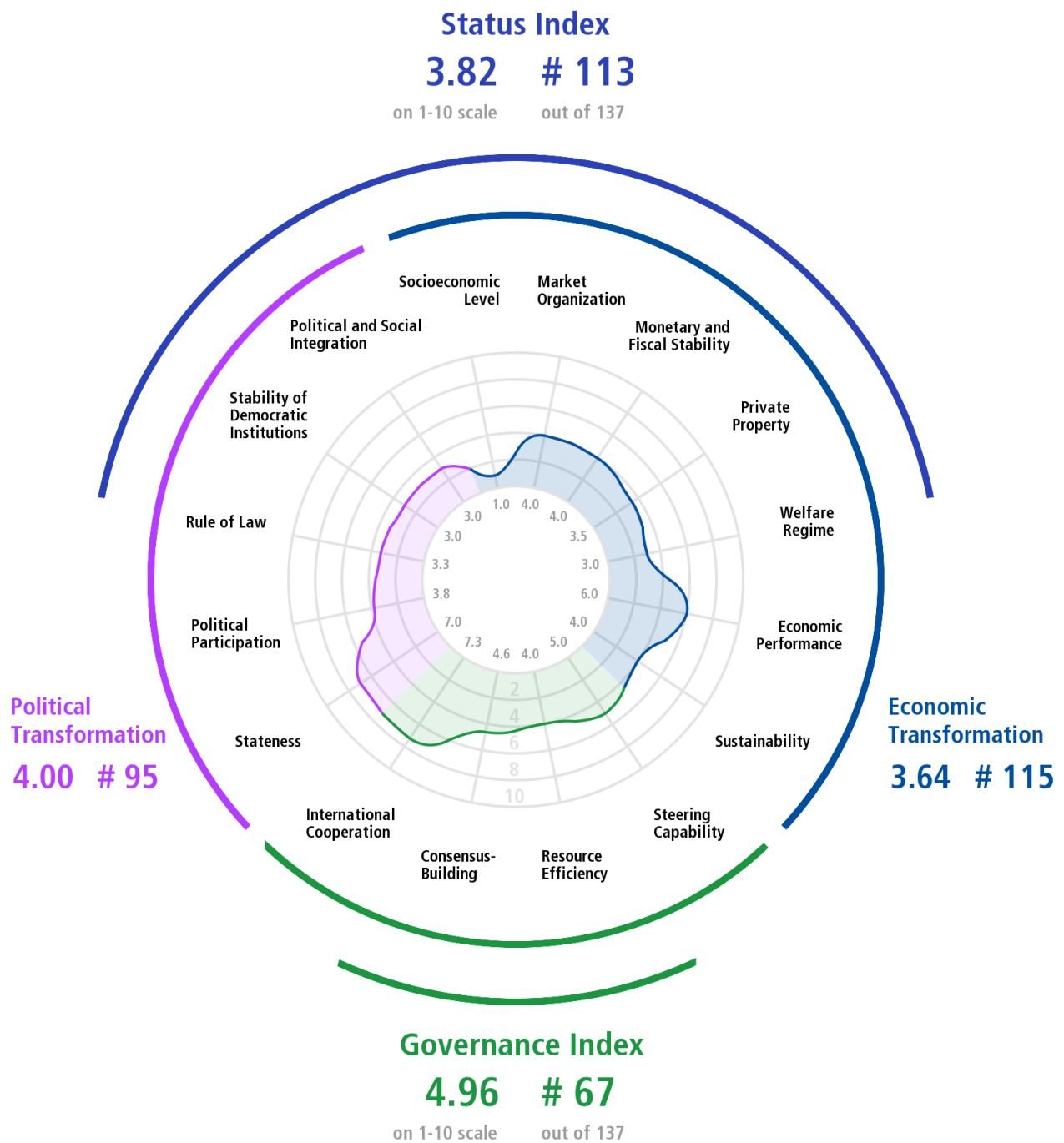


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# Ethiopia



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**Key Indicators**

|                          |        |              |                                |              |                      |               |
|--------------------------|--------|--------------|--------------------------------|--------------|----------------------|---------------|
| Population               | M      | <b>109.2</b> | HDI                            | <b>0.470</b> | GDP p.c., PPP \$     | <b>2019</b>   |
| Pop. growth <sup>1</sup> | % p.a. | <b>2.6</b>   | HDI rank of 189                | <b>173</b>   | Gini Index           | <b>35.0</b>   |
| Life expectancy          | years  | <b>65.9</b>  | UN Education Index             | <b>0.335</b> | Poverty <sup>3</sup> | % <b>68.9</b> |
| Urban population         | %      | <b>20.8</b>  | Gender inequality <sup>2</sup> | <b>0.508</b> | Aid per capita \$    | <b>38.7</b>   |

Sources (as of December 2019): The World Bank, World Development Indicators 2019 | UNDP, Human Development Report 2019. Footnotes: (1) Average annual growth rate. (2) Gender Inequality Index (GII). (3) Percentage of population living on less than \$3.20 a day at 2011 international prices.

## Executive Summary

Ethiopia has undergone a dramatic change of government since April 2018, under its new Prime Minister Abiy Ahmed. His predecessor, Hailemariam Desalegn, resigned in February 2018, after it became obvious that his government had not found an acceptable answer to the country's many ethnic conflicts and social clashes. Through his resignation, he opened up the space for less repressive and more conciliatory policies.

Hailemariam Desalegn failed to accommodate people's grievances (for example, concerning land appropriation) and to address issues of lack of accountability, lack of democratic participation and sociopolitical inequality. The overall situation was one of political stalemate, disorder and distrust. The events in 2017 and 2018 were overshadowed by persistent demonstrations and protests by the people against political repression, perceived inequalities in land allocation and dispossession. Tens of thousands of demonstrators were arrested, and hundreds of people lost their lives to violent repression.

With the election of Abiy Ahmed by parliament by a large majority, a 25-year period of Tigrayan dominance ended. Nonetheless, the Tigray – an ethnic minority representing hardly more than 7% of the Ethiopian people – still dominate the security and military forces, and it is not guaranteed that the high officeholders in the administration and army of Tigrayan descent will accept disempowerment quietly.

Abiy Ahmed – an Oromo by tribe – studied economics and peace and security studies in Addis Ababa and London.

In April 2018, the government lifted the state of emergency, released thousands of political detainees, and implemented a policy to create regional peace with the government of Eritrea.

In October 2018, the new prime minister introduced a new cabinet, with Aisha Mohammed as minister of defense. In the future, half of all ministerial posts shall be staffed by women. The

number of ministries was reduced from 28 to 20 and a Ministry of Peace was created for the first time. However, the number of ethnic clashes has not diminished because the suddenly declared “policy of national peace and conciliation” did not solve basic social and economic problems, let alone the political question of a fair and democratic division of power among the various nations of the federation. With the legalization of former “terrorist political parties” (like the OLF), new demands for fair land allocation and equal distribution of resources were made public. The government did not intervene appropriately, when cases of local ethnic cleansing shocked the public.

With regard to economic transformation, Ethiopia also made visible progress – in continuity with the ambitious aims of the previous government to make Ethiopia a “middle-income country” by 2025, according to World Bank terminology. The government focused on investments in infrastructure (railways, roads, and energy generation by dams) and accelerated the establishment of industries in the fields of agriculture (flowers, coffee, fruits) and textiles. Thousands of jobs are in the making. The government pays very low wages to industry workers. According to the USA-based Center for Global Development, the annual salary of an Ethiopian industry worker averages out at \$900, compared to \$1,776 in Tanzania and to \$2,118 in Kenya. Thus, several textile companies have transferred some of their production sites from low-cost Asian countries to Ethiopia.

Endemic corruption in government companies has reduced the rate of industrial production. In November 2018, the new government arrested senior officials from the intelligence services and the Metals and Engineering Corporation (METEC), a wayward military enterprise. Its former Director-General, Major General Kinfu Dagneu, was accused of a host of failures, mismanagement, and crimes, including making irregular procurements over six years, worth \$1.3 billion, without competitive tenders.

One third of the population is still destitute, and around five million people living in arid and semi-arid areas depend on foreign food aid. Land-grabbing activities, encouraged and promoted by the government, has caused the displacement of scores of peasants and nomads.

## History and Characteristics of Transformation

Ethiopia is a multilingual society with around 80 ethnic groups, with the two largest being the Oromo and the Amhara. The population is around 101 million people. The majority is Christian and 34% are Muslim. Its territory is the origin of the coffee bean. Ethiopia is a land of natural contrasts: with its vast fertile west, jungles, and numerous rivers (the Blue Nile being the most important), the world's hottest settlement of Dallol (Danakil Depression) in the north, and Africa's largest continuous mountain ranges.

Unique among African countries, the Ethiopian monarchy (under Emperor Haile Selassie) maintained its freedom from colonial rule (with the exception of a short-lived Italian occupation from 1936–1941). After World War II, Emperor Haile Selassie started to modernize the country, and invested a great deal of foreign aid in the development of the education and health sectors. But he failed to modernize the political system, which was based on three pillars: the absolute monarchy, the many feudal landlords of the nobility, and the Orthodox Ethiopian Church. The latter was allowed to exploit about a third of the country's land and the peasants.

After a decade of protests by students, the military finally stepped in and deposed Emperor Haile Selassie, who had ruled the country since 1930. After a period of “red terror,” the military government under the leadership of Haile Mariam Mengistu – known as the Dergue or Derg – established a socialist state: the monarchy and the country's elite classes were deprived of power and wealth. A land reform with large programs of population resettlements followed, supported by other socialist countries. Torn by bloody coups, uprisings, widescale drought and massive refugee problems, the regime was finally toppled in 1991 by a coalition of liberation movements under the leadership of the Marxist Tigray People's Liberation Front (TPLF). It constituted the core of the Ethiopian People's Revolutionary Democratic Front (EPRDF). Following a U.N.-supervised referendum, Eritrea declared its independence in 1993.

