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Ethiopia



With a population of about 72 million people and a relatively strong state, Ethiopia remains one of Africa's most important countries. Its position, however, continued to be weak due to chronic food insecurity, massive poverty, lack of productive capacity beyond agriculture, an ambiguous democratisation process and unresolved issues as to national identity and policy. There was also continued internal dissent, partly emerging from politicised ethnic differences, with opposition parties and civil society organisations struggling to gain a voice in national politics dominated by a ruling party that came to power through force of arms in 1991. Scattered rebel groups and occasional revolts necessitated a close watch on the security situation. There was also a growing challenge from religious revivalism and several instances of radicalisation among some Muslim youth groups.

Ethiopia's relations with neighbouring countries (Djibouti, Sudan, Kenya and Somaliland) were fairly good, but not with Eritrea and southern Somalia. The unresolved border problem with Eritrea remained in the headlines in 2004, and the insistence by the UN and Western donor countries that the conflict be brought to an end and on the recognition of the border determined in 2002 by the Ethiopia-Eritrea Boundary Commission (EEBC) of the Permanent Court of Arbitration was not productive. GDP growth in 2004 was significant, but the 2.8% annual population increase slowed down overall development. Ethiopia remained a relatively large recipient of donor aid, and continued to be, with Djibouti, a strategic partner of the US and other countries in the 'global war on terror'.

Domestic Politics

Ethiopia's **domestic politics** in 2004 remained firmly under the control of the Ethiopian People's Revolutionary Democratic Front (EPRDF), especially of its core group, the Tigray People's Liberation Front (TPLF) of Prime Minister Meles Zenawi. The state apparatus, the army, the security service and the growing civil service, whose personnel were trained in the government-founded civil service college, were the bulwarks of support. EPRDF control did not preclude frequent elite rivalry and internal political tensions during the year, but this was less prevalent than in previous years. In view of these tensions – partly a result of lingering disagreements over policy towards Eritrea, which in 2001 had led to a major split in the TPLF and declining support for Meles in his own TPLF because of an Eritrea policy seen as too lenient – the prime minister sought to reform the EPRDF and seek more support among the other three 'ethnic' constituents of the coalition, the Amhara National Democratic Movement (ANDM), the Oromo Peoples Democratic Organisation (OPDO) and the Southern Ethiopian Peoples Democratic Front (SEPDEF). The current leadership also opened up a little to opposition parties by holding several meetings on procedures for the 2005 elections and on campaigning.

Local conflicts in some regions were frequent, e.g., in Somali, Afar and Gambela (see below), three of the nine 'regional national states' (in Amharic 'killiloch', singular, 'killil') roughly based on ethno-linguistic criteria. Numerous unresolved disputes persisted regarding border demarcation, and, by implication, 'ethnic belonging' which has become the idiom through which 'resources', e.g., rights to land and budget, are secured. In 2004, there were dozens of boundary disagreements between communities (zones and peasant associations or 'qebeles') in Oromiya and Somali over 'who is an Oromo' and 'who is a Somali', a choice often difficult for people to make. The Somali region (the Ogaden) was unstable because of numerous changes in the regional government and a shaky security situation, with deadly ambushes by bandits and insurgent units on Ethiopian troops and garrison outposts. Ethiopian military action in the Ogaden was directed at eliminating armed activities, but human rights violations against non-combatants were a frequent result.

During the year, campaigning started for the May 2005 general elections for the House of People's Representatives (the national parliament, with 548 seats), with public debates in the state media (mass newspapers, television and radio controlled by the government) and the private, free press, and negotiations with opposition groups about 'levelling the playing field' for campaigning, especially in the countryside. But the government controls the National Electoral Board of Ethiopia (NEBE) that will supervise the electoral process and the registration of candidates and parties and handle complaints. A demand formulated by the main opposition party coalition (UEDF) in October 2004 to reform NEBE was not taken up by government.

