethiopia “ethno-nationalism and ethnic-federalism now contribute to the lack of a level playing field in social and economic life”.

Mesfin and Vaughan (2011; p.26), on their part recognized the dominance of the state in Ethiopian economy by uttering “economic expansion has been driven to a great extent by government spending on infrastructure and service delivery, often within the large SOE (State Owned Enterprises) sector.

They also proved the allegation about unfair competition which has been done by EFFORT of TPLF and MIDROC of the Ethio-Saudi billionaire Sheikh Mohammed Al Amoudi in Ethiopian economy. According to them the two conglomerates “were the primary focus of private sector frustration and allegations of ‘unfair competition’ in the past” (Ibid).

The World Bank (2009) report also concluded that the business climate in Ethiopia is not competitive due to various “policy-based” partialities like market access, finance supply and policy makers close contact.

Endowment- and state-owned firms confront an investment climate that is substantially different from that faced by private enterprises, which may partially explain the fact that they appear to have greater access to policymakers, government as a market, and the state-owned part of the financial sector (World Bank, 2009: 58).

Parallel to this, by deeply looking at corruption in the education sector, Alemayehu (2013; para.22) shows how the procurement of goods and services is vulnerable to unfair competition and corruption. He demonstrates that

Successful “tendering companies” are likely to have “family or other connections with officials responsible for procurement”. Procurement corruption also takes the forms of “uncompetitive practices” “including the formation of a cartel, obstruction of potential new entrants to the market, or other forms of uncompetitive practices that may or may not include a conspiratorial role on the part of those responsible for procurement.

Furthermore, Ethiopian Satellite Television (ESAT), an opposition satellite television based in Amsterdam- The Netherlands, slams the Southern Nations, Nationalities, And Peoples' Regional government’s decision to approve a 19 million birr (around 1 million US dollar) project of producing documentary films on various issues of the regional towns to the

TPLF affiliated media institution, Walta Information Center (WIC), on uncompetitive base while the regional mass media agency was capable of doing the program(ESAT Radio, October 4, 2012). Even though it is difficult to prove, such allegations, they can't be mere propaganda pieces, knowing the desire of the state to involve in all rounded economic sectors.

Similar to the public procurement, marketing of private goods and services is not purely competitive in Ethiopia. Whenever one talks about business establishment in Ethiopia, it is common to hear frustrations and allegations from macro to micro level. As one interviewee suggests having money is not enough to do business in major services sectors especially in trading and wholesaling. Ethnicity matters. Being Amhara and lived in Shashemene(Central Oromia) for several years, he was a successful business man having millions of birr. When he decided to leave Shashemene due to family relocation, he planned to start trading and wholesaling in the capital Addis either in construction materials or other goods like oil, clothes, cosmetics etc. He tried his best to find rent rooms in Mercato (the largest open market in Africa at the center of the capital) and Megenagna square (a large market area for wholesaling construction materials) but he was unable to find. He was forced to ask well known brokers in the two areas. He found the same reply:

I asked the broker whom I assigned for Megenagna area. He whispered softly to my ears and asked me 'are you Tigre?' I replied 'no'. He said 'don't waste your time my friend, you will never get'. To be frank I was so irritated why he said like that. I left Megenagna and I had hoped to find at least in Mercato. In the next day, I went to there and met another broker. He told me unless you have relatives or closest friends from Gurage, I don't think you will find a room. Even if you get, trust me you will lose your money and be mentally ill at last (Interviewee, A business man, personal communication, Oct. 15, 2013).

The researcher finds plenty of accusations on the establishment of ethnic business networks in the Ethiopian market especially among the Gurage ethnic groups who are actually hard working people. Credit access for business establishment, reduction of average costs for small business holders who are among the ethnic group and providing market information to reduce uncertainty and risk aversion are some of the resources shared by the ethnic group which are actually uncompetitive by nature.

The emergence of ethnic business networks in Ethiopia is also observed in the growing banking sector. Even though getting accurate information is not easy, few financial specialists

whom the researcher interviewed, confirmed that numbers of banks are established either along ethnic lines or shared by ethnic political parties. Example can be Awash bank and Oromia International bank (Oromos), Abay Bank (Amharas), Debu Global bank (Southerners) and Lion as well as Wegagen banks (Tigrians).

Even if the establishments of ethnic business networks are significant to facilitate economic exchange through building trust and enforcing contracts among traders as Epstein & Gang (2004) argued, they are uncompetitive in marginalizing other divided and neutral business dealers from a particular market.

In Nigeria the dominance of the three major ethnic groups (Hausa-Fulani, Yoruba and Igbo) in the politico-economic system is another landmark to study ethnicity and unfair competition in the African context. Like that of Ethiopia, the domination has its own historical and contemporary progress.

Historically, until the end of the British colonialism Yoruba and Igbo were economically and politically powerful than the Hausa/Fulani. But now it seems that the Igbos declined to compete in the Nigerian political arena and change their direction towards the finance and economic sectors with their hard working and creativity skill. Hausa/Fulani as well as Yoruba have occupied the country's major political and civil service parts. The rest near to 250s minor ethnic groups are fragmented here and there and marginalized from the system for many years ahead. This injurious horizontal ethnic relationship spurs conflict and agitation for independence in Nigeria. Ethnic rivalry in the education sector, political arena, and oil industry exacerbated brutal ethnic competition which finally changed to conflict (Irobi, 2005; Country Studies US.).

