



Managing Ethiopia's Unsettled Transition

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Principal Findings

What's new? Ethiopia's new premier, Abiy Ahmed Ali, has made peace with Eritrea, extended a conciliatory hand to opponents, and promised moves to free and fair elections, expanded political space and economic reform. But amid the exhilarating changes, insecurity proliferates, the number of internally displaced people mounts and the economy struggles.

Why does it matter? Abiy's bold moves have won plaudits from Ethiopians who have been protesting for change since 2014 and from donors who are eager to see democratic reform. But he now must make changes to his governance style in order to defuse ethnic and communal tensions and garner support for critical reforms.

What should be done? In seeking to restore security and calm ethnic tensions, Abiy should govern more inclusively, working collaboratively with state institutions on reforms and involving civil society in reconciliation efforts. He should also begin preparing for the 2020 elections (ensuring broad political support for any violence-related delays) and focus on economic modernisation.

Executive Summary

After four years of street protests, the ruling Ethiopian People's Revolutionary Democratic Front (EPRDF) elected Abiy Ahmed Ali prime minister on 2 April 2018. For many Ethiopians Abiy is a breath of fresh air. He admits the ruling coalition's shortcomings, pledges reform, preaches unity and has made peace with Ethiopia's old foe, Eritrea. Yet if Abiy has raised enormous expectations, he also faces daunting challenges. Insecurity has intensified and proliferated across the country, with communal violence tearing at the multi-ethnic fabric of Ethiopian society. Regional leaders demand more power. The economy is on life support, with foreign debt in excess of \$24 billion, many young people without jobs and an old guard resistant to reform. There are no easy fixes for these challenges, but Abiy can give himself the best odds by focusing on three priorities – working to stop communal conflict, preparing for 2020 elections and reforming the dangerously weak economy.

The crisis that led to Abiy's assumption of power was years in the making. Protests broke out in 2014 over discrimination against the Oromo – the country's largest ethnic group – and spread to other groups, especially the Amhara, its second largest. Discontent with tough socio-economic conditions, as well as with the ruling party's 27 years in power and its domination by a small, mostly Tigrayan, elite, was already widespread. The EPRDF, weakened by factional quarrels after the August 2012 death of strongman Prime Minister Meles Zenawi, struggled to contain the unrest. Meles's successor, Hailemariam Desalegn, veered from cabinet reshuffles and political prisoner releases to crackdowns including new arrests of opposition leaders and demonstrators. In October 2016, a state of emergency brought temporary calm, but the protesters' demands for political reform and socio-economic improvements still largely went unmet.

On 15 February 2018, Hailemariam resigned. By then the EPRDF elite – and especially its Tigrayan component – had lost its grip. With power dispersed among the security sector's upper echelons, who were divided over whether to reform or protect the status quo, the EPRDF proved unable to steer the battle for succession. The Oromo People's Democratic Organization, one member of the EPRDF coalition, stepped most assertively into the breach. Backed – in a break from tradition – by the Amhara National Democratic Movement, another EPRDF party, it propelled the Oromo nominee, Abiy Ahmed Ali, into the premiership. At age 42, Abiy is considerably younger than the old guard and, with the sympathy of many protesters, he appears well suited to the task of assuaging the grievances of the country's neglected groups.

Changes during Abiy's first months in office have been fast-paced. Abroad, he has signed a peace deal with Ethiopia's long-time enemy Eritrea, while strengthening ties with other neighbours and with influential Gulf states, such as Saudi Arabia and the United Arab Emirates, with whom relations were previously fraught. At home, he has sent long-serving politicians and security officials into overdue retirement and detained others. He has assembled a media-savvy team to disseminate an inclusive message, condemning the EPRDF's past abuses and promising free and fair elections and a more legitimate and inclusive political system. In order to reduce the country's

crushing debt, he has vowed to open up the state-dominated economy – a major shift from the developmental state model espoused by Meles. Hopes in Ethiopia are high.

So far, Abiy has set in motion important reforms, but enormous obstacles remain. Many Ethiopians are impatient for change. Communal violence has spread with an intensity unprecedented in the past quarter-century. Ethnic militias are proliferating. Unrest in the capital in September 2018 left at least 58 dead and led Abiy to cancel a trip to the UN General Assembly's opening week. Within the ruling party, no consensus exists on how to tackle the country's many challenges. Factions both inside and outside the EPRDF disagree over how much power should be devolved to federal regions and, as Abiy avoids taking a position, regional leaders jostle for greater autonomy, often under pressure from ethnic hardliners. Abiy himself contends with growing nationalist sentiment among his own Oromo constituents, many of whom expect him to serve their interests above those of others. For now, generous Gulf donations are keeping the economy afloat, but sky-high national debt means that Abiy at some point will have to embark upon belt-tightening.

At the top of the new prime minister's priority list must be the restoration of security through calming ethnic tension and violence. To encourage a positive national tone, Abiy should develop a governance style that matches his inclusive rhetoric. Working with ministries and the civil service to develop the reforms that they will implement can help dispel the impression shared by some that he is governing from a closed circle of co-ethnic and co-religionist advisers. It also can reenergise a bureaucracy that has been adrift. To improve prospects for a planned national reconciliation process, the prime minister should invite civil society – particularly the Inter-Religious Council, a multi-faith group that promotes dialogue among various segments of society – to play a bigger role. Elders, too, should take a more prominent part. The latter two groups may enjoy greater credibility in stimulating frank dialogue at the grassroots level over issues driving violence, including border disputes and perceptions of injustice – historical and more recent – since they are not direct players in forthcoming electoral campaigns.

There are other priorities, too. With the 2020 elections fast approaching (and local elections due in mid-2019), the administration has precious little time to prepare, and the same is true of a raft of political parties that have never before had the opportunity to participate in a credible election. Donors should work collaboratively with authorities and the incipient local civil society movement to help surmount formidable logistical challenges, including ensuring a transparent voter registration process that does not exclude those who have been displaced by violence from their homes. Abiy should reach out to the opposition to agree on a dispute resolution framework ahead of the vote. This step might minimise the temptation of those unhappy with the outcome to resort to violence.

Lastly, the prime minister will need to institute comprehensive economic reforms: creating opportunities for greater domestic and foreign investment; streamlining regulation; breaking up inefficient state monopolies; carrying out banking reform to free up lending to the private sector; increasing manufacturing and agricultural productivity and revitalising the long-neglected small and medium-sized enterprise segment of the economy. All these measures will be critical to begin producing jobs for the burgeoning population.

For their part, Ethiopia's international partners should, through a coordination mechanism, support his reform efforts with quiet counsel and the substantial financial aid needed to breathe new life into an economy whose pre-existing weaknesses have been compounded by five years of unrest and capital flight. They should disburse these funds as soon as possible to help the new administration address festering grievances over mass youth unemployment, which some leaders exploit to drive violence. All the while, they should keep in mind the dangers of an overly rapid transition and advise Abiy to adopt policies that favour long-term stability.

What happens in Ethiopia matters well beyond its borders. It is Africa's second most populous country and one of its largest. It is also one of its more geopolitically significant – the only major country on the continent to have escaped colonialism and the seat of the African Union. Abiy's drive to introduce more legitimate and inclusive governance in this prominent nation bucks a trend toward authoritarianism in the region and is closely watched across the continent and further afield. The stakes are high. If the experiment succeeds, the result could offer a powerful example to others. Failure – and especially a further turn into large-scale ethnic violence – would have major negative implications for an already unsettled region. The hope is that Abiy can create a more open and prosperous society, with benefits for Ethiopia and the region. This will require that the government bring under control the forces the transition has unleashed.

Nairobi/Brussels, 21 February 2019

Managing Ethiopia's Unsettled Transition

I. Introduction

Nine months after Ethiopia's new prime minister, Abiy Ahmed, assumed power, the country remains in flux and the trajectory of its transition uncertain. Long-simmering ethnic grievances have been compounded by elite disagreements about a range of issues, including the proper balance of power between the centre and regional states and how – or whether – to reform a state-dominated economy. The grievances are coming to a boil, threatening the country's stability and perhaps even its unity.

Crisis Group has monitored Ethiopia closely since 2009, when it warned that “despite continued economic growth and promised democratisation, there is growing discontent with the EPRDF's ethnically defined state and rigid grip on power and fears of continued interethnic conflict”.¹ Since then, and particularly after 2014, the country has become still more restive partly because political liberalisation – in a setting where authorities previously governed with a strong hand – has freed the population to object to perceived wrongs, sometimes in ways that have fed violence.

This report analyses how Prime Minister Abiy came to power in April 2018, the resultant opportunities and dangers, and the principal dilemmas that Abiy's team confronts. His election generated great hopes and expectations, but while he has had some impressive successes, his government faces enormous challenges, and has thus far been unable to implement detailed policies. The report is based on interviews and correspondence with actors in the ruling party, the security sector, and the internal and external opposition, as well as intellectuals, activists and people from all walks of life in various parts of the country. Most requested that their identity not be revealed. Fieldwork was supplemented by interviews with other long-time observers of Ethiopia and the Horn of Africa, in addition to secondary sources.

¹ See Crisis Group Africa Report N°30, *Ethiopia: Ethnic Federalism and Its Discontents*, 4 September 2009, p. i.

II. Anatomy of a Crisis

In May 2015, the EPRDF – composed of the Tigray People's Liberation Front (TPLF), the Amhara National Democratic Movement (ANDM), the Oromo People's Democratic Organization (OPDO), and the Southern Ethiopian People's Democratic Movement (SEPDM) and its associated satellite parties – won every seat in parliamentary elections.² On the surface, Ethiopia appeared quiet and the EPRDF in full control. The environment seemed very different from that of ten years prior, when hotly contested elections and disputed results had led to rioting, repression and the detention of opposition leaders.³

Beneath the surface, however, the country was headed toward a crisis. The contradictions between the political settlement of 1991, which instituted a form of ethnic federalism, and late Prime Minister Meles Zenawi's drive to centralise a developmental state were becoming increasingly unmanageable. The informal networks Meles had created to control the regional governments and the ethnic parties were weakening.⁴ Economic challenges, including chronic foreign currency shortages, stuttering growth, inflation and pervasive corruption, exacerbated the political problems.⁵ Social discontent mounted in parallel to political tensions, especially among youth – people aged 15-25 years – in large provincial towns.⁶

With a weak and fragmented opposition, mostly confined to the diaspora, as well as restrictions on freedom of speech and assembly, the restless population increas-

² The OPDO changed its name to ODP (Oromo Democratic Party) in September 2018, and the ANDM followed suit a month later, becoming the ADP (Amhara Democratic Party). We use the original names during the period when they were in use. Smaller satellite parties, such as the Somali People's Democratic Party and the Afar National Democratic Party, are not full members of the coalition. The EPRDF was founded in 1989 and has long been dominated by Tigrayan leaders. It has been in power since it ousted Mengistu Haile Mariam's dictatorship in 1991. Led from 1990 to 2012 by Meles Zenawi, it transformed the country's political system, creating the Federal Democratic Republic of Ethiopia and redefining citizenship and identity on ethnic grounds. For more, see Crisis Group Report, *Ethiopia: Ethnic Federalism and Its Discontents*, op. cit. In the 2010 national elections the EPRDF and its satellite parties garnered all but one seat in parliament. The opposition claimed that the 2005, 2010 and 2015 elections were rigged. "Ethiopia election: EPRDF wins every seat in parliament", BBC, 22 June 2015.

³ The state dispatched security forces to quell the unrest, leading to almost two hundred deaths and a thousand more injuries. See Crisis Group Africa Briefing N°89, *Ethiopia after Meles*, 22 August 2012.

⁴ Ethnic federalism in Ethiopia includes ethnically defined national citizenship; ethnically defined political representation and decision-making at all administrative levels; and the constitutional right to self-determination on an ethno-linguistic basis. See Crisis Group Report, *Ethiopia: Ethnic Federalism and Its Discontents*, op. cit., p. 1.

⁵ Despite rapid growth, rising debt and inflation threaten the economy. At the end of the 2016-2017 fiscal year, foreign reserves were at \$3.2 billion, according to the International Monetary Fund (IMF), the equivalent of less than two months of imports. The dwindling reserves prompted both the IMF and the World Bank to declare Ethiopia at high risk of external debt distress. "IMF warns of rising African debt despite faster economic growth", Reuters, 8 May 2018.

⁶ Discontent is heightened by under- and unemployment among the large youth population, including among those with a post-secondary education. Crisis Group analyst's interviews in another capacity, youths and social activists, Addis Ababa, 2015. Of the estimated 104 million Ethiopians, 41 per cent are under the age of 15. More than 28 per cent are aged 15 to 29. Youth unemployment is estimated at nearly 27 per cent. "Fact Sheet – Developing Ethiopia's Youth", USAID, July 2017.

ingly channelled its grievances and calls for change within regional states and the ethnic parties in the ruling coalition. Frequently, these grievances focused on ethnic imbalances in the system.⁷ Ethnic undertones to the discontent sometimes surfaced, triggering communal violence.

A. *Popular Protests and Communal Clashes*

Protests first erupted in Ethiopia's largest and most populous regional state, Oromia, in April 2014, in response to the federal government's Addis Ababa Integrated Regional Development Plan (also referred to as the Master Plan), which aimed to widen the capital city's jurisdiction over parts of Oromia.⁸ The plan was a lightning rod for dissent from the system as a whole.

Oromo youths took to the streets in over two hundred locations across the region, defying security forces that deployed in ever larger numbers.⁹ Protesters opposed not only what they perceived as continued TPLF domination of federal political, economic and security institutions, but also what they viewed as the pliant and corrupt OPDO, which they accused of selling off Oromia's resources – land in particular.¹⁰ They also gave voice to the deep Oromo resentment of historical neglect by the capital.¹¹ Demonstrations continued sporadically throughout 2014 and early 2015, when the EPRDF finally halted the Master Plan in its tracks. But in November 2015, just six months after the EPRDF's massive electoral win, protests broke out again. The government responded with a mix of repression and vague promises of reform (*tiluq tihadeso*).¹² In January 2016 the ruling party formally abandoned the Master Plan

⁷ The repression after the 2005 elections created these conditions. See Crisis Group Briefing, *Ethiopia after Meles*, op. cit., p. 10.