In 2004, some 55 **political parties** were registered, among them the four parties in the EPRDF coalition. The EPRDF maintained its satellite ethnic parties in rural minority areas all across Ethiopia. The political opposition remained enormously fragmented, but gained

public voice. The major opposition coalition, the United Ethiopian Democratic Front (UEDF), formed by 15 parties, the most important of which being the Coalition of Alternative Forces for Peace and Democracy in Ethiopia (CAFPDE) and the Oromo National Congress (ONC). CAFPDE, led by Dr. Beyene Petros, an MP and university lecturer in biology, reflected the southerners, and the Oromo National Congress, led by political scientist Dr. Merera Gudina, had its main support in western Oromiya. Many smaller parties, as well as the new four-party Coalition for Unity and Democracy (CUD), remained outside the broad opposition coalition.

CUD was formed in February 2004 from three existing parties: the All-Ethiopian Unity Party (AEUP), the United Ethiopian Democratic Party (UEDP) and the Ethiopian Democratic League (EDL), and a new one, The Rainbow Ethiopia Movement. This was founded by a number of influential intellectuals and opinion makers in Addis Ababa, e.g., former Ethiopian human rights council head Prof. Mesfin Wolde-Mariam and Dr. Berhanu Nega, the director of an important economic think-tank, the Ethiopian Economists' Association. In September 2004, a new Oromo party was founded: the Oromo Federalist Democratic Movement (OFDM) led by Bulcha Demeqsa, a former World Bank official and banker. Apart from the need to forge a united challenge to the ruling party, the opposition faced the problem of building a support base in the countryside. In 2004, this process was actively 'discouraged' by the ruling party and its supporters in the rural areas. Opposition parties were the regular targets of attacks by government-related forces. For example, an AEUP member (Dessalegn Simegn) was killed in Ibnet district (Gondar area); on 29 April an AEUP member (Hailu Zelleke) was shot dead in Gische Rabel; and on 15 May government militia killed the AEUP Youth League leader Getiye Alagaw.

Other opposition groups remained illegal and unregistered because they opted for armed struggle: for instance, the Oromo Liberation Front (OLF), a group aiming for the secession of an Oromo state; the Ogaden National Liberation Front (ONLF), a movement claiming autonomy for Somali-inhabited eastern Ethiopia; and various smaller groups. The OLF, a previous partner in government (1991–92), had made itself unpopular by siding with the Eritreans in the 1998–2002 war and accepting arms and training from them. In 2004, it kept its office in Asmara and had significant nuisance value for the Ethiopian army, with several raids and small-scale attacks, but was not a military threat.

Governance in Ethiopia remained marred by a lack of trained and qualified personnel, especially in the regions, by a lack of transparency, by personalism, and by tendencies to abuse public funds for personal gain, i.e., corruption. Democratisation was occurring and was rhetorically promoted, but an authoritarian style of politics often prevailed in practice, with parliament showing little independence from the executive led by the prime minister, a strong federal government hand in local and regional politics and in security matters and ongoing harassment and intimidation of opposition party members. The judicial system remained weak and overburdened, especially at the lower levels, but the slow development towards more autonomy by the judiciary could be discerned. In 2004, the issue of

corruption of public officials and EPRDF-associated business people was a continuing point of debate and accusation. A government-installed federal ethics and anti-corruption commission dating from 2001 waged public campaigns against graft. Its activities were initially directed against political opponents and former TPLF central committee members like Siye Abraha, Bitew Belay and others who had opposed the Eritrea and economic policy of the Meles group in 2000–01. Its activities, like monitoring complaints by the public, providing information and education and suing people, had some effect in making people conscious of the problem and of the need to tread with caution, but corruption did not notably diminish.

