



INTERNATIONAL CONFERENCE ON

**PROMOTING STABILITY AND DEVELOPMENT IN AFRICA:
FOSTERING COOPERATION BETWEEN PUBLIC AND PRIVATE SECTORS**

Turin, 1-2 December 2014

Draft paper on

**PROMOTING STABILITY AND DEVELOPMENT IN AFRICA: FOSTERING
COOPERATION BETWEEN PUBLIC AND PRIVATE SECTORS**

A Case Study of Ethiopia

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ACKNOWLEDGEMENT

We would like to thank the Institute for International Affairs (IAI) and the Foundation for European Progressive Studies (FEPS), National Democratic Institute (NDI) for the opportunity granted to us to work on this project and to colleagues who have reviewed and edited the draft version of this research.

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17 November 2014

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Abbreviations and acronyms

ADB	African Development Bank
Al-Shabaab	The Harakat Shabaab al-Mujahidin
ANDM	Amhara Nationalist Democratic Movement
AU	African Union
AUC	African Union Commission
COMESA	Common Market for Eastern and Southern Africa
EAC	East African Community
EDP	Ethiopian Democratic Party
EFFORT	Endowment Fund for the Rehabilitation of Tigray
EPRDF	Ethiopian Peoples' Revolutionary Democratic Front
EU	European Union
EIU	Economist Intelligence Unit
FANSPS	Foreign Affairs and National Security Policy and Strategy
FTA	Free Trade Agreement
GDP	Gross Domestic Product
Ginbot 7	Ginbot 7 (May 7 th) for Democracy and Justice
GTP	Growth and Transformation Plan
IDPs	Internally Displaced Persons
IGAD	Inter-Governmental Authority on Development
IMF	International Monetary Fund
Medrek (Forum)	Forum for Democratic Dialogue in Ethiopia
MDGs	Millennium Development Goals
MIDROC	Mohammed International Development Research and Organization Companies
MoFED	Ministry of Finance and Economic Development
NEBE	Electoral Board of Ethiopia
NEPAD	New Partnership for Africa's Development
NPSA	National Peace and Security Architecture
OLF	Oromo Liberation Front
ONLF	Ogaden Nationalist Liberation Front
OPDO	Oromo People Democratic Organization
PEGA	Political, Economic and Governance Analytical approach
PESTLE	Political, Economic, Social, Technological and Legal Environment
REC	Regional Economic Community
SEPDM	Southern Ethiopian People Democratic Movement
TPLF	Tigray People Liberation Front
TPDM	Tigray People Democratic Movement
UN	United Nations
UNDP	United Nations Development Programme
USD	United States Dollar

Introduction

In his most recent remarks during a meeting with Prime Minister Haile Mariam Desalegn of Ethiopia, President Barack Obama neatly pointed out the “enormous progress in a country that once had great difficulty feeding itself. It’s now not only leading the pack in terms of agricultural production in the region, but will soon be an exporter potentially not just of agriculture, but also power because of the development that’s been taking place there” (Obama, 2014). Referring to the various outlooks on Ethiopia economic performance as “one of the fastest growing economies in the world”, he dubbed Ethiopia as exemplary of the “bright spots and progress” in Africa (Obama, 2014). Recent promising mega trends in economic growth and relative stability in the region, coupled with an expected expansion of middle class and market fuelled by fast growing population has created a surge of interest in trade and opportunity for investment.

In an attempt to provide the political underpinnings of the economic policy in Ethiopia, the paper explains the idea of developmental State and its place in the ruling dominant party, the Ethiopian Peoples’ Revolutionary Democratic Front (EPRDF). With this background, the paper discusses four intertwined roles of the Ethiopian State at the national level and regionally: economic development, democratic governance, peace and security, and regional integration. It further describes and analyses the major drivers and actors in this regard. In assessing the Private Public Partnership (PPP), it discerns the role the public and private actors play in Ethiopian political and economic development. As a country where the public sector dominates the private sector, the paper discusses public investment-led economic development and its implications on Ethiopia’s regional integrative roles..

Furthermore, it assesses the relationship between the public and private spheres, and the role of the State and the private sector could have played and should play in fostering good governance and increasing security in the region. It also attempts to define what role international institutions and private actors could have vis-à-vis the State in fostering growth, better governance and increasing security in the region. It further discusses the challenges and opportunities of cooperation between State and regional institutions and private actors.

In this regard, the paper examines the place and space the private sector occupies in the Ethiopian political economy, and its role in the peace and security as well as regional integrative opportunities in the region. While it covers the state of peace and security in Ethiopia, it further discusses its basic components including the key peace and security issues and concerns, the internal and external threats to its stability, as well as the national efforts exerted to maximize the opportunities for

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stability and avert threats.

Aim and Scope of the Paper

With an ultimate objective of contributing to the project on *Promoting Stability and Development in Africa: fostering cooperation between public and private sector*, the paper summarises new and emerging developments in the economic sphere, governance issues and opportunities and threats in peace and security that Ethiopia is facing. The paper looks at the status of the Ethiopian National Governance Architecture (ENGA), the Peace and Security Architecture (NPSA) as well as the normative framework including the national legislative and policy, and the institutional framework of the Ethiopian economics. Ethiopia's cooperation, coordination, and collaboration with regional and international actors is highlighted. In addition, Ethiopia's role in peace and security in the IGAD and AU is explained. While assessing the progress made so far in the economic development, governance and peace and security, the paper identifies the gaps in legislative and policy framework of the ENGA, institutional standing and predictive, preventive, and responsive capacities of Ethiopian NPSA, and the critiques and threats to Ethiopian economic development.

Methodology

The research integrates well-known methods, including **PEGA** (Political, Economic and Governance Analytical approach) and the **PESTLE**(Political, Economic, Social, Technological and Legal Environment) scanning as the two main complementary analytical instruments to look at economics, governance, peace and security and issues of regional integration. PEGA focuses on the overall political economy and governance context including grievances and conflicts; PESTLE scans all aspects including normative, institutional and processes in governance, social, technological and legal situation analysis, particularly in relation to human security, vulnerabilities and capabilities of the Ethiopian State and society. The paper thus mainly relies on the following three methods:

- a. Desk research of literature and documents;
- b. Review of legislative, policy, strategic and programmatic documents;
- c. Visits to and interviews with more than 21 focal State and non-state actors.

INTRODUCTION: Ethiopia

Officially known as the Federal Democratic Republic of Ethiopia (FDRE), it is a member of the United Nations (UN), African Union (AU), Intergovernmental Authority on Development (IGAD), and COMESA. Most Ethiopia's regional interests are pursued through a multilateral setting and with the support of IGAD.

ECONOMIC DEVELOPMENT: *Extreme Poverty as Threat No. 1*

Ethiopia, with a population of more than 94.10 million (World Bank, 2013), is the second-most populous country in Africa. 57 percent of the population is below 20 years old (FDRE Census, 2010). With an average fertility rate of 3.8 children per woman, and an average annual rate of 2 percent population growth, (IFS, 2014) Ethiopia's population is expected to be 100 million by 2017 and 132 million by 2030 (IFS, 2014). One of the world's poorest countries (IFS, 2014). According to the World Bank in financial year 2013 (IFS, 2014). Ethiopia's per capita income is much lower than the Sub-Saharan African average of US\$1,624. 470 USD per capita incomes, Ethiopians earn 1154 USD less than their African brothers and sisters in the rest of Sub-Saharan countries. 17 percent (or USD 27) of their per capita income comes from international aid, making Ethiopia one of the highest recipients of international aid. In spite of this, the national poverty head count ratio at national poverty line has reduced from 45.5 percent in 1995 to 29.6 percent in 2011. This constitutes a 15 percent reduction in five years. With an annual increase 3 percent, in the past 15 year, Ethiopian improved by 45 percent in Human Development Index. Life expectancy at birth increased by 15.8 years, mean years of schooling increased by 0.7 years and expected year of schooling increased by 6.3 and GNI per capita increased by 102 percent.

While all the progress is commendable (World Bank, 2013), poverty is expected to remain above 50 percent until 2027(IFS, 2014). Consequently, poverty remains a formidable and the greatest internal challenge to Ethiopia's peace and development.

Recurrent Drought and Extreme Poverty

Predominantly an agrarian economy that employs 80 percent of its working population, Ethiopian agricultural exports account for 80 percent of its international trade. With 84 percent agrarian population employing 80 percent of the work force, agriculture contributes only 42 percent of the Gross Domestic Product (GDP)(State Department, 2013). Prone to erratic weather and climate change, rain-fed agriculture easily turn drought to famine when the government fails to intervene. Despite a significant achievement in 75 percent decrease in the number of people in need of food aid, Ethiopia remains one of the largest operation countries for the World Food Programme (WFP). The 2014 Humanitarian Requirement Document (HRD) released in January by the Government of Ethiopia and the humanitarian community, estimates that 2.7 million Ethiopians need food assistance in 2014 due to droughts and other short-term shocks.

With health service coverage of 25 percent of the rural population, 80 percent morbidity in Ethiopia is due to preventable communicable and nutritional diseases (Chaya, 2007). More than 90 percent of births in Ethiopia take place at home, only 30 percent of Ethiopian mothers receive maternity health services (Chaya, 2007). In the past ten years, life expectancy at birth improved from 55 to 63 years (World Bank, 2014). With a ratio of physicians to population standing at 3 per 100,000(Index Mundi, 2009), child mortality rate, under the age of 1 per 1000, is around 68(World Bank Report, 2014), Yet it remains one of the world's least developed countries, ranked 174 out of 187 in the 2011 United Nations Development Programme (UNDP), Human Development Index (HDI) and 70 out of 76 in the 2012 Global Hunger Index. The pro-poor developmental programmes have led to 10 percent reduction in population living under national poverty line in a decade, however, poverty is deep that still about 29 percent of the population lives below the national poverty line.¹⁶While primary school enrolment has recently reached 87 percent and is expected to be universal by the end of 2015(World Bank Report, 2014),the 2005 demography and health survey result (CSA,2005)showed that 52 percent of males and 67 percent of females have never attended school, and 32 percent of males and 25 percent of females have only some primary education. Only 8 percent of males and 5 percent of females have attended, but not completed secondary education. Only 3 percent of males and 2 or less percent of females have completed secondary school or higher. Gross primary school enrolment ratio was 55.1 percent in 2000 and to 97.8 percent in 2008(World Bank, 2014).

However, on the economic front, in recent years, Ethiopia has achieved remarkable progress. One of the ten fastest growing economies in the World Bank, 2013), Ethiopia has recorded double-digit growth rates for the entire decade in a row

making it Africa's fastest growing non-oil producer. Despite the deep worries regarding sustainability of the growth, various forecasts, including by international and regional development and financial institutions such as the World Bank and International Monetary Fund (IMF), have confirmed and hailed the “high” economic growth rate Ethiopia has registered (World Bank, 2013).

They further confirmed that Ethiopia’s growth will continue to be one of the fastest in the World. According to the World Bank data for 2013, Ethiopia had a GDP growth rate of 8.7percent in 2010(World Bank,2013).In the past seven years it has registered a 10.4 percent growth in 2013 alone and the total GDP has reached \$46.87 billion. With close to USD 47 billion GDP in 2013, Ethiopia’s economy is expected to be one of the top five economies in Africa very soon(World Bank,2013).It is also expected to continue to be in this list for the coming 40 years. This constitutes an average annual per capita income growth rate of 3.65percent. Ethiopia is also appreciated for its efforts in the United Nations Millennium Development Goals (MDGs) and has made great strides in terms of meeting its targets in health and education.

As per the 2014 estimations, Ethiopia is among the few countries in Africa that are likely to achieve the Millennium Development Goals(World Bank,2010),if not on schedule then soon after(CIA World Fact Book, 2014). Ethiopia has achieved tremendous result in pulling millions of its citizens out of severe poverty since the country began implementation of the integrated development plans in 2002.National poverty rate (World Bank, 2004), poverty head count ratio at national poverty line, percentage of total population was 29.9 in 2011, a sharp improvement from the 45.5 in 1996 and 44.2 in 2000(World Bank, 2014). Education is where the strongest improvements have been observed in Ethiopia recently. In 1994-95 approximately 3 million pupils were in primary school, but in 2008-09, the number increased to be 15.5 million – an increase of over 500 percent (Engel and Rose, 2010). The positive impacts of this growth, however, have been seriously diminished by the high inflation, which was more than 40 per cent in 2010 and 2011(IMF and IDA, 2011).Ethiopia’s predictive, preventive and responsive capabilities to famine has helped in the reduction of drought turning into famine and deaths of the biblical proportions Ethiopians have faced and the world has witnessed.