⁸ The Master Plan, based on a Chinese model of city planning and industrialisation, was intended to link infrastructural development to the expansion of Addis Ababa, whose population had quadrupled since the mid-1990s. The Plan, which would have benefited powerful elements in the ruling elite, inevitably ate into peri-urban and rural areas adjacent to the capital and administered by Oromia regional state.

⁹ The main hotspots were the regional capital Nazret, Ambo, Ginchi, Shashemene, various towns in Arsi Bale and South West Shewa zones (particularly Waliso and Jeldu), Shakiso town in Guji zone, Dembidolo, Jimma, Hidilola, Haramaya and Nekemte. Crisis Group interviews, human rights activists and Oromia security service operatives, Addis Ababa and Nazret, May-June 2018.

¹⁰ OPDO bluntly denied any such allegations at the time. People who publicly asked questions about land sales were detained, tortured or both. "Ethiopians talk of violent intimidation as their land is earmarked for foreign investors", *The Guardian*, 14 April 2015; "'Such a Brutal Crackdown': Killings and Arrests in Response to Ethiopia's Oromo Protests", Human Rights Watch, 5 June 2016. The party leaders of the time have mostly been replaced over the past four years.

¹¹ Despite being the largest ethnic group (comprising some 34 per cent of the population) and having the most arable land, the Oromo believe that the central government has been mistreating them since Abyssinian highlanders conquered their territories in the 19th century. Since the EPRDF seized power, Oromos have believed that the TPLF was deriving more benefit from their resources than they were. They have also resented the imprisonment of Oromo activists and political leaders who expressed this view.

¹² Despite its ambitious agenda, the *tiluq tihadeso* plan yielded little, since most measures were superficial actions against civil servants rather than senior politicians. Crisis Group interviews, senior EPRDF members, May-June 2018.

and promised to change the OPDO leadership.¹³ It did not, however, follow through right away on the latter pledge.¹⁴

Only nine months later, in September 2016, was Lemma Megersa, a former speaker of the Oromia State Assembly, and a man seen as acceptable to the protesters, elected OPDO chairman.¹⁵ Though a longstanding OPDO member, Lemma had grown exponentially more popular since he openly supported the protests that began in 2015. The concession was not enough, however, and protests continued, gaining critical momentum in early October. At the annual Oromo Irreechaa (Thanksgiving) festival in Debre Zeit, demonstrators took over the stage and chanted anti-EPRDF slogans.¹⁶ Security forces fired into the crowd, setting off a stampede that killed scores of people.¹⁷ Thereafter, protesters blocked the main roads in Oromia, attacking government properties and foreign-controlled businesses.¹⁸

A parallel protest wave began in Amhara regional state in mid-2016. As in Oromia, the initial grievances mostly concerned land – namely, the incorporation into Tigray regional state of historically Amhara-populated lands.¹⁹ They also included resentment of Tigrayan domination and neglect. In both Oromia and Amhara, some local elites and elements of the regional security forces sympathised with the protesters.²⁰ For the first time, the grievances of the Amhara and Oromo – the two largest ethnic groups in Ethiopia – converged on direct rejection of the TPLF-led federal government and its repressive methods.²¹

¹³ "Why Ethiopia is making a historic 'master plan' U-turn", BBC, 18 January 2016.

¹⁴ Security forces killed around 400 protesters and detained tens of thousands, often without charge. Meanwhile, Muktar Kedir, then OPDO chairman, and his deputy Aster Mamo – both loyal to senior TPLF figures – kept their party positions. Crisis Group interviews, human rights activists, Addis Ababa, May 2018; "Such a Brutal Crackdown", Human Rights Watch, op. cit.

¹⁵ "Ethiopia: Deputy Prime Minister Aster Mamo and Oromia region president Muktar Kedir resigned", *Borkena*, 20 September 2016. The regional and EPRDF party chairmen are elected by party members, not the federal government. While informal networks within the coalition wield a great deal of influence, these weakened after Meles died.

¹⁶ Debre Zeit is also called Bishoftu in the Oromo language. Every October, the city hosts the Irreechaa festival, the Oromo people's most important cultural event.

¹⁷ Officially, 55 people died, but local sources claim that the actual death toll was over 700. See "Fuel on the Fire: Security Force Response to the 2016 Irreechaa Cultural Festival", Human Rights Watch, September 2017.

¹⁸ Rioters targeted large agricultural businesses, factories and cement plants. Crisis Group interviews, local activists, Oromia regional police officers, senior OPDO members and journalists, Nazret and Debre Zeit, May 2018.

¹⁹ Initially, people demonstrated over the status of Welkait and Tsegede districts, claiming that these areas were ethnic Amhara territories that should be under Amhara regional state rather than Tigrayan administration. Soon, protests reached the Amhara region's capital city, Bahir Dar, as well as the town of Gonder. Crisis Group interviews, local activists, Amhara regional security personnel, Gonder, May 2018.

²⁰ Often, regional and local police refused to confront the demonstrators. Crisis Group analyst's interviews in another capacity, Oromia and Amhara regional security personnel, Addis Ababa, Nazret, Debre Zeit and Gonder, February 2018.

²¹ The Amhara are the second largest ethnic group, an estimated 27 per cent of the population. Historically, the Oromo saw the Amhara as colonisers, and the Amhara felt ethnically and politically superior to the Oromo.

Ethnic violence escalated in tandem with the protests. Tensions between Oromo and ethnic Somalis turned lethal in Oromia and Somali regional states, especially along the disputed border between the two.²² Allegedly, the federal government used the Liyu police – a paramilitary ethnic Somali militia controlled by the Somali regional state president, Abdi Iley – to quash dissent in Oromia.²³ Oromo militias, for their part, attacked Somali villages, purportedly with the support of Oromia's security forces.²⁴ Meanwhile, in parts of Amhara region, locals attacked Tigrayan neighbours. Many families fled, fearing deadlier attacks.²⁵ Though not unprecedented, the scale of communal violence and internal displacement was shocking.²⁶ The government's initial response – at both the federal and regional levels – lacked purpose and urgency.²⁷

Indeed, the Oromo and Amhara protests took EPRDF leaders – confident in their ability to self-correct and in the party's control of the grassroots – by surprise. They underestimated popular discontent and overestimated their capacity to manage it.²⁸ After the extent of the unrest became undeniable, they reacted slowly, muddling through with a mix of strong-arm tactics and conciliatory talk. Foreign partners pressed the party to make concessions, but for nearly two years the government did little.²⁹

On 9 October 2016, the federal government declared a state of emergency, allowing it to deploy the army nationwide, shut down communication lines, limit freedom of speech and make arbitrary arrests. It also created a Command Post – a committee nominally headed by then-Prime Minister Hailemariam Desalegn but dominated by the army and security services – that in essence replaced the cabinet.

It was the first time since the 2005 elections' aftermath that the government had introduced a state of emergency. Even some Ethiopian officials, however, argue that the measure was merely a continuation of an authoritarian trend that began in 2005

²² Oromo and Somali communities have fought along their shared border over grazing land, water and other resources. In 2004, the government held a referendum to find a solution: 80 per cent of those voting in the disputed territory chose to be administered by Oromia. The results have never been respected.

²³ The Liyu police is the only paramilitary regional force in Ethiopia. Made up of some 40,000 troops, the unit was formed in 2007 as a counter-terrorism force to fight Al-Shabaab in Somali regional state and later inside Somalia proper.

²⁴ Crisis Group interviews, Oromo and Somali activists, local human rights researchers and Somali and Oromia security officers, Addis Ababa, Debre Zeit and Nazret, May-June 2018.

²⁵ Crisis Group interviews, local activists, journalists and security forces members, Addis Ababa, May-June 2018.

²⁶ By September 2017, hundreds had been killed and 55,000 displaced in Oromia and Somali regional states. "What is behind clashes in Ethiopia's Oromia and Somali regions?", BBC, 18 September 2017.

²⁷ "Ethiopia's clampdown on dissent tests ethnic federal structure", *The Guardian*, 8 April 2016; René Lefort, "'Ethnic clashes' in Ethiopia: setting the record straight", *Open Democracy*, 22 October 2017.

²⁸ Crisis Group analyst's interviews in another capacity, EPRDF senior cadres and local activists, February 2016. See also René Lefort, "Ethiopia's crisis", *Open Democracy*, 19 November 2016.

²⁹ EPRDF members mentioned that a visiting Chinese delegation conveyed Beijing's concerns that the government had lost control, especially outside the capital where Chinese businesses have substantial investments. Crisis Group analyst's interviews in another capacity, senior party cadres, Addis Ababa, November 2016; "Merkel visits Ethiopia amid regime crackdown", *Deutsche Welle*, 10 October 2017.

and subsequently was enshrined in draconian law and practice.³⁰ Starting in 2007, the ruling party had narrowed political space by passing legislative restrictions on non-governmental organisations and media outlets, as well as by giving itself broad anti-terrorism powers that extended its reach down to the household level. Before the 2010 elections, it inaugurated a “one to five” system, whereby it delegated a local party cadre to oversee every group of five households in the country. This cadre was to push the party line and collect intelligence.³¹

On 1 November 2016, the government finally made a political concession, announcing an extensive cabinet reshuffle.³² In itself this move did not stop the protests, but in the meantime the state of emergency allowed the government to ratchet up repression.³³ By mid-November, by its own official count, the government had detained 11,607 people, just a month after the measure came into effect.³⁴ The arrests quickly halted the protests’ momentum. The EPRDF leadership then assumed that it had time to regain control of the situation through its usual slow-paced internal processes.³⁵

B. *The EPRDF's Internal Fissures*

Another backdrop to the protests was public frustration with the extended EPRDF leadership crisis following Prime Minister Meles Zenawi’s death in August 2012.³⁶ During his two decades in power, Meles had made the political and security spheres both responsible to and dependent on him. His unexpected death strained not only the increasingly intertwined party and federal institutions but also relations between

³⁰ In the words of a senior army officer: “Let’s be honest. The Command Post de facto already existed ... [I]ts public declaration was just a confirmation of a long-term securitisation of government policies”. Crisis Group analyst’s interview in another capacity, Addis Ababa, November 2016.

³¹ Crisis Group Briefing, *Ethiopia after Meles*, op. cit., p. 5.

³² The new cabinet included high-profile ministers from the ethno-national groups most associated with the protests. There were fewer Tigrayan ministers and several Oromos in top positions. The number of deputy prime ministers was reduced from three to one, Demeke Mekonnen, an Amhara.

³³ The specific measures included mass house searches, detentions of alleged protesters (mainly Oromo and Amhara youths), and internet and satellite TV service disruptions. “The regional and federal police, as well as regular army units, failed to suppress the protests. Instead, Presidential Guard Commando (Agazi) forces and National Intelligence Security Services units were deployed”. Crisis Group analyst’s interviews in another capacity, local activists, Addis Ababa, Nazret, Debre Zeit and Bahir Dar, February 2016.

³⁴ Security sources privately stated that more than 100,000 people were jailed in Oromia and similar numbers in Amhara. Crisis Group analyst’s interviews in another capacity, senior internal intelligence officers, Addis Ababa and Nazret, December 2016; “Ethiopia state of emergency arrests top 11,000”, Al Jazeera, 13 November 2016.

³⁵ Crisis Group interviews, EPRDF party cadres, Addis Ababa, May 2018.

³⁶ For more details, see Crisis Group Briefing, *Ethiopia after Meles*, op. cit.

the federal government and more assertive regional states.³⁷ The party was unable to select and empower a new generation of leaders.³⁸

It did manage to convince foreign partners that the transition from Meles to his successor, Hailemariam Desalegn, had been smooth and sufficiently legitimate.³⁹ Under Hailemariam, the government continued to deploy Meles's revolutionary, patriotic and developmentalist rhetoric. It struggled, however, to respond decisively to shifting domestic and regional dynamics.⁴⁰ The EPRDF elite was intent on maintaining de facto single-party rule and their place therein. But without Meles they lacked unity of purpose beyond self-preservation. Their personal rivalries were already well developed; indeed, Meles had exploited rifts among them to maintain his grip on power.⁴¹

By 2014 the EPRDF had begun to admit to shortcomings including corruption, poor leadership and inefficient bureaucracy at both the national and local levels.⁴² It initiated a process of what it called critical self-evaluation (*gimgema*), touting its leadership renewal (*metekakañ*) and fight against graft, and promising deep reforms (*tiluq tihadeso*).⁴³ But it was too little, too late.

Internal quarrels crippled the party's ability to implement reforms as the street protests gathered steam. ANDM and OPDO leaders saw Meles's absence as an opportunity to assert their relevance within the ruling coalition.⁴⁴ The OPDO was the more aggressive of the two, and new chairman Lemma Megersa – the popular protest sym-

³⁷ Crisis Group interviews, EPRDF senior cadres, Addis Ababa, May 2018. As Crisis Group has noted before, "Meles Zenawi managed Ethiopia's political, ethnic and religious divides and adroitly kept the TPLF and EPRDF factions under tight control by concentrating power, gradually closing political space and stifling any dissent. His death poses serious risks to the ruling party's tenure. Deprived of its epicentre, the regime will find it very difficult to create a new centre of gravity". Crisis Group Briefing, *Ethiopia after Meles*, op. cit., p. 12.

³⁸ See Alex de Waal, "The Theory and Practice of Meles Zenawi", *African Affairs*, vol. 112, no. 446 (2013).

³⁹ "Ethiopia ruling coalition approves Hailemariam Desalegn as PM", Reuters, 15 September 2012.

⁴⁰ While the EPRDF proceeded with major national development projects, such as the Great Ethiopian Renaissance Dam (GERD), it reacted slowly to the growing interest of Gulf countries in the Horn of Africa, as well as to changing EU and U.S. policies toward the region, highlighting the party's fragility without Meles. Crisis Group analyst's interviews in another capacity, EPRDF senior cadres, Addis Ababa, 2013-2017.

⁴¹ For instance, rivalry between intelligence head Getachew Assefa and army chief of staff Samora Yunus opened cracks in the TPLF's united front after Meles died. Crisis Group analyst's interviews in another capacity, senior EPRDF members, army officers and security service personnel, Addis Ababa, November 2016 and February 2018.

