

A Transition at Work?

The ethnicization of Ethiopia's informal sector

CRU Report

Jos Meester
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About the authors

Jos Meester – *Senior Research Fellow at the Clingendael Institute's Conflict Research Unit*
Jos's work focuses on the private sector in conflict-affected environments. He is particularly interested in supply chains spanning political divisions, as well as the close relationship of political and private-sector elites and its consequences for the stability of political power structures. Jos previously worked as a management consultant on supply chain management and market assessments in developed and developing economies.

Nancy Ezzeddine – *Research Fellow at the Clingendael Institute's Conflict Research Unit*
Nancy Ezzeddine is a Research Fellow at Clingendael's Conflict Research Unit. In this capacity she primarily contributes to the Levant research programme, seeking to identify the origins and functions of hybrid security arrangements and their influence on state performance and development. She seeks to track relationships based on overlapping economic interests, political power and security challenges. Nancy's research is characterised by a mixed-methods approach involving both qualitative and quantitative analysis.

The Clingendael Institute
P.O. Box 93080
2509 AB The Hague
The Netherlands

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Abstract

The Ethiopian governing regime has defined poverty as the biggest threat to its survival since its inception, and has thus established a top-down developmental state model to drive economic growth that would legitimise its existence. While this model has sustained high GDP growth rates, Ethiopia faces a challenge translating such growth into improved livelihoods. The private sector is weakly developed, and job creation in Ethiopia's urban centres has not kept pace with population growth or rural-urban migration. Employment in the informal economy has been key to an increasing number of individuals' livelihoods, yet persistent poverty, inequality and marginalisation is also deepening grievances. The ethnically defined federalist system has created potentially powerful ethnic nationalist constituencies and aligned other previously cross-cutting political cleavages with existing ethnic divides, which result in potentially strong centrifugal forces. The Ethiopian state's clientelistic approaches to political mobilisation and its claim to legitimacy based on economic growth have equally lost purchase in the face of persistent poverty and marginalisation. With political debate extending beyond previously formalised channels, ethnically based networks are gaining significance. While career perspectives in the formal sector have long been intertwined with the ethnically based political system, such dynamics are becoming increasingly pronounced in the informal sector. The demarcation of boundaries between ethnic groups is becoming more important in the informal sector. While this may help ethnic groupings secure their livelihoods by securing control over various economic sectors and locations, it has reduced inter-group cooperation by eroding cross-cutting social capital and has connected economic grievances with ethnic fault lines. As a result, political tensions between ethnic nationalist groupings increasingly engage substantial urban constituencies, allowing tensions to spill over and exacerbate the broader political strains across the country.

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Abbreviations

ADP	Amhara Democratic Party
CAGR	Compound annual growth rate
CBE	Commercial Bank of Ethiopia
DBE	Development Bank of Ethiopia
EPRDF	Ethiopian People's Revolutionary Democratic Front
FDI	Foreign direct investment
GDP	Gross domestic product
GTP I	Growth and Transformation Plan I
GTP II	Growth and Transformation Plan II
ICT	Information and communication technology
IDPs	Internally displaced persons
ILO	International Labour Organisation
METEC	Metals and Engineering Corporation
MNC	Multinational corporation
NBE	National Bank of Ethiopia
NGO	Non-governmental organisation
ODP	Oromo Democratic Party
OLA	Oromo Liberation Army
PM	Prime Minister
PP	Prosperity Party
PPP	Purchasing power parity
SEPDM	Southern Ethiopian People's Democratic Movement
SME	Small and medium enterprises
TPLF	Tigray People's Liberation Front

