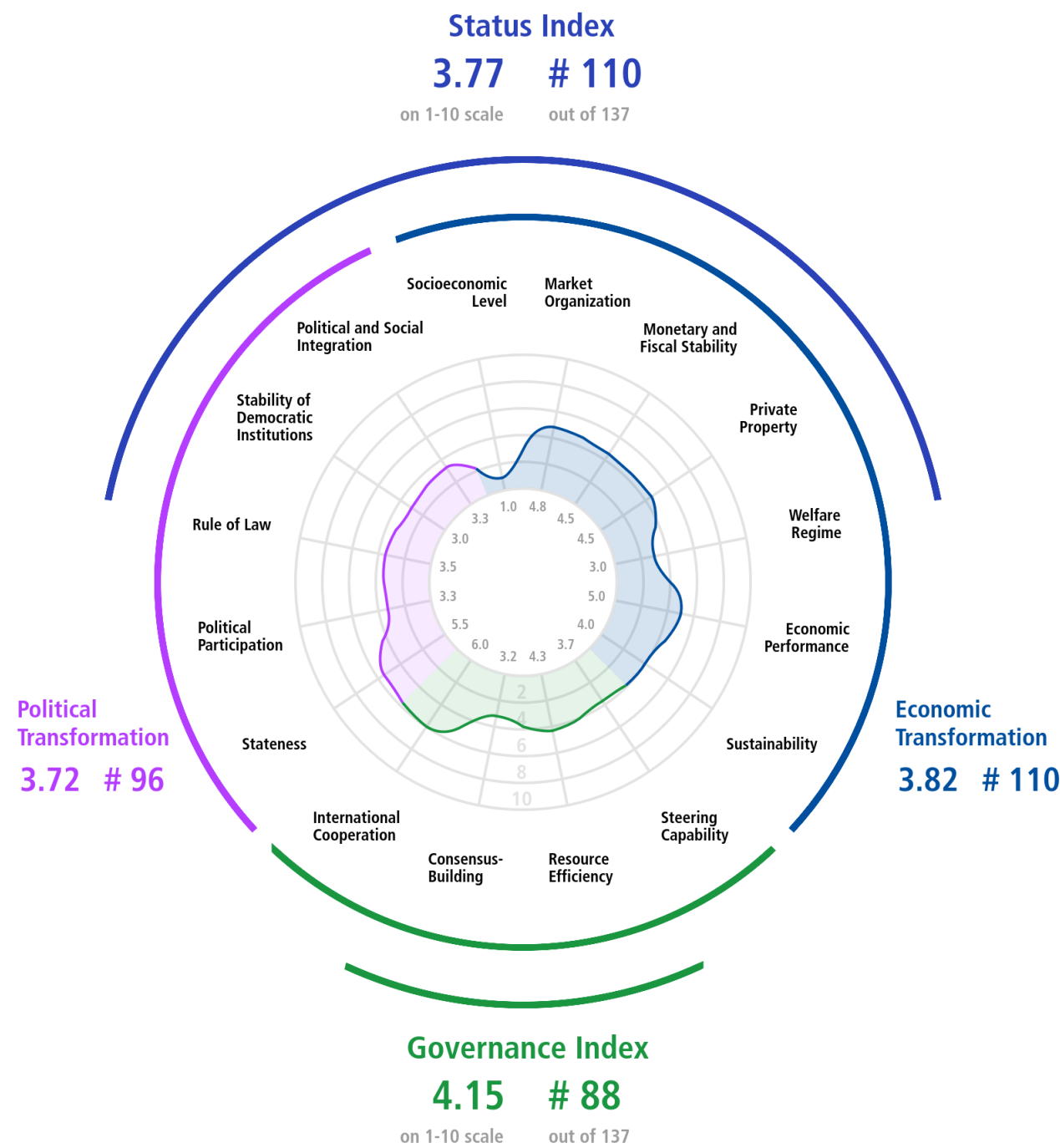


Flygtningenævnets baggrundsmateriale

Bilagsnr.:	584
Land:	Etiopien
Kilde:	Bertelsmann Stiftung
Titel:	BTI 2024 Country Report Ethiopia
Udgivet:	19. marts 2024
Optaget på baggrundsmaterialet:	14. juni 2024

Ethiopia



This report is part of the **Bertelsmann Stiftung's Transformation Index (BTI) 2024**. It covers the period from February 1, 2021 to January 31, 2023. The BTI assesses the transformation toward democracy and a market economy as well as the quality of governance in 137 countries. More on the BTI at <https://www.bti-project.org>.

Please cite as follows: Bertelsmann Stiftung, BTI 2024 Country Report – Ethiopia. Gütersloh: Bertelsmann Stiftung, 2024.

This work is licensed under a [Creative Commons Attribution 4.0 International License](https://creativecommons.org/licenses/by/4.0/).

Contact

Bertelsmann Stiftung
Carl-Bertelsmann-Strasse 256
33111 Gütersloh
Germany

Sabine Donner

Phone +49 5241 81 81501
sabine.donner@bertelsmann-stiftung.de

Hauke Hartmann

Phone +49 5241 81 81389
hauke.hartmann@bertelsmann-stiftung.de

Sabine Steinkamp

Phone +49 5241 81 81507
sabine.steinkamp@bertelsmann-stiftung.de

Key Indicators

Population	M	123.4	HDI	0.498	GDP p.c., PPP \$	2812
Pop. growth ¹	% p.a.	2.5	HDI rank of 189	175	Gini Index	35.0
Life expectancy	years	65.0	UN Education Index	0.375	Poverty ³	65.0
Urban population	%	22.7	Gender inequality ²	0.520	Aid per capita \$	33.1

Sources (as of December 2023): The World Bank, World Development Indicators | UNDP, Human Development Report 2021-22. Footnotes: (1) Average annual growth rate. (2) Gender Inequality Index (GII). (3) Percentage of population living on less than \$3.65 a day at 2017 international prices.

Executive Summary

Over the past two years (2021 – 2023), Ethiopia has been gripped by civil conflicts, which have undone the advancements brought about by the bold political and economic reforms initiated by Prime Minister Abiy Ahmed in 2018. In the northern regions of Ethiopia, including Amhara, Afar and Tigray, a conflict erupted between the federal government and its allies from the Amhara region and the Tigray People's Liberation Front (TPLF). This conflict has resulted in extensive damage to infrastructure and a devastating loss of life. Simultaneously, an insurgency led by the Oromo Liberation Army (OLA) gained momentum in western and southern parts of the Oromia region. Additionally, ethnic-based conflicts erupted in various parts of the country, putting immense pressure on the federal government.

The armed conflict between the TPLF and the federal government persisted until they signed a peace agreement in November 2022, marking the end of a destructive conflict and initiating a challenging path to recovery for the Tigray region. Meanwhile, the insurgency in Oromia continued to expand, drawing in more actors and exacerbating existing political divisions.

Despite the overall instability, Ethiopia managed to conduct its national elections relatively peacefully, with the second round of voting occurring on September 30, 2021. The Prosperity Party, the incumbent ruling party, secured a significant victory, solidifying its position in steering Ethiopia's political and economic development. However, elections held in the Tigray region on September 9, 2020, by the TPLF in defiance of the federal government were invalidated. No plans for subsequent elections in the Tigray region have been announced due to the ongoing conflict.

Vulnerable communities across the country have suffered from economic contraction and a sharp increase in the prices of essential commodities such as fuel, food and fertilizer. This has eroded the progress made over the past decade, with rapid inflation diminishing the purchasing power of Ethiopians. Concerns over the handling of the Tigray conflict led to delays in Ethiopia's debt restructuring and the finalization of loan agreements. The conflict has also disrupted the education of millions of students in affected areas.

During this period, Ethiopia has made some moderate progress in opening up its economy to private businesses and competition. In October 2022, Safaricom Ethiopia was granted a nationwide full-service telecommunications license, becoming the first competitor to the state-owned Ethio-Telecom. Additionally, advancements were made in energy production and sustainability, with Ethiopia's Grand Ethiopian Renaissance Dam (GERD) starting to generate electric power in February 2022.

History and Characteristics of Transformation

Ethiopia's historical trajectory includes rule by Emperor Haile Selassie (1930 – 1973) followed by the Derg dictatorship, a socialist military regime led by officer Mengistu Haile Mariam (1973 – 1991). In 2018, Ethiopia initiated its most recent democratization process when the current prime minister assumed office after being appointed by the then ruling coalition party, the Ethiopian People's Revolutionary Democratic Front (EPRDF).

The EPRDF comprised four political parties: the Tigray People's Liberation Front (TPLF), the Amhara National Democratic Movement (ANDM, renamed the Amhara Democratic Party, ADP, in 2018), the Oromo Peoples' Democratic Organization (OPDO, renamed the Oromo Democratic Party, ODP, in 2018) and the Southern Ethiopian People's Democratic Movement (SEPDM). This coalition party was replaced by the Prosperity Party on December 1, 2019, with its founding members including three former EPRDF parties: the ADP, ODP and SEPDM, along with five other former sister parties of EPRDF. Notably, the TPLF, the founder of the EPRDF, declined to join the Prosperity Party.

Prime Minister Abiy, during his inauguration in 2018, introduced the concept of Medemer, loosely translated from Amharic as "coming together." This marked a departure from the previous EPRDF-led government's governance approach, which was based on the concept of revolutionary democracy known as Abyotawi democracy. Abyotawi democracy is rooted in Marxist-Leninist-Maoist principles and emphasizes elite leadership in guiding the masses toward revolution and democratic processes. In contrast, the Medemer concept promotes a pan-Ethiopian democracy tailored to Ethiopian culture, consciousness and thinking. It aims to build upon Ethiopia's rich heritage, address past mistakes, and encourage collaborative efforts for the country's future. It has three pillars: national unity, citizen dignity and prosperity.

This ideological shift created a divide between the TPLF and the Abiy-led government, which escalated into violence when TPLF-led local militias and Tigray regional special forces attacked the Ethiopian National Defense Force's (ENDF) north command in the Tigray region on November 3, 2020.

By July 2021, armed clashes between TPLF forces, known as the Tigray Defense Force (TDF), and government forces had spread to the neighboring Afar and Amhara regions. Both parties signed the African Union-led Agreement for Lasting Peace through a Permanent Cessation of Hostilities in Pretoria, South Africa, on November 2, 2022.

However, the conflict in Ethiopia is not limited to the northern region; other violent conflicts have occurred in various parts of the country, including in the Oromia region.

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. From February 2021 to January 2023, three groups, namely the TPLF, OLA and the Amhara ethnic militias, also known as Fano, challenged the Ethiopian state's monopoly on the use of force in the country. From July to November 2021, TDF, led by the TPLF, gained control of parts of North Gondar, North Wello, Wag Hamra, North Shewa and South Wello zones in the Amhara region, and Kilbeti Rasu-Zone 2 and Fanti Rasu-Zone 4 in the Afar region. The government had regained control of most of these areas by the end of December 2021, while the TPLF and its forces controlled most of the Tigray region. However, by the end of October 2022, the government regained control of major towns in Tigray, including Aksum, Shire, Chercher and Alamata, after a new round of armed clashes erupted between TDF and government forces on August 24, 2022.

The Eritrean Defence Force (EDF) is also involved in the northern Ethiopia conflict in support of the federal government of Ethiopia. On November 14, 2020, the TPLF forces fired rockets at the Eritrean capital Asmara, accusing Eritrea of sending soldiers into Tigray. It is unknown when EDF entered the Tigray region to fight against TPLF forces. For a long time, the Ethiopian government denied the involvement of the EDF in Ethiopia. In March 2021, Prime Minister Abiy Ahmed announced the withdrawal of Eritrean troops from the country after facing mounting pressure from the international community.