The Political Economy of Ethiopian: the 1970s Student Movement and its dominant political framework

An offshoot of the Student Movement of 1970sthat played an irreplaceable in the 1974 Ethiopian Revolution that toppled Emperor Haile Selassie, governance under

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the EPRDF-led government is ideological driven. The veteran leadership of EPRDF considers itself as a continuity of the 1970s Ethiopian Student Movement. Five vital characteristics of the Student Movement were 1) 'the question of nationalities' (a popular name for the 1960s struggle against ethno-linguistic domination in Ethiopia, famously referred to as 'Ye Biher Bihereseb Tiyaque' in Amharic language of Ethiopia), 2) the 'land question', (in Amharic known as 'Ye Meriyet Tiyaque' or 'Land to the Tiller' 'Meret La RASHU'), 3) the unquestioning support for Marxist-Leninist ideology, 4) extreme intolerance to any form of dissent, and 5) high commitment to public service (Mehari, 2004). When EPRDF seized the commanding heights of power in Ethiopia in 1991, despite the continued bitter debate between the different strands of the 1970s Student Movement the Federal Constitution stipulated the State ownership of the land and federalism as an institutional form for the protection, expression, and promotion of nationalities (Mehari, 2004). EPRDF Federal Constitution has been ruling the country for the past 23 years and is known for its strong support to Article 9 (sovereignty of ethno-cultural communities), Article 39 (the right to self-determination and secession), and Article 40 (collective ownership of land) of the Federal Constitution. Now, EPRDF as the only heir in power is almost synonymous with ethno-linguistic federalism, the right to secession and collective land ownership. Many of its supporters would not recognise EPRDF, if it was to change its political stance on these constitutional provisions. While certain on the need to dismantle the imperial and later on the military regimes of Ethiopia, EPRDF was less clear on the kind of political economy it planned to establish. The end of the Cold War forced EPRDF to abruptly abandon its long-held Marxist-Leninist ideology of State and society. EPRDF, albeit and to unofficially and perhaps also tactically embrace market-friendly governance in the early 1990s. Highly pragmatist in retaining and maintaining political power, EPRDF has gone through along-metamorphosis from Revolutionary Democracy to Democratic Developmental State. According to its stated goals, the ruling party aims at building a free market economy whereby rapid economic growth is guaranteed, the people are genuine beneficiaries of growth and development and the share and position of the country in the global economy is improved to ensure the country's economic independence. An ideology called Revolutionary Democracy mixes priority for the rights of cultural communities, a federal arrangement based on these groups' rights, State ownership of land and a public sector led economy mainly reflecting Article 39 and Article 40 of the Federal Constitution.

Developmental Political Party: towards UNDP-like State?

Convinced that the Federal Constitution has addressed long-standing political questions of the 1970s Student Movement, the EPRDF chose to focus on poverty eradication as its primary mission and looked to the east for inspiration on

developmental service delivery,. China and South Korea in particular provided the inspirational blue print on which EPRDF based its economic model albeit with some adjustments to reflect Ethiopia's historical, cultural and other national peculiarities. With some authoritarian or Marxist leaning dominants parties at some time in their history, these are countries with a highly dominant ethnic community and less heterogeneous in diversity than Ethiopia has. Ethiopia looks more like India with its large diverse population, economically emerging democratic State ruled sometimes for long time under the Congress Party.

In general, developmental States emphasize the delivery of public services over democracy of political space. Encroaching into the space of the private sector in market economy, the developmental State, as conceptualized by EPRDF, not only provides the legislative, regulatory and enforcement mechanisms within which the market operates, but determines also the end state, and defines the direction of the political economy, and transitionally providing a lead for all public and private actors engaged in economic activities. Accordingly, state not only monopolizes the means and use of violence, norm setting mandates, regulatory and enforcement powers, but also the economic space of the country. Thus, EPRDF's developmental state reverses the traditional capitalist conception of the respective roles of the public and private sector in the economy. In a market economy the state intervenes to correct market failure. In the developmental Ethiopian state, while the state invests, the private sector intervenes to complement the public investment and economic actions of the state. In a nutshell, the private sector fills the 'state gaps' in the economy. Developmental state dominates the economy, whereas the private sector plays a supportive role.

Rooted in the 1970s Student Movement, some political coalitions such as the opposition Forum for Federal Dialogue (commonly referred as MEDREK in Amharic) share a similar ideological outlook with the ruling party. Other opposition parties led by political who are members of a new generation such as Ethiopians Democratic Party (EDP), Unity for Democracy and Justice (UDJ), and Blue Party embrace a more liberal democracy and capitalist economy ideology, and they significantly differ in their positions from those with roots in the '70s Student Movement. They prioritise individual rights, land private ownership and market-led economy. The intense political debate on the recent large size land-leasing and land-grabbing highlights the longstanding political divide on land ownership and its implications for political and economic power in the country (IRIN, 2011). For EPRDF, the State ownership of land and the emphasis on group rights are logically culmination of the 'national questions' of the Student Movement and armed struggle that followed. Through enabling State ownership of the land and adopting a federal system, EPRDF believes that it has fulfilled the core demands of the Student Movement. It believes that peace and economic development of Ethiopia could only be achieved through federal arrangements and protection of the overwhelming

agrarian population from displacement due to dispossession of its land. For the opposition political parties, EPRDF's land and federal policy are a means to maintain power by controlling land--the vital means of economic activity for the overwhelming majority of Ethiopian agrarian community.

On some of the critical aspects of political and economic governance such as federalism, employment and infrastructural development, it is hard to discern distinctive visions between opposition and ruling party except for some differences related to implementation. However, a major difference is represented by the decision of EPRDF to support the secession of Eritrea, opposed by all opposition parties and that has resulted in Ethiopia becoming landlocked.. Despite some minor difference on the means, they all believe Ethiopia has the right to have access to the sea and declare that they will struggle towards this end.

Ethiopia: PPP in a Developmental State

In developmental state of Ethiopia, while the state runs and invests in the public sector, the private sector intervenes. With an ultimate aim of making Ethiopia a Birr 1.7 trillion (USD 85 billion) economy and sustain the accelerated economic growth, in 2010, the Government of Ethiopia launched its Growth and Transformation Plan (widely known as GTP) phase one in 2010- with an objective of maintaining at least an average real GDP growth rate of 11percentper annum and meet the Millennium Development Goals. The government of Ethiopia has declared that the economy has reached Birr 1.5 trillion (USD 70 bln). It focuses on the transformation through massive expansion of the economy and to scale up of existing programmes in education, health, and infrastructure and governance social sectors. When it comes to PPP, there is huge gap between the policy and practice. GTP calls for private sector led economic growth through: (1) support for development of large scale commercial agriculture, (2) creation of favourable conditions and extension of incentives for export oriented and import substituting industries, particularly the sugar, textile and cement industries, and (3) enhancing expansion and quality of infrastructural development including, among others, road networks, rain way lines, electricity supply and telecommunication (MoFED, 2010). In practice, the public sector dominates the economic spaces.

Four sets of actors play a role in the Ethiopian economy: the state public sector, the informal sector including the smallholders, which constitutes 42 percent of the GDP, the Foreign Directed Investment (private firms, public enterprises and Sovereign Funds), and the domestic private sector. Public investment provides the foundation for the soft and hard infrastructure for the economic development of the country. The government not only invests on basic public services such as roads, railway,

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energy, water, but also on industries it calls 'strategic' for the development and stability of the country including information and communication, finance and banking, transportation, steel and metal engineering, sugar production etc. The government runs most public and some of the vital traditionally privately run industries (MoFED, 2010). Moreover, the four EPRDF member parties (*EPRDF is a coalition of four ethnic based parties which represents the majority of the population*) and some of the regional States have business established as endowments but are run by the member parties of the EPRDF.

In addition to the massive State investment, the Ministry of National Defense runs the Military Industry's business called Metals and Engineering Corporation initially worth of USD 500 million which manages large projects of the public sector. The ruling party affiliated enterprises such as Endowment Fund for Rehabilitation of Tigray (EFFORT) of the Tigrayan People Liberation Front (TPLF), Biftu Dinsho of the Oromo People Democratic Organization (OPDO), Wondo of the Southern Ethiopia People Democratic Movement (SEPDM) and Tiret of the Amhara Nationalist Democratic Movement (ANDM) as well as Mohammed International Development Research and Organization Companies (MIDROC) comprising 41 companies owned by the Ethio-Saudi tycoon Sheikh Mohammed Hussein Al Amoudi (worth of USD 12 billion) constitute the largest share of the domestic private sectors. Established in 1987, EFFORT, an EFFORT, is one of the biggest conglomerates in the country with an estimated capital of two billion Birr. The EFFORT is currently involved in six major sectors namely manufacturing, service, merchandize, construction, mining and agriculture (EFFORT, 2014). Some of the endowment established in the name of the public but run by political parties, and some very big private ownership like the MIDROC, are huge both in size and impact on the economy.

Fombad Madeleine defines Public-Private Partnership (PPP) as "working arrangements based on a mutual commitment (over and above that implied in any contract) between a public sector organization with any organization outside of the public sector"(Madeleine, 2013). Kwame Asubonteng similarly defines PPP as an "arrangement between a public body and a private party or parties (including community beneficiaries) for the purpose of designing, financing, building and operating an infrastructure facility that would normally be provided by the public sector. In other words, PPP is a contractual agreement between a governmental organization and a private party whereby the latter performs whole or certain parts of the government organization's service delivery, infrastructure provision or administrative function, and assumes the associated risks. In return, the private party receives a fee, which may take the form of user charges or direct payments from the government in accordance with the pre-defined performance criteria" (Asubonteng, 2011). In relation to accountability, Nutavoot Pongsiri states "a public-

private partnership can be seen as an appropriate institutional means of dealing with particular sources of market failure by creating a perception of equity and mutual accountability in transactions between public and private organizations through co-operative behaviour. The relative merit of the idea of public-private partnership is oriented mainly around a mutual benefit” (Pongsiri, 2002).

In terms of institutional framework, probably the only private sector led institution that established to promote PPP is the Ethiopian Public Private Consultative Forum (EPPCF) organized under Addis Ababa Chamber of Commerce and Sectoral Association (AACSA). A young, yet vibrant institution solely dedicated for PPP, supported by the government, the private sector and international financial governance institutions, it provides a platform for dialogue and improvement of the PPP in Ethiopia (EPPCF, 2014). So far, EPPCF has conducted nine dialogues including its annual flagship, the National Business Conference (NBC). Chaired by the Prime Minister of Ethiopia, the NBCs have led to a number of reforms including on customs procedures, removing cumbersome company registration procedures, improvement in business licensing and registration processes, and the establishment of a new Tourism Council (EPPCF, 2014).

GOVERNANCE AND DEMOCRATIZATION: Mixed Performance

Federal Policy: Addressing National Civil War, More Localized Conflicts

Ethiopia was home of more than a dozen ethnic based secessionist groups in the early 1990s when the ruling Ethiopian People Revolutionary Democratic Front (EPRDF) took control of Addis Ababa. With more than 85 ethnic communities with different languages or dialects that make up its 94 million inhabitants, Ethiopia is the second most-populous and diverse African country after Nigeria. At present the country has nine regional States demarcated mainly along language lines and two cities (Addis Ababa and the Dire-Dawa) under the federal administrations. Yet Ethiopia has religious diversity as well: Christianity and Islam are the largest religions, and traditional faiths, Judaism and a number of other religions are also practiced. In little more than 50 years, Ethiopia has undergone transitions from absolute monarchy to socialist dictatorship to dominant party democracy, while having to cope with several famines and wars. From the fourth century A.D. to 1974, Ethiopia was ruled as a Christian monarchy. When the last emperor, Haile Selassie I, was overthrown in 1974, a Marxist-Leninist military group, the Derg, led by Colonel Mengistu Haile Mariam, set up a single-party communist State. Ethiopian Peoples' Revolutionary Democratic Front (EPRDF) overthrew this regime in 1991 when a new federal charter and then constitution was adopted. As non-ideal as it is, in 1995

ethnic federalism was seen as the best peaceful constitutional instrument to hold the country together..(Mehari, 2010).