Reports show that the dominance of Igbos in the economic sectors and Hausa/Fulani in the political arena made the playing ground uncompetitive for other ethnic groups. The trend has been a source of grievance, frustration and crime throughout Nigeria. For example Igbos have the largest investments in Lagos (65% of the economic sectors and half of the buildings in the city) albeit the city and the Southwest land belong to the Yoruba ethnic groups. But this reality doesn't give comfort for Yorubas and it is recently triggered by the deportation of 70 'beggars and destitute' Igbo people to Anambra State in July 2013. As the former Minister of Aviation Femi Fani-Kayode, who is from Yoruba, stated out "Lagos is not a "no-man's land" but the land

and heritage of the Yoruba people” (Kayode, 2013: para.2) and he claimed that the deportation was logical. In his remark he showed how the ‘indigenes’ are anxious of seeing Igbos’ achievement in their mother land. He accused that “the Yoruba do not have any resentment for the Igbo and we have allowed them to do in our land and our territory what they have never allowed us to do in theirs” (Ibid: para.4). He also blamed Igbos’ totalitarian behavior in controlling everything of Nigerian resources and unfriendly behavior in different sectors. “Yet instead of being grateful the Igbo continuously run us down, blame us for all their woes, envy our educational advantages and resent us deeply for our ability to excel in the professions and commerce(Ibid: para.11)”.

Mr. Tony Oganah, an Igbo activist, on his part condemns the deportation of Igbos, and further noted that the actual motive behind the measure was intentional. But his remark clearly shows how the economic dominance of the Igbo creates a polarization on ethnic competition between Igbo’s and other ethnic groups in different parts of the nation. He uttered that “Our people (Igbos) travel a lot and build their homes wherever they are. As a result of this, whenever the indigenes (including Yoruba) suffer frustration, they met it out on Igbo people” (Okpi, August 4, 2013:para.9). It seems that this is a minor issue but a closer examination of its implication provides how ethnic rivalry produces irreversible conflict of interests which harm economic development through aggravating inequality, poverty and unemployment in Nigeria.

On the other hand Onuoha (2009; para.2) well explained how the Hausa/Fulani ethnic group dominates the Nigerian political dimensions. According to him the dominance originates from “the unhealthy three-pronged political and economic rivalries” including the competition between Yoruba and Igbo, between Yoruba and Igbo in one hand and other Southern minorities on the other hand as well as among the minority groups themselves. This had been a big opportunity for the Northern part to exploit the Southern fragmentation and strength its political power over others.

Similar to the economic dominance by Igbos, Hausa/Fulani supremacy on the political landscape has become another mournful issue for other groups including the Igbos themselves. As Onuoha described, their political power allowed them to exploit the abundant resources to the fullest “disadvantage and envy of their Southern opponents”. “What the Hausa-Fulani and the North are doing in Nigeria today amounts to poaching of southern Nigeria’s unprotected geo-

political space” (2009; para.9). This perfectly matches with what Bélanger et al., (1991; p.418-419) stated “unjustified threats to claimed rights and possessions (e.g., infringing on one's turf)” as one of the preconditions for ethnic competition to be perceived as unfair.

The political domination bestows muscle to the Hausa/Fulani ethnic group to determine the path of political development in Nigeria which has been manifested by brutality, hostility, violence, riot, demonstration etc. as Ejiogu (2011) argued. Since the power is at the hands of this ethnic group, the political stability of Nigeria is determined by it. The miserable fact according to him is that Nigeria’s current and future political stability, which is a base for all socio - economic development and survival of the nation, seems depressing. “The prospects for stability in Nigeria’s body politic seem quite bleak and worrisome given the extent to which the Hausa/Fulani ruling elite is determined to perpetuate and sustain the *status-quo ante* in the supra-national state” (Ejiogu, 2011: p.20).

If the approach of current Nigerian politicians is maintaining the status-quo, it means that Nigeria as a nation likely continues as a divided and unsecured state for a prolonged time.

#### **4.3.5 Ethnicity and Trust**

Scholars who studied trust as a social capital deduced that it is a significant element of true democracy since it paves the way for greater civic involvement as well as play a role in economic development through reduction of corruption and creating vibrant public institutions.

For example Leigh (2006) argued that at community level high trust can be built with growth in average income because richer sections of the community will invest more on local public goods. On the contrary, he found that inequality and ethnic heterogeneity erode trust and they are negatively associated. Similarly, Bahry et al., (2005; p.521) stressed that ethnic diversity produces high level of in-group trust where as “the higher the trust in one's own group, the lower the faith in people outside it”. This means that when there is a high trust among the same members of ethnic groups, there is a reduction of trust and increment of suspicion with other co-ethnic groups.

Trust is a slick concept especially when it is viewed in ethnic mirror. In Africa distrust among various groups has become problematic for over all development especially in public

goods provision. Miguel & Mary (2005; p.30) for instance found that in rural western Kenya, ethnic diversity is positively associated with “lower local school funding, worse school facilities, fewer recorded community social sanctions, and worse well maintenance” regardless of the socioeconomic similarity between diverse and homogeneous areas.

Being a home of 85 ethnic groups and one of the most diversified nations in the world, relatively Ethiopia has a prolonged history of peaceful coexistence among different ethnic groups who have lived together in harmony and tolerance regardless of the ‘oppressor’ and ‘oppressed’ dichotomy. Unlike that of other African countries where by the relation of ethnic groups is shaped by hatred, suspicion, anxiety or distrust, Ethiopia has been an exemplary nation for nonviolent interaction among the ethnic groups for extended centuries.