⁴² Berhanu Assefa of the Federal Ethics and Anti-Corruption Commission of Ethiopia said in an interview, "Corruption is a serious problem we are facing. We now see that corruption is occurring in higher places than we had previously expected. Areas vulnerable to corruption are land administration, tax and revenue, the justice system, telecommunications, land procurement, licensing areas and the finance sector". "Examining the depths of Ethiopia's corruption", Inter Press Service, 16 June 2013.

⁴³ See "Handing over the baton", *The Reporter*, 1 September 2015.

⁴⁴ The creation of deputy minister posts after Hailemariam Desalegn's nomination was seen as a move to counterbalance the dominance of one party and usher in collective leadership. "Ethiopia a year after Meles", *Addis Standard*, 21 August 2013.

pathiser – distanced himself from the TPLF.⁴⁵ The EPRDF's fourth pillar, the SEPDM led by Prime Minister Hailemariam, appeared to follow the TPLF's line.⁴⁶

After Meles's death, frictions within the ruling coalition played out across a number of fault lines. The TPLF's own increasingly visible internal struggles enhanced the opportunity for regional parties to exercise greater autonomy. Generational strife emerged between an old guard of revolutionaries and younger technocrats. Discord also grew between TPLF elements based in Addis Ababa, and those in the Tigray regional state administration.

Both the intra-TPLF and the cross-factional fissures undermined the EPRDF, which was not designed for collective management. Amid the animosity, three main trends emerged. First, and in contravention of the constitution, the Tigrayan-dominated military and security services played an ever greater political role, in addition to their centrality to the country's economy.⁴⁷ Secondly, regional administrations tried to grab more executive power in parallel to their parties' challenges to the TPLF's dominance within the EPRDF.⁴⁸ Thirdly, the ruling elite's determination to protect their individual positions, and their economic interests in particular, prevented a dynamic, reform-oriented response to the popular unrest. Action taken against allegedly corrupt ministers and officials appeared selective and politicised, leaving the public again sceptical of the party's commitment to change.⁴⁹

C. *Economic Change and Social Malaise*

In 2006, Meles began a radical shift in Ethiopia's economy, which accelerated in 2010 with the first five-year Growth and Transformation Plan – a nationwide project strictly controlled by the state. The developmental state was to drive and transform the economy. Ethiopia would achieve middle-income status by 2025 by sustaining double-digit growth, and in parallel would attain the Millennium Development Goals

⁴⁵ The Amhara National Democratic Movement is itself divided between a faction of TPLF loyalists, led by Chairman and Deputy Prime Minister Demeke Mekonnen, and a fragmented group of reformists that includes Deputy Chairman and Amhara regional state President Gedu Andargachew. The Movement did not pull off a leadership transition similar to the OPDO's. Crisis Group analyst's interviews in another capacity, ANDM senior cadres, Bahir Dar, February 2018.

⁴⁶ Though dissident voices in the party appeared.

⁴⁷ The army has become one of the country's most prominent business actors, mostly through the Metals and Engineering Corporation (METEC). Many accuse it of corruption and preferential treatment in awarding contracts. The METEC head was recently arrested for corruption along with 40 other generals. Crisis Group interviews, local businessmen and analysts, Addis Ababa, June 2018. See "METEC, a \$600 million sword of Damocles over government's head", *Africa Intelligence*, 3 June 2016; Crisis Group Briefing, *Ethiopia after Meles*, op. cit., pp. 8-9; and "Ethiopia arrests ex-head of army firm in crackdown on security services", Reuters, 13 November 2018. Article 87 in the 1995 constitution, Principles of National Defence, states: "The armed forces shall carry out their functions free of any partisanship to any political organization(s)."

⁴⁸ Devolution of powers to the regions is a key provision of the 1995 constitution. Nonetheless, Meles created a highly centralised decision-making process. Crisis Group analyst's interviews in another capacity, senior members of Amhara and Oromia regional state administrations, Addis Ababa, Bahir Dar and Debre Zeit, February 2018.

⁴⁹ See "Ethiopia arrests state minister for finance on suspicion of corruption", Reuters, 4 August 2017; and "Ethiopia heightens measures to fight corruption of public officials", Xinhua, 17 May 2018.

by 2014/15.⁵⁰ The plan explicitly linked growth, led by exports, to social development and nation-building.⁵¹

The first five-year plan, and its 2015-2020 successor, were designed to shift the economy from an agricultural to a manufacturing base, and included a massive expansion of transport links and hydro-electric power, mostly through the development of huge infrastructure projects.⁵² The government contracted enormous loans with foreign partners, notably China, and leased extensive land to both foreign governments (especially Gulf countries) and private companies to quickly acquire hard currency.⁵³

The ambition was laudable, and official statistics (though contested) recorded substantial growth. Yet while double-digit growth continued for a decade, its macro-economic impact was limited. The manufacturing sector's share of the economy remained intractably low – 4 to 5 per cent of GDP, just where it had been since 1974.⁵⁴ Only eight countries in the world have a smaller manufacturing sector relative to population than Ethiopia's.⁵⁵ The workforce remained unskilled and despite investment, infrastructure, especially power and transport links, stayed woefully inefficient. In spite of the dramatic transformation in some parts of the country, not least Addis Ababa and regional capitals, Ethiopia remained largely rural and agrarian.⁵⁶

The double-digit growth, moreover, came with adverse consequences. It was driven mostly by large-scale government investment, sustained by extensive, mostly Chinese loans.⁵⁷ As a result, Ethiopia's balance of payments deteriorated, and foreign currency reserves fell, becoming a key concern – not least for private enterprises.⁵⁸

⁵⁰ "Middle-Income Countries (MICs) are a diverse group by size, population and income level". The Bank divides them into two categories: "lower middle-income economies – those with a gross national income per capita between \$1,006 and \$3,955; and upper middle-income economies – those with a gross national income per capita between \$3,955 and \$12,235". See "The World Bank in Middle Income Countries", World Bank, 27 March 2018.

⁵¹ "We can thus conclude that in the end, development is a political process first and an economic and social process later. It is the creation of a political set-up that is conducive to accelerated development that sets the ball of development rolling". Meles Zenawi, "African Development: Dead Ends and New Beginnings", speech to a Manchester conference, 2006.

⁵² Crisis Group interviews, Ethiopian economists, Addis Ababa and by phone, May-June 2018.

⁵³ Ethiopian farmers were displaced, with meagre compensation, to make way for foreign investors, to whom the government leased the land for very small fees. "Ethiopians talk of violent intimidation as their land is earmarked for foreign investors", *The Guardian*, 14 April 2015.

⁵⁴ The first five-year plan failed to meet its objectives in numerous sectors. Crisis Group interviews, local economists, May 2018. For example, the textile industry failed to reach its goal of \$1 billion in exports. "Textiles exports fail GTP I targets by more than half", *Addis Fortune*, 27 July 2015.

⁵⁵ "Ethiopia: The new China?", Al Jazeera, 15 July 2018.

⁵⁶ Crisis Group interviews, local economists, Addis Ababa, May 2018.

⁵⁷ "Ethiopia: The new China?", Al Jazeera, op. cit.

⁵⁸ In October 2018 Abiy admitted to parliament, "Some months ago the foreign exchange reserve of the country was alarming. However, it has increased by 30 per cent and reached a moderate level". But this increase was the result of a short-term government campaign to encourage Ethiopians to send cash home and a \$1 billion deposit by the United Arab Emirates into the central bank. "Update 1-Ethiopia's forex reserves rise 30 pct after falling to 'alarming levels' – PM", Reuters, 18 October 2018. At the end of the 2016-2017 fiscal year, Ethiopian foreign reserves were at \$ 3.2 billion and at the end of 2017-2018, they were estimated at \$2.8 billion according to the International Monetary Fund (IMF), the equivalent of less than two months of imports. "The Federal Democratic Republic

Growth was further accompanied by a decade of constant devaluation of the local currency, the birr, to favour exports, followed by high inflation and falling real wages.⁵⁹ This predicament became acute as short-term, interest-free loans from foreign partners matured after 2014. The government based its strategy to maintain double-digit growth while also servicing debt on higher levels of foreign direct investment and tourism revenues, neither of which arrived on schedule.⁶⁰

Popular resistance to state-led, foreign-funded economic transformation was growing. Protests in 2015 and 2016 damaged foreign investments in, for example, factories and flower farms, as well as state-led projects.⁶¹ Economic growth did not generate enough jobs. According to local economists and Western diplomats, the country, with its burgeoning population, needed to create at least two million jobs annually.⁶² Officially, it met only one third of that target.⁶³ Expanding tertiary education raised among many young graduates expectations that the job market could not fulfil.⁶⁴ The government also kept workers' pay low to ensure that Ethiopia remained an attractive destination for foreign investment.⁶⁵ As a consequence, wages – already dropping in real terms due to the birr's devaluation – lagged far behind rising prices for staple foods, basic commodities and other goods.⁶⁶

Since the mid-2000s, life for average urban Ethiopians – not necessarily the country's poorest – has become ever harder. This is particularly true for state employees. The gap between the very rich and everyone else is yawning.⁶⁷ The urban

of Ethiopia: 2018 Article IV Consultation-Press Release; Staff Report; and Statement by the Executive Director for The Federal Democratic Republic of Ethiopia", IMF, December 2018

⁵⁹ Ethiopia has consistent balance of trade deficits because the country imports large amounts of fuel and foodstuffs but produces few exportable goods. In the last quarter of 2017, the trade balance stood at -\$13.58 million. See also "Ethiopia devalues currency by 15 percent to boost exports", Reuters, 10 October 2017.

⁶⁰ "Foreign investment in Ethiopia slumps after business attacks", Bloomberg, 15 February 2017; and "Ethiopia predicts record \$1.5bn overseas direct investment in 2015", *Financial Times*, 26 April 2015.

⁶¹ See Section II.A, p. 4.

⁶² Crisis Group interviews, local economists and Western diplomats, Addis Ababa, May 2018. Youth aged 0-24 account for around 64 per cent of the population.

⁶³ Crisis Group interviews, local economists, Addis Ababa, June 2018; "Far from Ethiopia's capital, change remains a distant dream", Reuters, 23 July 2018.

⁶⁴ Crisis Group interviews, local economists and academics, Addis Ababa, May 2018.

⁶⁵ The ruling party has put these policies in place unilaterally since the de facto elimination of trade unions and professional associations after 2005. While Ethiopia still has trade union laws, private and foreign investors enjoy extreme leniency on the matter. "Low wages draw international textile companies to Ethiopia", Deutsche Welle, 10 December 2015; and "Ethiopia: Booming business, underpaid workers", Al Jazeera, 29 December 2014.

⁶⁶ High commodity prices and the birr's devaluation partly explain the 15.6 per cent yearly inflation rate recorded in March. See "Ethiopia: Inflation hits record high in five years at 15.6%", *Addis Fortune*, 10 March 2018. One scholar writes that workers have been "pushed to the material limit of existence" [and the World Bank in 2015] "admitted that in Ethiopia [the birr] can probably not fall any further without rendering workers incapable of meeting 'minimal nutritional requirements'". See S.A. Admasie, "Amid Political Recalibrations: Strike Wave Hits Ethiopia", *Journal of Labor and Society*, vol. 21, no. 3, September 2018, p. 434; and M.T. Geiger and L.C. Moller, "Fourth Ethiopia Economic Update: Overcoming Constraints in the Manufacturing Sector", World Bank Group, 2015.

⁶⁷ Crisis Group interviews, local economists, businessmen and activists, Addis Ababa, May 2018.

middle class are frustrated that their expectations of greater affluence cannot be met – especially as compared to families in the diaspora.⁶⁸ In the main cities, rent not wages drives the economy, especially after the post-2006 construction boom.⁶⁹ Many Ethiopians believe that the TPLF elite and its business associates dominate the rental market, which much of the population increasingly views through an ethnic lens.⁷⁰ By the government's own acknowledgement, high-level corruption has become endemic.⁷¹ Tolerance of grand corruption at the top has allowed petty bribery to pervade government offices over the last decade.⁷²

⁶⁸ Crisis Group interviews, local economists and middle-class residents, Addis Ababa and Nazret, June 2018.

⁶⁹ Residential, commercial and public infrastructure construction projects have powered the economy in recent years. Given growing inequality and latent poverty, the construction boom benefits only particular urban populations. See "Is Ethiopia's building boom masking poverty?", BBC, 16 April 2015.

⁷⁰ Crisis Group interviews, local activists, May 2018. In August 2018, Addis Ababa's new leadership announced an audit of ownership of land and public housing across the capital. The decision was welcomed by many but was greeted with trepidation by beneficiaries of state patronage during the previous administration. See "City administration to conduct audit on land grab", Ethiopian News Agency, 10 February 2019.

⁷¹ Crisis Group interviews, EPRDF senior cadres, Addis Ababa, May 2018. See also "Ethiopia puts 37 people before court over high-level corruption", Africa News, 28 July 2017.

⁷² Crisis Group interviews, local activists and public workers, Addis Ababa, May-June 2018.

III. Abiy Ahmed Takes the Reins

A. *A Wider Political Crisis*

As of mid-2017, none of the drivers of popular protest had been addressed, and economic hardship was still unsettling an already angry and ethnically polarised population. The government, however, was convinced it had the discontent under control and lifted the state of emergency that August, earlier than expected. Some of Ethiopia's external partners were relieved. Yet, protests quickly resumed.