The EPRDF overthrew the Derg in 1991 (Mengistu flew to Zimbabwe and into exile) and took control of the state, which it restructured. Reversing a centuries-old nation-building project of political centralization and cultural homogenization, the EPRDF under the leadership of Meles Zenawi from TPLF instituted a new political order based on federalism and multiculturalism. The country was reorganized as a federation based on ethnic principles. A democratic constitution was adopted in 1994, which states that all ethnic groups, called “nations, nationalities and peoples,” have the right to self-determination, including secession. The new Ethiopian federation comprises nine ethno-regional states and two city-states, Addis Ababa as the capital, and the cosmopolitan state of Dire Dawa.

Although, under the new constitution, parliamentary elections have taken place every five years since 1995, the envisaged transition to democracy was a failure. Opposition parties, political competitors and civil society organizations were increasingly oppressed; the press became more and more suppressed, and a “state of emergency” was declared several times. Thousands of people

were detained; hundreds were killed by security forces. Core issues underlying yearlong protests in various regions (in the Oromiya, Amhara regions, Gambella, Somli and Affar regions) were: lack of political freedom, loss of (access to) land, poor compensation for land loss, and identity issues, which played out against perceptions of a government often seen as arrogant, intimidating, and routinely overreaching its powers.

As far as an economic transition to a market economy is concerned, the EPRDF emphasized the acceleration of economic growth and reached growth rates of 6% to 10% annually, strongly supported by aid-giving institutions, in the United States, China, EU countries, as well as the World Bank. In 2010, the government in Addis Ababa launched an ambitious five-year Growth and Transformation Plan (GTP), aiming to improve the economy, income levels and social indicators. The government regarded Western models of development as largely irrelevant. Prime Minister Meles Zenawi spoke of a “democratic developmental state” along the lines of Taiwan, South Korea and the People’s Republic of China. Economically, this strategy was rather successful, as international financial institutions ranked Ethiopia as one of the world’s fastest growing economies, but it failed to integrate large parts of the economically active population into a prosperous market system. State control of land and banks hindered the accumulation of wealth in ways that proved beneficial to farmers.

Under the new Prime Minister Abiy Ahmed, who was elected in April 2018, a democratic transition was inaugurated from above, because the EPRDF regime was unable to keep up law and order or to sustain compromises with discontented people. During this legitimacy crisis of the “developmental state,” the charismatic new leader (with a background as director of secret services) started a promising reform program, declared a new policy of peace and reconciliation with neighboring Eritrea, and started a spectacular campaign to stop corruption among government officers, including high representatives of the army and security forces.

It is too early to assess the concrete, lasting or sustainable success of Abiy’s reform agenda: its greatest weakness can be seen in the lack of institutionalization of checks and balances and not reestablishing the rule of law in all regions. Parliamentary elections are promised for early 2020 – on the basis of a new constitution. The number of displaced persons and the level of violence have increased since the government started to liberalize the political party system, including permission to previously illegal or “terrorist” underground opposition parties to reenter the political arena. Oromo nationalists are on the rise, and in the High Lands, the Amhara nation is represented now by two competing political parties with different agendas. The southern region’s coalition of small ethnic parties is in a fragile state, due to interethnic conflicts over resources, which thus further weakens the cohesion of the ruling EPRDF.

The ten-year census set for summer 2019 may also have added to the insecure, suspense-packed political climate of spring 2019.

The BTI combines text analysis and numerical assessments. The score for each question is provided below its respective title. The scale ranges from 1 (worst) to 10 (best).

## Transformation Status

### I. Political Transformation

#### 1 | Stateness

The state's monopoly on the use of force is established nationwide in principle but has in the past been challenged by opposition groups and rebellions in some parts of the country. Following the election of Prime Minister Abiy Ahmed in April 2018, the situation has been improving for the better. The government lifted the state of emergency in June and released thousands of political prisoners from detention. At the same time, parliament lifted the ban on three opposition groups, Ginbot 7, Oromo Liberation Front (OLF), and Ogaden National Liberation Front (ONLF).

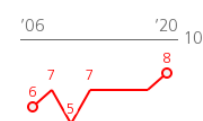
Ethiopia is not a nation-state in the strict sense of the term, because it is characterized by an ethnic federation with nine regions and two municipal areas (Addis Ababa and Dire Diwa). According to the constitution, each ethnic group (nation, nationality and people) has the formal right to self-determination, up to and including secession when it feels its rights are violated by the federal government. Thus, the EPRDF government that came to power in 1991 has restructured the centuries-old nation-building project of political centralization and cultural homogenization and replaced it with multiculturalism. Under the new reform government, people have gained trust in the state – regional opposition movements demand cultural self-determination more than political separation.

In principle, all ethnic groups are granted full citizenship rights in their respective regions. However, many groups, including the Oromo, Amhara and Ogaden have, in the past, identified more strongly with their ethnic group than with the Tigray-dominated federal government, under which those who were not Tigrayan endured discrimination. Even after the election of Prime Minister Abiy, an Oromo, ethnic conflict (often violent) has continued to be a problem on the ground.

#### Question Score

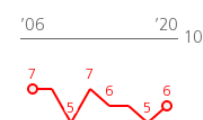
Monopoly on the  
use of force

8



State identity

6



Before the fall of the monarchy, the Ethiopian Orthodox Church was considered part of the Ethiopian State. After the fall of the military junta, the new constitution of 1995 tried to define more clearly the place and the role of religious institutions in Ethiopia: it declared that the “state and religion are separate, there shall be no state religion and the state shall not interfere in religious matters and religion shall not interfere in state affairs.” The Ethiopian Orthodox Church is today the most powerful religious institution in Ethiopia. It has a predominant place on the social and economic scene and is still the necessary ally of the political power. In the past, the state has influenced the election of religious leaders, and ensured the appointment of government sympathizers in religious positions. The state relies on the church as a unifying symbol of patriotism. In recent years, no large-scale, violent clashes between church and state occurred. The peaceful and tolerant interfaith coexistence with Muslim is a consensus by the majority of the population. It should be noted that one third of the population is Muslim and that Muslims have become an integral part of the Ethiopian society. Born as a Muslim, Prime Minister Abiy is a devout Evangelical Pentecostal Christian of the Full Gospel Believers’ Church who also enjoys great approval from the Muslim community.

The administrative structures of the federal state and the regional states provide most basic public services in the northern highlands (not so in the southern provinces), but their operations are to some extent deficient, due to the lack of sufficient resources and experienced personnel. Corruption among administrators plays a great role. While remarkable successes occurred in the field of education (more than 80% of all pupils attend a primacy school and 30% a secondary school), the national health service is still poor (half the population have access to sanitation; life expectancy is 65). But public medical resources exist throughout the country. Improvements in the energy supply and in the transport sector (roads, railways) are remarkable. The capacity to levy taxes is still underdeveloped. Due to a law that forbids peasants from owning the land they cultivate, peasants cannot obtain bank loans.

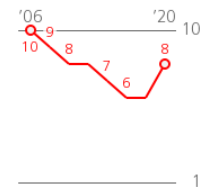
## 2 | Political Participation

Prime Minister Abiy, since his election in April 2018, has vowed to transform Ethiopia’s autocratic government and ensure that the country’s elections are free and fair. Abiy has embarked on a number of reforms to these ends. He has freed thousands of political prisoners, lifted restrictions on freedom of expression, and committed to reforming repressive laws. However, a number of challenges remain.

The EPRDF controls 100% of the seats in parliament. The EPRDF, a coalition of several groups that was controlled by the minority Tigray People’s Liberation Front (TPLF), has stunted political opposition by jailing dissidents, coercing citizens into joining the party, and reportedly committing electoral fraud. Used to being in control, the TPLF has expressed opposition to Abiy’s steps toward reform. The TPLF could

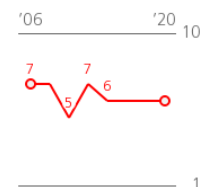
No interference of religious dogmas

8



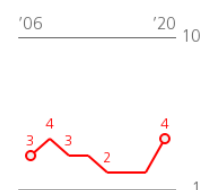
Basic administration

6



Free and fair elections

4



ultimately block Abiy's reforms. Opposition party members, after decades of being prevented from access to power, as well as being jailed and attacked, do not have the resources to be able to compete on a par with the dominant EPRDF.

With the election of Abiy Ahmed in April 2018, the political scene in Ethiopia was turned on its head. However, many changes remain before free, fair and competitive elections can take place in 2020. Abiy's EPRDF (Ethiopian People's Revolutionary Democratic Front) coalition holds 100% of the seats in parliament. In the past, the coalition has stunted political opposition by imprisoning dissidents, coercing citizens into joining the party, and allegedly committing electoral fraud.

In order for 2020's elections to be fair, a number of changes will have to take place.

Repressive laws that criminalize dissent will have to be reformed or repealed. Abiy has initiated dialog to do this.

The government-backed system of patronage, according to which the EPRDF rewards party loyalty, will need to be dismantled. The EPRDF will need to stop siphoning off state resources to give to its supporters in exchange for power.

The TPLF will have to stop trying to block reforms and acting as a de facto veto power.

The extent to which Ethiopia will no longer be an authoritarian state will depend on the success of Abiy's reforms in all of these areas.

