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Review

Changing aid and diplomatic relations: New development actors and Norway in Africa

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Increased engagements of New Development Actors in Africa since the turn of the millennium have attracted a lot of scholars' and policy-makers' attention. While the direct effects of new development actors' relation with Africa have been examined by many researchers, not much researched work on the indirect effects via the response of third countries have been done. This article explores whether and how Norwegian aid and diplomatic relations has changed, and to what extent it is related to the expansive engagements of new development actors in Africa. This article focuses on China, the largest of the new development actors, engagements in Africa. Scholars, politicians and human right activists alike have criticized China for mixing aid with trade, being driven by a resource scramble claiming for Africa's natural resources at the expense of Africa's development and human right interests. Although in Norwegian context, this has been contrasted to Norwegian 'altruistic', human rights-driven development engagements. However, lately, Norwegian aid has been increasingly and explicitly linked to economic and business interests influenced indirectly by China. The study argues that, Norway's relations to Africa have shifted towards being more interest-driven as a consequence of the growing China's engagements. China has changed global geopolitical and economic landscape and Africa's role in it. Chinese interests for natural resources until 2014 had driven up international prices especially in the oil sector and China's improvement of Africa's infrastructures has facilitated other foreign direct investments. Moreover, aid itself has lost part of its power in diplomatic relations. These changes in Africa have influenced Norway to make policy changes and take initiatives in aid and diplomatic relations to pursue economic interest.

Key words: Aid, diplomatic relations, altruism, self-interest, humane internationalism, China, Norway, Africa.

INTRODUCTION

One of the most significant changes in development cooperation through aid and diplomatic relations since the turn of the millennium is the increased engagements of new development actors that have introduced a new dynamism in international development aid regime and

diplomatic relations between and among actors in the international political arena. There are indications that the engagements of the new development actors, which contradict the hitherto dominant Western aid regime, challenge the traditional Western aid pre-eminence,

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regulatory hold and practices in the recipients countries (Eggen and Roland, 2013; Elling, 2012; Mawdsley, 2012; Tull, 2006). These new actors such as China, BRICS, multilateral companies, the Gulf States and private companies have embarked on extensive trade, aid, investment and infrastructural developments in Africa (Moyo, 2009). However, most of these new development actors especially China has been described in development aid as motivated by self-interest and is mostly contrasted with Western aid that is perceived as altruistic, focusing on human rights and poverty (Degnbol-Martinussen and Engberg-Pedersen, 2003).

The engagements of these new development actors bring a lot of economic and political consequences to many donor countries in Africa and have triggered debate and subject of research within the international community from Stellenbosch to UK to US and to China itself (Tull, 2006). Their engagements provide greater autonomy and choice for aid recipients and change the game of aid and states' relations for traditional development actors in Africa. This article focuses on China's engagements that have become the largest of the new development actors, demonstrated by its embassies in almost all sub-Saharan African countries. China also has special agency called Economic Counselor's Office of the embassy of China and its main functions include implementation of aid projects in host countries, providing updates on economic information to the MOC and maintaining contacts with Chinese firms in Africa (Rotberg, 2009; Sorensen, 2010). The value of China's trade with Africa that stood at \$10 billion in 2000 grew to almost \$300 billion by 2015 and China is seeking to raise the amount to \$400 billion by 2020 (Xinhua, 2015).

It has been argued among scholars and practitioners that the game of aid and diplomatic relations in Africa has changed as a consequence of China's engagements that place emphasis on business investments and extraction of natural resources (Tull, 2006). China mixes trade, aid and investment and has improved Africa's infrastructure, increased Africa states' purchasing and consumer power, heightened the prices and competition over Africa's natural resources especially oil and mineral sectors. These developments have changed the conditions for aid and diplomatic relations and have made African governments more interested in trade and investments than aid. Moreover, China has used its developments in Africa to win the support and goodwill of many African states in the international arena. This could increase competition for the goodwill and support of the African governments in the international political and economic arena. That is, other states may have to compete China for the support and goodwill of the African governments in the international arena.

While the direct effects of China-Africa relations have been subjects of academic scrutiny by many researchers, not much has been done on the indirect effects via the

response of third countries. This article explores changes in Norway's engagements in Africa and identify whether and how the changes are linked or influenced by the China's engagements on the continent. The argument is that, the conditions for pursuing goodwill and self-interest through aid and diplomatic relations have changed due to China's increased engagements in Africa. Norwegian policy changes toward Africa the last few years, that have been explicitly and increasingly linked to economic and strategic interests, can be seen in light of these geopolitical and economic shifts. Moreover, Africa's infrastructure development and boosting prices of raw materials like oil has made investment more interesting for other actors like Norway who hitherto saw Africa not as economically interesting in the period before China's increased engagements.

In recent times, Norwegian aid and diplomatic relations have been increasingly linked to the debate over mixing their economic interests with development cooperation. The RORG-Network on 23rd February 2016, for instance engaged discussions over the motivation for Norwegian foreign policy choices, whether for development purposes or self-interest (RORG-Network, 2016). There are also political discussions on whether Norway sticks to the DAC/ODA definition of aid or is seeking to redefine development assistance to create avenues for Norway's self-interest through aid and diplomacy (Regjeringen, 2016). These debates and discussions suggest that Norwegian aid and diplomatic relations are changing. In a publication by Bergen Tidende in 2007, Alf Morten Jerve (Former research fellow CMI) argued that Norwegian development aid in the developing country has become a tool for political influence and pursuance of Norwegian interest (Cathrine, 2007).

Some scholars and diplomats alike have also expressed that China's growing presence that is changing development environment in Africa has influenced Norwegian development aid to use aid and diplomacy to pursue self-interests. Engberg-Pedersen (Former Director of NORAD) admitted there is a willingness from the Norwegian government to use development assistance for self-interest in recipient countries, from climate negotiations to economic and security (Gunnar, 2010). Diplomats like Veslemøy Lothe Salvesen, Jonas Gahr Støre and researchers like Nina Witoszek have all suggested that there is a change in Norway's development assistance from altruistic to pursuance of self-interest (Bistandsaktuelt, 2014). Jonas Gahr Støre (Former Norwegian Minister) for instance, expressed that Norway cannot be afraid to promote its own interest in other countries (Elling, 2012). The Norwegian Development and Environment Minister also commented that the idea that development assistance is not for political gains is meaningless (Gunnar, 2010).

These developments and debates have also been heightened by CMI report that "present and review the new Chinese engagements in Africa and identify and

discuss implications for Norwegian foreign and development policies” (Tjønneland et al., 2006). Norway’s Ministry of Foreign Affairs and NORAD commissioned the report in 2006.

The report suggested:

“China’s development will affect the history of the twenty-first century, and perhaps nowhere more importantly than in Africa. The emergence of China introduces new opportunities for Africa, new challenges and new imponderables as well” (Tjønneland et al., 2006).

The fact that the Ministry of Foreign Affairs and NORAD commissioned this report is an indication that there is a growing Norway’s concern over China’s growing engagements in Africa. Why would a small donor country like Norway be interested in conducting a report on China in Africa? Moreover, the Norwegian diplomats in Africa are required by the government to provide regular reports on China’s engagements in their respective ambassadorial countries¹.

Although, there are debates and discussions over the influence of China’s engagements on Norway’s development aid and diplomacy in Africa, how these engagements affect Norway in Africa, has hardly been explored by researchers and scholars. This article explores how China’s growing developments affect Norway’s diplomatic relations and aid in Africa. The article argues that Norwegian development assistance and diplomatic relations, which is mostly contrasted with China as being altruistic, is changing in character, and kinds of motivation for development support in partner countries. There are developments that seem to indicate that Norway’s interests in investment and trade especially in the oil sector is increasingly shaping its development assistance and diplomatic relations in recipient countries. Like China, Norway seems to covert business interest, aid and diplomacy through significant increase in diplomatic relations via business and strategic relations with some African states endowed with oil resources.

Using government’s official policy documents, white papers, academic literature, statistical data from different government ministries and departments, organizational website, media reports and articles, as well as interviews of diplomats, researchers, bureaucrats and journalists who are interested in aid and development issues, the author sought to highlight how governments, scholars and other actors in development aid, diplomacy and global political issues understood and expressed how Norway’s development engagements in Africa is changing in response to the growing influence of China in Africa. Using elite interview and a sample size of 21 developed through snowball sampling, diplomats, staff from NORAD and MFA in Norway, researchers and journalist interested in development issues were interviewed using a semi structured type of interview. The

interviews were combined with analysis of governmental documents, newspaper report and academic literature that focus on development issues. Using thematic analysis, the data was categorized into main themes, sub-themes, code and meaning unit for the data analysis.

The article has been structured as follows: The first section reflects on the key theory and concepts of interest, aid and diplomacy and explores how aid and diplomacy can be used to achieve national interest. The main drivers of aid and diplomacy identified here include humane internationalism, political, national security interest and economic interest. The second section explores history of China in Africa and discusses the nature and effects of China’s developments in Africa. Africa’s infrastructures have been upgraded, consumer and purchasing power has improved, and become more attractive to investment and Africa’s role in the international arena has become important as a consequence of new development actors on the continent. The third section reflects the history of Norway in Africa and discusses how Norwegian development assistance and diplomacy have shifted in nature, direction and kinds of motivation behind aid and state relations. The fourth section details and analyses changes in Norway’s developments in Africa and how these could be linked to changes in Africa as a consequence of China’s engagements. The timing and the strategic nature of the changes in Norway’s development assistance and diplomatic missions on the continent appears to coincide with the period of increased China’s developments on the continent that have made Africa more attractive for investment and economic benefits. The last section draws conclusions and recommendations from the research findings.

DEVELOPMENT AID AS A TOOL FOR NATIONAL INTEREST

Aid and diplomatic relations can be understood through the lenses of national interest as asserted by Morgenthau (1985) because of the basic motivation for aid and diplomatic relations by most donor countries. According to Morgenthau (1985), interest is the basic motivation that influences the past, present and future of a statesman (Morgenthau, 1985). Critical analysis of Morgenthau (1985)’ ‘Politics among Nations’ reveals that the behaviors of states in the international arena are mostly influenced by their self-interest, both economic and political interest. Africa’s history and relations with the other parts of the world from the pre-colonial, colonial and to post-colonial period provide a clear example of Morgenthau’s revelations about self-interest.

Economic interest for trade and political motivation for new colonies or territories were key motivations for European explorations and discovery of Africa in the pre-colonial and colonial period. In the post-colonial period, the interest of donor states took precedence over Africa

¹ Interview with Norwegian diplomats

needs because while US uses aid to promote capitalism and global hegemonic aspirations, Britain and France use aid to maintain and to have privilege access, exploitation and control natural resources in Africa (Moyo, 2009). That is, aid is used as a geopolitical strategy by The British, France and other former colonialist to hold on to the grip of their economic and political interest even after ending colonialism which Nkrumah termed as neocolonialism (Nkrumah, 1966). The US during and even after cold war period uses aid in response to the cold war and to fight for world economic and political hegemony (Lancaster, 2007).

Aid was introduced in Africa following the end of colonialism and these many pan-Africanists like Nkrumah (1966)'s belief was meant to achieve the economic and political interest of the colonialist.

'The loosening of colonialist grips on Africa compelled them to grant independence to African states and that was followed by aid for African's development. Under cover of aid for Africa's development the donor countries devised innumerable ways to accomplish objectives formerly achieved by naked colonialism' (Nkrumah, 1966).

These arguments suggest that, the interest of the donor states is an important motivation for aid and maintenance of diplomatic relations with Africa.

Development aid is an important element of a state's foreign policy and may be envisioned as a foreign policy objective in its own rights or as a tool to achieve other interest (Stokke, 1989). The main interests or motivations behind foreign aid are categorized into political, security, economic interest and humane internationalism, (Degnbol-Martinussen and Engberg-Pedersen, 2003).

The core of humane internationalism is transfer of resources in a form of aid to promote development from the developed countries to the Third World. That is, an acceptance of the belief that the rich and developed countries have moral obligations to alleviate poverty in poor countries that have access to poor resources (Stokke, 1989). It supports the idea that promoting economic, political and social development and alleviating the poor countries of human suffering, poverty and human rights abuses is a moral obligation of the developed and industrial countries. Successive governments in most Western countries such as Canada, Denmark, Sweden, Norway, etc., often cite humane internationalism as the main motivation for aid in the recipient countries (Stokke, 1989). Humane internationalism is usually combined with some form of enlightened self-interest that acknowledges that development aid to developing countries are in the best and long-term interest of the donor countries (Pearson, 1969).

The notion that aid is solely for the betterment of the Third World countries has been counteracted by some scholars who are of the view that there are sometimes hidden agendas that are camouflaged by altruistic

explanations for aid giving by donor states (Stokke and Hoebink, 2009). That is, enlightened self-interest based on broader interest of promoting long and short-term trade and investment opportunities for the donor countries. The developed and industrial countries need stable and prosperous market of the Third World countries to promote trade hence, it is important to promote economic, political and social development of the third world countries through aid.

Politically, aid has the tendency of giving diplomatic advantage or influence in the international arena especially within the organizations such as UN, IMF, World Bank, etc. In the General Assembly of the UN where decisions are mostly concluded by voting, states need alliances and friends in order to gain advantage or support in matters that affect their interest (Karns and Mingst, 2004). African states overwhelming support for China against Taiwan and the restoration of China's seat in the Security Council of the UN has been linked to China's engagements in Africa (Sorensen, 2010). Development aid in a form of military aid can also be politically used to form military alliances (Degnbol-Martinussen and Engberg-Pedersen, 2003). Western countries like Norway that talks "altruism" as a key motivation for aid in Africa, can also gain disproportional power and support from recipient states in the international arena through foreign aid. Moreover, Norway has gained greater role and influence over global issues through its enormous support to the UN and other global institutions and organizations.

Economically, foreign aid can offer donor states advantage to enjoy privileged access to resources and market in recipient countries. Regular supply of raw materials and prosperous market for international trade are essential for the rich and the industrialized states' industrial goods and services. Rich and industrial countries like the Britain and France have been criticized for using foreign aid in their former colonies and Africa to maintain regular access to the resources of their former colonies through aid (Moyo, 2009). China's engagements in Africa has also been criticized as predominantly motivated by the desire to privilege access to Africa's abundant natural resources and market. Norway, being an oil producing and fishing producing country, also needs the Africa's oil resources and market for the state owned oil company, Statoil (now called Equinor) and the fishing industries. This economic motivation could influence Norway's decisions on aid especially in this era of high competition among states for the Africa oil and market resources.

