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THE INFLUENCE OF POLITICAL RISK FACTORS ON PROJECT COMPLETION IN ETHIOPIA

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ABSTRACT

Recently, the problem of construction project implementation had received great contemplation throughout Ethiopia. Therefore, the main aim of this part was to explore the political risk factors affecting the proper implementation of construction projects in Ethiopia. The study used a quantitative research method together with primary and secondary sources of data. For this, one hundred individuals in the construction atmosphere partaken in this study. The study investigated that political risk factors primarily lack of bureaucratic quality, lack of accountability; military based enterprises involvements on construction project, investment profile, socioeconomic situations, corruption, external and internal conflicts, ethnical and religious tensions as well as ineffective implementation of law and order were drastically influenced the degree of construction projects functioning in Ethiopia. Therefore, to improve the degree of implementation of the construction projects success, parties in the construction industry shall continuously improves the degree of bureaucratic quality, democratic accountability, military organization appointment in construction project works, investment profile, socioeconomic conditions, implementation of law and order, corruption, internal and external conflicts as well as tensions by undertaking an effective risk management scheme throughout the project lifecycle. The client, contractors, owners and stakeholders shall hearten the culture of partnership and teamwork because the construction project is whereby several the parties have mutually performed for an extended time. Finally, the correct method for the participants in the construction contracts is to apply cooperative problem-solving arrangement since it promote the economy of time, integrative agreement, efficiency and effectiveness as well as adjustment of complex project atmosphere.

KEYWORDS

Ethiopia, construction, project, risk.

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INTRODUCTION

History tells us that the growth and development of all country in the world was the product of developmental projects, for example, irrigation, road, bridge, dam, electricity, schools and agriculture. But, currently, the construction industry is facing difficulties in the context of controlling risks and uncertainties, ensuing failure and delays of several projects to convene schedules, budget and rarely the scope of work. That's why; several obstacles are wreaked to contractors, clients (end-users) and community. Uncertainties and risks in the construction ambience severely influence the execution of the designed objective and scope of the project within the specified schedule at a given cost, effort and quality. Preliminary researches expressed that the risk in the construction environment is the product of wrong design, lack of finance, poor management, adverse environmental conditions, ineffective legal framework, logistics, physical location and politics. The prior studies further explained that some of these risks naturally forecasted and traced and documented by participants, while some of them wholly unpredicted in nature. For instance, Flanagan and Norman, 1993; and Smith, 2003) uttered that the construction enterprises are facing numerous risks and uncertainties on account of the unique features of the construction activities, such as complicated processes, long term effect, change of the current benefit to future benefit, terrible environment, financial intensity and flexible company structures as compared to that of other industries (Kishan and Rajiv, 2014). In many countries, these risks recognized as a critical obstacle to the successful completion of projects in general and construction projects in particular. However, as per my understanding an examination of the risk that challenge the triumphant accomplishment of the construction projects was not overemphasized in Ethiopia. Hence, this study investigated the influence of political risk components on the functioning of the construction projects in Ethiopia.

NEED OF THE STUDY

In Africa, the use of project money has been increasing in the past 20 years. Ethiopia is one of the developing countries strivings to enhance the level of economic growth and development by short and long-term construction projects. Accordingly, several developmental projects like road, dam, irrigation, railway, power, university and hospital financed by domestic and international debt and internal equity. Ethiopia got a billion-dollar from the local and international financial institutions as well as developed countries to finance projects in general and construction projects in particular. As a result, the country is overload by foreign debt reported at 56 billion dollars in 2019, which is twice of Uganda GDP. The government and stakeholders claimed that significant numbers of local and international construction projects are unsuccessful or quitted and completed but inferior in quality due to inappropriately utilization of funds, skills, scams, poor management, poor contracts, capacity and other factors.

Moreover, they have disputed the quality of mega and micro-projects in Ethiopia. Surprisingly, the general public and political parties, as well as professionals, criticized the regime regarding inferior quality, inadequacy and failure of construction projects considering the administration suddenly initiated the several construction projects without feasibility study only for the sake of political gain. For instance, the different literature provided that the short and long-term project activities impaired by political, commercial and macroeconomic factors. However, to the knowledge of the researcher, in Ethiopia, no study conducted on investigating the influence of political risk on the project implementation in general and construction projects in particular. More subtly, in Ethiopia, devoid of rumors, sentiments and panic towards the quality and volume of the construction projects as per my best experience no scientific study carried out on the influence of political risks on the projects. Hence, the study attempted to investigate political risk factors affecting the successful completion of the construction projects in Ethiopia.

RESEARCH QUESTION

What are the political risk factors influenced the construction projects implementation in Ethiopia?

OBJECTIVE OF THE STUDY

The overall aim of this piece was to explore the view of engineers and other professionals on the political risk factors that affected the construction projects implementation in Ethiopia. Specifically, it has interested to examine whether the nine elements of ICRG political risk index influenced construction projects completion in Ethiopia.

SIGNIFICANCE OF THE STUDY

The importance of this study was to survey the political risk that affected Megaprojects, Medium and Small Construction work in Ethiopia. The findings of this article help the policymakers and stakeholders in avoiding the significant causes of project failure and postponement in the country. More importantly, the outcomes will be enabled the government and contractors to efficiently and effectively complete the construction projects within a specified time by using limited

resources obtained from equity and debt. It facilitates the government to combat social and economic as well as political instability by increasing the public goods and services such as road, dam, irrigation, railway, power, university and hospital. It aids the regime in reducing poverty and public resentment and political instability in the country. It helps the construction industry in recognizing the potential political risks that will hinder them from addressing the desired construction projects at gain with social and green responsibilities. It assists the contractors in vacating participation of unhealthy and high risky construction contracts and helps them in reducing non-value added construction activities. It boosts the relationship among owners, clients, contractors and other stakeholders in the construction environment. It assists the regime in building certain, convenient, productive, efficient, practical as well as the economic atmosphere for the construction industry and the general public. The output of this article assists the government and construction enterprises towards creating efficient and effective collaborative project risk management scheme. It supports the government, owners, contractors, consultants in conducting PEST analysis before make unfruitful contracts agreements. It aids the government and construction industry in fighting frauds and various spoilages in the construction ecology. Evermore, overcome the shortage of literature and research project activities like project evaluation and selection, project finance and execution as well as project management in the world in general and Ethiopia in particular. In the end, it encourages the future researcher to examine other political factors affecting projects functions in Ethiopia.

