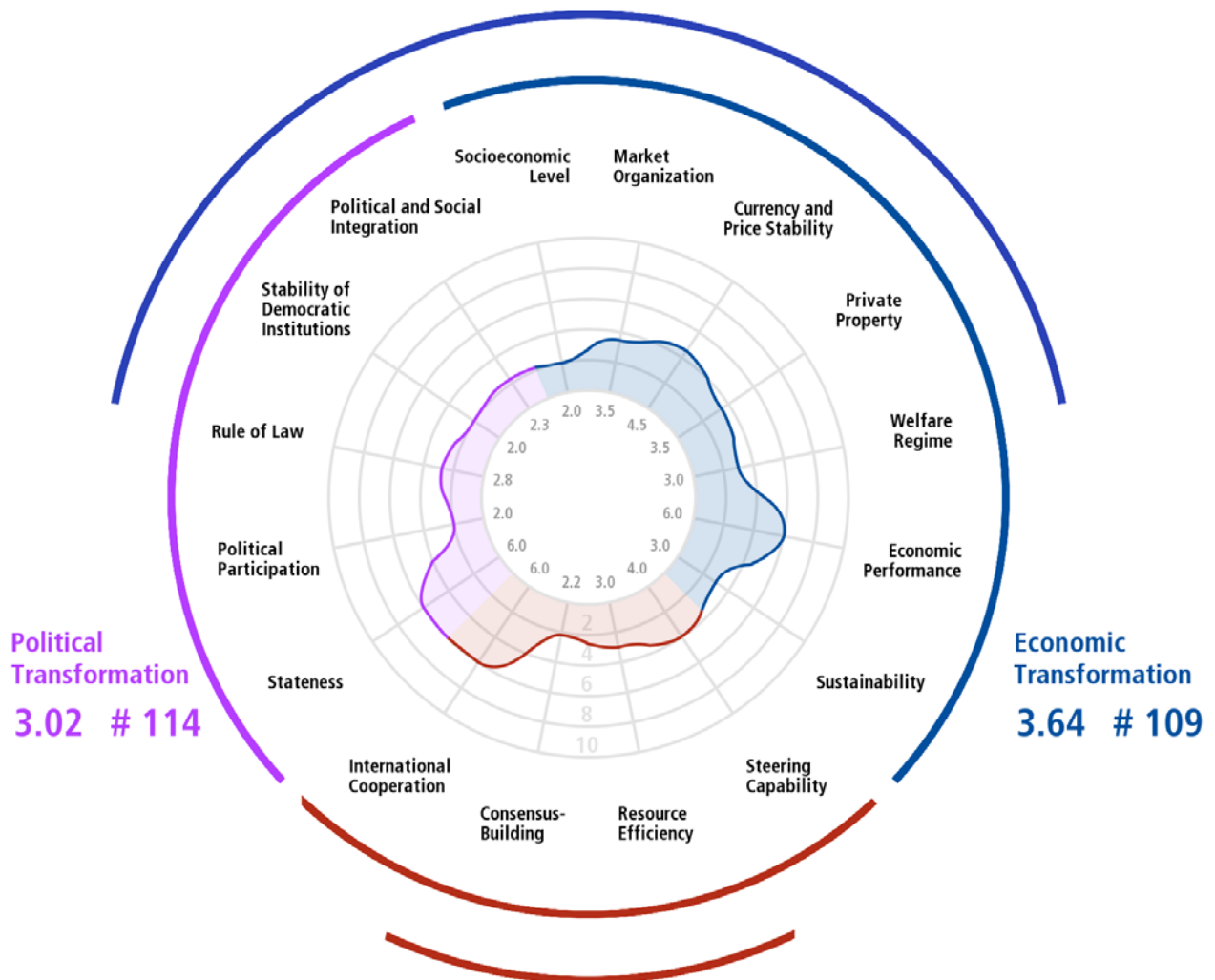


Ethiopia

Status Index

3.33 # 113

on 1-10 scale out of 129



Political Transformation
3.02 # 114

Economic Transformation
3.64 # 109

Governance Index

3.65 # 100

on 1-10 scale out of 129

This report is part of the Bertelsmann Stiftung's Transformation Index (BTI) 2018. It covers the period from February 1, 2015 to January 31, 2017. The BTI assesses the transformation toward democracy and a market economy as well as the quality of political management in 129 countries. More on the BTI at <http://www.bti-project.org>.

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Key Indicators

Population	M	102.4	HDI	0.448	GDP p.c., PPP \$	1735
Pop. growth ¹	% p.a.	2.5	HDI rank of 188	174	Gini Index	33.2
Life expectancy	years	65.0	UN Education Index	0.350	Poverty ³	% 73.1
Urban population	%	19.9	Gender inequality ²	0.499	Aid per capita \$	32.4

Sources (as of October 2017): The World Bank, World Development Indicators 2017 | UNDP, Human Development Report 2016. Footnotes: (1) Average annual growth rate. (2) Gender Inequality Index (GII). (3) Percentage of population living on less than \$3.20 a day at 2011 international prices.

Executive Summary

Political freedoms declined on all indexes, with the Freedom House Index again rating Ethiopia as “not free,” with civil liberties and political rights a low six on a scale of seven.

Ethiopia saw a rapid regression in democratization and the imperatives of the market economy over the last two years. The country’s ruling coalition, the Ethiopian Peoples’ Revolutionary Democratic Front (EPRDF), won all 547 parliamentary seats in the 2015 elections, largely regarded by Western election observers as not fair, not credible and not competitive. In the years leading to the election, the government shrank the political space to extinction, eliminating the institutional and discursive conditions necessary for a free and fair election, such as the opposition, media, civil society and critical voices.

Since November 2015, unprecedented large-scale protests swept the country’s largest and most populous regional state, Oromia, leading to the death of over 1,000 people. In July 2016, the protests spread to the Amhara region, the second largest and most populous region, leading to massive instability and violent confrontation between security forces and the army on the one hand, and local farmers, on the other. These protests saw the explosion of long-simmering ethnic discontent and anger, leading to the destruction of government and private property, especially foreign investors.

On October 9, 2016, the government took the extraordinary step of officially declaring a state of emergency to restore peace and order in the country. While the country has always been under de facto emergency rule since the government came to power, the declared emergency was a clear signal that the government was unable to restore peace and order under the usual circumstances.

Under the guise of an emergency, the government authorized security forces to use draconian and far-reaching power throughout the country, resulting in the restrictions of a broad range of rights such as free expression, assembly and association.

Since the imposition of the emergency, the government has used arbitrary force and carried out arrests and abuses against journalists, bloggers, opposition and perceived opposition politicians, protesters and academics. It orchestrated politically driven trials against some of the most outspoken voices in the opposition camp to coerce all critical voices and their followers into submission. Security forces used excessive force against protestors and routinely committed acts of torture and ill-treatment of suspected dissidents.

The dogged protests of the last year, which took place in the face of overwhelming violence from security forces, represent an unqualified rejection not only of the government but also its top-down development policies. Since Ethiopia's narrative of development is one of the most potent sources of both internal and external legitimacy for the government, protestors targeted the businesses and assets of foreign investors and multinational companies to air their grievances. The Ethiopian government denies the existence of any link between democracy and economic growth and seeks to ensure rapid economic growth without opening up the political process, under oppressive conditions. This approach has led to a situation in which investors are being seen as complicit with the repression. Since these investors deliberately enter the markets knowing full well that they are investing in a country that is known for abusing its own citizens and dispossessing its population, these investors were seen as legitimate targets by pro-democracy protestors and other organized forces. This will have serious ramifications both for democracy and market economy going forward.

The state of emergency has enabled the government to stabilize the country, but the anger and resentment on the part of the population only increased. If the government continues to maintain a tight grip on the country without implementing genuine reforms, it is likely to face a major crisis.

In the economic domain, GDP growth continued with a 7% to 10% increase annually, in spite of a major drought since 2015. The famine impacted food production and put millions of people into dangerous, food-insecure conditions. The systematic lack of land property rights prevents farmers from improving soil fertility, irrigation and farm equipment. In combination with the neglect of the government to organize and encourage family planning, the outdated agricultural policy of the regime resulted in social conditions that continue to make Ethiopia one of the world's poorest countries. Annually the country receives more than \$3 billion in official development aid (ODA) transfers (\$3.261 million in 2012).

With the help of some 800 foreign-financed agrarian land schemes (cotton, sugar, flowers, sesame, cattle) the government hopes to accelerate and modernize agriculture. While millions of indigenous peasants lose their traditional access to land and water, due to land grabbing, the impact on local employment is rather small. Dependency on foreign countries and foreign financial transfers increased, and foreign debts nearly doubled within five years (from \$156.5 million in 2011-2012 to \$292.3 million in 2014-2015).

History and Characteristics of Transformation

It has been nearly half a century since Ethiopia's revolution deposed the Solomonic dynasty and almost a quarter of a century since the current regime defeated the military dictatorship and assumed state power. So, Ethiopia experienced two major transitions in the course of the last five decades that are central to understanding the state of democracy and market-based economy in Ethiopia today.