Any constitutional institution as a politico-legal and social constructs has 'to reflect the history and culture of the society, its level of economic development and social structure, ethno-linguistic composition, and most importantly the goal of its leaders' (Samuel, 1993). And it has to be noted that 'political parties reflect the principal social identities and cleavages within society. In Ethiopia the principal cleavage appears to be ethno-linguistic [...] and regional [cleavages]' (Samuel, 1993). Given this division and the ethno-linguistic heterogeneity of Ethiopia, majoritarian democracy would have furthered ethno-linguistic domination and disintegration because the majority (majority by power but not necessarily by number) ethno-linguistic group would remain in power permanently and the minorities will be in opposition or at the benign concessions of power from those in power.

Consociational democracy, where ethno-linguistic communities would be meaningfully represented in all government institutions, was one of the options considered by the drafters of the Federal Constitution. The Federal Constitution is a constitution under which ethno-cultural communities are first, the ultimate sovereign entities where constitutional power of both federal and regional states rest. They are, second, constitutionally entitled to establish regional state or their own state independent from Ethiopia. Ethiopian federal system is intended to serve as tool to contain disintegrative forces and to create a balance between forces of unity and diversity. It was adopted to address concerns of the forces of diversity and to avert the secession inclinations. To address this question, Article 39 of the Federal Constitution stipulates that every ethno-cultural community has its own regional State and territory. Accordingly, there are nine regional States.

The Ethiopian federal system is the object of criticism from opposing points of view. Some characterize it as pro-secession, whilst others portray it as detrimental to the self determination of ethno-linguistic communities, with the intention of continuing the hegemonic domination that prevailed for a long time in Ethiopia. Some Ethiopian scholars such as Ali Said (1998) argue that more devolution of the economy, as in the area of political power, is necessary if Ethiopia is to remain peaceful. I

The first line of criticism opposes ethno-linguistic federalism and the Federal Constitution; the latter demands a full implementation. What is particular to Ethiopian federalism is that the right to self-determination up to secession may prevent the central government from tyrannical inclinations and discriminatory treatment of ethno-cultural communities.

Some scholars, for example Gamest and institutions such as the International Crisis Group, have commented that the adoption of Ethiopian federalism was a 'fundamental error' because it is based on ethnicity and will 'deeply imprint' ethno-linguistic identity(Mehari,2004). In Ethiopia, such identities were already deeply imprinted before the adoption of ethno-linguistic federalism in 1994 as a result of historical patterns of domination. Politicization of ethno-linguistic groups or ethnicization of Ethiopian politics has not been instigated by the promulgation of the Federal Constitution; it is an outcome of a long political history. What is new is that ethnically based political mobilization and power sharing are now constitutionally legitimized(Mehari,2004).It should be duly noted that liberation fronts mobilized on the basis of ethnicity were the major forces behind the change of the Derg and the framers of the Federal Constitution(Mehari,2006). In short, Ethiopian ethno-linguistic federalism is a response to the 'unfavourable conditions' to establish a unitary system. A reversal of constitutional rights of ethno-linguistic communities by either the central or local government would come at a high political cost.

Ethiopia under international indexes

Indicating the grave challenges in the political front, under the Mo Ibrahim's Index of African Governance report 2010, Ethiopia ranks 35th of the 53 countries in the continent with a score of 44 out of 100; the top score being 83 for Mauritius and the least being 29 for Chad. In 2014, Ethiopia ranks 32ndof the 53 countries in the continent with a score of 48.5 out of 100; the top score being 81.7 for Mauritius and the least being 8.6 for Somalia.Ethiopia registered 2.1 points overall improvement in governance during the past five years. It has also progressed up by two levels in the ranking from 35th to 32nd. However, compared to significant others, the overall governance in Ethiopia is 3 points lower than average point at 48.5.In safety and rule of law, Ethiopia is still 1.7 points below the average 51.7 points, but it is the only country that has improved by 4.2 point in the past five years. Only in sustainable economic opportunity Ethiopia scores 5 points more than the average African score. It, nevertheless, was down by 1.4 points in the past five years. As a developmental State, if this decrease in score continues, it would mean grave weakness EPRDF's main source of legitimacy which is delivery of sustainable economic opportunity. However, Ethiopia fares even better than South Korea and the US in the Economic Intelligence Unit (EIU) index for political instability (EIU, 2009).

According to the 2009 EIU Report, Ethiopia is in 116th with 5.1 index score, achieving better than France, Spain and Brazil (EIU, 2009).Indicative of the democracy deficit Ethiopia faces, political participation and human rights protection

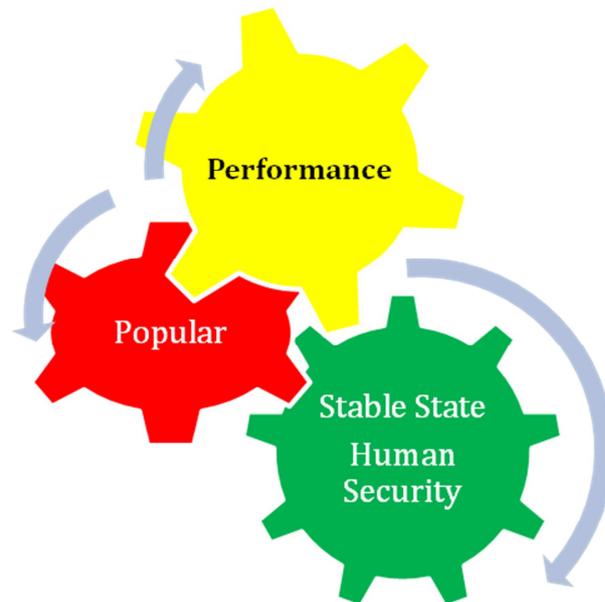
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is 13.2 points lower than the average point of African countries. In the past five years, overall performance in participation and human rights protection has deteriorated by 0.2 points. This does not consider actually the low level of political competition in the country since the 2005 elections.

The methodology and definition of democratic governance and State fragility varies from institutions to institutions based on their mission and core functions and through which prism they would like to see countries including The (World Bank (2013), the National Democratic Institute (NDI, 2013), and the Global Policy Forum (2014), Economic Intelligence Unit (2009), and Foreign Policy Magazine (2014).

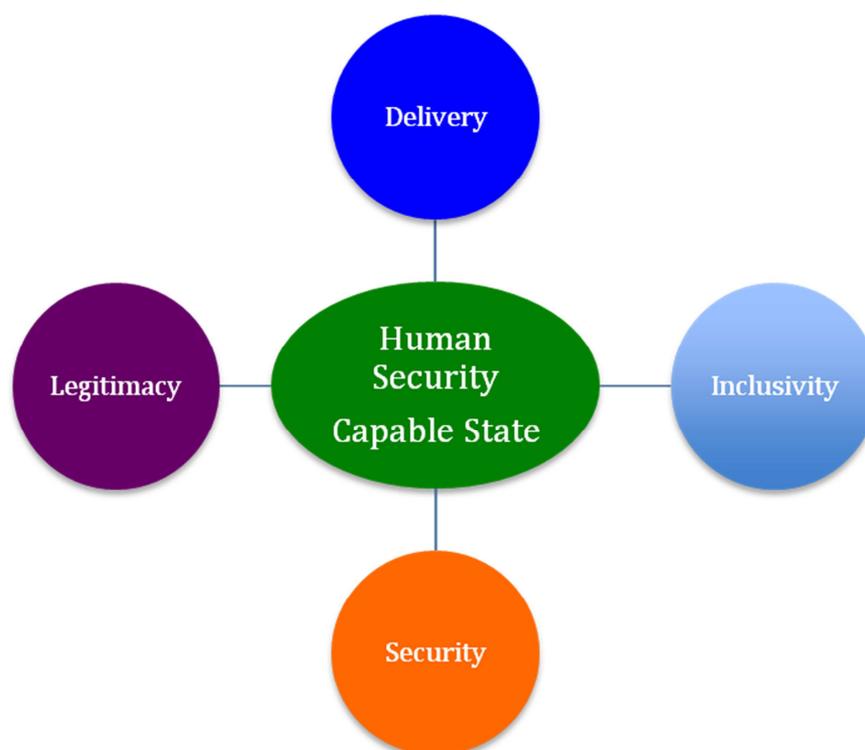
Common factors to all these indexes on democratic governance and fragility are the following six: 1) instability and violent conflicts, 2) extreme poverty, 3) weak and irresponsible governance, 4) exclusive development, 5) group-based grievances, and 6) highly fragmented political, military and economic elite. While Ethiopia has significantly improved in its political stability and reduced most of the national level conflicts, it has many localized violent conflicts. Competitive elections have not been used yet to promote changes in power, succession of leadership within the ruling party EPRDF has been conducted peacefully with the passing of the late Prime Minister Meles Zenawi.

The government's peace and security agencies and regulatory and enforcement institutions are relatively strong and effective. They have high responsive and adaptive capacities, with limited preventive capabilities. They gravely lack predictive capabilities. The recent increases in revenue collection capacity and actual collection, radical devolution of power to districts and extensive civil service reform programme have yielded some results albeit serious gaps still looming large. As discussed above, Ethiopia has done well in reducing extreme poverty. While income inequality has surged recently and could be a cause for social unrest, Ethiopia is the third least unequal country in Africa. Moreover, its pro-poor development policy including safety-net, agricultural and health extension programmes as well as small enterprises have been appreciated by the UN agencies and other global institutions. The developmental State of Ethiopia aims at becoming UNDP-like service delivery government. A by-product of this delivery focused politics has undermined and deflated the focus needed on legitimate and democratic governance, and in particular the need for political contestation on political vision. For a government banking its legitimacy on performance, the potential for widespread 'delivery protests' is high when government for some reason fails to meet the demand for the quality and quantity delivery.



Source: Mehari 2011

Despite improvements in governance effectiveness and minority rights, addressing major sources of conflicts in previous regimes, the political space is characterized by the fear of politics and a politics of fear. Challenges related to human rights, political competition, legitimate exercise of power and responsiveness of governance present clear danger to Ethiopia's peace and development. A stable State capable of ensuring the human security of its population needs not only to deliver basic services to its citizens but also inclusivity in the distribution of services. Despite the contribution of delivery to the 'performance legitimacy' a state may enjoy, nevertheless, State power has attained and maintained through 'popular legitimacy' of some form. Deficient in popular legitimacy, Ethiopian developmental State banks on delivery capability for its performance legitimacy. Durable as it may be, in the long-term delivery and democracy needs to be calibrated based on growing middle class and popular demands.



Source: Mehari 2011

Elections in Ethiopia: the democracy deficit

Since the end of the military rule of Dergue in 1991, Ethiopia has conducted six nation-wide elections. Composed of political and liberation movements that toppled the Dergue, the Transitional Government of Ethiopia was established in 1991. In May 1992 elections of national, regional and *Woreda* (district) levels council members were held. The Constitutional Assembly that adopted the Constitution of the Federal Democratic Republic of Ethiopia (Federal Constitution) was elected in May 1994. Under the Federal Constitution four multiparty elections were conducted in 1995, 2000, 2005 and 2010. Considered as the most competitive, the 2005 election led to disputes of result and to violence.

Year	No. Voters Registered	No. Votes Cast	No. Contending Parties	No. Political Parties that won seats
1995	21,337,379	19,986,179	57	43
2000	21,834,806	19,607,861	49	42
2005	27,372,888	22,610,690	35	29
2010	31,926,520	29,832,190	63	6

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Source: NEBE

Since then several discussions have taken place on the need to carry out significant reform of the National Electoral Board of Ethiopia (NEBE). Consequently, the House of Peoples' Representatives (the House) and NEBE have carried out several legislative, policy and institutional reforms of the NEBE including Business Process Re-engineering. As part of these reforms, in 2007, the Amendment to the Electoral Laws of Ethiopia was followed by the new appointments of the Board members and the Chief Executive and Deputy Chief Executives of the Secretariat of the NEBE. As local elections, including in Addis Ababa and Dire Dawa, were conducted in 2013, the 2015 election will elect for the first time exclusively representatives to the House and Regional Councils.