Demonstrations re-emerged in Oromia, Amhara and the major cities, and then spread, as new protesters aired additional grievances against the central government and other regional administrations.⁷³ Apparently in response, on 3 January 2018, the government released a number of political prisoners and announced the closure of the notorious Maekelawi jail, which had held important dissident journalists and politicians.⁷⁴ The gesture did not appease protesters, however. An incipient Oromo youth movement called Qeerroo (loosely translated, "young bachelor" in Afaan Oromoo) attempted to block the capital's main streets, compelling the EPRDF to release another set of political opponents, journalists, bloggers and ex-army officers on 14 February.⁷⁵

The following day, in a surprise announcement, Hailemariam resigned as both prime minister and EPRDF chairman, in what he described as a "bid to carry out reforms that would lead to sustainable peace and democracy".⁷⁶ Security forces struggled to contain further protests, prompting the government to declare another six-month state of emergency.⁷⁷ Though the response was familiar, this time the government's

⁷³ Crisis Group interviews, local activists, Addis Ababa and Nazret, May 2018. Protests broadened to the Somali, Southern Nations, Nationalities and Peoples, and Benishangul Gumuz regional states. See "Rising death toll, displacement and protests in East, South and South East Ethiopia: what lies beneath?", *Addis Standard*, 14 September 2017.

⁷⁴ Critics accuse prison officials of torturing inmates and other human rights abuses. See "Torture, state terrorism and Ethiopia's transformation", Al Jazeera, 23 June 2018 and "Ethiopia to release all political prisoners, prime minister says", Deutsche Welle, 3 January 2018. In July, the government fired five prison officials. "Among those fired is the federal prison chief, who until recently defended the treatment of inmates as 'fair'". "Ethiopia fires prison officials, confronts torture claims", VOA, 5 July 2019.

⁷⁵ The government released such high-profile prisoners as journalist Eskinder Nega and opposition leaders Bekele Gerba (Oromo Federal Congress) and Andualem Arage (Unity for Democracy and Justice), along with 700 others. "Ethiopia releases high-profile political prisoners", Deutsche Welle, 14 February 2018.

⁷⁶ Hailemariam announced his resignation in a televised speech on 15 February 2018. See the speech in Amharic, "Ethiopian PM Hailemariam Desalegn Resigns", 15 February 2018, at www.youtube.com/watch?v=unsz_-ANVg4. See also "Ethiopian prime minister resigns after mass protests", *The Guardian*, 15 February 2018.

⁷⁷ "Ethiopia declares state of emergency after PM quits", Al Jazeera, 16 February 2018. International responses to the state of emergency ranged from a pointed U.S. embassy rebuke to a modest EU call for restraint to African Union and Chinese silence.

crackdown was less determined.⁷⁸ The two interlocking aspects of the crisis – popular protests and the EPRDF's own turmoil – had gained irresistible force.⁷⁹

The party's internal friction had taken its toll on regional and federal institutions.⁸⁰ Regional state administrations and their ethnic constituencies became more autonomous of the federal government, notably by asserting their prerogatives in security matters.⁸¹ At the federal level, the TPLF's hegemony within the EPRDF faded. Informal networks that until then had managed to keep a lid on instability within the party were collapsing and centres of power multiplied.⁸² The government secured approval for the new state of emergency only by a narrow margin, with most OPDO parliamentarians voting against it or abstaining.⁸³

The military top brass, the security services and TPLF old guard tried to stand in for the missing party leadership but lacked sufficient unity to act decisively. They could not send in the army, as most generals refused to get involved in repression, possibly to maintain their branch's status as a symbol of national unity.⁸⁴ The crackdown on protests faltered. Regional and local police in both Amhara and Oromia states again refused to confront the protesters. Where they did intervene, it was to prevent federal security services from treating their communities too brutally.⁸⁵

A few days after the state of emergency took effect, the government released still more prominent political prisoners.⁸⁶ Its wavering between crackdowns and concessions further emboldened the protesters, who skirmished sporadically with security forces in areas of Oromia and Amhara regional states.⁸⁷

More worryingly, communal tensions grew acute, with local majority groups targeting minorities. Clashes broke out again between Oromo and Somali in different areas of the two regional states, displacing many; Tigrayans were forced out of entire areas of Amhara; Amharas were evicted from Oromia; Wolayta, a small ethnic group from the Southern Nations and Nationalities and People's Region and the tribe of former Prime Minister Hailemariam, were expelled from areas of Oromia.⁸⁸ Physical fights also broke out among ethnic administrations over disputed regional bounda-

⁷⁸ Crisis Group interviews, local analysts and security services personnel, Addis Ababa, May 2018.

⁷⁹ For weeks, various rural areas in Oromia and Amhara were de facto self-administered and had to create local self-defence militias. Crisis Group interviews, security service operatives, Addis Ababa, May 2018.

⁸⁰ See Section II.B. See also Crisis Group Briefing, *Ethiopia after Meles*, op. cit., pp.3-4; and Crisis Group Report, *Ethiopia: Ethnic Federalism and Its Discontents*, op. cit., pp. 5-7, 17.

⁸¹ Crisis Group analyst's interviews and observations in another capacity, Addis Ababa, Nazret, Debre Zeit, Shashemene, Gonder, Bahir Dar, February 2018.

⁸² Crisis Group analyst's interviews in another capacity, senior security service officers, Addis Ababa, February 2018.

⁸³ "Fractured Ethiopia parliament endorses emergency decree", *Daily Mail*, 2 March 2018.

⁸⁴ Crisis Group interview, EPRDF senior members, Addis Ababa, June 2018.

⁸⁵ Crisis Group analyst's observations and interviews in another capacity, Oromia, February 2018.

⁸⁶ Those who were released included prominent ex-army officers, such as Welkait leader Colonel Demeke Zewdu and the alleged plotters of a 2009 coup linked to the opposition party Ginbot 7, General Asamnew Tsige and General Tefera Mamo.

⁸⁷ Crisis Group analyst's observations in another capacity, Addis Ababa, Nazret, Debre Zeit, Bahir Dar, February 2018.

⁸⁸ Crisis Group interviews, local researchers, Addis Ababa and Nazret, May-June 2018.

ries. The total number of new internally displaced persons in 2018 reportedly reached more than 1.4 million.⁸⁹

The protests began to hobble the already staggering economy. Inflation spiked, as foreign currency became ever scarcer.⁹⁰ Flagship projects – including the Great Ethiopian Renaissance Dam (GERD) being built on the Blue Nile – ground to a halt.⁹¹ Shaken, in February the EPRDF's ethnic parties convened their respective executive and central committees to prepare for the election of a new EPRDF chairman (except the TPLF, which had already had its own election in November 2017).⁹²

The OPDO again acted most assertively and autonomously. On 22 February, it passed its chairmanship from the popular Lemma Megersa – who remained Oromo regional state president – to the region's vice president and then OPDO secretary, Abiy Ahmed Ali. At the time, Abiy was a low-profile member of the reformist OPDO caucus known as "Team Lemma". Unlike Lemma, however, he was a federal parliament member, and thus eligible for the premiership.⁹³ Observers interpreted his appointment as an opening bid for the EPRDF chairmanship and the prime minister's portfolio. No other party seemed thus prepared.

The ANDM, despite significant grassroots pressure to choose a reformist leader, opted to maintain the status quo, and confirmed Deputy Prime Minister Demeke Mekonnen as party chair and Amhara regional state President Gedu Andargachew as his deputy. The last party in the EPRDF, the SEPDM, elected the head of the EPRDF Secretariat, Shiferaw Shigute, seen as a loyal TPLF ally, to replace outgoing Prime Minister Hailemariam as chairman.⁹⁴

⁸⁹ Since the beginning of 2018, "Ethiopia has more new conflict-driven Internally Displaced Persons (IDPs) than any other country in the world, with over 1.4 million in 2018. Of the approximately 2.8 million total IDPs in Ethiopia, over 2.2 million are displaced due to conflict with the over 500,000 remaining displaced by climatic shocks, including drought- and flood-induced food insecurity". See "Ethiopia: Displacement and Food Security, 28 November 2018", Humanitarian Information Unit, State Department, 28 November 2018.

⁹⁰ According to government sources, by February Ethiopia had only enough foreign currency reserves to pay for one month of imports. Crisis Group analyst's interview in another capacity, senior government official, Addis Ababa, February 2018.

⁹¹ Crisis Group analyst's interviews in another capacity, government officials and foreign contractors involved in infrastructural projects, Addis Ababa, February 2018. In August 2018, the prime minister ended up removing METEC, the military conglomerate in charge of the GERD's electro-mechanical work, from the project, citing delays and the company's incapacity to install turbines on such a large dam. See "METEC no longer contractor on 6,450-MW Grand Ethiopian Renaissance Dam project", *Hydro World*, 27 August 2018.

⁹² The TPLF had met in December 2017. Debretsion Gebremichael, former deputy prime minister and communications and information technology minister, was elected TPLF chairman and later became acting president of Tigray regional state president, replacing Abay Weldu. Fetlework Gebregziabher was elected TPLF's deputy chairperson. Meles's widow, Azeb Mesfin, lost control of the large Endowment Fund for the Rehabilitation of Tigray. The outcome appeared to sideline all Meles's remaining supporters and complete the takeover of power by an alliance of grandees (chief among them, Aboy Sebhat Nega) and younger technocrats. Crisis Group analyst's interviews in another capacity, TPLF senior cadres, Addis Ababa, February 2018.

⁹³ According to Article 73/1 of the 1995 Ethiopian constitution, "the Prime Minister shall be elected from among members of the House of Peoples' Representatives".

⁹⁴ Shiferaw is an ethnic Sidama, while Hailemariam is an ethnic Wolayta. The Sidama are the biggest ethnic group in the Southern Nations, Nationalities and Peoples regional state, and long claimed

The scheduled EPRDF Central Committee meeting to discuss the political response to the crisis, including the election of a new chairman (who would become the new prime minister) was delayed for weeks due to heated internal disagreements.⁹⁵ When the committee finally gathered, the TPLF declined to offer its own candidate, suspecting the other coalition members would not support another Tigrayan prime minister, and instead supported Shiferaw. The OPDO, as expected, presented Abiy and, surprisingly, the Amhara supported him after Demeke withdrew at the last minute when it became clear he did not have enough support. In addition, by backing Abiy, Demeke could keep his role in the party and the post of deputy prime minister. Abiy was elected EPRDF chairman on 27 March, with 108 of 169 votes.⁹⁶ On 2 April, the parliament swore him in as prime minister.

B. *Abiy's High-octane Ten Months*

The new prime minister is a former army and intelligence officer who was little known among the Ethiopian public or in the wider world.⁹⁷ Though Abiy's patron Lemma Megersa found little favour with Meles Zenawi, some reformers within the EPRDF still saw Abiy as too close to the TPLF because of his role in the intelligence services, particularly the Information Network Security Agency.⁹⁸ His ambition, meanwhile, earned him the suspicion of TPLF grandees.⁹⁹ But at the time of his ascension, he was popular among other EPRDF elites.¹⁰⁰ A reformist Oromo, and a devout evangelical Protestant Christian with a Muslim name, he had the right profile to reassure several disgruntled segments of Ethiopian society. He also was relatively acceptable to the Ethiopian Orthodox Church, a key political constituency in Ethiopia despite the professed separation between church and state.¹⁰¹

that the Wolayta were sidelining them because Hailemariam was prime minister. Shiferaw, however, was seen as a TPLF proxy. Crisis Group interviews, senior SEPDM cadres, Addis Ababa, May 2018.
⁹⁵ Crisis Group analyst's interview in another capacity, senior EPRDF members, Addis Ababa, February 2018; "Ethiopia's ruling party to choose new leader as protests rage", Bloomberg, 2 March 2018. Since the EPRDF is the only party in parliament, its chairman automatically becomes prime minister. The normal assumption is that party heads are considered for the prime minister's position, but it is the EPRDF that decides whether they stand or not.

⁹⁶ The EPRDF's council is composed of 180 members. On the election date, 170 were present. One member abstained. "Ethiopia: Dr. Abiy Ahmed becomes a prime minister, the legacy EPRDF fought against to the bitter end. What went on behind closed doors and how could that shape his premiership?", *Addis Standard*, 2 April 2018.

⁹⁷ Abiy had had a life-long career in the EPRDF. His obscure military background started at age fifteen during the struggle against the Derg, who led a Marxist government in Ethiopia from 1974 to 1987. He moved into the intelligence services, in particular the Information Network Security Agency. He was appointed science and technology minister in 2015 and then elected head of the OPDO Secretariat in 2017. "The rise of Abiy 'Abiyot' Ahmed", *The Reporter*, 31 March 2018.

⁹⁸ Crisis Group interviews, local analysts and journalists, Addis Ababa, May 2018.

⁹⁹ Former TPLF ruling elites, including intelligence chief Getachew Assefa, opposed Abiy's nomination. Crisis Group interviews, senior EPRDF members, Addis Ababa, May 2018.

¹⁰⁰ Crisis Group analyst's interviews in another capacity, senior EPRDF cadres, local analysts, foreign diplomats, Addis Ababa and by phone and email, February-March 2018.

¹⁰¹ Evangelical Protestantism is the fastest-growing and most ethnically diverse faith in Ethiopia. Crisis Group Africa Briefing N°117, *Ethiopia: Governing the Faithful*, 22 February 2016.

Abiy embarked on a charm offensive immediately after his election, visiting almost all the regional capitals in an attempt to ease communal tensions. He was more candid about the country's challenges than any leader in memory. He preached not just national reconciliation but love and forgiveness to various Ethiopian constituencies, at home and in the diaspora.¹⁰² It did not hurt that he is multilingual, fluent in the country's three main languages, Amharic, Oromiffa and Tigrigna.

Importantly, he has established a direct connection with the people, unmediated by the party.¹⁰³ His approach found a receptive audience among many Ethiopians eager for a new national narrative. In a matter of months, Abiy built up a public persona, using social media, especially Twitter, to great effect – a radical departure by a ruling party that has traditionally been suspicious of the media. His telegenic delivery and inclusive rhetoric won over huge swaths of the population, mostly youth, protesters and marginalised communities, such as his own Oromo, as well as the Amhara, Afar and Somali.¹⁰⁴ For a time, mass rallies in support of Abiy replaced protests against the government. On 23 June, millions attended a gathering in Addis Ababa to hear him speak.¹⁰⁵ When a grenade thrown in the crowd killed two and injured 150 more, hero worship reached its peak, as supporters believed their new political idol to be in peril.¹⁰⁶

By rapidly shifting the focus of debate on various domestic and foreign policy fronts, Abiy managed to both outpace and wrong-foot critics inside and outside the system. The sheer speed and breadth of the changes he has initiated has enabled him to appeal to many constituencies without giving entrenched interests time to block his agenda.¹⁰⁷ On 19 April, he presented a new cabinet to parliament that, despite including some veteran ministers, was sufficiently fresh and above all representative of various ethnic groups to indicate a substantive political shift.¹⁰⁸ As communal strife expanded to new places, including the Southern Nations, Nationalities and Peoples

¹⁰² "Ethiopia: Love, forgiveness, reconciliation – roots for the new reform", *The Ethiopian Herald*, 24 July 2018.