SCOPE OF THE STUDY

The article was delimited to examine the political risks factors influenced the construction projects implementation in Ethiopia. It applied quantitative research method. The study further selected Engineers and other professionals vigorously involves in the construction environment by using a purposive sampling technique.

REVIEW OF LITERATURE

The researcher examined prior works regarding political factors that impaired construction project work in Ethiopia. The role of the construction project in enhancing the economic growth and development of developing countries similar to Ethiopia is remarkable. At present Ethiopian is executing several development projects in general and construction projects in particular for poverty reduction and other macroeconomic issues. Thus, in addition to the international contractors, Ethiopia government encourages domestic contractors and organized graduated Engineers as small and medium scale contractors. Also, the government provides an incentive for particular foreign and local contractors as well as investors, engages in developmental projects. The fund of these projects is obtained both from equity, domestic and international debts. Accordingly, in the last three decades, the country received a million of dollars from local and internal monetary organizations, and advanced countries. However, scholars, creditors and donors, even government agencies criticized projects resources utilization, failure, postponement and quality of the construction activities in the country. Besides, the general public and creditors have disbelief of quality of the project process and its implementation. In contrast, foreign and domestic contractors and investors are questioning about construction conditions in a country in general and in the regions in particular.

The prior works stated that the failure of the work of the project is a fruit of three risks, namely political, commercial, and economic or financial. Finnerty (2007) expressed political risk as to the involvement of the possibility that governmental authorities in the host legislative jurisdiction might interfere with the timely development and long-term economic viability of the project. This type of risk represents any activities of the host regime affect the projects negatively either by postponing the capital inflows or by directly affecting the profitability of the project. Howell and Chaddick (1994) explained political risk as to the possibility that political decisions, events, or conditions in a country, including those that might refer to as social, will affect the business environment such that investors will lose money or have a reduced profit margin. They include not only the actual action but also the possibility of action taking place, which is the uncertainty that is usually included in the notion of risk. The definition also consists of direct and indirect government actions as equated by their decisions, events and even the conditions in the country, which could affect all investors and contractors (Sara, 2008).

Finnerty (2007) expressed political risk as to the prospect that political authority in the host political jurisdiction might interfere with the timely development and long-term economic feasibility and practicability of the project work. According to this scholar, political risk revealed every act of the host regime that can negatively and directly influence the project activities either by delaying and rearranging the capital or cash inflows or the profitability of the projects.

Sara (2008) explained that political risk is not only related to the actions of the government (such as expropriation of a foreign investment) but also to underlying structures of the political organizations that describe the method as well as process the decisions are executed and whether interfering acts is probable to be executed by the regime (democracy or autocracy). Also, it has consisted of the structure of social within the country that might determine the acts of the regime. Lastly, the researcher stated that the notion of "efficacy of government" will affect the level of political risk in a country, as inefficient bureaucracy may interfere with the timely development of the investment. Furthermore, the researcher expressed government stability as the probability of changes in the regime fundamentally. Accordingly, direct to potential change or reversal of the existing rules and decisions by the prior regime influence the growth and investment. Thus, less stability will address the investors to spend more on current assets because they are more liquid and more comfortable to divest if the government have to change and changes affect the investment. It will lead to less accumulation of physical capital and hence less growth (Feng, 2001). Evermore, the researcher, argued that the challenges of the investors and contractors not only described by democracy and political instability.

Brunetti (1997), in his study, classified the political factor in a diverse country as a democracy, government stability, political violence, policy stability and subjective perception of politics. The investigator justified the consequence of democracy in economic growth and development because most of the advanced countries have democratic scheme of administration while most of developing countries haven't a democratic system of the regime. On the other hand, Brunetti (1997) attested that the influence of democracy on growth in diverse countries was irrelevant. He found the negative effect of political violence on growth is far from clear. Accordingly, what is viewed by an investor as an important aspect, of whether the risk of investing is too big, is the aspect of how easy it will be to forecast what the government will do in the future and how well the investor can rely on the rules already set in place. If the government constantly makes new rules or decisions on how resources are allocated, it becomes difficult for the investor to predict the possible future cash flow of investment. But, whether the rules are changed often or not may not only be reliant upon whether the country is a democracy or not, or whether the political regime is stable. Therefore, these two measures are not adequate in capturing all the political risk to an investor (Sara, 2008). Regarding subjective perceptions of politics, the study offered immaterial and positive relationship between the country experts' perception and growth (or investment in one instance).

Feng (2001) assured the existence of a robust positive relationship between democracy and economic growth in the viewpoint of political freedom, mainly civil liberty and political right and investment. The positive relation is argued to be because democracy requires broad support and consensus in the population to make the political process efficient and secure. On the other hand, the researcher disputed that dictatorship is stay short of the support and hence the constancy and stability that the investors seek while making an investment. Given a bad policy with certainty about its execution, the investor can still find ways to make money" (Sara, 2008).

Sara (2008) concluded that the political risk, that should reflect all risk to an investor from the government's actions, is not adequately captured simply by measures of democracy, government stability or political violence. The researcher further explained that other aspects of the risks perceived by the investor are imperative and ought to include in measuring political risk. Also, the uncertainty of policies is identified as one of the challenges of investor because it is a proxy for the extent of change originated by the government-controlled the policies (Brunetti, 1997). It can be the predictability and credibility of the rules and regulations shaped as it is measured as the volatility of financial and its policies. Thus, the researcher found a negative association among higher volatility and higher growth. Increasingly, the study explained that policy uncertainty was one of the political risks that foreign investors (as well as domestic investors) would assess before making a commitment to their investment. In accordance with ICRG political risk index, politically related predictors include government accountability, socioeconomic conditions, investment profile, internal conflict, external conflict, corruption, military in politics, religious tension, ethnic tensions, law and order, democratic accountability and bureaucracy quality. Howell and Chaddick (1994) noticed the major activity methodologically relates the grand act causing in a loss like civil strife damage and antipathy to the outbreak of the issues akin to ethnic dispute dissolving into open conflict or predictors of the cause or the event (such as the existence of ethnic tension. Auxiliary, the researcher described that the major responsibility of the actors is to identify political decision and acts or social manifestations causes risks to the investor and inspects factors and issues in society at large.