But after the implementation of ethnic federalism there are indications which demonstrate peaceful coexistence is being eroded. Substantial portions of the Ethiopian spectrum blame the ruling EPRDF for the exacerbation of ethnic antagonism since the government is trying to maintain power with its divide and rule principle through recognizing the frosty assertion of ‘ethnic self-determination up to secession’. Especially during the popular 2005 election, ethnicity was an instrument of sustaining power for the ruling party through propagating the inevitability of genocide policy of Rwanda i.e. ‘ethnic Interahamwe’ if the oppositions win the election and seize power. As Aalen (2011) argued, the inflammatory speeches by the governing officials were used as mobilization tool to stand the ruling Tigrian ethnic group in favor of TPLF. There was also a voice from the ruling arena which provokes the sentiments of Tigrians to defend their wellbeing since their houses and businesses in some Addis Ababa areas were deliberately burned. Such kind of verbal games have played a role in deteriorating harmonious ethnic relationships during that time. The researcher was an eyewitness in October 2005 (the climax of the political crisis) when a conflict aroused between Tigrian in one hand, Amhara and Oromo students on the other hand in Bahir Dar University with the nation’s political crisis.

Another example which can show a rising of ethnic polarization and mistrust among Ethiopian ethnic groups is the hostile interaction of Diaspora community around the world. The Diaspora community is divided along ethnic lines for business and social interactions. Establishing ethnic based religious institutions, media, political parties, rebel groups and sport associations is common especially among the three largest Amharas, Oromos and Tigrians ethnic

groups. Here it will be reasonable to bring up two cases which can illustrate how ethnic polarization is being rooted among the Diaspora community. The first one was remarked after immediately TPLF (Tigrarian ruling political party) took power from Derg (which was claimed to be Amhara ruling party). Sadly, an opposition Amhara rebel group known as the ‘Ethiopian Patriotic Front’, which has been active in North Amhara, reflects a bigoted attitude against the Tigrarian ethnic group, in its official programme dated 7 May 1994, Section 2, Article 4/a, by stating “‘anyone born into or related by marriage to the Tigraian ethnic group cannot be a member’ (cited on Aregawi, 2008: p, 383)”. The program clearly shows an exclusion of the ruling ethnic group which was absolutely non- tolerable. According to Aregawi the front’s ideas were not welcomed by the masses of Ethiopians and were denounced bitterly.

After 20 years, in November 2013, a second extreme sentiment was shown with the rally of few Oromo community members at Saudi embassy in Canada against the deportation of Ethiopian migrant workers by the Saudi government. The demonstrators were calling Saudi Arabia to stop killing, torturing, brutal treatment and raping workers but their slogan was provocative: “Don’t kill Oromos, because they are not Ethiopians (DireTube, 25 November, 2013)”. Similar to the Ethiopian Patriotic Front idea, again the demonstration was largely condemned abroad and throughout the nation. These are few samples. Ethnic hatred and discrimination among the Diaspora community is a norm especially using social media. Despite the ethnic hostility the majority of the community is critical of the economic development in the country. Demonstrations against the government public policies and mega projects have been held at Ethiopian embassies around the world. The disagreement, which stems from lack of trust on EPRDF, has been a predicament to mobilize the huge potential of the community in accelerating the nation’s economic growth.

Mistrust against government inside the nation on public expenditure is the other detrimental issue which directly affects economic development in Ethiopia. Even with fast economic growth, Ethiopia has registered over the last couple of years; EPRDF lacks trust among the large portion of people. The notion of “we vs. them” is used as a demarcating line between the people and the ruling party. With the fluctuation of power now and then throughout the nation it is common to hear people’s mourn ‘why they (the ruling party) sell electric power to Djibouti and Sudan, while we (the ruled people) are always left in the dark’ despite the country is

labeled as ‘an emergent nation on renewable energy’. The development stories, government announcements, policy manuals and national agendas are seen suspiciously by the mass.

Either with lack of quality service or bribe of money people have no trust with various sectors. Based on international institutions study, recent Capital newspaper reports show that in many federal governments institutions including in the Ethiopian Electric Power, Ministry of Justice, Ethiopian Customs and Revenue Authority, Medical services, Land Authorities and Police unofficial payments to government officials are requested to get services (Eskedar, 17 July 2013; Muluken, 28 January 2014) which are against the public will.

On the other hand it seems a paradox to see that even the government has no trust with its people. Human Rights Watch of March 25, 2014 report entitled “They Know Everything We Do” reveals that the Ethiopian government uses modern technology for telecom surveillance of opposition groups and journalists inside and outside Ethiopia. The report stated that the targets of the surveillance are “a broad spectrum of individuals based solely on ethnicity, participation in lawful activities, or family connections” (HRW, 2014; p.15). The targets are accused of being members or supporters of rebel groups like OLF (Oromo Liberation Front), ONLF (Ogaden National Liberation Front) and Ginbot 7, which claimed to represent Oromos, Somalis and Amharas as well as Gurages respectively. What does this implies? People are scared of their existence. Suspicion, fear, terror, anxiety, mistrust are being the products. As it is cited on Aklog (March 14, 2014) the 2013 Ethiopian Women’s Human Rights Alliance (EWHRA) report to the UN states that

The Anti-Terrorist Law allows the government to promote policies which foster ethnic and religious hostilities and to label opposition groups as terrorist organizations, thereby eliminating all dissent and creating an environment of fear of reprisals for challenging the government (para.23).

It is worth to acknowledge that peaceful coexistence is still solid inside the nation among various ethnic groups despite the growing ethnic emotions which can be easily reversed if proper remedies are applied. However, the contemporary emergent ethnic sentiments likely have adverse political, economic and social consequences unless they have been well managed. As it is mentioned in this chapter Aregawi (2008) noted that TPLF’s divide and rule principle to maintain power produces ethnic polarization which in turn endangers the nation’s unity.

In Nigeria, on the other hand, mistrust among the ethnic groups and against government is an entrenched reality. As Onwuka (October 30, 2012; para.4) pointed out on Punch newspaper “there is deep-seated mistrust among the Nigerian ethnic groups, much of it baseless and unfounded. Each ethnic group has stereotypical conception of the other”.