Executive summary

- The livelihoods of most Ethiopian citizens are under significant pressure as inflation and unemployment continues to mount against a backdrop of the rising salience, fragmentation and politicisation of the multitude of ethnic identities that exist within Ethiopia.
- Ethnic actors mobilise sizeable constituencies demanding a greater share of power and economic spoils, which has raised tensions inside and outside the governing coalition.
- This report seeks to examine the extent to which employment in the urban informal sector allows for the expression and reduction of (existing) grievances.
- Defining poverty as the biggest threat to the regime's survival, the federal state has relied heavily on output legitimacy based on a top-down developmental state model driving continuous economic growth, thereby justifying its continued existence while at the same time lacking a solid popular mandate and implementing significant repression of dissent.
- A substantial part of donor policy in Ethiopia operates under the same assumption that (un)employment is a key driver of the instability affecting the country, and that increasing employment will substantially reduce tensions.
- Ethiopia is pursuing economic growth through a developmental state model, consisting of state-led economic reform with strong centralised political control.
- While this model has succeeded in sustaining high GDP growth rates for a number of years, Ethiopia faces a challenge in promoting shared prosperity, as job creation in Ethiopia's urban centres has not kept pace with GDP growth, population growth nor rural-urban migration.
- Employment in the informal economy has been key to an increasing number of individuals' livelihoods, but the persistent poverty, inequality and marginalisation many face is also deepening grievances.
- Ethno-nationalist cleavages are by no means novel, yet their rising salience is both a product of and an impetus to the changing form of political contestation and mobilisation.
- Many of the Ethiopian government's clientelistic approaches to political mobilisation and its claim to legitimacy based on economic growth have lost purchase.
- The rising significance of ethnically based mobilisation appealing to widespread economic grievances requires the governing party to reinvent its own appeal, yet it has also facilitated the spread of ethnic tensions outside the traditional spaces of political contestation.
- Ethnically based social capital has been key to many migrants' decision to migrate, to finding employment and accommodation, and to gaining access to services and other support for their livelihoods.

- With political debate extending beyond previously formalised channels, ethnically based networks are gaining significance on a new dimension as well, as political actors increasingly seek to use them for mobilisation on both clientelist and identity-based appeals.
- Such appeals may help ethnic groupings secure control over various sectors, locations and at times even cities, yet they have also connected economic grievances with ethnic fault lines, allowing ethnic nationalist tensions to spill over into sometimes violent conflicts across urban spaces.
- Based on the analysis, the following recommendations are made:
 - Livelihoods-related programming in Ethiopia should take into account and address the risks posed by the weak media environment
 - Interventions addressing employment or livelihoods more generally should actively avoid aligning with ethnic nationalist divides
 - Support organisations in the informal sector to become more inclusive, improve their ability to articulate grievances and represent stakeholder interests

1 Introduction

Political developments in Ethiopia during the transition of prime ministers temporarily gave rise to an uneasy sense of optimism. Following Prime Minister Hailemariam Desalegn's stepping down from his role due to increasingly heavy national-level popular protests and a loss in unity of the ruling Ethiopian People's Revolutionary Democratic Front's (EPRDF), Abiy Ahmed's ascension to the position represented a major departure from the EPRDF's *modus operandi*.¹ Not only did his appointment mark a major powershift from minority Tigrayan to the larger Oromo ethnic group (and a marked change in the position of the Amhara), the new administration's rhetoric of political liberalisation, democratisation and rights provided a major source of optimism in a state that traditionally relied on a decidedly illiberal and repressive governance system.² While this authoritarian system and the legacy it carries provide significant barriers to any transition to an alternative model, Abiy Ahmed initially delivered on a range of high-profile reforms. In his first months in government, among other measures, a gender-balanced cabinet was appointed, media censorship was curtailed, scores of political prisoners were released while political opposition figures were allowed to return from exile, and the long stalemate with Eritrea was formally ended.³ The new prime minister became the first Ethiopian to receive the Nobel Peace Prize, launched a book outlining his *medemer* philosophy of national unity overcoming ethnic divisions and subsequently disbanded the EPRDF to replace it with the new Prosperity Party (PP).

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- 1 Abdu, B. 2018. 'Diplomats, media optimistic about Abiy', *The Reporter*, 31 March, <https://www.thereporterethiopia.com/article/diplomats-media-optimist-about-abiy> (accessed 20 April 2020).
 - 2 Abbink, J. and Hagmann, T. 2013. *Reconfiguring Ethiopia: The Politics of Authoritarian Reform*, Abingdon/ New York: Routledge; Yusuf, S. 2019. 'Ethiopia's Power Security and Democracy Dilemma', <https://issafrica.org/iss-today/ethiopias-power-security-and-democracy-dilemma> (accessed 1 June 2020); Woldu, T. 2018. 'The EPRDF is dead, long live the EPRDF!', *Ethiopia Insight*, 11 November, <https://www.ethiopia-insight.com/2018/11/11/the-eprdf-is-dead-long-live-the-eprdf/>, (accessed 20 April 2020); Weldemariam, A. 2018. 'Ethiopia's charismatic leader: riding the wave of populism or reforming ethnic federalism?', *Ethiopia Insight*, 1 August, <https://www.ethiopia-insight.com/2018/08/01/riding-the-wave-of-populism/> (accessed 20 April 2020).
 - 3 Human Rights Watch. 2019. 'Ethiopia: Growing Uncertainty Marks Abiy's First Year in Power: Early reforms followed by rising tensions, security breakdown', <https://www.hrw.org/news/2019/04/02/ethiopia-growing-uncertainty-marks-abiy-first-year-power> (accessed 20 April 2020); Vertin, Z. 2019. 'Alfred Nobel catches 'Abiy-mania': Praise and caution for Ethiopia's prize winner', <https://www.brookings.edu/blog/order-from-chaos/2019/10/15/alfred-nobel-catches-abiy-mania/> (accessed 20 April 2020).