INDEX 1: POLITICAL RISK SERVICE GROUP INDEX

Variable	Points	Assessment of:
Government stability	0-12	A government's ability to carry out its declared program(s) and its ability to stay in office
Socioeconomic conditions	0-12	The socioeconomic pressure at work in a society that could constrain government action or fuel social dissatisfaction. Sub-components are: Poverty, Unemployment and Consumer Confidence.
Investment profile	0-12	Factors affecting the risk to investment not covered by other political, economical and financial risk components Sub components: contract viability/expropriation, profits repatriation, payment delays
Internal conflict	0-12	Political violence in the country and its actual or potential impact on governance
External conflict	0-12	Risk to the incumbent government from foreign actions, ranging from non-violence external pressure to violent external pressure
Corruption	0-6	Corruption within the political system Financial corruption and corruption in the form of excessive patronage, nepotism, job reservation, favour-for favours and suspiciously close ties between politics and business
Military in politics	0-6	Military involvement in politics even at a peripheral level is a diminution of democratic accountability
Religious tensions	0-6	Domination of society and/or government by a single religious group that seeks to replace civil law by religious law and to exclude other religions from the political and/or social process.
Law and order	0-6	Law: The strength and impartiality of the legal system Order: popular observance of the law (people following the law)
Ethnic tensions	0-6	Degree of tension within a country attributable to racial, nationality or language divisions
Democratic accountability	0-6	How responsive government is to its people on the basis that the less responsive it is the more likely is it that the government will fall (peacefully or violently) Ranging from Alternating democracies to Autarchy
Bureaucracy quality	0-4	The strength and expertise to govern without drastic changes in policy or interruptions in government services. Ability to absorb shocks to minimise revision of policy when governments change.

Source: Sara (2008)

The other variables of Political Risk Service group index relevant to the level of project finance given is socioeconomic conditions of country affect the government's actions by fuelling dissatisfaction or social unrest based on poverty, unemployment or consumer dissatisfaction. Such unrest could potentially lead to changes in policies, which may harm the project; e.g. the government poses a new environmental law to increase consumer confidence, a new labor law to lower unemployment or it may demand the project sponsors to build new schools or roads to help the development of the country in exchange for giving permits. The other end of the scale may be civil unrest that eventually leads to more violent measures that may lead to total discontinuation of the project. Or it may be that unrest focusing negatively on foreign operations, may lead to expropriation of such projects/investments.

Military in politics and democratic accountability are related as military in politics will lead to a decrease in democratic accountability. The latter is also important to the project, as it relates to how responsive the government is to its citizens and thus how likely it is that the incumbent government may stay in office. If a government is less responsive to its citizens, it is also less accountable to the citizens, which to an investor means that the government may not do what is best for the citizens and hence the development of the country, but maybe more interested in diverting wealth towards themselves or their allies. It is necessary for an investor in order to trust that the government will support growth and investment and hence the project, and not engage in expropriation or creeping expropriation. It can thus be seen that all the variables in the ICRG political risk index, may be of importance to the investors, and hence to the level of project finance given to a country.

Investment risk also includes the risk of expropriation of the investment by the government and war or internal and external conflicts, which makes the project unable to function correctly or entirely. The second is "change of law" which include factors like: price controls, withdrawal of permits, licenses or concessions, deregulation of the market introducing new competitors, increases in tax, tariffs, import duties or controls, environmental, safety, health and employment rules, creeping expropriation and recognized as a cause of input or revenue risks. All of these can interfere with the operation of the project, and the primary political risk is in government interference by changing the current setting in which the project operates. Lastly, quasi-political risk that includes "sub-sovereign" threat, the risk that lower levels of officials interfering with the viability of the project, and breach of contract which incorporates the risk of the host government not honoring their obligations or the legal system not being objective. This risk of the legal system not providing objective ruling is also mentioned earlier as the many contracts in a project finance deal depends on the legal system of the host country. Thus the literature pointed out that different risk that might source failure of the project in servicing its debt based on cash flow changes, many of the risks are related to governmental interference.

Sara (2008) external conflict indicated that foreign actors' activity in the form of trade sanction that may cause a shortage of supply from other countries to the project against the incumbent government based upon its actions. The democracy is measured by democratic accountability, while government stability is evaluated by democratic accountability and political violence is measured by internal conflict and policy uncertainty is measured by bureaucratic quality. Overall, empirically the challenges of the political risk to the project are described by the risk that particular regime may impose to an investor or contractors similar to the regulatory framework capability to defend property rights of the investors.

Yescombe (2002) the commercial risks, which relates to a project’s construction and operational phase, are covered by variables such as bureaucratic quality in relation to obtaining permits and keeping them even though the government might change. The same risk is also related to the level of corruption in government, as it will be an indication of whether the government or sub-levels or the government might grant favorable terms to local competitors to the project which may hurt the operation of the project. The external and internal conflicts cover for war and conflict risks found in Yescombe’s (2002) investment risk component. The investment risk consisting of war and conflict along with currency convertibility and risk of expropriation namely all those relating to conflicts and tensions while the investment profile covers “change of law” component from Yescombe’s (2002) risk matrix, is mainly covered by bureaucratic quality, as it deals with policy uncertainty and the ability of the government to make predictable policies that do not change when government change. This could also be related to government stability, as it covers the government’s ability to carry out its declared program(s). This would suggest whether the policies made, will be somewhat predictable, as they have declared in the program and hence should not suddenly pose new laws that could alter the profitability of the project. The last component of Yescombe’s (2002) political risk is the quasi-political risk which is taken into account through the two variables “Rule of Law” that looks at the effectiveness of the legal system and “Investment Profile”. The former is highly important in project finance due to the many contacts made, and the latter includes the viability of contracts and thus the likelihood of government breach of contract and also the applicability of the contracts. This is often necessary as the loan taken on the project is denominated in other currencies than the one of the host countries. Developing markets often have poor financial markets that are not capable of providing the funds needed for the project, in which case the loan is denominated in foreign currency (Sara, 2008).

INDEX 2: YESCOMBE’S RISK MATRIX

Risk components	Sub-components
Commercial risks	Commercial viability Completion risks Environmental risks Operating risks Revenue risks Input supply risks Force majeure risks
Macro-economic risks	Inflation Interest rate risks Exchange rate risks
Political risks	Investment risks Change of law risks Quasi-political risks

Source: Yescombe (2002) in Sara (2008).