Nevertheless, the EDF remains one of the conflict parties in the northern Ethiopia conflict. In 2023, reports indicated that, starting on January 18, the EDF began to withdraw from Adwa, Aksum and Shire towns and Felafil and Endebagerima areas in the Tigray region. However, the TPLF continued to indicate that the EDF has not entirely withdrawn from the region. The withdrawal or non-withdrawal of the EDF has not been confirmed by the AU Monitoring, Verification and Compliance Mission

Question
Score

Monopoly on the
use of force

6



(AU-MVCM) at the time of writing this report. The African Union established AU-MVCM to monitor the implementation of the Agreement for Lasting Peace Through a Permanent Cessation of Hostilities between the TPLF and the Ethiopian government.

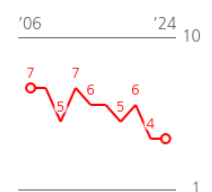
In the Oromia region, the OLA challenges the state's monopoly on the use of force. The group is active in Kellem Wollega, Horo Guduru Wollega, East Wollega, West Wollega, West Shewa, East Shewa, North Shewa, East Guji and Guji zones in Oromia. The OLA managed to gain control of some rural areas within these zones. For instance, as per the National Security Council press statement released on August 8, 2022, the OLA controlled 1,739 kebeles (the lower administration level in Ethiopia) in Oromia. However, it is unclear when the group gained control of these kebeles. Since September 2022, the OLA group has challenged the state's monopoly on the use of force in Oromia. For instance, in November 2022, the OLA managed to control 11 out of 21 woredas in the East Wollega zone and took control of large amounts of rural territory in the West Wollega zone, including most of the kebeles within the Gimbi woreda.

Members of Fano, primarily active in the Amhara region, are also challenging the state's monopoly on the use of force in the country. This group played an active role in pushing TDF out of Amhara in 2021. In May 2022, the Amhara regional government began a "law enforcement" operation in the region. As per the regional government, this operation was necessary given the spate of smuggling incidents, shootings and interference in court decisions in the region. As a result, tensions between Fano militias and the government increased. As part of the operation, over 4,500 people were arrested, including journalists, leaders of Fano militias and the former leader of Amhara regional special forces. There were also armed clashes between the two actors as government forces began the operation. Moreover, since November 2022, Amhara ethnic militias residing in western Oromia, who are locally also identified as Fano, have started to challenge the state's monopoly on the use of force in the area. The Oromos and the regional authorities claim that these militias came from the neighboring Amhara region, while Amhara refuted this claim and insisted the militias were established locally to defend fellow residents from OLA attacks, which have been frequent in these areas since 2018.

Ethiopia employs a system of governance known as ethnic federalism. As a result, the country is divided into ethnic-based administration levels: federal, region, zone, woreda and kebele. At the end of 2022, there were two federal states and 11 regional states. The federal states and some regional states are heterogeneous, while other regions (e.g., Afar, Amhara, Harari, Oromia, Sidama, Somali and Tigray) are dominated by one ethnic group. The Federal Democratic Republic of Ethiopia (FDRE) constitution grants each ethnic group (referred to as a "nation," "nationality" and "people") the right to self-determination, up to and including secession. Hence, the political arena in the country is based on ethnic identity. In turn, this creates

State identity

4



various citizenship narratives. Some ethno-nationalists, especially in Oromia, Tigray and Somali, identify first with their ethnicity rather than their nationality (Ethiopian). There are various narratives about what it means to be Ethiopian. However, legally, all ethnic groups are granted full citizenship rights.

During the northern Ethiopia conflict, the different parties involved in the conflict used various narratives to mobilize support and fighters. For instance, the TPLF mobilized support using the slogan “Tigray prevails,” which focused on protecting Tigray and ethnic Tigrayans (“Tegarus”). On the other hand, the federal government and the Amhara regional government indicated that the war was endangering the existence of Ethiopia as a country. Accordingly, to mobilize supporters, the government called for supporters to preserve the existence of Ethiopia as a country. Supporters of the Ethiopian government used the slogan “Ethiopia prevails” to show support. Similar identity-based mobilization methods are used by other insurgency groups in the country, including the OLA.

In Ethiopia, most Ethiopians are Orthodox Christians, with Muslims being the second-largest religious group. According to the FDRE constitution, 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.” In practice, however, some legal orders (e.g., regarding abortion and sexual preference) and political institutions are influenced by religious dogmas, as most of the population is religious. Some religious groups have attempted to force the government to change its decisions, for example, regarding the transfer of land to another government project or religious entity.

In 2021 and 2022, there were armed conflicts in different parts of the country. The most conflict-affected areas were the Tigray region, the western part of the Afar region, the northern and eastern parts of the Amhara region, and the western part of Oromia. As a result, basic administrative structures were non-operational in areas controlled by rebel groups. Most administrators and civil servants fled these areas, and institutions were damaged. From July 2021 to November 2022, the federal government could not provide basic administrative structures in the Tigray region. The same was true for most parts of the Wag Hamera, North Wello and South Wello zones in the Amhara region from July to December 2021. Basic administrative structures have also failed in areas in the Oromia region where OLA members are active, particularly in western Oromia. This, in turn, means the government failed to collect taxes and enforce rules in these areas. Basic services (e.g., schooling, health care, electricity and communication) are either limited or completely shut down.

Furthermore, most rural areas lack water, electricity, health care, schooling, communication and road access. According to UNICEF, 65% of households in Ethiopia have access to improved water sources, and 6.3% of households have access to improved sanitation. The World Bank estimates that 93.2% of the urban population and 39.4% of the rural population have access to electricity. However, in most areas

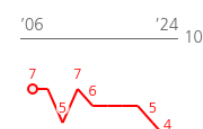
No interference of religious dogmas

8



Basic administration

4



of the capital city, Addis Ababa, access to electricity and water is limited, as services there are regularly shut down. Similar shutdowns have also been observed in other towns across the country. For instance, on February 15, 2023, residents gathered in front of the Water and Sanitation Office in Welkite town in the Gurage zone in SNNPR to demonstrate against the lack of drinking water, which had been shut off in some parts of the city for months. Demonstrators blocked the road and threw stones at the Water and Sanitation Office building. To disperse the demonstrators, regional special forces fired live bullets at the demonstrators, killing at least three and injuring 30 people.

2 | Political Participation

Ethiopia's national elections took place over two phases, with the first round of voting occurring on June 21, 2021, and the second on September 30, 2021. Elections held in the Tigray region by the TPLF in defiance of the federal government on September 9, 2020, were declared null. No plans for elections in Tigray have since been announced due to ongoing conflict.

On October 4, 2021, elected and appointed members of the new government took power. The elections were contested by a large number of opposition parties and 125 independent candidates. Part of the opposition, including the Oromo Liberation Front (OLF), the Oromo Federalist Congress (OFC) and the Ogaden National Liberation Front (ONLF), boycotted the election. The Prosperity Party, led by Abiy Ahmed, won 410 out of 436 seats in the House of Peoples' Representatives. Of the opposition parties, the National Movement of Amhara (NaMA) won five seats, the Ethiopian Citizens for Social Justice (EZEMA) four seats and the Gedio People Democratic Organization two seats. Independent candidates hold four seats.

On October 5, 2021, Prime Minister Abiy formed a government of 22 ministries and appointed several opposition members to ministerial positions. Abiy claimed to base these appointments on experience rather than ethnic-based quotas.

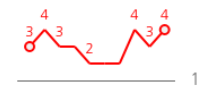
Although the elections occurred in the context of intensified conflict, they were relatively peaceful. By using pre-emptive security tactics and suppression, the Ethiopian government managed to avoid outbreaks of violence.

The arrests of key opposition figures, the exclusion of the Tigray region and the cancellation of voting in certain locations of Ethiopia due to conflict meant that the elections fundamentally excluded key political groups. While the National Election Board of Ethiopia (NEBE) successfully worked with the government and resolved several electoral irregularities, so many complaints were filed by individuals and parties that the board was unable to address any of them meaningfully. Some complaints dealt with electoral proceedings (e.g., ballot and registration irregularities), while others addressed unfair media coverage prior to the election.

Free and fair
elections

4

'06 '24 10



Rural areas in general, and specifically rural areas in the Oromia region, were identified as the locations where political candidates faced the most harassment. Citing harassment by the ruling party and the imprisonment of its leaders, both the OLF and the OLC pulled out of the elections prior to the commencement of voting. EZEMA also complained of harassment by the ruling party, including the killing of one party chairperson in Bishoftu during the run-up to the elections.

The lack of strong and trusted framework institutions is one of the biggest challenges facing the newly established government, as is its relationship to local authorities.

When Prime Minister Abiy Ahmed established the Prosperity Party and dissolved the former ruling party, EPRDF, he made it clear that the federal government was attempting to move away from the ethno-federalism established by the TPLF. Despite this attempt, the prime minister has been unable to disentangle his administration from the grips of ethnic politics, which are formalized in the Ethiopian constitution. Ethiopia is extreme in its application of both ethno-federalism and territorial organizing principles. Ethiopia's constitution not only privileges the majority ethnic/endogenous groups within regions but also grants priority to ethnic representatives of majority groups over the central government in the administration and control of regions.

In this context, political enclaves exist within the ethno-nationalist political forces of each region of Ethiopia. Through the laws written in the constitution, they can leverage both the constitution and charged political sentiment to undermine attempts by the government to de-ethnicize the governance structure. This is an especially salient issue when it comes to disputed territory and even the status of the capital city, Addis Ababa, which is surrounded by the Oromia regional state.

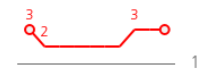
Article 30 of the Ethiopian constitution states that "Everyone has the right to assemble and to participate in peaceful demonstrations and to petition. Appropriate regulations may be made in the interest of public safety, public order and the general welfare of the people." Similarly, Article 31 of the constitution guarantees the right to freedom of association, stating that "Every person has the right to freedom of association for any lawful purpose." However, it is important to note that, in practice, there have been restrictions on these rights in Ethiopia, which have become increasingly intolerant over time. In the early months of 2023, several opposition parties were prevented from holding party meetings by federal police. Protests and holiday celebrations that are not explicitly allowed by the government are regularly disbanded by force, often resulting in injuries and fatalities. Unless sponsored by the government, permits for gatherings are often revoked or, if approved, later dispersed by police.

Widespread conflict throughout Ethiopia in 2021 and 2022 pitted government forces against ethno-nationalist forces in Tigray and Oromia. As in many contexts, this led to the narrowing of political space, and any criticism of the government was viewed as equivalent to support for the armed anti-government group.

Effective power to govern

3

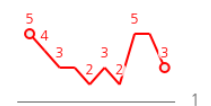
'06 '24 10



Association / assembly rights

3

'06 '24 10



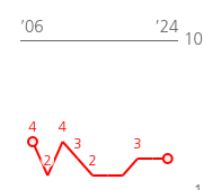
Civil society groups and individuals alike are regularly arrested, intimidated and accused of supporting anti-government groups or agendas. In conflict areas, anti-government groups likewise pressure civilians to adopt their political agendas. Despite these pressures and the generally negative trajectory, some progress has been made in comparison to previous years, and individuals and civil society groups enjoy greater freedom to operate now than they did under previous governments.