Although the new administration has continued to drive major reforms through the EPRDF system since its initial months in office, subsequent measures have highlighted continuing ethnic divides. An accountability drive within the secret services and anti-corruption measures taken against the Metals and Engineering Corporation (METEC) set the stage for a power struggle between Addis Ababa and Mekelle, as these measures ensured that numerous Tigray People's Liberation Front (TPLF) actors faced legal action and took shelter from prosecution within the Tigrayan ethnic regional state, while many officials of other ethnicities remained out of scope of the investigations.⁴ While the relatively free and fair Sidama referendum of November 2019 may have provided hope for wider liberalisation measures in the face of vested ethnic interests, it led to 11 other zones of the Southern Nations Nationalities and Peoples Region (SNNPR) filing similar claims to regional statehood.⁵ The initiative thus also highlighted the rising salience, fragmentation and politicisation of the multitude of ethnic identities in Ethiopia and its ethnic federal regional states. Regardless of the rhetoric and reforms promising greater liberalisation, the livelihoods of most Ethiopian citizens remain under significant pressure as inflation and unemployment continue to mount.⁶ The 'Abiy Mania' that characterised the PM's initial period in office has thus seen a significant decline.

In this context, ethnic actors increasingly mobilise sizeable constituencies demanding a greater share of power and economic spoils. This has raised tensions within the Oromo-Amhara coalition that brought Abiy to power.⁷ The past few years have seen the re-emergence of ethnic nationalist conflicts across Ethiopia. Tensions have so far resulted in repeated coup attempts at both national and regional levels, the highly contested reorganisation of the EPRDF in the PP, ethnic protests that have led to hundreds of casualties among protestors (at the hands of state and regional security forces, as well as protestors from other ethnic groups) and increasing inter-ethnic

4 Davison, W. and Tewele, L. 2018. 'Abiy attacks impunity as MetEC and NISS officials held for graft and torture', *Ethiopia Insight*, 15 November, <https://www.ethiopia-insight.com/2018/11/15/abiy-attacks-impunity-as-metec-and-niss-officials-held-for-graft-and-torture/> (accessed 20 April 2020).

5 Kursha, K. 2020. 'Respecting self-determination could prove good governance model for Ethiopia's southern nations', *Ethiopia Insight*, 22 September, <https://www.ethiopia-insight.com/2020/09/22/respecting-self-determination-could-prove-good-governance-model-for-ethiopias-southern-nations/> (accessed 10 December 2020).

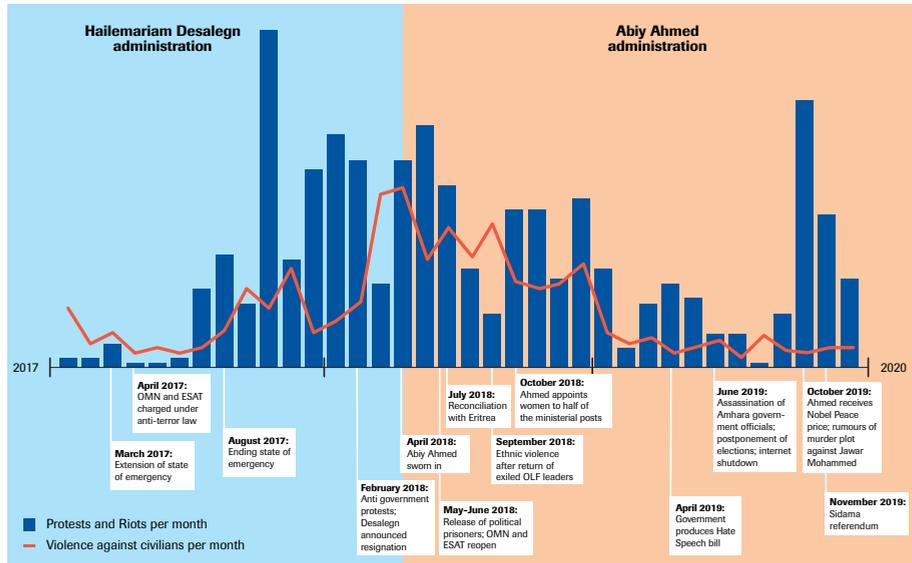
6 Salam, K. 2019. 'Ethiopia's Year of Reckoning: Ahead of elections in 2020, Ethiopia has many problems to address. Here are our top reads on how Prime Minister Abiy Ahmed came to power and what comes next', <https://foreignpolicy.com/2019/07/11/ethiopias-year-of-reckoning/> (accessed 20 April 2020).