Smith (1997), divided the political risk into three categories, which are very sound based on what was found under project finance and the events that can make a project fail. These are traditional political risks such as expropriation, currency convertibility and transferability, political violence (war, sabotage, and terrorism). Regulatory risk such as risk from unanticipated regulatory changes (taxation, foreign inv. laws (output price)), and Quasi-commercial risks that include risks when having state-owned supplier or customer with the questionable willingness to fulfilled obligations.

Sara (2008) divided the whole ICRG’s political risk index variable into three namely quality of Institutions (bureaucratic quality, corruption, democratic accountability, social conditions, law and order, military in politics); conflicts and tensions (ethnic tension, religious tension, external conflict and internal conflict) and policy quality (government stability and investment Profile). Sara (2008) found that “changing legislation”, “war and conflicts” and “legal system and property rights” were the main political risks to a project. Further, the researcher stated that the inadequacy of institutions does lead to more project finance loans, which leads to the conclusion that such syndicated loan types can help deter some of those risks. Tension and conflict have no effect on whether project finance loans are preferred to full-recourse syndicated loans.

The Hainz and Kleimeier (2006) model of double moral hazard disclosed that firm moral hazard (managerial influence on the probability of success, firm effort costs, the economic health of the country, and country corporate governance) and bank morla hazard (Bank influence on the probability of success and Bank effort cost).

The best way of measuring political risk is through a measure of subjective perception of political risk. The perceptive measure WGI was used by Hainz and Kleimeier (2006) but possessed undesirable characteristics as it is a non-consistent aggregation of several other primary measures making it conceptually flawed and unusable for comparison across time and countries. All in all, the main problem of Hainz and Kleimeier (2006) in the measurement of political risk is the use of WGI measures, which are not well defined and misleading when compared across time and country, and at the same time, the political risk variables is an aggregation of different measures that allow the reader little information on the real aspects of political risk that leads to the use of project finance. Therefore, the current study examined the influence of political risk dimension on project activities, mainly construction projects implementation in the country.

RESEARCH METHODOLOGY

The researcher used a quantitative research method because, under this method, the investigator tested the assumptions, questions and theories to create information on the factors. The study used both primary and secondary sources such as the respondent’s opinion and previous works on projects works. More subtly, the primary source was obtained via self-administered questionnaire from Engineers and other professionals in the construction environment in Ethiopia. For sample size determination, the study purposely selected 100 Engineers and other individuals in the construction industry in the country. The study used both descriptive and inferential analyses for data analysis and interpretation. Consequently, it has employed multiple regression analysis executed by STATA-13. This study was based on the subjective perception of measure of the political factors. Thus, it has employed the subsequent multiple regression model:

$$\text{Model "A": } CP = \alpha_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_5 + \beta_6 X_6 + \beta_7 X_7 + \beta_8 X_8 + \beta_9 X_9 + e_i$$

Where, CP= Construction project; β_i =Coefficient for X_i

- X1 = Lack of bureaucratic quality
- X2 = Lack of democratic accountability
- X3 = Internal and external conflicts
- X4 = Military organization in construction
- X5 = Investment profile
- X6 = Socioeconomic Conditions
- X7 = Corruption
- X8 = ineffective implementation of Law and Order
- X9 = Ethical and religious tensions
- Ei = Residual errors

RESULT AND DISCUSSION

In this part, the study discussed the findings on the political risk that affected the construction project activities such as finance and implementation in Ethiopia.

TABLE 1: MODEL SUMMARY

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics					Durbin-Watson
					R Square Change	F Change	df1	df2	Sig. F Change	
1	.874 ^a	.764	.723	.464	.764	18.660	13	75	.000	1.900
a. Predictors: (Constant), Lack Of Bureaucratic Quality, Lack Of Democratic Accountability, Internal and External Conflicts, Military organization in construction, Investment Profile, Socio-economic Conditions, Corruption, Ineffective implementation of Law and Order and Ethical and Religious Tensions										
b. Dependent Variable: Construction Projects Implementation										

As indicated in the above table, the model was fitted at a significant level of 0.05 as its F and the Durbin-Watson test were 0.000 and 1.90, respectively. Similarly, it can be seen from Table1 that the model was statistically considerable at P-value of F statics of 0.000 as compared to that of the critical level of 0.05. Therefore, the predictors dependably predict the outcome variable, construction projects implementation. Evermore, as the P-value was less than 0.05, the study stressed that the collection of predictors indicate the momentous correlation with the endogenous variable, or that the group of independent variables consistently predict the construction projects implementation.

The R2 of 0.764 reveals that about 76.4 per cent of the variability of construction projects implementation is determined by the selected political risk factors in the constructed model, namely lack of bureaucratic quality, lack of democratic accountability, internal and external conflicts, military-based enterprises participation in the construction project, investment profile, socio-economic conditions, corruption, law and Order, internal conflict, external conflict and ethical and religious tensions.

The adjusted R2 depicts that 72.30 per cent of the unpredictability of Project Finance and its implementation in Ethiopia is accounted for the model, even after taking in to account the number of independent variables in the constructed model. The R2 of political factors indicated that the degree lack of democratic accountability, internal and external conflicts, military enterprises participation in the construction project, investment profile, socio-economic conditions, corruption, internal conflict, external conflict, law and order, ethical and religious tensions significantly affected the construction projects implementation in the country. It further indicated that the predictive power of the model construct was greater and suggested that there was a considerable combined effect of political risk factors on the construction projects implementation in Ethiopia. These figures were adequate and in fact, meet the rule suggested by previous literature.

These results suggested that political predictors similar to bureaucratic quality, democratic accountability; internal conflict, military politics, investment profile, socio-economic conditions, corruption, external conflict and ethnical and religious tensions had highly impaired the construction project activities for example project finance and implementation in Ethiopia. Also, the findings revealed that other political factors might describe 23.60 per cent of the variance in the constructed model.