DIPLOMATIC RELATIONS AS A TOOL FOR NATIONAL INTEREST

Diplomatic relation refers to the management of a sovereign state's relations with other actors such as

states, multilateral institutions, multinational firms or transnational corporations etc. in the international political arena (Denza, 2016). Diplomacy also deals with the means whereby sovereign states negotiate and influence their interests through their representatives, envoys or officials from wide range of domestic ministries or agencies in international political arena (Barston, 2014). These negotiations are usually carried out by lobbying, visits, private talks through the state's formal representatives such as embassies or consulates as well as special institutions and ministries that represent and negotiate particular interests.

Diplomacy in recent times has been defined to incorporate issues like resources, knowledge, transition and oil diplomacy. However the article mainly focuses on diplomatic relations among states that are negotiated bilaterally or multilaterally through formal states representatives like the embassies, consulates and representatives in multilateral institutions. The establishment of diplomatic missions gives the sending state some form of identity and creates an impression of friendly relations in the receiving state (Barston, 2014). Moreover states are able to seek their interest, negotiate trade deals and enjoy privilege advantage over contracts and concessions through diplomatic missions.

Finally, states through diplomatic relations are able to pursue self-interest by instituting changes in the formal representations. Economic interest is an important factor states consider before the establishment or closing down of diplomatic missions (Barston, 2014). Changes in diplomatic missions of a state provide means for the state to alter export performance, seek new economic opportunities and form new political alliances.

CHINA IN AFRICA, HISTORY AND NATURE OF ENGAGEMENTS

In recent times, China's developments in Africa have gained scholarly and international media attention; however, China's trade relations with Africa date back to the Tang Dynasty (AD 618-907). China's first diplomatic engagements in Africa was in 1956 when China had diplomatic agreement with Egypt (Le Pere and Shelton, 2007). China's developments has grown tremendously in Africa from this period and has become one of the largest investors, traders and donor states in Africa (Rotberg, 2009). In 2000, China-Africa relations opened an important chapter when China established a permanent Forum for China-Africa Co-operation (FOCAC) which has become an important Chinese instrument and mechanism for negotiations and co-operation with African states (Tjønneland et al., 2006). China's developments exploded in Africa from 2000 and the engagements are unique from other donor countries.

China's engagements in Africa are characterized by the financing of large-scale infrastructures that are connected

to raw materials vitally needed by the growing Chinese industries. China is noted for supporting Africa with funds to construct and reconstruct the primordial transport systems and poor road networks that have hampered domestic development by increasing cost of domestic and international trade as well as hindering investments flows into Africa (Rotberg, 2009). Examples of China's footprint projects include railways, hydroelectric dams, thermal power plants, Oil facilities, copper mines in Sudan, Ghana, Zambia, Nigeria, Sudan, Congo and many other places in Africa. These projects in effects have helped to improve infrastructure in Africa and made Africa more attractive for investment.

China is also noted for mixing its aid in Africa with trade and investments. By 2008, China's trade and investments in Africa accounted for 11% of trade and investments globally and was growing at roughly 10% per annum (Broadman, 2008). The geographical distribution of Chinese foreign aid in 2009 indicated that about 45.7% were directed through diverse projects in Africa (Xinhuanet, 2011). The Chinese approach of blending aid, trade and investments has received good reception from many governments in Africa and they have demonstrated their willingness to engage relatively more with China. This poses a big challenge for donors whose relationships with African states are dominated by aid because aid alone is becoming relatively less important to Africa.

China's entry to Africa is guided by policy of non-interference and non-conditionality in the internal issues of the African counterparts. China's engagements in Africa is anchored on the principles of equality, mutual benefit and respect for the sovereignty of Africa (Tjønneland et al., 2006). China attributes greater importance to sovereignty and does not want to interfere in the domestic affairs of the African partners because China itself has suffered many years of colonialism. China does not attach political conditions and believes that although the political and economic conditions in Africa may not be ideal, they do not need to wait for human rights to be perfect or everything to be outstanding before investing in Africa (Morris, 2008). This policy of not interfering in the domestic affairs of the African states and not attaching political or economic conditions has made China more attractive to many African states. Across Africa, many people arguably hold positive views about China's development more than the critical judgments by at least two to one (Moyo, 2009).

Commitment to Foreign Direct Investment (FDI) through direct state investments and promotion of private enterprises investment is an important footprint of China in Africa. According to Sorensen (2010), more than 500 Chinese entrepreneurs in 2003 negotiated and sealed 21 cooperation agreements in Africa that are valued over US\$1 billion through China-Africa business conference. China supports private companies by providing preferential loans to private enterprises that engage in

profit-making ventures with the local African enterprises. Also, China offers concessional export credits in a form of tied aid linked to promoting or exporting Chinese goods to the African states.

China has succeeded in attracting strong diplomatic relations in Africa through many years of bilateral and multilateral engagements in Africa. However, China's style of engagements has been criticized by some governments, journalist and researchers. They argued that China's engagements are not transparent, breed corruption, destroy the environment, abuse workers' rights, extensively tied to acquisition of Africa's natural resources and the sale of China's goods and services. Thus, the nature of China's engagements is not entirely perfect and may have provided both opportunities for investment and economic growth in Africa but at the same time some problems.

THE EFFECTS OF CHINA'S ENGAGEMENTS IN AFRICA

In 2014, the Norwegian government in its white paper entitled *Working together: Private sector development in Norwegian development cooperation*, stated:

"Economic growth has been particularly strong in China, and to some extent in India, and it has had a major impact on the economies of other countries. Growing demand for natural resources has contributed to increased growth in many African countries, especially following major discoveries of coal, oil and gas. But investments in infrastructure, agriculture and tourism have also been important for this growth" (White Paper, 2014: 10).

The statement provides important understanding of economic growth in China and its effects on the African continent. The economic growth in China has led to increased demand for raw materials and market for the finished products. This has led to increased Chinese direct and indirect investments in exploring natural resources in Africa. Many recipient states have become attracted to these investments packages from China other than relying on foreign aid. The game of total dependence on foreign aid is changing and becoming less important to many African states. The governments are turning away from total dependence on Western donors' aid for survival. Africa's culture of total dependence on foreign aid in postcolonial period for budgetary support and economic growth has declined. This indicates that donor countries whose diplomatic relations with Africa have been dominated by foreign aid may have to adopt different strategy and initiate policies that are more attractive to Africa. This perhaps explains why Foreign Direct Investment (FDI) to Africa has increased at a time of increased China's engagements on

the continent. It further indicates how China's engagements have changed the geopolitical scenario for foreign aid in Africa and the need for other states to adopt new strategies in their engagements in Africa.

China's engagements also led to increased prices and competition for Africa's natural resources. Until the price fall in 2014, oil, gas and other natural resources had received huge increase due to greater demand for these resources by China for the growing industries. The increased prices of natural resources were also facilitated by improved technology that made petroleum resources more accessible, exploitable, interesting and above all more competitive. The competition for concessions in the resource scramble means developed and industrial states like Norway that are interested in Africa's rich resources like oil and gas would have to compete with China for access and control of the oil and gas sector in Africa. The competition and increased prices also mean that Africa's bargaining, consumer and purchasing power have changed and Africa will be in a position to do business in the world market. Africa now has an alternative buyer for the rich natural resources and this has further increased Africa's bargaining power.

Enormous investment of China in Africa's infrastructure has become another trademark of China in Africa that has whipped up investment interest of industrial countries and businesses. Africa's poor infrastructures as well as poor purchasing and consumer powers discouraged many businesses, industrial and Western countries like Norway from investing in Africa. Investment in Africa was seen as a risk not worth taking by these businesses and countries. This led to insignificant FDI to Africa from Western donors and businesses. However, the infrastructural development in Africa as a consequence of China's engagements has reduced the fear of investment and 'doing business' in Africa. Now investment in Africa has become very interesting and FDI to Africa has increased from \$13.8 billion between 2000-2003 to \$59 billion by 2016 according to United Nations Conference on Trade and Development World 2017 Investment Report (UNCTAD, 2017).

In summary, China's engagements in Africa have changed Africa economically and diplomatically. Increased prices of rich natural resources in Africa, competition for access and control of the resources due to economic boom, increased purchasing and bargaining power and the availability of an alternative buyer are significant consequences of China in Africa. These changes in Africa have further resulted in shifting Africa's economic dependence on aid, increased infrastructural development, made investment in Africa more interesting, increased interest in trade and investment from foreign entities and government and finally triggered Africa's desire for investment other than total dependence on aid. The next section explores how Norwegian aid and diplomatic relations in Africa are shaped by changes in Africa, initiated by the new development actors like China.

NORWAY IN AFRICA HISTORY AND NATURE

Foreign aid forms an important part of Norwegian foreign policy, diplomatic relations and domestic politics. The Norwegian State has two main institutions that are tasked with foreign development responsibilities; Norwegian Agency for Development (NORAD) and Ministry of Foreign Affairs (MFA). The MFA is the part of government that is tasked with foreign relations responsibility while NORAD offers government with advises on spending of aid funds. NORAD also evaluates and monitors Norwegian development assistance globally (NORAD, 2015a).

Norwegian engagements in Africa dates back to the activities of the Norwegian missionaries, whaling and shipping in Africa during the colonial period (Jørgensen, 1990). From this early interaction in Africa, Norway's aid and diplomatic relations in Africa were distinct in so many ways.

Norway's foreign direct investment (FDI) to Africa was relatively low. Relations between Norway and African states were dominated by aid with less emphasis on foreign direct investment (Tostensen, 2002). Data obtained from NORAD indicate that about 40 to 50% of Norwegian development assistance before the year 2000 were directed towards different kinds of aid projects in Africa (NORAD, 2014). The distribution pattern of the data further indicates relatively less support to private and public-private partnerships². Tostensen (2002) argued that a strong note of ambivalence was present in the Norwegian relations with Africa during this period because of the poor market and volatile economic situations in Africa. The risks of investment posed by poor infrastructures, weak institutions, unreliable investment environment, intra and inter-state conflicts as well as autocratic leadership made Norwegian Government less positive towards the promotion of FDI in Africa.

Development assistance from Norway was concentrated in few countries and regions especially countries in the Eastern and Southern Africa. Norway concentrated on few countries and sectors in her development assistance to ensure effective aid and development cooperation (Stokke, 1989). The Norwegian government selected priority countries, also known as partners of development, main recipients or programme countries, and gradually regions such as South African Development Co-operation Conference (SADCC). These countries and regions enjoyed a higher concentration of Norway's development assistance and long-term development co-operation (Stokke, 1989). Some of these partners of development in Africa were Tanzania, Kenya, Uganda, Mozambique, Zambia and Botswana. There were also countries, such as Angola, Zimbabwe and Madagascar, outside the priority countries that also

enjoyed long-term development co-operation with Norway during these period (Stokke, 1989).

The main motivation for this concentration of development assistance and co-operation according to successive Norwegian government was rooted in the Norwegian altruistic principle of supporting the poorest people in the poorest country (Stokke and Hoebink, 2009). Norway's relations development engagements in Africa is driven and motivated by the moral obligation to promote global common good such as economic stability, political stability and international security³. Some researchers however, argue that the concentration of Norway's development aid in Southern and Eastern Africa might have been motivated by the desire to gain identity and allies in these countries⁴. Their argument was based on the Norwegian establishment of diplomatic missions in countries like Botswana, Mozambique, South Africa and Zimbabwe immediately after their independence.

Norwegian development assistance has also been noted for its emphasis on multilateral support. Norway has consistently supported multilateral institutions and has disbursed a larger portion of its development assistance multilaterally. In 1969 Norway developed a guideline that suggested that Official Development assistance (ODA) should be divided equally between bilateral and multilateral channels and this became effective in 1972 (Selbervik and Nygaard, 2006). Data obtained from NORAD on partner allocation of Norway's development assistance between 1960 and 1999 indicate that multilateral institutions received 42% with UN agencies and World Bank being the biggest recipient of this support (NORAD, 2015b). Subsequent Norwegian Government has rhetorically maintained altruism as a key motivation for support to the multilateral institutions. The 2011-2012 White paper to Parliament entitled, Norway and the United Nations, Common Future and Common Solutions, has supported the government's rhetoric. The White paper emphasized the idea that Norway's support to UN since its creation in 1945 has been global development and the maintenance of international peace and security in the developing countries (MFA Norway, 2012). On the contrary, it has been argued that security interest has also been an important motivation for huge support to the multilateral institutions such as UN, NATO, World Bank, etc.⁵

Being a small country, Norway arguably has a desire to ensure its interest and security in the international arena by asserting a greater influence in the multilateral institutions through its support⁶. Development aid through the UN agencies is linked with the idea that the UN could guarantee global peace and security especially in the unstable Third World countries. One Norwegian journalist argued that:

³ Interview with diplomats, MFA and NORAD staff, journalist and researchers

⁴ Interview with researchers

⁵ Interview with researchers

⁶ Interview with journalist and researchers

² For data refer <https://www.norad.no/en/front/toolspublications/norwegian-aid-statistics/>

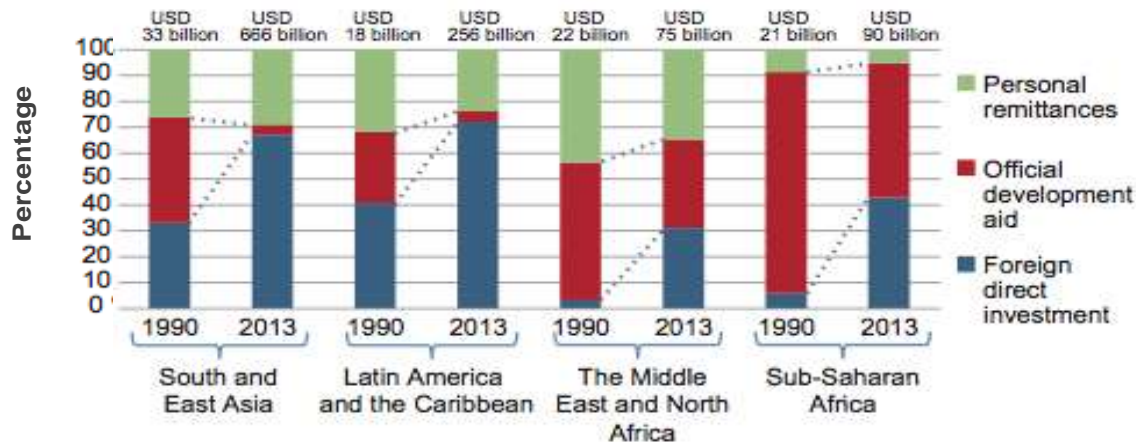


Figure 1. ODA levels, personal remittances and foreign direct investments from Norway by region (1990-2013). Source: White Paper (2014).