Until April 2018, Ethiopia had seen years of widespread protests and brutal repression, intimidation, and torture in detention by security forces. Since his election in spring 2018, Prime Minister Abiy Ahmed has lifted the state of emergency and released several thousands of political prisoners including opposition leaders and journalists, lifted bans on opposition groups and restrictions on internet access. In addition, he has dropped charges of inciting violence against media outlets critical of the government and embarked on numerous reforms in the area of human rights. While there is some way to go, if these reforms continue, are not blocked, and are implemented on the ground, the human rights situation in the country will be transformed.

In the past, the EPRDF passed laws that criminalized dissent, and arrested citizens for criticizing the government. It used the Anti-Terrorism Proclamation to silence journalists, political opposition members and dissident bloggers. The state practiced censorship and repeatedly shut down the internet and social media. Freedom of expression is often subject to interference or government restrictions. Distortion and manipulation shape matters of public debate. Several journalists were imprisoned or left the country.

Effective power to govern

3

'06 '20 10



Association / assembly rights

5

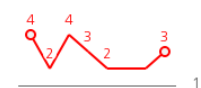
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Freedom of expression

3

'06 '20 10



Abiy has begun talks to repeal these laws, and since April 2018, the government has lifted restrictions on internet access, and dropped charges of inciting violence against media outlets critical of the government.

### 3 | Rule of Law

The government of Ethiopia is a federal parliamentary republic. The government has executive power and is headed by the prime minister, who is chosen by the parliament. Federal legislative power is vested in both the government and the parliament. The judiciary is theoretically independent of the executive and the legislature.

The separation of powers is prescribed by the constitution and is formally established but very weak in practice.

While there is a de jure separation of power, there is no check and balance between the three government institutions. Parliament and the judiciary are not independent institutions that can use their constitutional authority to hold the executive accountable. The legislature has sought to take away power from the courts. The judiciary has also failed to check that the executive is acting within the framework of the law.

The constitutional reforms that Prime Minister Abiy Ahmed promised in 2018 and early 2019 (free national elections in 2020; consolidated administrative borders between disputed areas in Amhara and Tigray land such as Wolkait and Raya; demands in the volatile southern regions for more “new nations” by SEPDM politicians, etc.) are hotly debated among the various factions of the coalition government, the EPRDF. While Abiy Ahmed is advocating for a liberal democratic makeover, the OLF as the main political rival of his Oromo Democratic Party, prefers collectivism. The parliament, in which the newly legalized political parties are not (yet) represented, is not a political platform where these power conflicts are discussed, let alone decided.

The federal state of Ethiopia has a unique legal pluralistic structure with many secular and religious courts. They often have some degree of autonomy and independence.

However, the judiciary has not been independent. The independence of the judiciary is heavily impaired by political authorities and high levels of corruption. Judicial appointment has been made on the basis of loyalty to the government to ensure that judicial decisions are consistent with government policy, even when that means contravening the rule of law and the constitution. Corruption among judges is widespread, and judges not loyal to the government run the risk of being replaced by a “more suitable” candidate.

#### Separation of powers

3

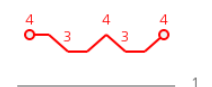
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#### Independent judiciary

4

'06 '20 10



Since a new government under the leadership of an Oromo politician took office, the judiciary changed insofar as several senior officials – mainly from the Tigrayan population – were charged with corruption. After a five-month investigation led by Attorney General Berhanu Tsegaye, who is an ally of Prime Minister Ahmed in the Oromo Democratic Party, some 70 senior officials were rounded up and accused of misusing their competences. Among the accused persons are a former deputy chief of the National Intelligence and Security Service and a federal police commissioner. A major general also president of the Metals and Engineering Corporation – one of Ethiopia's most important parastatals – has been accused, as the head of the sprawling conglomerate, of a host of management failures, crimes and irregular procurements over six years, worth of \$1.3 billion.

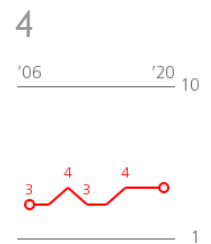
While the recent activities of the judiciary – and mainly the accusation of senior officials in the administration, army and industry – maintains the reform momentum and pleases the public, it also adds to political tension in various regions. The TPLF-run regional government in Mekelle is most affected by the federal reforms, which definitely weaken the influence of the coalition government.

In the past, officeholders loyal to the government who break the law and engage in corruption have not been systematically or adequately prosecuted.

There are signs that, since Abiy's election, this impunity and corruption may be addressed. In November 2018, a number of high-ranking security officials were arrested due to their alleged involvement in human rights abuses in detention, according to the attorney general. Often, public servants and politicians are accused of corruption, but sometimes that is done in order to penalize an officeholder for his or her political divergence. The Attorney General's Office also announced that judicial independence is a key area of reform, though steps to address this remain to be implemented. Therefore, the state of corruption in Ethiopia is rather high. But under the new Attorney General Berhanu Tsegaye, some cases of corruption against high-level personal in government, diplomacy and state administration were made public. For example, the responsible officers at the Metals and Engineering Corporation (METEC) were accused of "robbing huge amounts of money from the poor country."

Corruption exists in various forms, including but not limited to clientelism, kleptocracy, rent-seeking and state capture. While anti-corruption laws remain strong in principle, they are not implemented adequately. Even though the new government pledged to fight corruption, so far, the executive maintains control over the judiciary and the legislature.

#### Prosecution of office abuse



Security forces have continued to be responsible for violence against civilians. In September 2018, they shot and killed five people during demonstrations in the capital, Addis Ababa.

However, there were many positive developments during the year. In July 2018, Prime Minister Abiy admitted that the government used torture and other unlawful techniques on suspects and that such techniques amounted to terrorism by the state. The Federal Attorney General announced that there would be investigations into torture in detention centers. Makaelawi Detention Center, where torture of political prisoners was known to take place, was closed. Administrators of five other detention centers where prisoners were abused were dismissed. High-level officials were arrested for their involvement in torture.

At the same time, many regional detention centers, also well-known for using torture, are still in operation.

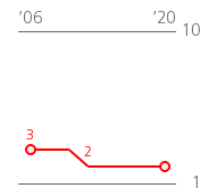
The government has yet to investigate the killings of over 1,000 protesters by security forces during protests in 2015 and 2016 in Oromia and other parts of Ethiopia.

When we take into consideration the latest political and judicial development under Prime Minister Abiy Ahmed – for example the amnesty of 7,000 political prisoners in February 2018 – it would be fair to state that there has been an improvement in the civil rights situation. However, civil rights and individual liberties are still systematically violated because the judiciary and other national human rights institutions are controlled by the ruling party – e.g., in September 2018, security forces shot and killed five people during demonstrations in the capital Addis Ababa. Protesters criticized the government for not protecting citizens from forced displacement and ethnically based attacks, particularly allegations of rape and killings in Oromia earlier that month. Ongoing ethnic violence and internal displacement continue to put lives at risk.

It is still too early to judge whether the government's allowance of greater regional and ethnic autonomy will further improve the civil rights situation.

## Civil rights

2



#### 4 | Stability of Democratic Institutions

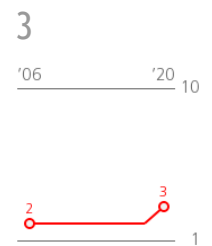
After years of repression, there were many positive developments following Abiy's election.

The government lifted the state of emergency in June 2018 and released thousands of political prisoners from detention, committed to reforms of repressive laws, lifted restrictions on freedom of expression, and took steps to bring about the end of torture in detention. Parliament lifted the ban on three opposition groups, also in June 2018. Members of these groups have begun to return from exile.

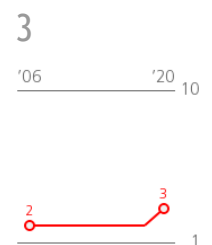
The country's democratic institutions have not yet been changed, but the democratic spirit of the government has. The parliament still does not represent the political will of the majority of the people because it still reflects the unfair national elections from prior years. It can be hoped that the liberalization of the state by the new government will open up political space for opposition parties and civil society. But we should not overlook the fact that Abiy Ahmed's reforms are still imposed from above and not yet consolidated by democratic constitutional laws.

The federal government has strong control and direction over the military. In November 2017, talks of reforms continued between the central government and representatives of opposition parties and an agreement on reforms was made. The negotiated agreement included 20% of the seats in the lower house being allocated by proportional voting, as opposed to the existing simple majority system. Furthermore, the negotiators agreed that the mixed system that is used on the national level will be introduced in regional legislatures and in some cities. In the past, government attempts to co-opt regional political parties into EPRDF allies stimulated resistance and nationalism in the Oromia and Ogaden regions. The EPRDF positioned itself to be in "perpetual" power because it showed little inclination to engage in any national dialog with other political parties or civil society groups about policy alternatives. Democratic institutions in Ethiopia have previously been regarded for the most part as partisan political institutions. However, Prime Minister Abiy has promised democratic reforms; it remains to be seen if they can be fully implemented.

Performance of democratic institutions



Commitment to democratic institutions



## 5 | Political and Social Integration

The ruling Ethiopian People's Revolutionary Democratic Front (EPRDF) is a coalition of ethnically based parties with unequal power. The Tigray Peoples Liberation Front, the oldest and most powerful member of the party, is dominant. It has discriminated against other ethnic groups and is resented by those groups as a result. Deep tensions exist within the EPRDF between the four components (the Tigray, Amhara, Oromo and Southern Ethiopia people). One should not overlook the fact that the regional parties that are members of the ruling party coalition EPRDF hardly reflect the political will of the regional population. They are not representative in character. Mostly, they are artificial constructions, formed under the political dominance of the TPLF.