TABLE 2: ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	52.233	13	4.018	18.660	.000 ^b
	Residual	16.149	75	.215		
	Total	68.382	88			
a. Dependent Variable: Construction Project Implementation						
b. Predictors: (Constant), Lack of Bureaucratic Quality, Lack of Democratic Accountability, Internal and External Conflicts, Military organization in construction, Investment Profile, Socio-economic Conditions, Corruption, Ineffective implementation of Law and Order and Ethical and Religious Tensions						

The ANOVA outcome provided that the variance among the variables in the model were statistically significant at F-value of 18.66 and P-value of 0.000. Therefore, the model was fitted and properly measured factors influenced construction projects implemented in a country. In the same way, the variance in the model was constant; its mean value was 4.18 and F value was 18.60. Then, from Table 2, it can be observed that the p-value of F statics is statistically considerable, which means with a p-value of .000, the model is statistically meaningful.

TABLE 3: POLITICAL RISK FACTORS INFLUENCE CONSTRUCTION PROJECTS IMPLEMENTATION IN ETHIOPIA

Predictors	Beta	Std. Error	t	p	VIF
Lack of Bureaucratic quality	-0.207	0.267	2.992	0.101	4.956
Lack of democratic accountability	-0.232	0.071	1.658	0.068	5.001
Internal and external conflicts	-0.145	0.057	1.849	0.027	1.314
Military organization in construction	-0.167	0.192	2.260	0.091	3.028
Investment profile	-0.277	0.027	1.714	0.001	2.048
Socio-economic Conditions	-0.187	0.053	3.448	0.003	1.152
Corruption	-0.401	0.068	3.102	0.000	1.877
Ineffective implementation of Law and Order	-0.48	0.111	5.219	0.704	5.011
Ethical and religious tensions	-0.125	0.059	0.381	0.064	1.405
<i>Significant at 0.01, 0.05 and 0.10 significant levels</i>					

In Table 3, coefficients of predictors revealed that change in one unit of sole predictor could cause change in the construction projects implementation, given that all other variables in the model are held constant. Thus, we would expect a decrease of 0.207 in the extent of the construction projects implementation for every one unit increase in lack of bureaucratic quality holding all other predictors stable in the model. In the same way, a decline of 0.207 in the construction projects implementation score for every one unit amplifies in inefficient and effective bureaucracy in Ethiopia. So, the study finalized that the lack of bureaucratic quality was considerably impaired the construction project activities in Ethiopia.

This finding was justified by the ongoing policy insecurity and bureaucratic inefficient as well as ineffectiveness due to political transition in Ethiopia. More subtly, in Ethiopia, mainly Oromia and Amahara regions a lot of project activities, mostly project finance and implementation prejudiced due to deficiency of bureaucratic quality as well as uncertainty. The issue was even worse in Oromia whereby government offices and structure almost harm, in return, many projects were collapsed otherwise postponed in the last fiscal years. Surprisingly, Medias report attested that many project sites were burned and quitted in these regional states during 2019. Therefore, the policy uncertainty measured by bureaucratic quality becomes political risk as domestic and foreign contractors will evaluate before committing their investment and postpone their investment in the country until the condition is certain. In the same way, if a country is experiencing volatility in government capacity to make decisions and hence in their efficiency in allocating resources or in the monetary and fiscal policies made, a country will most likely experience lower investment and lower growth, as investors will put off their investments until it is more certain what will happen. Sara (2008) stated that the notion of efficacy of government affect the level of political risk in a country, as inefficient bureaucracy may interfere with the timely development of the investment.

The finding was supported by the piece of evidence such as (Sara, 2008, Feng, 2001 and Political Service Group). For instance, Political Risk service Group expressed bureaucratic quality as the strength and expertise to govern without drastic changes in policy or interruptions in government services and ability to absorb shocks to minimize revision of policy when governments change. Moreover, the policy uncertainty result from the variability of government capacity or fluctuation of

government capacity indicates that the government lacks consistency in its power to get work done. Feng (2001) justified that uncertainty concerning government effectiveness can be more adverse than the policy itself by deterring investors or contractors from committing their assets. The study further explained that given a lousy system with certainty about its execution, the investor and contractors can still find ways to make money.

Regarding lack of democratic accountability, we would expect to diminish of 0.232 in the construction project implementation for each one unit augment in lack of democratic accountability, assuming that all other predictors in the model are held constant. Likewise, a 0.232 reduce in democratic accountability resulted in a 0.232 unit drop in the extent of construction project realization in Ethiopia. The finding revealed a shortage of democratic accountability in Ethiopia regarding the project activities, mostly construction project implementation. The extent of a failed project acknowledged this and low-quality project works because of the absence of democratic accountability in Ethiopia such as Oromia, Amahara, and SNNP. Empirically, it has measured by how the regime is the responsive regime to its people on the basis that the less responsive it is, the more likely that the government will fall (peacefully or violently) ranging from alternating democracies to autarchy. Further, Sara, (2008) confirmed that democratic accountability is important to the project works because if a government is less responsive to its citizens, it is also less accountable to the citizens, which to an investor means that the government may not do what is best for the citizens and hence the development of the country, but maybe more interested in diverting wealth towards themselves or their allies. It is necessary for contractors to trust that the regime will hold up growth and investment and hence the project, and not engage in expropriation or creeping expropriation. Yescombe's (2002) treated that bureaucratic quality as political risk as it related to government stability and its ability to execute its declared program(s). This would suggest whether the policies made, will be somewhat predictable, as they have said in the program and hence should not suddenly pose new laws that could alter the profitability of the project. Thus, the study generalized that the lack of democratic accountability was drastically affected the extent of the construction projects implementation in the country.

Concerning internal and external conflicts, we would expect an increase of 0.145 in constructions project implementation score for every one unit decrease in external and internal conflicts keeping all other variables in the model constant. The Political Risk Service Group index claimed that political violence in a particular country had an actual or potential impact on the governance of project activities. Theoretically, the civil unrest and internal conflict lead to the discontinuation of the project. Moreover, it may be that unrest focusing negatively on foreign operations, might direct to the expropriation of projects or investments. Sara (2008) external conflict indicated that international actors' activities in the form of sanctions that may cause a shortage of supply from other countries to the project against the incumbent government based upon its actions.