“Norway has always been a small country and we have to trust the support of bigger powers when it comes to military threat from others..... for decades Russia and Soviet Union have been the main challenges of Norway when it comes to security and because of that Norway links up to the NATO’s security alliance through enormous support for multilateral institutions”⁷

Enlightened self-interest has also been indicated as an important motivation for Norway’s enormous development support to the UN agencies⁸. Enlightened self-interest based on the broader understanding that development aid through the multilateral institutions and organizations promotes development, peace, economic and political stability in the developing countries that are essential for the Norwegian industries to grow in the developing world.

Norwegian engagements in Africa before the increased China’s engagements on African continent were less focused on investment and concentrated on few countries in Africa due to risk of investment. The continent lacked the needed economic and political environment essential for investments due to poor infrastructure, poor market, low purchasing and consumer power. The situation however changed following the increased engagements of new development actors like China that has improved the economic and political environment and made Africa attractive to investment. In recent times, there are indications and discussions that suggest that Norwegian aid and diplomatic relations in Africa has changed in character and kinds of interest behind them. The next section explores these changes in Norway’s development cooperation in Africa.

CHANGING NORWEGIAN DEVELOPMENT AID AND DIPLOMATIC RELATIONS

There are indications that seem to suggest that the character and kinds of motivations behind Norwegian development aid and diplomatic relations have changed since the turn of the millenium.

One significant change in Norway’s engagements in Africa is the growing FDI and expanded operations of Norwegian controlled enterprises in Africa. Until the turn of the millennium, FDI from Norway to Africa was very insignificant and concentrated largely in Europe and to some extent America (Figure 1). Foreign Direct Investment from Norway to Africa increased substantially from 2000 through increased numbers of Norwegian private companies operating in Africa and direct investment in Africa by the Norwegian government. The establishment of Norfund and Innovative Norway has been very instrumental in this regard. Norfund invests in projects that offer growth, profitable and local development opportunities in most sectors of the economy. These sectors include energy, agriculture, banking, industrial, etc (Norfund, 2016). A total of about NOK 6,04 billion in 490 companies were Norfund’s investments in Africa by the end of 2014 and 81% of Norfund’s new investment globally was in Africa (Norfund, 2016). Such projects include the hydroelectric plant at Bugoye in Western Uganda and Bio2Watt biogas project outside Pretoria South Africa. Moreover, Norway has sought to promote investment opportunities for Norwegian businesses through its various diplomats in Africa.

“As ambassadors, we represent the national interest of our country and one of such interest is to promote the development and investment opportunities for our Norwegian companies. We used national and

⁷ Interview with a journalist.

⁸ Ibid

*internationally approved channels to promote investment in Africa*⁹.

Through states visit, Norway has promoted its business interest and sought business opportunities for Norwegian companies. In 2011 for example, Minister for Development and a Minister of Industry from Norway went on a joint expedition to Africa. The trip was supposed to be about the ILO commitment to "decent work", but a fellow traveler could find that mapping of business opportunities took all the space (Bistandsaktuelt, 2014).

In 2014, the Norwegian government demonstrated its commitment to support investments in Africa in its white paper Meld. St. 35 (2014-2015) entitled, "*Working together: Private sector development in Norwegian development cooperation*". The white paper indicated the government's willingness to invest and also support private sector investments in poor countries especially in Africa (White Paper, 2014). The government attributed economic growth in Africa to the consequences of economic growth in China and other parts of the world (White Paper, 2014).

"Economic growth has been particularly strong in China, and to some extent in India, and it has had a major impact on the economies of other countries. Growing demand for natural resources has contributed to increased growth in many African countries, especially following major discoveries of coal, oil and gas. But investments in infrastructure, agriculture and tourism have also been important for this growth" (White Paper, 2014: 10).

The aforementioned statement indicates the growing importance of China's engagements in Africa and its consequences on other donor countries.

*"I can say that China has taught us a lesson that we can reduce poverty and promote development in Africa by increasing investment and supporting Norwegian companies to grow in Africa, but we do not seek to promote our commercial interest at the expense of the African resources as China has been accused of. Our aim is to help reduce poverty in Africa"*¹⁰.

The growing infrastructural development in Africa, economic and political stability has minimized the risk and made Africa more attractive to investment hence Norway's growing investment in Africa¹¹.

"China has invested hugely in Africa's infrastructure such as energy, roads, electricity, etc., that are important attractive mechanisms for investment. Norway is now

*interested in Africa because China has set Africa in a stage that has attracted Norway"*¹².

One cannot talk about Africa's economic and political stability without mentioning the important role of China's engagements in changing the economic and political environment for trade and investments. Moreover, as Lomøy (Director Norad) in Bistandsaktuelt (2016) stated, aid is gradually losing its importance for power within the international political arena and Norway would have to promote its economic interest through investment rather than aid.

Norway's development assistance in Africa has, in recent times, expanded beyond the priority countries. Norwegian aid and diplomatic relations has shifted from concentrating more on Southern and Eastern parts of Africa. Development aid from Norway and diplomatic relations has been expanded to the Western and Northern parts of Africa. The expansion is linked to Norway's developmental interest of promoting international political and economic stability¹³. Norway has an interest in assisting the unstable parts and reducing poverty on the continent. Expansion of development aid to the Western and Eastern Africa is in line with the altruistic motive of supporting poverty reduction in many parts of Africa¹⁴.

The expansion could also be linked to Norway's economic interest in Africa. *"The mechanisms intended to support Norwegian business interests are another illustrations of aid and diplomatic relations being extended beyond the priority countries"*¹⁵. Norway has an interest of protecting its businesses in Africa that are been threatened by instability and terrorism.

*"There is a shift in Norwegian aid and diplomatic relations in Africa from emphasis on Southern and Eastern African countries to Northern and some Western African countries. The main idea is emphasis on unstable parts of Africa because of the threat of terrorism which can disturb Norwegian businesses like Statoil in Africa"*¹⁶.

The turn of the millennium also coincided with the War on Terror following the September 11 attack in the US. This led to increased importance of security considerations in the global aid and diplomatic relations among states. Moreover, some transnational co-operations and businesses including Norwegian companies began to experience attacks in Africa and this has further heightened security issues in Norway's foreign policy. The terror attacks on Statoil gas plant in Algeria in 2013, and 2016 is an example of these attacks (Berglund, 2016).

⁹Interview with a Norwegian diplomat

¹⁰ Interview with Norwegian diplomat

¹¹ Interview with Norwegian ambassadors.

¹² Interview with a researcher

¹³ Interview with Norwegian diplomats

¹⁴ Ibid

¹⁵ Interview with a researcher.

¹⁶ Interview with a journalist

There have also been some important changes and expansion in Norway's diplomatic missions and development co-operation in Africa. These changes in Norway's diplomatic presence in Africa are linked to resources of interest by Norwegian government and businesses. The government has closed down some of its diplomatic missions in some countries like Zambia, Eritrea, Tunisia and Zimbabwe that have hitherto enjoyed many years of friendly diplomatic and development cooperation with Norway. During these developments, new Norwegian embassies have been opened in some countries like Ghana, Algeria, South Sudan, etc. The geographical locations, the trend and the timing of these changes raises questions over the motive for such changes. An important trend of these new diplomatic missions is their locations to energy and natural resources countries. Algeria, Ghana and South Sudan countries that have discovered oil in commercial quantities while Statoil has invested in Algeria oil resources. The location and trend of these new embassies raise questions over whether Norway's interest in oil and energy resources is becoming an influencing factor in determining changes in diplomatic missions in Africa. The relocation of Norwegian embassy from Tunisia to Algeria on Statoil's request because of its investment in Algeria seems to support the notion that Norway's interest in oil is affecting its diplomatic missions (Solholm, 2007). It appears Norway is seeking to establish strong diplomatic presence in oil resource countries to ensure concessions, support and opportunities for Norwegian businesses. Under secretary of State at the Foreign Office, Sven Syedman, suggested that Norway "has economic interest in oil and gas, particularly in Algeria and Libya. Statoil is an important part of this" (Solholm, 2007).

Norway has established or strengthened strategic relations with Angola, Ghana, Mozambique, Sudan, South Sudan, Tanzania and Uganda through the Oil For Development programme (OFD), (NORAD, 2011). Although Norway argues that the OFD aims for the sustainable development of oil in the partner countries, the programme can also be viewed as a covert way of winning contracts for Norwegian companies in Africa by gaining trust for the Norwegian model of oil management and exploration.

*"There may not be a direct benefit from the oil for development programme at the moment but I believe that the programme is a way of building more trust in the Norwegian skills and knowledge in oil exploration and management. Norway through the oil for development programme is gaining identity in Africa as a successful oil producing country. This will create more opportunities for Norwegian companies to gain trust from African countries that have oil and even those that are yet to discover oil. In a way the companies gain advantage if they have to bid for any concession in Africa"*¹⁷

¹⁷ Interview with a journalist (Development today)

The programme has been cited as being influential in the South Deep Water Tano block oil and gas exploration concession in Ghana that was awarded to Aker ASA. Norway's assistance in restructuring the oil and gas sector and training of Ghanaian staff through the OFD shaped the decision to award the contract to Aker ASA (Daily Guide, 2013; Sonecto Institute, 2013).

Since its emergence, security interest has been a key consideration in Norwegian development assistance to multilateral organizations such as the UN, NATO World Bank, IMF etc. Multilateral organizations received about 47% of Norway's development assistance from 2000 to 2015 (NORAD, 2016). It has been argued that Norwegian interest of protecting its businesses in Africa against terrorism and unstable parts of Africa has shifted the focus of Norway's security interest from the threat of Russian aggressiveness¹⁸. The threat of Russia's aggressiveness among other factors influenced Norway to support NATO security alliance to guarantee its military protection from any threat from the East. However there seems to be a shift from emphasis on Russian aggressive threat to increasing emphasis on terrorism and fragile states that are seen as threat to Norwegian business interest abroad¹⁹.

*"Norway has huge investment and economic interest in Africa's oil resources. There is huge income from Statoil engagements in Angola and Algeria. Norwegian income from Statoil engagements in these countries is bigger than Norwegian aid to these countries and the only big threat to these economic resources is terrorism"*²⁰.

Oil and energy resources have become more profitable because of China and with enormous profits coming from Statoil engagements in Africa, there is the need to ensure regular access and control of these resources and this has necessitated the emphasis on security interest. On the contrary, some emphasize enlightened self-interest as the motivation factor for support to the multilateral organizations. Supporting developing countries through these multilateral institutions to ensure stability in Africa will help Norway in the long run because economic and political stability are required for trade and investments in Africa²¹.

The expansion of aid beyond the priority countries increased Norwegian FDI to Africa and the changes in Norway's diplomatic missions in Africa are some indications of change in the directions and kinds of interests behind Norway's development assistance in Africa. These changes could be linked to the increased China's growth that among other factors has changed the geopolitical scenario for other development actors.

¹⁸ Interview with diplomats, researchers and journalists

¹⁹ Ibid

²⁰ Interview with a journalist

²¹ Interview with diplomats, MFA and Norad staff

CHANGING DEVELOPMENT AID AND RELATIONS IN ERA OF CHINA'S GROWTH

Changes in Norwegian aid and diplomatic relations in Africa can be interestingly linked to the changing economic and political environment in Africa as a consequence of the activities of the new development actors like China that has changed the geo-political scenario in aid and diplomatic relations in Africa. An important note in Øyvind Eggen and Kjell Roland book, 'Western Aid at a Crossroads: The End of Paternalism', is that Western development aid is increasingly losing its hegemonic hold on recipient countries and has become less useful to poor countries because of its perceived attempts to transform recipient countries and societies according to Western models (Eggen and Roland, 2013). The authors argue that new development actors, such as China, style of engagements are more attractive to recipient countries and offers collaboration without paternalism. The CMI report in 2006 that reviewed China's engagements in Africa and identified implications for Norwegian foreign and development policies also reiterate that China's development will affect the history of the twenty-first century, and China's growth does not only introduce new opportunities for Africa but also new challenges for other donor countries in Africa.

As noted in the previous section, Norwegian development aid in Africa has changed in directions and kinds of interest behind development co-operation in Africa. These changes could be linked to the changes in Africa as a consequence of China's engagements because of the timing and the strategic nature of the changes. The shift in Norwegian aid and diplomatic relations coincided with the period of oil booming and infrastructural development in Africa, which among other factors were initiated by China and the new development actors. The strategic nature may be viewed in terms of how the changes by Norway are directed closer to African states with abundance of oil resources to benefit from this economic growth in Africa's investment opportunities and available market.

Norway's Foreign Direct investment to Africa has increased in recent times and this suggests the impacts of China's engagements on Norwegian aid and diplomatic relations. Norway established Norfund in 1997 and Innovation Norway in 2004 and these institutions have become the main driving wheels for Norwegian investment and promotion of Norwegian private cooperation in Africa. These illustrate that Norway has become economically interested in Africa as a result of booming economic environment. Moreover, some Norfund funded projects has been criticized and compared to China's model of resource exploitation and workers abuse in Africa. Norwegian-owned plantation company, Green Resources has been criticized for violating Norfund's investments directives by seizing huge hectares of lands and not respecting the

compensatory measures for peasant farmers (Bistandsaktuelt, 2014). In Mozambique for example, Norfund investments in Monapo banana project that was funded through aid, has been criticized for destroying many lands and introduction of the devastating Panama disease in Africa (Hanlon, 2018). This illustrates how the Norwegian investments are also been criticized for resource destruction, a criticism China has suffered in Africa. These negative models of Norfund funded project raises questions over whether Norwegian politics in Africa is in the process of becoming like China's?