The 1974 revolution transformed what was almost a medieval empire into a highly centralized dictatorship of the proletariat, and the 1991 transition led to a federal state structure. Without a doubt, both these moments of transitions have brought about a radical ideological and institutional change, almost a paradigm shift, in the form and structure of the Ethiopian state. The one thing that didn't change in these forty years – the one subject that remained more or less constant despite changes and transitions in governing ideologies – is the state of human rights and democratization.

When the current government assumed power following the demise of the military dictatorship, it promised a clean break with the past and a new beginning toward a free and democratic society. The "Transitional Charter" adopted in July 1991 proclaimed "a new chapter in Ethiopian history in which freedom, equal rights and self-determination of all the peoples shall be the governing principles of political, economic, and social life." Three years later, on December 8, 1994, a new constitution promised, "a political community founded on the rule of law and capable of ensuring a lasting peace," and codified an extensive list of individual and group rights. Human rights, the rule of law, and democratic governance were recognized as the central constitutive and regulative principles of the new Ethiopian body politic. The constitution further guaranteed people's right to self-determination including the right to secession. By any standards, this was a radically democratic constitution that appeared to respond to the demands of the day.

However, despite the constitution, Ethiopia remained authoritarian par excellence. Far from ensuring a democratic government under the rule of law in which individuals and groups live in freedom and equality, the constitution was reduced to a mere instrument used to justify, conceal and normalize the oppressive and violent nature of the system.

The Ethiopian People's Revolutionary Democratic Front (EPRDF) under Prime Minister Meles Zenawi (1991-2012) did not feel threatened until the 2005 federal and regional elections. The crackdown that year on the opposition demonstrated the extent to which the regime was willing to ignore popular protest and foreign criticism to hold on to power.

Instead of ensuring the reign of equality and justice, the constitution became a tool used by the ruling elites to secure and sustain existing relationships of ethnic inequality and domination in the country. The preservation and consolidation of the existing relationship of domination and inequality are now mainly achieved through the deployment of the devices of law and justice.

The use of the judicial branch to achieve these political goals is one of the primary means by which the government constructs legitimacy while repressing its political adversaries. In the name of “developmental democracy,” the government transformed its courts into another security apparatus whose job is not to question the government, but merely to rubber stamp decisions made by the government and its security apparatus.

Compared to its democratic trajectory, Ethiopia has made relatively positive economic progress. However, there is a growing sense that the economic growth in the country has not been equally shared among citizens and regions. The government officially subscribes to the policy of the developmental state and has been successful in instituting discourses and narratives that elevate development to a supreme sacrosanct status, a divine ideal that trumps everything else including basic demands for equality, the rule of law and justice. Lifting Ethiopia’s population from poverty is presented as the single most important responsibility of the government.

As the former Ethiopian prime minister, a man responsible for putting the current institutional and ideological architecture in place, noted, the government rejects the notion that there is a direct relationship between economic growth and democracy. Within this discourse, anyone who challenges the government’s development policies and programs, or raises questions about the constitutionality, legality, or proportionality of development projects, even when the project in question poses a clear and present danger to the very existence of a community, is labeled anti-development, which makes the person also labeled an enemy of the state.

While there are efforts at liberalization, resistance to reform and the defense of the status quo are two of the reasons behind the slow progress at liberalizing the economy and opening up the political space.

In the parliamentary elections of 2015, EPRDF and its various constituent (ethnic) parts won all 547 seats. More than 500 members of the main opposition party (Medreq) were arrested at polling stations in the Oromia region before and on election day. Today, Ethiopia is governed by a de facto dictatorship of one party, representing the interests of the leaders of the Tigran ethnicity. The political concept of ethnic federalism has failed to resolve the national question. For Amhara and national elites, ethnic federalism remained artificial and failed to accommodate grievances of the broad majority of the people.

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

Since November 2015, Ethiopia saw unprecedented levels of public anger and protest throughout the country, forcing the government to take the extraordinary measure of declaring a state of emergency. These protests were largely conducted in the Amhara and Oromia regions, two of the most populous ethno-national regions of the federation which make up close to 70% of Ethiopia's 100 million people. The Amharas and Oromos are historical adversaries but there is a growing expression of solidarity during these protests. Together, these protests represented the greatest threat yet to the system dominated by minority Tigrean ethnic elites.

Despite these challenges, the state still retains a solid monopoly over the use of force. The few armed movements that operate both from within the country and neighboring Eritrea are not expected to represent a major challenge to the government's monopoly over the use of force in the short term.

Ethiopia is one of the most diverse nations in the world, with well over 80 different ethno-national groups with their own language. Most of these nations had a separate existence until they were forcibly brought under the Ethiopian state during the rule of Minilik II toward the end of the 19th century.

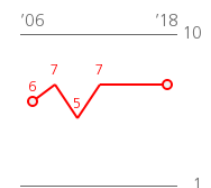
For most of the 20th century, the country embarked on a project of homogenizing and unifying the country under one language and one culture. This led to historic disagreements and marginalization of some groups in the country, particularly the Oromo, the largest ethnic group in the country.

Following the 1991 overthrow of the Mengistu regime, the country was restructured as a federal state to respond to the demands for autonomy and self-rule. Though a large measure of self-government and liberalization were enunciated in the constitution, the realities on the ground did not change much for most groups. Ethnic Tigrean elites, who purportedly represent the Tigray people (about 6% of the country's population), dominate the nation's political, military, economic and

Question
Score

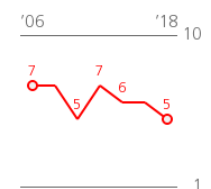
Monopoly on the
use of force

7



State identity

5



security apparatus, leaving others to feel like second-class citizens in their own country. This group resorts to various strategies and techniques to justify its legitimacy and title to rule. Several ethnic tensions in the south-eastern Oromo areas demonstrate that the legitimacy of the nation-state is seriously questioned by some oppressed people.

This is one of the most significant challenges to the government's legitimacy and the identity of the state as a truly federal and democratic state that respects and values its diverse population.

Until 1974, Orthodox Christianity was the official religion of the state. Until this period, religion provided perhaps the single most important organizing principle of political and social life in the country. The Solomonic dynasty, which ruled the country until 1974, justified its right to rule over the Ethiopian people by presenting itself as "the elect of God."

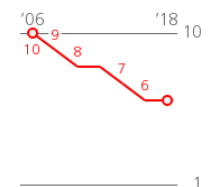
Since 1974, the role of religion has declined significantly. The 1994 constitution affirmed its commitment to secularism by enshrining the separation of state and religion in very clear terms.

While religion plays no significant role in influencing the government's policy decisions, the government interferes in religious institutions on a regular basis. In some cases, it controls these institutions by influencing the elections of religious leaders and appointing government sympathizers in key religious institutions. The recent confrontation with the Muslim community and the protests over the last three years resulted from a government plan to impose its preferred version of Islam on the country's Muslim population. The government has increasingly harassed the Muslim community, which has grown to rival the Ethiopian Orthodox Church as the country's largest religious group (44% of the total population in Ethiopia). Muslim groups accuse the EPRDF government of trying to impose the beliefs of an Islamic sect, Al-Ahbash, at the expense of the dominant Sufi-influenced strain of Islam. In 2015, more than 40 Muslim activists who demonstrated against the government's involvement in their affairs were sentenced to prison terms of between seven and 22 years on "terrorism" charges.

There are administrative structures at various levels throughout most of the country. There might be a few remote places where the government does not have elaborate administrative structures, but even in those places, there exist administrative units alongside security structures that enforce laws, collect taxes and bear responsibility for provisions of social services such as health, transportation, water, electricity, etc. The amount of population with access to clean drinking water is 57.3% (2015 World Bank data), and only 28% (2015 World Bank data) have access to improved sanitation facilities. But it bears noting that as one moves away from the capital city, Addis Ababa, outwards, the strength of these institutions and the quality of these services decreases considerably. In 2016, demonstrations took place in Oromia and

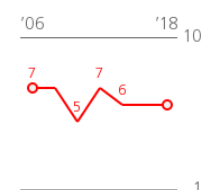
No interference of religious dogmas

6



Basic administration

6



Amhara against government institutions such as prisons, service centers and office buildings. The demonstrators have attacked prisons to free the inmates, ransacked public properties, not just offices, and vehicles, and also health centers and cooperatives. These places were seen as existing more to control the population than to perform their purported functions.

But beyond the existence of structures, there is no meaningful capacity to enact and implement policies at the local level. These are due authoritarian policies, corruption, inefficiency and lack of resources at all levels.

2 | Political Participation

The ruling EPRDF dominates the democratic public sphere. It controls democratic institutions such as the electoral board, parliament, and courts, while non-governmental institutions that are critical for the realization of a free and fair election, such as opposition parties, the media, and civil society organizations, were systematically repressed.

Since the opposition made significant gains in the 2005 national election, the government tightened its control over political spaces. In 2009, it enacted the Anti-Terrorism Proclamation and the Charities and Societies Proclamation which led to the deterioration of the human rights situation in the country. The Charities and Societies Proclamation was used to close down almost all human rights organizations in the country while the anti-terrorism law has been used against opposition groups, journalists and activists as a tool to maintain control over an increasingly defiant population.