7 Yusuf, S. 2019. 'What is driving Ethiopia's ethnic conflicts?', *East Africa Report 28*, Institute for Security Studies.

violence and killings.⁸ The growing pressure on the state to uphold a measure of rule of law has led to the reintroduction of a number of repressive instruments among the security forces and in the media, reminiscent of measures that had only recently been abolished.⁹ By late 2020, federal military forces, ethnic militias and police forces were engaged in a range of ethnically framed conflicts across the country against a backdrop featuring a marked increase in instances of ethnic profiling.¹⁰

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- 8 Yusuf, S. 2019. 'Drivers of ethnic conflict in contemporary Ethiopia', *Monograph 202*, Institute for Security Studies; Tasfaye, E. 2020. 'Amid blackout, western Oromia plunges deeper into chaos and confusion', *Ethiopia Insight*, 14 February, <https://www.ethiopia-insight.com/2020/02/14/amid-blackout-western-romia-plunges-deeper-into-chaos-and-confusion/> (accessed 20 April 2020); Kleinfeld, P. and Parker, B. 2020. 'Ethiopia's other conflicts', *The New Humanitarian*, 23 November, <https://www.thenewhumanitarian.org/news-feature/2020/11/23/ethiopia-tigray-fuel-conflict-hotspots-ethnic-politics> (accessed 31 December 2020).
- 9 Amnesty International. 2020. 'Ethiopia: authorities crack down on opposition supporters with mass arrests', *Amnesty International*, 27 January, <https://www.amnesty.org/en/latest/news/2020/01/ethiopia-authorities-crack-down-on-opposition-supporters-with-mass-arrests/> (accessed 20 April 2020); Kelecha, M. 2019. 'Middleman', *Ethiopia Insight*, 18 December 2019, <https://www.ethiopia-insight.com/2019/12/18/middleman/> (accessed 20 April 2020); Gebissa, E. 2019. 'Dangerous interregnum: the anatomy of Ethiopia's mismanaged transition', *Addis Standard*, 5 December 2019, <https://addisstandard.com/commentary-dangerous-interregnum-the-anatomy-of-ethiopias-mismanaged-transition/> (accessed 20 April 2020); Lefort, R. 2020. 'Preaching unity but flying solo, Abiy's ambition may stall Ethiopia's transition', *Ethiopia Insight*, 25 February, <https://www.ethiopia-insight.com/2020/02/25/preaching-unity-but-flying-solo-abiy-ambition-may-stall-ethiopias-transition/> (accessed 2 June 2020); The Reporter Ethiopia, 2019. 'Command Post arrests over 170 suspects linked to violence in Oromia-Benishangul border', 12 January, <https://www.thereporterethiopia.com/article/command-post-arrests-over-170-suspects-linked-violence-romia-benishangul-border> (accessed 20 April 2020).
- 10 Fisher, J. 2020. 'Ethiopia: at the roots of the conflict in Tigray', *Italian Institute for International Political Studies*, 11 November, <https://www.ispionline.it/en/pubblicazione/ethiopia-roots-conflict-tigray-28220> (accessed 31 December 2020); Freudenthal, E. 2020. 'Ethnic profiling of Tigrayans heightens tensions in Ethiopia', *The New Humanitarian*, 16 December, <https://www.thenewhumanitarian.org/news-feature/2020/12/16/Ethnic-profiling-Tigray-tensions-Ethiopia> (accessed 31 December 2020).