Common Complaints in Ethiopian Elections

Election related complaints in Ethiopia are pervasive (NEBE, 2002). The complaints include detention or physical attacks against candidates and supporters of a particular party or candidate. Accusations and complaints of intimidation and harassment among factions of a political party or between political parties are also rampant. Other complaints concern delays and denial of issuance of election related documents such as candidate ID cards and voter's cards, termination of work contracts of public servants nominated as candidates, confiscation of property of a candidate, stamp and symbol related complaints within parties or by parties against candidates. NEBE and some of its officials are also accused of partiality or membership to political parties, lack of transparency in the selections of public observers and delay in responses to grievances. NEBE, in its Post-Election Report of 2011 (Mehari, 2014) has also identified the major shortcomings and challenges it faces. Some relate to accessibility and security of polling stations, partisanship manifested by some election officials and public observers, inadequacies related to women participation, limitations in the election officials in understanding the election laws, limited accessibility of branch NEBE offices, financial constraints faced by contending parties and disbursement delays by election officials, and limitations in the recruitment and vetting process of election officials.

From 2010 General Elections and Projects for 2015: *The figures and facts*

Population:	79.4 million
Projected in 2015:	96.2 million (CSA,2007)
Estimated eligible voters:	38 million
Projected eligible voters:	47 million
No of registered:	31,926,520

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(84percent of the estimated eligible voters)	
Voters turn out:	29,832,190
(93.4percent of the registered)	
Seats in the House:	547
No. of party candidates for the House:	2,188 (12.4percent) female
Seats in the Regional Councils:	1904
No. of party candidates for Councils:	4,746(15.3percent female)
No. Independent candidates:	45 (6.6 percent female)
Total no of political parties:	76
Total no of candidates:	6,979
No of polling stations:	45,000
No of electoral officers:	225,000
No of public observers:	225,000
CSOs (mainly mass based organizations) observers: 41,000 from 16 CSOs	
EU Observers	170
AU Observers	59
Total allocated fund:	USD 13 million (Birr 227,000,000)

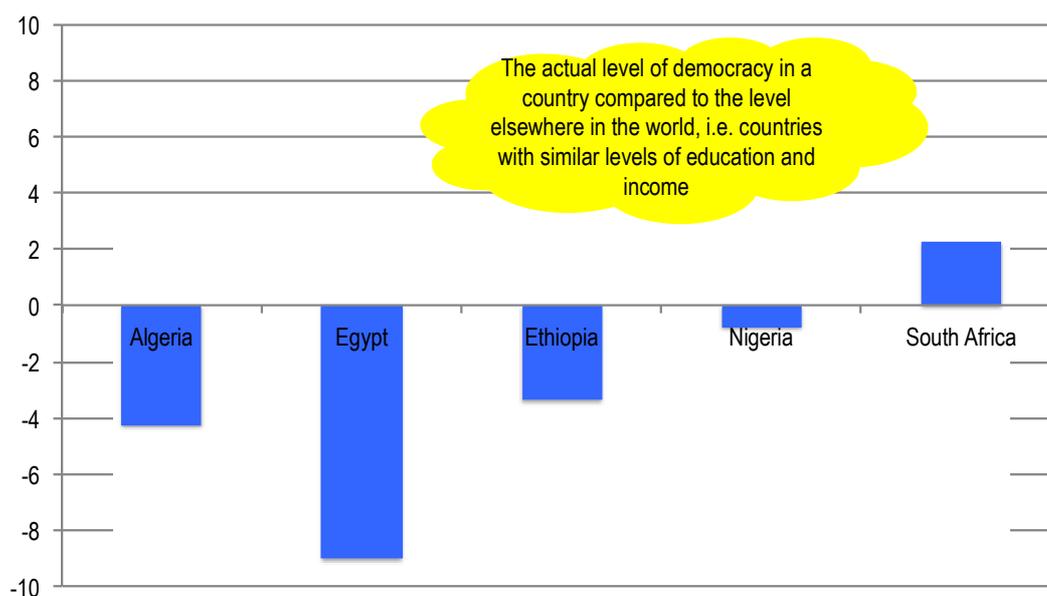
Source: NEBE

Ethiopia's political situation has evolved since the political crisis that followed the 2005 elections. The Ethiopian Parliament passed three widely criticized laws to regulate civil society organizations (CSOs), the press and to counter terrorism. While many CSOs had long argued for a new and coherent framework, the new law is restrictive in demarcating areas of operations for different types of CSOs (for example by excluding those receiving more than 10percent of funding from external sources from many areas of activity). The government and the Development Assistance Group (DAG), comprising bilateral and multilateral donors, have agreed that the implementation of the CSO law will be reviewed regularly through their joint High-Level Forum structure. The national elections under a multi-party political system that were held in May 2010 and the local election of April 2008 were generally peaceful but uncompetitive. The ruling EPRDF emerged with all but two seats in the House of Parliament, which narrowed the space for political opposition (CSA, 2007). The next national elections are due in May 2015. IGAD, applying its recent norms on elections, need to help Ethiopia ensure that the

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election is peaceful, free, fair and competitive.

DEMOCRATIC DEFICIT IN THE 'BIG FIVE'



Source: Polity IV forecast in IFs v 7.08

50

Source: Africa Futures, ISS

Ethiopia in the IGAD region: the only and the most trusted pacifying factor?

Compared to the other IGAD member States, Ethiopia is not only doing well but it remains the fulcrum upon which the peace and security of the region depends. Three of Ethiopia's neighbouring countries are among the top five failed States in Foreign Policy magazine index for the year 2013 (Foreign Policy, 2013). Ethiopia's eastern neighbour, Somalia has been declared as a failed State since the beginning of 1990s. Its western neighbour, the world's newest nation, South Sudan has also been gripped by deeper political quagmire since the end of 2013 and sadly many fears it may follow Somalia's footsteps in the near future, unless the current IGAD-led mediation saves it. Somalia stood 1st with 113.9 index score and Sudan and South Sudan are in third and fourth with 111 and 110.6 points respectively (Foreign Policy, 2013). Similarly, according to the Fund for Peace 2014, South Sudan stood first followed by Somalia by 112.9 and 112.6 index points respectively (Fund for Peace, 2014). In this list, Sudan stands in fifth with 110.1 points. Sliding fast into

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fragmentation, a patch of peace agreements and sporadic failed coalition governments governs Sudan. Its north neighbour and former province, Eritrea has been reduced into 'garrison State' ruled by perpetual fear mongering paranoid State(Fund for Peace, 2014).Ethiopia is ranked 19th in this list with 98.9 point(Fund for Peace, 2014).

PEACE AND SECURITY: Main factors for insecurity and instability

In this section we assess the main factors of instability and insecurity in Ethiopia.

External Threats:

Terrorism and Violent Extremism: Al Shabaab and beyond

Ethiopia has always been facing serious external insecurity and instability challenges. The spillover effects of several conflicts in the Horn Africa region and neighbouring States have negatively impacted the nation. External threats include terrorism, extremism, ethnic violence and droughts. Particularly relevant is the threat posed by the Somali extremist group Al Shabaab.

In recent years while losing most of its territory and leadership, The Harakat Shabaab al-Mujahidin—commonly known as Al Shabaab succeeded to widen its scope across Somalia. The group has also conducted repeated attacks in Kenya, Uganda, and in Djibouti. Since October 2011, Ethiopia and Kenya conducted joint military operations in Somalia and officially contributed troops to the AMISOM (AMISOM, 2014).Thanks to the efficiency and effectiveness of the Ethiopian security forces, the group has not been able to inflict any damage to the country, but the threat of terrorist attacks within Ethiopia and to its interests remains persistent.

Eritrea and Its Nation Building Process based on Animosity and Exploitation of Neighbours

Eritrea, despite its degenerated military, economic and diplomatic capabilities, remains a threat until a change of behaviour or regime occurs in Asmara. The animosity erupted after a bloody border war between the two countries from 1998 to2000, led the two countries to remain their troops standstill even after the verdict has passed on the disputed border territories. In fact Eritrea, which has been declining in military, economy and diplomacy on the face of its 'arch enemy' Ethiopia, left with no choice than engaging in a proxy war by aligning with all sorts of Ethiopia's enemies. Currently, Asmara is the home for strange mix of armed forces aiming at toppling EPRDF-led Ethiopian government. Eritrea hosts, training and supports "unitarist" armed groups such as Ginbot 7, Ethiopian People Patriotic

Front, who strategically are opposed to Eritrean independence from Ethiopia, while at the same time it extends similar support to ethnic based secessionist groups including Oromo Liberation Front (OLF), Ogaden Nationalist Liberation Front (ONLF), Afar People Liberation Front (APLF) and Tigray People Democratic Movement (TPDM)(UN-PSC, 2009).

As extension of its border war, Eritrea supported radical groups such as Union of Islamic Courts (UIC) and Al Shabaab in Somalia since 1998. However, the tactical alliance the regime in Asmara has tried to build is crumbling fast and Eritrea paid dearly. The United Nations Security Council so far passed two sanctions against Eritrea and Al Shabaab. The United Nations Security Council Resolution 1907, adopted on December 23, 2009, imposed an arms embargo on Eritrea, travel bans on its leaders, and froze the assets of some of the country's political and military officials after accusing the Eritrean government of aiding AlShabaab in Somalia and reportedly refusing to withdraw troops from its disputed border with Djibouti, following a conflict in 2008(UN-PSC, 2009). The UNSC again in December 2011 placed additional sanctions on Eritrea for continuing to provide support to armed groups seeking to destabilize Somalia and other parts of the Horn of Africa, building on the arms and travel embargoes it imposed exactly two years ago(UN-News, 2011).The UNSC has also condemned the alleged terrorist attack planned by Eritrea on January 2011 to disrupt the AU summit in Addis Ababa. A testament on surge in Ethiopia's capability to make effective to use of multilateral diplomatic platforms the sanctions were imposed by UNSC initiation by IGAD and endorsement by the AU (Mehari, 2014). With highly weakened military and an ill leader, Eritrea's will and capacity for war with Ethiopia has been muted.

Internal Threats:

Insurgency

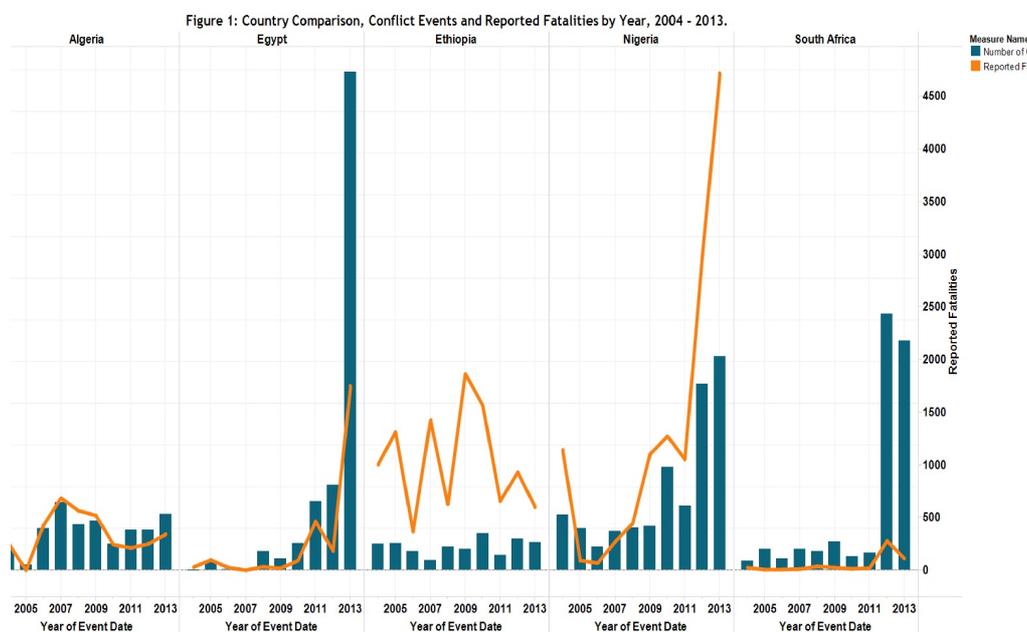
Ethiopia suffers from several conflicts at local level due to a combination of factors. An analysis of violent conflicts in different States of Ethiopia indicates that many conflicting parties are involved and are related with an intricate set of historical, religious, cultural, political and economic issues (Mehari, 2009). This makes peaceful resolution very hard to achieve.