Norway's increased FDI to Africa coincides with the period of China's enormous investments in Africa's infrastructure and oil industry. Roads, railways, pipelines, plants, hydroelectric dams, etc. that are essential to investors have been built while old ones have received facelift. These developments have perhaps eroded the risks of investing in Africa, which for years scared Norway and other states, and changed donors' skepticism about investing in Africa. With booming industries and economy, investment in Africa is now perceived as a risk worth taking.

Geographic and diplomatic changes linked to the desire to have access and control of oil and energy resources is a remarkable shift in Norway's diplomatic and development co-operation in Africa that can be seen in light of this geopolitical and economic shift by China. The closing down of some Norwegian missions and the establishment or relocation of new embassies in Africa are notable cases. The closing down of embassies in Zambia, Eritrea and Zimbabwe and the establishment of new embassies in countries like Ghana, Algeria, South Sudan are interesting cases of reference. One notable linkage about these new Norwegian embassies is their link to oil and energy resources. The link to oil resources indicates Norway's investment and business interest in African oil resources through the establishment of closer diplomatic missions with oil-discovered countries in Africa. The fact that Norway relocated its embassy in Tunisia to Algeria upon the influence of Statoil suggests that diplomatic changes have become important considerations for Norwegian economic and business interest in Africa. Moreover, the increased presence of Statoil in countries such as Angola, Nigeria, Tanzania, Mozambique, Libya and its recent share in South Africa's Tugela South exploration suggest competition and increased interest in oil resources.

Norway's strategic expansion of diplomatic missions and partnership further illustrates an interesting shift in Norway's engagements in Africa. The strategic growth in energy and oil export cooperation through partnership all indicate how Norway has changed from a small oil exploring country into an important player in the industry. Until the price boost in the oil industry in 2000, Norway had little or no relations in some oil-resourced countries in Africa. Although, Statoil was in Nigeria and Angola before 2000, the scale of its growth in the industry has

escalated since the oil boost. Norway seems to be adapting to the changing geopolitical scenario through the establishment of embassies in the interest of its oil businesses.

Through the establishment of diplomatic missions and the OFD programme, Norway is strengthening its bilateral cooperation and promoting the identity of Norway's oil-success history in Africa. The OFD can be viewed as a covert way of creating business opportunities for Norwegian oil industries in partner countries. Through the programme, a strong trust in Norwegian technical and managerial skills in oil management and administration can be built. The oil producing states in Africa will develop trust for the Norwegian oil experts and Norwegian model of oil exploration. Trust in Norwegian model of oil exploration will ensure control and opportunities for Norwegian businesses.

Economic growth in China and the need for Africa's rich natural resources have driven the prices of oil and gas higher in the global market. To ensure regular access and supply, a successful oil exploring country could be influenced by the increasing oil profits to get closer ties with countries that have abundance of these resources. Barston (2014) argues that states are able to negotiate better and gain disproportional advantage over concessions in businesses and trade through closer diplomatic ties with other states. This suggests that Norway's economic interest of tapping into the boosting oil profit could be a key factor in the diplomatic changes in Africa.

Security interest continues to be an important driving force of Norway development cooperation. However, there appears to be a shift from emphasis on Russia's aggressive threat to emphasis on terrorism and unstable parts of Africa. As noted earlier on, there were suggestions that Soviet aggressive threat influenced Norway's enormous support and strong diplomatic relations with international institutions and organizations such as the UN, World Bank and NATO. Following the fall of the Soviet Union and the emergence of war against terrorism, Norway now emphasizes terrorism and unstable parts of Africa as the main motivation for its support to UN and NATO²². Although Norway talks of the desire to promote global peace and security as the motivation for its support to the unstable parts of Africa, it could also be argued that the emphasis on terrorism and unstable parts of Africa are means by which Norway can protect its economic and business interest in Africa. Norway needs to protect its investments in Africa's energy resources that are regularly being threatened by instability and terrorism. By emphasizing on supporting the unstable parts of Africa and war on terrorism, Norway could protect Statoil operations in Algeria, Libya, Nigeria and other parts of Africa from threat of militant groups, terrorism and instability. This could ensure regular access

and profits from Africa's oil and energy resources that has become more profitable as a result of China's investment.

CONCLUSION

Norwegian aid and diplomatic relations in Africa have gone through several changes. Norway's early interaction with the Southern Africa countries was driven by missionary activities and the interest of Norwegian fishing businesses. Development cooperation became dominated by solidarity for states in Africa under colonial rule. Through its influence in the UN and support to Africa, Norway assisted in the liberation struggle and established good diplomatic ties with some Southern and Eastern Africa states. When the balance of power in the international system changed into bipolar order characterized by cold war between USSR and US, security interest was a key consideration in Norway's support to NATO. Norway sought to enhance its military capability against the threat of the Soviet Union during the cold war.

Following the end of the cold war, Norwegian development cooperation became dominated by the desire to gain disproportional power in the international arena. There are suggestions that Norway through various programme aid initiated by World Bank and UN, sought to promote economic and political stability in many Third World countries with enlightened self-interest that economic and political stability of the Third world is essential for Norway's long term interest. The activities of new development actors like China in Africa that has changed economic and political environment in Africa has changed Africa and the global order from unipolar into multipolar system. The Norwegian government's white paper meld, St. 35 (2014-2015) admits the role China has played in the economic and infrastructural development in Africa. Strategic changes in Norway's diplomatic missions in Africa and increased FDI indicate Norway's economic interest and business strategies to benefit from the economic boom, investment opportunities and available market in Africa that among other factors have been exploded by China and other new development actors on the continent.

Norwegian development cooperation has shifted in character, and kinds of interests and this has been linked to the changes in Africa, global economy and the global aid regime due to increased activities of new development actors. The engagements of new development have made Africa attractive to investments, trade and business opportunities for Norway's economic and business interest. Norway's shifts in aid and diplomatic relations could be seen in the light of the changing geopolitical landscape and economic conditions in Africa. The shifts suggest economic interest driven engagements and diplomatic policy from Norway.

It is important to note that shifting aid paradigm and

²² Interview with researchers and journalist.

diplomatic cooperation is deceptive; the rationale for foreign aid and establishing development cooperation are not only motivated by the desire to support recipient states but also the long and short term interest of the donor states.

CONFLICT OF INTERESTS

The author has not declared any conflict of interests.

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Full Length Research Paper

Civil society under assault in Ethiopia

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Since the enactment of the Charities and Societies Proclamation 621/2009 in Ethiopia, civil societies were not performing their proper role for the advancement of the country's democracy. The proclamation places excessive restrictions on the work of civil society organizations in the country. This, in turn, makes the public passive to engage in the politics of the country, rather the law gives ultimate power for the government to control the activities of the civil society organizations (CSOs). Furthermore, the law has a devastating impact on the CSOs activities, both in practical sense, it creates restriction on their area of engagement, and exacerbating climate of fear in which they operate. In the nutshell, the proclamation risks the observance and protection of the democratic rights of every person in Ethiopia.

Key words: Civil society, democracy, human right, proclamation.

INTRODUCTION

Civil society refers to any organizations and associations that stand outside the structure of the government and the market, that is, interest groups, professional associations, labour unions, and ethnic based associations (Teegen and Vachani, 2004; Zaidise, 2004; Swyngedouw, 2005). Civil society is a universal concept and its philosophical foundations are emanated from both the Liberal and Marxist traditions of European Political School of Thought (Bratton, 1994; Lewis, 2006). Tocqueville (a Liberal scholar) on his work Democracy in America, who was the leading liberal scholar preached the role of voluntarism to speed up democratization process and served as a milestone for the creation of democratic citizens (Tocqueville, 1835), whereas, Gramsci (a Marxist scholar) on his book called Selections from the prison notebooks, who was known as a Marxist scholar argued on the importance of social institutions either strengthening or challenging the actions and

inactions of the government (Gramsci, 1971; Bratton, 1994; Lewis, 2006). Liberal and Marxist school of thought are contending ideologies by their nature; however, they have common philosophical foundation on the significance of civil society on moulding the behaviour of the government towards democracy (Lewis, 2006).

The modern conception of civil society in Africa was adopted under colonialism and its philosophical foundation is also rooted from the Liberal and Marxist school of thought (Bratton, 1994; Lewis, 2001; Whitfield, 2003; Appiagyei-Atua, 2005). Despite its ugly faces, colonialism has played a pivotal role in the today's development of civil society in Africa (Appiagyei-Atua, 2005). African civil society does not have adequate social wealth to run their activities independently (Edwards, 2009). This, in turn, makes them toothless to shape the behaviour pattern of governments in the continent (Van de Walle, 2001). Mostly, their budget is coming from

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donor organizations, and thus their contribution in enhancing democratic governance is dependent on the will of the donors (Neubert, 2014).

In Ethiopia, civil society has long routes and practiced in a traditional setting even before emergence of a western idea of civil society (Clark, 2000; Bekerie, 2003; Hyden and Hailemariam, 2003; CRDA and DPPC, 2004). However, civil society, later on, embraced the western conception for its development in 1960s (Clark, 2000). In the Imperial regime, civil society existed in the form of self-help associations and their engagements were restricted on humanitarian activities (CRDA and DPPC, 2004). The regime considered them as a quasi-political agent of specific groups in the Diaspora (Hyden and Hailemariam, 2003). On the same token, the Provisional Military Government of Socialist Ethiopia (Derg regime) established a commission called Mass Organizations Affairs Department for establishing and financing civil society (Amdework and Gebre, 2012). Thus, civil societies were suppressed and marginalized by the regime (Clark, 2000). The situation, later on, changed when the Ethiopian People's Revolutionary Democratic Front (EPRDF) came to power and civil society involvement became visual by addressing the grievances of the people (Teshome-Bahiru, 2009). As a result, the people participated in subsequent national elections in the country (Mulat et al., 2009). Eventually, the ruling party (EPRDF) lost the poll of 2005 national election for the first time. Then, the government unlawfully dissolved the national election result in 2005 by arresting key stakeholders, the regime accused CSOs of their role to enlighten the public (Aalen and Tronvoll, 2009; Teshome-Bahiru, 2009). This situation led to the hostility between the ruling party and CSOs (Teshome-Bahiru, 2009). Then, the EPRDF regime endorsed Charities and Societies Proclamation 621/2009 in 2009 to oust the involvement of CSOs from the political arena of the country (FDRE, 2009). The proclamation has so many controversial laws in regulating the activities of CSOs; particularly article 14 restricts participation of CSOs from advancement of human and democratic rights, promotion of efficiency of justice and promotion of conflict resolution. Additionally, on section 7 of article 84-94 gives ultimate power for the government to exercise and control the activities of CSOs. Furthermore, the government established the Ethiopian Charities and Societies Agency without any consultation with CSOs (ICNL, 2018). With all these weaknesses, the Proclamation divided CSOs into three categories: Ethiopian Charities or Societies are formed under the laws of Ethiopia, whose membership are all Ethiopians, generate income from Ethiopia and fully owned by Ethiopians. These organizations only receive 10% of their resources from foreign sources (Article 2 of CSP 621/2009); Ethiopian Resident Charities or Societies are allowed to receive more 10% of their resources from foreign sources. But, it is not allowed for them to engage in human and democratic rights advocacy

activities (Article 2 of CSP 621/2009) and Foreign Charities are formed under the laws of foreign countries, or whose membership includes foreigners, or the organization receives funds from foreign sources. But, engagement on the issue of human right, awareness campaign on democratic rights is not allowed to them (Article 2 of CSP 621/2009) (AI, 2012). Hence, according to the proclamation, CSOs are eligible to work on advocacy, human rights, and good governance, when they produce 90% of their annual budget from local sources and the rest from abroad (Aalen and Tronvoll, 2009; FDRE, 2009). Thus, funding restrictions on the law caused to eliminate civil society organizations in the country (AI, 2012). In this regard, the Charities and Societies Proclamation 612/2009 (CSP) is served as an instrument for the EPRDF regime to curtail the role of CSOs in the country (Aalen and Tronvoll, 2009).

Although, CSOs have a crucial role in a democratic government to address public interest and the power to shape government policies for the well-being of the society in the Western societies (Rosenblum and Post, 2002; Swyngedouw, 2005), CSP 621/2009 focused on humanitarian activities (AI, 2012), rather than to work on advocacy, democracy, and good governance (FDRE, 2009).

The aim of the present study was to assess the impact of the CSP 621/2009 on the engagement of CSOs in promoting and protecting human rights in Ethiopia. Moreover, it aimed to assess and evaluate CSP 621/2009 to disprove the stand of the government to the proclamation. Furthermore, the study indicated the way forward solutions to restore the watchdog role of civil society against the government.

MATERIALS AND METHODS

Study area

The research was conducted in four regions of Ethiopia, namely, Addis Ababa (the capital city of Ethiopia), Debre Berhan (Amhara Regional State, 130 km North of Addis Ababa), Adama (Oromia Regional State, 99 km South East of Addis Ababa), and Hawassa (Southern Nations, Nationalities and People's regions of Ethiopia, 265 km South of Addis Ababa). Except Addis Ababa, the rest regions were represented in Higher Education only.

Source of data and target groups

The respondents were identified based on their personal knowledge on the subject matter. Thus, the data on charities and societies proclamation 621/2009 was obtained from 94 purposively selected individuals from different institutions, that is, higher education (27.27, 27.27, 22.72, and 22.72% individuals from Addis Ababa, Debre Berhan, Hawassa, and Adama Universities, respectively), private sectors (3 selected primary and secondary schools at Addis Ababa which represent 33.33% each), 3 selected governmental institutions (8 Ministry of Science and Technology, 8 Ministry of Urban Development and Housing, and 8 Administration of Refugee Returnee Affairs which represent 33.33% each), and 4 civil society

organization sectors represent 25% each. The reason for choosing purposive sampling technique was it will help the researcher to understand the problem and the research question very well (Creswell, 2009). However, the researcher used data saturation as a frame of reference to determine the number of respondents who were involved in the study.