¹⁰³ See @fitsumaregaa, the Twitter account of Fitsum Arega, former chief of staff, Prime Minister's Office, who led in crafting Abiy's messages. In late 2018, Arega was nominated to be Ethiopia's ambassador to the U.S.

¹⁰⁴ See "Fact Sheet – Developing Ethiopia's Youth", USAID, July 2017. Crisis Group interviews, local activists, Addis Ababa and Nazret, June 2018.

¹⁰⁵ "More than a rally, this looks like a pop concert". Crisis Group phone interview, local analyst, June 2018.

¹⁰⁶ State media, as well as the Ethiopian public, condemned the act as an outrageous attempt to kill the prime minister prior to any investigation or claim of responsibility. See "Deadly grenade attack at Ethiopian prime minister's rally", *The New York Times*, 23 June 2018. Initially, TPLF hardliners were suspected to be behind the attack, but in September the Federal Attorney General charged alleged Oromo Liberation Front (OLF) operatives. Tamiru Tsige, "AG charges alleged OLF operatives for explosives attack", *The Reporter*, 29 September 2018.

¹⁰⁷ "Internal critics, even in the deep state, were still divided. They also found the new pace destabilising, and they did not manage to organise a counter-narrative and a plan quickly enough. Abiy kept on running to avoid major attempts at disruption". Crisis Group phone interview, local analyst, July 2018.

¹⁰⁸ Abiy presented a list of sixteen ministers, of whom ten had never held a ministerial post, a consequential change for a country used to political recycling. "PM Abiy Ahmed forms his new cabinet; parliament elects new speaker", *Addis Standard*, 19 April 2018.

regional capital, Hawassa – with people understanding that protests could draw attention to their grievances – Abiy called upon all regional presidents and local administrators who could not contain the violence to resign.¹⁰⁹

The new prime minister also ordered the release of thousands of political prisoners, including Andargachew Tsige, secretary general of the opposition group Arbegnoch Ginbot 7, abducted in June 2014 by Ethiopian intelligence operatives in Yemen.¹¹⁰ On 5 June, he cancelled the state of emergency two months before its planned end date, and legalised opposition groups long classified as terrorists.¹¹¹ He pardoned exiled (some of them armed) opposition movements, which he then invited to return home and engage in peaceful contestation for power.¹¹²

Abiy also publicly confronted past abuses of power. In parliament he accused the mighty security services of terrorising the population.¹¹³ On 7 June, he acted against men traditionally at the core of state power and long considered untouchable, removing Army Chief of Staff Samora Yunus and National Intelligence Security Service Director General Getachew Assefa.¹¹⁴ In June, he conceded, again in parliament, that the EPRDF was tainted by corruption.¹¹⁵ More dramatically, he decided that the over \$24 billion national debt required less state developmentalism – the economic approach that had been an article of faith for the last decade – and more market-led capitalism, including the privatisation of major national enterprises.¹¹⁶

He also reached out to the diaspora, much of which was previously intensely critical of the ruling EPRDF, traveling to U.S. cities, such as Washington, Minneapolis and Los Angeles, with large Ethiopian populations, as well as to Germany, and holding well-attended rallies.¹¹⁷ In a ceremony in July, he oversaw the reunification of the U.S. and Ethiopian branches of the influential Ethiopian Orthodox Church, split since 1992.¹¹⁸

¹⁰⁹ The call came after numerous regional leaders were accused of fuelling violence in their respective localities. Not long after, Shiferaw Shigute resigned as chair of the SEPDM while Abdi Iley, the powerful head of the Somali regional state, was ousted.

¹¹⁰ Andargachew is a British citizen of Ethiopian descent. He was released on 29 May 2018, along with more than 500 other political prisoners, including Oromo opposition leader Merera Gudina.

¹¹¹ In a bid to foster national reconciliation, the new government removed opposition groups from its terrorist organisation list. It issued pardons to members of the Ginbot 7, the Oromo Liberation Front and the Ogaden National Liberation Front; diaspora-based satellite TV channels such as ESAT and OMN; and individuals sentenced for treason and terrorism in absentia. "Ethiopia pardons hundreds sentenced on 'terrorism' charges", Al Jazeera, 15 June 2018.

¹¹² Most exiled groups have acknowledged that Abiy's invitation is something new and momentous. Some – mostly Oromo nationalists – have already returned home.

¹¹³ "Ethiopia PM: Security agencies committed 'terrorist acts'", Al Jazeera, 19 June 2018.

¹¹⁴ Abiy's real target seemed to be Getachew, who had harshly criticised his appointment. As Samora's retirement was long overdue, the prime minister decided to remove both the intelligence chief and the head of the military. His subsequent appointments – General Seare Mekonnen, until then deputy army chief of staff, replacing Samora, and General Adem Mohammed, previously head of the air force, replacing Getachew – left the army stronger institutionally than the intelligence service. Crisis Group interviews, senior army and NISS officers, local analysts, Addis Ababa, June 2018.

¹¹⁵ See "Ethiopian PM Abiy Ahmed on Eritrea and Corruption", Ecadf Ethiopia, 6 June 2018.

¹¹⁶ See "PM Dr Abiy Ahmed Speech in Parliament – FULL", Tenaadam, 18 June 2018.

¹¹⁷ "He's a hugger ... so I want to hug him': Ethiopians greet new prime minister", *Washington Post*, 28 July 2018; "Abiy Ahmed came, saw and conquered diaspora Ethiopians in the U.S. with love", ECAD: Ethiopian News and Views, 6 August 2018.

¹¹⁸ "Ethiopia's torn Orthodox church reunites after 27 years", AFP, 27 July 2018.

The new prime minister also abandoned some of Meles's core foreign policy tenets.¹¹⁹ After a first visit abroad to immediate neighbours Djibouti, Sudan and Kenya, Abiy headed to the Gulf in mid-May. There he initiated a rapprochement with Saudi Arabia and the United Arab Emirates (UAE), with which Ethiopia had been at odds due both to Meles's security strategy – which viewed Riyadh, and by extension its ally Abu Dhabi, as strategic adversaries – and to Ethiopia's more developed ties with these monarchies' rivals, Turkey and Qatar. He did not break off contacts with the latter, but his outreach to the Saudis and Emiratis paid off handsomely. Emirati Crown Prince Mohammed Bin Zayed visited Addis Ababa on 15 June, signing off on \$3 billion in aid and investment.¹²⁰ The injection of Gulf cash provided an economic boost and appears to have accelerated ongoing attempts to end the two-decade frozen conflict with Eritrea.¹²¹

Even before the crown prince's visit, on 5 June, Abiy had declared that Ethiopia accepted the Ethiopia and Eritrea Boundary Commission's ruling in full and without conditions – a radical shift from Meles's position.¹²² This statement paved the way for high-level exchanges, culminating in Abiy's 9 July visit to Asmara, reciprocated by Eritrean President Isaias Afwerki's three-day official visit to Addis Ababa on 14 July. In a matter of weeks, the two countries appeared to set aside nearly two decades of animosity and proxy conflict, reinstated full bilateral diplomatic and economic ties, reopened road links, and resumed flights between their respective capitals. The rapprochement could mark a turning point in relations between the two countries and pay enormous dividends.

The warming relations with Eritrea, which hosted a number of Ethiopian armed opposition groups, also gave new impetus to resolving several long-running rebellions. The government signed a peace agreement in August 2018 with most of the rebel Oromo Liberation Front (OLF) and in October with the Ogaden National Liberation Front (ONLF).¹²³

¹¹⁹ Hailemariam also had this ambition but lacked the political power. Crisis Group interviews, regional analysts, London, July 2018. According to Meles Zenawi, Ethiopia faced "two major strategic adversaries. One is Egypt The second is Saudi Arabia and more generally the Gulf states My nightmare is that the two should combine: that we should have an Egyptian agenda that is financed by Gulf money". Alex de Waal, "The Future of Ethiopia: Developmental State or Political Marketplace?", World Peace Foundation, 20 August 2018.

¹²⁰ The UAE deposited \$1 billion in the Central Bank of Ethiopia to ease the country's chronic hard currency shortage. "UAE to give Ethiopia \$3 billion in aid and investments", Reuters, 16 July 2018.

¹²¹ See Crisis Group Middle East Briefing N°65, *The United Arab Emirates in the Horn of Africa*, 6 November 2018.

¹²² The December 2000 peace deal ending the 1998-2000 war between Eritrea and Ethiopia created a commission "to delimit and demarcate the colonial treaty border based on pertinent colonial treaties (1900, 1902 and 1908) and applicable international law". It delivered its decision on 13 April 2002. Meles Zenawi had in principle accepted the border commission's ruling but came up with a five-point peace proposal, laying out the conditions for its implementation, which Eritrea categorically refused. See "Progress Report of the Secretary-General on Ethiopia and Eritrea", UN Security Council, 27 December 2004.

¹²³ "Ethiopian government signs deal with Oromo rebels to end hostilities", Reuters, 7 August 2018; "Ethiopia signs peace deal with rebels from gas-rich region", Reuters, 21 October 2019. Since then, there has been disagreement with the OLF about the deal's implementation, and in January the government launched an offensive, including airstrikes, targeting an OLF faction's camps. "Returned

Lastly, by relinquishing Ethiopia's key role in the Intergovernmental Authority on Development's mediation of the South Sudan stalled peace process, Abiy paved the way for Sudan and Uganda to move those talks forward.¹²⁴ On 10 June, he travelled to Cairo in an effort to improve Ethiopia's relations with Egypt, promising that his country would not harm Egyptian interests in maintaining an adequate flow of the Nile waters when filling the massive reservoir of the Ethiopian GERD dam on the Blue Nile.¹²⁵ In a few short months, in other words, Abiy had torn up Ethiopia's traditional foreign policy playbook.¹²⁶

Abiy's significant and welcome change of direction did not spring out of nowhere. Many of his initiatives had been put in motion by former Prime Minister Hailemariam Desalegn's administration, including the dramatic breakthrough with Eritrea.¹²⁷ But Abiy was able to carry them through more decisively. A senior EPRDF official said:

Little of what Abiy has been doing has not previously been discussed within the party. Abiy was the right person at the right time to put through what we had been discussing for over a year.¹²⁸

The most notable difference is that Abiy addressed issues that Hailemariam's administration lacked the authority to tackle. He has also shown unprecedented willingness to admit the government's culpability in provoking the grievances that led to the popular protests and communal strife. He has been direct, avoiding coupling such admissions with long, opaque processes of party self-evaluation or blaming external and internal enemies – the EPRDF's default options in the past.¹²⁹ His reform agenda still faces a steep climb, but the contrast with previous decades is stark.

To date, however, much as Abiy's pronouncements have generated great excitement and enthusiasm, many policy details remain unclear and critics question how far he has thought through his program of change.¹³⁰ In particular, the details of the Ethiopian-Eritrean rapprochement and the peace agreements with the OLF and ONLF have yet to be fully revealed.¹³¹ For the prime minister and his government to

Ethiopia rebels say army targets them with gunships", Bloomberg, 14 January 2019. The faction, known as OLF-Shanee, led by Daud Ibsa, recently returned from Eritrea to Ethiopia and was reportedly involved in a number of armed bank robberies. "17 banks robbed within two days in Oromo region of Ethiopia", *Borkena*, 14 January 2019. For more, see Abdurazak Kedir Abdu, "The OLF is dead, but its Oromo struggle lives", *Ethiopia Insight*, 19 January 2019.

¹²⁴ See Crisis Group Commentary, "South Sudan: Peace on Paper", 14 December 2018.

¹²⁵ Talks between Saudi Arabia, the UAE and Ethiopia seem to have smoothed Ethiopia-Egypt relations. On 7 June, Ahmed Kattan, the kingdom's special envoy and former ambassador to Egypt, arrived in Addis Ababa where he met Abiy. Three days later, Abiy was in Cairo reassuring President Abdel Fattah el-Sisi of Ethiopia's good faith regarding the GERD. See Crisis Group Briefing, *The United Arab Emirates in the Horn of Africa*, op. cit.

¹²⁶ Crisis Group will publish a report on Nile river basin political dynamics in early 2019.

¹²⁷ Crisis Group interviews, senior EPRDF cadres and Western diplomats, Addis Ababa and by phone, June-July 2018. Crisis Group interview, Addis Ababa, January 2019.

¹²⁸ Crisis Group interview, senior EPRDF cadre, Addis Ababa, June 2018.

¹²⁹ Crisis Group interviews, local analysts, Addis Ababa, June 2018.

¹³⁰ Crisis Group interviews, local and foreign analysts, Addis Ababa, January 2019.

¹³¹ The practical implementation of the rapprochement with Eritrea has stalled. Ministerial committees on trade, the border and ports have yet to be established, largely due to Asmara's procrastination. Ethiopian troops remain in the disputed town of Badme. Crisis Group interview, January 2019.

maintain bureaucratic, public and donor support for his programs, he should provide more details and rationales for the policy choices his administration is making.

IV. Internal Challenges and Opportunities

Ethiopia is still undergoing the political and economic transition that began with Meles Zenawi's death in 2012. While Abiy has brought a welcome new tone and direction to the government, Ethiopia's road to lasting reform is likely to be rocky. The future of the ruling coalition, which brought Abiy to power, remains uncertain, with each of its four parties under pressure from both internal and external harder-line rivals.¹³² Successful reform will require Abiy to breathe life into the civil service, given that a number of ministries are adrift after a period without strong leadership. Ensuring competent reformers take the helm of key security, defence and legal institutions is particularly important.