Muslim and Pentecostal-Evangelical religious adherence continued to grow, and both groups showed revivalist, and, in the case of some Muslim groups, militant tendencies, with a potential to disturb the relatively amicable relations between believers. Muslim leaders like the chairman of the Ethiopian Islamic Affairs Supreme Council, perceived their religion to be the majority religion in Ethiopia, and Muslims started to demand a greater public role for it in the law and politics. In many towns, disputes occurred about the choice of locations for new mosques. In 2004, Wahhabist Islam remained prominent in the form of NGOs and of huge private, often foreign and informal, investments in mosque-building, Islamic schools, social programmes, and the training of religious teachers and leaders in Muslim countries (Saudi Arabia, Pakistan and the Gulf States). This brand of Islam continued to build support at the grassroots against the Muslim establishment (Islamic Affairs Supreme Council and its local branches). In the Alaba region in southern Ethiopia, where Wahhabist Islam is strong, a violent incident occurred on 1 February between Orthodox people and Muslims. A Christian student was killed and a convert to Christianity seriously beaten and his house ransacked. In nearby Besheno village, Muslims chased out 32 Christians. There was also a report about an Ethiopian Orthodox teacher who forbade Muslim pupils to use his (public) school as a place for prayer being beaten and his family being harassed. Elsewhere in Ethiopia, some similar incidents occurred. The presence of 'Takfir-wal-Hijra'-like groups was reported in some Ethiopian towns.

Pentecostalism continued to grow across the country, especially in the south, with about 6 to 8 million adherents. They had some trans-national material support and were disliked by both Muslims and the Orthodox. Disputes about burial places, mosque or church building sites, the loud playing of religious music and conversion efforts were frequent. The Ethiopian Orthodox church was publicly less prominent and remained internally divided because of the controversial patriarch 'Abune' Paulos (Gebre-Yohannis). Youth movements, however, were active in the church, pleading for revival and renewal and a response to the Islamic and Pentecostal expansion.

The **domestic political debate** in Ethiopia in 2004 was dominated by the perennial development issues (agriculture, health, infrastructure, capacity building) and by the stalemate over the 2002 border decision by the EEBC of the Permanent Court of Arbitration (PCA) in The Hague, handed down at the request of both countries after the conclusion of

the 1998–2000 war. Domestic legitimacy of the government depended in large part on the perception among the wider public of how this disadvantageous decision for Ethiopia would be handled and diplomatically dealt with in the face of international pressure from donor countries, which insisted on unconditional acceptance of the PCA decision and even threatened the country with sanctions. A core issue remained the status of Badme town, where the war had started in 1998. In view of the national consensus in Ethiopia, it appeared even more unthinkable in 2004 that Ethiopia would yield this Ethiopian-founded town to Eritrea. Domestic public opinion in Ethiopia moved towards a more uncompromising stand on the border issue, following the perceived intransigence of Eritrea's government. The issue of Ethiopian access to the sea (Assab port) was also rekindled and was set to gain prominence as the dispute lingered on. Prime Minister Meles Zenawi also appeared to seek more support for his position outside his home base of Tigray, where more people showed dissatisfaction with his Eritrea policy, with the aftermath of the split in the dominant TPLF coalition party, and with the lack of improvement in living conditions. For instance, notable protest actions by citizens occurred in the Tigrayan town of Abi Addiy in March.

Ethiopia's 'experiment' in **ethnic democratisation** proceeded in 2004, but the federal authorities dominated by EPRDF kept all significant control of political power. Local-level conflicts were left to be tackled by the regional governments. There were credible reports of abuse of human rights, disappearances, torture and executions (planned or 'by mistake') by police and army, and usually carried out in an unpredictable manner and with impunity. Dozens of people in Oromiya, Somali and Amhara regions, many of them members of opposition parties were the victims. Thousands of people were also forced out of a job for non-economic reasons, evicted from homes or land without compensation and illegally detained without charge. Prison conditions remained very poor, without proper sanitation, food or medical facilities. On 21 January, an Oromo students' demonstration at Addis Ababa University, held after a riot during a contested Oromo cultural event on campus, was beaten up by campus police and 330 students were arrested and later expelled for the rest of the year. Students in several high schools and colleges in Oromiya region subsequently protested this incident, eliciting repression from government forces. On 18 May, another 18 Oromo students were arrested following an investigation into a grenade attack on 29 April in one of the university's dormitories, during which one student had died. Other incidents reported by human rights organisations were arbitrary arrests, beatings and humiliating treatment in southern Ethiopia (in Konso, Sidama, Wolayta). The 2004 US state department report on human rights was quite critical of Ethiopia, and in turn provoked a quite irritated denial from the Ethiopian authorities.