This paved the way to the 2010 elections in which the government “won” all but one of the 547 seats. In 2015, the ruling party “won” 100% of the seats, despite being in power for the previous 25 years and increasing frustration among a majority of citizens. Regarding the elections for the 108-member House of Federation and the nine regional assemblies in 2015, no opposition candidate secured a seat.

The results of these elections were already predetermined since all the essential ingredients of a fair and competitive election, such as an independent electoral board, free media, and transparent electoral processes were systematically integrated into the executive branch of the government either through cooption or coercion.

Several prominent opposition leaders were jailed before the elections, including those of the Unity for Democracy and Justice Party. Four opposition party members were reportedly killed in the post-election months, and some 400 people were killed in the Oromo revolt against the government.

Free and fair elections

2

'06 '18 10



Given the architecture of the system and reach of the ruling party, it is impossible to speak of a democratically elected leader or representative in Ethiopia.

Until his death in 2012, Prime Minister Meles Zenawi had the sole power over all aspects of public life in Ethiopia. Meles Zenawi is a Tigrayan by ethnicity and was one of the leading members of the Tigray Peoples Liberation Front (TPLF) which played a key role in overthrowing the government of Mengistu Hailemariam. Meles's successor, Hailemariam Dessalegn, comes from a smaller ethnic group in the South, called Wolayta. Although he is far less powerful than his predecessor and his decisions are influenced by other players, mainly from the TPLF wing of the ruling EPRDF coalition, he cannot be said to be a democratically elected leader or representative.

In the post-election consolidation of the regime, Prime Minister Hailemariam Dessalegn, seen first as a transitional figure, was able to consolidate his position in government. In 2015, after a severe internal party grilling, he was reelected as leader of the party coalition (EPRDF) and as prime minister.

Like in all authoritarian states, legitimacy and representativeness have never been obstacles to the power to govern.

The constitution guarantees the freedom of assembly and expression in exactly the same terms as the Universal Declaration of Human Rights. Despite this, there are severe restrictions on the freedom of assembly, association and expression.

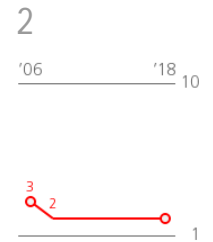
The ruling party's legitimacy is extremely fragile and government often takes preemptive action to eliminate the possibility of street protest and organized movements that would further expose its questionable legitimacy.

According to the constitution, individuals, and groups who want to protest only need to inform the government, not seek permission. The government often declines permits for protests that are not pro-government. Whenever protests go ahead without permits, the government uses violent means and coercive tactics to crack down on protestors. During the Oromo and Amhara protests, security forces allegedly killed well over 1,000 people, with the government admitting the death of over 500 people.

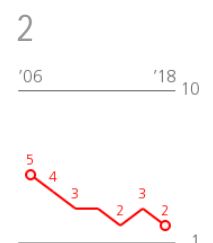
The government has increasingly curtailed the freedom of expression and organization of politicians, journalists, NGOs and human rights organization, thus making Ethiopia a de facto dictatorship.

The constitution guarantees the freedom of expression. However, the government does not tolerate dissenting views and regularly resorts to harassment, intimidation and malicious prosecution of journalists, musicians, artists and activists to eliminate them from the democratic public sphere.

Effective power to govern



Association / assembly rights



Freedom of expression

2

The media law is extremely stifling and provides the legislative framework for the government to impose prohibitively excessive fines and in some cases prosecution under counter-terrorism laws and other broadly defined and politically motivated “crimes against the state.” This led to a so-called culture of censorship, making Ethiopia fourth on the global list of “most censored” countries drawn up by the Committee to Protect Journalists, with 17 journalists in jail, others forced into exile, and court cases ongoing against several bloggers.

According to Freedom House’s Index, Ethiopia’s freedom status is categorized as “not free.” In 2016, the country’s political rights ratings improved slightly from seven to six.

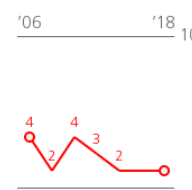
Press and media freedoms continued to suffer, with no real independent opinions allowed to flourish. The country’s press freedom status and internet freedom status are “not free,” according to the Freedom House Index. By a repressive police apparatus internet, telephone and e-mail traffic were seriously monitored leading to arrests of many bloggers and independent journalists. Social media sites were often closed. Free speech was restricted through a widespread network of paid informants and an extensive phone tapping system, even in the private sphere.

In conclusion, political freedoms further declined on all indexes, with the Freedom House Index again rating Ethiopia “not free,” with civil liberties and political rights a low six on a scale of seven.

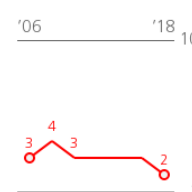
3 | Rule of Law

The constitution provides for a parliamentary system with strong executive under a prime minister and an independent judiciary. Parliament is the highest political organ in the country. While there is a de jure separation of power, there is no check and balance between the three government institutions. Parliament and the judiciary are not independent institutions that can use their constitutional authority to hold the executive accountable. The executive uses various ways of controlling or coercing parliamentarians and the judiciary to ensure the harmonization of judicial and legislative decisions with the government’s anti-democratic and repressive policies.

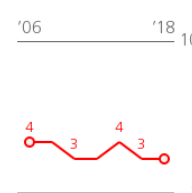
The constitution provides for an independent judiciary with the authority to interpret and apply the laws of the land. However, the Ethiopian judiciary does not have the authority to interpret the constitution or review the constitutionality of laws and other acts of the government. This authority is given to the House of Federation, a political body, with the advice of the Council of Constitutional Inquiry. If the Court believes that the case before it raises constitutional interpretation, it shall refer the matter directly to the House of Federation or the Council of Constitutional Inquiry. This has



Separation of powers
2



Independent judiciary
3



had a significant impact on the judicial enforcement of constitutionally protected rights.

Corruption within the judicial branch is not seen as a major problem. The problem is more severe at the local level but this is rarely reported.

The judicial branch is administered by a Judicial Administration Commission at both the state and federal level. Although theoretically independent, the commission is constituted of individuals loyal to the ruling party. The commission is one of the key ways through which the executive branch ensures control of the judiciary. Judicial appointment is often made on the basis of loyalty to the government and individual judges are assigned to cases involving the government on the basis of strategic consideration. They often ensure that judicial decisions are consistent with the policy of the government, even if that means contravening the rule of law and the constitution.

The Ethiopian judiciary lacks both a structural and functional independence. Despite the lack of resources and qualified judges responsible for dwarfing the institution's ability to ensure a fair, impartial and expeditious administration of justice, government's undue intervention in the administration of justice is a severe problem.

This is usually the case in politically motivated show trials which have become common in Ethiopia. In these cases, the government uses judges to rubberstamp its unconstitutional and repressive policies with the imprimatur of the court.

The independence of the judiciary is heavily impaired by political authorities and high levels of corruption. Its judgments rarely deviate from government policy. Human rights groups accuse the judiciary of not preventing torture in prisons which is forbidden by law. In general, there are a lot of functional deficits, because of the great discrepancy between law and law enforcement. Corruption among judges is widespread, and judges not loyal to the government run the risk of getting replaced by a "more suitable" candidate.

Public officials are very rarely held accountability for abuse of power. The only instance in which public officials are prosecuted is if there is a political motive to do so. There are many instances of prosecutions of high-ranking government officials but those individuals would not have been prosecuted had it not been for a political fallout with the powers that be.

In response to a very critical study on corruption in Ethiopia by the World Bank in 2014, the government established the Federal Ethics and Anti-Corruption Commission (FEACC) which was responsible for a string of high-profile arrests of prominent officials and businessmen throughout the year 2015.

Prosecution of
office abuse

4

'06 '18 10

3 4 3 4

1

The human rights landscape in the country is extremely worrying, with a significant year-on-year deterioration over the last decade.

While the constitution entrenches one of the most vibrant sets of human and democratic rights, the practice is radically different from the normative pronouncements.

The abuses of human rights are most visible where human rights protections are most needed. While individuals can live without violence and harassment if they accept the rules of the game and work for the system, those who question government policies and take steps to change it, face various abuses ranging from the risk of torture and extra-judicial killings to indefinite detentions and enforced disappearances.

The presence of the EPRDF at all levels of society – directly and, increasingly, electronically – inhibits free private discussion. Many people are wary of speaking against the government. The EPRDF maintains a network of paid informants, and opposition politicians have accused the government of tapping their phones.

Civil rights and individual liberties are systematically violated, because the judiciary and other national human rights institutions are controlled by the ruling party. There is no independent institution that can ensure the protection and observance of human rights by policy, ministries or party officials. Especially when land questions and property cases are at stake, peasants and other citizens without a membership card of the ruling party coalition will have little chance to get their rights respected by representatives of the state.