A major negative and perhaps unintended consequence of ethno-linguistic federalism is that though it provides an effective antidote to tenacious conflicts rooted in ethno-linguistic identity at national level, it aggravates existing and spawns new, and perhaps no less difficult, conflicts. In some cases Ethiopian ethno-linguistic federalism has aggravated existing traditional problems such as ethno-

linguistic domination of minorities within regional states and ethnic conflict for grazing land and water. Ethno-linguistic based federalism may also cause new kind of conflicts because borders and legitimate power sharing are based on ‘politics of number’ (Mehari, 2014). Claims and rights are to some degree ethnicized (Mehari, 2014).

Conflicts over control by ethno-linguistic communities, especially pastoralists, of resources such as arable and grazing lands, rivers and other natural domains have always existed but with the legally sanctioned ethno-linguistic borders they have been aggravated alongside legal contestations. The second negative consequence of ethno-linguistic federalism has to do with violations of minorities’ rights and individual freedoms enjoyed in ethnically based administrative units. The federal arrangement has been also in addressing and defusing some of the secessionist and irredentist movements. In its 2013 report entitled ‘Ethiopia: Prospects for Peace in Ogaden’ the International Crisis Group has stated “an intense five-year, relatively successful government counter-insurgency campaign – have exhausted the local Ethiopian-Somali population sufficiently to push the ONLF back to the table”(ICG, 2013).

Conflict and Reported Fatalities in the Big 5



Source: Africa Futures, ISS

ETHIOPIA'S REGIONAL DIPLOMATIC AND INTEGRATIVE ROLE: Stability, Peace and Development

Ethiopia is considered an anchor country because it not only significantly improved its stability, registered promising economic development and built strong relations with neighbouring country, but also has become pivotal for the regional peace and security. The fact that Ethiopia has transformed from being a source of regional instability and famine to a force of peace and integration is by itself a considerable achievement. After thousands of years as an independent African country, Ethiopia has a long diplomatic history and rich experience in foreign relations (Smidt and Abreham).

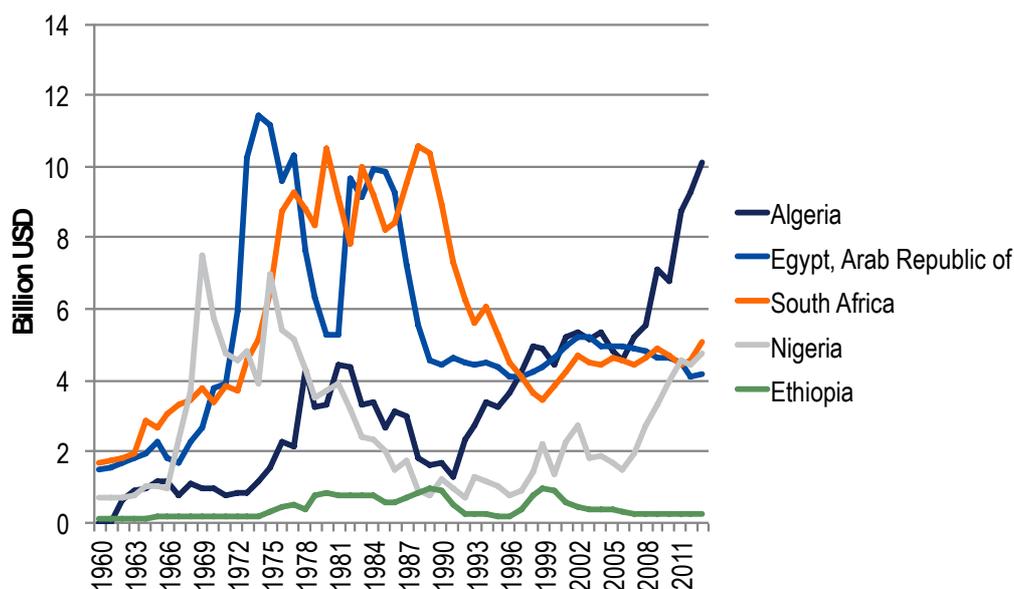
While the regimes of Emperor Haile Selassie and Colonel Mengistu were outward looking in perspective, the current regime, first under Meles Zenawi and now under Haile Mariam Desalegne, is extremely inward looking. Colonel Mengistu's military regime externalized almost all the country's problems by focusing on, and building military defense capabilities against, the 'historical external enemies of Ethiopia' (Amare, 1989). Partially attributable to the Cold War, socialist ideology and protracted civil war under Colonel Mengistu, Ethiopia enjoyed much less trust and influence in Africa and elsewhere. For a long time, Ethiopia's main focus has been to address external threats and collaborate with regional and global actors for collective security. Rooted in its ideological thoughts about the root-causes of Ethiopia's internal troubles and possible solutions, the EPRDF-led government of the FDRE regarded regional diplomacy as a platform for solving regional challenges that affected Ethiopia's internal governance and development problems. However, the government regards economic development, stability and democratic governance as the country's domestic and national priorities (Amare, 1989). The FANSPS rightly and explicitly underscores that foreign policy is subservient to Ethiopia's internal policies.

While defense expenditure has drastically decreased, in terms of troop strength and equipment, Ethiopia's armed forces are ranked first in Sub-Saharan Africa, third (after Egypt and Algeria) in Africa and fortieth in the world. (Global Firepower, 2014). Ethiopia's military strength and role in regional peace and security, including its excellent track record in peacekeeping, counter-terrorism and mediation, creates demands for long-term partnerships and alliances in the region and beyond. As President Obama confirmed, "[...] in discussions with Ban Ki-moon yesterday, we discussed how critical it is for us to improve our effectiveness when it comes to peacekeeping and conflict resolution. And it turns out that Ethiopia may be one of the best in the world -- one of the largest contributors of peacekeeping; one of the most effective fighting forces when it comes to being placed in some very difficult

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situations and helping to resolve conflicts”(Obama, B. Remarks, 2014). Since the establishment of the UN, Ethiopia has successfully participated in more than ten peacekeeping missions at continental and global level.

MILITARY SPENDING (ESTIMATED)



42

Source: Africa Futures, ISS

Currently, Ethiopia's troop contribution to peace support operations totals 12,247 troops (4,395 troops in the AU Mission in Somalia (AMISOM, 2014), and 7,852 in UN Missions) in Africa, making it the largest troop-contributing nation in the world. With 4,250 Ethiopian troops, unlike most peacekeeping missions UNISFA is entirely composed of Ethiopian troops. The Force Commanders of UNISFA and UNMISS have been Ethiopian Generals (Sudan Tribune, 2014). It is also the third largest contributor to UN Peacekeeping missions in Darfur - UNAMID (2,561 troops), Abyei-UNISFA (4,011 troops), South Sudan-UNMISS (1,265 troops), UNMIL (11 troops) and UNOCI (2 troops) - (UN, 2014).

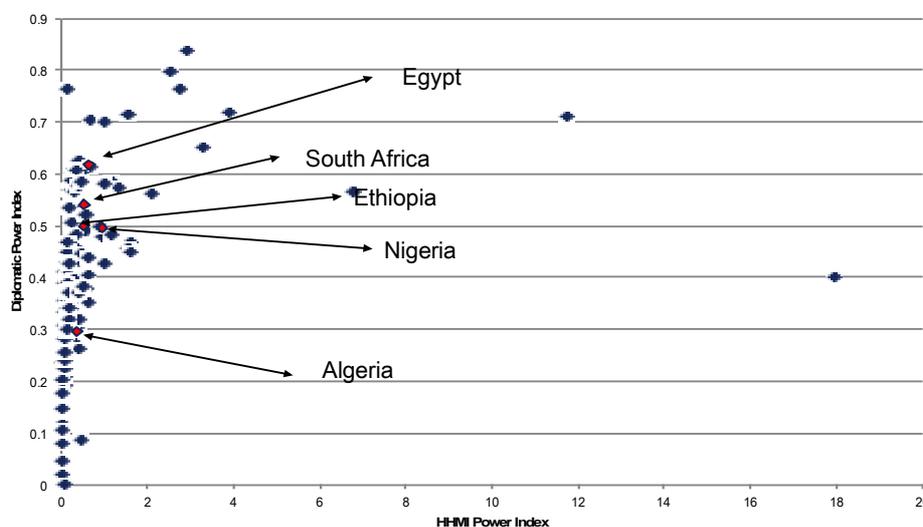
Leadership in Multilateral Diplomacy

Since 2008, Ethiopia has been the chair of IGAD. Under Ethiopia's late Prime Minister, Ethiopia chaired NEPAD for almost eight years, and has represented Africa in the G7, G20 and World Climate Change Summit. As one of the leading founders and main architects of the Organization of African Unity (OAU), Ethiopia's rich

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history served as seedbed for Pan Africanism. This legacy sustained by an active participation, disciplined position and multilateral approach exudes confidence among its peers at the AU and IGAD. Since the early 1950s, Ethiopia has been playing a crucial role in mediation and peace processes in the region. Ethiopia helped in the resolution of the Nigerian-Biafran civil war (Reuters, 1957). Brokered by Emperor Haile Selassie of Ethiopia, in 1972, the Addis Ababa Agreement was signed between the Government of Sudan (GoS) and rebel groups in South Sudan. After 11 years, and the discovery of oil in the South in 1978, the conflict escalated between the GoS and the Sudan People's Liberation Movement (SPLM) led by the late John Garang (Gaili, 2004). Under IGAD's forerunner, the Intergovernmental Authority on Drought and Development (IGADD), Ethiopia launched a peace initiative on Sudan at its Addis Ababa summit of 7 September 1993, resulting in a Peace Committee made up of the heads of State of Ethiopia, Eritrea, Uganda, and Kenya. This initiative issued the 1994 Declaration of Principles (DOP) that aimed to identify the essential elements necessary for a just and comprehensive peace settlement to end the civil war in Sudan. In 2002, the GoS and SPLM/A signed the Comprehensive Peace Agreement (CPA) under the auspices the AU and IGAD. IGAD, at the initiative of Ethiopia, promoted the CPA and later worked closely with partners such as the USA, EU and the UN, towards the implementation of the CPA.

Ethiopia's role was also critical to the establishment and continued work of the AU-High-level Implementation Panel (AUHIP) and the appointment of Mr Thabo Mbeki as Chief mediator on Darfur and the Sudan-South Sudan mediation. As the country hosting the mediation and supporting the AU HIP, Ethiopia remains the leading country in Sudanese mediation efforts. Moreover, Addis Ababa's Agreement on Abyei expressed the trust Ethiopia enjoys from both the Sudanese parties in Khartoum and Juba. For the AU and UN as well as the IGAD, the presence of Ethiopia's peace-keeping troops in Abyei confirms the credibility of its partnership with the international community and the country's continuing important role in global efforts to resolve the crises in Sudan. The agreement on Abyei also facilitated the prompt deployment of UNISFA forces.



41

Source: Africa Futures, ISS

Bilateral Relations: Ethiopia and its neighbours

For the establishment of a peaceful, integrated and prosperous region, Ethiopia believes it is equally necessary for its neighbours to also enjoy domestic peace and stability. Ethiopia has signed comprehensive cooperation agreements with Somalia, Sudan, Djibouti, Kenya, and South Sudan. Ethiopia and Somalia have signed bilateral agreement that includes common defense and cooperation in counter terrorism and violent extremism (Peppeh, 2014). The first in the history of Ethiopia and Somalia, the agreement is extremely significant and may close the hostile relations of the two countries. Ethiopia and Sudan have also signed several agreements on economic, social and cultural issues. More importantly, they have established an Ethio-Sudanese Joint Defense Committee and signed mutual legal aid and extradition agreement (MFA, 2013). The defense and security cooperation between Ethiopia and Sudan is so strong that countries like Egypt perceive it as a threat. In addition to strong collaboration on fighting terrorism in IGAD region, Ethiopia and Djibouti have established Joint Ministerial Commission and Border Commission. Since 1963, Kenya had Mutual Defense Pact, principally aimed at countering the expansionist threat coming from Somalia. In July 1997 and in April 2009, they signed Ethio-Kenya Memorandum of Understanding comprising political, economic and social cooperation and Military Cooperation respectively. With the Special Status Agreement of 2014, Ethiopia and Kenya decided to promote their cooperation further (Addis Fortune, 2014). In addition, Emperor Haile Sellassie and President

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Jomo Kenyatta actively supported visa free mobility between Kenya and Ethiopia. Ethiopia's close relation extends to distance African and Arab countries. Ethiopia enjoys strong security collaboration with Yemen since October 1999, immediately after the Ethio-Eritrean war (Addis Fortune, 2014). A similar agreement has been signed also with Nigeria (Reporter, 2014).