While Ethiopia saw significant improvement in **press freedom** after the fall of the Mengistu regime, many private, independent news magazines were subjected to harassment, pressure and arrest because of articles critical of government and the dominant party. Dozens of journalists were legally persecuted. A tendency to self-censor developed.

However, this year, while several journalists were arrested, awaiting formal charges, in prison or were on trial, killings were, in contrast to some previous years, not reported. At least one journalist, from the 'Tobbiya' weekly, was beaten by police. As a result of harassment, beatings or threats, ten journalists fled the country or went missing in 2004. During the entire year, the Ethiopian Free Journalists' Association (EFJA) remained banned by the government, following an accusation in November 2003 that it had "failed to meet its legal obligations regarding registration" with the ministry of justice. This ban, likely proclaimed in view of the EFJA's criticism of the new draft press law, met with widespread protests, also internationally. The International Federation of Journalists (IFJ) urged government to reassess the move. The new draft press law brought forward by government to parliament in 2004 was seen as draconian and drew a wave of (inter)national criticism because of its proposed restriction of press freedoms. There were still no private television or radio stations, except Radio Fana, which is EPRDF-affiliated, but in June the licensing of private radio stations was announced.

Apart from the tension on the Eritrea border, the **security situation** in Ethiopia was marred by frequent local violent clashes, mainly between 'ethnic groups' and the state military, or among various ethno-regional groups, with hundreds of people killed. The worst example was in January and February in the western region of Gambela, where Anyuwa, Nuer, Majangir and highlanders were at odds. The tension escalated after killings in December 2003 and the renewed fighting in January-February resulted in the massacre of at least 200 to 300 people and widespread destruction of property. These 'ethnic clashes' emerged out of the deeply politicised antagonism – according to many, government-fuelled – of two dominant ethnic groups in the region, the Nuer and the Anyuwa, who already historically had a tense competitive relationship. The Anyuwa were the main victims of these killings, and thousands of them fled to Sudan. Elsewhere in the country, small-scale but repeated violent clashes occurred between pastoralists and cultivators, such as Mursi and Aari, Suri and Nyangatom, Oromo and Somali, Hamar and Boran.

No religiously inspired violence was reported, but there were a number of unresolved killings that might be related to religious beliefs. There were some apparently politically motivated incidents of grenade throwing at Addis Ababa University (29 April, during which one Tigrayan student died), in a business location in the town of Debre Zeit (on 3 May, one person killed), in the town of Ambo (15 April, 30 students injured), and violence in some other places (army beatings of students and protesters in Nekemte and Dembi Dolo towns in March). Violence by police or militia units was usually not prosecuted. Often, cases were delayed and then dismissed. This impunity impacted negatively on the domestic security situation.

The country has remained relatively free from international **terrorism** perpetrated by groups associated with al-Qaida. The government routinely accused OLF and ONLF of terrorism, as in several of the incidents mentioned above, but a relationship to Islamist terror groups was not clear. The radical Somali Islamist group 'Al Ittihad al Islami',

previously operating in the Somali-Ethiopian border area ('Luuq'), was defeated in an Ethiopian military action some years ago and did not resurface, at least not in Ethiopia.

Foreign Affairs

There were hardly any interest groups or parties that could influence EPRDF policy. The party's position was strong due to a combination of entrenched political and economic power and a lack of alternative political forces. Only the internal dissent rumbling in the dominant party could lead to power shifts and foreign policy changes in the long run. The position of Meles Zenawi was, however, more closely tied to the proper handling of the **border conflict with Eritrea**. Ethiopia remained adamant in its insistence on a review of the 'illegal and unjust' basis of the EEBC's boundary decision of April 2002, but on 25 November Meles Zenawi presented a new peace initiative, the '5 Point Peace Plan' (5PPP), which proposed to address the underlying issues in the conflict and aimed at long-term normalisation between the two countries. Reversing Ethiopia's formal rejection in 2003, he declared Ethiopia's acceptance 'in principle' of the 2002 decision, despite its still being considered 'illegal and unjust'. The payment of dues to the commission was resumed, and a plea was made for starting the demarcation process. The general thrust was to break the stalemate that had emerged after the Eritrean government refused any dialogue or negotiations whatsoever on the modalities of border demarcation and subsequent peace, insisting the decision be implemented to the letter. Ethiopia saw in this an underlying attitude refusing any normalisation of relations between the two states. While the 5PPP relieved some of the international pressure on Ethiopia (including threats of divestment and sanctions), few people in the country itself, or Ethiopians in the diaspora, supported Meles's about-face: the caving in to pressure by an international community ignorant of the facts on the ground was widely rejected.