Figure 1 Civil unrest and policy changes following the transition of Prime Minister¹¹



1.1 Research objective

Regardless of substantial shifts in the competitive landscape within the EPRDF/PP, the liberalisation and anti-corruption drives and the increasing ethnicization of popular political attitudes, the key legitimating factor of the regime has remained largely unchanged. Historically defining poverty as the biggest threat to the regime’s survival, the EPRDF relied heavily on output legitimacy based on a top-down developmental state model driving continuous economic growth and thereby justifying its continued existence, while at the same time lacking a solid popular mandate and implementing significant repression of dissent.¹² Although Ethiopia’s state-led Growth and Transformation Plan has given way to the more entrepreneurial Homegrown Economic Reform Plan, the underlying approach of tackling instability

11 Protests, riots and violence against civilians data from Armed Conflict Location & Event Data Project (ACLED) (see www.acleddata.com).

12 De Waal, A. 2013. ‘The theory and practice of Meles Zenawi’, *African Affairs*, 112 (446), 148-155; Fouriej, E. 2015. China’s example for Meles’ Ethiopia: when development ‘models’ land, and interview with Ethiopian academics, Addis Ababa, 2017.

through increasing employment remains a core legitimating factor.¹³ In a similar vein, a substantial part of donor policy in Ethiopia operates under the same assumption that (un)employment is a key driver of the instability affecting the country and that expanding employment could substantially reduce tensions. While (un)employment is undoubtedly a major component of political contestation throughout the country and should be a prime concern for government and donors alike, it should be kept in mind that substantial strands of research have highlighted the more complex nature of that relationship (especially in contexts with high informal employment and/or fragility).¹⁴ For instance, trade unions have highlighted the importance of decent work rather than overall employment, research on illicit economies in the United States underlines how informal employment can lead to increasing marginalisation and aggravate grievances, while ethnographic work has shown how economic development in Ethiopia might translate into marginalisation of its young people.¹⁵

This report seeks to examine the relationship between urban informal (self-)employment and stability in Ethiopia.¹⁶ It hence poses the question to what extent employment in the urban informal sector allows for the expression and reduction of (existing) grievances.¹⁷ The report commences by outlining the wider socio-economic trends driving grievances

13 Gebre, S. 2019. 'Ethiopian PM says reforms will deliver 3 million jobs in 2019-20', 2 July, <https://www.bloomberg.com/news/articles/2019-07-02/ethiopian-pm-says-reforms-will-deliver-3-million-jobs-in-2019-20> (accessed 22 April) It should be noted however that Ethiopia's growth is often considered as 'jobless growth', as job creation fails to keep pace with GDP growth and is insufficient to create opportunities for the two million Ethiopian young people entering the workforce each year.

14 Approximately 81% of employment in Ethiopia is informal (Desta, C. 2018. 'The urban informal economy in Ethiopia: theory and empirical evidence', *Eastern Africa Social Science Research Review*, 34(1), 37-64).

15 See Organisation for Economic Co-operation and Development and International Labour Office, 2018. 'Building Trust in a Changing World of Work: The global deal for decent work and inclusive growth flagship report 2018'; Collier, P. and Hoeffler, A. (1998). On economic causes of civil war. *Oxford Economic Papers*, 50(4), 563-573; Blattman, C. and Annan, J. (2014). Can employment reduce lawlessness and rebellion? A field experiment with high-risk men in a fragile state. http://papers.ssrn.com/sol3/papers.cfm?abstract_id=2431293 (accessed 21. April 2020); Cramer, C. (2010). Unemployment and Participation in Violence. Background paper for WDR 2011. Washington, DC: World Bank; Bourgois, P. (1989). 'Crack in Spanish Harlem: culture and economy in the inner city', *Anthropology Today*, 5(4), 6-11; Di Nunzio, M. 2019. 'The Act of Living: Street life, marginality and development in urban Ethiopia', Ithaca, NY: Cornell University Press.

16 Throughout this report, the term urban informal (self-)employment is used to refer individuals working at both registered and unregistered enterprises without a contract (mostly wage labourers), as well as self-employed individuals running small unregistered businesses in urban environments.