4 | Stability of Democratic Institutions

Ethiopia is constitutionally a federal parliamentary democracy. Government power is separated into legislative, administrative and judicial functions both at the state and federal levels. The constitution also envisions a measure of self-government at the local level.

While there are democratic institutions similar in architecture to those that exist within actually functioning democracies, these institutions are undermined by the influence and dominance of the ruling party at all levels of government.

The ruling party is authoritarian in its character and publicly promotes the idea of a one-party dominant state. Democratic institutions are created to provide a semblance of democracy but, in reality, they are instruments at the service of the ruling elites. The Ethiopian judiciary provides an excellent example here. While the principles of independence and impartiality are the defining attributes of a judicial organ, Ethiopian courts have proven themselves over and over again to be instruments in the service of repressive politics. When the government rounded up opposition political

Civil rights

2

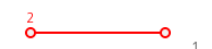
'06 '18 10



Performance of democratic institutions

2

'06 '18 10



party members, journalists, activists and public intellectuals, and subjected them to trumped-up charges, the courts colluded with the state to hand down a verdict acceptable to the government.

Indeed, the Ethiopian judiciary played a central role in rationalizing and justifying the government's authoritarian tendencies by affixing it with an imprimatur of judicial reasoning. The same can be said about other democratic institutions such as the National Electoral Board, the Ethiopian Human Rights Commission, the Council for Constitutional Inquiry, the House of Federation, and so forth.

The federal government also has strong control and direction over the military. Although not intended, the authoritarian style of the repressive government at the center of the state fueled centrifugal trends in the regions. Government attempts to coopt the regional political parties into EPRDF allies have stimulated resistance and nationalism in the Oromia and Ogaden regions.

The results of the parliamentary elections in 2015 had little credibility and effectively made the political process, let alone "democracy," in Ethiopia irrelevant. The ruling party positioned itself in a position of "perpetual" power, because it showed little inclination to engage in any national dialogue with other political parties or civil society groups about policy alternatives.

Democratic institutions in Ethiopia are largely regarded as partisan political institutions designed to serve the goal of legitimating the ruling party and its elites.

While the government presents these institutions as constitutionally mandated and authorized institutions, the opposition and the larger public views them as mirages of democratic institutions designed to legitimize an otherwise illegitimate government.

The present government has obviously lost confidence in liberal democracy and the system of checks and balances. "Development" (in the sense of permanently high economic growth) is much more appreciated by the political elite than "democracy." De facto Ethiopia developed into a "facade democracy" that is in essence a dictatorship by one ruling group, dominated by an ethnic minority of Tigran origin. If the Ethiopian government allowed free and fair elections it would definitely lose power by failing to achieve a majority of votes. That is Ethiopia's democracy dilemma.

5 | Political and Social Integration

The ruling Ethiopian People's Revolutionary Democratic Front (EPRDF) is a coalition of ethnic-based parties with unequal power. The Tigray Peoples Liberation Front, the oldest and most powerful member of the party, is responsible for creating and shaping the other parties. Indeed, the other parties representing major ethnic groups in the country such as the Oromo Peoples Democratic Organization (OPDO)

Commitment to democratic institutions

2

'06 '18 10

2

1

Party system

2

and the Amhara National Democratic Movement (ANDM) are not considered as movements born out of the struggles of the people they purportedly represent. Instead of serving the interest of their people, they are considered servants of the TPLF among the Oromos and the Amharas.

While these parties have very solid control over the population in their respective regions, this is a control solely based on violence and other repressive tactics. To that extent, neither the ruling coalition nor its constituent members can be said to have institutional stability and a social base. Without the monopoly over violence and the repressive measures that are available to the government to ensure control, the party would not have any other legitimate and democratic support within the population. One can maintain, however, that some portions of the elder generation, especially in Tigray province, would admit that the TPLF – as the main military force responsible for the downfall of dictator Mengistu in 1991 – are right to proclaim political legitimacy through military victory.

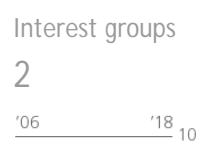
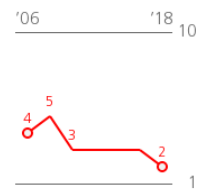
The political sphere in Ethiopia is still under the hegemony of the ruling party coalition EPRDF and shall remain so in the near future, also deep tensions exist within the EPRDF between the four components (the Tigray, Amhara, Oromo and Southern Ethiopia people). Faced with increasing social unrest and ethnic conflicts, maintaining political stability for a system which has existed since 1991 will become more challenging for the unpopular government.

Clientelism is a major problem in Ethiopia. Major players in the economy have a close relationship with the ruling party. There is either an implicit or explicit quid pro quo between these forces wherein major players in the economy provide support of various types to the ruling party in return for a favor by the party.

Like many authoritarian states, cooperative associations and interest groups are allowed to exist insofar as they do not challenge the legitimacy or authority of the government. They are required to refrain from anything that calls the ruling party, its authority, and legitimacy into question.

Most of these associations and interest groups are aligned with the ruling party. To the extent that associations and interest groups that espouse ideas and policies different from the ruling party are allowed to exist, this is simply to enhance the legitimacy of the system. These organizations will be monitored very closely including using means and methods that are unconstitutional.

Because the existence of these interest groups is based solely on the will of the ruling party, these organizations cannot challenge or contest the policies and decisions of the ruling party to advance their interests. Even when the ruling party encroaches upon their constitutional rights, these organizations do not resort to public criticism and litigation to bring those abusive practices to an end.



There is no visible cooperation between these groups. They operate within their own social and political spheres with little to no cooperation. This is mainly because the way interests are advanced is by working with the ruling party and the government, within the terms set by the latter as opposed to constitutional rules and principles. It is better to resort to administrative solutions than judicial solutions for example.

In a federal country with ninety individual languages, with powerful churches, a growing urban middle class and hundreds of thousands of refugees from neighboring countries, it is obvious that the interests of these diverse people are reflected in various institutions of representation. But the degree of their institutional and political autonomy is rather small and even deteriorated during the last decade.

Ethiopia is a fiercely authoritarian state and democratic performance cannot be assessed.

Approval of
democracy

n/a

'06 '18 10

There are what are called self-help organizations, such as Idir and Iqub, often established at the local level to deal with economic and social matters such as death and savings. These organizations exist throughout the country and provide a safety net system for local populations. They are underpinned by principles of solidarity and neighborliness among and between citizens. At this level, there is a fairly good level of trust between populations, especially among ethnically and religiously homogenous societies.

n/a

Social capital

3

'06 '18 10



There are other forms of associations that are established to advance the interests of specific ethnic groups. Unlike Idir and Iqub, these organizations tend to be political in nature. They fight the marginalization and exclusion of their respective groups through the promotion of cultural and economic welfare for their respective societies.

There are also mega-development organizations that are affiliated with political parties. Some of these are extremely powerful monopolies that dominate the country's economy. This is further feeding into the rising tension that has already been simmering between groups that dominate the country's public life and those pushed to the margins of politics.

II. Economic Transformation

6 | Level of Socioeconomic Development

Ethiopia is one of the poorest countries in the world. With a population of over 100 million, its GDP stands at \$61.54 billion. According to the 2015 World Bank Group report titled Ethiopia Poverty Assessment 2014, the number of people who live in poverty has fallen to 30%. The report further recognized that while Ethiopia has registered rapid economic progress, it also notes that, “structural change has been remarkably absent.”

Ethiopia pursues a model of the developmental state, based on the Chinese system, although there are considerable differences between the two nations. Its leaders believe that there is no link between economic growth and democracy. While Ethiopia has made significant economic strides, the economic potential of the country has not been fully realized as a result of the government’s restrictive and repressive instincts. Government inefficiency, corruption, and mismanagement are not called to account in public.

There is no media and autonomous democratic institutions able to scrutinize the appropriateness of government economic policies and whether specific economic programs and projects are the best possible deals for the local or the general population. Individuals directly affected by specific economic policies and programs have no recourse to justice, nor are there ways of bringing public pressure to bear on the government.

These structural bottlenecks are arbitrary. In many ways, these arbitrary red tape and bottlenecks are reflections of the political domination of Tigrayan elites. Favoritism, patronage and cronyism run deep in the socioeconomic system of the country. Patterns of wealth creation and economic progress in the country reflect the patterns of political power. Ethnic identity is clearly a marker of both economic and political exclusions.

Growth in the country is uneven across regions, ethnicities and gender. The distribution of family income (Gini Index) is at 33.6 (World Bank, 2013) while the Gender Inequality Index value is at 0.558 (UNDP 2014). According to UNDP’s 2015 Report, Ethiopia ranked 173 out of 186 countries in the latest UNDP Human Development Report. However, it is also one of “the 10 countries globally that has attained the largest absolute gains in its HDI over the last several years.”

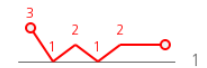
Although the economy is increasing by 8% to 10 % annually, the great majority of the people are excluded from the boom. The government’s growth strategy is not

Question
Score

Socioeconomic
barriers

2

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based on the mobilization of the potential of millions of poor peasants and their families. Rather, it relies on few foreign big company investments. The brutal logic behind this policy can be summarized as follows: what is needed is the land of the peasants, not their labor.