Along with a dizzying number of changes to Ethiopia's governing structure and personnel, the federal government's attitude toward journalists and reporting has changed significantly since Prime Minister Abiy took power. When Abiy was elected, he promised that he would open up the space for mass media (broadcasting, publishing and the internet), which he did for a time. However, as violence has spread throughout the country and reached catastrophic levels in the north, Ethiopia's media space has become more restricted, with journalists facing threats from rebel groups and government forces alike.

Ethiopia's media environment is a product of a heavily polarized society and increasing government pressure to restrict information. Government pressure on journalists critical of the federal government reached a peak during the northern Ethiopia conflict, when many foreign journalists were expelled, local news offices were shuttered and individuals were arrested or threatened. The government often resorts to shutting off internet access for sections of the country in an attempt to restrict information and reporting.

Freedom of expression

3



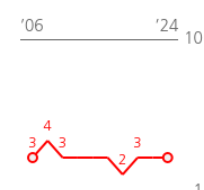
3 | Rule of Law

The FDRE constitution provides a dual governmental structure based on ethnic federalism, comprising the federal and regional governments. Each government has separate jurisdictions. Ethiopia has five tiers of administration: federal, region, zone, woreda and kebele. Kebele is the lowest level of administration. Currently, there are 11 regions and two chartered cities – Addis Ababa and Dire Dawa. Addis Ababa is the capital city and seat of the federal government. The 11 regions are Afar, Amhara, Benshangul/Gumuz, Gambella, Oromia, Sidama, SNNPR, Somali and South West Ethiopia People's Region. Sidama and South West Ethiopia People's Region are the newest regions. Sidama was officially established on February 22, 2021, after a referendum vote on November 20, 2020, while South West Ethiopia People's Region was established on November 23, 2021, after a referendum vote on September 30, 2021.

The federal government consists of two legislative bodies, namely the House of Peoples' Representatives and the House of Federation, the executive body led by the prime minister and the judiciary. Article 54 of the FDRE constitution gives power to the regional governments to establish state and administrative levels that fit the needs

Separation of powers

3



of their society. Thus, state governments are obligated to establish local governments that are autonomous and accountable to the local electorate. Even though each region has the right to establish its own lower administrative levels that fit the needs of its society, almost all regions have similar administrative structures. Except for Harari and Sidama, all regions consist of state council, zone, woreda and kebele administrations. Harari and Sidama do not have zones.

Further, Benshangul/Gumuz, Gambella, Harari and the South West Ethiopia People's Region have a second council known as the "nations council." This council consists of members from the region's recognized indigenous ethnic groups. In almost all regions, members of the regional state council, woreda and kebele are elected. As per the FDRE constitution as well as the regional constitutions, the checks and balances among the different branches of the government are laid out. The federal government is not allowed to intervene in the activities of the regional government, unless a regional government requests that the federal government intervene in the case of a deteriorating security situation.

However, in practice, this separation of power is weak. There is a lack of checks and balances among the three branches of both the federal and regional governments. The parliament and the judiciary are not independent institutions that can use their constitutional authority to hold the executive accountable. Similarly, the line between the federal and regional governments is blurred. Compared to the period when EPRDF led the government, there is some relative independence for the regional governments. Nevertheless, some decisions cascade from the executive body of the current ruling party, the Prosperity Party.

Each level of the government (i.e., the federal and regional governments) consists of a separate judiciary. The federal government has three judicial branches: the Supreme Court, the Federal High Court and the First-Instance Court. Similarly, the regional states have their own State Supreme Court, High Court and First-Instance Court. There are also Shariah courts. At the federal level, the Shariah court has three levels: the Federal First-Instance Court of Shariah, the Federal High Court of Shariah and the Federal Supreme Court of Shariah. The Shariah courts can only adjudicate on cases related to family law, and the disputing parties must agree to be adjudicated by this court; otherwise, the case will be redirected to the regular courts. The Federal Supreme Court has the highest and ultimate judicial power over federal matters, while the State Supreme Court has the same power over state matters.

Ethiopia's supreme federal judicial authority is vested in the Federal Supreme Court. The House of Representatives appoints the president and vice president of the Federal Supreme Court upon recommendation by the prime minister. The house also selects other federal judges from a list of candidates selected by the Federal Judicial Administration Council and presented by the prime minister. The State Council appoints the president and vice president of the State Supreme Court upon the recommendation of the chief executive of the state, while the State Council appoints

Independent
judiciary

4

'06 '24 10



1

other judges in the State Courts upon the recommendation of the State Judicial Administration Council. The Judicial Administration Commission selects the judges of the Shariah courts based on recommendations from the federal majles, a semi-official institution intended to represent Muslims in state processes.

Since 2018, the federal judicial body has been undertaking various reformatations to improve its independence and functioning. To guarantee the independence of judges and the judicial body, the Supreme Court amended various directives and adopted a number of proclamations. Though there are some positive changes, the independence of the federal judicial body is impaired by political authorities (though less frequently than pre-2018) and corruption. Political authorities and corruption heavily impair the independence of the regional judicial body. In addition, the weak accountability of policing and prosecuting institutions negatively affects the functioning of the judicial body. It is unclear if the regional courts are undertaking similar reforms.

In Ethiopia, most public officeholders are linked to the ruling party. 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. In November 2022, Prime Minister Abiy stated that “corruption has become a threat to our national security.”

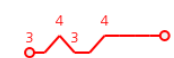
The country is undergoing reform and some public officeholders have been brought to court for corruption. On the eve of the ruling Prosperity Party’s first congress meeting in March 2022, the party evaluated 108,258 officials at each administrative level. After the evaluation, the party took disciplinary measures against 10,658 officials, resulting mostly in dismissal or a reshuffle. In addition, the government established a new anti-corruption committee composed of seven members in November 2022. Some regional governments have also established similar committees following the establishment of the committee at the federal government level.

Over the past couple of years, most actions against public officeholders for abuse of office seem to be politically motivated. However, since November 2022, it appears that the government is implementing stricter measures against public officeholders who abuse their positions. The public has responded positively to these actions but has expressed reservations, fearing officials loyal to the government will not be held accountable for abusing their power. Various public officeholders still commit corruption. It is too early to fully assess the recently launched anti-corruption reform in the country.

Prosecution of
office abuse

4

'06 '24 10



1

Civil rights have slightly improved in the capital city compared to previous years. But civil rights are not guaranteed in areas outside the capital, especially in areas affected by armed conflict. There are extrajudicial killings perpetrated by government forces. Members of various rebel groups, including the TPLF and OLA, have also violated the civil rights of people in territories under their control.

In various regions, people are arrested without due process and may not be brought to court within the stipulated timeframe. Sometimes security forces do not respect court decisions to release a prisoner. There have been multiple reports of activists and individuals opposing the government or a government official being apprehended by security forces, with their whereabouts remaining unknown for days.

Despite the fact that civil rights are codified by law and the courts' independence has improved, citizens rarely seek redress for violations of their rights due to fear of the long duration of the adjudication process and a lack of trust in the judicial system.

Civil rights

3

'06 '24 10



4 | Stability of Democratic Institutions

Ethiopia's current regime has been described by governance experts as a "competitive autocracy," representing a shift from the electoral authoritarianism of the TPLF-led EPRDF era.

Representatives for Ethiopia's House of People's Representatives as well as local government officials were elected during the national elections in June and September of 2021. Prime Minister Abiy Ahmed's Prosperity Party won by a landslide victory, although the fairness of the election was contested due to the exclusion of key political actors.

A competitive autocracy refers to a political system where the ruling regime allows for some level of competition in the political process but still maintains a significant amount of control over political power and decision-making. In such a system, formal democratic institutions are widely viewed as the principal means of obtaining and exercising political authority, although democratic institutions and practices may be heavily restricted or manipulated by the ruling regime. As the winners of the national election, the Prosperity Party dominates the democratic institutions in Ethiopia from top to bottom. While stable, these institutions exist to fulfill the party's agendas.

Moving away from the electoral authoritarianism of the EPRDF era brought many positive reforms. Judicial reforms made during the change included increasing the number of judges, providing better training and resources, and implementing new laws and regulations to improve the administration of justice. Despite these improvements, instances of police failing to respond to judicial rulings have been common, especially with regard to prolonged detentions on political charges.

Performance of democratic institutions

3

'06 '24 10



The potential for future democratization is higher now than it was under the EPRDF due to recent government reforms. Institutions with strong commitments to democratic principles, including the National Election Board of Ethiopia and the Ethiopian Human Rights Commission, provide a base for future improvement. Serious challenges remain, however, and violent conflict and polarization of political groups threaten to reverse any progress made.

The ruling Prosperity Party was formed following the dissolution of the EPRDF coalition, which comprised four major ethnic-based parties. Of the four original parties that made up the EPRDF, only the TPLF refused to join the Prosperity Party, accusing the prime minister of acting unlawfully. The TPLF considers Prime Minister Abiy Ahmed, the federal government of the Prosperity Party and democratic institutions – including the National Election Board of Ethiopia – under the authority of the Prosperity Party to be illegitimate.

Following the outbreak of armed conflict between the TPLF and the federal government, federal authorities quickly declared the TPLF administration illegal and removed TPLF officials from their offices, stripped TPLF leaders of immunity, and appointed a new regional president. Despite this, the TPLF considers itself to be the formal authority in Tigray based on an election held in defiance of the government in September 2020, and has acted in this position while in control of Tigray throughout the period of conflict in 2021 and 2022.

5 | Political and Social Integration

The party system in Ethiopia is weak. The political arena in the country is based on ethnicity. From 1991 to 2018, the TPLF-led EPRDF and its affiliate parties were the only strong parties in the country. The EPRDF was a coalition of four political parties: the TPLF, ANDM, OPDO and SEPDM. These parties were affiliated with specific ethnic groups.

Most opposition parties were forced to operate from outside the country due to the hostile political environment in the country. The government heavily monitored opposition parties based in the country. Thus, opposition parties were limited to articulating and aggregating societal interests. Since 2018, the situation has changed dramatically when new political parties were formed and exiled political parties were allowed to return to the political arena following the appointment of a new prime minister. The political environment was more open compared to previous periods. Political parties could criticize government policies and advocate for the interests of the ethnic group they claim to represent. However, since many of these political parties are new, they lack the stability and deep social roots to effectively articulate and aggregate societal interests, and struggle with internal disputes. Most do not have a functioning internal organization. Some, such as the OLA and TPLF, used arms to resolve their differences with the government.

Commitment to democratic institutions

3

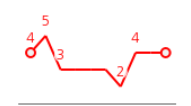
'06 '24 10



Party system

4

'06 '24 10



Furthermore, the political environment in Ethiopia is highly polarized. Most parties only advocate for their respective ethnic groups. This is a strategic move to influence voting and support and reflects the country's ethnicity-based political framework.

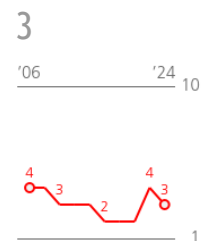
Since there is a power difference between the federal and regional governments, clientelism is widespread in Ethiopia. The patron-client relationship between the federal and regional governments empowers the federal government's political leaders over the regional governments' political leaders. Such a relationship rewards loyal political leaders. However, since 2019, there is "one" ruling party (the Prosperity Party) and a ruling coalition party (the EPRDF). The Prosperity Party is divided into at least 13 factions, which are based on the regional and federal state administrative levels (e.g., Oromia Prosperity Party, Amhara Prosperity Party, Addis Ababa Prosperity Party and so on). The clientelism relationship exists not only among the top leaders of both tiers of the administrative level. The patronage network spills down to the lower administrative level – the kebele. To guarantee votes and support from the local population, political leaders use agricultural extension programs. This kind of "carrot and stick" approach was observed in some areas during the 2021 federal elections. Thus, the degree of voter volatility in Ethiopia is low.