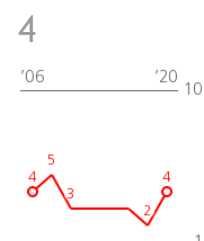
Since 2018, the situation has changed dramatically, when new political parties were formed and excluded political parties allowed to return as legally accepted competitors to the political arena. The OLF was among the parties, which profited at most from the new political climate in the country.

The authoritarian one-party system eliminates the autonomous political participation of interest groups. The Charities and Societies Proclamation came into force 2009 and places excessive restrictions on the work of foreign NGOs. It is a serious obstacle for those organizations to promote human rights and political issues in Ethiopia. Once a group receives more than 10% of its funding from abroad, it is labeled a foreign NGO. Even though the right to free assembly is guaranteed by the constitution, it is restricted in practice. Demonstrations over ethnic and land rights started in 2015 in the Oromia region, and sporadically erupted again in 2016 and 2017, later spreading to Addis Ababa and the Amhara Region. It is said that security forces killed as many as 800 protesters between late 2015 and the end of 2016 and that the churches, interest groups and human rights organizations could not protect the peacefully demonstrating citizens.

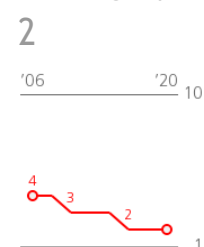
Until now, most associations and interest groups in Ethiopia have been closely aligned with the ruling party, and their activities have been tightly monitored. Since these groups' existence depends on the will of the ruling party, they have not been able to openly challenge or critique the ruling party's policies and decisions.

The new government's announced reforms have yet to positively affect interest groups' room to maneuver. Society is still polarized between the state and a civil society that is fragmented and has little power. It can be expected that interest groups and NGOs will profit from a new, more liberal political climate in the coming years.

Party system



Interest groups



Participation in Ethiopian elections since 1991 and support for opposition parties indicate strong support in the country for a multiparty democracy. According to the Afro-Barometer, it can be argued that the great majority of people, especially in the northern regions, support democratic values and institutions. The fact that 2,275 civil society organizations existed in 2009 and that, as a result of the government's crackdown on civil society, two years later, 1,701 CSO were still active, can be interpreted as a strong indication of at least the urban public's sympathy with democratic participation in general.

There is a low level of trust among the different ethnic groups in the country. Ethnic violence is ongoing, and more than two million people are internally displaced due to intercommunal conflicts and violence.

The number of autonomous, self-organized groups, associations and organizations such as peasant organizations, unofficial trade unions, human rights organizations, Muslim associations and Pentecostal social movements is increasing, but unevenly distributed and not strong in terms of influencing government decisions.

It can be expected that trust among people will increase in 2019, due to the fact that the pressure of the government's security services on people is already diminishing slowly.

Approval of democracy

n/a

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n/a 1

Social capital

3

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## II. Economic Transformation

### 6 | Level of Socioeconomic Development

Ethiopia has achieved strong economic growth and expanded social services over the past decade and half. According to the World Bank, economic growth averaged 10.5% between 2003/04 and 2016/17. Real per capita GDP more than doubled between 2010/11 and 2016/17 and, as a result, per capita income also doubled in the same period. Domestic savings increased to 24% of GDP in 2016/17 from 17.2% in 2010/11. Tax collection has been strong, but the tax to GDP ratio remains low.

In spite of this growth, Ethiopia is still one of the poorest and most unequal countries in the world. UNDP's Human Development Index (HDI) ranked Ethiopia on place 173 (out of 189 states) for 2017. One third of the population lives under conditions of absolute poverty.

Food insecurity, due to natural, political and economic causes, has remained a serious problem and endangered the lives of 5–6 million people.

Question  
Score

Socioeconomic  
barriers

1

'06 '20 10



| Economic indicators       |          | 2015    | 2016    | 2017    | 2018           |
|---------------------------|----------|---------|---------|---------|----------------|
| GDP                       | \$ M     | 64464.5 | 74271.3 | 81716.3 | <b>84355.5</b> |
| GDP growth                | %        | 10.4    | 9.4     | 9.5     | <b>6.8</b>     |
| Inflation (CPI)           | %        | 10.1    | 7.3     | 9.8     | -              |
| Unemployment              | %        | 2.0     | 1.9     | 1.8     | <b>1.8</b>     |
| Foreign direct investment | % of GDP | 4.1     | 5.4     | 4.9     | <b>3.9</b>     |
| Export growth             | %        | -11.2   | -8.1    | 7.7     | <b>11.8</b>    |
| Import growth             | %        | 21.9    | 0.0     | -7.5    | <b>2.2</b>     |
| Current account balance   | \$ M     | -7511.1 | -8269.4 | -5565.9 | -              |
| Public debt               | % of GDP | 54.5    | 55.8    | 58.6    | <b>61.0</b>    |
| External debt             | \$ M     | 21021.0 | 23795.6 | 26656.5 | <b>28027.0</b> |
| Total debt service        | \$ M     | 1037.7  | 1229.6  | 1390.4  | <b>2008.8</b>  |
| Net lending/borrowing     | % of GDP | -3.1    | -3.7    | -4.6    | -              |
| Tax revenue               | % of GDP | 8.4     | 8.1     | 7.6     | -              |
| Government consumption    | % of GDP | 9.0     | 11.1    | 11.1    | <b>10.2</b>    |
| Public education spending | % of GDP | 4.7     | -       | -       | -              |
| Public health spending    | % of GDP | 1       | 1.1     | -       | -              |
| R&D expenditure           | % of GDP | -       | -       | -       | -              |
| Military expenditure      | % of GDP | 0.7     | 0.7     | 0.7     | <b>0.6</b>     |

Sources (as of December 2019): The World Bank, World Development Indicators | International Monetary Fund (IMF), World Economic Outlook | Stockholm International Peace Research Institute (SIPRI), Military Expenditure Database.

## 7 | Organization of the Market and Competition

The Ethiopian economy is highly regulated. In the past, the ruling party played a significant role in the country's economy. Corruption and nepotism meant that members of the ruling party have enjoyed unfair privileges with regard to access to credit, land lease contracts and jobs. Rules governing markets and investment have been unreliable and subject to arbitrary and significant state intervention. According to the World Bank's 2019 Doing Business report, establishing a business is extremely burdensome, requiring 11 procedures and 32 days, and amounting to costs of 52.7% of the average income per capita. This places the country 167 out of 190 countries in the "Starting a Business" sub-index. As a result, the informal sector is large in some areas (35%-40% of total employment). For example, the foreign exchange business is an area where the informal sector thrives.

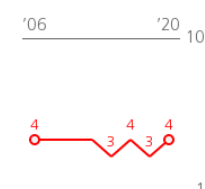
The legal framework for competition policy in Ethiopia is the Trade Competition and Consumers Protection Proclamation, which came into force in 2014. The major objective of the Trade Practice Proclamation is to secure a fair competitive process through the prevention and elimination of anti-competitive and unfair trade practices, and safeguarding the interests of consumers, through the prevention and elimination of any restraints on the efficient supply and distribution of goods and services. Moreover, the Federal Trade Competition and Consumer Protection Appellate Tribunal was also established with powers of hearing and deciding on appeals against decisions by the authorities. Furthermore, Ethiopia is a member of the Common Market of Eastern and Southern Africa (COMESA). As part of the effort to promote economic integration, COMESA adopted a competition law regime and a joint Competition Commission in Malawi to address anti-competitive business practices and to exert control over mergers.

Despite the establishment of a stable legal framework, competition laws are not fully enforced in practice, due to the close relationship between the state and some of the monopolistic companies. The existing regulatory frameworks against monopolistic and cartelistic structures are not comprehensive and the existing rules are often ignored by enforcement agencies.

As the ruling party is close to controlling half the national economy and as private property is largely restricted, the space for liberalizing foreign trade is not great. As far as foreign trade taxes are concerned, the government is reluctant to pursue the advice of industrialized countries to change to more liberal trade policies. For nearly three decades, the government has maintained restrictions on imports of certain capital and noncapital goods to protect local producers and sectors, which could not compete with foreign companies that have significant capital and access to financing. Export revenues reached between \$6 and \$10 billion in recent years (IMF and government statistics differ!) and the government's budget relies on trade taxes to a

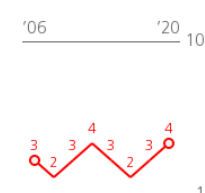
### Market organization

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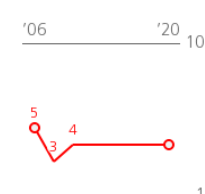
### Competition policy

4



### Liberalization of foreign trade

4



great extent. The average of MFN-applied duties in 2015 was 17.4%, and therefore one can understand the reluctance of the government to follow the EU's liberalization strategy. Liberalization would mean a drastic reduction in public revenues and potential investment capital.

Coffee exports generate more than half of Ethiopia's export returns. Leather, animal hides, and skins also bring in export revenues. Other agricultural products, including vegetables, oil seeds, and cotton reflect the remainder of major exports.

In June 2018, the government of Ethiopia announced its intention to open a number of sectors to foreign investment through the partial privatization of state-owned enterprises that have maintained monopolies, including the aerospace, logistics, and telecom sectors.