17 Although the link between employment and stability receives a degree of support in academic literature, note that both donors and (low legitimacy) recipient states have an interest in maintaining stability independent from improving citizens' livelihoods or well-being, as well as in employment programming. Notably, the Ethiopian state has severely restricted donor policy in many areas, but has allowed employment creation programmes in the formal sector aligned with its developmental state model. For an examination of this link as well as alternative conceptualizations in the academic and policy literature, see Brück, T. *et al.*, 2015, 'Linking Employment and Stability in Fragile and Conflict-Affected Situations'.

among newly urbanised youth. This chapter considers the country's sustained high economic growth in the face of persistent poverty, rapid population growth, demographic changes and increasing urbanisation, as well as patterns of inequality and marginalisation faced by those (self)-employed in the informal economy. The following chapter discusses the rapidly changing political context in Ethiopia, covering changes in governance as well as the re-emergence of ethnic nationalist forces. It focuses on changing patterns of EPRDF/PP political mobilisation, the weakening of party cohesion and the political mobilisation tactics of opposition parties. The fourth chapter covers the importance of ethnic identities and networks in employment. It commences by considering the long-standing ethnicization of the formal sector, and subsequently explores the rising importance of ethnic identity in informal employment and urbanisation patterns. The last chapter of this report summarises findings relating to grievance expression and their deepening or reduction through informal employment, and makes recommendations for more effective programming aimed at reducing ethnic tensions among those employed informally in urban spaces.

This report seeks to inform the debate on the impact of informal employment and stability in Ethiopia based on desk research and fieldwork in Addis Ababa. It should be remembered, however, that Ethiopia is highly diverse ethnically and that conditions across the country vary significantly.¹⁸ Additionally, urbanisation and ethnic political contestation are rapidly changing the situation in many of these locations. As a consequence, dynamics described in this report cannot be expected to hold across Ethiopia, and extrapolations of such dynamics that do not take into account the local context may obscure important differences. Additional limitations are placed upon this research, as an in-depth examination of the ethnicization of Ethiopian politics is beyond the scope of this report. Additionally, the instability caused by these dynamics affected the conduct of the research. Even in the context of substantial political liberalisation, several respondents were hesitant or unwilling to fully express their views, while in other cases fieldwork sites outside of Addis Ababa were inaccessible due to ongoing violent ethnic clashes.¹⁹ While data collection for this report attempted to account for such issues, no reporting on such a sensitive contested issue can claim to be exhaustive. Lastly, this report was developed before the Covid-19 outbreak that hit Ethiopia in March 2020 and the subsequent military operations in the Tigray regional state. These developments have significantly affected political contestation and the reform process, and are also likely to have had an effect on a number of the dynamics described in this report.

18 See Panhurst, A. and Dom, C. (eds), 2019, *Rural Ethiopia in Transition: Selected discussion briefs, 2018*, Addis Ababa.

19 For example, when several construction workers were asked why they did not discuss the heavily publicised protests their building site was engulfed in just days prior they simple noted: '*Because we want to survive.*' (Addis Ababa, November 2019).

2 Economic grievances

2.1 Introduction

Ethiopia has attracted global attention because of its double-digit economic growth.²⁰ Following a developmentalist state model, Ethiopia has prioritised state-directed economic growth over human rights or political pluralism. The late Prime Minister Meles Zenawi believed that a measure of prosperity was essential before democracy could take root.²¹ International commentators such as CNN complimented such strides, calling out Ethiopia's success for being Africa's fastest-growing economy in 2018 and Deloitte labelling it the 'growth miracle'.²² The EPRDF under Abiy inherited significant parts of Zenawi's economic paradigm, deriving Ethiopia's Homegrown Economic Reform Plan, a high-growth strategy aimed at making Ethiopia a middle-income country by 2025 through foreign financing and privatisation.²³

Hence, structurally speaking, the same problems that strained the previous administration remain. At the core of the government's strategy is the priority of achieving macro-level growth that masks marginalisation and inflames the anger that communities feel. Indeed, the headline statistics about Ethiopia's progress conceal many shortcomings. According to one Addis Ababa-based analyst the growth has not been felt by *'the common man on the streets of Addis Ababa or in the rural areas'*.²⁴ While Ethiopia's economy indeed witnessed remarkable growth, the growth has been largely state led and concentrated in several service sectors, with only limited

20 World Bank Development Indicators. <https://data.worldbank.org/indicator/SP.POP.TOTL?locations=ET>

21 Looney, R. 2015. 'Ethiopia's economic miracle is running out of steam' *Foreign Policy*, 16 April, <https://foreignpolicy.com/2015/04/16/ethiopias-economic-miracle-is-running-out-of-steam-east-africa/> (accessed 21 April 2020)