Ethiopia has a long tradition of informal community-based organizations (e.g., "debo," "idir" and "iqub") that offer mutual socioeconomic support to their members. The number of international NGOs (INGOs) increased after 1970 as a humanitarian response to Ethiopia's 1973 and 1984 famines. The number of both NGOs and INGOs increased in the 2000s following the fall of the Derg regime, which severely restricted the number of civil society groups in the country. According to Rahmato (2002), the number of NGOs and INGOs increased from around 25 in the 1970s to 70 by 1994 and 368 by 2000. There are also various collective action groups, micro-finance entities and professional associations. Community-based organizations are the most dominant type of civil society organization in the country, as they provide both labor and financial support during times of need for members.

However, the 2009 Charities and Societies Proclamation placed excess restrictions on foreign and local CSOs (civil society organizations). This law was implemented after civil society groups played a significant role in the 2005 federal election, for example, by organizing and sponsoring televised debates between representatives of the ruling and opposition parties, providing voter education, and observing the electoral process. Hence, the number of civil society groups, especially those that worked on democracy and human rights, significantly decreased as, among other restrictions, their access to funding was restricted by the 2009 proclamation.

Since the Abiy-led government replaced the old restrictive civil society law in March 2019, the environment for CSOs has improved. However, as the current political environment is based on ethnicity and is highly polarized, it is challenging for most CSOs to mediate between society and the political system. This is because most want to remain neutral and tend not to be involved in advocating for a specific ethnic group.

Interest groups



However, some CSOs based on a specific group of people are involved in bringing society and the political system closer. Civil society groups that work on thematic issues tend to form consortiums (e.g., the Consortium for Ethiopian Human Rights Organizations, the Population Health and Environment Ethiopia Consortium, and the Consortium for Climate Change Ethiopia).

Many were content with the opening of political spaces following the appointment of Prime Minister Abiy in 2018. Compared to previous elections, the June 2021 election was dubbed a democratic election, though it was mired with electoral irregularities. The country has been undergoing a process of democratization since 2018. The Abiy government is guided by the concept of Medemer during this transformative period. This concept strives to establish a pan-Ethiopian democracy, tailor-made to Ethiopian culture, consciousness and thinking. Medemer has three pillars: national unity, the honor of citizens and prosperity. Initially, it seemed like many supported the idea as it focuses on national unity rather than ethnicity. In practice, however, the country's various ethnic groups are fragmented, and citizens have begun to question the concept of Medemer and hold various understandings of the meaning of democratic norms and procedures.

The ongoing armed conflict involving various ethnic groups in the country and the polarized political environment have strongly affected the country's social capital. These two elements are eroding the level of trust among the different ethnic groups in the country. For instance, millions of ethnic Amhara civilians have fled from the Oromia region to the Amhara region due to ethnic-based violence in the former.

Approval of
democracy

n/a

'06 '24 10

n/a 1

Social capital

3

'06 '24 10



II. Economic Transformation

6 | Level of Socioeconomic Development

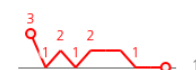
Despite the reform measures introduced by the Ethiopian government to improve the socioeconomic status of the population, multiple shocks in the form of conflict, drought, and soaring grain and fuel prices have slowed Ethiopia's economic growth from more than 7% annually between 2018 and 2021 to 3.8% for the 2021/22 fiscal year. Vulnerable communities throughout the country have been hard hit by the economic contraction and an accompanying spike in the prices of fuel, food and fertilizer, which have eroded the progress made over the previous decade.

Question
Score

Socioeconomic
barriers

1

'06 '24 10



Ethiopia has maintained its position as one of the fastest-growing economies in Africa over the past 15 years, reducing poverty in both rural and urban areas. Ethiopia's GDP per capita has grown at a relatively fast pace but still remains low compared to other countries. According to World Bank data, Ethiopia's GDP per capita was approximately \$925 in 2021. The HDI score was 0.498 in 2021.

Conflict and drought have eroded progress, and the socioeconomic status of vulnerable communities in Ethiopia has plummeted. In 2022, catastrophic drought in the eastern and southern parts of the country placed six million people at risk of starvation. Meanwhile, conflict in Ethiopia's northern regions of Tigray, Afar and Amhara has resulted in the deaths of thousands of people and the displacement of millions. In the case of some population centers, the Tigray region and select zones in the Amhara region were disconnected from government services such as banking, telecommunications and electricity during the duration of the conflict. Amnesty International described sexual violence against women and girls by conflict actors as widespread and designed to inflict "lasting physical and psychological damage."

According to Women, Business and the Law (2021), the World Bank's annual report on gender equality in the law, Ethiopia has made significant progress in its efforts to achieve gender equality. However, a specific law (Article 87 of Labor Proclamation No. 1156/2019) prohibits women from engaging in work that the ministry designates as particularly hazardous. Ethiopia's Gender Inequality score was 0.520 for 2021.

In Ethiopia, the inflation rate peaked at 35.1% in November of 2022, driven by rising food and fuel prices, as well as a shortage in foreign currency. The high inflation rate in recent years has had a negative impact on the purchasing power of the population, particularly for low-income households.

Economic indicators		2019	2020	2021	2022
GDP	\$ M	95912.6	107657.7	111261.9	126783.5
GDP growth	%	8.4	6.1	5.6	5.3
Inflation (CPI)	%	15.8	20.4	26.8	-
Unemployment	%	3.2	4.1	3.9	4.0
Foreign direct investment	% of GDP	2.7	2.2	3.8	2.9
Export growth	%	-5.8	-5.4	19.0	-
Import growth	%	-5.3	-2.0	13.3	-
Current account balance	\$ M	-5025.1	-2718.8	-4507.3	-5160.4

Economic indicators		2019	2020	2021	2022
Public debt	% of GDP	55.8	53.9	53.8	46.4
External debt	\$ M	28376.7	30363.3	30017.5	-
Total debt service	\$ M	2165.5	1997.4	2001.3	-
Net lending/borrowing	% of GDP	-2.7	-1.8	-	-
Tax revenue	% of GDP	6.7	6.2	-	-
Government consumption	% of GDP	9.2	9.1	8.8	7.4
Public education spending	% of GDP	4.5	4.1	4.1	3.7
Public health spending	% of GDP	0.7	1.0	-	-
R&D expenditure	% of GDP	-	-	-	-
Military expenditure	% of GDP	0.6	0.5	0.5	0.9

Sources (as of December 2023): 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

Compared to previous years, the Ethiopian market is relatively free, although the government still controls parts of the market to stabilize the economy. Market competition operates under a weak institutional framework. Corruption and nepotism open the door for unfair privileges in areas such as importing and exporting, investment, employment, land acquisition, and construction. The government has revised and developed various rules and regulations to monitor the market and establish healthy market-based competition. However, the government still imposes restrictions on certain areas, limiting normal competition. The government has blamed middlemen and brokers for market instability in the country. For instance, since August 2021, the Addis Ababa administration has restricted rent increases in Addis Ababa. Meanwhile, since September 2022, the government has attempted to use price setting to control the distribution and price of cement in the country.

Prices are primarily determined by market forces, which in turn affect inflation in the country. Thus, the government tries to control prices by setting prices for some basic needs or by selling them at a lower cost in government-owned shops.

Market organization

4

'06 '24 10



1

Cross-border mobility of labor and capital, including currency convertibility, is not permitted in the country. In Ethiopia, converting the local currency, the birr, to other foreign currencies is very difficult due to a shortage of foreign currency. As a result, the government has implemented restrictions on the importation of certain items, such as umbrellas, which are considered luxury goods. Importers, however, are allowed to import items identified as basic necessities, such as cooking oil, without seeking approval for foreign currency from national banks. Consequently, this has caused an increase in the black market exchange rate of the birr against the U.S. dollar.

The Ethiopian government invites foreign investors. However, there are various bureaucratic processes that investors must navigate to acquire a license. Since most of these processes are susceptible to corruption, many investors are compelled to pay bribes in order to secure their licenses.

The 2014 Trade Competition and Consumer Protection Proclamation No. 813/2013 includes objectives such as promoting commercial activities and protecting the business community from anti-competitive practices. The law identifies abuse of dominance, anti-competitive agreements, mergers that have a significant adverse impact on competition and acts of unfair competition as anti-competitive practices. It also includes various provisions to protect consumers, such as warranties, accurate and sufficient information, and the right to obtain a replacement for defective goods.

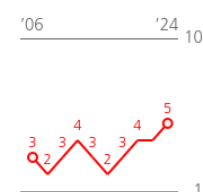
The Trade Competition and Consumer Protection Authority is responsible for implementing the proclamation. The authority includes a judicial body that has jurisdiction over disputes involving traders, consumers, the authority itself and individuals accused of violating the proclamation. The judicial body has the power to issue administrative measures, levy fines, and provide compensation to victims of anti-competitive behavior and consumers, as applicable.

Ethiopia is a member of the International Competition Network (ICN) and the Common Market of Eastern and Southern Africa (COMESA). As part of an effort to promote economic integration, COMESA adopted a competition law regime, establishing the joint Competition Commission in Malawi to address anti-competitive business practices and exert control over mergers.

Despite the legal competition framework, there are strong anti-competitive practices in the country. The government has blamed middlemen and brokers for market irregularities. The law is not effectively implemented. Regional governments lack a clear mandate to enforce anti-competitive trade laws due to the lack of decentralization. Additionally, the authority does not include representation of the private sector or other stakeholders, including consumers.

Competition policy

5



In 2018, the prime minister pledged to open the economy to foreigners. Although some reforms are currently being implemented, the Ethiopian market is not fully liberalized for foreign trade yet. Some areas of the market have tariff limitations and access restrictions. The government is reforming the trade system to open the market to foreign investors and expedite exports. According to the World Bank, Ethiopia's trade-to-GDP ratio, which is the sum of exports and imports of goods and services measured as a share of GDP, was 24.3% in 2021. Ethiopia primarily exports coffee and oily seeds and imports refined petroleum, wheat and medicines.

Ethiopia is a member of the Intergovernmental Authority on Development (IGAD) and the Common Market for Eastern and Southern Africa (COMESA). In March 2019, Ethiopia signed and ratified the African Continental Free Trade Agreement. Additionally, the country has established special economic zones that provide tax incentives and customs duties exemptions to investors. In August 2022, Ethiopia launched its first free trade zone in Dire Dawa. This initiative is expected to improve trade competitiveness and efficiency, reduce logistics time and costs, attract more foreign direct investment, and promote urbanization and industrialization. The Ministry of Transport and Logistics has proposed plans to build similar free trade zones in other parts of the country. The Council of Ministers ratified the first national special economic zone policy during its 11th extraordinary meeting to expand free trade zones in Ethiopia. At the end of 2022, the Ministry of Finance finalized the drafting of the free trade zone incentive regulations. Establishing free trade zones is one of the initiatives outlined in the government's 10-year development plan.

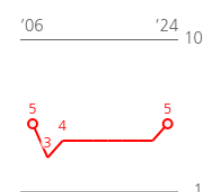
Since March 2003, Ethiopia has been in the process of joining the World Trade Organization (WTO). As part of this process, the government is restructuring customs tariffs to rationalize investment opportunities by introducing lower duties on raw materials and semi-finished products.