Moreover, the current political and internal conflict, mainly Oromia, Amahara and South Nation Nationality regions are impaired construction projects implementation and its finance in the country. Political Risk Service Group index expressed the external conflict as a risk to the current government from foreign actions, ranging from non-violence external pressure to violent external pressure. This is true in the context of Grand Renaissance Dam for the reason that certain Western, Arab and African countries as well as International Monetary Institutions disgruntled Ethiopia to finance the project due to Egypt and Sudan claim over the Nile River. Thus, the outcome of the study confirmed that the critical impact of internal and external conflicts on the construction projects execution mainly project finance in the country. In the same way, the investigation claimed that the current domestic conflict, political violence as well as political sentiment with Egypt and Sudan on Great Renaissance Dam critically influenced the extent of constructions project implementation mainly project finance in the country in general and Oromia, Amahara and Southern regional states in particular.

Concerning the military organizations in the construction projects, the researcher would expect an increase of 0.167 in construction projects implementation score for every one unit decrease in the military organization in construction assuming that all other variables in the model are held constant. The finding acknowledged by Political Risk Service Group index seeing that they stressed that military in politics even at a peripheral level is a lessening of democratic accountability, in return, project activities mainly project finance. Thus, the study explained that the involvement of the military in construction in Ethiopia was significantly affected the extent of democratic accountability and bureaucratic quality, in response, the construction projects activities such as project finance in Ethiopia. More importantly, the finding supported by the case of Metal and Industrial Engineering (METEC) led by Ethiopia Military department participated on several Megaprojects such as Grand Renaissance Dam, Fertilizer, Sugar and many other projects mainly before the Prime Ministry Dr Abiy Ahimad came to power. Therefore, the study found that the involvement of military Organizations in construction project and economy of the country treated as one of the political risk factors harming the extent of construction projects implementation in the country.

Also, we would expect an increase of 0.277 in construction project implementation for each one unit lesson in investment profile such as ineffective contract viability, or expropriation, profits repatriation and delay of project payment, keeping all other predictors constant in the model. So, the study generalized that expropriation; profit repatriation and suspension of project payment were the major political risk factors that affected the level of construction project activities such as finance and implementation in Ethiopia.

Moreover, the researcher would expect a 0.187 raise in the construction projects implementation for each one unit decrease in socio-economic conditions for example poverty, unemployment and consumer dissatisfaction keeping all other predictors silent in a model. Regarding the impacts of socio-economic conditions, the previous studies confirmed that socio-economic conditions such as (poverty, unemployment or consumer dissatisfaction) of the particular country manipulate the actions of government towards the project finance by rising the displeasure or social turmoil. Because of this type of turmoil and unrest potentially direct to modification of policies, which might damage the project; e.g. the government poses a new environmental law to increase consumer confidence, a new labor law to lower unemployment or it may demand the project sponsors to build new schools or roads for sustaining the development of the country in exchange for giving permits. Then, the researcher finalized that the current social and economic turmoil in Ethiopia mainly Oromia Amahara, Tigray and SNNPE regions were significantly affected the extent and quality of construction projects implementation.

On the subject of corruption, the researcher expects a decline of 0.401 in construction projects implementation score for every one unit augment in corruption holding all other predictors constant in the constructed model. The previous literatures indicated that corruption within the political system includes financial corruption and corruption in the form of excessive patronage, nepotism, job reservation, favor-for favors and suspiciously close ties between politics and business were had caped the extent of project finance and its implementation. For instance, Yescombe (2002) stated that the level of corruption in government would be an indication of whether the government or sub-levels or the government might grant favorable terms to local competitors to the project which may hurt the operation of the project. The present report in Ethiopia regarding project work indicated the incidence of significant corruption and fraud allegation towards project work executed by both domestic and foreign contractors. Therefore, the findings acknowledged the presence of considerable impact and involvement of corruption corresponding to construction project functions in the country. The findings were attested by the report of Ethiopiatimes on May 22, 2014 as it has indicated that about 24 percent of the whole value of government contract involves illegal disbursement. Moreover, Addis Standard during 2014, indicated the existence of sever corruption in the construction environment.

Evermore, the researcher would expect a decrease of 0.48 in the degree of construction project implementation for every one unit amplify in ineffective application of law and Order holding all other variables steady in the model. The Political Risk Service Group index stated that Law as the strength and impartiality of the legal system of the country whereas widespread order observance of the law. Therefore, the finding exposed that the construction, business, investment, procurement, tax, environmental and accounting legal frameworks were significantly influenced the construction project completion due to improper implementation and impartiality among contractors, owners and stakeholders. The finding further justified the incidence feeble regulatory framework on the project contract in the country that may cause frauds and unfairness among the contractors and stakeholders. Sara (2008) found that "changing legislation", "war and conflicts" and "legal system and property rights" were the main political risks to a project. Empirically, the risk was resulted from the change of legislation like price controls, permits, profit transfer, duties, taxes, deregulation, rules, exchange rate, expropriation outright and creeping) and breach of contract.

In the end, the study would expect a dwindle of 0.125 in the extent of the construction projects implementation for every one unit raise in ethnical and religious tensions assuming that all other variables in the model are held constant. In other words, the more ethical and religious tensions in the country, the higher the likelihood of construction project failure as a result of a lack of finance and instability. Empirical shreds of evidence assured that ethical and religious tensions indicated the magnitude of tensions in a particular country caused by political, racial, nationality or language divisions. Therefore, the current ethical and religious tensions in the country have critically affected the extent of construction projects implementation in the country. More evidentially, the ethical and religious tensions in Amahara, Oromia, Southern Nations and Nationality People of Ethiopia and Tigray have critically impaired the magnitude and quality of the developmental projects in general and the construction project in particular. This was assured by Gamshu Beyena's construction project; mainly construction site was

destroyed in Amahara Region of Ethiopia in 2019 because of his ethnic group. More recently, the finding is supported by the issue of Geda Construction Enterprise in Addis Ababa (Finfinne) Meskel Square construction activities. The condition was supported by prior literature such as Howell and Chaddick (1994) civil unrest or people strike, conflict and tensions that may be cause political instability or hostility damaged the project functions where the investor has invested.

In general, the extent of construction projects implementation was significantly affected lack of bureaucratic quality, lack of accountability, a military organization involvement in construction, investment profile, socio-economic conditions, Ineffective implementation of law and order, corruption, external and internal conflicts as well as ethnical and religious tensions at 0.10, 0.05 and 0.01 significant levels. More evidently, investment profile, socio-economic conditions, corruption, internal and external conflicts have harshly impaired the extent of construction projects implementation in Ethiopia at a p-value of 0.01. Finally, the predictors highly uncorrelated as their variance inflation factors were less than 10. The findings justified by the report of Transparency International on Ethiopian Corruption written by Rahman (2019).