He also criticized the ethnic jokes of Nigerian entertainment industry in aggravating the long seated ethnic division and sustaining stereotypes. “Even though such jokes make people laugh, they are potentially dangerous and counterproductive to national integration and cohesion” (para.14).

Jekayinfa(2002) on his part showed how ethnic loyalty, interethnic enmity, aggression ,hostility, resentment, hatred and mistrust hampered state building in Nigeria. In the same vein, Uchendu (2010; p.21) addressed the religious polarization in the Northern Nigeria which deters economic transactions among Christians and Muslims. He asserted that

Many Christians would simply not want to buy anything from both the Muslim Igbo men and their Hausa counter-parts partly because of their fanatical religious position and partly because of the anger over the destruction of the businesses of Igbo men during religious crisis in the North.

The implication of mistrust, hatred, antagonism, bitterness, stereotypes and hostility breeds conflict and violence in Nigeria. Such conflicts have been a source of destruction of public and private properties as well as loss of lives. The mistrust between Hausa/Fulani and non Hausa/Fulani groups was one of the causes of the March 6-12, 1987 Kaduna state interreligious conflict which led to loss of lives, destructions of property and burning of religious institutions as it is stated by Uwazie et al., (1999).

Similarly Uchendu(2010; p.21) pointed out there has been a deliberate burning and raiding of the properties of Christian Igbo people by Hausa in the Northern Nigeria. He confirmed that

when some people want to loot the economic wealth of others, they would ignite ethno-religious conflict in the North in order to create an opportunity to steal people’s resources. They even go to the level of creating unnecessary stereotype upon the adherents of the Islamic religion in Eastern Nigeria.

The “we vs. them” dichotomy is also a part and parcel of every interaction in Nigeria. The dichotomy is the product of the Nigeria’s failure to effectively address equitable distribution of the resources which in effect creates “defensive groups” who accumulate the nation’s wealth as it is argued by Julius-Adeoye (2011; p.2). .

The dichotomy of ‘we’ and ‘others’ in many instances generate distrust among groups which make conflict inevitable. Overtime there had developed a sense of fear among many ethnic nationalities and religious organizations within the country due to incessant conflicts along ethno-religious line.

Apart from mistrust among diverse ethnic groups, one of the widespread problems facing the Nigerian political system is a question of state legitimacy. The volatile nature of Nigerian politics makes the nation one of the unstable countries in Sub Saharan Africa. Boycotts, collective uprisings, overthrows of civil governments and political murders, secession struggles, civil wars, public disputes during and after elections, electoral malpractices and now terrorism are some of the symptoms of the crisis of legitimacy in Nigeria. As Iroghama (2012) argued the erosion of trust on Nigerian government was a reason for Nigerians to insist electoral reform in the 2007 general election which was described by European observers as "the worst they had ever seen anywhere in the world", with "rampant vote rigging, violence, theft of ballot boxes and intimidation” (CNN Wire Staff, April 4, 2011: para.10). CNN noted that before the election there had already been riots, bombings and assassinations including an alleged attempt to kill the now President Goodluck Jonathan.

Similarly the removal of oil price subsidy in January 2012 was another landmark which clearly proved the cost of trust deficit between government and the people of Nigeria. The protesters, rather than welcoming the decision, they have condemned it and demanded for fighting corruption and maintaining security of the nation as a long lasting solution.

Though Coordinator of the Economy and Minister of Finance, Mrs Ngozi Okonjo-Iweala, pleaded Nigerians to trust Jonathan’s administration decision, the protesters were not willing to hear. She had said:

I want to urge the citizens of this country not to despair but to have trust in the Federal Government believing that they will deliver this time in spite of past broken promises. This policy (subsidy removal) will bring about a significant reduction in government’s borrowing and save the country N1.12trillion, next year. But if retained, the Federal

Government would borrow heavily to fund subsidy and recurrent budget next year (Nigerian Embassy in Berlin; January 10, 2012: para.2).

The coordinator acknowledged that the major issue now Nigeria faces in state building and utilization of the resource is the lack of trust. She had also requested Nigerians to give the chance to restore the trust which has been wrecked. Despite such efforts to persuade, the winners of the drama were the civil protesters in which the government was forced to subsidize fuel prices again.

#### **4.3.6 Ethnicity and Economic marginalization**

Economic marginalization is the final economic issue used here to relate ethnicity and economic development in Ethiopia and Nigeria. Inequality is one of the major prevailing problems facing Ethiopia and Nigeria. Inequality based on ethnicity, tribe, class, age and gender is widespread in both nations. Being efforts made to lessen discrimination and marginalization, still there are pervasive issues which need gigantic efforts to achieve equitable and inclusive economic development.

Economic discrimination based on ethnicity in Ethiopia and Nigeria is a deep rooted problem. With the dichotomy of “major” and “minor” as well as “native’ and “non-native”, the later groups have been marginalized. For example in Ethiopia the Negede Woyito tribe/community, who lived near Lake Tana around Bahir Dar city of North Ethiopia, have been dominated by the largest Amhara ethnic group and economically discriminated. Even though the tribe/community is hard working people, the ignorance of the regional state forced them to lead a subsistence way of life by fishing and making hand crafts. The tribe/community had no access to education and health until the data was collected in 2008. Assuming moderate changes may happen since then, however the innate marginalization of the tribe will not be eliminated entirely. Ato Mohammed, one of the community leaders, noted that

God gives us immense skills to produce different artifacts. We are producing ‘Ageligil’ (lunch box), mat, basketry and soon. The work is demanding, but the profit is too small. We are the producers but the profit takers are the business men (Amhara ethnic groups) from Bahir Dar city. They prohibited us not to have direct linkage with ferenji (foreign tourists). They buy with cheap price but they sell our handicrafts four times than the original price. We are pleading officials everyday but no one hears our voice (Interviewee, Ato Ahmed, personal communication, October, 2008).