There are both private and government-owned banks in Ethiopia. The National Bank of Ethiopia, owned by the government, controls all these banks and oversees the country's banking system. Among other things, the National Bank of Ethiopia prints and issues the legal tender currency, regulates the country's money supply, regulates the interest rate and other costs of money, formulates the country's exchange rate policy, and licenses, supervises and regulates the operations of banks, insurance companies and other financial institutions. Until recently, the banking system was closed to foreigners. However, in September 2022, the Council of Ministers ratified a policy to open up the banking sector. In November 2022, the government announced its plan to allow foreign banks to acquire up to a 30% stake in the country's commercial banks, as well as permit foreign individuals to acquire a 5% stake in both domestic and foreign banks.

In 2021, the National Bank of Ethiopia issued Capital Markets Proclamation No. 1248/2021 to support the development of the national economy by mobilizing capital, promoting financial innovation and sharing investment risks. This proclamation established the Ethiopian Capital Market Authority to oversee and supervise the

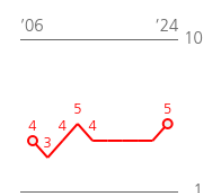
Liberalization of foreign trade

5



Banking system

5



country's capital market, laying the foundation for its development. To steer the operationalization of the proclamation, the National Bank of Ethiopia established the Capital Market Project Implementation Team (CMPIT). By the end of 2022, the CMPIT was working on several critical protocols and other instruments for the operationalization of capital markets. The government has just begun the process of regulating and supervising the country's capital market.

As of December 2022, there were 30 banks operating in Ethiopia. However, the banking industry is dominated by the Commercial Bank of Ethiopia (CBE) and the Development Bank of Ethiopia, both of which are owned by the government. Commercial banks are required to have a minimum share of capital equity of ETB 2 billion. However, according to a new directive published by Ethiopia's central bank, the National Bank of Ethiopia, in April 2021, commercial banks in the country have four years (until June 2026) to increase their paid-up capital to ETB 5 billion. The National Bank of Ethiopia has also established the Bank Risk Management Guidelines for all banks operating in the country. Each bank's risk management program must be approved by the National Bank of Ethiopia. Banks have their own internal supervision board and are also supervised by the National Bank of Ethiopia. While most banks disclose their profits each year, many of them do not disclose information about their economic activities. In conclusion, banks in Ethiopia adhere to most international banking system standards as set by the Basel Accords.

According to the World Bank, the bank capital-to-assets ratio in Ethiopia was 7.1% in 2021. This represents a slight decrease compared to 2020, when the ratio was 7.2%. Conversely, bank non-performing loans-to-total gross loans increased from 3.4% in 2020 to 5.4% in 2021.

8 | Monetary and fiscal stability

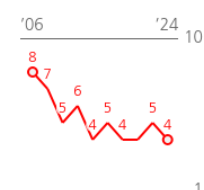
According to Trading Economics, the annual inflation rate in Ethiopia was the third highest in Africa in 2022, behind only Zimbabwe and Sudan. Rates reached 33.8% in December of 2022, softening from a six-month high of 35.1% in the previous month. Inflation in Ethiopia has been highly volatile over the past two decades, fluctuating between 10% and 20% annually.

Measures taken by the government to curb inflation included eliminating distortions in the foreign exchange market, easing the supply of foreign exchange, rebuilding government-held reserves and moderating the aggressive monetary policy stance. Despite these efforts, inflation rates rose from 10.7% in 2017 to 15.8% in 2019 to 26.78% in 2021. It is anticipated that inflation will persist at elevated levels for the foreseeable future.

The causes of inflation in Ethiopia include both external and internal shocks. As an agricultural economy, Ethiopia was particularly susceptible to the rise in global food and fuel prices due to the conflict in Ukraine. Meanwhile, internal factors include extreme drought in Ethiopia's south, as well as conflicts in the Afar, Amhara, Tigray and Oromia regions.

Monetary stability

4



Ethiopia's request to restructure its debt in 2021 under the Group of 20's Common Framework process was delayed due to ongoing conflict, which contributed to a devaluation of the birr. In September 2021, S&P Global downgraded Ethiopia's sovereign rating from B- to CCC+, citing political instability and the delays in debt restructuring.

In an effort to attract investment and boost foreign exchange, the National Bank of Ethiopia announced in August 2022 that it is preparing to open the banking industry to foreign financial institutions. In Ethiopia, the National Bank of Ethiopia serves as the central bank and the primary monetary authority. The governor of the National Bank of Ethiopia is appointed by the prime minister without confirmation by parliament. Thus, the National Bank of Ethiopia cannot be considered an independent body.

The real effective exchange rate, based on the Consumer Price Index, for Ethiopia has continued to decrease since 2019 – dropping from a high of 154.8 in 2019 to 151.3 in 2020 to 140.8 in 2021.

Due to the conflict in northern Ethiopia and macroeconomic troubles, Ethiopia's budget deficit reached a historic high of ETB 308 billion for the 2023 fiscal year. In response to these deficits, the government has announced reductions in fuel and wheat subsidies, as well as other measures. Additionally, the government has implemented initiatives to broaden the tax base, including the introduction of a property tax, which will be collected by the regional government to finance regional development budgets.

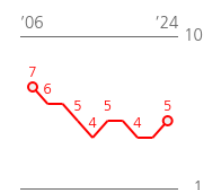
Fitch estimates that Ethiopia faces \$2.0 billion in external debt service payments, including principal and interest, in the fiscal year ending June 2023 (FY23) and \$1.4 billion in FY24. The International Monetary Fund reported Ethiopia's general government gross debt as 46% of the country's GDP in 2022. Public debt is expected to ease in the coming years with the successful implementation of a peace deal between the federal government and the Tigray People's Liberation Front (TPLF).

Ethiopia has faced a shortage of foreign currency since 2017 due to trade deficits and balance of payment challenges. This has resulted in a devaluation of the birr and an increase in inflation. To tackle these challenges, the government has implemented policies aimed at boosting exports, curbing imports and attracting foreign investment.

Ethiopia's exports in 2022 increased significantly due to price jumps in coffee and gold. Despite this, imports reached a historic high in 2021, rising from \$14.2 billion in 2020/2021 to \$18.1 billion in 2021/2022. The price of Ethiopia's import items (fuel, cereal grains and fertilizer) rose significantly in 2021 and 2022 due to the conflict in Ukraine, pushing Ethiopia's trade deficit to \$4.1 billion. Ethiopia's government has made significant efforts to improve the country's agricultural production, with the country becoming a wheat exporter for the first time in 2022 due to sizable investments by the government in agricultural technology.

Fiscal stability

5



Because monetary stability and greater economic growth are key to reducing poverty, the negative trend is likely to continue for at least a few more years as Ethiopia manages its conflicts and financial burdens. The successful signing of a peace agreement between the government of Ethiopia and the TPLF in November 2022 may alleviate some of the conflict burden on the federal government, which could translate into a return of investor confidence and greater monetary stability.

9 | Private Property

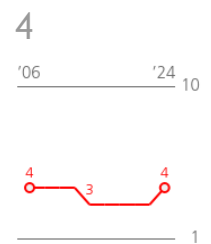
The FDRE constitution stipulates the right to own private property, including the right to acquire, use and dispose of such property. In Ethiopia, private property is defined as any tangible or intangible product that has value and is produced by the labor, creativity, enterprise or capital of an individual, legal entity or community empowered by law to collectively own property. Land is defined as government property and is considered “a common property of the Nations, Nationalities and Peoples of Ethiopia.” Thus, in principle, people only own what they have built on the land. This has been a source of controversy among various political institutions. It is also one of the areas entangled with corruption. In recent years, it has become public knowledge that bribing officials at land administration offices is a common practice when dealing with land-related issues. There are many reports of the unfair eviction of residents from land reportedly needed for large commercial farms or construction projects.

The government is attempting to reform land-related procedures, though often directives concerning land administration are not publicly available. In order to address corruption and establish a transparent process for land-related matters, the government has halted the transfers of immovable property on multiple occasions over the last two years due to issues involving land corruption. Additionally, there have been reports of officials who work at land administration offices being arrested over the past year. For example, in November 2022, the Addis Ababa police announced that 37 Lemi Kura sub-city administration officials had been accused of exploiting their administrative authority by creating fraudulent documents to facilitate the misappropriation of government land. The police were able to apprehend only around 12 officials, while the remaining individuals were reported as wanted.

Furthermore, as of August 2021, the Addis Ababa administration has temporarily restricted the ability of property owners to evict tenants and increase rent prices. This measure was reportedly implemented to address rising inflation and its effects on the city’s residents.

In conclusion, though the right to own private property is stipulated in law, it is not properly implemented, and government intervention remains widespread, particularly in connection with land.

Property rights



Over the past few decades, the government of Ethiopia has emphasized the economic importance of private enterprises and the need to transition from an agricultural to an industrial economic base. This emphasis can be observed in GTP I and II. Following the 2018 transformation, the government formulated a three-year interim plan, known as the HGER, that emphasized the role of private sector development in sustaining economic growth. The HGER served as a bridge between the GTP II and the TYDP (2020/21 – 2029/30). Therefore, private companies are permitted to invest in the country.

However, the private sector faces various challenges. As land is owned by the state, access to land discourages private sector investment. Tenure insecurity is also a concern. Moreover, the private sector in Ethiopia is affected by informal market activities and an inadequate regulatory tax system. Tax rates and a poor administrative system are the main issues that challenge the private sector. According to the Ethiopian Economics Association Policy Working Paper 04/2022, high tax rates, poor tax administration, customs and trade regulations, and poor implementation and enforcement of regulations contribute to these challenges. Corruption and bribes further hinder the implementation of regulations and create an unfavorable business environment.

As part of efforts to reform the economy since 2018, the government has embarked on a major program to privatize some key state-owned enterprises. The Abiy-led government promised to partially or fully transfer the shares in various companies, including in the railway, industrial parks, hotels, sugar and manufacturing sectors. In addition, there are plans to sell smaller stakes in companies such as Ethiopian Airlines, Ethio-Telecom, and Ethiopian Shipping and Logistics Services Enterprise. Privatization of state-owned enterprises began in 1994. Therefore, the legal framework has been in use for decades. However, the newly announced privatization of state-owned enterprises, whether fully or partially, required amendments to certain laws. In June 2020, the government adopted the Public Enterprises Privatization Proclamation No. 1206-2020. Additionally, in August 2018, the prime minister established an advisory council of 21 members to ensure transparency and accountability of the process. The council was tasked with analyzing best practices from around the world and advising the prime minister. The privatization process in Ethiopia is enacted to the extent that it is useful for the state's purposes. For instance, the Ethiopian government decided to postpone the partial privatization of Ethio-Telecom in March 2022. The Ethiopia Ministry of Finance stated, "the government of Ethiopia believes that taking time to accommodate the improved macroeconomic situation as well as continually improving financial performance of Ethio-Telecom will result in better value for all the parties involved and, in particular, the citizenry of Ethiopia."

Private enterprise

5

'06 '24 10



1

10 | Welfare Regime

Prior to the outbreak of conflict between the Ethiopian government and the TPLF in 2020, the government of Ethiopia was unable to provide a comprehensive, state-funded welfare system for all citizens. This inability has worsened since the conflict began, with a significant rise in need due to displacement. In 2021, the Internal Displacement Monitoring Centre recorded 5.1 million displacements, a world record. By comparison, Syria registered 3.5 million displacements in 2013. Extreme drought in Ethiopia's east and south has further compounded the needs of citizens, adding to the welfare requirements of a population for whom poverty was already a widespread risk in 2019.