RECOMMENDATIONS

1. To increase the degree of implementation of the construction projects in the country, the government shall improve the extent of bureaucratic quality by optimizing and toning the procedures and methods otherwise removing the non-value added requirements in the construction atmosphere.
2. The government shall improve bureaucratic quality regarding projects in general and the construction project in particular by correct policy uncertainty; make predictable policies, boost administration ability to perform its declared program so that policies made will be fairly predictable, and hence should not suddenly pose new laws that could alter the profitability of the project.
3. To boost the degree of implementation of the construction projects in the country, better if the government advances the culture of bureaucratic quality by developing an effective system like changing conditions for accountability, shared power, collaborative decision process, results-oriented management, robust audit, broad civic participation, media, and state inspector the on construction issues.
4. In the country, citizens are most of the time not allowed to act as a principal and accountability holder in the construction environment. So, instead of waiting for the next election, the government must apply participatory policymaking in which citizens can take an active role in the completion of a construction project through search ways to hold those in power accountable as well as reclaim their significant role towards the construction projects implementation.
5. The superior for the regime is to strengthen the construction system that encourages administrators and professionals share of responsibility and hold them accountable for the postponement and incompleteness as well as failure of the construction projects.
6. To surmount the problem of individual accountability and collective accountability in the construction atmosphere Ethiopia, the government and other stakeholders shall implement institutional accountability (juridical person), hierarchical accountability (minister, board president, CEO) and collective accountability (all individuals of an organization) and modified personal accountability. For the local governments, the administration shall form independent domestic constructions reviewers, for example, auditors, state inspectors, mass media and evaluators to enhance the issue of accountability that affected the local construction enterprises.
7. As delay and failure of big projects can be reasons for economic, financial, social and political turmoil in the country, the government shall limit the involvement of military enterprises in the construction projects, primarily mega projects otherwise offer them based on their capacity.
8. It is advisable if the government broadens the country's investment profiles to encourage the construction enterprises through enhance contract feasibility; reduce contract expropriation, profit repatriation and payment delays. The study further recommended that the government shall focus on the two components of the quasi-political risk, namely effectiveness of the legal framework of construction and investment profile because they are very imperative in construction project finance and viability of contracts due to the various agreements made, the likelihood of government breach of contract and applicability of the contracts respectively.
9. It is necessary for contractors in order to trust that the government will support growth and investment and hence the project, and not engage in expropriation or creeping expropriation.
10. The government shall give attention to frauds in the construction environment as it causes incompleteness and project failure. Moreover, the right ways for the government and construction industry are to diminish the financial corruption and corruption in the form of excessive patronage, nepotism, job reservation, and favour-for favours and suspiciously close ties between politics and contractors. Evermore, to shrink the extent of corruption and scams in the construction environment, the concerned bodies shall take proactive measures like formulating independent frauds investigation team and code of conducts for the constructions enterprises.
11. The better mechanism for government, contractors, owners, consumers and stakeholders shall give attention to political violence in and outside the country and their actual or potential impacts on the construction projects governance and implementation at every stage of the project lifecycle. The study further provided that the output supported by the most recent internal conflict in some areas of the country where project sites were burned and postponed or else winding up. Regarding the external conflict, the findings acknowledged by disagreement between Ethiopia, Egypt and Sudan on Great-Renaissance Dam, in return, restrained Ethiopia from foreign financial assistance and credits.
12. The researcher recommended that the government, contractors and community at large work together to restrain from cause tensions within a country attributable to racial, religious, nationality and language divisions as they damage the development of the country in general and construction infrastructures and project implementation in particular. These findings assured by the present tensions between specific groups of community in specific regions of the country.
13. The right way for the policymakers and government to make certain and expedient construction rules and regulations which includes factors such as price controls, withdrawal of permits, licences or concessions, deregulation of market introducing new competitors, increases in tax, tariffs, import duties or controls, environmental issues, safety, health and employment as they make the project unable to function properly or entirely. The policymakers shall give due to intention regarding change of the legal construction frameworks includes price controls, withdrawal of permits, licences or concessions, deregulation of the market introducing new competitors, increases in tax, tariffs, import duties or controls as they cause input or revenue risks.
14. The study further suggested that the government shall consider the quasi-political risk or sub-sovereign risk that the lower levels of officials like zones, districts and town administrations interfering with projects feasibility, project finance and breach of contract which incorporate the risk of the administration not respect their commitment or the legal system not objectively apply. It is advisable if the contractors and stakeholders properly implement construction rules and regulations as it affects the operation of the project and adopts quickly new setting under which the project operates.
15. It is better if the government advances the culture of bureaucratic quality by developing an effective system like changing conditions for accountability, shared power, collaborative decision process, results-oriented management, strong audit, broad civic participation, media, and state inspector the on construction issues.
16. The concerned bodies shall give due attention to deal-breakers that indicates fatal flaws in projects that would delay project success and criteria such as social-cost-benefit, public support, political viability, jurisdictional, complexity, constructability, revenue source, contractors interest, enabling legislation and environmental permits.
17. It is better if the parties in the construction projects appropriately apply the seven project viability screening procedures, namely establish integrated team, develop project viability criteria, deal-breaker screening, project viability screening, prepare project short-list, prepare feasibility or business case and obtain board approval.
18. The client, contractors, owners and stakeholders shall encourage the culture of partnership as well as collaboration because the construction project is where several the parties have mutually works for an extended time. Likewise, the right method for the parties in the construction contracts is to apply joint problem-solving arrangements because it promotes economies of time, integrative agreements and improvement in efficiency, effectiveness and economic allocations as well as adjustment of the sophisticated project atmosphere.

19. The study recommended that the concerned bodies must provide notice to the project risk management system because widely it recognized as one of the most critical procedures and capacity areas in the field of project management and grantees a project be successfully finished.
20. It is favourable if the government and contractors create the risk database management system and apply the modern construction technology instruments to identify the potential risks and shrink the chances of postponement and incompleteness of construction in the country.
21. Better if the concerned parties provide risk management training for the individuals to increase their level of knowledge on formal risk management process and understanding in the construction atmosphere.
22. Healthier if further researchers broadly investigate factors that influence project works in Ethiopia.