The Integrative Role of Ethiopia

Ethiopia's central location has allowed it to become a hub of regional integration in IGAD countries and it is now leading in supporting integrative infrastructural developments, particularly hydroelectric power. Aiming to expand the current hydropower production by 2000 percent, with the support of the African Development Bank (AfDB), Ethiopia plans to invest USD 12 bln in the next 25 years to increase its overall hydropower to 40,000 MW (MFA, 2013). It currently exports 100 MW of electric power to Sudan and 34-40 MW of electric power to Djibouti (Merkato, 2012). Since January 2013, (MFA, 2013) with USD 1.2 bln, in 2016, Ethiopia will start exporting 400 MW to Kenya. A project on East African power pool that will connect Kenya, Rwanda, Uganda, Burundi and DRC is expected to be completed in a few years (MFA, 2013). Under the Regional Transport Infrastructure Development Initiatives, IGAD and the member States intend to build 7,000 km (of road and of railway) in the next five years (IGAD, 2013). This includes 4,000 km of road construction of which 1,500 km have been completed in Ethiopia. Furthermore, the initiative includes the expansion of the ports of Mombasa, Lamu, Tadjourah, the border posts of Moayale and Malaba, and the construction of new railways linking Ethiopia with Djibouti and Kenya, and Kenya with Uganda.

Since the Ethio-Eritrean border war of 1998, Djibouti has been the main port for landlocked Ethiopia. Djibouti has created a Free Trade Zone exclusively for Ethiopia adjoining the main port of Djibouti that facilitates more than 90 percent of the country's import and export and related services (IGAD, 2013). In return, Djibouti depends on Ethiopia for some fresh food goods, electricity and water supplies (Beyene, 2014). Djibouti, the first country in the region to buy electric power from Ethiopia, receives 405 MW of electric power from Ethiopia for USD 28 million per annum since the beginning May 2011 (Herald, 2014). The trade volume between Sudan and Ethiopia reached \$322 million in 2011, showing 27 percent annual growth. Ethiopia exports 100 MW to Sudan. In the near future, Ethiopia will export 400 MW to Kenya (World Bank, 2007). Nevertheless; the volume of Ethiopia's trade with Kenya still remains a dismal USD 60 million, with only USD 4.3 million worth of Ethiopian exports to Kenya. Similarly, Ethiopia trade with South Sudan remains informal, cross border and dismal 7,100 metric tons of food crops and 7500 livestock (World Bank, 2007). Due to the political tensions between Sudan and

South Sudan, there was increased cross-border trade between Ethiopia and South Sudan resulting into new items like rice and potatoes' being exported to South Sudan through Gambella border. Uganda is the largest beneficiary of South Sudan's market, more than any other country in the region. Exports from Uganda to South Sudan increased from US\$ 60 million in 2005 to US\$ 635 million in 2008. Kenyan exports to South Sudan increased from US\$ 57.6 million in 2005 to US\$ 144.5 million in 2008 and increased to a record high of US \$ 207.3 million in 2010(ADB,2013) Compared to Ethiopia, these figures show that despite South Sudan's geographic and socio-cultural proximity, Ethiopia's trade with that country is dismally low(ADB,2013). In a bid to enhance regional trade, plans exist to construct rail links between Ethiopian cities extending to Djibouti, Sudan, South Sudan and Kenya. What is more, Ethiopia also provides air-maritime-land links for the region through Ethiopian Airlines and Ethiopian Shipping Lines and their ever-expanding services.

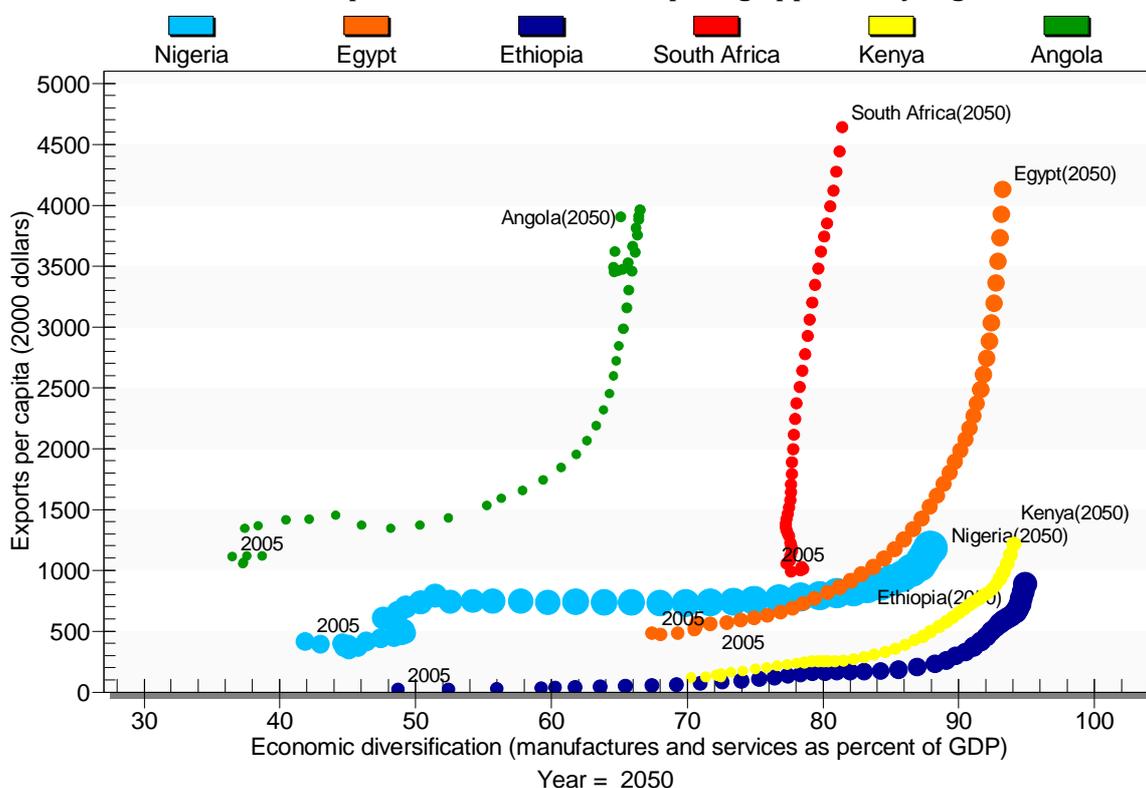
With peace and stability in the region, these integrative efforts and opportunities may in the long-term expect to produce a peace dividend through the creation of a middle class and economic interdependence among countries. For example, peace in South Sudan would not only enable the country to export and utilize its resources, including oil, and facilitate trade and economic integration in the region, but it would also divert much needed resources to other conflict hotspots like Somalia. While instability in the region would seriously threaten Ethiopia's development, in contrast, a stable region would be of great benefit to the country. For these and other historical reasons, Ethiopia has become an active and globally trusted mediator, leading expert and major troop contributing country in Africa and the world.

TRENDS: *Reform outpacing crisis? Or crisis outpacing reform*

Current situation matters but trends matter more vitally. Trends, however, are to be determined by the race between transformation and crises. Ethiopia, Africa's second-most populous country and already the preeminent military power in Africa, appears also poised to become a regional economic engine. Over the past decade, Ethiopia has registered anywhere from 9percent to 11percent growth annually, depending on the source one consults -- a remarkable accomplishment by any measure, whichever of these figures is accepted. Several future studies on Ethiopia forecast a GDP growth of more than 8percent per annum over the next five years. If the political stability remains the same, the economic growth will continue at an annual average increase of 8 percent for the next 40 years. According to the *Economist* Intelligence Unit forecast, in 2011-2015, Ethiopia will be the third-fastest

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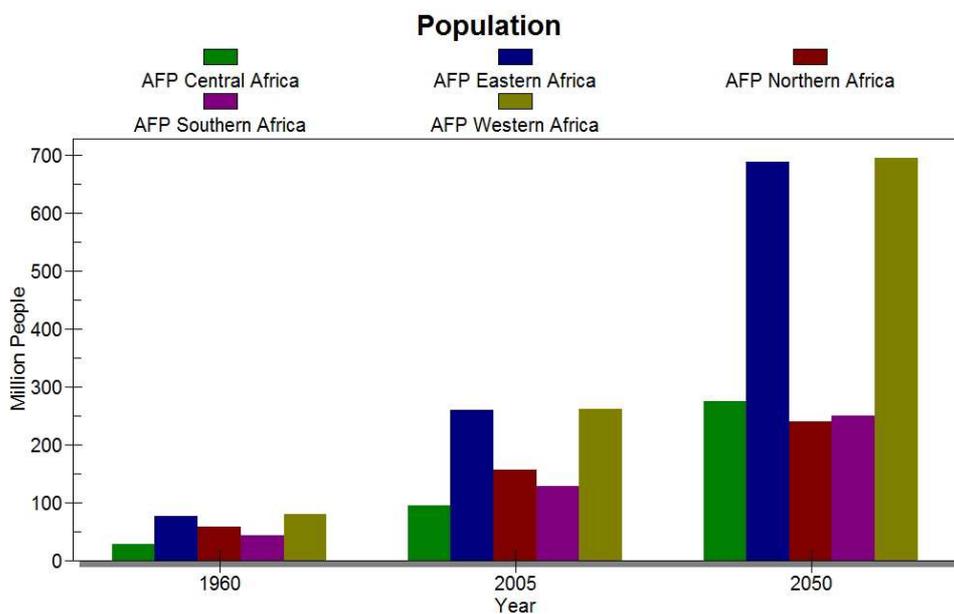
growing country in the world, right behind China and India. Under the Government's extraordinarily ambitious Growth and Transformation Plan (GTP), 2011-2015, a real GDP growth rate of 11percent is projected under the base-case scenario, with the more optimistic scenario anticipating appreciably higher rates.



Source: ISS Africa Futures

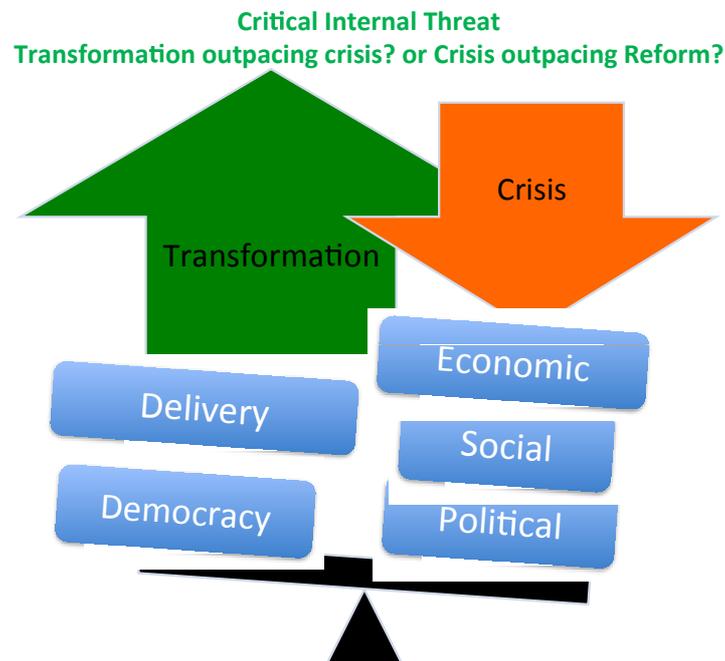
In the next 10 years, the population of Ethiopia is expected to exceed 126 million with an urbanized population of 54percent, as compared to today's figure of 38percent(UN,2013).By 2050, the population of IGAD will be 400 million from 226 million now and similarly, Ethiopia's population will reach more than 200 million by 2050. Equally significantly, pro-poor policies in agriculture, rural road infrastructure, health and education have led to notable improvements in livelihoods. In the few short years between 2000 and 2005, the poverty ratio fell from 52percent to 39percent and life expectancy rose from 52 years in 2000 to 60 years in 2010, in part due to a sharp decline in infant mortality. With the notable exception of Ethiopia's pastoral community, the achievement of the MDG target of gross primary school enrolment of 100percent is, by all accounts, well within reach, if not already achieved. Ethiopia's high growth trajectory, combined with its steadfast and successful pursuit of pro-poor policies, has earned it wide and high praise from development partners as a country with which one can do business. Meanwhile, investment in a series of massive dam projects, culminating in the construction of the multi-billion dollar Great Renaissance Dam over the Blue Nile, is designed to increase the country's hydroelectric power capacity fivefold by 2015.