In the same way Anuak and Nuer ethnic groups, who substantially differ with not having the ordinary Habesha's (Ethiopian) light dark color and largely lived around Kotebe (Yeka Sub city of the capital Addis), have been marginalized from the booming economy of the city. Having a dark skin, these ethnic groups are somehow unique when they are compared to the largest portion of Addis Ababa residents, who have actually light dark skin. A girl from Nuer, who graduated from Gambella Vocational Training School in accounting, criticized business owners in Addis Ababa for their race based selection. She noted that

I came from Gambella two years ago to find a job here. I want to be a cashier in hotels, supermarkets or private business companies. I have good results. I can speak English fluently. I am also good in Amharic (the working language of Ethiopia). I have been applied when vacancies posted but no one call me even to sit for exam yet. To tell the truth the prejudice begins from the registration. The clerks stare at me as if something goes wrong. When I left the registration room, clerks in one of the private company, were laughing. It was disappointing. For the time being, I am offering mathematics tutor for children of the Seventh - day Adventist church believers around Kotebe for my life. But the money couldn't cover my living expenses (Interviewee, a Nuer girl, personal communication, March 28, 2014).

What can be understand from those narrations is that with high unemployment, poverty, inequality and meager prospects in Ethiopia, people consider they are marginalized by the system and began to hold responsibility for the messes on other ethnic groups. As one of the pillars of economic development is maintaining socio-economic equality, appropriate ethnic accommodation strategy is the only mechanism to sustain the wellbeing of the nation.

Likewise in Nigeria economic deprivation between the "majors" and "minors" as well as between the "settlers" and "natives" is being narrated for a long period of time.

As Anugwom(2002) stated marginalization of ethnic minorities is the major setback for democracy establishment in Nigeria. The long seated marginalization creates distrust and is being a cause of ethnic conflict over the allocation of political power and the state resources. Likewise, Vellguth (2009) contended how Christians and non-Muslim ethnic groups who live in the Northern Nigeria feel deprived of their human and democratic rights with the forceful implementation of the Sharia law. They have been discriminated from public provisions like water, electricity and roads because of their ethnic and religious backgrounds.

Equivalently, the 2008 Health Work Force Country Profile for Nigeria report revealed that the distribution of health workers across states is uneven. There has been a shortage of health workers in the Northern Nigeria where as an abundance in the Southern parts of the country. As it mentioned in the report among various reasons for the disparity, the areas distastefulness for non-indigenes employees is the basic one (Labiran et al., 2008).

As it has been discussed previously the contemporary terrorism in Nigeria has its own ethnic derivation. With their well organized paper Zumve et al., (2013; p.123) tried to relate the contemporary terrorism in Nigeria with corruption and state neglect. They concluded that “economic deprivation, marginalization, frustration, and desperation experienced by the greater population of Nigerians (the byproducts of official corruption) is the underlying cause of terrorism in contemporary Nigeria”.

It has been well said that poverty, inequality, corruption and mismanagement are the foundations of the rise of Boko Haram, a Hausa/Fulani militant in the Northern Nigeria which targeted the Christians and non Muslims ethnic groups especially the Igbos. Similarly the Niger Delta militants are against the federal government and the multinational oil companies. The militants enjoy widespread support from deprived minor ethnic groups such as Ogoja, Annang, Ibibio, Oron, the Efik people, the Ijaw, and the Igbo people, most of whom live in poverty despite the fact that their land is a hub of Nigerian oil industry, Such disorders handicapped the federal government to restore peace and security in the nation and uncertainties are growing about Nigeria’s capacity to achieve the millennium development goals. The latest report by the International Trade Union Confederation supports the stated doubt. It shows that the socio economic deprivations of the large portion of the nation leaves million in hunger and suffer.

The disparity among states is becoming an endemic problem in accessing universal education, health, portable water, sanitation and nutrition to the poor (Daily News watch, January 30, 2014).

#### **4.4 Looking Forward: Deriving Constructive Lessons from Others**

In Ethiopian there is a popular proverb which says “የሰው ልጅ አንድም ከምክር አንድም ከመከራ ይማራል” (a human being learns either from an advice or a crisis) (the translation belongs to the researcher). It is the researcher’s trust that this is the right time to look at things curiously on how

ethnicity and its related precarious results hinder the economic ambitions of Ethiopia and Nigeria. As the proverb well explains Ethiopia has the chance to take constructive lessons from the practical experience of the oldest but the very ill Nigerian federalism to tackle the unobtrusive and real ethnic hostilities. On the other hand Nigeria, being a home of genocide, bloodshed and insecurity over the last couple of years, should investigate herself where the problem lays and should delineate the missing opportunities of her old federalism.

Besides their own experiences, Ethiopia and Nigeria have the opportunity to see how true federalism works in ethnically diversified nations. Since ethnic homogeneity is not a guarantee for state building e.g. in Somalia, the two nations should not blame ethnic diversity as a reason for their failure.

Researches and experiences show that ethnic diversity is not a problem by itself rather it will be a predicament if ethno nationalists abuse it for their political and economic consumption. That is why the researcher believes that productive lessons on how to transform ethnic diversity into viable economic development can be drawn from Spain, Canada, Switzerland and Belgium globally where as from Botswana, South Africa, Mauritius and recently Ghana in the African continent. Since one of the intentions of the study is deriving an African lesson on ethnicity and economic development, the researcher wants to explore briefly ethnic diversity accommodation experiences in Botswana and Mauritius.