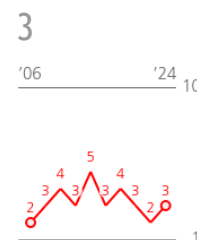
Despite its shortcomings, the Ethiopian government has implemented several social safety net programs to support poor and vulnerable populations. These programs include the Productive Safety Net Program (PSNP), the Cash Transfer Program for Orphans and Vulnerable Children (CTP-OVC), the Rural Safety Net Program (RSNP), and the Urban Safety Net Program (USNP). These programs aim to provide a safety net for the most vulnerable populations and support their basic needs, reduce poverty and hunger, and improve overall well-being. The findings of multiple studies in 2022 indicate that PSNP, in particular, is vital to improving income and food security at the household level in chronically food-insecure areas. The USNP is designed to provide a safety net for unemployed or underemployed persons in urban areas. The social safety net programs in Ethiopia are funded through a combination of domestic and international sources, including the European Union, the United Nations and the World Bank.

The federal budget allocation for safety net programs and job creation has increased from ETB 12.1 billion in 2020/21 to ETB 17.1 billion in 2021/22. Much of this budget likely went to assisting drought victims in Ethiopia's eastern and southern provinces, as well as dealing with internally displaced persons (IDP) and an increase in poverty resulting from the conflict.

Ethiopia's northern conflict between the TPLF and the federal government has had a profound impact on the country's needs and government capacity. In October 2021, the Amhara regional state suspended regular services, including the budget, due to the conflict. As a result of ongoing clashes, 1.5 million children are reported to be out of school, and the damage to the region's infrastructure has been immense.

The Tigray region has been excluded from all government relief and assistance plans and measures since September 2020. The federal government has allotted a budget for the Tigray region for the 2022/2023 fiscal year, but its implementation is still pending.

Social safety nets



In 2021/2022, 22% of Ethiopia's federal budget was financed by external assistance (12.3%) and external loans (10.1%).

According to a national review, the Ethiopian government allocated, on average, 61% of the annual budget to pro-poor sectors between 2015/16 and 2020/21. Much of this was funded by external sponsors. In January 2023, the Ethiopian Ministry of Finance and the World Bank signed two financing agreements, totaling \$745 million, for the Productive Safety Net Program (PSNP). These funds are dedicated to strengthening primary health care services. Additionally, a \$300 million grant agreement will be used for the implementation of the Flood Management Project.

In January 2021, the European Union suspended budget support worth €88 million (\$107 million) for Ethiopia until humanitarian agencies were granted access to people in need of aid in the northern Tigray region. With the signing of a peace deal, the European Commission has allocated €1 billion in development assistance for Ethiopia for the budgetary period from 2021 to 2027. However, this allocation is conditional upon improved humanitarian access, the cessation of hostilities and accountability for human rights violations.

Ethiopia's ethno-federalist system was established with the goal of achieving equality for all ethnic groups in Ethiopia. However, in practice and in accordance with the anticipated actions of non-democratic states, successive regimes ultimately shaped the ethno-federal arrangements to secure the survival of the central government. This becomes particularly evident in the manner in which privileges associated with ethno-federalism can be either extended or withdrawn from different groups.

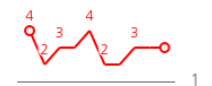
Educational facilities and government-funded programs are not evenly distributed across the country, excluding and discriminating against populations in Ethiopia's south and southeast. At the regional level, ethnic minorities lack political empowerment and frequently experience discriminatory attacks on their personal property or businesses. This disturbing trend has worsened in recent years. Ethnic Amhara residing in the Oromia region, the Benshangul/Gumuz region and parts of Ethiopia's south encounter widespread violence. Similarly, ethnic Oromo individuals have been extrajudicially executed in certain areas of Gambella by government forces, who assume an association with the OLA insurgency. Local governments regularly face accusations of either ignoring or participating in violence against minority residents, while also neglecting the needs of impoverished individuals within these communities.

Ethnicity and religion are often linked, but they can also intersect. Ethnic Tigrayans have faced serious discrimination, including mass incarcerations, perpetrated by government authorities as a result of the conflict against the TPLF.

Equal opportunity

3

'06 '24 10



Gender inequality remains a significant challenge in Ethiopia, despite efforts to address it through policy interventions. The latest available data (2017) suggests that literacy rates are higher for men (51%) than for women (44.4%). Girls are less likely to attend school and more likely to drop out early. In 2021, women accounted for 41% of Ethiopia's members of parliament. However, most political parties are dominated by men, with women playing a minimal role in crucial decision-making processes. The official female labor force participation rate stands at 46.3%, nearly the same as it was 10 years ago.

11 | Economic Performance

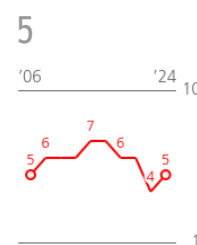
Over the past two and a half years, the Ethiopian economy has faced multiple shocks, including the COVID-19 pandemic, drought, conflict and the war in Ukraine. These challenges have created significant macroeconomic challenges. According to the World Bank, Ethiopia's gross domestic product (GDP) growth slowed down in 2020 (6.1%) and further in 2021 (5.6%), after reaching 8.4% in 2019. In 2020, foreign direct investment accounted for 2.2% of GDP. However, the consistent high economic growth experienced over the last decade has resulted in poverty reduction in both urban and rural areas. The World Bank reports that the share of the population living below the national poverty line decreased from 30% in 2011 to 24% in 2016.

In 2021, GDP per capita increased to \$2,600, up from \$2,423 in 2020. The GDP per capita growth in Ethiopia for 2021 was 3%, slightly lower than the previous year's rate. In 2020, the GDP per capita growth rate stood at 3.4%.

In 2020, the government launched a 10-year development plan, Ethiopia: A Beacon of Prosperity, which will run from 2020/21 to 2029/30. The new plan aims to sustain the growth achieved under the GTP I and II while facilitating the shift toward a more private-sector-driven economy. The plan identifies four critical gaps – microeconomic imbalances (including high inflation), unemployment, a high level of indebtedness and foreign exchange deficits – that must be addressed for the successful implementation of the 10-year development plan. According to the World Bank, inflation in Ethiopia increased to 26.7% in 2021, up from 20.4% in 2020. Due to an increase in food costs, annual average inflation is expected to reach 30% in 2022. The Ethiopian Statistics Service indicated that general inflation reached 37.2% in May, 32.5% in August, 35.1% in November and 33.8% in December 2022.

Similarly, unemployment slightly increased in 2021 to 3.7% from 3.2% in 2020. Public debt is equivalent to 52.9% of GDP. The current account balance of Ethiopia in 2021 was -4.1% of GDP. These account deficits, in turn, affect the country's foreign exchange reserves.

Output strength



12 | Sustainability

Ethiopian Prime Minister Abiy Ahmed has prioritized environmental issues facing the country and has taken many steps to advance a more sustainable approach for Ethiopia and the region. In particular, the Green Legacy Campaign – Abiy’s personal initiative – aims to plant over four billion trees as part of a nationwide greening campaign to combat deforestation and soil erosion. Abiy’s goals of promoting renewable energy, such as geothermal and hydropower, and reducing the country’s reliance on fossil fuels have likewise moved forward during his time in office. In February 2022, Ethiopia’s Grand Ethiopian Renaissance Dam (GERD) began producing electric power. Also in 2022, projects in Tulu Moye and Hawassa, both in Ethiopia’s Rift Valley, were identified as sites for Ethiopia’s first geothermal power stations.

Ethiopia has made significant strides in expanding access to education over the past decade, with the percentage of primary school-age children out of school falling to a historic low of 13% in 2020. Unfortunately, some of these advancements were reversed in 2021 and 2022, as 3.6 million children were reported to be out of school due to conflict. Simultaneously, climate events and conflicts caused notable damage to 8,700 schools in Ethiopia. As a consequence of the COVID-19 crisis, the proportion of second-grade Ethiopian students who were able to read declined from 25% in 2018 to 13% in 2021.

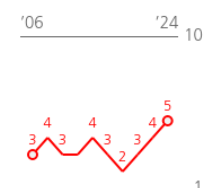
Conflict has had the greatest impact on children in Tigray. According to UNOCHA, more than 2.3 million children (including 1.8 million girls) in Tigray are unable to attend school due to the closure of 2,270 schools throughout the region. Among these 2.3 million children, 60% will be deprived of an education for the third consecutive year. In October 2021, 1.5 million students were also unable to attend school in the Amhara region. Similar findings were reported in conflict-affected areas of the Afar, Benshangul/Gumuz and Oromia regions.

In January 2023, the Ethiopian Ministry of Education announced that only 3.3% of students who took the national school leaving exam (Ethiopia’s university qualifying exam) for the school year 2021/2022 attained a passing grade. The minister of education stated that the underwhelming exam results were an indication of issues in the education sector, revealing the actual state of the country’s education quality.

According to the Gender Parity Index, the ratio of female-to-male enrollment is 0.91 for primary education. Data on secondary schools and tertiary education have not been updated since 2015 and 2018, respectively.

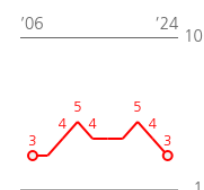
Environmental policy

5



Education policy / R&D

3



In 2019, government expenditure on education was reported as 4.5% of GDP. Ethiopia's U.N. Education Index score is 0.375 (2021). According to data from the World Bank, Ethiopia spent 0.3% of its GDP on research and development in 2019. This figure is significantly lower than the average for sub-Saharan Africa, which is around 0.5%. The Ethiopian Science and Technology Commission, established in 2014, is responsible for coordinating and promoting research and innovation.

Governance

I. Level of Difficulty

The political leadership's governance capacity is constrained by various structural difficulties.

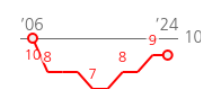
Poverty is widespread, population growth is high, and climate conditions are worsening. Ethiopia is landlocked and, therefore, highly dependent on neighboring countries. Moreover, there are periodic droughts, a lack of infrastructure and professional labor, and land is scarce.

During the review period, Ethiopia experienced one of the most severe El Niño-induced droughts in the last 40 years, following four consecutive failed rainy seasons since late 2020. As a result, around 11.9 million people are in need of humanitarian assistance in southern and southeastern parts of the country, including Somali, Oromia, Southern Nations, Nationalities and People's Region, and South West Ethiopia People's Region. In addition, the armed clashes in various areas of the country (e.g., in Ethiopia's northern Afar, Amhara and Tigray regions, as well as the Oromia region) are forcing civilians to leave their homes and seek shelter at various camps for IDPs. These armed clashes have damaged infrastructure, constraining governance capacity in these conflict-affected areas. Moreover, most government officials and security forces in these conflict-affected areas have fled due to fears of being attacked by guerrilla fighters.

Indigenous civil society associations such as Edir and Equb are well organized and rooted within society. These associations have fostered a civil society culture of participation, especially in times of need. However, the political culture of participation is limited. Participation in democracy-related issues is highest among those who live in urban areas and are educated. This might be related to continued repression by recent governments, including the current government. For instance, the 2005 election provided Ethiopians with unforeseen opportunities to express their political views and participate in voting. There were live, televised debates between the opposition parties and the ruling party. This was organized by a group of civil society organizations. Additionally, civil society organizations were allowed to observe the election process. Unfortunately, the post-election period was mired by violence and repression, with hundreds of civilians killed and thousands of opposition political leaders and supporters arrested. To curb and control the participation of civil society activists, the government adopted the 2009 civil society law, which restricted civil society work on human and democratic rights in the country.