Respondents' gender and age category

The respondents age category which lies between 18 and 25 was 36.36, 29.16, 20.83, and 25% in selected Higher Education, Private sectors, Governmental institutions, and CSOs sectors, respectively of which the percentage of male and female respondents was accounted as 30 and 10% in selected Higher Education, 12.5 and 16.66% in Private sectors, 4.16 and 16.66% in Governmental institutions, and 16.66 and 8.33% in CSOs sectors. Whereas, the age category for 26 to 35 (35, 54.16, 62.5, and 54.16%) in selected Higher Education, Private sectors, Governmental institutions, and CSOs sectors, respectively of which the percentage of male and female respondents was 15 and 20% in selected Higher Education, 33.33 and 20.83% in Private sectors, 12.5 and 4.16% in Governmental institutions, and 29.16 and 25% in CSOs sectors. Furthermore, the age category above 35 (31.81, 16.66, 16.66, and 20.83%) in selected Higher Education, Private sectors, governmental institutions, and CSOs sectors, respectively of which the percentage of male and female respondents was 13.63 and 18.18% in selected Higher Education, 16.66 and 0% in Private sectors, 50 and 12.5% in Governmental institutions, and 8.33 and 12.5% in CSOs sectors. In overall, 27.65% of the respondents age category lies between 18 and 25, 39.36% of the respondents age category lies between 26 and 35, and 32.97% were in the age range of above 35. Generally, 59.57% of the respondents were male, whereas the remaining 40.42% were females.

Data collection tools

Questionnaires were distributed to each respondent to evaluate the impact of charities and societies proclamation 621/2009 on the protection and promotion of human rights. Nineteen closed ended questions with structured questionnaires of multiple choice types were designed since this type of questions has a potential to minimize the involvement of researcher during data collection process (Creswell, 2009). Structured and multiple-choice questionnaires have the power to make researcher to follow logical premises in order to reach certain conclusion (Patton, 2002). The questionnaire has 19 questions with five parts, that is, 4 questions on the respondent's background, 5 general questions about the proclamation, 5 questions about challenges of the proclamation in relation to promotion and protection of human rights, 3 questions on the effects of the proclamation on the democratization and protection of human rights, and 2 questions about the indication to the way forward to restore the watchdog role of CSOs in protection and promotion of human rights.

Data analysis

Mean comparison and significant differences among the respondents data were computed using One-way ANOVA. The comparisons were made between age category and gender category of the respondents to evaluate the significant differences using one-way analysis of variance (ANOVA). Sigma plot was used to create scientific graphic and small case letters were used to show the differences between the study groups. Similar letters show the difference among the study group is not significant; however, different letters show significant differences among the

groups studied.

RESULTS AND DISCUSSION

Respondent's background

Respondent's background was categorized based on their educational background. This is because the research question was designed categorically to get the perception of the people towards the CSP 621/2009. The result of each category is discussed as shown in Figures 2 to 5.

Educational backgrounds

Large number of respondents laid on Bachelor and then Master holders and the difference was not significant with these two educational background participants ($P > 0.05$) and with the other educational background (Figure 1).

Based on the finding, majority of respondents have common understanding regarding to CSP 621/2009, but their level of awareness towards the law differs from groups to groups. However, the presence of diverse participants from different academic background makes the finding more representative and reliable to reflect the perception of the public towards CSP 621/2009. The finding has also similarity with the conclusion of Geset (2009) on CSP 621/2009. In her assessment of the proclamation titled "*the New Charities and Societies Proclamation and Its Impacts on the Operation of Save the Children Sweden-Ethiopia*" respondents were diverse in their status and representing government institutions, civil society organizations, and private sectors and the conclusion of the assessment indicated that the proclamation is known by the public including its challenge on the existence and work of CSOs. In this regard, this finding has similar result and tone to represent the perception of the public on CSP 621/2009. This implies that educational background of the respondents clearly shows the level of understanding and political concourses of the mass towards government policies, laws and decisions of political matters.

General overview of respondents on CPS 621/2009

Large numbers of participants know about the content of the law. The majority of MA and Ph.D. holders of the respondents were very much aware of the law than BA and Diploma holders, and university students. Thus, the level of awareness between MA and Ph.D. holders of respondents was not significant ($P > 0.05$). However, there were highly significant difference between BA, diploma, and university student group of respondents ($P < 0.05$) (Figure 2).

Majority of the respondents were aware of CSP

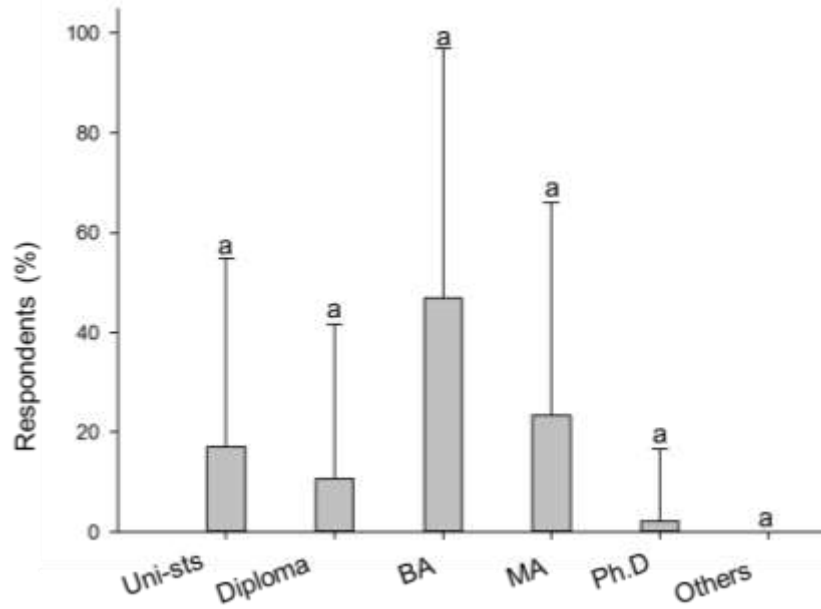


Figure 1. Respondents' educational background.

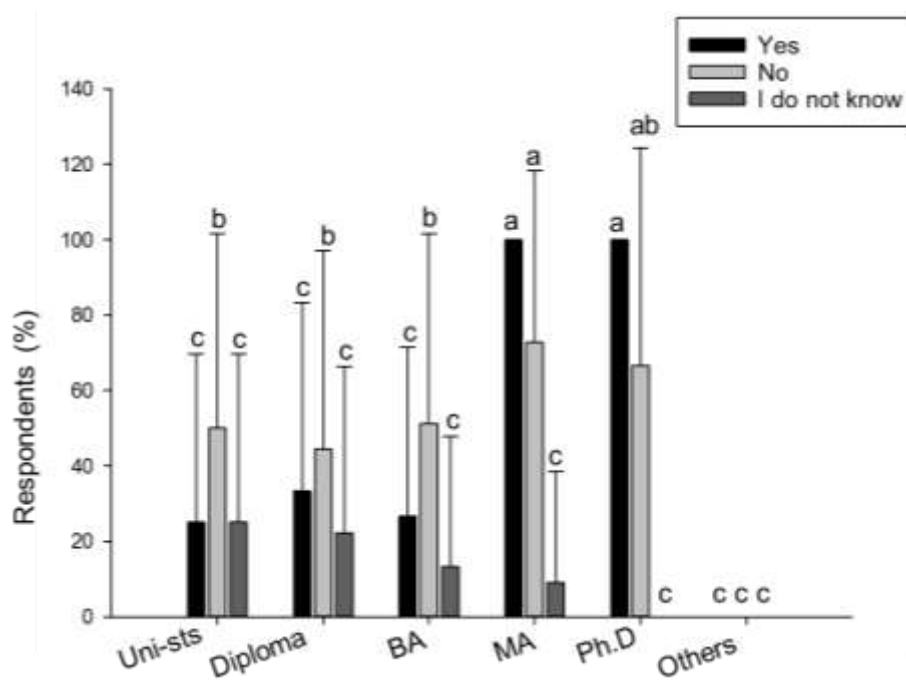


Figure 2. Respondents' response on the general content of the proclamation.

621/2009 and its related impacts on the existence and work of civil society, democracy, and good governance in the country. Hence, they were not happy with the enactment of the proclamation in the country. Rather, they refused the enactment of CSP 621/2009 and needs amendment on the law to bring back CSOs in their proper place in the society. Thus, the finding has similar tone

with Amnesty International (AI, 2012) written statement to the 20th Session of the UN Human Rights Council. The report underlined the impact of CSP 621/2009 on the existence of advocacy groups, CSOs and NGOs who work on democracy, human right and good governance issues in the country and it calls the Government of Ethiopian for content amendment of the law. In this

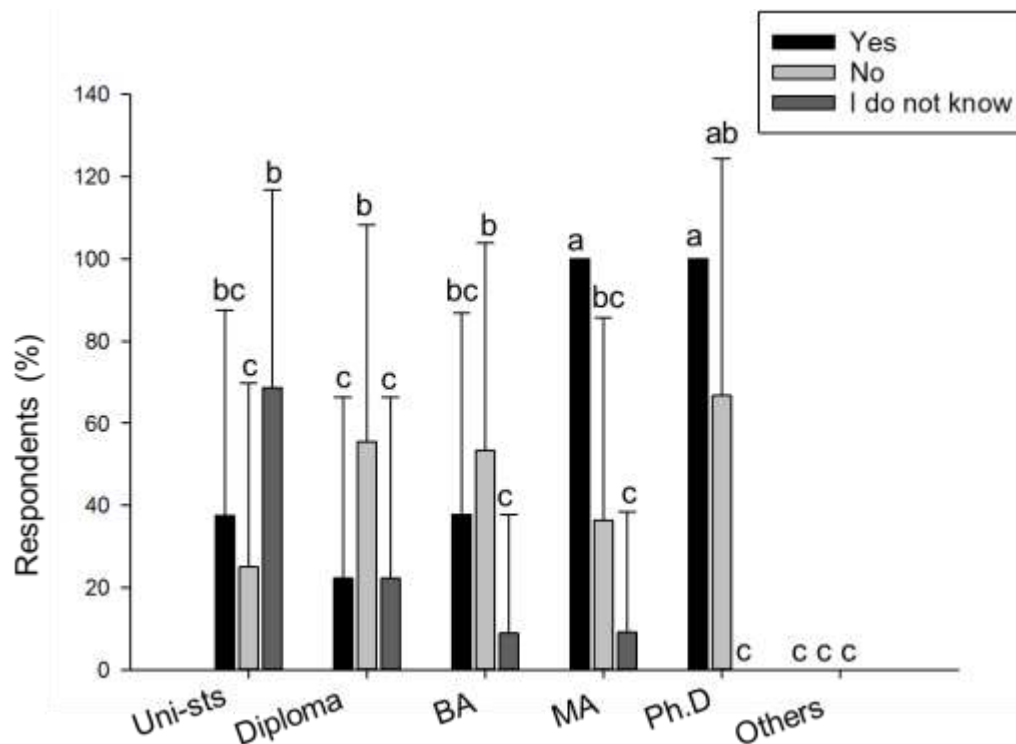


Figure 3. Respondents' response on the challenges of the proclamation.

regard, the finding in relation to content amendment of CSP 621/2009 has a direct correlation with AI report. Therefore, this is good signal for the regime to open the political landscape to key stakeholders that foster the democratization process in the country. This brings back CSOs in their proper role in the public to speed up active participation of the people in the process of redefining the role of the government, the non-profit sector, and the private sector to install genuine democratic system in the country.

Challenges of CSP 621/2009 on the existence and work of CSOs

Majority of MA and Ph.D. holder of respondents understood the challenges of the law on the existence and work of CSOs and there is no significant difference between them ($P > 0.05$) (Figure 3). However, BA and Diploma holders, and university students know the challenge of the law with a lesser extent than the MA and Ph.D. holders and the difference was significant ($P < 0.05$) (Figure 3). Moreover, there is no significant difference between BA and Diploma holders and university students ($P > 0.05$) (Figure 3).

The finding indicated that educational level of the participants clearly made a difference in understanding, the adverse effects and the politics behind CSP

621/2009. For instance, those respondents who have better academic qualification understood the impacts and challenges of the law on the existence of CSOs and eagers urgent modification on the law, while, university students and Diploma holder of respondents did not clearly understand the challenges of the law towards CSOs, that is, why their response to some extent looks blurred. On the other hand, the result also showed the level of political consciousness of the mass regarding the CSP 621/2009. In this regard, those who have high academic status have relatively good awareness of the impacts of governmental policies and laws on the existence and work of those organizations, whereas those respondents who have low academic qualification have little understanding, the effect of governmental policies, and laws on the existence and work of non-profit organizations, civic associations and NGOs. This result agreed with the ideas of Aalen and Tronvoll (2009), Teshome-Bahiru (2009) and Smith (2007) on the role of CSOs in 2005 National Election in Ethiopia. They argued that CSOs had a prominent role during the pre-election phase by organizing public debate, engaging awareness campaign through civic education and assigning election monitors in each election centers in the country. This indicated that CSOs actively performed watchdog role over the actions and inactions of the government before the enactment of CSP 621/2009 in Ethiopia. Hence, people were aware of CSOs contributions to speed up