Amid all the challenges he faces, however, three stand out. First, Abiy must begin to calm rising ethnic tensions and ethno-nationalism. He must also develop a clear roadmap to prepare the country for elections in 2020, and lay the political groundwork for delay if violence in the regions makes that impossible. Finally, he must undertake long-overdue reforms to modernise Ethiopia's economy, stimulate growth and investment, and create jobs for young people.

A. *Calming Ethnic and Communal Conflict*

Insecurity driven by rising animosity among Ethiopia's ethnic groups is the gravest challenge that Abiy faces. Longstanding grievances among Ethiopia's ethnic groups are becoming more acute. The forces that kept them at least partly in check are loosening, and all around the country groups that see each other as competitors are jostling for power. Though anti-government protests have largely subsided since Abiy became prime minister, communal violence that rose in parallel with them over the past few years has spread and worsened, and ethnic militias are growing in size and reach. The number of persons displaced due to conflict in Ethiopia has reached 2.2 million; more than half of them have been displaced since January 2018.¹³³ At the same time, ethno-nationalist sentiment around the country is on the rise, with ethnic movements using increasingly incendiary rhetoric about other groups and pressuring parties within the ruling coalition toward more confrontational policies.¹³⁴

1. Restoring order, containing disorder

Parts of the country have suffered a surge in ethnic violence. In Jijiga and other parts of the Somali regional state, violence erupted on 4 August 2018, following attempts by the Ethiopian army to dismantle the ethnic Somali force (the Liyu police) and remove regional president Abdi Iley.¹³⁵ Many locals saw Iley and that force as respon-

¹³² See Section II.B.

¹³³ For statistics on displaced persons throughout Ethiopia see fn 89. Crisis Group phone and email interviews, local analysts, journalists and activists, foreign diplomats, September-October 2018. Crisis Group interview, Addis Ababa, January 2019.

¹³⁴ Crisis Group interviews, local journalists, analysts, community leaders, Addis Ababa, October 2018-January 2019.

¹³⁵ The Liyu unit was disbanded after Iley went on television to accuse the former intelligence chief Getachew Assefa of ordering all the Liyu police's abuses over the years. "Abdi Iley apologises to the

sible for human rights abuses; indeed for years some had asked the federal government to step in.¹³⁶ For its part, the government viewed Iley as a pro-TPLF remnant opposed to the prime minister. He was forced to resign on 6 August and arrested on 27 August; the government appointed Mustafa Omer – a former UN official and long-time Iley critic – in his stead.

But if much of the Somali region's population greeted the prime minister's move with relief, others perceived it as an Oromo offensive against ethnic Somalis and reacted violently. Non-ethnic Somali groups living in the regional state bore the brunt of their anger.¹³⁷ Inter-communal conflict in Jijiga quickly spread, displacing 141,410 people, most of them non-ethnic Somalis, though many gradually came home as calm was restored.¹³⁸ These events capture the dilemma Abiy faces: to curb the power of regional strongmen – whose behaviour is often a source of local grievance – without provoking an ethno-nationalist backlash, driven in part by perceptions (warranted or not) of Oromo chauvinism.

Somali regional state has since quieted somewhat. Over time, Iley's resignation helped ease tensions. Moreover, the federal government signed a peace agreement with the previously banned Ogaden National Liberation Front (ONLF), a separatist ethnic Somali rebel force fighting the government for decades. In the second week of February 2019, the Somali regional state announced that the ONLF had agreed to disarm and that its members would be reintegrated into its security forces and the civil service.¹³⁹ This deal was a step forward, and authorities should follow through on it swiftly to improve prospects for peace in the region by offering young armed men an alternative to a life in crime and ethnic violence.

Tensions remain, however, among Oromo, Somali and Abo-Somali in contested and mixed areas, particularly along the border between the Oromia and Somali regions and in cities like Moyale and Dire Dawa where problems between the two groups continues to escalate.

Communal violence also has broken out elsewhere in the country, including the regions of Amhara between Amhara and Tigrayan communities, and in Benishangul Gumuz between the Gumuz community and ethnic Oromo and Amhara people. This intra- and inter-ethnic violence is driven by many factors, including historic and personal grievances, access to land, the desire for self-determination and the manipulation of those grievances for political purposes.¹⁴⁰

people of Ethiopia's Somali region over rights abuses", Dalsan Radio, 12 July 2018. Crisis Group phone interviews, Ethio-Somali activists, August 2018. See also Crisis Group Africa Report N°207, *Ethiopia: Prospects for Peace in Ogaden*, 6 August 2013.

¹³⁶ "Ethiopia: Police Unit Unlawfully Killing People Must Be Stopped", Amnesty International, 31 May 2018; "Ethiopia: Probe Years of Abuse in Somali Region", Human Rights Watch, 20 August 2018.

¹³⁷ Crisis Group phone and email interviews, residents of Jijiga and local activists, August 2018.

¹³⁸ "Ethiopia – Somali Region Inter-Communal Conflict: Flash Update Number 1 (17 August 2018)", OCHA, 17 August 2018.

¹³⁹ "Ethiopia: ONLF rebels disarm, sign agreement with Somali state", *Africa News*, 9 February 2019.

¹⁴⁰ Solomon Yimer and Kibreab Beraki, "After Eritrea thaw, Tigray's southern border with Amhara heats up", 28 October 2018. In Benishangul Gumuz, a wave of violence and displacement occurred when four high-ranking Benishangul Gumuz state officials were ambushed and killed in Oromia, near the regional boundary, on 26 September 2018. Subsequently, inter-communal violence erupted in Kamashi zone between the Gumuz community and the ethnic Oromo and Amhara population

In September 2018, violence reached the areas surrounding Addis Ababa, reportedly informing Abiy's last-minute decision not to attend the opening week of the UN General Assembly.¹⁴¹ Those clashes were prompted by the jubilant return of exiled rebel Oromo Liberation Front (OLF) fighters, a result of the peace agreement brokered by Eritrea between the Ethiopian government and the OLF.¹⁴² Ethnic skirmishes broke out in the days ahead of their arrival, as Oromo youth (Qeerroo) replaced national flags in the capital and surrounding areas with the OLF banner, provoking the anger of, and clashes with, other ethnic groups living in Addis Ababa. Oromo militias sympathetic to the OLF forced hundreds of non-Oromos from their homes on the capital's outskirts. The disturbances led to 58 deaths.¹⁴³ Human rights groups reported social media awash in hate speech against non-Oromos.¹⁴⁴

Among non-Oromo ethnic groups, some fear that they have turned the page on years of Tigrayan supremacy only for the Oromo to dominate.¹⁴⁵ That Abiy's administration forced out Illey but has not taken similar action against Oromia officials implicated in the violence in Oromia has reinforced perceptions among some that Abiy is biased in favour of his ethnic group, which makes it more difficult for him to calm tensions.¹⁴⁶ It does not help that most of the premier's close advisers come from the OPDO (now renamed the Oromo Democratic Party), in particular the erstwhile "Team Lemma", a reformist OPDO caucus led by Oromo regional state president Lemma Megersa, as well as Oromos previously living in the diaspora.¹⁴⁷ Many in the EPRDF

residing in the area. "Operational plan for rapid response to internal displacement around Kamashi and Assosa (Benishangul Gumuz) and East and West Wollega (Oromia)", OCHA, 26 December 2019. Crisis Group interview, Addis Ababa, January 2019.

¹⁴¹ Crisis Group phone interviews, senior EPRDF cadres and foreign diplomats, September 2018.

¹⁴² "UPDATE 1-Ethiopian government signs deal with Oromo rebels to end hostilities", Reuters, 7 August 2018.

¹⁴³ Open conflict erupted when some of the youths tried to take down the statue of Emperor Menelik II, the unifier of modern Ethiopia, in the old town of Piassa. Oromos perceive Menelik II as an invader, while other ethnic groups, Amhara in particular, celebrate the emperor for his resistance to European colonisation. In the following days, clashes erupted in Burayu, in the suburbs, as well as in various parts of the capital. The neighbourhoods of Piassa, Merkato, Sheromeda, Ashawa Meda, Kataa, Fili Doro and Petros experienced violence as Oromos attacked ethnic Guraghe and Gamo people, as well as other Ethiopians, and looted shops. The disturbances killed 58 people. On 17 September, five more people died when security forces dispersed protesters. Police arrested 400 people on suspicion of fomenting violence; an investigation is ongoing. Crisis Group phone interviews, local journalists and analysts, September 2018. Amnesty International observed widespread hate speech on social media against non-Oromo groups in the three days preceding the rally. "Ethiopia: Investigate Police Conduct after Deaths of Five People Protesting Ethnic Clashes", Amnesty International, 17 September 2018.

¹⁴⁴ Ibid. Many people in Addis Ababa admit to feeling less safe now than at any time since the protests began. Crisis Group interviews, Addis Ababa, December 2018 and January 2019.

¹⁴⁵ See for example, William Davison and Leake Tewele, "Anguish for Harari as Oromo claim rights", *Ethiopia Insight*, 2 January 2019. Crisis Group interviews, Addis Ababa, December 2018 and January 2019.

¹⁴⁶ The Oromia police forces and security services were implicated in most of the violence with Somali militias, including against the Liyu police. Addis residents also claimed that security forces treated those protesting against communal violence more harshly than those who perpetrated it. Crisis Group interviews, Addis Ababa, December 2018.

¹⁴⁷ Crisis Group interviews, local analysts, Addis Ababa, June 2018.

believe he is preferentially appointing ethnic Oromo and personal acquaintances to key positions in the powerful defence, security and legal sectors.¹⁴⁸

2. The ethnic federalism gap

The Abiy administration's still-unformed position on ethnic federalism will have enormous bearing on relations among Ethiopia's different communities and is therefore a source of both intense interest and brewing tension. In principle, Ethiopia's ethnic federal system devolves significant authority to ethnic communities in each of the regional states (subdivided into administrative zones) and two city administrations (Addis Ababa and Dire Dawa). Yet the 1995 constitution is imprecise about the division of powers between centre and periphery and about each ethnic community's right to self-determination, which potentially ranges from autonomy to independence.¹⁴⁹ Among Ethiopians, no consensus exists on the appropriate extent of federalism, though in the past (especially under Meles Zenawi), the prime minister wielded considerable power through the EPRDF and informal networks.¹⁵⁰

Abiy has avoided taking a clear position on ethnic federalism. Though he rode a wave of regional and ethnic grievance to his current position, since assuming high office he has made frequent reference to *Ethiopiawinet* (Ethiopian-ness) – a term invoking national unity rather than decentralisation. At the October EPRDF congress, he made the somewhat ambiguous statement that “a federal form of government is a preferred option in Ethiopia as long as we don't confuse regional arrangements with ethnic identity”.¹⁵¹ In general he has avoided commenting on constitutional issues relating to the structure of Ethiopia's government.

The ambiguity in Abiy's position may have helped him preserve some useful political flexibility but it comes at a cost. It has created a vacuum, which regional politicians, especially those who may fear Oromo domination, are likely to exploit by jointly pushing for greater devolution and potentially even secession. Indeed, on 28 July, the former powerful deputy prime minister and current TPLF chairman and Tigray regional state president, Debretsion Gebremichael, declared that “we either live together respecting each other or we will fall apart”, implying that some Tigrayans advocate the state's secession.¹⁵² Since Abiy's ascension to power, the TPLF has been

¹⁴⁸ Defence Minister Motumma Mekassa, Addis Ababa Mayor Takele Uma Benti, Ethiopian Justice and Legal System Research Institute Director Degife Wula Bakjira and the National Intelligence Security Service Deputy for Internal Security, Lieutenant General Birhanu Jula, are all Oromos close to the new government. Crisis Group phone interviews, local analysts, August 2018.

¹⁴⁹ Article 52(1) of the 1995 constitution, for example, stipulates that the federal government “shall formulate and implement the country's policies, strategies and plans in respect of overall economic, social and development matters”. But Article 52(2c) says regional states can also “formulate and execute economic, social and development policies, strategies and plans”. Other similarly vague provisions cover the administration of land and natural resources. Disputes over the proper interpretation of such clauses have driven protests over the past two years. Meanwhile, Article 39(1), which defines ethnic communities' self-determination, stipulates: “Every Nation, Nationality and People in Ethiopia has an unconditional right to self-determination, including the right to secession”.

¹⁵⁰ See Crisis Group Report, *Ethnic Federalism and its Discontents*, op. cit. pp. 15-29.

¹⁵¹ “EPRDF congress concludes adopting seven-point resolution”, op. cit.

¹⁵² Debretsion spoke at a rally in Tigray's capital Mekelle. “Debretsion Gebremichael issues a warning to the PM”, *Africa Intelligence*, 13 July 2018.

concentrating on building consensus in Tigray, preparing its constituents for a scenario in which the region pushes for at least greater autonomy.¹⁵³

Among other groups, too, ethnic nationalism – in part a result of ethnic federalism – is intensifying. Within the Oromo, forces outside the ruling party, notably the OLF and the Qeerroos, as well as other, less visible, groups seem increasingly emboldened and have begun to question Abiy's commitment to their objectives – either Oromo dominance in the current dispensation or a forcible takeover of power.¹⁵⁴ In Amhara region, the National Movement of the Amhara challenge the ruling party and demand the annexation of land from Tigray, Oromia and Benishangul-Gumuz that they believe historically belong to the Amhara.¹⁵⁵

3. Five steps to prevent and mitigate conflict

Abiy and his team can take a number of steps to check what has become a particularly combustible mix of ethnic tension, flaring violence and political upheaval.

First, Abiy should adopt a more consensual and sustainable style of rule that emphasises working with state institutions to develop reforms. It will be important to allay concerns – well-founded or not – that the transition is a top-down affair in which formerly dominant Tigrayans have been replaced by Oromos. Thus far, however, Abiy's rhetoric has been more inclusive than his management style. Notwithstanding the welcome recent appointment of a diverse new slate of cabinet ministers, the Prime Minister's Office apparently has made all decisions of import with little consultation, and critics claim that his kitchen cabinet of close advisers is made up mostly of Oromo and evangelical Protestants.¹⁵⁶ The power of the Prime Minister's Office – a Meles-era legacy – only reinforces the unhelpful perception of government by fiat – although the prime minister's defenders will contend that he is hamstrung by opposition to his reforms among the senior cadre of the EPRDF whom he would ordinarily be expected to consult.