Economic indicators		2013	2014	2015	2016
GDP	\$ M	47648.2	55612.2	64464.4	72374.3
GDP growth	%	10.6	10.3	10.4	7.6
Inflation (CPI)	%	8.1	7.4	10.1	7.3
Unemployment	%	5.0	5.0	5.3	5.7
Foreign direct investment	% of GDP	2.0	3.8	3.4	4.4
Export growth	%	0.3	2.8	-11.2	-8.1
Import growth	%	4.2	20.2	21.9	0.0
Current account balance	\$ M	-	-	-	-
Public debt	% of GDP	42.4	46.3	60.0	57.9
External debt	\$ M	12575.1	16328.0	20139.8	23063.0
Total debt service	\$ M	664.2	764.9	1042.1	1243.6
Net lending/borrowing	% of GDP	-	-	-	-
Tax revenue	% of GDP	-	-	-	-
Government consumption	% of GDP	9.0	9.2	9.0	9.7
Public education spending	% of GDP	4.5	-	-	-
Public health spending	% of GDP	3.0	2.9	-	-
R&D expenditure	% of GDP	0.6	-	-	-
Military expenditure	% of GDP	0.8	0.8	0.7	0.7

Sources (as of October 2017): The World Bank, World Development Indicators | International Monetary Fund (IMF), World Economic Outlook | Stockholm International Peace Research Institute (SIPRI), Military Expenditure Database.

7 | Organization of the Market and Competition

The Ethiopian economy is still highly regulated and market forces are not driven by macro and micro-economic considerations. The ruling party and its businesses play a significant part in the country's economy and although there are rudimentary normative and institutional frameworks aimed at guaranteeing market competition and equality of access for all market participants, the reality is different.

Members of the ruling parties enjoyed unfair privileges in access to credit, land lease contracts and jobs due to nepotism and every corruption. The absence of the rule of law and independent financial and democratic institutions means that the law as such is not a guarantor of investment. Whatever rules were put in place to govern markets and investment, they are often unreliable and subject to arbitrary and significant state intervention. As a result, the informal sector is large in some areas. For example, the foreign exchange business is an area where the informal sector thrives. These are operated not only from within Ethiopia, but also from outside the country.

Another important consideration is that there are sectors of the economy such as banking, insurance, telecom, and electricity that are seen by the government as strategically important and still closed to foreign competition, while some remained in government hands. The decision to retain control over these sectors is not purely economic. It is largely driven by political calculations of the ruling party.

Although there are competition laws aimed at ensuring consumer protection and the competitiveness of markets, these laws are not enforced in practice. The existing regulatory frameworks against monopolistic and cartelistic structures are far from comprehensive and even the rules that exist are ignored by enforcement agencies because of the close relationship between the state and some of the monopolistic companies. As a result of the considerable role of the state in the economy and mega businesses affiliated with the ruling party, the law plays a very minimal role in regulating the markets or settling business related disputes.

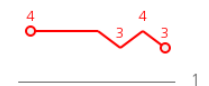
Foreign trade is controlled by the state and is yet to be liberalized in law and practice. Although the country has taken some steps toward liberalization, the state still remained the primary economic actor and closely monitors all types of foreign trade.

The country started the process of joining the WTO over a decade ago and it has not made significant progress. As a result, it still maintains various types of conditions, including tariff measures, for market access. Import and export licensing as well as customs valuations are arbitrary, and they are the primary means through which those who are not a member of the politically dominant ethnic group or are not affiliated with the ruling party are excluded from economic activities and investment opportunities.

Market-based competition

3

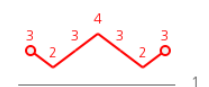
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Anti-monopoly policy

3

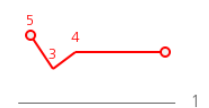
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Liberalization of foreign trade

4

'06 '18 10



The government still maintains restrictions on imports of certain capital and non-capital goods to protect local producers and sectors which could not compete with foreign companies with significant capital and access to financing.

Another important consideration is the alternative market access the country has. The tariff-free arrangements to the European Union and the United States through the EBA (Everything but Arms) and AGOA (African Growth Opportunity Act) respectively, has opened up important markets to Ethiopian imports. These market arrangements, while they had an important impact on the economic improvements of the last decade, had the effect of dis-incentivizing the country from opening itself up. The country has not used these market opportunities sufficiently, and it saw no justification at this moment for it to open itself up to competition when it has not yet utilized markets that come with literally no strings attached.

The banking sector is still highly regulated and is off limits to foreign trade.

The minimum capital-adequacy ratio for Ethiopian banks is 10.4%. All Ethiopian commercial banks are committed to a minimum 8% of capital-adequacy ratio that is set by the World Bank and the Basel Committee.

There is, however, a higher proportion of nonperforming loans across the banking system with frequent shortages of foreign currency, with the closure of the banking sector to foreign capital, poor enforcement of rules on disclosures and the politicization of financial regulators.

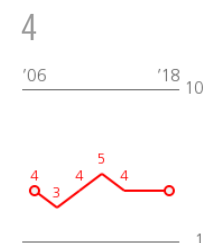
There is no capital market in Ethiopia as of yet. The conditions necessary for capital markets such as the existence of private firms free of government influence with rights to buy and sell shares, own land and houses, etc. are not present. However, the government has been holding a consultation on this issue and received advice from the World Bank and the IMF on developing a secondary debt market. The direction of travel seems to be toward opening up a capital market but it is not clear whether this will develop into a policy and a legal framework that would eventually open the country up for capital markets.

8 | Currency and Price Stability

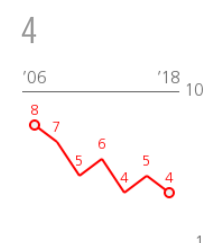
The government and the central bank of Ethiopia do pursue policies intended to control inflation and currency exchange rates. However, these policies are always subordinated to other political considerations and the figures are manipulated to set forth a narrative that is consistent with the government's claims of economic development and lifting the population out of poverty.

Although the government tries to control inflation and forex regime, the government lacks institutional and policy commitment to realize this goal. The broader policy of economic domination of one ethnic group means that institutions should be denied

Banking system



Anti-inflation / forex policy



autonomy and independence. These institutions could not implement policies and laws against key economic actors that dominate the forex sector (both formally and informally) and contribute to the rise of inflation. According to World Bank data, the GDP for 2015 is 9.6% while inflation rose from 7.4% in 2014 to 10.1% in 2015.

During the IMF Article IV consultation in September 2015 the IMF resulted in warnings of too high inflation and high borrowing by public enterprises with attendant risks of external debt distress. They also advised the government to take decisive action to strengthen the business climate and enhance external competitiveness.

The government does not have coherent fiscal and debt policies crucial for providing macroeconomic stability and does not seem to exercise prudence in its financial management. Its debt reduction and fiscal consolidation policies are inconsistent and contradictory as to reduce vulnerability.

There are several factors that play into this, but key among these are the absence of institutional safeguards, party-affiliated monopolies and the link between government legitimacy and economic growth.

The country's public sector debt was 42.1% in 2014 and projected to be 61.2% in 2017. External debt was 25.5% in 2014 and is projected to be 35.0% in 2017. Both foreign and internal public debt shows an increasing tendency. External debt increased from 27% of GNP in 2013 to 30% of GNP in 2014.

9 | Private Property

The constitution recognizes private property but the right to acquire, use and transfer property can be limited for public use. Land policy is one of the most debated and controversial issues in Ethiopia from a market economy point of view.

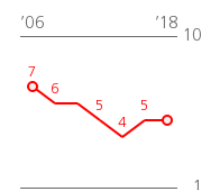
The constitution declares land to be the “inalienable common property of the nations, nationalities and peoples of Ethiopia.” Land and any property on the land can be taken by the government for public use, which includes leasing the land for private investment, on the payment of compensation deemed appropriate by the state. The compensation is only for the value of the property on the land or investment made on the land and not the overall value of the investment.

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

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

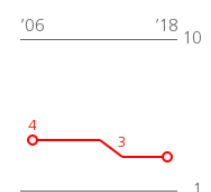
Macrostability

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Property rights

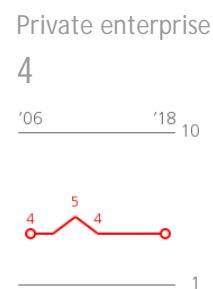
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Private business opportunities are limited by rigid state control of economic life and the prevalence of state-owned enterprises. All land must be leased from the state. In 2014, up to 70,000 people were forced to move from the western Gambella region,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

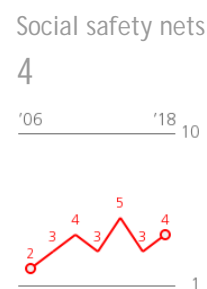
The government encourages private companies to engage in development activities consistent with its developmental policies. Although there is recognition on the part of the government that private companies play an important role, there is a huge concentration of market power in the hands of party-affiliated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

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



10 | Welfare Regime

There is no comprehensive national social safety scheme in Ethiopia. There are, however, occasional safety net arrangements that are put in place to prevent food shortage brought about by drought and unexpected weather conditions from escalating into famine.