Local banks are largely state-owned or state-controlled; there is no free capital market. The National Bank of Ethiopia has adopted a tight monetary policy stance so as to keep inflation under control (in 2017, it was 9.9%). Foreign banks gained access to the Ethiopian economy only selectively – due to the necessity of the government to obtain capital for the realization of gigantic energy production schemes. In the early 21st century, the government decided to establish a political, economic and administrative order very different from the plural liberal polity envisaged by Western countries: the developmental state. The EPRDF government saw structural economic transformation as an existential issue, too important to be left to commercial interests or private banks. A great handicap lies in the reluctance of private and public banks to give loans to agricultural producers (who could offer little in the way of safety guarantees, due to their lack of ownership).

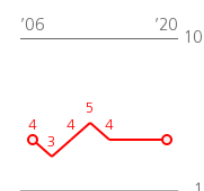
Due to the country's low export-revenue-generating capacity and various huge energy investment projects (like the Renaissance Dam on the Blue Nile), national foreign debt stood at \$36.9 billion in 2017, which accounts for some 50% of GDP.

## 8 | Monetary and fiscal stability

The government and the central bank of Ethiopia pursue policies intended to control inflation and currency exchange rates. In 2017, inflation stood at 9.9%, which was an increase in the inflation rate by 2.5%, compared to the previous year (7.3%). The annual inflation rate in Ethiopia rose to 10.9% in January 2019 from 10.4% the previous month. This was the highest inflation rate since October 2018. The inflation rate in Ethiopia averaged 16.15% between 2006 and 2019, reaching an all-time high of 64.20% in July 2008 and a record low of -4.10% in September 2009. Thus, official inflation targets failed several times. However, these policies are subordinated to other political considerations by the government. Often, those figures are manipulated to present a narrative that is consistent with the government's claims of economic development and lifting the population out of poverty.

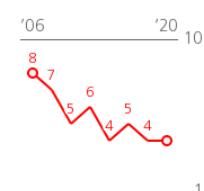
### Banking system

4



### Monetary stability

4



Although the government tries to control inflation and foreign exchange regime, it lacks institutional and policy commitment to realize this goal.

The broader policy of economic domination of one ethnic group means that institutions are denied autonomy and independence. These institutions cannot implement policies and laws to target key economic actors that dominate the foreign exchange sector (both formally and informally) and contribute to the rise of inflation.

According to the IMF, stagnant exports in 2016/17, due to a weak external environment and delays in completing key export-oriented projects, and the maturing of non-concessional borrowing contracted in the last five years resulted in a deterioration of the 2017 Debt Sustainability Analysis (DSA) indicators relative to 2016. The risk of external debt distress is now assessed as “high.”

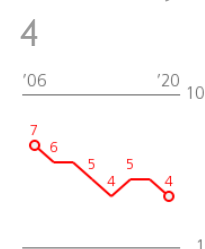
By the end of 2016/17, public and publicly guaranteed (PPG) external debt stood at 30.7% of GDP and total (including domestic) public debt was at 57%. Alarming is the lack of fiscal stability as a consequence of an ever-expanding budgetary policy, as well as an increasing development budget. As the revenue-earning capacity of the country cannot match the fast-increasing imports and infrastructure investments, the total public debt and the total cost in debt services increased dramatically. From 2010 to 2016, total debt services costs increased from \$183.7 million to \$1,243.6 million.

According to the World Bank, in 2017, general government net lending/borrowing (% of GDP) for Ethiopia was -4.69%. Extreme external borrowing threatens the independence of the country; it is not known how China, as Ethiopia’s largest lender, will respond to the country’s imminent debt default.

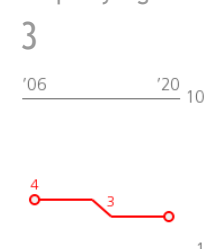
## 9 | Private Property

The Ethiopian constitution recognizes private property but the right to acquire, use and transfer property can be limited for public use. Land policy is one of the most debated and controversial issues in Ethiopia from a market economy point of view. During the last five to six years, the government has leased over 3.6 million hectares of land to foreign investors to produce agricultural products for exports. As a consequence, thousands of local farmers lost access to land. Private property is not protected by law and the state, which leads to a further estrangement between state and society. The constitution declares land to be the “inalienable common property of the nations, nationalities and peoples of Ethiopia.” Land and any property on the land can be taken by the government for public use, which includes leasing the land for private investment, on the payment of compensation deemed appropriate by the state. The compensation is only for the value of the property on the land or investment made on the land and not the overall value of the investment.

Fiscal stability



Property rights



In conjunction with the authoritarian tendencies of the government and the absence of the rule of law, the constitutionally guaranteed right to private property can easily be abused and violated.

While private property rights, with the exception of land, are protected, there is no credible and strong legal framework that ensures the effective exercise of these rights.

Private business opportunities are limited by rigid state control of economic life and the prevalence of state-owned enterprises. All land must be leased from the state. In 2014, up to 70,000 people were forced to move from the western Gambella region, although the government denies the resettlement plans are connected to land investments and land-grabbing activities.

The government encourages private companies to engage in development activities consistent with its developmental policies. Although there is recognition on the part of the government that private foreign companies play an important role in modernizing agriculture and developing infrastructure, there is a heavy concentration of market power in the hands of party-affiliated companies and public enterprises.

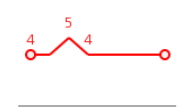
The process of privatization, underway since the early 1990s, was not consistent with market principles and is heavily influenced by political considerations, thus creating and nourishing loyal clienteles.

The protection of the property of private companies is guaranteed, so far as is known, but foreign investors that are involved in land-grabbing activities lost their contracts when they did not start business within the negotiated time span. It is the intention of the government to prevent land speculation.

Private enterprise

4

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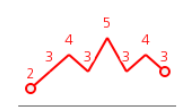
## 10 | Welfare Regime

Ethiopia is a poor country that does not provide a comprehensive, state-funded welfare system for its citizens (besides a small pension system for state employees and occasional safety net arrangements that are put in place to prevent food shortages caused by drought and unexpected weather conditions from escalating into famine). The majority of the population is at risk of poverty. An estimated 7.9 million people in Ethiopia require emergency food assistance, according to the UN. Informal social safety nets are also provided by the Orthodox Church, protestant churches and mosques, as well as the traditional family, clan or village structures.

Social safety nets

3

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Life expectancy at birth is around 65 years.

Public expenditure on health stagnates at around 4%.

In all, 43% of Ethiopians lack access to safe water and 72% lack access to improved sanitation.

Equal opportunity for the different social and ethnic groups of the multinational federation is far from reality, due to the great internal gap in incomes, standard of living, and share in political power. The northern people, mainly Tigranian and Amhara people, enjoy much better education facilities than the poorer and less educated people in the south and southeast. There are widespread practices of discrimination, subordination, and exclusion on the basis of gender, ethnicity and political preferences, often due to traditional practices. People are discriminated against based on their ethnicity in both the public and private sectors. Discrimination in the labor market, based on politics and ethnicity, is widespread, when it comes to jobs in central government institutions. In the various regions, there is discrimination between majority and minority ethnic groups or “nations,” due to a scarcity of resources.

Women are discriminated against in terms of access to education, holding public office, employment and visibility in the public sphere.

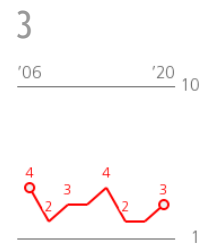
The literacy rate for men stands at 49% (2007–2013) and for women at 29%, indicating great gender inequality and social injustice. When it comes to recent developments, one can state a considerable improvement in school enrollment: 89% (boys) and 82% (girls) attend primary schools and 31% and 30%, respectively, received the opportunity to be accepted to a secondary school.

The greatest success has been achieved in the field of tertiary education: according to World Bank figures, some 8% of the population attended education institutions beyond secondary schools. Approximately 10 universities were newly created (mainly up to the level of a bachelor’s degree) in Addis Ababa and other towns in order to build up human capital for the envisaged modernization and industrialization of the country. But it is also true that this laudable education offensive of the government increased the number of frustrated young people who cannot find a proper job.

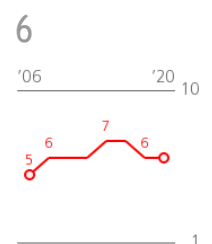
## 11 | Economic Performance

Ethiopia’s economy experienced strong annual growth rates, averaging 10.3% from 2006/07 to 2016/17, compared to a regional average of 5.4%. The country’s real-term growth rate at the end of 2017 was around 6.5% – significantly down from previous years. Apart from developments on the world market, this was partly due to unrest from mass protests, which led to damage and shocked investor confidence. According to more optimistic World Bank figures, the GDP growth per capita developed as indicated: 7.6% in 2017 (with a 1.899 GDP/PPP), 4.9% in 2016 (with a GDP/PPP of 1.734) and 7.6% (with a GDP/PPP of 1.633) Agriculture, construction and services accounted for most of the growth, with a smaller contribution from the manufacturing

### Equal opportunity



### Output strength



sector. Private consumption and public investment explain demand-side growth, the latter assuming an increasingly important role.

Higher economic growth resulted in positive trends in poverty reduction in both urban and rural areas. The percentage of the population living below the national poverty line decreased from 30% in 2011 to 24% in 2016.

At the same time, macroeconomic indicators such as unemployment, price stability, money supply, the balance of payment and public debt are not at sustainable levels. More than 800 agrarian projects are financed by foreign investors, which has caused severe social unrest among peasants who had lost access to land. Public ownership of all land is regarded as the most severe hindrance to an improvement of agricultural production.