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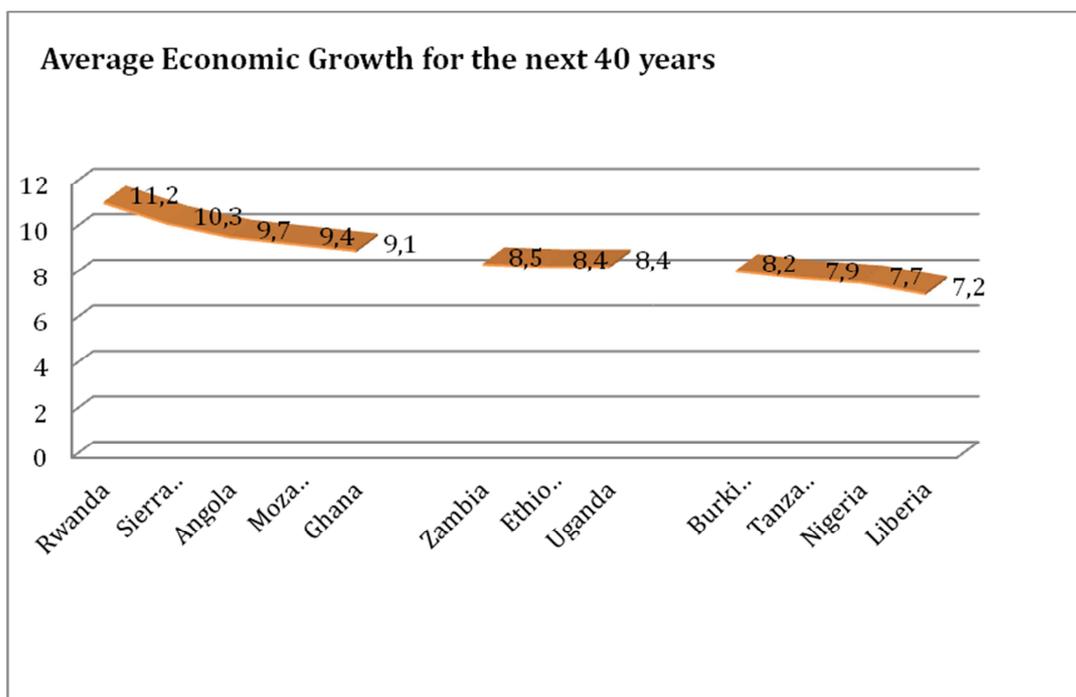


Source: Africa Futures (ISS)

With the current promising economic development and overall improvement in governance, there will be an increase of income, and emerging middle class (AdB, 2012). The country's GDP will also redouble (Ibrahim, 2014). More than 55 per cent of this population will be at a relatively young age (below 20 years)(UN, 2001). Annually, 2% percent of Ethiopia's youth will be connected via mobile telephones and the Internet, adding millions to the more technologically conversant and connected generations. Tese advancement could be triggers and accelerators of development as they could also facilitate resistance to repression by government or other forces.



Nevertheless, with this positive mega trends, there are also negative developments. With increasingly highly connected, conversant, mobile and vocal unemployed young Ethiopian demography, the social unrest may unfortunately outpace reform. The shortage of fresh water, gaps between supply and demand for energy and electricity, and income gap and associated social unrest that may increase vulnerabilities of communities to extremists' ideologies, international crimes and transnational threats. While violence could be increasingly localized, their impact will be global with transnational implications such as organized crimes and displacement of populations. The main question is: will reform outpace crisis? Or will crisis outpace reform?

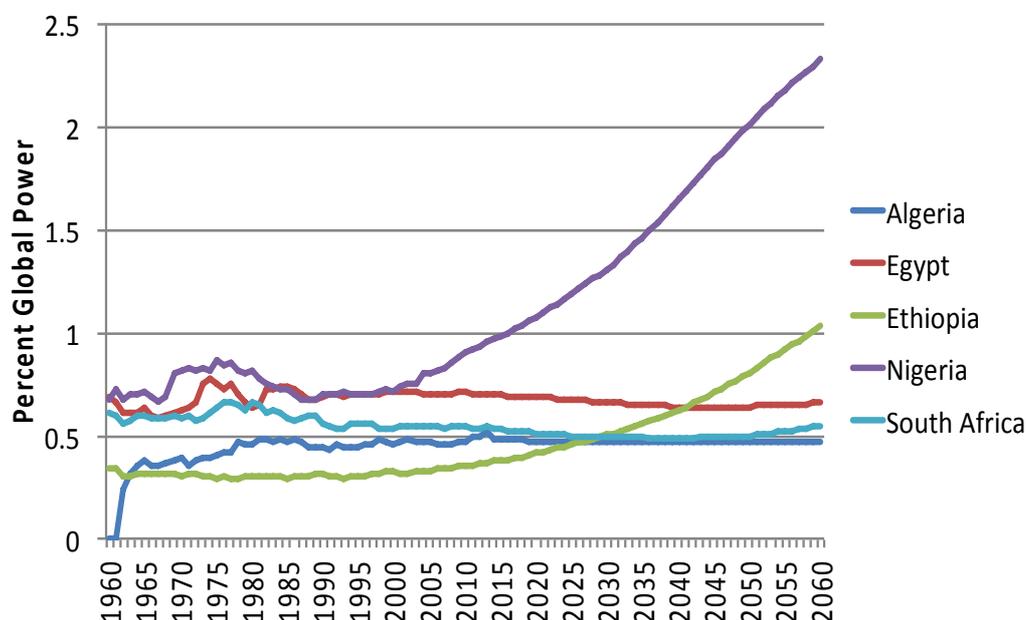


Source: Africa Futures, ISS

Regional Context and National Peculiarities

Investor and philanthropist George Soros has described Ethiopia as 'one of the few bright spots on the gloomy global economic horizon'(UHY International, 2014). With the largest emerging global middle class will be in Africa, consumer-spending will double in the near future reaching 1.5 trillion. Ethiopia, as the second populous, country will have proportional share in this spending boom. Chinese and other foreign investment has increased tenfold (UHY International, 2014).Expected to quadruple in the next five years, FDI has increased from less than 820 million USD in 2007-08 to more than 2 billion USD in the first half of the 2010-11 fiscal year (UHY International, 2014).With fast growing middle class, connectivity including phone and Internet and fast ownership of car and house has dramatically increased consumption and demand for various services. Evading the poor infrastructure and services of landline, mobile technology has grown by 20 percent each year. Hotels, cafes and shopping malls are crowded with Internet users.

Ethiopia's Future: On of the Big Five African Countries



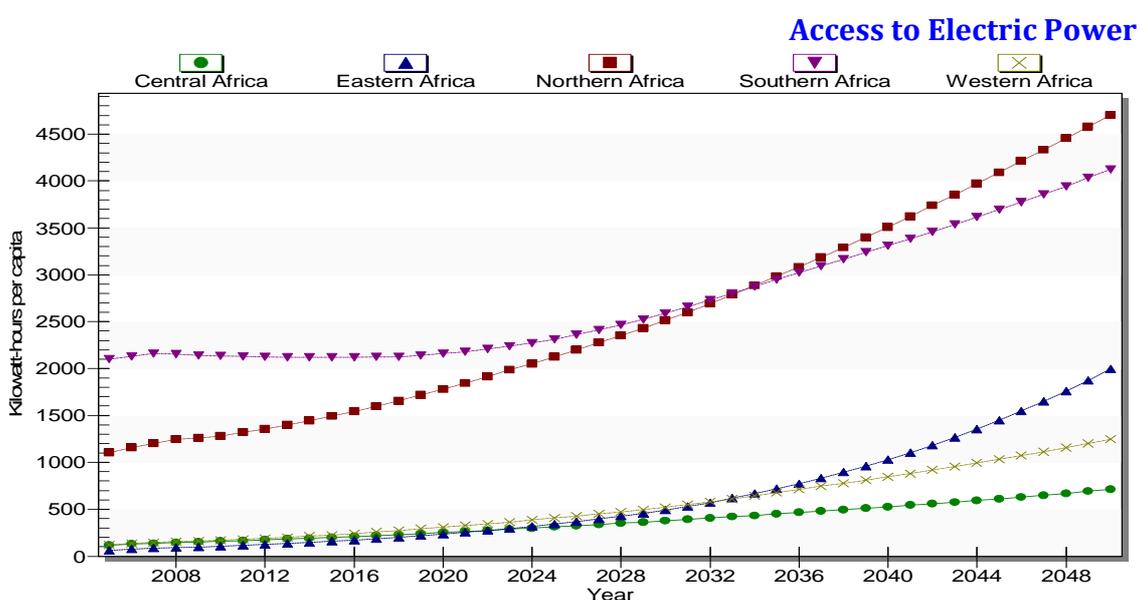
Source: ISS Futures

The Security Nexus: Climate change, Water, Food, and Energy Security

Ethiopia's seemingly unstoppable growth, however, is not without risks. Its economy is highly vulnerable to external shocks on two separate counts. The livelihood of 85 percent of the population depends on rain-fed agriculture and, therefore, on the vagaries of weather in the precarious context of global climate change. With erratic rainfall in the entire Nile Basin reaching lows of 30 percent of capacity and high water losses in Sudan and Egypt through evaporation, the basin, particularly the Horn of Africa, frequently facing extreme climatic conditions often drought but sometimes also floods. While the basin hosts tens of millions of people who face frequent famine and undernourishment, apart from Egypt and Sudan, more than 80 percent of irrigable land is being left unproductive. While the Basin currently exhibits a 90 percent unused potential for hydroelectric power generation, more than 80 percent of the population in the region does not have access to electrical power. One of the critical constraints on the fast economic growth of Ethiopia and the other riparian countries is a shortage of electricity, which threatens the sustainability of this economic growth trend. Ethiopia, a non-oil producing

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country, also remains highly dependent on oil imports, leaving it exposed to vicissitudes in the global price of oil. It remains to be seen whether and to what extent the government's plan to "massify" production of bio-fuels offers a viable renewable power related solution. This also relates to trans-boundary resource use such as the Nile River for energy, and irrigation. With these trends, demands for drinking water, agriculture, sanitation, industrial development and production of hydro-electricity will increase further. In recognition of these trends food, water and energy security has taken pride of place on the national agendas of Nile riparian countries. Depending on governments of the riparian countries, the Nile could be a bridge or a barrier (Mehari 2014). Public demand for governance reform and delivery of basic services will rapidly increase and expand across the region. If such demands remain unsatisfied, social unrest could unfortunately outpace reform. The shortage of fresh water, gaps between supply and demand for energy and electricity, and the income gap and associated social unrest may increase the vulnerabilities of communities to extremists' national and religious ideologies, international crimes and transnational threats. Crises that outpace transformation will inhibit stable governance and peaceful relations between the Nile riparian States.