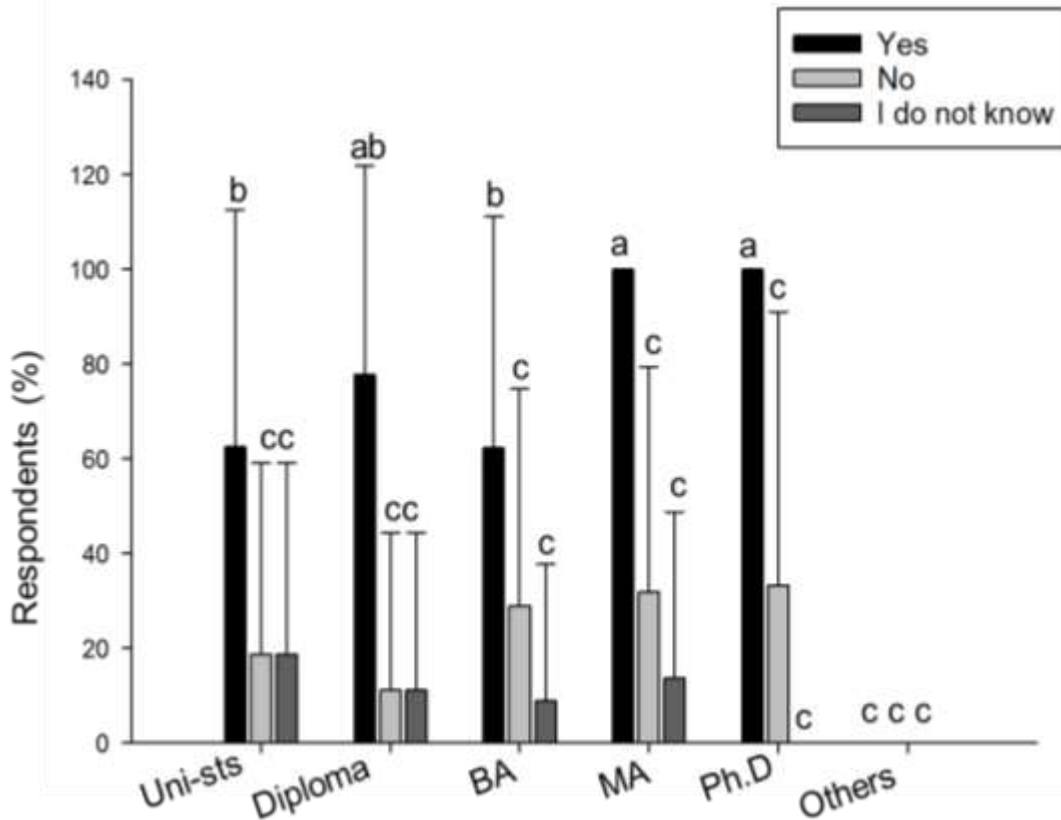


Figure 4. Respondents' response on the impact of CSP 621/2009 on CSOs.

the democratization process in the country, that is, why most people expressed their anger and dissatisfaction towards CSP 621/2009 in different public meetings, researches and social media. As a result, respondents believed the law is a challenge for the existence and work of CSOs in Ethiopia.

Impacts of CSP 621/2009 on the watchdog role civil society

All respondents of each category have awareness on the impact of the proclamation to CSP 621/2009 on the watchdog role CSOs over the actions and inactions of the government. There is no significant difference between MA and Ph.D holders ($P > 0.05$), but they vary significantly from BA, Diploma holders and university students ($P < 0.05$). There is no significant difference between BA and Diploma holders and university students ($P > 0.05$) (Figure 4).

According to the assessed data, majority of respondents agreed on the impacts of CSP 621/2009 on the engagement of CSOs in the area of human right, democracy, and good governance in Ethiopia. That is way, the respondent needs amendment on the content of

CSP 621.2009 to restore the proper role of CSOs in the country. However, the regime is not willing to make some modification on the content of the proclamation. This makes the people passive for political participation since the enactment of the law. The finding has similar conclusion with Amnesty International (2016) report. Amnesty on its annual report concluded that for the last 25 years, the Ethiopian People's Revolutionary Democratic Front (EPRDF) regime is on power by abusing opposition political parties, CSOs, and human right defenders through different kind of laws and proclamations. Hence, amnesty makes a call to the international community for sanction on the EPRDF regime to shape the behaviour pattern of the regime to make the political system more open and transparent, however, the international community kept silent for amnesty report. In this regard, this finding indicated that the law is perceived as a barrier by the public for the work of CSOs in the country. Thus, the mass needs urgent modification on the law to restore the role of CSOs in the country's politics. Therefore, this result will serve as an indicator for the government to open up the political dancing floor for all stakeholders including civic associations to play their role to enhance the democratic participation of the public.

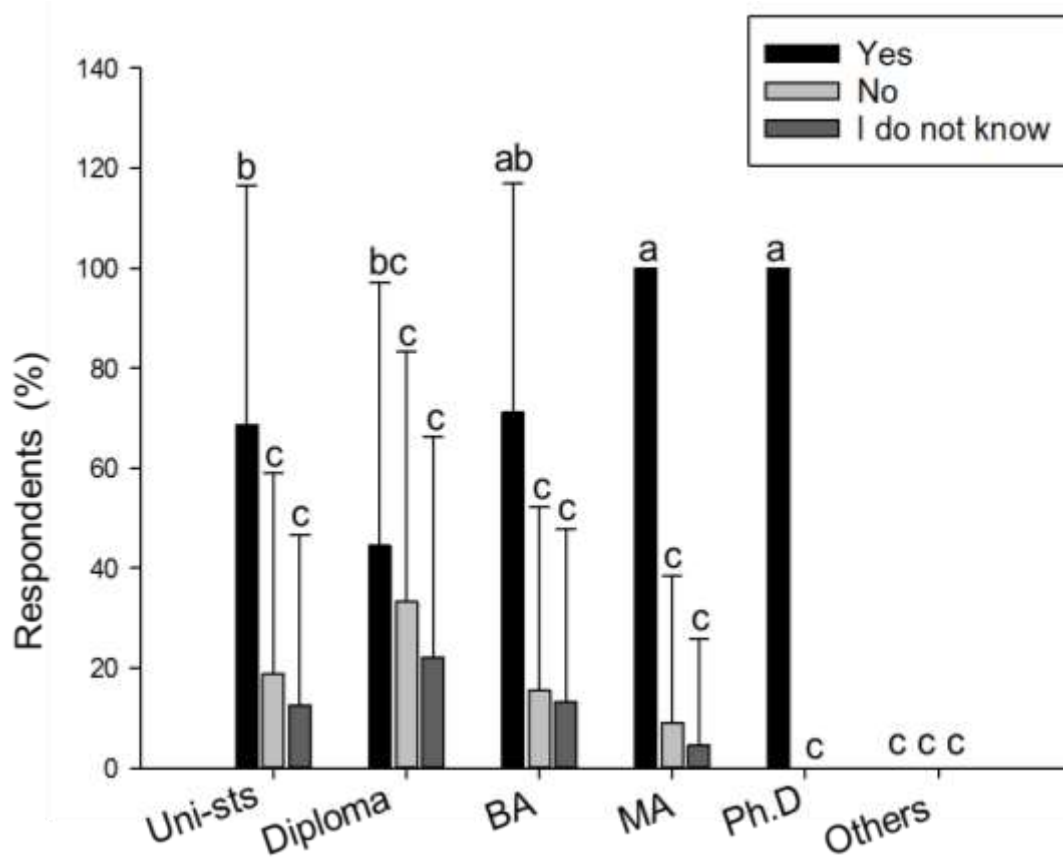


Figure 5. Response on the future impact of CSP 621/2009 on the existence of CSOs.

Future existence of civil society organizations in Ethiopia

Almost all Ph.D. and MA holders know the future impacts of CSP 621/2009 on the future existence of CSOs in the country and there is no significant difference between them ($P > 0.05$) (Figure 5). However, MA and Ph.D holders by far know the future impact of the law than BA and Diploma holders and university students and the difference was significant ($P < 0.05$) (Figure 5). There is no significant difference between BA and Diploma holders and university students ($P > 0.05$) (Figure 5).

The finding indicated that the law is restrictive and suppressive to the work and future existence of CSOs in the country. As a result, respondents agreed that CSOs, especially those who work on advocacy faced problem since the enactment of the law. Therefore, majority of respondents demand a total amendment on the law to make the political environment more conducive to the existence and work of CSOs in the country. Smith (2007) indicated the scenario in her special report to the United States Institute of Peace regarding the political violence and democratic uncertainty of Ethiopia in the post 2005 National Election. She blamed the ruling party to amplify the violence by ousting the opposition political parties

from the electoral system. Furthermore, the EPRDF regime cancelled the 2005 national election poll forcefully and holds governmental power unconstitutionally. Right after that incident, the government pointing finger on CSOs engagement in the election process, produced a law that systematically avoids them from political activities in the country. Therefore, Hassan (2013), Teshome-Bahiru (2009), and Smith (2007) concluded that civil society and the private sector are found in the suppressive environment that could not promote human right, democracy, and good governance in the country. Thus, the finding of this research has similar conclusion with them. However, the regime named itself as developmental state by giving much emphasis on poverty reduction by diminishing the role of advocacy organizations for the promotion and protection of human right in Ethiopia.

Conclusion

It is very hard to deny the role of CSOs and NGOs in saving tens and thousands of rural masses of Ethiopians by donating food, sanitary services, and health care during the time of famine and hunger for decades.

However, this finding showed that the role of CSOs in enhancing democracy and good governance in Ethiopia is insignificant due to the excessive pressure of the regime since the aftermath of 2005 National Election. This is because the EPRDF regime produced a very suppressive law to curtail the role and existence of CSOs in the country. Nevertheless, majority of the people need amendment on CSP 621/2009 to restore the watchdog role of civil society organizations over the deeds of the government. Therefore, the process of creating space for civil society in Ethiopia is going at a gradual pace, but the finding indicated urgent remedies on the content of the proclamation to restore the role of CSOs in the country's politics.

CONFLICT OF INTERESTS

The authors have not declared any conflict of interests.

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Full Length Research Paper

Demystifying the concept of state or regulatory capture from a theoretical public economics perspective

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State capture is one form of corruption that has received very little research interest over the years. This could be attributed to the fact that many societies particularly in the developing world seem to have institutionalized it. State capture is a manifestation of government failure which involves the manipulation of bureaucratic rule and formal procedures by business and political elites through family ties, friendship or social groups so as to influence state policies and laws in their favor. The aim of this paper was threefold: First, to give an elaborate and detailed discussion surrounding the phenomenon of state capture from a public finance perspective; second, to discuss the extent of state capture in Zambia citing instances of state capture and how this negatively impacts on society at large; and third, to examine the effects of state capture on key socioeconomic outcomes and broader governance while making comparisons with other countries. Analysis took the form of extensive review of literature and descriptive analysis focusing on frequencies, trend analysis and simple measures of association. This paper outlines that state capture is a manifestation of government failure and is based on the principles of the predatory government view of the state in which state agents act as utility maximizers. It establishes that state capture is a combination of a weak institutional and governance structure which gives room for rent-seeking, lobbying, election rigging and class formation. Further, the study establishes that in Zambia, although the perception of state capture has reduced slightly, it exists and has an effect on socioeconomic outcomes such as human development and the growth of firms. The paper concludes by stressing the need to put in place strong social and political institutions that will help reverse this dangerous trend.

Key words: State capture, corruption, market failure, pareto optimum, rent seeking, lobbying, class formation, logrolling.

INTRODUCTION

While there is a plethora of literature on the causes and effects of different forms of corruption (Kaufmann 1998; Mashal, 2011; Samura, 2016; Dimant and Tosato, 2017),

few systematic efforts have been made to examine and compare the extent of state or regulatory capture as a form of corruption, particularly more so in sub-Saharan

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Africa (SSA).¹ This is despite the growing trend of the vice being established in studies in other developing regions such as Central Asia and, Eastern and Central Europe (World Bank, 1997; Sitoris, 2011). Recently, however, there have been an increased number of studies on the concept of state capture particularly in South Africa. The concept rose to prominence in the political and economic arena of South Africa (Sebake, 2017) during the reign of President Jacob Zuma. The controversy was as a result of the strong ties between the South African president and the Gupta family (Martin and Solomon, 2016) – a wealthy, Indian-born South African family whose business empire spans from computer equipment and media to mining. The strong ties led to widespread claims of corruption, undue influence and state capture of state institutions (Dassah, 2017; Martin and Solomon, 2016). It is believed that state capture is the main cause of many societal problems within the South African state (Martin and Solomon, 2016).

The seemingly lack of academic interest in this particular subject may be due to the fact that it has been institutionalized by society therefore not regarded harmful or it may be due to what is termed as rational ignorance in the public economics sphere. Ignorance about an issue is said to be rational if the cost of educating oneself about an issue outweighs any potential benefit one might reasonably expect to get (Chirwa and Masanjala, 2009). State capture is not a new concept; it has been in existence for a long time in many developing countries particularly those with weak institutions³. It persists in societies with low quality institutions (Kyle and Belasen, 2010). The term 'state capture' was first introduced in the early 2000s by the World Bank to describe the new dimension of corruption arising from the transitioning of East European and Central Asian countries from planned to market driven economies (Hellman et al., 2000; Meirotti and Masterson, 2018). It was applied to situations where small corrupt groups using their influence over government officials to appropriate government decision-making so as to strengthen their own economic positions (Crabtree and Durand, 2017). It also manifests itself by way of rich powerful countries capturing the economic systems of poor countries and establishing linkages with key leaders in the public service so as to influence their decisions.

State capture is derived from the concept of regulatory capture in the economics literature (World Bank, 2000). From the classical standpoint, state capture or political corruption refers to the way bureaucratic rule and formal

procedures are manipulated by private firms or social groups such as ethnic and military groups in their attempt to influence state policies and laws in their favor (Uzelac et al., 2003; Hellman and Kaufmann, 2001; Pradhan, 2000). According to the World Bank (2000), 'state regulatory agencies are said to be "captured" when they regulate businesses in accordance with the private interests of the regulated as opposed to the public interest for which they were established'. It is a form of corruption. Transparency International (2016) further defines state capture or political corruption as the manipulation of policies, institutions and rules of procedure in the allocation of resources and financing by political decision makers, who abuse their position to sustain their power, status and wealth. According to Meirotti and Masterson (2018), state capture has shown profound implications for the consolidation of democracy, systematically eroding democratic processes by undermining the election of public representatives, the institutionalization and normalization of democracy and the socioeconomic transformation processes.

State capture as a form of corruption affects various aspects of the economy such as firms' performance as well as the socioeconomic aspect of it. In terms of firms' performance, the literature linking corruption to firms' performance is mixed. While some studies have shown that corruption has a positive effect on firms' performance (Williams and Martinez-Perez, 2016; Demenet et al., 2017), others have found a negative relationship between the two variables (Gaviria, 2002; Sohail et al., 2014).