Rather than continue in this fashion and risk further political polarisation contributing to communal and political tensions, Abiy should focus on working with institutions and offices across the government to develop new reforms. Not only would changing tack help Abiy project a more legitimate and inclusive style of governance, it could also help re-energise ministries and a civil service that have been deprived of leadership during the transition and are largely adrift.

Secondly, Abiy ought to work with regional political and communal leaders to promote dialogue aimed at addressing grievances, fairly settling disputes and quell-

¹⁵³ See Kibreab Beraki, "TPLF: 'Struggle in defense of revolutionary democracy ... and federal system is expected'", *Ethiopia Insight*, 24 October 2018.

¹⁵⁴ Crisis Group analyst's interviews in another capacity, Oromo activists, Addis Ababa, December 2018. See also "Team Lemma's Choice: Power of Peace?", *op. cit.*

¹⁵⁵ Crisis Group analyst's interviews in another capacity, Amhara activists and local political analysts, Addis Ababa, December 2018; William Davison, Solomon Yimer and Kibreab Beraki, "Violent Qemant dispute fuelling explosive Amhara-Tigray divide", *Ethiopia Insight*, 16 December 2018. Crisis Group interviews, local and foreign analysts, Addis Ababa, January 2019.

¹⁵⁶ Crisis Group telephone and email interviews, local political analysts and senior EPRDF cadres, August 2018. The inclusion of a significant number of Protestants is sensitive because there are many fewer Protestants than Orthodox Christians and Muslims in Ethiopia.

ing communal violence. The parliament's approval, on 25 December 2018, of a National Reconciliation Commission could be a first step, though its broad mandate would need to be clarified.¹⁵⁷ Though the measure passed by a large margin, some deputies voiced concerns over the nature of the commission's work, the question of whether reconciliation should prevail over justice, and the fact that the commission will be accountable directly to the prime minister.¹⁵⁸ Relatedly, Abiy must find a way to address the sense of alienation, anger and humiliation among supporters of the once-dominant TPLF in whose home region, perhaps uniquely across Ethiopia, opposition to his rule (fed by perceptions that Tigrayans have been singled out for purges by authorities and displacement by members of other ethnic groups) seems deeply and widely felt.¹⁵⁹

Thirdly, Abiy and Ethiopia's security forces should approach the disarmament of the growing number of non-state armed groups, most of which are ethnic militias, with caution. Among these groups are a major faction of the recently returned OLF that has refused to disarm and wants to integrate into the regional security forces instead.¹⁶⁰ Demobilising such groups is a security priority; yet doing so without provoking further fighting or nationalist sentiment is equally important. Peace talks brokered by elders seemed to yield a breakthrough in the third week of January 2019, when the Oromia state government and OLF leaders agreed to a ceasefire. But fighting continued.¹⁶¹

Authorities should allow elders and civil society to take the lead in searching for a resolution to communal violence, including in Oromia regional state which has seen some of the worst fighting. Underlying the tensions between the OLF and Abiy's party on the question of demobilisation, for example, is the fact that both aspire to win leadership in Oromia in the next election and thus view each other as political rivals. This suggests that informal groups, such as the Abba Gada (a traditional system of local elders among the Oromo) and others such as the Inter-Religious Council (a civil society group), neither of which is a direct player in the election, might be better placed than the government to help bridge differences between Oromia state authorities and various OLF factions.¹⁶²

The German government and other donors have offered support for the demobilisation of the OLF's armed wing and other militias around the country.¹⁶³ Such financial support, which should be provided as swiftly as possible after local actors achieve a settlement, could prove crucial in addressing a problem that is driving much

¹⁵⁷ Its mandate is to maintain peace, justice, national unity and consensus and also reconciliation among Ethiopian peoples. "Ethiopia Creates Reconciliation Council", Ethiopian embassy in Belgium, 26 December 2018.

¹⁵⁸ "Ethiopia gets National Reconciliation Commission legislation", *Borkena*, 25 December 2018.

¹⁵⁹ See "Nobody will kneel, Tigrayans defiant as Ethiopian leader cracks down", Reuters, 16 December 2018.

¹⁶⁰ "Ethiopian rebel group accuses government of airstrikes", AP, 18 January 2019; "The OLF is dead, but its Oromo struggle lives", op. cit.

¹⁶¹ "Breakthrough as government, OLF-SG agree to immediate ceasefire, encampment of rebel army within 20 days", *Addis Standard*, 24 January 2019.

¹⁶² Crisis Group phone interview, Western diplomat involved in supporting Abiy's reform efforts, Nairobi, February 2019.

¹⁶³ "Germany pledged to support demobilisation of Ethiopian fighters", *Tesfa News*, 2 November 2018.

of the ethnic violence by offering those who give up their arms assistance in reintegrating into civilian life (eg, with job training and other transitional support).

Fourthly, Abiy should continue working to remove officials like Iley who are allegedly responsible for serious abuses, particularly those related to violent suppression of dissent, or who fail to hold security forces to account for abuses. At the same time, the government should avoid any appearance that it is focusing only on strongmen of certain ethnic backgrounds. Ensuring that those held to account are afforded due process is also important for the fairness and legitimacy of these actions.

Finally, striking the right balance on ethnic federalism is vital, particularly given the implications for communal tensions. Abiy should move quickly to try to build consensus around a vision of federalism that can help knit the country together in the face of tensions that are pulling the regions apart. He should do so in an inclusive way ensuring that there is institutional buy-in to the process. The government should consider establishing mechanisms that allow different political constituencies to weigh in on key questions relating to the decentralisation of power within the ruling party and in the wider political arena. Elders, through the traditional Ethiopian system of mediation and dispute resolution known as *shimgilina*, and organisations such as the Inter-Religious Council can play a useful role in pursuing consensus on this highly sensitive issue. While there is no perfect formula, it is critical that Abiy arrives at a line with cross-ethnic support; whatever degree of centralisation or decentralisation the country agrees upon, federal institutions and regional administrations also must respect and protect minority rights.

B. *A Clear Roadmap for Elections*

Abiy faces another daunting challenge in managing preparations for national polls scheduled for 2020. He has taken a number of bold steps toward a more democratic future already. These include breaking ranks with EPRDF cadres in announcing that multiparty democracy and genuinely competitive elections are Ethiopia's future, signalling his intent to end 27 years of de facto single-party rule by the EPRDF.¹⁶⁴ Pardoning exiled (and some of them armed) opposition movements such as the OLF and Ginbot 7, and inviting them to return home and engage in peaceful contestation for power, was another seismic move.¹⁶⁵ The challenge now for the government is to take this process forward and make good on its commitments by seeking to stage elections in 2020 where these parties can compete on a level playing field and citizens are able to participate.

The hurdles that need to be overcome in order to do so are mounting, however, and it is not clear that the government will be able to meet this goal on time. Rising violence could present logistical challenges and undermine participation in both the national elections that are a year and half away and, in the interim, local polls that are slated for 2019.¹⁶⁶ At the very least, it will greatly complicate the efforts of opposition

¹⁶⁴ "Ethiopia has 'no option' but multiparty democracy, PM says", *The Washington Post*, 22 July 2018.

¹⁶⁵ Most exiled groups have acknowledged that Abiy's invitation is something new and momentous. Some – mostly Oromo nationalists – have already returned home.

¹⁶⁶ In the past, local elections were firmly controlled by the EPRDF; with the opening of political space, these now will be more competitive, and some may be violently contested.

parties that have been banned for years, and that even under the best of circumstances would be struggling to attract and mobilise supporters to participate in the polls.

Adding a further layer of complexity, Ethiopia's electoral law and institutions are in flux. The EPRDF biennial general congress that finally took place in Hawassa in October 2018 (after postponements in 2017 and again in August 2018) avoided the question of electoral reform which optimally would level the playing field to ensure free and fair elections and establish an electoral board free from influence by the EPRDF in light of previously contested elections, for example, the 2005 disputed polls.¹⁶⁷ But the EPRDF and opposition factions recently began discussions on how to amend the electoral law and the electoral board.¹⁶⁸ The appointment of a new head of the National Election Board of Ethiopia, former opposition leader Birtukan Mideksa, is one positive step.¹⁶⁹ In order to make it an effective and representative instrument of reform, the government should reconstitute the remainder of the board (with multi-party representation) and work with donors to ensure it has sufficient resources and access to technical assistance.

It will also be critical to craft a credible means of challenging results in the event that parties or candidates dispute electoral outcomes. Abiy should reach out to the opposition to seek consensus on a dispute resolution mechanism in which all major parties have confidence. This step could reduce parties' temptation to take up arms in the event of electoral defeat. The UN Development Programme, which is coordinating donor backing for the electoral process, should offer technical support for this mechanism, drawing on its experiences in other countries on the continent.

Abiy's supporters among the Oromo – who are the core of his political base – hold different views on whether elections can be held as scheduled. Some youth leaders fear that delays will trigger more instability and have encouraged him to start negotiations with opposition leaders with the idea of resolving differences and presenting a united front on the steps that must be taken in order to stage credible, timely elections.¹⁷⁰ Others within Abiy's inner circle favour a limited delay to allow for far-reaching electoral reforms.¹⁷¹ Worryingly, some, such as OLF leaders, indicate that they will accept nothing short of gaining power in local elections.¹⁷²

¹⁶⁷ The EPRDF general congress was postponed in 2017 because of the state of emergency. Before then, the congress had been postponed only once before, after Meles died in 2012. "EPRDF postpones 11th congress to March", *Capital Ethiopia*, 3 October 2017.

¹⁶⁸ "Ethiopia PM, opposition to discuss electoral reforms", *Africa News*, 23 November 2018.

¹⁶⁹ Birtukan Mideksa, a law graduate and former federal judge, in 2005 became one of the prominent leaders of the opposition alliance Coalition for Unity and Democracy, known in Ethiopia as Kinijit. Mideksa was jailed in November 2005, after the disputed elections' repression, and charged with treason alongside other Kinijit leaders. After she was pardoned and released in July 2007, she founded the opposition party Unity for Democracy and Justice. Her pardon was revoked in 2008 and she spent almost two more years in jail, often in inhumane detention conditions. Once released, she fled to the U.S. and studied at Harvard. Her appointment is widely seen as a positive democratic step, although restructuring the Ethiopian electoral board will be extremely challenging.

¹⁷⁰ Crisis Group phone interviews, Oromo youth leaders, November 2018.

¹⁷¹ Crisis Group interviews, aides to Prime Minister Abiy and Western envoys, Addis Ababa, August 2018. Diplomats are also divided on the timing of elections. Some suggest they should be held on time, perceiving that the winner would secure a clear mandate to implement reforms, while others worry that a vote under current conditions will exacerbate ethnic divisions.

¹⁷² "Oromo Liberation Front says it did not return to Ethiopia for peaceful struggle", *Borkena*, op. cit.

But the bottom line remains security, and many within the security sector and the EPRDF contend that elections should not be held if today's insecurity persists.¹⁷³ According to one senior official: "Under current circumstances, holding elections could easily escalate into violence and tear the country apart. There are too many militias holding guns and having a political stake, in Oromia and beyond".¹⁷⁴ People in Abiy's circle offer a counter-argument, namely that postponing the vote would prolong the period of uncertainty that some see as feeding instability.¹⁷⁵ Whichever side prevails in this debate, a number of steps are necessary to prevent the election turning into a flashpoint for violence.

First, in order to create the best odds that the election can be held on time, the government will need to fast-track discussions on how to amend the electoral law and reform the electoral board, and then develop a roadmap, with agreed benchmarks, on how to organise elections and ensure that other political parties can fairly and credibly compete in forthcoming polls.

Secondly, while it is too early to decide whether a timely election is possible, Abiy should be prepared for the possibility that events will require a delay and take steps to build widespread political support. Any delay should come only after consultations, within the EPRDF and across the country's political spectrum, as to whether a postponement is necessary.¹⁷⁶ Unless security conditions improve dramatically, he should initiate such discussions soon.

Thirdly, whenever the vote goes ahead, it is essential that the security forces be encouraged to act with strict neutrality, particularly in the run-up to and aftermath of the election. Neutrality would be a break with the past and signal willingness by authorities to level the playing field for all sides.

Fourthly, credible elections have never been held in Ethiopia. As such, the government should welcome a diverse array of observers, both from Africa and beyond, to follow the process and build confidence among parties. The media should be allowed to operate freely to give all parties a fair chance to present their agenda to the public. Donors and civil society groups should help the media develop a self-regulating mechanism for filtering out hate speech, which might spike as the election nears. Political parties, both those formerly in exile and those that remained in country, require capacity building to enable them to participate fully.

C. *Reforming the Foundering Economy*

Ethiopia's foundering economy is the third acute challenge that Abiy will need to prioritise. Abiy inherited an economy that was already in a perilous state.¹⁷⁷ The country's economic growth over the last decade was fuelled by massive borrowing that has created a debt burden of more than \$24 billion, which Addis struggles to service. Moreover, in recent years, prices have sky-rocketed even as unemployment has in-

¹⁷³ Crisis Group phone interviews, local analysts and EPRDF senior cadres, November 2018.

¹⁷⁴ Crisis Group phone interview, senior security service representative, November 2018.

¹⁷⁵ Crisis Group interviews, ruling-party officials and Abiy camp insiders, Addis Ababa, August 2018.

¹⁷⁶ "Ethiopia opposition parties task PM with electoral reforms", Africa News, 22 August 2018.

¹⁷⁷ International economic bodies praised this same economy for its double-digit growth without questioning the numbers and the potential shortcomings.

creased.¹⁷⁸ Compounding the problem are the public's rising expectations, notably in the urban population that is more aware of the economy's weaknesses. Disappointment and frustration are especially acute among job-seeking youths joining the country's expanding labour pool only to find that there are few meaningful prospects.¹⁷⁹

Seeking more generous terms from creditors, and additional support from donors, will have to be part of the solution, and Abiy has already begun to do this. In September 2018, Abiy negotiated with China to extend the schedule of debt repayments relating to the Addis Ababa-Djibouti railway project.¹⁸⁰ The previous month, the World Bank also reportedly promised \$1 billion in budget support.¹⁸¹ The UAE have provided cash infusions of \$1 billion and promised a further \$2 billion in investment funding, and Saudi Arabia a year's worth of fuel with a delayed payment of twelve months. Western partners have also offered support but have been slow to follow through. They should pick up the pace, because time is of the essence. By all accounts, Ethiopia is critically short of funds.¹⁸² To empower Abiy to assuage the concerns of millions of unemployed youth, some of whom have been lured into ethnic militias, international partners should offer a substantial cash injection into the Ethiopian economy on an accelerated timetable.