Source: Africa Futures (ISS)

CONCLUSION

Both internal and external factors and driving forces will have significant bearing on Ethiopia's future peace and development and thus its regional integrative and security role. Successful in dismantling the old unitary State of Ethiopia, EPRDF is still struggling to have a clear vision around which Ethiopia and its diverse people rally. Dominating the political space for two decades EPRDF has been striving to build a new federal, dominant developmental State. What is more, the country's recent successes have come with a price. Public investment driven growth has marginalized the role of the private sector in the national economy, risking the stunting of the spirit of innovation and entrepreneurship required for a globally competitive economy, and for sustainable productivity-based growth. And while Ethiopia's growth trajectory has auspiciously avoided increase in inequality, inflation, particularly food inflation, has been among the highest -- and oftentimes, the highest -- in Africa. The opening out of opportunities for education, in particular higher education, has not been met with arise in ranks of the educated unemployed --and, not infrequently, seemingly unemployable. This potentially destabilizing development is in part caused by the duress of the MDG target of universal primary school education by 2015. From 1995 to 2009, gross primary school enrolment rose by a staggering 500percent (from 3 million to 15.5 million)(ODI,2011). The ripple effects of rapid massification at the elementary level are felt at higher levels of education and vocational training, bringing immense challenges to educational quality and employment opportunities that match the numbers and skills of graduates. Despite the existence of comprehensive legislative and institutional frameworks to combat corruption, it was identified as a major social problem, which could develop into governance, political and cultural setback to Ethiopia's development(Transparency Ethiopia,2009).Infrastructure development, land administration, procurement, judiciary, enforcement and other organs of the State and government(Fortune,2012).Rent seeking in the form of nepotism and corruption has been identified by the ruling party EPRDF as a grave internal challenge to the party and the Ethiopian political system.

Despite all this progress, extreme poverty will remain Ethiopia's main source of threat to peace and security for decades to come. Looking into the future, the main challenge will be maintaining the pace of transformation by scaling up and deepening reform. So far the main drivers of economic growth were public sector investment and public service reforms. Both have their limit in terms of bringing economic transformation. In this regard, five trends in Ethiopia shed light on what area of focus IGAD should have from a peace and security perspective: 1) common transnational threats to peace and security such as terrorism and piracy; 2)

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troubled neighbourhood due to state failure or poorly performing states, 3) nation-building based on animosity; 4) secessionist movements, and 5) rivalry surrounding geopolitical issues such as access to the sea and secure port services, including the security of trade and oil supply routes. Ethiopia has shipping lines that could be a target of piracy. Any threat to Ethiopia's secure access to the sea and port services will gravely endanger the peace and security not only of Ethiopia but also of the region. With high population growth and demand for consumable goods, Ethiopia will be even more dependent on the security of its neighbouring countries with access to the sea. Peace and security in the region will become increasingly intertwined as Ethiopia's population and its economy surges and demand for consumption increases. The private sector will be vital in bringing the transformation.

While internal factors and driving forces will determine its fate, external situations, particularly in the neighbourhood and the Nile riparian countries (especially in Egypt), will have a significant influence on Ethiopia's future peace and development. These developments will determine whether the promising mega trends in economic growth and relative stability in the region will continue. Coupled with an expected expansion of middle class and market fuelled by fast growing population, Ethiopia's role in regional integration and security will create a surge of interest in trade and opportunity for investment. In regional diplomacy and integration, Ethiopia's pivotal role within the IGAD and to a significant extent in the AU will continue to grow due to several natural endowments and its policy orientation. For over 20 years, and particularly in the past decade, Ethiopia's influence in the region has steadily increased. The paper discussed the following six factors as the basis for Ethiopia's contribution for internal and regional stability and integrative development: (1) Ethiopia's inward-looking foreign and national security policy and efforts to address longstanding internal political instability and extreme poverty, (2) Ethiopia's recent promising economic performance, which offers hope for its people and attracts aid, trade and investment, (3) Ethiopia's military strength and role in regional peace and security, (4) Ethiopia in IGAD and AU as trusted mediator, (5) Ethiopia's role in combating terrorism and its strong counter-terrorism capabilities, and (6) a Pan-Africanist historical legacy and Ethiopia's increased and effective use of multilateral platforms. Ethiopia's rich Pan-African historical legacy, which is sustained by an active participation, disciplined position and multilateral approach of its regional diplomacies, exudes confidence among its peers at the AU and IGAD. Ethiopia's overlapping interests with dominant and emerging powers such as the US, EU, China and India, its geographic location, and traditionally strong military create demands for long-term partnership and alliance. International actors including the UNSC, USA, EU, China and others actively endorse Ethiopia's role in the

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IGAD region. Ethiopia carries significant clout in IGAD decisions, AU endorsements and interventions, and the UNSC resolutions with regard to the region. The US, EU and China are in close consultation with Ethiopia on issues related to Sudan, South Sudan, Somalia and even Eritrea.

Recommendations

EU and US support to Ethiopia and its contributions to regional development and stability could take several entry points: at national and regional (IGAD and AU) level.

Capacitate the state in developmental delivery

At national level, given that extreme poverty will remain the most formidable socio-economic, governance and security challenge, international community including EU and US need to enhance supporting the developmental efforts of Ethiopia. Both EU and US have the Ethiopian government as a genuine ally in Ethiopia in the fight against poverty. In this regard, Ethiopia has the necessary normative, institutional and collaborative framework for poverty eradication and development. The predictive, preventive, responsive and adaptive capacity of the countries like Ethiopia is certainly a function of resilience to vulnerabilities of internal and external factors and shocks, which would also most often be a function of socio-economic development status. Thus, sustainable peace and security would require the acceleration of Ethiopia's fight against poverty.

Calibrating delivery and democracy: *engage the State and non-state actors*

In order to address the mismatch between EPRDF's focus on performance legitimacy through developmental delivery at the expense of popular legitimacy through democracy, EU and US need to craft a creative strategy that calibrates EPRDF's strength on delivery and its weakness in democracy. Within a jointly agreed upon parameters for mutual accountability between development partners and the Ethiopian government, the EU and US need to work with the state actors towards expanding democratic space while increasing their support to further build the developmental capacity of the state.

Assist in the prevention election-related violence

While unfortunate that election results are highly disputed and most often lead to violence in Ethiopia as elsewhere in Africa, elections are now the most common means of legitimate power. In order to avoid any election-related violence like that

of 2005, EU and the US need to identify and assist drivers of democratization in the country and within the state and work with these drivers on expanding the space for political and democratic dispensation. This includes but not limited to Ethiopian Democratic Institutions such election boards, the judiciary, police and the armed forces. In so doing, institutionally, EU and US need to focus on making use of existing regional and continental mechanisms such as IGAD and AU, African Peer Review Mechanism (APRM) and other AU normative frameworks such as the African Charter on Democracy, Election and Governance (the Addis Charter) to which Ethiopia is a party and has willingly submitted itself. Substantively the focus needs to be on the professional neutrality, public accountability and institutional independence and strength of Election Management Bodies and other bodies such as the police, military and security forces. By targeting actors that are at sub-state levels including the security sector, election management bodies, internal dynamics of social mobilizations and political parties, EU and US could help in bringing sustainable change within state and non-state actors.

Democratic Constitutionalism: *Through an empowered democratic citizenry*

In the peace and security, key in tackling the current problems in governance is empowered democratic citizenry to increase accountability of officials through increased constitutional democratic institutions as well as empowering citizens. Ultimately building human rights-protective federalism would depend on empowered citizenship not sectarianism. Striking the balance between the forces of unity and diversity, the Ethiopia should spent it resources on building progressive federalism with integrative and human rights protective agenda. In this regard the federal government has to make sure that Chapter Three of the federal constitution on human and democratic rights (of both individual and group rights) has to be observed by all state and non-state actors. In ethnically heterogeneous regional states with no dominant ethno-cultural community (such as Gambella and SNNP), closer constitutional supervision is necessary to ensure two aspect of federative constitution.

Ethiopian Peace and Security Capabilities: *Building Predictive and Preventive Capacities*

Ethiopian peace and security policy relies on the primacy of political and developmental quick-wins over military and criminal justice measures. The strength of Ethiopian approach stems from the emphasis it puts political work before the military action. By heavily depending on political indoctrination, mobilization and developmental delivery of services to the targeted population, it has enabled Ethiopia deny the breeding ground for violent extremist and narrow down the space

for insurgency and terrorism. Moreover, in addition to historical and cultural legacies against foreign elements attempting to destabilize the country, the federal system and the kind of political question within the country, and mainly coupled with the state structure ranging from federal to *Kebele* (neighborhood association) has enabled it to be more effective in responding and in some instances in preventing terrorist attacks. However, the Ethiopian approach shows weaknesses in two major areas: first in messaging and alternative narration, and second in absence of predictive and limited preventive capabilities. Lacking the understanding, the will and capability to create credible voices, messages and narratives both in modern and traditional means that counter radicalization, dwarf the narratives of extremism and terrorism as well as that outrival those propagated by insurgent groups, alternative narratives of hope are yet to be invented and propagated. The EU and US could help Ethiopian government build the predictive and preventive capabilities of the Ethiopian peace and security apparatus.

Diplomatic and Financial Support to Ethiopia's regional role in peace and development

With its high global troop contribution to peace support operations, leadership in mediation supported by historical legacy, large population, strategic geographic location, military strength, successful experience in counterinsurgency and promising economic performance, Ethiopia remains the pivot state for regional peace and security. With all these comes enormous additional diplomatic responsibility to ensure various regional and global interests are balanced and met in addition to the local demands of the countries affected by Ethiopia's role. In this regard the support from EU and US should not be limited to finance but also in diplomacy. More specifically, EU and US need to support Ethiopia in its effort to change the behaviour of Eritrean regime in respecting peaceful resolution of the border dispute, support the transformational change in the Nile Basin Initiative, support Ethiopia's effort in the mediation by IGAD and AU within and between the two Sudan, and peace in Somalia. Lastly, EU and US could assist Ethiopia in enhancing its integrative role in IGAD region by supporting the various infrastructural and energy projects of Ethiopia.

Assist in Shift of Focus: *From Intervention to Prevention*

Currently, the most binding constraint in the IGAD and AU system is the gap between the norms set in treaties and policies on the one hand, and their

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implementation on the other hand. It is for this reason that the implementation of the existing legal and policy frameworks should take priority. Now, after several decades of their establishment, it is high time for the IGAD, AU and all their organs to advance towards the norm-implementation phase of the existing treaties and policies. Progress in the implementation of existing policies will ultimately determine whether the IGAD, AU and their MSs like Ethiopia would ensure the human security of their population. For Ethiopia and other IGAD MSs with grave economic challenges and meagre financial resources, prevention should take primacy over intervention. The economic efficiency and political effectiveness of the proverbial wisdom “prevention is better than cure” highly pertains to our region. In this regard, EU and US should continue to support existing institutions such as AU and IGAD. It has vital shortcomings in bridging the gap between early warning and early effective response. Targeting actors that are at sub-state levels including democratizing actors in the NPSA, EMBs, internal dynamics of social mobilizations and political parties constitutes the next frontier of progress for the IGAD and MSs political landscape that will be constructive and accountable to the public.

EU and USA could help in bringing shift in the mission of AU and IGAD from interventionist tendencies to preventive capabilities including prediction and early response in relation to governance and security problems that may fester into regional and global threats. In this regard, EU and US could play critical role in building national and regional capabilities for effective prevention and timely response to crises. This will help in bridging the gap between early warning and early effective response.

Climate change-security nexus: *Integrating climate, food, water and energy security into Early Warning and Response Mechanism*

EU and US need to assist IGAD and AU to integrate of early warning on climate, weather and environmental changes within CEWARN. While improving the predictive capacity to anticipate the impact of climate change on water, food, and energy security, it is also important to work on identifying the most vulnerable areas of basins to ensure that a mechanism for effective response to climate change calamities is developed. What is more, given clarity of knowledge on the impacts of climate change on the water flows of the Nile and how the scientific community influences relevant political and policy making bodies still remains minimal. The integration of early warning systems about conflict, drought and famine, climate change and weather, floods and disasters may help to bridge the gap between scientific findings and political decisions. This will help in building predictive and responsive capacities in the Nile River Basin countries on the climate change-security nexus. Responsive to changes in the political, socio-economic and environmental landscapes of the Nile basin states, the CFA and NBRC are exemplary

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initiatives that need to be supported by EU and US. The IGAD and other international organizations need to pressure Egypt to sign the CFA in its existing form and resolve its differences under the roof of the core principles of the NBI.

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