Structural constraints

9



1

Civil society traditions

7



1

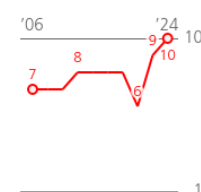
The restrictive 2009 civil society law was replaced by a new law in March 2019, which improved the environment for civil society organizations. The previous 2009 Charities and Societies Proclamation placed excessive restrictions on foreign and local civil society organizations and crippled civil society. Since the new law came into effect, changes have been observed. The number of civil society organizations is increasing again. However, these new civil society organizations are not strong enough. There is a limited tradition of raising funds from local sources. Thus, many civil society organizations are dependent on foreign funds.

Further, a polarized political environment and ongoing identity-based violence strongly affect the country's social capital. These two elements erode the level of trust among the different ethnic groups in the country. Therefore, civil society traditions in Ethiopia are relatively weak.

Conflict intensity in Ethiopia is very high. Fundamental political, social, ethnic or religious differences fuel civil war or widespread violent conflict in the country. From February 2021 to January 2023, intense violent conflicts were observed in Afar, Amhara, Oromia, Somali and Tigray. The political arena in the country is based on ethnicity and is highly polarized. In addition, several religious conflicts were observed in the country. In 2021, more than 5.1 million people were internally displaced (mostly from Afar, Amhara and Tigray) due to violent conflicts. According to the Internal Displacement Monitoring Centre, this is three times the number in 2020 and the highest annual figure ever recorded for a single country. In 2022, civilians continued to flee their homes due to armed clashes. For instance, due to armed conflict and attacks on civilians in Kiremu woreda in the East Wollega zone, Oromia region, more than 350,000 people have been internally displaced. The attacks on civilians were ethnically motivated. Similar identity-based violence was observed in various regions of the country throughout 2021 and 2022.

Conflict intensity

10



II. Governance Performance

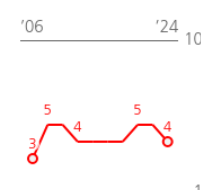
14 | Steering Capability

When Prime Minister Abiy Ahmed took office in 2018, he prioritized democratic and liberal reforms that won him praise worldwide. Since then, however, his governance approach has been reactionary and bound by responses to political upheaval and war as a result of political failings. Throughout the political and civil unrest in Oromia, the conflict in Tigray, and economic decline, the Abiy-led federal government has not been able to address Ethiopia's core political issues, namely ethno-federalism, the right to secession, autonomy for ethnic groups and historical injustices.

Question
Score

Prioritization

4



Ethiopia's broad reforms – including the opening of political space and press freedoms – have since been aborted. Instead, the federal government's failure to deal with security threats and political upheaval has led to widespread conflict and a resumption of tight controls aimed at suppressing dissent as a means of survival. Political positionings and appointments have been volatile and erratic.

Despite initial failings, the government has maintained some elements of its original goal. The Ethiopian Human Rights Commission, an independent state institution, has maintained credibility, despite being overwhelmed by the volume of human rights abuses committed over the past few years.

Ethiopia has also scheduled a national dialogue, designed as a hopeful opportunity to end a long and difficult period in Ethiopian politics. Like other government initiatives, the dialogue process has been beset by issues concerning planning and inclusion. At the time of writing, it remains too early to conclude whether the national dialogue process will succeed or fail. The inclusiveness, legitimacy, transparency and trustworthiness of the national dialogue process will determine the dialogue and commission's success or failure in resolving disputes and conflicts in Ethiopia. The lack of transparency during the nomination and selection process of commissioners remains a concern. However, there is an opportunity for the commission to establish an inclusive, legitimate, transparent and trustworthy national dialogue that might resolve the root causes of various conflicts in the country.

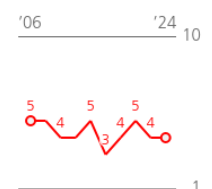
The Ethiopian government has faced one of the most difficult periods in the country's history over the last three years. From the COVID-19 pandemic to severe drought to insurgencies in Tigray and Oromia, the government has found itself bound by crises and has thus been unable to realize its own political, social and economic objectives.

While some of these crises are certainly external, many are internal and represent a failure of institutional capacity to manage a complicated set of political challenges peacefully. While extremely costly, the government has managed to overcome the challenge posed by the TPLF through military means. This victory for the federal government ensures its survival and sets a precedent for further challenges to Ethiopia's territorial integrity. Importantly, the Ethiopian National Defense Force was reformed and significantly strengthened during the conflict, which increases its capacity to deal with future challenges to the federal government.

Economically, the government has successfully implemented a growth strategy, including keeping structural reforms to strengthen the private sector, boost competition and increase investment on track. These have occurred at a slower pace than anticipated but have nevertheless remained a priority for the government.

Implementation

4



The government under Abiy Ahmed has demonstrated some capacity to learn, and, in general, the government has become more proficient at managing security crises as they arise. This is evidenced by the improved security in areas of the Benshangul/Gumuz region, Konso zone and a generally peaceful national election.

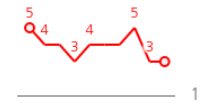
The Ministry of Peace, an institution that should be responsible for this type of institutional learning, has demonstrated limited capacity to deal with the conflicts that beset the state. Instead, the management of security crises in the country can be attributed to stricter measures taken by the government against political dissent, which could lead to violence. The federal government successfully removed its greatest threats by sidelining oppositional ethno-nationalist Oromo political figures and dismantling the Tigray People's Liberation Front (TPLF). In doing so, it has employed many of the same methods used by previous regimes – internet blackouts, mass arrests, silencing journalists and propaganda.

There is tremendous opportunity for learning among Ethiopia's institutions. Recently, the Federal Ethnic and Anti-Corruption Commission cracked down on corruption, leading to numerous arrests. The National Planning Commission likewise has the capacity to steer the country toward better learning through monitoring and evaluation of development plans.

Policy learning

3

'06 '24 10



15 | Resource Efficiency

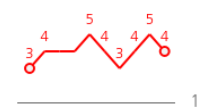
Often, the appointment or dismissal of public officials is linked to political relations with the ruling party. When Prime Minister Abiy established his cabinet after the 2021 general election, most appointments were based on experience, including the ministers of health, justice, education and defense. There are some initiatives to make the hiring process of civil servants transparent, for example, by sharing each process with the public on social media. But this is not applicable nationwide, as people continue to be hired based on their political affiliations and personal links.

According to the Office of the Federal Auditor-General, all government institutions have problems balancing their budgets, though the level differs at each institution. The office is established based on the FDRE constitution and the auditor-general is appointed by the House of Representatives following recommendations from the prime minister. Over the past couple of years, the Office of the Federal Auditor-General has released various reports that clearly demonstrate budget embezzlement and waste within governmental institutions. Hence, the office appears to be slowly gaining independence from government pressure. However, in 2022, the auditor-general highlighted several problems, including a lack of cooperation with institutions and officials, that affect the effectiveness of the auditing process.

Efficient use of assets

4

'06 '24 10



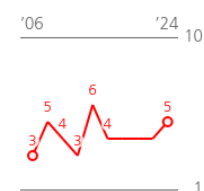
According to the Office of the Federal Auditor-General, of all institutions, the budget for embezzlement and waste is highest among public universities and branch offices of the Revenue Ministry, with the Ministry of Foreign Affairs and the Customs Commission also high on the list. In June 2022, the Office of the Federal Auditor-General stated that, during the fiscal year 2021/2022, 24 institutions were accused of over-drafting their budget. The office indicated various factors, including the lack of knowledge of hired accountants and respect for procurement regulations, that led to overspending and budget waste. Generally, governmental institutions fail to provide clear evidence that they spent their budget for the intended purpose. Moreover, officials are only questioned and brought to justice when there is political fallout.

In Ethiopia, policies are designed based on the themes of the ruling party. This means the policy design and implementation process is centralized. Instead of studying and weighing different policy options, the government tends to design policies based on outcomes predetermined by the ruling party. The ruling party's current motto and general goal is "prosperity." Hence, every policy is designed to achieve this outcome. This, in turn, means most policies do not reflect competing political interests, as members of the ruling party's executive committee mostly guide the policy design process. Following the formation of the new cabinet in 2021, each ministry is expected to submit a 100-day plan and present a report to the prime minister and cabinet at the end of each 100-day period. The Ministry of Planning and Development checks and evaluates the activities and achievements of each 100-day plan. It is unclear how the regional governments evaluate and monitor the implementation of policies at the different levels of administration. Most of the time, the regional governments tend to mirror the actions of the federal government and cascade federal government policy directions. Nevertheless, the interests and functions of various governmental institutions overlap.

Corruption is a major issue in Ethiopia. It 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. Corruption poses a serious and multifaceted problem for the overall well-being of the population and its economy. In 2018, Prime Minister Abiy stated that "the lack of proactive media in uncovering corrupt practices and ineffectiveness of government institutions to root out corrupt practices is endangering the country's political structure," and the fight against corruption would be his administration's top priority. In February 2021, the government revised the Federal Ethics and Anti-Corruption Commission Proclamation (Proclamation No. 1236/2021). However, there is a lack of capacity to control corruption at all levels of the government. There are institutions such as the Federal Ethics and Anti-Corruption Commission, and the Federal Auditor-General, but they lack the power to bring corrupt high-ranking officials to justice. The prosecution of high-ranking officials has more to do with serving political agendas than punishing them for corruption. In September 2021, the Federal Ethics

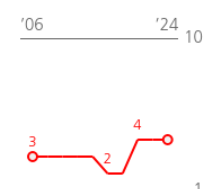
Policy coordination

5



Anti-corruption policy

4



and Anti-Corruption Commission asset declaration and registration director indicated that, except for Afar and Somali regional states, over 1.5 million public servants and officials had declared and registered their assets with the commission, while 4,400 public servants had failed to declare their assets. However, according to the director, “at least 47% of the declarations were found to be inaccurate or false.”

To overcome the country’s corruption problem, the government established a new anti-corruption committee composed of seven members in November 2022. Some regional governments have also established similar committees following the committee’s establishment at the federal government level. In December 2022, the committee announced a major crackdown on corruption and organized theft, with allegations involving several high-level officials responsible for land administration and government housing management, security and justice, the financial sector, government revenue and customs, and the director general of Ethiopian Financial Security Services. Various officials within the Addis Ababa administration have been arrested for corruption. In January 2023, the administration indicated that it had received 127 tips from the public, which are under investigation. Though this is a good initiative, it is not enough to tackle and control the spread of well-organized corruption across the country.

16 | Consensus-Building

The need to accommodate the multiethnic character of Ethiopia has been the principal political and economic issue for the last three regimes in Ethiopia, including the current Prosperity Party. Ethiopia is extreme in its application of ethno-federalism, as the Ethiopian constitution not only privileges the majority ethnic/endogenous groups within regions but also grants priority to ethnic representatives of the majority groups over the central government in the administration and control of regions.

To prevent the country from breaking into many different ethnically-based countries, Ethiopia has existed as a centralized state, with the federal government depriving ethnic representatives of their demands for greater autonomy in order to preserve Ethiopia’s territorial integrity. Like previous regimes, the balance at the center between regions has also become a significant issue for Prime Minister Abiy Ahmed. He is accused by various pan-Ethiopian groups of pursuing ethno-nationalist agendas to benefit ethnic Oromos, while at the same time facing accusations from those advocating for Oromo autocracy of promoting an anti-Oromo agenda. In fact, Abiy was swept into office by youth movements in both the Oromo and Amhara regions and is now threatened by the very forces that placed him there.