Relations with Kenya were generally good but showed signs of strain after several Ethiopian troop incursions on Kenyan territory in March and April in pursuit of OLF rebels, which resulted in a number of Kenyan deaths. Kenya in the same month also deported four Ethiopians accused of harassing or torturing Ethiopian political exiles in Nairobi.

Ethiopia, Sudan and Yemen strengthened their cooperation under the Sana'a Forum for Cooperation, aimed at creating a free trade zone and a common front towards Eritrea. In Somalia, Ethiopia supported the formation of a new Somali unity government within the IGAD context, but in March was also accused of providing arms to allied factions.

During 2004, the **Nile River** issue came under public discussion again because of Ethiopia's plans to harness more water from the tributary Blue Nile, which originates in Ethiopia's Lake Tana. In the context of the Nile Basin Initiative, a meeting was held in March of the ten riparian countries in Entebbe, Uganda, and a week later in Nairobi. Ethiopia announced it would plead for a more equitable sharing of the Nile waters, of which 86 % flows from Ethiopian sources (Lake Tana and the Blue Nile). A reconsideration,

supported by Kenya and Uganda, of the 1929 and 1959 Nile Treaties thus looked increasingly likely.

On the northern border with Eritrea, the **United Nations Mission in Ethiopia and Eritrea** (UNMEE) kept a peacekeeping force in place near the Temporary Security Zone, a strip of demilitarised territory on Eritrean soil promulgated after the December 2000 'peace accord' (cessation of hostilities agreement). Despite the mounting tension in 2004, no serious incidents were reported. Minefields created during the war posed a great security threat and claimed the lives of dozens of people. In December 2004, the UNMEE force was reduced from 4,200 to 3,889 men. Direct traffic between the two countries across the zone was still not possible.

During the year, Ethiopia had **peacekeeping troops** under the UN flag in Burundi and Liberia. In November, Ethiopia offered troops for the UN-sponsored stabilisation force to support the newly elected government in Somalia, whose new president, Abdullahi Yusuf, an old friend of Ethiopia, had asked for 25,000 UN peacekeepers.

Many aid and development cooperation agreements were signed in 2004 between Ethiopia and donor countries, especially EU countries, Japan, the US and China (the latter in construction and infrastructure). In January an \$ 11 m development aid agreement was signed with the UNDP. In April, a contract was signed with the Jordanian company SI Tech International to exploit the huge natural gasfields in the Ogaden region, with proven reserves of 12.5 bn cubic metres.

Ethiopian **diplomacy** centred on the Eritrean-Ethiopian border issue and regional Horn of Africa politics. In January, the UN appointed a special mediator, former Canadian Minister of Foreign Affairs Lloyd Axworthy, to push for progress on the border issue. He had consultations with the Ethiopian leadership but Eritrea refused to meet with him. British Prime Minister Tony Blair visited Ethiopia in October for talks on the same issue and for furthering his initiative for the 'Commission for Africa', a major plan for a partnership between Western donor and African countries to speed-up Africa's development. In January, German Chancellor Schröder also paid a visit to Ethiopia. UN Secretary-General Kofi Annan was in Addis Ababa from 3–6 July to address the African Union summit on the UN's Millennium Development Goals and also to have bilateral meetings with the Ethiopian leadership on the border conflict with Eritrea.