22 See more: Deloitte. 2014. 'Ethiopia a Growth Miracle', https://www2.deloitte.com/content/dam/Deloitte/na/Documents/strategy/za_ethiopia_growth_miracle_july2014.pdf (accessed 21 April 2020); Giles C. 2018. 'Ethiopia is now Africa's fastest growing economy', *CNN World*, 24 April, <https://edition.cnn.com/2018/04/24/africa/africa-largest-economy/index.html> (accessed 21 April 2020)

23 In an effort to re-brand Ethiopia, the prime minister and his new cabinet travelled to the US and Europe, presenting the renewed vision and urgently calling for more investment to alleviate the economy from the heavy external debt. See: World Bank Group. 2020. 'Ethiopia Sustains Reforms to Spur Growth and Boost Investment Climate and the Finance Sector', World Bank Group, 19 March, <https://www.worldbank.org/en/news/press-release/2020/03/19/ethiopia-sustains-reforms-to-spur-growth-and-boost-investment-climate-and-the-finance-sector> (accessed 21 April 2020).

24 Several other Ethiopian researchers and analysts brought up similar points.

decent employability and livelihood improvements. Limited productive growth and the unaccommodating labour market has pushed many into vulnerable employment, often in the informal sector.²⁵ Paradoxically, the country remains one of the world's poorest countries – sitting just above Haiti and below Afghanistan in terms of gross domestic product (GDP) per capita – with rising urban inequality, surging inflation and high unemployment rates.²⁶

While this 'development before democracy' strategy has paid off in a number of areas, the question remains whether its success can be sustained for much longer amid large popular unrest due to economic marginalisation. With rapid population growth and urbanisation, does Ethiopia's economic model accommodate its ever-changing labour force? To this end, this chapter outlines the three key pillars of the Ethiopian urban economy under EPRDF and Abiy's economic strategies – a large public sector, a small formal private sector and a large informal sector – in an attempt to understand embedded economic structures that polarise communities. The discussion underscores the fact that while Ethiopia is growing at a fast pace, it is a high-level growth largely driven by the ability of the public sector to invest in a wide range of programmes and projects simultaneously. In contrast, this growth is rarely reflected in citizens' livelihoods and daily lives, which remain strained by high inflation rates and limited decent employment. Low wages, limited productive growth and increasing informality force urban residents (mostly migrants), fleeing rural poverty, to continue living in substantial poverty and/or substandard homes in slums and squatter settlements.²⁷

2.2 Growing without changing

In the early 1990s, Africa's poverty was alarming and viewed as a threat to rich countries.²⁸ Twenty years later, they described Ethiopia as a stable growing economy, progressing through economic reform and increasing competitiveness with a promise

25 Vulnerable employment is widespread in Ethiopia, across both the formal and the informal sector. Conditions in the informal sector, however, are often considered more difficult.

26 World Bank Development Indicators. See: <https://data.worldbank.org/indicator/NY.GDP.PCAP.PP.CD>

27 It was estimated in 2007 that 70–80% of the population of Addis Ababa was living at or below the poverty line. Tolon, W., 2008. 'Comparison of urban upgrading projects on development cooperation in Ethiopia: Ethiopia and its capital, Addis Ababa'. Barcelona: Universidad Politècnica de Catalunya.

28 See: World Bank Group. 1990. 'Ethiopia's economy in the 1980s and framework for accelerated growth' *World Bank Group*, 14 March, <http://documents.worldbank.org/curated/en/427651468035948220/Ethiopia-Economy-in-the-1980s-and-framework-for-accelerated-growth> (accessed 21 April 2020)

of an ongoing wealth creation in Africa.²⁹ Specifically, figures of annual GDP growth provided the grounds for this paradigm shift in perceptions of Ethiopia, which was beginning to shift its position from political instability and stagnation towards economic growth and political stability. Successively since 2004, Ethiopia’s economy has continued to grow by 10.4% on average – in contrast to an average of 3% average growth in the previous decade and much faster than the average annual growth in Africa as a whole (nearly 6%). By taking into consideration population growth of 2.4% per year, GDP growth per capita averaged 8% per year from \$584 (PPP) in 2004 to \$2,022 (PPP) in 2018.³⁰