## 12 | Sustainability

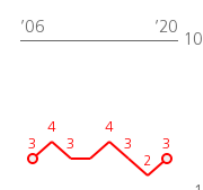
Environmental concerns receive only sporadic consideration and are mostly subordinated to growth efforts. Environmental regulation is weak and hardly enforced. Environmental impact assessments are not seriously undertaken for almost all major development projects, whether it be hydropower generation or mechanized agriculture. In many parts of the country, land scarcity became more acute, due to population growth. As a consequence, people started to cultivate marginal areas, leading to loss of vegetation, drying out of the land, due also to excessive planting of eucalyptus trees (which need a great deal of water). Efforts to reclaim eroded land were successfully undertaken in some areas in the northern highlands, but in most of the country's regions, soil erosion continued unabated.

With the assistance of Western donor countries, the government supported agrarian research projects, which aim at the development of drought-resistant cereals seeds. The government spent some \$380 million in 2017 in order to assist an estimated 12 to 15 million people in need of food, including new techniques for protecting the environment.

Education policy contributes to a system of education and training that is substandard, with qualitative deficits in primary, secondary and tertiary education, due to insufficient qualification of teachers, low salaries, and scarcity of resources in 35,400 government schools (2013). The GDP percentage of public expenditure on education is estimated at 4% to 5%. Investment in Research and Development is less than 1% of GDP (last statistics from 2013: 0.6%). The literacy rate is about 40% to 50%. According to government sources, the gross enrollment rate is 101.9% for primary education, 35.1% for secondary education and 8.1% for tertiary education. Girls and women suffer from gender discrimination, according to the Gender Parity Index: the ratio of female to male enrollment is 0.9 for primary education, 1.0 for secondary education and 0.5 for tertiary education. The lack of sanitary facilities for women

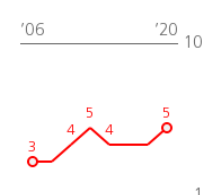
Environmental  
policy

3



Education policy /  
R&D

5



(only 43% of schools have separate girls' latrines) is among the cultural barriers that keep women from exercising their right to equal education.

Ethiopia's recent gains in education are generally impressive. Adult literacy has increased to 83%, and the government spent 25% of its annual budget on education (2016). In recent years, the government focused on founding a dozen of new universities, which offer training to receive bachelor degrees. Only about 10% of those who complete university find a job afterwards. Academic unemployment is high.

The U.N. education index steadily improved: from 0.322 in 2015, 0.325 in 2016 and 0.327 in 2017.

## Governance

### I. Level of Difficulty

Poverty, the absence of an educated labor force and the lack of a functional infrastructure, as well as periodic droughts, have presented challenges in effecting sustainable structural transformation.

Ethiopia is a landlocked country whose imports and exports depend mainly on neighboring countries. The climate and soil conditions in some parts of the country are so unfavorable that six to eight million hungry people regularly receive food aid from other countries. Natural disasters (droughts, flooding, consequences of el Nino) often occur and slow the speed of economic and social progress.

Ethiopia has until recently been an authoritarian state, with a limited culture of public exchange, debate and contestation. Civil society organizations (CSOs) have been heavily regulated and have had very limited political space.

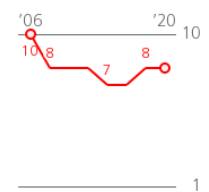
Prime Minister Ahmed has made it clear that revising the regulation of CSOs is a priority on his list of reforms. A working committee, consisting of various stakeholders, has already been formed to propose reforms in relation to a range of controversial issues, including the Charities and Societies Proclamation (a law severely regulating CSOs in Ethiopia). For many working in the civil society sector, this is a time of optimism.

When the new reform-oriented government indicated that it planned to hold national elections for parliament in early 2020, CSOs felt encouraged to speak out in public concerning their social and cultural demands, including requests for resettlement activities. There are at present more than two million Ethiopians displaced by land conflicts between and within regions and in need of government help.

Ethnic tensions are present, but are mostly limited to local issues. There were persistent demonstrations and protests mainly by rural people against political repression and perceived inequalities in land allocation and against dispossession. Hundreds of people lost their lives in violent repression by government forces. Tens of thousands were arrested after the declaration of a “state of emergency.”

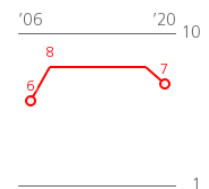
Structural  
constraints

8



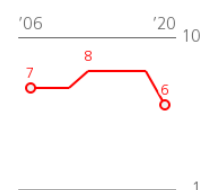
Civil society  
traditions

7



Conflict intensity

6



However, since the election of the new legislature, a message of unity, prosperity, justice and peace has given Ethiopians from all walks of life reason to become optimistic about the future. Political prisoners were released; a landmark peace deal was signed with Eritrea; important political and economic reforms were put in place; and corrupt officials and human rights abusers were punished. Ethnic tensions are also simmering across Ethiopia's Southern Nations, Nationalities and Peoples' Region state, where over 40 ethnic groups once coexisted peacefully.

The two main nations – Oromo and Amhara – are being pushed in the direction of strident ethno-nationalism. The backdrop to this drama is a conflict about rights to settle in Addis Ababa, which is the capital of the country, as well as the capital of the federal state of Oromia. Millions of Oromo people claim to have the right to live in Addis Ababa or on the city's outskirts. The ruling Amhara Democratic Party (ADP) needs to resist the alleged "Oromoisation" of Addis Ababa to boost support against a regional challenge from a new rival organization called the National Movement of Amhara (NMA).

Prime Minister Abiy Ahmed and the regional president of Oromia, Lemma Megersa, who is a close ally of the prime minister, face a similar challenge as the divided Amhara people. Abiy Ahmed and Lemma Megersa, both members of the Oromo Democratic Party (ODP), face the competition of the traditionally strong Oromo party, called the Oromo Liberation Front (OLF). In the face of the pending ten-year census in spring 2019, all regional governments will try to increase the numbers of inhabitants of their respective regions because the census figures are important for the allocation of parliamentary seats and federal subsidies.

Thus, the political struggle for power and land rights among the three dominant ethno-nations and between several competing political parties will decide the intensity of conflict in 2019 and 2020.

## II. Governance Performance

### 14 | Steering Capability

The new government under Prime Minister Abiy Ahmed proclaimed political reforms and strategic priorities. The most important reform was, besides internal dialog with opposition parties, the declaration of peace and understanding with its “arch-enemy” Eritrea in 2018. This new attitude opens new perspectives for reconciliation in the society and the whole region.

All perspectives of a brighter future for Ethiopia depend on the capacity of the new prime minister and his ministers a) to stabilize the new course of reforms (for example, by fighting widespread corruption in the military) and b) to prudently handle the veto groups in the old regime (the high military officers of the Tigrayan minority), which have lost political influence and privileged access to economic and financial resources.

Other obstacles to Abiy’s ability to implement his policies include the fact that some Tigrayans remain preeminent in Ethiopia’s ruling coalition and still control some sections of the military, intelligence, and state security organs. The fact that two months after his nomination as the new prime minister, an assassination attempt on him occurred strengthens the apprehension that an Oromo prime minister will have to convince several of his rivals within the ruling party coalition that he is the most suitable leader to liberate Ethiopia’s political class from their deep legitimacy crisis.

Stabilization of his policy of democratic reforms and fair and free elections in early 2020 is the strategic essence of his present reform agenda. However, the government’s long-term strategic aims do not include a transformation toward democracy based on the rule of law. Still, the new government has the capacity to set in motion political support by the Oromo people, which up till the present is not politically united. If united, the Oromo could be the great winners in the next democratic elections. The ODP of Abiy Ahmed has been successful already in coopting some key leaders of the OLF – the political party that has struggled for the liberation and self-determination of the Oromo people for decades, most of the time as an illegal and banned organization. It is obvious that the government tries to make use of the present fragmentation of the multiethnic Southern Nation political coalition (which is one partner of the EPRDF), as well as the rivalry between the two Amharic parties.

A political system of ethno-linguistic federalism hardens tribal identities and, under conditions of free and fair elections, the numerically largest political party will clearly be at a considerable advantage. That structural situation makes it highly likely that the enlarged and reformed ODP of Prime Minister Abiy Ahmed has a good chance to win the elections in 2020.

Question  
Score

Prioritization

5

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Gender representation in politics has improved, as has the focus on regional peace and reducing ethnic tensions domestically. However, obstacles to the government implementing its policies include: widespread ethnic tensions and conflict on the ground; tensions within the ruling party; the ruling party not having a formal road map for tracking the country's next steps; lack of transparency around the deals made with insurgent groups, resulting in conspiracy theories about the terms by which insurgent groups have been demobilized; lack of responsiveness from law enforcement agencies at federal and regional levels; tension between Abiy's attempts to create a sense of identity beyond ethnicity and attempting to accommodate the ethno-nationalist agendas of certain constituencies; failure of former rebel groups to disarm their soldiers; and circulation and trade of armaments in many cities.

The government does not intend to implement political reform measures that might initiate a transformation toward democracy based on the rule of law. Up until the present, the government has not been able to find a solution to the hotly debated Addis Ababa question: Who has the right to settle and live there permanently? It is said that the regional government of Oromia expelled hundreds of thousands of town dwellers from the capital in order to make room for the resettlement of Oromo refugees, who fled a brutal interstate conflict with Somalia that flared in late 2016. Since then, the regional government has used all its means to give about 500,000 of these internally displaced persons new plots of land in areas surrounding Addis Ababa and 6,000 in the growing city of Addis Ababa. Not surprisingly, many of the old, established people of Addis Ababa – mainly Amharic people – were furious about these unjust “tribal” policies.