CONCLUSIONS

1. The study has paid attention to the growing need for investigating the effects of political risks on construction projects implementation in Ethiopia. The study concluded that lack of bureaucratic quality, lack of democratic accountability, military in politics, investment profile, socio-economic conditions, corruption, external conflict, internal conflict, ethnical and religious tensions considerably influenced the completion of construction projects in Ethiopia at 0.10, 0.05 and 0.01 significant levels. More importantly, the study has documented that investment profile, socio-economic conditions, corruption, internal and external conflicts significantly influenced the extent of completion of the construction projects at 0.01 critical level.
2. Political risk measured in terms of lack of bureaucratic quality has a significant impact on the extent of completion of the construction projects in Ethiopia. The study further indicated the incidence of high complex bureaucracy scheme in construction frameworks in Ethiopia.
3. Political risk considered in the context of lack of democratic accountability has considerable influence on the degree of achievement of the construction projects in Ethiopia.
4. Political risk measured in terms of the military in a construction atmosphere in Ethiopia has a significant influence on the extent of completion of the construction projects in Ethiopia. The study further provided evidence that having a military in the construction projects in Ethiopia makes the completion of the construction project worse in the country. More importantly, the finding acknowledged by delay and incompleteness of mega construction projects such as Grand-Renaissance Dam, Fertilizer, Sugar and hydropower and roads in the last two decade.
5. Political risk measured in the perspective of the investment profile in Ethiopia has considerable influence on the amount of triumph of the construction projects in the country.
6. Political risk measured in terms of socio-economic conditions has a significant influence on the extent of implementation of the construction projects in the country. The finding acknowledged by the current socio-economic situations such as social unrest, civil unrest, poverty, unemployment and community discontent in Oromia, Amahara and Southern Ethiopia regions where many projects delayed otherwise failed.
7. Political risk measured in the viewpoint of corruption has a considerable influence on the magnitude of implementation of construction projects in Ethiopia.
8. Political risk measured insight of internal and external conflicts significantly influenced the completion of the construction projects in the country.
9. Political risk measured in the prospect of ethnical and religious tensions were significantly influenced by the proper implementation of the construction projects in Ethiopia.
10. Political risk in the context of ineffective implementation of law and order has a critical influence on the magnitude of implementation of the construction projects in the country.

SCOPE FOR FUTURE STUDIES

1. Evaluation of project finance utilization in Ethiopia.
2. Studies on construction project evaluation in Ethiopia.
3. Investigating the project management system in Ethiopia.
4. Studies on building project risks in Ethiopia.
5. Researches on project finance in Ethiopia; and
6. Investigating the influence of Political Risk factors on Project Finance.

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APPENDIX

QUESTIONNAIRES

DEPARTMENT OF COMMERCE, PUNJABI UNIVERSITY, PATIALA, PUNJAB, INDIA
Survey instrument

Dear Participant,

This research is entitled as **“THE INFLUENCE OF POLITICAL RISK FACTORS ON PROJECT COMPLETION IN ETHIOPIA.”** The researchers is Mr. Keno Telila Mijena who is currently a PhD (in Commerce) Scholar at the Punjabi University, Patiala, India.

The primary objective of this research is to comprehend the views of Engineers and Other professionals in Ethiopia towards the influence of political risk factors on the construction projects implementation in Ethiopia. The researcher seeks to gather pertinent information from purposely selected Engineers and other participants by self-administered questionnaire. Participation in this project is completely based on your willingness. The self-administered questionnaire results will be recorded anonymously and strict confidentiality will be maintained. Individual responses will not be identified in the investigator’s research work.

For additional information, please contact **KENO TELILA MIJENA** by the subsequent address: E-mail: qanotelila@yahoo.com

With kind regards!

Keno Telila Mijena

Researcher and lecturer at Wollega University, Ethiopia

PART I: GENERAL INFORMATION

1. Your age?
 - A. Less than 20 years old
 - B. Between 20-40 years of old
 - C. Between 40-60 years of old
 - D. Above 60 years of old
2. Gender:
 - A. Male
 - B. Female
3. Relationship:
 - A. Marriage
 - B. Un marriage
 - C. Divorce
4. Level of Education:
 - A. TVET
 - B. First degree
 - C. MSc
 - D. Others
5. Types of your business organization:
 - A. Private Enterprise
 - B. Public Enterprise
 - C. Other
6. Form of your organization:
 - A. Sole proprietorship
 - B. Partnership
 - C. Share Company
 - D. Private limited company
7. Your responsibility in the business?
 - A. Owner
 - B. Project Manager
 - C. Other professionals
8. **Your experience**
 - A. Less than 5 years
 - B. Between 5-20 years
 - C. Over 20 years

QUESTIONNAIRE ON BASIC VARIABLES OF THE STUDY

Please state your agreement or disagreement to the statements listed in the subsequent table and please tick (✓).

Political Factors	Strongly agree	Agree	Moderately agree	Disagree	Strongly disagree
I believe that government stability affect construction project implementation in Ethiopia	05	04	03	02	01
I think that socio-economic conditions influence construction project implementation in Ethiopia	05	04	03	02	01
I believe that investment profile influence construction project implementation in Ethiopia	05	04	03	02	01
I believe that internal conflict influence construction project implementation in Ethiopia	05	04	03	02	01
I believe that external conflict influence construction project implementation in Ethiopia	05	04	03	02	01
I believe that corruption influence construction project implementation in Ethiopia	05	04	03	02	01
I believe that military organization involvements in construction environment influence construction implementation in Ethiopia	05	04	03	02	01
I believe that religious tensions influence construction project implementation in Ethiopia	05	04	03	02	01
I believe that ineffective implementation of law and order influence construction project implementation in Ethiopia	05	04	03	02	01
I believe that ethnic tensions influence construction project implementation in Ethiopia.	05	04	03	02	01
I believe that lack of democratic accountability influence construction projects implementation in Ethiopia	05	04	03	02	01
I believe that lack of bureaucracy quality influence construction projects implementation in Ethiopia	05	04	03	02	01

Thank You Very Much for your understanding!!

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With sincere regards

Thanking you profoundly

Academically yours

Sd/-

Co-ordinator

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