Yet debt rescheduling, budget support and short-term cash relief from Saudi Arabia, the UAE and others are not long-term solutions for shoring up Ethiopia's economy. Abiy must also face the structural challenges that undermine Ethiopia's economic prospects.

Abiy will need to develop a politically viable strategy for generating more investment. One partial strategy, which he floated early in his tenure but has since partly walked back, would be to generate investment through partial privatisation – ie, the sale of minority stakes in certain state-owned enterprises.¹⁸³ But while there is an economic logic to this strategy, which both the World Bank and International Monetary Fund have endorsed, any move in the direction of partial privatisation will face both practical and political hurdles.¹⁸⁴ As a practical matter, preparing for the sale of shares on an international stock exchange will take extensive preparatory work – up to two years' worth – in order to meet legal and regulatory requirements.¹⁸⁵

¹⁷⁸ See the discussion in Section II.C.

¹⁷⁹ The labour force increases in size by two million workers annually.

¹⁸⁰ China agreed to extend the debt repayment schedule related to the Addis Ababa-Djibouti railway from ten to 30 years. "Ethiopia receives debt relief from China", Ezega.com, 6 September 2018.

¹⁸¹ "World Bank to give Ethiopia \$1 bln in budget help – prime minister", Reuters, 25 August 2018.

¹⁸² One diplomat told Crisis Group that Ethiopia may need up to \$4 billion in budget support to help the new administration stabilise the economy and take steps to spur job creation. The diplomat said this money would be critical to efforts to build peace, because many youths demand to see the "fruits of the revolution" immediately and could get disgruntled quickly if they do not perceive improvements to the economy – and thus their own fortunes – soon. Crisis Group interview, Western diplomat, Nairobi, February 2019.

¹⁸³ "2018 Article IV Consultation – press release; staff report; and statement by the executive director for the Federal Democratic Republic of Ethiopia", IMF Country Report no. 18/354, December 2018.

¹⁸⁴ Abiy discussed Ethiopia's economic state with both IMF and World Bank directors in Washington. "Statement by IMF Director Christine Lagarde on Meeting with Prime Minister Abiy Ahmed of Ethiopia", press release, IMF, 27 July 2018. See also section II.B of this report about the UAE's investments in Ethiopia. Crisis Group interviews, local economists, Addis Ababa, June 2018.

¹⁸⁵ Ethiopia does not have its own stock exchange.

And politically, it is not clear that Abiy has developed sufficient internal support from constituencies that support the highly centralised current system, including those who have benefited from state-controlled development projects and old-guard EPRDF leaders who were schooled in Marxism-Leninism during the rebellion and remain wary of private investment. This wariness has permeated the general population.

The Abiy administration has opted for a phased approach to the process of opening up the economy. Following substantial blowback to an earlier announcement that key assets, including Ethiopian Airlines – Africa's most successful air carrier, which is considered a national treasure in Ethiopia – would be partly privatised, the government announced that it would instead start the privatisation process by selling off a stake in national telecoms monopoly Ethio-Telecom.¹⁸⁶ The firm is widely unpopular in Ethiopia due to what is perceived as generally poor service and the administration's calculation might be that privatising it will attract low opposition.¹⁸⁷ The Finance Ministry said in the first week of February 2019 that the telecoms privatisation drive would offer lessons for how to take the privatisation process forward.

Few challenges will test Abiy in the medium term more than the question of whether his administration can address mass youth unemployment and under-employment, a key grievance. To do so, his administration will need to focus on easing the heavy regulation of the Ethiopian economy, which hinders competition and innovation. The country is ranked 159th out of 190 countries in the World Bank's 2019 Ease of Doing Business index.¹⁸⁸ Excessive regulation inevitably discourages private-sector participation in the economy, which, in turn, depresses job creation. The government ought to carry out reforms, including of the banking sector (to offer more efficient funding to the private sector), and to improve access to foreign currency.

As it moves forward, the government should learn from the experiences of other African countries. First, the government will need to breathe new life into the small and medium-sized enterprise sector, which has long been neglected as authorities focused on industries that are large in scale but still employ too few workers. A good start would be to cut back regulations on small-scale domestic enterprises and reform the byzantine local taxation system. Secondly, the government might focus on other sectors that could offer a path to employment for thousands of youth, including financial and other services. Thirdly, deregulating the mobile phone sector might spur the type of job-creating innovation witnessed in countries like Ghana, Kenya and Nigeria. All this will require substantial support from external actors. The World Bank, the International Monetary Fund, the EU and other actors invested in Ethiopia's success should prioritise offering needed financial and technical support on an accelerated timescale. Progress here could address causes of violence and instability.

Ultimately, however, the Ethiopian government will be unable to put the country's economy on the right path without cutting spending. It cannot afford to maintain its current level of debt and fund its current, albeit low, level of services to the public, and it cannot rely on donors and creditors to keep it afloat indefinitely. But cutting

¹⁸⁶ "Ethio-Telecom slated to be first company to be privatized", Ethiopian News Agency, 8 February 2019.

¹⁸⁷ Crisis Group interviews, private sector players, government officials and diplomats, Addis Ababa, August 2018.

¹⁸⁸ "Doing Business: Measuring Business Regulations", www.doingbusiness.org.

government spending will drive down already low wages and further erode minimal public services, creating the potential for a violent public backlash.¹⁸⁹ The government should therefore work with donors to limit the pain to Ethiopia's population.

Ethiopia's international partners should support those efforts, providing technical assistance and working with the government to seek ways to reform the economy and ease the social cost of structural readjustment as much as possible. Ethiopia might, with the support of donors, delay spending cuts on social services while implementing regulatory reform that will improve the ease of doing business and attract foreign direct investment. For this to work, donors and creditors may want to convene a conference to discuss the best way forward for coordinating their support for Ethiopia's economic reforms.¹⁹⁰

¹⁸⁹ Crisis Group Skype interview, local economists, August 2018.

¹⁹⁰ Crisis Group interviews, diplomats in Addis Ababa and Brussels, January and February 2019.

V. Conclusion

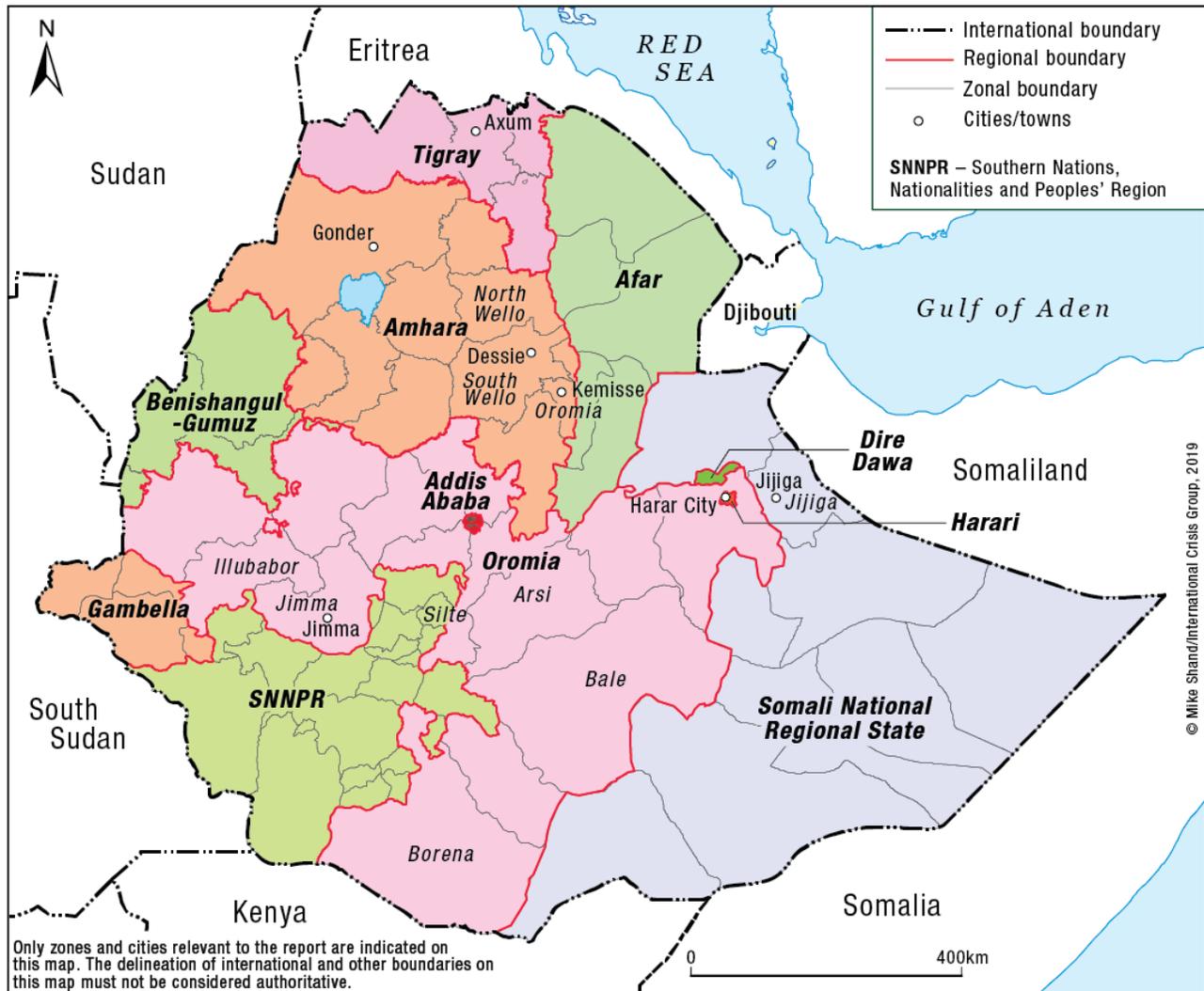
Prime Minister Abiy Ahmed has taken on the arduous task of putting in place a wholesale reform process. He asks the population to be patient, promising a bright future after root-and-branch reform, and tempers his optimism with disarming candour about the sheer scale of Ethiopia's problems. By presenting himself this way to the public, Abiy has managed to wrong-foot his critics. His approach to politics and ability to communicate directly with citizens is certainly new and welcome.

But even as the prime minister has raised enormous expectations among the population, he has incurred the rancour of many among the old guard as well as ethno-nationalists, including Oromo, who supported his rise to power but are displeased by his calls for Ethiopian-ness and unity. He will need to step carefully in the months ahead, moving from proclamations to detailed policies and laying out a clear set of priorities. Of these, the most important should be restoring security and calming communal violence. Demonstrating that the new government he is leading will work for all and that security forces can protect Ethiopian citizens, regardless of ethnic background, will be critical to this effort. Urgent, too, is that he infuse new energy into the state bureaucracy, reach out across the political spectrum to decide on electoral reforms and the nature of federalism. He needs to prepare the ground for holding – or, if necessary, delaying – fast-approaching 2020 elections and start taking the difficult steps necessary to modernise the economy.

Much is at stake. A successful transition in Ethiopia – putting the country on a path to political openness, inclusion and economic liberalisation – could help transform the Horn of Africa, setting a positive precedent for other transitions that are occurring in the region. So far, international partners have sent encouraging signals to Abiy. They should continue to do so and, wherever possible, support his administration's reform efforts, crucial for calming tensions, stabilising the country and helping Ethiopia through this time of transition toward a brighter future that this moment of opportunity has placed within reach.

Nairobi/Brussels, 21 February 2019

Appendix A: Map of Ethiopia



Appendix B: List of Acronyms

ANDM	Amhara National Democratic Movement (now the Amhara Democratic Party, ADP)
EPRDF	Ethiopian People's Revolutionary Democratic Front
GERD	Grand Ethiopian Renaissance Dam
OLF	Oromo Liberation Front
OPDO	Oromo People's Democratic Organization (now the Oromo Democratic Party, OPD)
SEPDM	Southern Ethiopian People's Democratic Movement
TPLF	Tigray People's Liberation Front

Appendix C: About the International Crisis Group

The International Crisis Group (Crisis Group) is an independent, non-profit, non-governmental organisation, with some 120 staff members on five continents, working through field-based analysis and high-level advocacy to prevent and resolve deadly conflict.

Crisis Group's approach is grounded in field research. Teams of political analysts are located within or close by countries or regions at risk of outbreak, escalation or recurrence of violent conflict. Based on information and assessments from the field, it produces analytical reports containing practical recommendations targeted at key international, regional and national decision-takers. Crisis Group also publishes *CrisisWatch*, a monthly early-warning bulletin, providing a succinct regular update on the state of play in up to 70 situations of conflict or potential conflict around the world.

Crisis Group's reports are distributed widely by email and made available simultaneously on its website, www.crisisgroup.org. Crisis Group works closely with governments and those who influence them, including the media, to highlight its crisis analyses and to generate support for its policy prescriptions.

The Crisis Group Board of Trustees – which includes prominent figures from the fields of politics, diplomacy, business and the media – is directly involved in helping to bring the reports and recommendations to the attention of senior policymakers around the world. Crisis Group is chaired by former UN Deputy Secretary-General and Administrator of the United Nations Development Programme (UNDP), Lord (Mark) Malloch-Brown.

Crisis Group's President & CEO, Robert Malley, took up the post on 1 January 2018. Malley was formerly Crisis Group's Middle East and North Africa Program Director and most recently was a Special Assistant to former U.S. President Barack Obama as well as Senior Adviser to the President for the Counter-ISIL Campaign, and White House Coordinator for the Middle East, North Africa and the Gulf region. Previously, he served as President Bill Clinton's Special Assistant for Israeli-Palestinian Affairs.

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