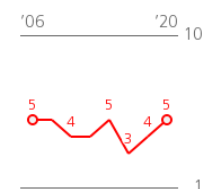
The new government under Abiy Ahmed demonstrated policy learning in the field of communication with the population. The state of emergency was abolished; political prisoners were released from prison; a banned political opposition party (OLF) was suddenly declared legal. Corrupt politicians from the old regime faced trials and some were jailed.

At the same time, there is still no institutional mechanism that serves as a hub for innovation and facilitates the conditions for flexible rule and evidence-based policy-making.

The government's policy learning is not intended to promote a transformation toward democracy based on the rule of law. Thus, reform policies are enforced from above, and it is not yet possible to assess whether the policy-making process is progressive. At the same time, one should not underestimate the impact of innovative reforms of the cabinet system: the number of ministries was reduced by half and 50% of the acting ministers are now women, mostly young, well-educated intellectuals. They do not have much professional experience, but they are united to make the government's reform agenda a sustainable success, for example, as far as improving the quality of the education system is concerned.

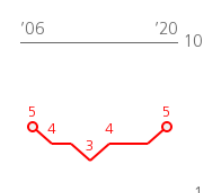
## Implementation

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## Policy learning

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## 15 | Resource Efficiency

In the past, individuals have been appointed to important positions of power that require particular expertise, simply because they are loyal to the government and are trusted by the ruling elites. Mismanagement and inefficiency have resulted from the fact that almost every senior level appointment is politically influenced, effectively creating cronyism and patronage throughout the system. As such, the government has wasted a considerable amount of its resources, particularly human and natural resources.

However, under the new legislation, the government makes efficient use of only some of the country's available human, financial and organizational resources. Some new industries were established in the textile sector, but in general, Ethiopia lacks sufficient export-revenue-generating capacity. Thus, a huge trade deficit and, in general, a highly vulnerable economy remain. Abiy has suspended the status quo, encouraging transparency by allowing media organizations to work more freely, granting pardons and amnesties to individuals and organizations once branded terrorists, and inviting opposition groups to join in a peaceful transformation. The expansion of industrial activities and continued investments in infrastructure and manufacturing are reflected by the current decline of the country's deficit from 8.2% in 2016/17 of GDP from 9.1% in the previous year. Growth was expected to stay high in the coming years of 2017/18, at 8.5%, supported by continued recovery from droughts and export expansion, as new manufacturing facilities and infrastructure come online – offsetting the potentially dampening impact of restrictive macroeconomic policies.

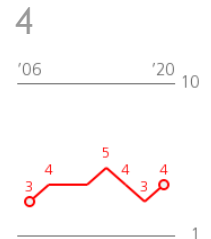
All of these steps will aid in disassembling the system of cronyism, if they are not blocked by officeholders of the previously dominant TPLF. But it is likely that new political networks of loyal civil servants will emerge, such that professional rationality may suffer. The appointment of young inexperienced men and women as ministers in Abiy Ahmed's cabinet can be judged as an indication of this practice. Dismissals and new appointments of employees of the central government are clearly motivated by political considerations in favor of Oromo.

As in other authoritarian states, in Ethiopia, the rhetoric of democracy, constitutionalism and the rule of law play a crucial role.

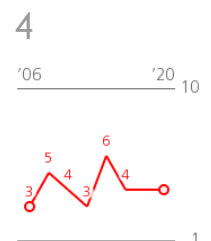
The government and administration often failed to coordinate among conflicting objectives and between levels of administration. Despite the regime change, the political system still suffers from over-centralization, leaving little room for maneuvering by the regional governments vis-à-vis a strong central government.

Different parts of the government tend to compete with each other. This is related to tense internal relations among the four constituent parts of the ruling EPRDF

### Efficient use of assets



### Policy coordination



(Amhara, Tigray, Oromo and Southerners). Frictions between different government departments are a daily occurrence.

Due to the federal system, Ethiopia faces a lot a border conflicts among people who do not know or just ignore border markings. Especially when it comes to land claims, there is no effective task assignment by national and regional authorities.

The old, as well as the new government, were eager to contain corruption, including in the delicate security sector. Although the overall system of governance itself was not reformed under Prime Minister Hailemariam Desalegn, select, former high-level party members were charged with crimes and sentenced to prison, including the former head of domestic intelligence (NISS) who was convicted on charges of corruption and sentenced to 10 years in prison.

Under the new government, the arrest of former senior officials from the intelligence services and the Metals and Engineering Corporation (METEC), a wayward military enterprise, were seen as hopeful signs of impending justice. Prime Minister Abiy Ahmed admitted in parliament that systematic torture had been used by the security forces.

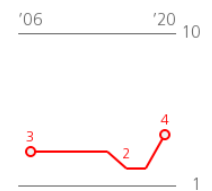
In autumn 2018, the former director-general of METEC, a major general, and many senior members of the armed forces (with a strong Tigrayan focus) were accused of a host of failures, mismanagement, and crimes, including making irregular procurements over six years, worth \$1.3 billion, without competitive tenders.

It is not known whether the government has already passed an anti-corruption law in parliament, but the government uses the services of the attorney general to review public spending by parastatals. Some corruption scandals involving government civil servants and army officers were discovered. A transparent public procurement system is not yet installed.

It is not known that any state institution looked into the lawfulness of party financing and party spending.

#### Anti-corruption policy

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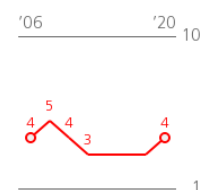


## 16 | Consensus-Building

The major political actors of the new government under Prime Minister Abiy Ahmed are obviously convinced that more democracy and political participation would help to transform and modernize state and society. From this approach, mainly the Oromo people would gain, because they are underrepresented in central state's ministries. It seems likely that representatives of the old power structure – mainly, leading figures of the TPLF – who have enjoyed state privileges since 1991, will try to defend their positions and veto drastic changes to state policies. Two different concepts of ethnic federalism have emerged recently, indicating a power struggle among political parties of the four-party ruling coalition: While Amhara politicians prefer a national

#### Consensus on goals

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character for the state, Oromo politicians try to strengthen ethno-nationalism. Therefore, it is too early to say, which concept will prevail in the future; but the basic conviction that Ethiopia is a democratic, multiethnic and multiparty state is not questioned.

The will to consolidate the economy alongside principles of market economy is still weak or not visible at all. That does not mean that the government refrains from making profitable deals with foreign investors from capitalist countries. But the interference of the state in market relations is still strong: the state acts as the gatekeeper controlling all trade into and out of the country. Therefore, one can argue that the government has pursued a path as a “developmental state,” since the rule of Meles Zenawi. The logic behind this approach can be described as “economic growth comes first, political participation comes later.”

Reformers in the new government of Prime Minister Abiy Ahmed cannot completely control all the powerful anti-democratic actors, mainly in the security services, but can limit their influence bit by bit. There is an ongoing power struggle between different fractions of the EPRDF, the results of which are still hanging in the balance.

There was political unrest in the capital in September 2018, when Oromo opponents returned from exile and violence spread across the city. The authorities responded to the ethno-political conflicts with force. The outcome included 50 deaths, thousands of arrests, the reappearance of authoritarian policing, and vicious recriminations.

In addition, the new regime faces a host of other undemocratic forces in the form of political and ethnic conflicts throughout the country.

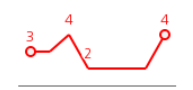
Ethiopia has more than 80 ethnic groups, and the ruling coalition is still a conglomeration of four ethno-nationalist parties. The divisions along ethnic lines are old and entrenched, but they flared up with a new intensity in the first half of 2018 when 1.4 million people were forced to flee ethnic conflict in the west of the country. In the Tigray region, in the north, there have been signs of unrest, with many Tigrayans – before Abiy’s election, the dominant group – expressing that they now feel marginalized.

Other ethnicities, mainly people who belong to the Oromo nation, feel that they have had their voices suppressed for too long, and are now speaking out. The distribution of poverty across ethnic lines is also very uneven. Some of this ethnic discontent was suppressed by authoritarianism and, since Abiy’s elections, there are signs that it is coming to the surface. The primary cleavage is developing between the Oromo (split into two main fractions) and the Amhara who are also divided into the ruling Amhara Democratic Party (ADP) and a new formation, known as National Movement of Amhara (NMA). Both Amhara parties dislike the expansion of the capital at the cost of non-Oromo residents (in Legetafo town).

Anti-democratic actors

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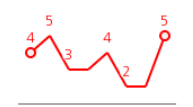
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Cleavage / conflict management

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Ahmed's newly adopted reforms lean toward the rights of the individual and citizenship politics, but the ruling coalition remains fixated on a group-rights agenda. This agenda has always privileged division over unity. Promoting ethnic interests and ethnic politics has been the modus operandi of the ruling coalition and opposition elites, which now presents a challenge for Abiy. There is tension between Abiy's attempts to create a sense of identity beyond ethnicity and, at the same time, attempting to accommodate the ethno-nationalist agendas of certain groups.

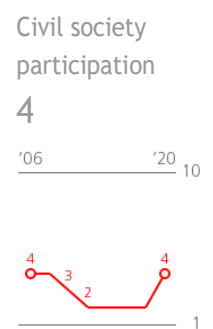
Most of the ethnic Oromo who were evicted in the hundreds of thousands from Ethiopia's Somali region in 2017 remain displaced. Hundreds of innocent Ethiopians have died in the southern cities of Awassa and Sodo because of ethnic violence. In two weeks in late 2018 alone, dozens of Ethiopians from the Gamo, Ghuraghe, and Dorze groups around the capital city, Addis Ababa, were targeted and killed by unidentified assailants. A rally that was organized in Addis Ababa to protest the killings was violently dispersed by police.