### **Botswana: ‘The Switzerland of Africa’**

Even though Botswana is a land locked country with 84 % of its land a desert and only 4 % arable, after independence she has registered a remarkable economic growth about 9% for 30 consecutive years which classified her today as an upper-middle income country (Fibaek, 2010).

Politically Botswana is one of the most stable nations in the continent. According to Transparency International 2013 report, it is the least corrupt country in Africa as well as among the least corrupt countries in the world. As Ward (March 31, 2011; para.3) explained Botswana has enjoyed a 50 years constant political stability. He wondered how a nation could exist with “no civil wars, no attempted coups, no political violence, full democracy, a genuinely libertarian Constitution and – the biggest surprise of all – an almost total absence of corruption”

How could she achieved all these glories? There are some basic reasons forwarded by Ward.

Firstly, the presence of civic education system which shapes the nation's generations to realize the existence of different ethnic groups including Tswana (or Setswana) 79%, Kalanga 11%, Basarwa 3%, other, including Kgalagadi and white 7%. The Tswana people (79%) are distributed among eight tribes (Batswana Bamangwato, Bakwena, Bangwaketsi, Bakgatla, Barolong, Bamalete, and Batlokwa) (CIA Fact book, July, 2013).

Not only knowing the very existence of ethnic groups, they learn their equality before the law but they are also familiar with "Botswana comes first". The kids are cultivated with knowing their rights and responsibilities (Ward, March 31, 2011).

Secondly there are no "major" and "minor" ethnic groups in Botswana. The numeric value of ethnic groups doesn't determine in Botswana for political and economic share. Ethnicity has no value at all. At the same time by law all the ethnic groups know the national language of Botswana i.e Swana. Even though it is carped with its assimilation approach, the measure fosters national unity in the country as asserted by (Denbow & Thebe, 2006). Because of this ethnic relation is peaceful. Tensions and conflicts never exist. There are no ethnic competitions for political and socioeconomic resources.

Thirdly the existence of mature democracy and entrenched political stability allowed political parties to conduct fair and free elections. Free speech in Botswana has been a corner stone for democratic establishment. The usage of '*kgotla*', public gathering where by everybody is allowed to speak during a meeting or conflict resolution, makes Botswana a true democracy. As Moumakwa (2010 Abstract; para, 1) described the system "has continued to be central in giving a platform to individuals in exercising their democratic rights".

Finally, Botswana's effective and efficient management resources stands out in Africa as an exemplary case of exploiting natural resources for human development as African Development Bank Group (2013) reported.

Despite the challenges such as spread of HIV/AIDS, rural- urban inequality and undiversified export, Botswana has been praised for its stability and long term economic development which can offer valuable lessons for the rest of the continent.

## **Mauritius: ‘Island of Success’**

It is an island nation which comprises of different ethnic groups of Indo-Mauritian 68%, Creole 27%, Sino-Mauritian 3%, and Franco-Mauritian 2% with more than seven languages spoken. Mauritius, being an upper middle-income country with GDP per capita (PPP) of \$16,000, has achieved strong and sustainable economic growth with equitable income distribution since independence 1968(CIA Fact book, July 2013). Sugar production, tourism, textile, ICT and banking are the major economic sectors.

The political landscape in Mauritius is very stable with peaceful regular election in the framework of a parliamentary representative democracy (elected parliamentarians representing a group of people). As Richards (2007) noted in the nation’s history there had no any civil war or armed conflict yet registered based on ethnicity.

Peaceful coexistence and democratic way of conflict resolution helped the country to remain political and socially stable. Two methods played a significant role in the peaceful coexistence among ethnic groups in Mauritius. First, there is a high level of national sentiment towards “Mauritianism” before ethnic inclinations. He noted that the citizens commonly have “pride in promoting Mauritius as a “rainbow nation” (Ibid; p.2)”. The government, the general public as well as community based institutions prioritize for the formation of “a universal cultural identity” which is accepted at all levels of the society. Not only disseminating national pride, the government has also recognized the role of ethnic promotion in its policy through establishing “cultural centers for each ethnic group to record, promote, and celebrate its own history and role in the development of the country while contributing to the Mauritian heritage (Ibid)”. Second, the role of the media in promoting public discourse has been by far vital. Richards affirmed that “visible public dialogue on coexistence issues, especially through the diverse and highly accessible media” (Introduction, para.1) is the other conflict resolving mechanism in Mauritius.

Even with economic and social marginalization of the coastal Creole people, some form of ethnic based discrimination at employment areas as well as recent unemployment with global economic crisis, Mauritius continues to be regarded as a success story in the African continent where by precious experiences can be derived.

## Chapter Five

### 5. Summary, Conclusions, and Recommendations

The study, by employing a mixed qualitative and quantitative approach, tries to explore the impacts of ethnicity on Ethiopian and Nigerian economic development and at same time derives constructive African lessons on how ethnic diversity can be managed and switched to fast, equitable as well as sustainable economic growth. In general the findings show that , although federalism (either in ethnic or other forms) has been implemented as a system for state building in Ethiopia and Nigeria, still there are rising laments on political and economic inequity as well as manipulation of federal power by dominant groups. This is reinforced with an increasing sentiment about the nations' inability to implement genuine federalism.

This chapter is intended to summarize the major findings of the study, point out the implications of the summaries and forward some vital suggestions on how to manage ethnic diversity for viable economic development.

#### 5.1 Summaries

The research draws the following summaries.