In 2015 and 2016, a major drought severely impacted food production and put about five million rural people into dangerous, food-insecure conditions. According to UNICEF, the total number of people affected by drought and famine was 10.2 million, of whom 5.7 million were children. Food, clean water and medical treatment had to be provided as aid. The government is said to have itself allocated \$192 million to combat the crisis, expecting the bulk of aid from foreign countries. The percentage of people suffering from poverty (defined as \$1.25 a day purchasing power) fell by 2% to 3%, and was reported to be 29.5% of the total population or roughly 30 million people. The public expenditure on health is 2.9% (% of GDP) which is only at the average.

At the local level, there are two widely prevalent community safety net systems: Idir and Iqub. Idir is designed to share the burden of grief and burial and is not oriented toward creating a pathway to struggling families to provide basic social necessities. Iqub, on the other hand, is a money saving scheme used by local people either to save money for a rainy day or for investment. It is a traditional system designed to offset the problems of not being able to get loans before the introduction of banking in Ethiopia and is still a thriving safety net system throughout the country.

There are widespread practices of discrimination, subordination, and outright exclusion on the basis of gender, ethnicity and political preferences. Although not overt and rampant, individuals are also subject to discrimination based on religious beliefs.

Discrimination based on political outlook is the most rampant. For example, university graduates are expected to be card-carrying members of the ruling EPRDF coalition if they are to be considered for a job in the public sector. As the government is the largest employer in the country, individuals are compelled to carry membership cards to avoid discrimination.

People are also discriminated against based on their ethnicity both by both public and private enterprises. Indeed, the very architecture of the political system in Ethiopia makes it difficult for citizens to access opportunities equally as regional states are established on the basis of ethnic considerations.

The Ethiopian culture is still very male-oriented, and women are considered to belong to the household. Women do not enjoy equality of opportunities with men in terms of access to education, holding public office, employment and visibility in the public sphere.

The literacy rate for men stands at 49% (2007-2013) and for women at 29%, indicating great gender inequality and social injustice.

11 | Economic Performance

Ethiopia registered a double-digit economic growth for over a decade. Tax revenue (13.5% for 2015/16) and investment have been consistently growing. However, despite the relatively high GDP which was growing at around 10.2% for over a decade, other macroeconomic indicators such as unemployment, price stability, money supply, the balance of payment and public debt are not at sustainable levels. More than 800 agrarian projects are financed by foreign investors, which caused severe social unrest among peasants who had lost access to land. Public ownership of all land is regarded as the most severe hindrance to an improvement of agricultural production.

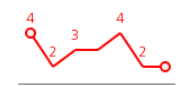
According to the IMF data for 2015 to 2016, inflation stands at 6%, unemployment in urban areas is 16.5%, public and publicly guaranteed debt stands at 54.2% of which 24.0% is internal, while 30.2% is external. External current account deficit is estimated at 10.7% of GDP.

The economic growth for this year is estimated to be only 4.4% to 6.5%. This is partly due to the drought that affected agricultural production and the year-long Oromo protests that resulted in massive capital flight as a result of political uncertainty. It is also worth noting that Ethiopia's economic growth and the data put out by the

Equal opportunity

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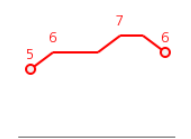
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Output strength

6

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government have been called into question by opposition parties and independent economic experts.

The World Bank considers that poverty had been 33% reduced in the last decade (2015-2005), even if the Bank estimated that 37 million Ethiopians remain poor or vulnerable in falling into poverty. This contrasted with other sources that ranked the country among the poorest in the world. The HDI ranks Ethiopia 174 out of 185 countries in the world (2014). According to the World Development Indicators for 2015, the GDP per capita (PPP) increased since 2005 from 653 to \$1,626 in 2015; and since 2012 from \$1,257 to \$1,377 (2013), to \$1,505 (2014).

12 | Sustainability

The government's primary focus is economic growth. This is not simply because economic growth is a good thing for the general welfare of society, but also because the government's own legitimacy depends on delivering rapid economic growth and lifting citizens out of poverty.

Environmental impact assessments are not seriously undertaken for almost all major development projects, whether it be hydropower generation or mechanized agriculture. Indeed, during the Gilgel Gibe Dam construction, the government violated its own environmental protection laws and procurement practices.

Gilgel Gibe III was constructed on the Omo River, a "lifeline for hundreds of thousands of indigenous farmers, herders and fishermen" who depend on its waters to sustain themselves. NGOs and activists argue that the government published environmental impact assessments long after construction began and "disregarded the project's most serious impact" on the ecosystems and the vulnerable indigenous group who live in the area.

In sum, environmental concerns are rarely taken into account in determining development programs and policies. In the transformation process of subsistence farming into commercial economy, environmental issues often are neglected, such as the availability of water for households and farming. The groundwater levels of several lakes south of Addis Ababa have been decreasing for years due to commercial flower production for export markets.

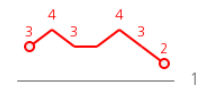
Ethiopia has been able to expand education and literacy at all levels. Access to primary education has risen by about 500% over the last 20 years. The number of children in schools has gone from 3.5 in 1990 to about 16 million.

According to World Bank data, adult male literacy increased from 41.93% in 2005 to 57.2% in 2015. Adult female literacy increased from 17.9% in 2005 to 40.9% in 2015.

Environmental
policy

2

'06 '18 10



Education policy /
R&D

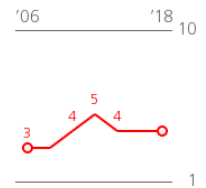
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Youth male literacy increased from 44.6% in 2005 to 69.6% in 2015. Female literacy increased from 33.3% in 2005 to 67.82% in 2015.

While there is a tremendous increase at the primary level, the number of students that go on to enroll in secondary education has fallen by 20%. Moreover, the increase in access to education came with a significant deterioration of quality in education at all levels.

The government also expanded tertiary education, increasing the number of universities and their in-take capacity from a few thousand to well over a 100,000 students in a span of 20 years. Despite the encouraging progress regarding access, the quality of education at university level is considerably worse than it was two decades ago.

Public universities are funded by the state. The salary paid to university lecturers and professors is one of the lowest in the world. Research and development funding has increased from 0.18% to 0.6% in 2013, according to available data.



Governance

I. Level of Difficulty

There are structural difficulties that constrain the leadership's ability to provide social services and improve the living standards of the population, but the primary structural constraint in Ethiopia today relates to the crisis of political legitimacy and the threats represented by pro-democratic and other critical voices to the continued authority of the government. The government has been in power for the last 26 years and neither extreme poverty and lack of labor, nor nonexistent infrastructure for development, has affected its ability to govern as much as its lack of a democratic mandate to govern.

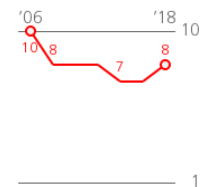
While poverty, the absence of educated labor and functional infrastructure, periodic drought, etc. have represented a challenge in effecting sustainable structural transformation, they are not the central and most immediate problems for effective governance of the country. Authoritarianism and the government's disdain for educated and critical voices are the central impediments for bringing about sustainable structural changes. If the government opened up the system and relied on its best and brightest, with policies developed and scrutinized by the wider public, some of the challenges facing the country could have been averted. The authoritarian nature of the government and its development policies generate their own crisis. As a country that started from a good baseline with significant economic potential, a more open and accountable government could have achieved a sustainable structural transformation better than the current government.

Ethiopia has always been an authoritarian state, and a culture of public exchange, debate and contestation are very rare. The cultural conditions that sustain democratic institutions and vibrant civil society were virtually nonexistent.

With the adoption of the current constitution 25 years ago and the rise of the human rights movement and other forms of social movements around the world, there was a huge appetite for civil society organizations in Ethiopia. Although the government allowed several organizations to operate in its first two decades, the government grew increasingly intolerant of civil society since the 2005 election. In 2009, the government enacted the Charities and Societies Proclamation (2009) which effectively decimated the few civil society organizations that operated in the country.

Structural constraints

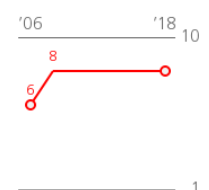
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Civil society traditions

8



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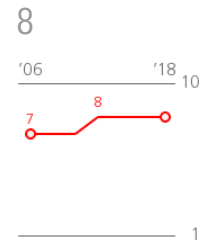
While there are certain traditional institutions that have the form and appearance of a civic organization, their activities are limited to basic economic and social domain. Religious organizations such as the Ethiopian Orthodox Church and its nationwide branches, the Islamic Supreme Council and its affiliated mosques and schools, the Pentecostal church and other churches are allowed to operate.

Ethiopia is one of the most diverse nations in the world. Society is highly divided along ethnic lines. Indeed, ethnicity is the primary principle of political organizing and mobilization as political parties are organized along ethnic lines and member states of the federation are ethno-national groups.