The federal government’s neutralizing of the TPLF gave it more power to control anti-democratic actors. However, ongoing power struggles between the Oromo and Amhara branches of the Prosperity Party are yet to be determined and represent the

Consensus on goals

4

'06 '24 10



1

most dangerous political threat to Ethiopia's existence. While Amhara politicians vie for a pan-Ethiopian identity for the state, Oromo politicians within Abiy's government lean toward a strengthening of ethno-nationalism. This contest is manifested clearly in claims for the capital city, Addis Ababa, and the government's role in enforcing Oromo language and flag usage in public buildings.

Consensus over the transformation of the Ethiopian economy toward a market economy remains weak. Directives given by the federal authorities are often ignored by implementing authorities at lower levels of the administration, which are incentivized to interfere. The government's interference in the market economy remains strong, a holdover from the "development state" economics of the latter parts of the TPLF era, during which economic growth was prioritized over political participation.

Although political actors across the spectrum in Ethiopia agree that the country's leader should be democratically elected, the political landscape necessitates that demands for greater autonomy by ethno-nationalist political groups must be suppressed for the central regime to survive. Prime Minister Abiy Ahmed's position at the center has accentuated his autocratic tendencies and leanings toward pan-Ethiopian politics. While this preserves Ethiopia's existence, it comes at the cost of democracy, as demonstrated in the 2021 national election, during which opposition figures were sidelined by the government through various methods. Opposition parties, democratic reformers and democratic institutions (e.g., the National Election Board of Ethiopia, NEBE) are limited in their ability to compete with the ruling Prosperity Party.

Politicians who hold authority at the regional level fear that they will lose their power at the hands of the more centralized nation-state that Prime Minister Abiy wishes to create through constitutional reforms. In this, they share the fears and tendencies of pro-ethnic federalist parties in the country. Pro-democratic parties that oppose ethno-federalism, such as the Ethiopian Citizens for Social Justice (EZEMA), faced intense harassment in areas of the Oromia and Amhara regions during the run-up to the national election and were unable to mount a viable election campaign.

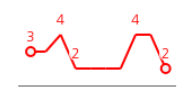
Since Abiy Ahmed rose to power in 2018, gaps between political factions have widened, and societal divisions have erupted into violence, including the targeting of ethnic minorities and religious clashes. Rather than depolarize these structural conflicts, the ruling Prosperity Party has participated in them and encouraged further divisions due to its own internal cleavages.

Dangerous cleavages along ethnic lines in Ethiopian society have grown wider since 2019. The devastating conflict in Ethiopia's north initially pitted the federal government against the Tigray People's Liberation Front but grew to include all ethnic Tigrayans and later ethnic Amhara as the conflict moved into the Amhara region. Violence in the Oromia region, which targets ethnic Amhara, occurs at regular

Anti-democratic actors

2

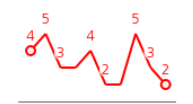
'06 '24 10



Cleavage / conflict management

2

'06 '24 10



intervals, with little mitigating action taken by local officials. Tensions between the Amhara and Oromo branches of the ruling party have already resulted in violent episodes. Additional societal cleavages have turned deadly, splitting long-standing institutions such as the Ethiopian Orthodox Tewahedo Church and the Ethiopian Islamic Council (majlis). The government has been unable to establish strong leadership in order to depolarize these issues before they turn deadly.

The institution for state-civil society dialogue is the Ethiopian National Dialogue Commission, which took over the responsibilities of the Administrative Boundary and Identity Issues Commission and the Reconciliation Commission. Commissioners of these two commissions were renowned people, religious leaders and leaders of opposition parties. The main purpose of the Administrative Boundary and Identity Issues Commission was to resolve disputes over internal boundaries and identity-related disputes. On the other hand, the Reconciliation Commission was established “to maintain peace, justice, national unity and consensus and also reconciliation among Ethiopian peoples.” Due to several reasons, including the imprisonment of several of their members, ongoing conflict and an inability to reach a consensus, these commissioners failed to achieve their objectives, and their roles were shifted to the Ethiopian National Dialogue Commission.

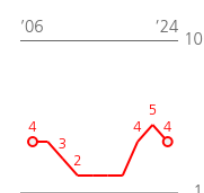
The commission is still in its initial stages. Hence, it is difficult to assess its activities in detail. However, most opposition political parties have voiced objections about the commission since its inception. The Ethiopian Political Parties Joint Council – a coalition of more than 50 registered political parties in Ethiopia – issued a statement and requested that the House of Peoples’ Representatives halt the selection process of the commissioners, claiming the process lacked inclusiveness and trust. Despite these shortcomings, 40 members of the Ethiopian Political Parties Joint Council voted to participate in the upcoming national dialogue.

In order to succeed, the national dialogue must address the official historical narrative of the country, which is used by political forces to gain veto power through popular support among young people. This includes various members of pro-federalist ethno-nationalist actors from a wide spectrum, including the TPLF, various members of Oromo opposition parties and actors engaged in an insurgency against the federal government.

The government of Ethiopia has little capacity to comprehensively document the abuses suffered by civilians at the hands of armed factions during the conflict in Tigray, Afar and Amhara over the past two years. It likewise does not possess the capacity to address these issues and help victims achieve moral justice. However, the Ethiopian Human Rights Commission has maintained its goal of promoting and protecting human rights to the best of its capacity, which is a positive start.

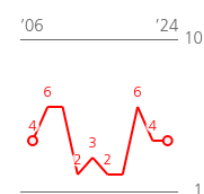
Public consultation

4



Reconciliation

4



17 | International Cooperation

The current government's strategy is guided by the ruling party's vision, which is related to guaranteeing prosperity in Ethiopia. In 2020, the Ethiopian government developed the 10-Year Development Plan (TYDP) for 2020/21 – 2029/30, which aims to make Ethiopia a lower middle-income country by 2030 based on manufacturing and a strong private sector. Hence, the government has clear political and developmental plans. To achieve these goals, the government uses the support of various international partners, including the European Union, World Bank, IMF, United Nations, USAID, DIFID and GIZ. Ethiopia receives credits, grants and investments for large infrastructure projects.

However, in 2021, the European Union suspended budget support for Ethiopia worth €88 million (\$107 million) due to a lack of humanitarian access into the Tigray region. In addition, in November 2021, the United States removed Ethiopia from the list of beneficiaries eligible for duty-free trade with the United States under the African Growth and Opportunity Act (AGOA). This has affected the country's textile industry, which supplies global fashion brands. Many employees in the textile factories were fired due to this restriction. This affected the government's strategy to make Ethiopia a lower-middle-income country by 2030 based on manufacturing.

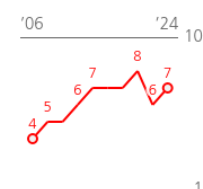
For the most part, the government acts as a credible and reliable partner. It signs agreements that it intends to adopt within the country. Ethiopia is a signatory to most major international agreements drafted by the African Union, United Nations, WHO, WTO and European Union. Ethiopia has adopted almost all international and regional treaties. However, compliance with some of the contents of these treaties is still low, especially treaties in connection with human and democratic rights.

In 2018, the government announced its decision to accept the decision of the Algiers Agreement, which resolved the border war fought by Eritrea and Ethiopia between 1998 and 2000. The Eritrea–Ethiopia Boundary Commission, which was established based on the Algiers Agreement, decided that, among other things, Badme would be awarded to Eritrea. The Ethiopian government refused to accept this decision and continued to control Badme and other areas awarded to Eritrea.

However, when it comes to the northern Ethiopia conflict, the relationship between the Ethiopian government and the international community is weak. For instance, the government refused to cooperate with the International Commission of Human Rights Experts established by the U.N. Human Rights Council in December 2021. To resolve the conflict, the Ethiopian government and TPLF signed the Agreement for Lasting Peace Through a Permanent Cessation of Hostilities in Pretoria, South Africa, on November 2, 2022. At the time of writing this report, both parties are undertaking various activities in accordance with the peace agreement. Before signing this agreement, the government ignored widespread calls for negotiations. As a result, some members of the international community have decided to suspend all or part of promised political or monetary aid to the government.

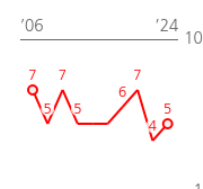
Effective use of support

7



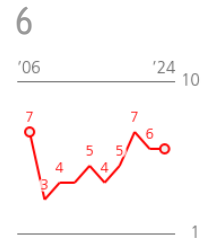
Credibility

5



The political leadership cooperates with many neighboring states and complies with the rules set by regional and international organizations. Ethiopia is a founding member of the Intergovernmental Authority on Development (IGAD), established in 1996. Ethiopia is also a member of the regional Common Market for Eastern and Southern Africa (COMESA) and Eastern Africa Standby Force (EASF). Moreover, the government tried to bring peace to the Horn of Africa. In 2018, the Abiy-led government accepted the 2000 Algiers Agreement and established peace with Eritrea. In 2018, Ethiopian, Eritrean and Somalia leaders met in Eritrea and Ethiopia. In Sudan, Prime Minister Abiy played a crucial mediation role in bringing together leaders of the military and protest movement, the Forces for Freedom and Change, to sign a transition deal in 2019, visiting Khartoum to meet with the two sides and deploying an envoy, led by Ambassador Mahmoud Dirir, to represent him in the mediation process. Abiy proposed a 15-member transitional council consisting of eight civilians and seven army officers to lead the country to democracy. Ethiopia signed various cooperation agreements with neighboring countries on issues such as trade, electricity, security and telecommunications. The Grand Ethiopian Renaissance Dam (GERD) project was envisaged as a means of strengthening regional cooperation because it would deliver cheap electric power to Ethiopia's neighbors. However, it has created a disagreement between the Ethiopian, Sudanese and Egyptian governments.

Regional cooperation



Strategic Outlook

Ethiopia stands at a critical juncture as it strives to implement transitional measures aimed at fostering a more open political and economic environment. The resolution of the conflict in Ethiopia's northern region brings a glimmer of hope, suggesting that the country may finally be emerging from a prolonged period of turmoil. However, despite this sense of optimism, Ethiopia still faces a web of interconnected challenges that have the potential to impede or slow down these transformations. These challenges encompass:

Escalating violent conflicts: Violent conflicts are erupting across various parts of the country, affecting millions of civilians. Smaller communal disputes are expanding into neighboring regions, exacerbating the situation.

Weak institutions: Ethiopia's institutions are fragile and struggle to effectively implement policies for peaceful dispute resolution. Citizens do not trust government institutions to address their grievances, leading to unchecked violence as an alternative.

Flawed transitional justice and reconciliation: Transitional justice and reconciliation mechanisms have fallen short in terms of inclusivity, comprehensiveness and meaningful impact. To achieve more substantial outcomes, Ethiopia's forthcoming national dialogue must prioritize inclusivity.

Rampant corruption and nepotism: Corruption and nepotism have taken root as pervasive issues in the country. Bribery is widespread within government institutions, and, despite government anti-corruption initiatives, corrupt officials often evade punishment.

Security concerns: Security forces in many areas of the country are ineffective and ill-prepared. Responses to reported incidents are often delayed by hours, if not days, and the federal government does not maintain full control over public roads and property.

Economic challenges: High inflation has significantly eroded households' real incomes and Ethiopia's economy is experiencing a decline. This economic strain further complicates the country's path toward stability and progress.