- The 19<sup>th</sup> century Emperor Menelik II territorial expansion and formation of the modern Ethiopian state and its subsequent effects were cornerstones in denoting regionalism, centralism and ethnicity in Ethiopia. In Nigeria the development of federalism as a political system goes to the “The North - South Dichotomy”.
- Though Ethiopia has about 85 different ethnic groups, the three major ethnic groups including Oromo, Amhara and Tigray which comprise around 68% of the total population are politically, economically as well as culturally dominated others. Similarly, even if Nigeria is a home of about 250 different ethnic groups, the Hausa/ Fulani, Yoruba and Igbo (Ibo) which contained 68% of the total population are the dominant ethnic groups in terms of sharing the nation's major economic sectors and political power.
- Regardless of abundant natural and human resources and recent remarkable economic growths, Ethiopia and Nigeria are still among the poorest countries of the world where by

poverty, inequality and unemployment prevail largely. External debts, Reliance on primary goods exports, shortage of foreign exchange, unfavorable agricultural conditions and aid dependency are the major economic setbacks where both nations have experienced.

- The central governments in both nations become increasingly more centralized, authoritarian, and manipulated by dominant groups which in turn are threatening national cohesion and solidarity. In Ethiopia for example the dominance of Tigray People Democratic Front (TPLF) on major economic and political decisions is becoming increasingly a huge dread where as in Nigeria the central government is politically manipulated by the influential Hausa/Fulani ethnic groups. The manipulation in both nations brings ethnic conflicts, revival of armed struggles for independence, displacement of “non native” ethnic groups, rise of terrorist groups as well as a question of state legitimacy.

Besides the above general backgrounds, exploring the effects of ethnicity on economic development through some economic issues like investment, brain drain, corruption, unfair competition, mistrust and economic marginalization, this research notes the next results.

- Investment in both nations is impeded by three major factors. In Ethiopia, for example the ethnic based state dominance in the economic sector (which become a challenge for private investors to enter to the market), ethno nationalist struggles in the peripheral areas (which encumber FDI) and the discrimination by “native” local officials against “non-natives” at the micro level (which hamper free economic activities by putting off free mobility of labor and capital) are the investment challenges. Likewise in Nigeria the extractive nature of the FDI, security problems as well as internal discriminatory practices at the micro level by “natives” against “non-natives” are hitting the investment climate.
- Ethiopia and Nigeria are among the 10 countries facing the biggest brain drain. Ethnic favoritism and political instability along with other various pulling and pushing factors have exacerbated brain drain. Sadly, they are costing millions of dollars to train skilled labours to fill the gap left by the already migrated ones.

Furthermore, deterioration of quality education, health hazards, absence of good governance, corruption and incompetence in civil service sectors as well as the non existence of a middle class are some of the negative impacts of brain drain in Ethiopia and Nigeria.

- Corruption is becoming a severe problem for economic development in both Ethiopia and Nigeria. Political allegiance to the system, the dominance of state in the economic arena, the absence of accountability and transparency on management and financial matters of the ruling party business companies as well as the blurred selection of contractors and consultants in the construction sector are magnifying corruption in Ethiopia. Similarly, in Nigeria, ethnicity is serving as a ‘folder’ for corruption and bribers use their ethnic networks to induce public treasures and escape from accountability. Moreover, business managers who have a similar ethnic group with the local politician are less likely to pay a bribe than business managers who are dissimilar with the local politician.
- Unfair competition among ethnic groups in Ethiopia and Nigeria originated from various historical and contemporary trends. Historically, the political and economic dominance of three largest ethnic groups in both nations contribute not to have a level playing field with the rest of the minor ethnic groups. Contemporarily, the control of the political and economic power by the Tigrian ethnic groups is becoming a source of grief in Ethiopia. The business climate is not competitive due to various “policy-based” partialities like market access, finance supply and policy makers close contact with state owned business companies. The establishment of business companies along ethnic networks is also another striking issue which makes difficult for neutral and divergent business runners to compete in the Ethiopian market. Where as in Nigeria the dominance of Igbos in the economic sectors and Hausa/Fulani in the political arena made the playing ground uncompetitive and contribute to the ongoing instability and violence throughout the country.
- Though trust is an essential social capital which paves the way for greater civic involvement, reduces corruption and creates vibrant public institutions, in Ethiopia and Nigeria there are indicators which show distrust towards the federal governments and among the people. The ethnic hatred, discrimination, and hostile interaction among different ethnic groups of the diasporas community, mistrust against government on

public expenditure, strict telecom surveillance by the ruling party on opposition groups and journalists are some of the salient matters which show how trust is eroded in Ethiopia. In Nigeria, on the other hand, the implication of mistrust, hatred, antagonism, bitterness, stereotypes and hostility breeds boycotts, collective uprisings, overthrows of civil governments and political murders, secession struggles, civil wars, public disputes during and after elections, electoral malpractices and now terrorism. Such conflicts have been a source of destruction for public and private properties as well as loss of lives.

- Economic discrimination based on ethnicity in Ethiopia and Nigeria is a deep rooted problem. With the dichotomy of “major” and “minor” as well as “native’ and “non-native”, the later groups have been marginalized. This contributes to socio economic disparity among citizens and become a source of conflict.

## **5.2 Conclusions**

What do the stated summaries implied? Well, the research arrives at the following conclusions. First, rather than national identity, ethnicity has been used as a tool for political foundation and way of maintaining economic control in Ethiopia and Nigeria. This depict that the implementation of true federalism is subjected in Ethiopia and Nigeria through eroding common sense and state solidarity.

Second, it occupies a great space in hampering economic development through influencing investment, intensifying brain drain, amplifying corruption, leading unfair competition, eroding trust and exacerbating economic marginalization and degrading state legitimacy.