There have been ethnic clashes in the eastern Somali region, and unrest in the capital and its surroundings that led to dozens of killings, mass arrests, and a shutdown of the internet. In addition, former rebel groups have resisted calls to disarm their soldiers.

One can conclude that the political leadership did not prevent cleavage-based social conflicts from escalating in many cases (mainly the Somali region, Addis Ababa). Evictions of farmers often happen, due to land scarcity and an unassertive government.

Until the new political leadership, the environment for civil society groups was a rather restrictive one. The ruling Ethiopian People's Revolutionary Democratic Front (EPRDF) has overseen a continuous crackdown on opposition, independent media, and civil society. However, despite facing long-standing attacks by the government, civil society in Ethiopia has strong citizen support and the demand for civil society's work among the population is very high.

The new political leadership changed its attitude toward civil society participation. In late 2018, the government adopted a law governing civil society organizations. This law signals a landmark as, up until now, Ethiopian law has radically constrained and frustrated the work and political space of civil society groups. The new law now explicitly provides all organizations with the right to engage in any lawful activity to accomplish their objectives. Not only domestic civil society organizations, but also foreign and foreign-funded organizations are no longer prohibited from engaging in activities such as advocacy and human rights work. However, at present, there is still no institutionalization of state-civil society dialog visible.

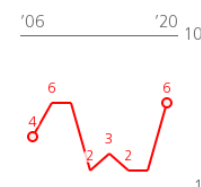


The new political leadership recognizes the need to deal with historical acts of injustice, but its attempts at reconciliation encounter difficulties. It allowed two former political parties, which had been suppressed and forbidden by law – Ginbot 7 and the Oromo Liberation Front (OLF) – to return to the country as legally acknowledged political parties. The government allowed Berhanu Nega, the leader of Ginbot 7 and former mayor-elect of Addis Ababa, an economics professor and part-time rebel, to return to Ethiopia and hold a mass rally in Addis Ababa Stadium.

There are still political forces with de facto veto power, mainly the security forces as well as Tigrayan politicians and army officers, who regard themselves as losers in the ongoing reforms. They are still able to disrupt the reconciliation efforts of Abiy Ahmed's government. But it is also possible that internal tensions and different views of necessary constitutional reforms among the four parties of the coalition government may further destabilize the political system.

#### Reconciliation

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## 17 | International Cooperation

The political leadership uses international assistance from various “camps” for its own development agenda. It has a strategy, called “the developmental state” approach, which has been emerging since the early 2000s with a strong focus on the leading role of the state. Obviously, the development state strategies of Asia's newly industrializing countries (such as Singapore, South Korea and China) serve as examples. The Ethiopian idea behind the concept of the developmental state implies that the EPRDF should establish a political, economic and administrative order, which is different from the pluralist, liberal polity envisaged by many of its western partners, critics, and competitors.

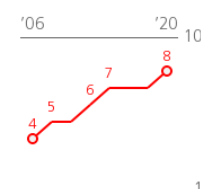
Ethiopia receives credits, grants, and investments for large infrastructure projects, notably in the energy sector, from many countries, mainly from China, India, the United States, Kuwait and EU countries. Ethiopia has a clear intention of diversifying its economy by pushing the establishment of textile and shoe industries, as well as of fruit processing industries.

The trade balance is extremely unbalanced, with imports worth \$16.3 billion (2016) and exports only worth \$3.2 billion. However, since Ethiopia is regarded as an indispensable ally in the fight against Islamist forces in the Horn of Africa (Somalia, Sudan) by the United States and EU countries, it receives preferential treatment.

Since the peace arrangement with neighboring Eritrea, the new government of Prime Minister Abiy Ahmed enjoys great sympathy from all Western countries. Today, Ethiopia is regarded as a strategic partner of the EU in its aspirations to fight the causes of emigration.

#### Effective use of support

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For the most part, the government acts as a credible and reliable partner. It acts in compliance with most of the existing international agreements (African Union, IGAD, WTO, EU Association, etc.). It shows notable engagement in international cooperation efforts. In June 2017, Prime Minister Hailemariam made a trip to Brussels where he signed a joint declaration with the European Union, “Toward an EU-Ethiopian Strategic Engagement,” on security matters, integration and economic cooperation. German Chancellor Angela Merkel visited the African Union headquarters in Addis Ababa in October 2017 and discussed with the government its repressive policies. She advised Hailemariam to open up political dialog and reduce the costly repression in his country. Interestingly, a couple of months later, the new prime minister started his reform agenda precisely along these lines.

In 2018, a major event was the readiness of the new government to settle the yearlong dispute with the government of Eritrea on the border question and to make peace with neighboring Djibouti as well.

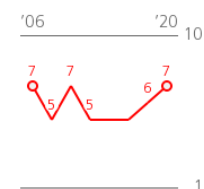
The Grand Ethiopian Renaissance Dam (GERD) project is envisaged as a means to strengthen regional economic cooperation because it is designed to foster regional integration with the Ethiopian capital of Addis Ababa as its hub, since the country will deliver cheap power to its neighbors, Sudan and Eritrea.

Also, it strengthens pan-African diplomacy and cultivates good relations with Sudan, Kenya and other African states. The Nile question (how to allocate the Nile water fairly and justly to all neighboring countries) remains a bone of contention: Egypt especially continued to be fearful of the expected negative effects of the huge Renaissance Dam on the level and quantity of water reaching it downstream. In March 2017, the Declaration of Principles, a tripartite agreement on Nile waters, was concluded between Sudan, Egypt and Ethiopia, but the issues were not resolved. The Sisi government hinted that if there were no guarantees regarding its “just” share of Nile waters, its essential lifeline, it would keep all options open. When more than one year later, the new Prime Minister Abiy Ahmed went to Cairo to discuss anew with President Sisi the thorny “Nile question,” the Ethiopian leader promised at least to dam the Blue Nile water gradually, once the GERD is ready in the next three to five years.

The new political leadership cooperates with nearly all neighboring states, except Somalia, and complies with the rules set by regional and international organizations. It accepted the sentence by the International Court of Justice that the contested border town of Badme and its surroundings belong to Eritrea. That shift of policy paved the way for a peace accord with Eritrea’s President Isaias Afewerki. Also, economic cooperation with Israel and Brazil was intensified as a result of various business summits.

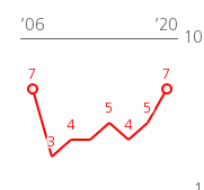
### Credibility

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### Regional cooperation

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## Strategic Outlook

Since April 2018, the multiethnic federation of Ethiopia has been experiencing an exciting process of political transition toward democracy. The new government under Prime Minister Abiy Ahmed initiated a radical reform agenda: it liberated thousands of political prisoners and allowed exiled politicians to return home and revitalize the banned opposition parties; it accused dozens of politicians and security officers of corruption; and it made peace with neighboring Eritrea's President Isaias Afewerki. These positive events – called by some observers the “Ethiopian miracle” – can be seen mainly as a creative reaction by the established system to the severe failure of the authoritarian regime of the Ethiopian Peoples' Revolutionary Democratic Front (EPRDF) with Prime Minister Hailemariam Desalegn at the helm. His government had proved unable and unwilling to pacify the various ethnic and political conflicts in the country, beyond authoritarian policing. Further, public demonstrations against the unpopular government threatened the economic success of the country, which had created thousands of new jobs in the expanding textile and flower industries.

But Abiy Ahmed's policy of liberalization did not bring peace and progress immediately; because a policy of democratic reforms, suddenly declared from above, often encourages political activists from all camps to use the moment to articulate their claims in excessive ways. When the two most influential opposition parties were allowed to return to Addis Ababa and articulate their demands violent clashes occurred. The events that followed in and around the capital included deaths, thousands of arrests, the reappearance of authoritarian policing, and vicious recriminations among rival supporters.

Therefore, it is of strategic importance that the new government start innovations in at least three directions:

First, a national dialog with the opposition parties and civil society organizations on the question of the division of power, borders, resources and taxes between the central government and the regional and local communities should be set in motion. Secondly, government and society need a legal institutionalization of the announced political and economic reforms: It is not sufficient that a charismatic leader proclaims goodwill objectives without political control and constitutional checks and balances. That means that the constitutional role of the national parliament and the courts (after fair elections in the near future) should be respected and enhanced.

Thirdly, an implementation of reforms to create a more pluralistic, democratic and law-abiding political regime as a precondition for political stability without repression would also encourage foreign investors and donor countries to continue their close cooperation with the EPRDF, which made it possible that Ethiopia today belongs to the group of the fastest growing economies in the world. Ethiopia urgently needs the ongoing support of foreign capital in order to finance its ambitious development projects (in areas such as energy generation, building irrigation dams and flower and vegetable plants, and expanding textile and leather factories). To stabilize these

transnational and international good relations, Ethiopia's economy would profit from a more market-oriented economic and fiscal policy, for example, by lifting strong state control over land ownership and bank operations.

Also, it is highly imperative that Ethiopia will intensify its efforts to reduce population growth, with the help of UN organizations and NGOs. The reduction of population growth from 2.5% to annually 2% in recent years belongs to Ethiopia's great achievements. In this field, the German government, in close operation with other EU countries whenever possible, can help to perpetuate and accelerate family-planning activities. In addition, female education and professional training of women should be placed high on the development aid agenda.

The best investment for a better future of the peoples of Ethiopia lies in a massive improvement of trade relations between Ethiopia and EU member states. Year after year, millions of well-educated students complete their degrees at the many universities and higher education institutions of Ethiopia and look for jobs. For people who are truly interested in reducing the causes of migration among African youth, the creation of jobs in modern agriculture, industries, communications and research should be of paramount importance.