State capture has also been linked to human development and poverty (Sebake, 2017). A study by UNDP (2008) observed that human development can reduce corruption. However, other studies (Becherair and Tahtane, 2017; Absalyamova et al., 2016) also established a negative correlation between corruption and human development in MENA countries implying that when HDI increases corruption reduces. In terms of poverty, studies have established that corruption does not affect poverty directly, rather through intermediaries such as economic and governance factors that in turn produce poverty. In addition, studies have established that corruption impedes economic growth by discouraging foreign and domestic investment (Chetwynd, and Spector, 2003; Ndulo, 2014).

In Zambia, NORAD et al. (2011) note that corruption is mainly driven by red tape, liberalization and democracy as it has brought greater business and political competition. Such competition causes business managers and political actors try to influence policy makers and abuse public resources respectively in order to out-compete others. About 10% of firms reported to have made political contributions during the past election campaigns to receive favorable treatment (NORAD et al., 2011). TIZ (2014) highlights that corruption remains a serious issue in Zambia, affecting the lives of ordinary citizens and their access to public services. In the same vein, Ndulo (2014) noted that corruption hits the poor the

¹ Among the few studies undertaken on state capture particularly in SSA include: Iroghama, 2005; Martin and Solomon, 2016; Dassah, 2017; Meirotti and Masterson, 2018;

³ Developing countries are generally characterized with weak institutions and it is through weak institutions that corruption thrives. As Mauro (1996) states "corruption is widespread in developing countries, not because their people are different from people elsewhere but because conditions are ripe for it."

hardest who heavily depend on public services and are unable to give bribes for essential services. This paper aims to give an elaborate and detailed discussion surrounding the phenomenon of state capture from a public economics perspective. The study also discusses the extent of state capture in Zambia citing instances of state capture and how this negatively impacts on society at large. The study also aims at examining the effects of state capture on key socioeconomic outcomes and broader governance while making comparisons with other countries.

THEORETICAL FRAMEWORK

According to the public finance literature, there are two fundamental theorems of welfare economics that have to be fulfilled by any economic structure if any allocation of resources is to be pareto-optimum (a situation in which no one can be made better-off without making some else worse-off) (Chirwa and Masanjala, 2009). The first fundamental theorem of welfare economics states that 'A competitive market economy leads to a Pareto Optimum (Output Maximization) provided that certain conditions are met'. These conditions being: (i) A complete set of markets with well-defined and costlessly enforced property rights (ii) Market behavior in which agents maximize benefits and minimize costs (iii) Perfect competitive markets and (iv) Zero transaction costs (Blaug, 2007; Chirwa and Masanjala, 2009). The second fundamental theorem on the other hand states that 'After a suitable redistribution of initial endowments and property rights, any desired Pareto-efficient allocation can be achieved by a perfectly competitive economy' (Blaug, 2007). The two fundamental theorems presume the existence of a competitive market model with the inherent belief that it has a natural tendency for self-correction – a view that was also held by Adam Smith. However, the problem arises when the economy fails to conform to the idealized competitive model as prescribed by the fundamental theorems of welfare economics. This results in a phenomenon called Market Failure – a situation when the assumptions of the competitive model are violated and the outcome is not pareto-efficient (Myers, 2016). Because of the innate tendency for markets to fail, the government gains its legitimacy. However, is it enough, to find market failure and conclude that the government should take action? The answer to the question above is that, there is need for government involvement and action as it will perform those economic functions that markets cannot perform at all or that markets perform badly. This view is also supported by Milton Friedman, a Nobel Prize-winning advocate of free markets who consistently emphasized that the existence of a free market does not eliminate the need for government (Myers, 2016). However, when the government intervenes in the market, there is potential that it can make the situation worse than it was before.

This is referred to as Government Failure - a situation where allocative efficiency may have been reduced following government intervention in markets designed to correct market failure (Chirwa and Masanjala, 2009). According to Rasmusen (2017), government failure is an outcome where the government actually destroys wealth compared to even an imperfect market. The question therefore that arises is, 'which is a lessor of two evils, market failure or Government failure?' This answer depends on ones view about government. There are basically two views of government in public economics: The Benevolent Dictator view and the Predatory Government view (Chirwa and Masanjala, 2009).

The Benevolent Dictator view of government is a theoretical view which argues that public decisions will be made that give the greatest utility to the maximum number of people. In as much as the dictator exercises absolute political power over the state, he may allow for some economic liberalization or democratic decision-making through elected representatives with limited power to make decisions that essentially maximize social welfare. Therefore, this view favors the involvement of government because it does so for the benefit of the population as a whole. In contrast, the Predatory Government view argues that politicians, bureaucrats and others acting on behalf of the public may act in their own self-interest as utility maximizers (Chirwa and Masanjala, 2009). This view is a clear indication that government's involvement in the economy will not lead to an optimal allocation of resources as individuals charged with the responsibility of acting on behalf of the citizens pursue agendas that will maximize their benefits at the expense of the preferences of their constituents. However, ignoring the preferences of the public is clearly a severe limitation to government's involvement in the economy in the event that market failure occurs. It is therefore quite clear that state capture falls under the domain of the predatory government view as those who are in power make decisions in ways that maximize their utility which further consolidate their hold of power.

MATERIALS AND METHODS

Data

To establish the corruption (state capture levels) this study used secondary data on corruption and governance perceptions obtained from Transparency International (TI) and World Bank websites, respectively. The TI provides the corruption perception index (CPI) while the World Bank provides the worldwide governance index (WGI). The WGI are composite governance indicators based on over 30 underlying data sources. These data sources are rescaled and combined to create the six aggregate indicators using a statistical methodology known as an unobserved components model. The six indicators include; voice and accountability, political stability and absence of violence, governance effectiveness, regulatory quality, rule of law, and control of corruption. Key to this study is the "control of corruption" and "government effectiveness" dimensions. The control of corruption indicator captures perceptions of the extent to which public power is exercised for private gain,

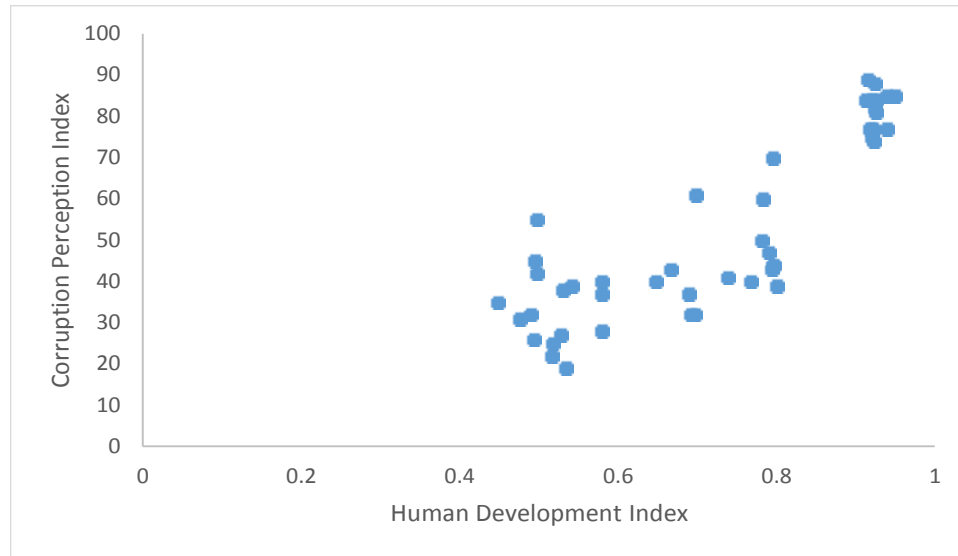


Figure 1. Correlation between corruption and human development.
Source: Author's analysis using UNDP and TI data.

including both petty and grand forms of corruption, as well as "capture" of the state by elites and private interests. The government effectiveness indicator reflects perceptions of the quality of public services, the quality of the civil service and the degree of its independence from political pressures, the quality of policy formulation and implementation, and the credibility of the government's commitment to such policies (WGI, 2018). The study also obtained the Human Development Index (HDI) series from the United Nations Development Programme (UNDP) website. The study further made use of the 2013 World Bank's Enterprise Survey data on Zambia. The World Bank Enterprise Survey is a cross-sectional dataset which gives us the firm level perspective on corruption. The survey collected information from 720 firms operating in Lusaka, Livingstone, Ndola and Kitwe. The study also undertook an analysis of the Auditor General's Reports in Zambia.

Methods

The analysis took the form of extensive review of literature and descriptive analysis focusing on frequencies, trend analysis and simple measures of association. It is worth noting that the measures of association do not imply causality. Therefore it's difficult to establish causality because is difficult to prove and measure. The corruption perception index (CPI) as well as the World Bank Enterprise Survey data used in this study is based on perceptions and raised concerns of perception bias. However, it gives us some indication of the levels of corruption.

RESULTS AND DISCUSSION

Descriptive analysis

Corruption and human development

According to the descriptive analysis, corruption has been associated with lower levels of human development.

Figure 1 presents the scatterplot showing that countries with less corruption have higher HDI.

State capture/corruption and governance

State capture as highlighted earlier can exist in various forms. Figure 2 shows the trends in the perceptions of the extent to which public power is exercised for private gain, including both petty and grand forms of corruption, as well as "capture" of the state by elites and private interests. The indicator takes values ranging from approximately -2.5 (weak) to 2.5 (strong). The time series in the control of corruption indicator shows that Zambia is still in a weak position. It indicates that there has been steady improvement in control of corruption from -0.84 in 1998 to -0.39 in 2008, and then a fall to -0.51 in 2010 then improvement -0.28 in 2012. The indicator has fallen slightly in the recent years. The governance effectiveness followed a similar path.

Firm level experience of corruption

Figure 3 shows the Zambian firms' experience of corruption. It shows an indication of the levels of corruption at firm level. About 30% of the firms identified corruption as a major constraint and this is lower than the sub-Saharan African (SSA) countries' average of 41%. The average number of firms that were expected to give gifts to public officials to get things done was about 10%. Those firms that were expected to give gifts to secure government contracts was 28%. The bribery incident rate stood at 16%. All the indicators are lower than the SSA

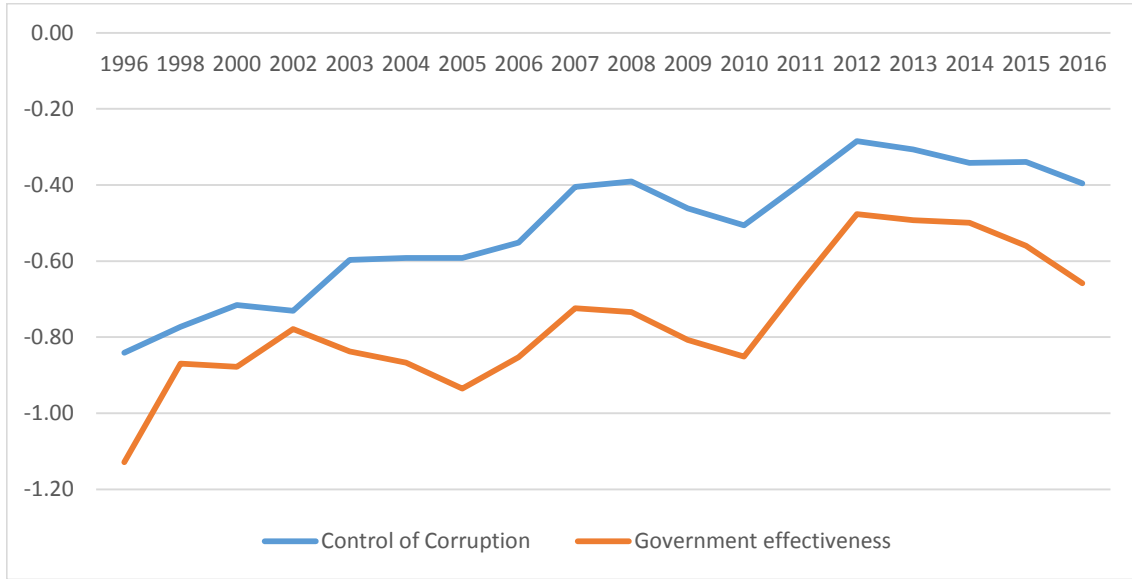


Figure 2. Trends in the level of state capture and governance effectiveness.
Source: Author’s analysis using Worldwide Governance Indicator (WGI).

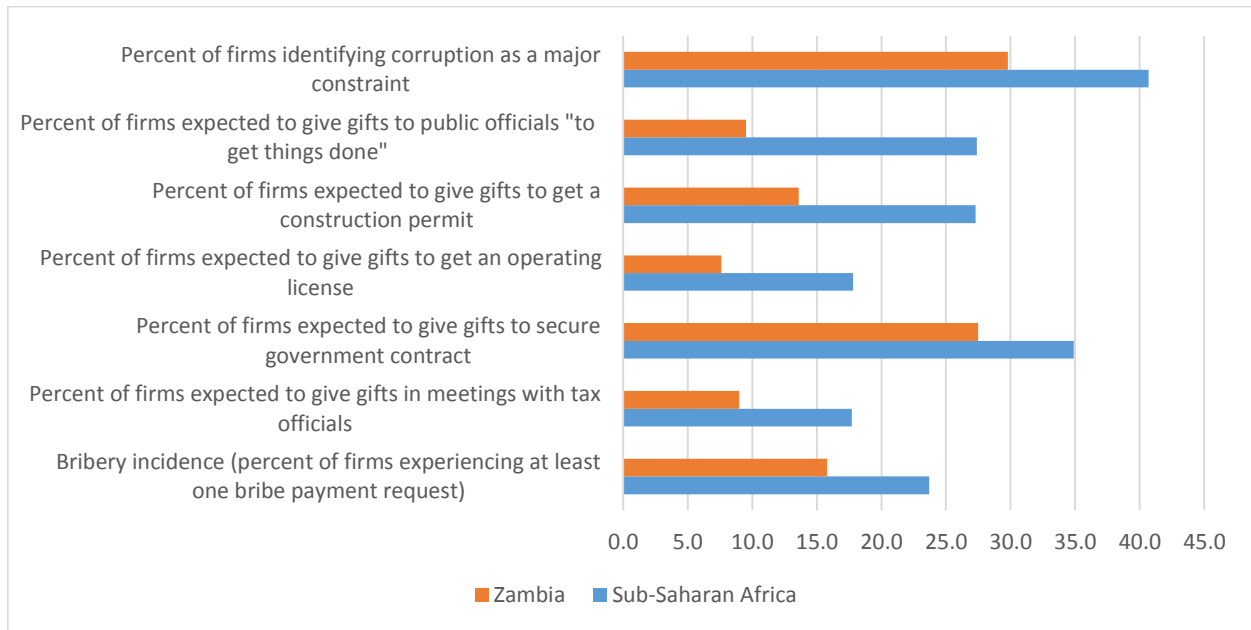


Figure 3. Firm level experience of corruption.
Source: Author’s analysis using 2013 World Bank Enterprise Survey data on Zambia.

indicators.