Cross-border migrations in Ethiopia were limited to refugee movements in western Ethiopia (related to the Sudan conflict) and in the Somali region, where instability increased. In Dima town, southwest Ethiopia, about 19,000 Sudanese refugees were located. Following the Gambela 'ethnic clashes' in early 2004, a reported 4–5,000 (some sources said 10,000) Ethiopian Anyuwa fled to the Pochalla area in Sudan. The numbers of cross-border migrants in 2004 declined compared to previous years, and tensions between local people and incoming refugees were largely absent. More trouble was generated in resettlement areas within Ethiopia between locals and re-settlers. In Tigray region a small but regular influx of Eritrean refugees or deserters was registered, on top of

those already displaced by war. In some inaccessible border areas, there were cross-border raids by local people, mainly pastoralists, e.g., Sudanese Toposa attacked villages and cattle herds of the Suri people in southwest Ethiopia at least three times in 2004, and the Ethiopian Dassanetch attacked Turkana people in northern Kenya on 16 and 20 October, with several people killed and cattle stolen. Such incidents caused no diplomatic ripples.

Socioeconomic Developments

Due to the good rains and the resulting higher **agricultural output** in 2004, a GDP growth rate of some 7% (according to IMF; government claim 10%) was reported, up from -4% in 2003. Industrial production and services were slightly up as well. However, the long-run GDP growth trend tends to equal national population increase. Furthermore, the GDP growth figure only applies to the registered economy and excludes the large informal sector.

There was continued massive poverty in Ethiopia, with an estimated 48% living below the poverty line of \$ 1 per day. Annual income per capita remained around \$ 110. The number of street children increased, as did that of prostitutes. Poverty reduction plans and debt relief schemes were signed with several countries, e.g., Germany in December and with Sweden in May, with the ostensible aim of enhancing Ethiopia's effort to reach the UN Millennium Development Goals in 2015.

EPRDF-affiliated business conglomerates such as Mega-Net, Africa Insurance, Ambassel, Guna, Biftu PLC, Sur Construction, etc. increased their hold on the national economy, drawing frequent complaints from private business people. The other major economic player growing in importance was Saudi-Ethiopian billionaire-tycoon Mohammed al-Amoudi, chairman of the MIDROC Corporation and owner of dozens of enterprises, including the Addis Ababa Sheraton Hotel. The country's largest salt factory in the Afar region was opened in October, built by an EPRDF-affiliated share company.

The overall **economic and food security situation** of Ethiopia remained very precarious: the country could not feed itself. While the harvest of 2004 was good, significantly reducing the number of food-needy people, in December the government again announced a donor appeal for 387,482 metric tons of food aid for about 2.2 m people, valued at some \$ 159 m. This was down from the 2004 aid appeal for 14 m people, but again shows the chronic food deficit of the country even in the best of times. Ethiopia also asked for \$ 112 m of non-food assistance for urgent humanitarian needs.

The **public health** situation in Ethiopia remained highly problematic. Malaria epidemics were recorded in several areas, as the spread of the parasite-carrying mosquitoes widened. Incidence of TB and other infectious diseases did not diminish. Economy and society were also seriously burdened by the HIV/AIDS pandemic, which in 2004 affected about 3 to 5% of the total population, some 1.5 to 2 m people, one of the highest absolute figures in Africa. There were about 750,000 AIDS orphans who had lost one parent or both. In 2004, AIDS-

related deaths reached about 100,000 to 120,000. The reach of treatment was very low: as of June only about 4,500 people received anti-retroviral drugs. HIV-AIDS patients occupy some 40% of hospital beds. The health infrastructure, with 119 hospitals and 412 health centres, is stable but under-funded and understaffed, with a high turnover.