Third, the ongoing “fast” economic growths (measured in terms of GDP) in both countries, while they enrich few sections of political elites and affiliated spectrums, they leave masses of ethnic groups to live under poverty and experience inequality.

Fourth, in both nations hegemonic ethnic groups have already controlled the nations’ political and economic resources. The creation of hegemonic perception among minor ethnic groups contributes for the revival of armed struggles which promote secessionism and becomes a source of relentless conflicts in Ethiopia and Nigeria.

### **5.3 Recommendations**

In Ethiopia, in 2014 alone, a conflict between Guji and Borena Oromos left twenty people killed where as with the resource based violent clash between the Afar Issa and its neighboring Somali Hawaya clans casualties have occurred and properties were damaged. More than 10,000 Amhara settlers from Dano district in Ambo zone of Oromia region displaced. The deadly protest by Oromo university students, related with the integrated master plan of the capital Addis Ababa and its surrounding Oromia special zone, claimed the lives of more than 20 people (as unconfirmed figures show), and injured many.

Similarly, in Nigeria in the specified year, the Islamic sect Boko Haram destructed the entire village of Mainok and killed 400 people in one month. It also abducts 230 schoolgirls in Borno State. Adamawa State Governor, Murtala Nyako wrote provocative memo accusing the federal government of sponsoring genocide against the North in the name of maintaining peace and order in the region. On the other hand, a national conference adopted a resolution for the creation of an additional state in the South- East Nigeria to ensure equity.

These are some of the contemporary gravies among others which jeopardize the federal system and pose a question on the tale of propagated profits of true federalism in Ethiopia and Nigeria. It is easy to assume that if true federalism could have been implemented, certainly no one can see the above mentioned existing catastrophes and a continuous hostile environment here and there. If they are not well managed, thus they can further destroy national harmony and likely contribute for the existence of other African “Yugoslavians”. This necessitates the utmost efforts of the two governments to bring well versed and all rounded ethnic accommodation policies.

Therefore the researcher would like to draw the attention of both governments and respective stake holders to take into account the following recommendations.

#### **Recommendation for Governments in Ethiopia and Nigeria**

- Recognizing the very existence of various ethnic groups and widening space for their prosperity, the governments should first propagate the grand impact of national identity for state building and harness accordingly.

- The central governments in both nations shouldn't play a carrot and stick approach rather they must strive for implementation of genuine federalism i.e. ultimate sharing of power between the center and the states. Theoretically they claimed that they have applied this but practically they are being highly centralized, authoritarian, and manipulated by dominant groups.
- While the constitutional principles allow every Ethiopian and Nigerians to move freely and live in any part of the nations, the internal discrimination as well as forceful displacement and evacuation of "non-natives" should be undermine without prior conditions. This will assured internal immigrants to settle permanently and facilitate economic exchanges through free mobilization of capital and labour.
- Efficiency and productivity should be the ultimate requirements for political appointment and economic competition (including employment, business opportunities and public bids) rather than ethnic and political loyalty to the system. The latter erodes public trust, intensifies brain drain and corruption as well as poses a question of state legitimacy.
- Since ethnic federalism by its nature promotes regionalism, divisive and self centeredness, other due considerations like geographical and demographical characteristics should be taken into account while demarcating regional states. This concerns especially the Ethiopian government to minimize the violent and non-violent conflicts and accommodate the interest of diverse ethnic groups on resource sharing.
- By realizing the drain of oil resources from the Delta region and the rise of unemployment and poverty in Northern Nigeria are the major reasons for the establishment of the Niger Delta militants and Boko Haram respectively, the Nigerian government should work on expanding economic opportunities and make every effort for the primary benefits of the region's people so as to eliminate the bloody conflicts.
- There should be a clear demarcation between state and business relationships especially in Ethiopia. In the name of developmental state paradigm, extensive intervention of party affiliated business companies in the economic sectors should be dissolved and the government must commit itself to create vibrant private investment. This will contribute for equitable distribution of wealth and at the same time minimize the probable collapse of the economy.

### **Recommendations for the media and political parties**

- Many Diaspora owned Ethiopian media, deliberately or innocently, are working for the disintegration of the nation through promoting past memories and disseminating divisive information. Where as in Nigeria, in the name of free press, the media are becoming very disruptive and show an inclination to polarize rather than unite the many ethnic and religious groups. Thus the media, as a key deriver of state building and national integration (crucial development issue), should work for propagating sentiments that bind together all the people regardless of their ethnic grounds.
- Political parties, which assumed to contribute for the development of democracy and likely take power, should not agitate inequality and discrimination based on ethnicity for mere political profit, instead they should define themselves through sound political, economic and social policies for the benefit of diverse ethnic groups.

### **Recommendations for international donors and academics**

- Since Ethiopia and Nigeria are among the biggest recipients of foreign aid, aside from admiration on their economic performance with only GDP counting, the international community should make sure whether the grants are allocated for the intended purpose or not. At the same time they should check how far the economies are reducing inequality, poverty and unemployment among the diverse population.
- As it has been pronounced “a problem shared is a problem halved”. By discarding the policy of “silence is gold”, especially Ethiopian academics, should conduct research and promote regular and free exchange of ideas on ethnicity and its politico- economic implications in a more extensive and integrated manner. So far this has been minimal. Experience can be taken from the Nigerians counter parts that go further in identifying their problem.

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## **DECLARATION**

I the undersigned, declare that this is my original work and has not been presented for a degree in this or any other university and all sources of materials used for this thesis have been acknowledged.

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Signature \_\_\_\_\_

Place \_\_\_\_\_

Date of submission \_\_\_\_\_

This thesis has been submitted with my approval as University Advisor

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