The level of rivalry and hatred between the major ethnic groups, the Oromos, the Amharas and the Tigrayans, has been intense. Simmering resentment, underground for the last three decades and more, exploded into the open during the 2015-2016 Oromo protests, exposing the level of ethnic tension that is submerged by the sheer force of state violence. Cultural and ethnic intolerance gained weight, often provoked by turmoil in neighboring countries.

In recent years religion also became a source of intense and often violent conflict between various religious communities and the government, and to a lesser extent between the followers of different religion. The Muslim community has been protesting for about three years between 2012 and 2015 against alleged government interference in their religion and forced indoctrination of the Muslim community. There were also reports of religious conflicts between Muslims and Christians in some parts of the country where individuals belonging to these religious attacked mosques and churches. In some cases, there were unconfirmed reports of a massacre.

Conflict intensity



II. Governance Performance

14 | Steering Capability

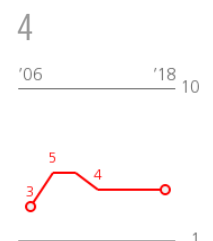
The government talks about long-term strategic interests and priorities of the country, but there is nothing to suggest that the government's political, social, economic, military or environmental policies were driven by evidence. The government chooses loyalty and conformity over competence and expertise.

Most decisions are taken on the basis of political implications for the ruling party – in other words, the extent to which a given program and policy will enhance its legitimacy and helps avoid a crisis that would threaten its immediate interests.

The executive branch is the most powerful, and the cabinet and the civil service is subordinate to the ruling party. While there may be some progressive individuals both

Question
Score

Prioritization



within the cabinet and the top ranks of the civil service, these are not reflected on important policy matters. If there is a conflict between the interest of the party and the country, the interest of the party will be given priority. If, however, the interest of the country aligns with the interest of the party, and there are not considerable risks to the latter, the government does pursue long-term goals. Government efforts around energy can be seen as one such strategic priority. But the key constraint that prevented the government from setting strategic priorities is its authoritarian character.

The government adopts policies from time to time on a range of issues including investment, poverty, health, education, defense, justice, human rights and democracy. Although publicly available policies are often in line with the constitution and other internationally accepted norms and standards which have become part of Ethiopian law, the practice is often different, especially when it comes to democratization and human rights.

The government is relatively more effective in implementing its economic strategies. There has been encouraging improvements in the areas of export promotion, land investment schemes, energy production and infrastructure projects such as dams, roads and railways.

The authoritarian nature of the government means that policies are not implemented within proper legal frameworks and accountability structures. Laws and policies set by the government are often dispensed with when it is expedient to do so.

There might be elements within the cabinet interested in implementing policies in line with the constitution and other accepted norms of international law, but these are overshadowed by the few powerful elements within the party whose priority is to defend the status quo rather than ensuring an outcome that is legitimate, inclusive and fair.

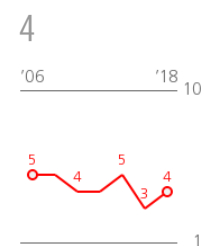
Political expediency is the most important rule guiding the government's decisions. Policies are decided upon in terms of their implications for sustaining and consolidating the status quo.

The government might be viewed as flexible since it is not subject to the rule of law and legal and administrative challenges, but expediency is not the same as flexibility.

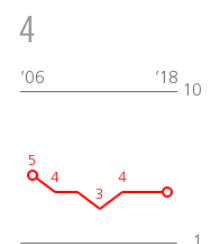
The government might learn from mistakes but those mistakes are rarely discussed in public and it is not clear whether lessons have been drawn from those experiences. Even if this was the case, the public would not have knowledge of why certain policies failed and what lessons have been learned. There is simply no institutional mechanism that serves as a hub for innovation and facilitates the conditions for flexible but rule and evidence-based policy-making.

Government's insistence on its ideologically-based fatal land policy is a good indicator of non-learning. The systematic lack of land property rights for farmers and

Implementation



Policy learning



the restriction of a smallholder sector block local agrarian entrepreneurship and the modernization of the traditional agro-pastoral production systems.

The inflexible attitude of the government in its relations with Egyptian authorities concerning the Grand Ethiopia Renaissance Dam on the Nile can be taken as another example of the limited capacity for flexibility.

15 | Resource Efficiency

There is a high degree of mismanagement and waste resulting from a range of problems including cultural constraints.

One of the key problem of mismanagement and inefficiency results from the fact that individuals are appointed to important positions of power that require particular expertise simply because they are loyal to the government and are trusted by the ruling elites. Almost every senior level appointment is politically influenced, effecting creating creeping cronyism and patronage throughout the system. One of the weaknesses of the government is its inability to draw on the best and brightest the country has produced because they are seen as politically hostile.

Overall, the government wastes a considerable amount of its resources, particularly human and natural resources.

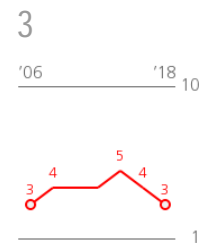
The declared objectives of the Ethiopian government are similar to policy objectives of democratic governments anywhere. It has grand policies on ensuring the safety and security of the population, economic development, human rights and democracy, sustainable environment, regional integration and social cohesion to name a few. However, all these grand pronouncements are undercut methodically by other more immediate concerns of preserving the power of the ruling party.

Like other authoritarian systems, in Ethiopia the rhetoric of democracy, constitutionalism and the rule of law play a crucial role. For example, the persistent use of the judicial system and the Ethiopian Human Rights commission, both subordinate to the executive branch, to legitimize repressive policies had the effect of perverting institutions of justice. In this case, an institution that has the objective of finding the truth and delivering justice is being mobilized to achieve a radically different end.

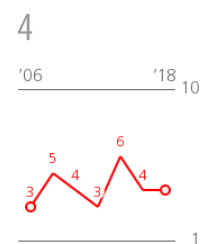
Rather than being the dictate of competing interests or a real trade-off between publicly justifiable policy goals, this is a situation in which publicly declared policies are deliberately undermined by the ruling party to enhance its legitimacy.

Although Ethiopia is a federal system with a national capital and nine regional centers (governments and parliaments), most of the important decisions regarding the allocation of financial resources, foreign aid transfers included, are made in the

Efficient use of assets



Policy coordination



capital. There is a level of horizontal coordination between some member states of the federation but this is lower than one would have expected. Most of the regions often experience some form of conflict as a result of conflicts over boundaries and grazing land, and the federal government does not have a robust conflict management or conflict resolution mechanism in place.

The existence of competing political factions within TPLF and among factions of the coalition government EPRDF is becoming increasingly visible, but up to now the cohesion of state policy does not seem to be challenged.

Ethiopia has one of the fastest growing economies in the world but it still remained one of the poorest countries on the planet. Corruption poses a serious and multifaceted problem to the overall wellbeing of the population and its economy.

Ethiopia ranked 111 out of 177 countries in 2013, 110 out of 175 countries in 2014, and nine on the top ten African countries with high illicit financial flows (from 1970 to 2008).

Ethiopia’s Ethics and Anti-Corruption Commission is established to provide an institutional mechanism to fight corruption and enforce anti-corruption laws against everyone. While this body has prosecuted a handful of individuals, including high-ranking government officials, its integrity as an institution of truth-seeking and justice has been seriously compromised. The high-ranking officials prosecuted by this body were victims of a political witch hunt by the regime. Scrutiny and accountability has never reached the higher echelons of officialdom.

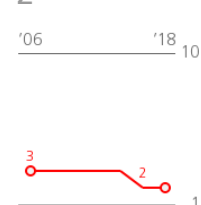
So, while there is a problem of capacity to control corruption at all levels, there is very little political will and legal commitment to hold accountable powerful actors implicated in corruption and those who facilitated massive capital flight. According to Global Financial Intelligence, Ethiopia lost \$26 billion to illicit financial outflows between 2004 and 2013.

16 | Consensus-Building

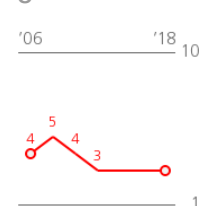
The ruling party claims to be committed to entrenching democratic ideals and bringing about economic development based on the principles of developmental democracy. Opposition parties, civil society groups and other influential actors point to the government’s practices over the last 25 years as conclusive evidence of the government’s unwillingness to pursue democratic reforms and open up the political space.

On market economy, the government and opposition parties do not see eye to eye. Most of the opposition seems to be committed to certain ideas of market economy within the rule of law, while the government pursues a developmental state policy that denies the existence of any link between economic development and democratic

Anti-corruption policy



Consensus on goals



imperatives. The major political actors pursue “guided capitalist development,” along with the Chinese model.

The few reformist elements in the ruling party and the opposition are too weak and insignificant to overcome anti-democratic practices. The ruling party controls 100% of seats in the federal parliament and regional councils. Outside of parliament, the political space has shrunk to extinction. Neither the opposition nor reformist elements within the ruling party, if any, have the means and the will to overcome anti-democratic actors.