Insights from the auditor general and finance intelligence center reports

The Auditor General (AG) and Finance Intelligence Center (FIC) Reports provide insights into the levels of

corruption in the public sector. The most recent of these reports indicate that corruption is still a problem in Zambia.

According to the public finance literature, one way in which government failure manifests itself is through state capture which as outlined above is a form of corruption. It gathers its theoretical basis from the predatory government view of the state which argues that

politicians, bureaucrats and others acting on behalf of the public may act in their own self-interest as utility maximizers. However, in as much as state capture is a form of corruption, it has certain features that differentiate it from the usual administrative corruption of giving and receiving bribes (Pestic, 2007). Firstly, in the case of corruption the intent is on the selective enforcement of already existing laws; however, in the case of state capture, the intent is on influencing the very formation of laws to protect the interest of influential private firms and companies (Edwards, 2017). Secondly, in many instances the influence of state capture is never overt. Take for instance the case of class formation (what is class formation in this context?), where large amounts of economic resources may be transferred directly to business and political elites through family ties or friendships who have legitimate businesses or who establish businesses just for the purpose of benefitting from this transfer. These transfers are legitimate; however, the only concern is that they only stand to benefit those closely aligned to political office bearers. Thirdly, while in the case of corruption, the outcome (of policy or regulatory decisions) is not certain, in the case of a captured state, the outcome of the decision is known and is to a very high probability beneficial to the captors of the state (Netshitenzhe, 2016). Lastly, in the case of corruption (even rampant) there is plurality and competition of corruptors to influence the outcome of the policy or distribution of resources. However, in the case of a captured state, the decision makers are usually more in a position of agents to the principals (captors) who function either in monopolistic or oligopolistic (non-competitive) fashion (Netshitenzhe, 2016).

The rationalization and ultimate institutionalization of certain practices in many societies particularly those with weak social and political institutions have given ground to the emergence of state capture. This could be the reason why despite its existence for many years, it has attracted very little interest from academics and researchers. State capture which is a manifestation of government failure is a combination of politics of poverty, weak leadership and a struggling economy. This combination gives room for rent-seeking by the elected representatives and their agents in government on the one hand and the business elite, friends and families of those in political positions on the other hand. From the political standpoint, politicians exhibit rent-seeking behavior when their private interests have a significant influence on their decision making ability resulting into decisions that advantage them at the cost of society. For instance in their aim to hold and maintain political office, politicians often involve themselves in activities that border on state capture. These include vote rigging, a flawed voter registration, unequal and biased media coverage, and improper use of state resources. The existence of these election irregularities makes it rather impossible to have a free and fair electoral process which may yield an

incorruptible governance structure. From the business standpoint, Hellman and Kaufman (2001) assert that “firms seek to shape decisions taken by the state to gain specific advantages, often through the imposition of anticompetitive barriers that generate highly concentrated gains to selected powerful firms at a significant social cost. Because such firms use their influence to block any policy reforms that might eliminate these advantages, state capture has become not merely a symptom but also a fundamental cause of poor governance. In this view, the captured economy is trapped in a vicious circle in which the policy and institutional reforms necessary to improve governance are undermined by collusion between powerful firms and state officials who reap substantial private gains from the continuation of weak governance.” This collusion between the political and business elites creates an oligarchic social structure that undermines effective institutional building and the rule of law (Pestic, 2007).

The main risk of state capture is that decisions no longer take into consideration the public interest but instead favor a specific group which ultimately results in a less than efficient allocation of resources. State capture robs the nation and its people huge sums of money which would have been used to alleviate poverty and vulnerability and essentially develop our societies. These resources go into the hands of a few individuals in the political arena and their associates who reap substantial gains at the expense of the poor majority. State capture also serves as a threat to national development as it has an innate tendency to induce a spirit of selfishness and greed rather than a spirit of service and collective responsibility. This results in the diversion of attention from transforming the economy for the benefit of the nation to extracting as much as possible from the economy for the benefit of specific individuals or groups in society. State capture also has the potential to cause capital flight from the captured state as the gains from the business and political network are better saved and hidden outside the country in order to avoid detection and confiscation. Another effect of state capture is that it may lead to demoralization and let alone induce laziness among those outside the business and political network. Whenever people realize that despite their commitment and hard work, benefits seem to accrue only to those few people connected to the political or business elite, a feeling of demotivation and laziness creeps in, leading to negative attitude to work. Furthermore, once state capture is institutionalized, it becomes very costly and makes it rather impossible to come up with proper institutions as resources are diverted away from more sustainable development programmes.

Extent of the problem in Zambia

The adoption of the Structural Adjustment Programmes in

the early 1990s led to the economic liberalization of the country which saw the privatization of over 280 state owned enterprises, the removal of controls on interest rates, imports and exports, reduction in tariffs on trade and the floating of the country's currency (GRZ, 2001; WTO, 2016). However, sadly enough this was the dawn of an era of corruption and massive plunder of the nation's resources. The ugly face of state capture has been seen through consecutive rigging of elections as claimed by the opposition political parties and the ensuing litigations following almost each election. Most if not all elections since the reintroduction of multi-partism in Zambia have been disputed by the main opposition political parties. They have cited gross irregularities with the campaign and election, including vote rigging, flawed voter registration, unequal and biased media coverage, and improper use of state resources by the political party in power (www.africaliberalnetwork.org). They have attributed the rampant vote rigging particularly in the last elections held in 2016 to highly flawed electoral and judicial systems (www.voanews.com). Suffice to say, the current systems make it quite unlikely or rather impossible for the electoral commissioners and the judges to conduct their work freely and independent of political persuasion and influence as both systems are at the mercy of the politicians as they are the appointing authorities. As such it is claimed that these very important institutions have been unable to make decision which may not be in favor of the appointing authority. This is as a result of a weak institutional set up put in place and cemented by successive political parties voted into power in their quest to consolidate and maintain power.

State capture has also emerged through the behavior and actions of those in political office and their agents who have continued to enrich themselves at the expense of the people. There have been many allegations of plunder of national resources against those in political power with some past presidents seeing their immunity lifted by the national assembly so as to enable them face these allegations in the courts of law. The cases of abuse of office have been so rampant over the years, ranging from the awarding of road and other infrastructural project contracts to the procurement process of various government goods and services at huge and in most cases hyper inflated amounts without following laid down procedures. This has come to be known as tenderpreneurship⁴. The bone of contention here is that these contracts are given to close business associates of those in political power and in return the businesses give financial kick-backs to the politicians in the deals. This has seen many politicians amass so much unexplained wealth within very short periods of time. These are typical cases of rent-seeking behavior by the politicians and their

agents. Their actions have serious consequences to society as resources end up in the hands of very few people while the masses are subjected to poverty and economic hardship. Another bold move in the direction of state capture has been seen in the mining sector. The mining sector is one of the strategic sectors in the Zambian economy with copper exports accounting for over 70% of the value of merchandise exports in 2014 (WTO, 2016). Because of the strategic importance of the mining sector to the economy, the state has to work hand in hand with the businesses in the mining sector. Borrowing from the developmental state model, the state should continually interact with all social role-players and mobilize them behind a vision and strategy for growth and development (Netshitenzhe, 2016). This entails that the state should be embedded among business (and other sectors). The major problem that arises from this model is that businesses tend to arm-twist the government to make decisions that are always in their (business) interest and not in the interests of society as a whole. Many a time have situations arisen when mining firms have threatened to withdraw labor and in some cases threatened to shut down their operations entirely as a result of governments' imposition of certain policies that may not seem to go in their favor. Cases in point include; the introduction of the windfall tax in 2008 which was aimed at benefitting the country as there was a windfall in the revenues earned by the mining firms owing to the high international metal prices; and the recent increase in electricity tariffs in which mines have threatened to downsize their workforce (Is this in Zambia or in all countries? It is not clear from what you have written.) This constitutes state capture as the mining firms have in this regard held the state hostage as they seek to assert their interests by using leverages they command to attain their own objectives. The state actors are therefore forced under duress to make decisions that are in the interests of the few businesses at the expense of society.

The descriptive analysis gives us an understanding of the extent of corruption/state capture in Zambia. Generally, the study has established that corruption can have an influence on key socioeconomic indicators such as the HDI across selected countries. This was observed in various studies which have established association between corruption and socioeconomic indicators such as economic growth and development (Sebake, 2017; UNDP, 2008) and poverty (Becherair and Tahtane, 2017; Absalyamova et al., 2016). They all point to the fact that ending corruption is a one of the necessary preconditions to the achievement of the key socioeconomic outcomes. However, it should be noted that association does not imply causation.

From the descriptive analysis the study has also established that corruption (state capture) is still rife in Zambia although there has been some improvement in the perceptions over the years. This was also noted by DFID (2013). The improvement in corruption perception between 2001 and 2008 is mainly attributed to President

⁴ The term tenderpreneurship emanates from the term tenderpreneur which is a portmanteau of "tendering" and "entrepreneur". According to the Star - a South African newspaper, a tenderpreneur is "someone politically well-connected and who has gotten rich through the government tendering system".

Mwanawasa's efforts to fight corruption. During this period various institutions were established to fight grand corruption such as the Task Force on Corruption (TFC) to prosecute the former President Chiluba and other former top government officials for plunder of national resources. In addition, the fight against corruption was included in the Fifth National Development Plan 2006 - 2011 (FNDP). However, during the period 2008 to 2010, the fight against corruption received a major blow as the TFC was disbanded under President Rupiah Banda's tenure. Following this, Zambia experienced an escalation in corrupt activities particularly in the health sector, causing the perceptions on corruption to get worse. In 2010, various institutions and policies were put in place such as the National Anti-Corruption Policy (NACP), introduction of the Forfeiture of Proceeds of Crime Act no. 1 of 2010, Whistleblower Protection Act No 4 of 2010 and Financial Intelligence Act No. 4 of 2010. Later, Anti-Corruption Act No. 3 of 2012 was enacted (NORAD et al., 2011). After 2011, President Sata committed to intensify the fight against corruption and launched investigations against several former ministers and senior officials (TIZ, 2014)

The study further established that Zambian firms face corruption as one of the major constraints to their operation and growth. TIZ (2014) and NORAD et al. (2011) also noted that corruption is a major impediment to business activity in Zambia. At firm level, the existence of corruption may retard growth of businesses that are not involved in corruption. Corruption distorts the marketplace by substituting corruption for competition in the allocation of businesses and business contracts. This in turn affects the growth of the economy and employment creation. This is because economic growth and employment creation result from the growth of firms. Ndulo (2014) observes that economic development is stunted because foreign direct investment is discouraged and small businesses within the country often find it impossible to overcome the "startup costs" required because of corruption.

Conclusion

The institutionalization of state capture in many societies particularly those in developing countries has contributed to the lack of academic interest in the phenomenon. This paper outlines that state capture is a manifestation of government failure and is based on the principles of the predatory government view of the state in which state agents act as utility maximizers. State capture is a combination of a weak institutional and governance structure which gives room for rent-seeking, lobbying, election rigging and class formation. With weak institutions politicians have significant influence and authority to manipulate the electoral system, appoint the judiciary and the electoral body resulting into decisions that advantage them at the cost of society on the one

hand. On the other hand, firms are able to shape the decisions taken by the state so as to gain specific advantages, often through the imposition of anticompetitive barriers that generate highly concentrated gains to selected powerful firms at a significant social cost.

The paper has laid down that state capture is not merely a symptom but also a fundamental cause of poor governance as the captured economy is trapped in a vicious cycle in which the policy and institutional reforms necessary to improve governance are undermined by collusion between powerful firms and state officials who reap substantial private gains from the continuation of weak governance. The study has established that corruption is rife in Zambia and state capture exists although the perception of state capture/corruption has reduced slightly. The study also reveals corruption/state capture has an influence on socioeconomic outcomes i.e. there is a positive association between corruption/state capture and human development. Further, it has been established that state capture/corruption is one of the major constraints to the operations of businesses particularly those that are not involved in corruption. This in turn affects the growth of the economy and employment creation. This is because economic growth and employment creation result from the growth of firms.

RECOMMENDATIONS

Based on the literature review and analyses, this study recommends that;

- (1) In order to help achieve government's objective of poverty reduction, sustained economic growth, employment creation among others, there is great need to ensure that the various forms of corruption are addressed.
- (2) Strengthening institutions particularly with regard to electoral and judicial systems and ensuring that they are fully independent. This can be done by amending the necessary clauses of the constitution. This can help reduce the levels of corruption/state capture.
- (3) Corruption retards growth of firms therefore addressing it would help enhance growth of firms which would in turn spur economic growth and employment creation.
- (4) It is important that those elected are given a constant reminder that, their interests should be in fulfilling their duties to the nation that they were elected as opposed to fulfilling self-interest.
- (5) Lastly, as advocated by the developmental state, it is recommended that the state should remain autonomous in terms of the content and processes of decision-making. In as much as it has to work hand in hand with businesses, this must not translate into state actors working for, and at the instruction of, a particular business entity.

(6) Much of the analysis has focused on grand corruption, rather than other forms of corruption. This may render any efforts to fight corruption ineffective.

ABBREVIATIONS

CPI, Corruption Perception Index; **GRZ**, Government of the Republic of Zambia; **HDI**, Human Development Index; **SSA**, Sub-Saharan Africa; **TI**, Transparency International; **UNDP**, United Nations Development Programme; **WGI**, worldwide governance index; **WTO**, World Trade Organization.

CONFLICT OF INTERESTS

The authors have not declared any conflict of interests.

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