Costs for **education** took about 6% of the national budget (\$ 509 m) and the sector's coverage and enrolment expanded significantly. Quality improvement, however, was a point of concern. In 2004, about 60% of eligible children went to primary school. High school attendance was 13%, university attendance 5–6%. The new regional universities (Jimma, Bahir Dar, Meqelle, Awasa) were consolidated, and new ones were built in Soddo-Wolayta, Dilla and some other towns in the south. The teaching load of university staff was doubled because of the requirement by the government that universities, especially Addis Ababa University which produces most of the MA graduates, treble the output of students, in line with the government's 'capacity building' programme. The research time of scientists was thus severely reduced, and salaries remained stagnant. State universities also had to continue the widely unpopular and demotivating evaluation system ('gimgema') that gives students a very big say in the performance assessments of individual staff. Private university colleges served about 15–20,000 students, but had no all-round academic profile.

The World Bank and IMF maintained a close working relationship with Ethiopia, e.g., in the framework of nicely worded plans like the Poverty Reduction and Growth Facility (PRGF), the Sustainable Development and Poverty Reduction Programme (SDPRP) and the Poverty Reduction Support Credit (PRSC). Despite the failure of several phases of these plans, worth hundreds of millions of US dollars, all were extended according to schedule. The government also drew up a PRSP that found acceptance among the donor community, due to the country's meeting the benchmarks, and this allowed Ethiopia to receive additional funds from IMF. Disagreement arose, however, on the 'slow pace' of privatisation, on financial system reform and on government reluctance to open up the financial sector (banks, insurance) to foreign capital, where the government fears dominance and exploitation by foreigners. This, and the many bureaucratic hurdles in the legal and administrative system, probably accounted for Ethiopia's ranking in 2004, despite improvements, as a 'mostly unfree' economy on the US Heritage Foundation index. Notable in 2004 was the continued expansion of Chinese businesses in Ethiopia, e.g., the telecommunications companies Huawei (to set up a switch telephone network) and ZTE (to develop the cell phone system earlier awarded to the Swedish company Ericsson), as well as road construction contracts (April). EU firms repeatedly complained to the Ethiopian government about being excluded and about the aggressive business policies of Chinese firms on the Ethiopian market.

The approved **national budget** in 2003/2004 (the budget year runs from 1 July to 1 July) was estimated at \$ 2.24 bn, with capital expenditures of \$ 628 m (1 \$ was ca. 8.60 Ethiopian birr in December 2004) and \$ 919 m of recurrent expenditures. The budget deficit was some 7% and inflation was about 5.5%. The national debt in 2004 was an estimated

\$ 6.8 bn (not taking into account the proposed debt cancellations). Military spending was about 5–7% of the budget, education and health 7.5%.

Due to its prudent macroeconomic and monetary policies, its regular debt-service payments, the – relative to other African countries – low rate of corruption and the positive developments in selected sectors of the economy, Ethiopia received a comparatively large share of international and donor country aid, amounting to about 6% of GDP in 2004 (down from 8% in 2003). Still, the absorptive capacity of the country for aid was limited, and many programmes did not have the full desired effect because of a lack of facilities, employment, institutional support or skilled manpower.

Ethiopia was also eligible for the HIPC initiative, and in 2004 had benefited, via the IMF and the World Bank's IDA, from cumulative **debt relief** to the tune of \$ 1.3 bn, as well as a larger number of grants-in-aid instead of loans. Another privileged area of donor support was capacity building in higher education, communication technology, the rural economy and administrative reform (decentralisation, local capacity building).

Ethiopia's economy continued to be marked by reliance on **agricultural production**, most of it in the smallholder sector, and showed little growth. While the weather in 2004 was favourable and more fertiliser was used, contributing to a 24% higher agricultural output, there was no marked structural improvement in the sector. Despite renewed extension services and peasant training programmes, investment remained low and poverty rampant. About 80% of the population worked in agriculture. Agriculture generated some 46% of GDP, and constituted 60% of export earnings through coffee, hides and skins, leather products, oilseeds, livestock and the stimulant *ch'at* (*catha edulis*). The service sector share in GDP was about 49%, that of industry 12%.