The ruling party has been able to manage the cleavages that exists within and among the various ethnic groups within the ruling party. Indeed, the party used the historical antagonism between the various ethnic groups, particularly the Oromos and Amharas, as a useful political weapon to legitimize the rule of the minority Tigrayan ethnic elites who purportedly represent the Tigray people, representing about 6% of the country’s population. When Oromos and Amharas, who make up nearly 70% of the country’s 100 million people see each other as adversaries and could not agree on any political vision, the TPLF-led EPRDF coalition becomes the lesser of the two evils for both societies. The Oromo and Amhara protests are evidence of long simmering ethnic tension.

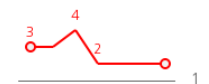
Instead of depolarizing ethnic tensions, the government sometimes instigates and exacerbates some of the conflicts precisely because the narratives that underpin its legitimacy can easily be enhanced or undermined by relations between other ethnic groups.

The government has worked tirelessly to eliminate civil society organizations. In 2009, it adopted the Charities and Societies Proclamation which led to the decimation of civil society organizations.

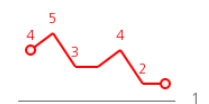
The proclamation requires human rights organizations to register in one of the following three categories: Ethiopian Charities, Ethiopian Resident Charities or Foreign Charities. According to the law, only Ethiopian Charities may work on the advancement of human and democratic rights. Foreign charities with the experience and resources to do rigorous human rights reporting and advocacy are completely banned. An Ethiopian Charity that receives more than 10% of its funding from foreign sources is considered a foreign charity and therefore not eligible for human rights work, resulting in the complete decimation of human rights organizations and the exacerbation of the climate of fear and intimidation.

In addition to this repressive legislation, the government has taken various measures that make the work of independent civil society prohibitively difficult.

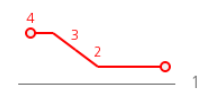
Anti-democratic actors



Cleavage / conflict management



Civil society participation



There were major historical injustices perpetrated by subsequent governments against historically marginalized groups. While the current government, which came to power in 1991, prosecuted those responsible for some of the worst crimes committed by its predecessors, the process has been condemned internationally as flawed, politically motivated and designed to construct political legitimacy for the current regime, rather than ensuring accountability and bringing about justice and reconciliation.

Rather than the truth and reconciliation model used in some transitional countries such as South Africa, Chile and Argentina, Ethiopia opted for a prosecutorial approach to its past. This process did not have any procedure for processes of reconciliation and healing. Moreover, the prosecutorial process itself was politically influenced, leading to the charge of “victor’s justice.”

Instead of ensuring reconciliation, repair and healing to bring the various groups together and move into a reconciled future, the government uses history and memory to disparage its opponents.

17 | International Cooperation

The government has been relatively effective in attracting international cooperation and assistance particularly in the area of development and security. While there are abuses of aid money and security arrangements to build the ruling party’s political machine, the government is nevertheless effective in using development aid and other forms of technical support to implement its development projects.

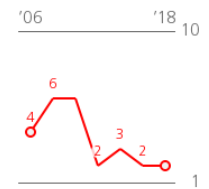
The government does have a long-term development strategy. Its ambitious Growth and Transformation Plan is a key element of its long-term development plan. International assistance and cooperation has been crucial to implementing aspects of this plan.

The Ethiopian government has been a critical security partner and ally of the West, especially since 9/11. The country has been able to present itself as an oasis of stability in a volatile region, bordering Somalia, Eritrea and South Sudan. It went into Somalia to drive out Al Shabab. This made Ethiopia a reliable and credible partner in the eyes of Western and other allies.

While the government has been able to honor its obligations to security arrangements and other international obligations, it has not observed its human rights and democracy related obligations. While this has been the source of minor friction at times between the Ethiopian government and donor countries or multilateral agencies, such as the U.N. and the EU on the human rights records of the country, this has largely been ignored by the Ethiopian government. And the increasing subordination of human rights and democratic agenda to the imperatives of security

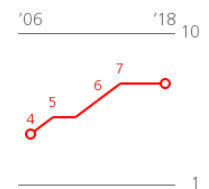
Reconciliation

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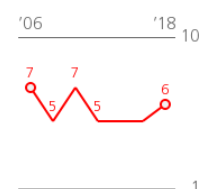
Effective use of support

7



Credibility

6



in the West meant that the government's overreach and abuse of power are tolerated with no consequences.

The Ethiopian government has forged strong collaborative relationships with most governments in the region. While its once closest friend Eritrea is still an arch-enemy, the government has been able to establish and maintain a strong relationship with other neighboring countries. The Ethiopian government has been a key driver in various regional initiatives such as the IGAD (The Intergovernmental Authority on Development) and the African Union. During the last years of late Prime Minister Meles Zenawi, Ethiopia acted as the spokesperson and chief representative of the African Union on climate negotiations.

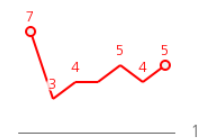
However, these cooperative relationships have been based, not on the requirement of justice and long-term interests of the country and the region, but of the ruling party itself. The country's bilateral relations with its development and security partners is solid and it seems that the country often honors its part of the bargain.

The country's relationship with Egypt has been particularly notable as the Nile issue stayed high on the political agenda both in Addis Ababa and Cairo, with the Ethiopian government making some conciliatory gestures to Egypt. But in essence it did not change its policy of unilateral hydrothermal energy structure expansion via the Grand Renaissance Dam, near the Sudanese border. In March 2015 the leaders of the three countries signed a Declaration of Principles in Khartoum (Sudan) on the peaceful regulation of Nile water use, with no concrete action taken to solve the dangerous water conflict yet.

Regional
cooperation

5

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Strategic Outlook

Authoritarianism and lack of democratic legitimacy remained the central impediments to Ethiopia's transformation into a democratic state based on market economics and the rule of law. By fomenting division between the major ethnic groups in the country and presenting the current arrangement as the only imaginable blueprint that can guarantee the prosperity and continuity of the Ethiopian state, ethnic Tigrean elites, which dominate the current government, have managed to secure and consolidate their dominance in Ethiopian politics. By presenting itself as an oasis of stability in a highly volatile region, the government managed to convince regional and international actors to turn a blind eye to the abuses of the government. The government's increasing reliance on manipulations of public opinion both at home and abroad and the long simmering hostilities and hatred do not serve the long-term strategic interest of Ethiopia or its regional and Western allies. While this may be effective in the short term, the status quo is simply unsustainable.

Effective political and socioeconomic transformation in Ethiopia calls for a bold and determined implementation of democratic reforms. With a 100 million people and a history of hostility and marginalization among its diverse population, Ethiopia cannot continue to be a stable authoritarian state. The government needs to take positive steps toward opening up the political system and implementing the constitution.

As a first step, the government can promote a policy of regional decentralization and genuine power sharing between center and regions instead of a policy of centralization and repression. One step would be giving the nine regional governments and their parliaments the rights, guaranteed by the constitution, the ability to participate in political decision-making and ensure local control of decisions that have consequences for the local population. The government can take steps to empower regional and local governments and gradually move toward full inclusion and implementation of the constitution. It should release all political prisoners and repeal repressive laws such as the Charities and Societies Proclamation and the Anti-Terrorism Proclamation that are aimed at controlling the population. The government should stop using unfair and unlawful bargaining procedures to resolve internal political challenges. It must de-escalate the tension in Oromia and Amhara regions as these are critical for the very existence of the Ethiopian state and the stability of the Horn of Africa region.

It is also vital that the government reform the Electoral Board, grant and guarantee human and democratic rights for all, ensure the independence of the judiciary and end the suppression of civil society and the media.

The Ethiopian government has a long way to go in creating a strong and resilient private sector. The private sector is dwarfed by politically motivated regulations, the monopoly of party-affiliated business, cronyism and corruption. Democratizing the system and providing the institutional framework necessary to regulate business activities without fear or favor goes a long way in

removing the political and regulatory bottlenecks holding the private sector back. Ensuring the rule of law and the independence of the judiciary means a strong legal foundation for the settlement of disputes, a fair and reasonable enforcement of contract laws and protection of property rights. These are factors essential to fostering the confidence of businesses and investors in any country.

For the private sector in Ethiopia to thrive, the government should consider liberalizing the economy and opening up those sectors currently restricted to Ethiopian businesses. Liberalization can enable competition, unrestricted flow of capital and international investment, transfer of knowledge, including technical knowledge critical for the country to be seen by investors as a bold, confident, ambitious and outward-looking state.

Those in organized opposition movements and their supporters need to work together to bring pressure to bear on the government. The opposition camp in the country has been weak and often played into the hands of the government and its divisive strategies. It is critical for the opposition to forge a broad coalition that brings a range of actors to agree on a common vision and plan for the country and pressure the Ethiopian government to accept the demands for democratic reform.

In order to stabilize the political system in a very unstable region with several failing states (Somalia, Sudan, and South Sudan), the governments of the European Union should not turn a blind eye to a repressive state based on military strength and repression of all political rivals.

These reforms are extremely important if Ethiopia is to avert the risks of a major ethnic conflict and bring about promised economic, social and political transformations.