The government still followed the 1993 'Agricultural Development-Led Industrialisation' policy (ADLI), which places agricultural producers at the centre of the economy and sees them as the engine of growth. In view of the unpredictable, weather-dependent and smallholder-based nature of Ethiopian agriculture, this model has not worked well. There were signs in 2004 that the government started thinking about independent urban industrialisation to generate growth and serve the domestic market. In this respect, the example of China's economic development made a great impression on the Ethiopian leadership. The land tenure system of Ethiopia was again hotly debated among experts. The government, however, did not budge from its ideological principle of all land as state property: in its view, liberalising the land market would generate great inequality, drive many people off the land to the cities and create land-based power groups. At the same time, the government in 2004 moved to make the 'registration' of land rights possible, in terms of which parents can transfer their use of land to their children. Customary land rights and practices were not legally respected, although in certain areas they made a comeback in practice. There was investment in the rural sector by private agrarian entrepreneurs and also by party-linked business people, who started commercial farms (flowers, vegetables for export, dairy production, etc.), but in 2004 these comprised only 5% of agricultural production.

Compared to other African countries, Ethiopia has long been marked by a low rate of **migration** of rural people to the cities. The urban population in Ethiopia in 2004 stood at 16%. The new ethno-federal political order in Ethiopia, urging people to remain in 'their own' region, has tended to discourage internal migration. While this was still the case, more people were moving to the towns and cities. There was also a constant outflow of more educated but un- or under-employed or dismissed people to foreign countries (US, Canada, Gulf States, Saudi Arabia). Remittances from overseas were estimated to have reached about \$ 220 m in 2004 and represented a vital part of the Ethiopian economy.

In the rural sector, Ethiopia embarked on the implementation of a large-scale, \$ 220 m **resettlement programme** to meet problems of overpopulation, soil erosion, drought and recurring famine in the northern and central parts of the country. This programme, designed in 2003, envisaged the move to lower density areas by 440,000 households (or some 2.2 m people) 'on a voluntary basis'. The effort resembled the schemes instigated by the previous Marxist government, but the measure of coercion was less and site preparation seemed better. Still, success was limited: participation was less than expected, facilities were lacking, disease was rampant and some resettled people had already returned to their places of origin (where they kept their rights to land for three years). In some locations, tensions emerged between newcomers and indigenous populations, who used the land for extensive purposes like livestock herding, hunting, beekeeping, etc. and also as ritual or burial sites. The other solution to relieve pressure on the land and on resources – birth control policies – made only slow progress. The fertility rate was an estimated 5.44 children born per woman, which was down from seven 15 years ago. The government prepared a population policy document in 1996, but continued opposition against family planning and population reduction expressed by the Muslim community, the Ethiopian Orthodox church and other religious groups made implementation difficult. Popular opinion was also reluctant. In the countryside, however, many clinics now offered contraceptives and these were in high demand, especially among married women, who carry the largest burden of daily work and childcare.

In 2004, Ethiopia also had a population of **internally displaced persons (IDPs) and refugees** of some 275,000 people, down 29% from 2003. They were located chiefly in the Tigray and Somali regions.

Ecological problems persisted in Ethiopia, such as deforestation, massive topsoil erosion and overuse of resources in many places. A contributory background factor was the pattern of steadily declining rainfall connected to global warming and microclimate change. Related factors are continued high population growth and policy failures in agriculture. There was no significant growth in the agricultural sector, and most peasants perform additional non-agrarian activities to survive. Land remained state property but could be leased and given in use to peasants and urban dwellers. However, it was often unpredictably redistributed at will by state agents on criteria other than economic. An average holding was less

than one hectare, too small for proper sustenance and growth. The lack of a land market and legislation to provide security of tenure for rural producers contributed to the lack of investment in agriculture and upkeep of the commons.

The pastoral sector in the lowland areas covers a large land surface and is the domain of several ethnic groups, such as the Afar, Somali, Boran, Guji and smaller groups in the southwest, like the Mursi, Nyangatom, Hamar and Suri. In 2004, they continued to be marginalised, and earlier government plans to assist the sector with education, securing their grazing lands, credit schemes and improving security had not materialised. A World Bank- and government-supported 'Pastoral Community Initiative' was launched in 2004 to address the issue. The government agenda, however, was to move towards settling the pastoralists, regardless of the ecological consequences for fragile ecosystems.

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