Figure 2 GDP growth (1982-2018)³¹

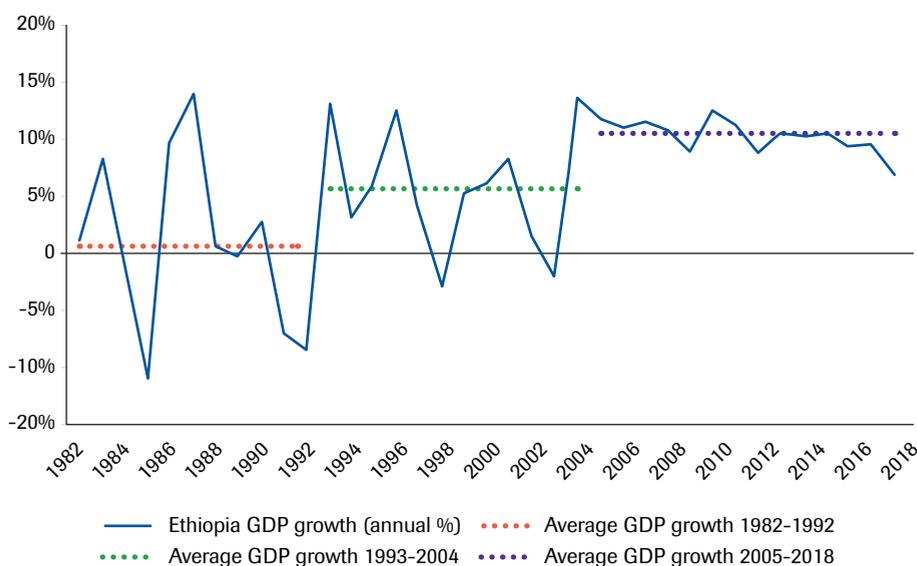


Figure 1 showcases Ethiopia’s accelerated economic progress that began in 1992 and which shifted to an even higher gear in 2004. The first ‘gear shift’ took place shortly after the political and economic transition of 1991 with the downfall of the communist Derg regime and the introduction of a market-oriented economy. The post-Derg EPRDF government, in turn, implemented a series of complementary economic reforms which

29 Roxburgh, C., et al. 2010. ‘Lions on the move: the progress and potential of African economies’, *McKinsey Global Institute*, June, https://www.mckinsey.com/~media/McKinsey/Featured%20Insights/Middle%20East%20and%20Africa/Lions%20on%20the%20move/MGI_Lions_on_the_move_african_economies_full_report.ashx (accessed 21 April 2020)

30 GDP per capita, PPP (current international \$) – World Bank Development Indicators (2018)

31 World Bank Development Indicators. See: <https://data.worldbank.org/indicator/NY.GDP.PCAP.PP.CD>

paved the way for the second growth acceleration starting in 2004. Gradually Ethiopia began to move in a direction of liberalising its economy towards a market-based system. Nonetheless, the state continues to intervene and controls most sectors of the economy. Indeed, Ethiopia's rapid economic growth over the past decade, state intervention in the economy and a focus on industrialisation correspond with its characterisation as a developmental state.³² In brief, the EPRDF's economic strategy focused on promoting agriculture and industrialisation while delivering substantial public infrastructure investment.³³ Despite limited government revenues, Ethiopia was able to finance high public investment in a variety of ways. For example, the government kept consumption low in order to finance budgetary public infrastructure investment as well as tapping into external concessional and non-concessional financing.³⁴ The government also deployed fewer conventional mechanisms, such as fiscal policies that kept interest rates low and dedicated credit to public infrastructure,³⁵ an overvalued exchange rate that cheapened public capital imports and monetary expansion including direct Central Bank budget financing, which earned the government seigniorage revenues.³⁶

In addition, the endowment funds of EPRDF parastatal companies across regional sisters were key in channelling political finance and development to the different regions. Effective provisioning meant that the Front had to establish a number of revenue sources, including small clandestine businesses scattered at home and abroad. There are four large umbrella holding endowments in Ethiopia today. These holdings constitute the EPRDF's largest assets including a number of commercial entities affiliated with allied regional elites and politically connected associations. Furthermore, private conglomerates such as Midroc and well-connected individuals have formed cross-holding and business alliance relationships with the party companies. The largest endowment is owned by the biggest of the four members of the ruling coalition. The Endowment Fund for the Rehabilitation of Tigray (EFFORT or Tirit), established in 1995, is owned by the TPLF. It is by far the largest in terms of assets, number of subsidiaries, sectoral coverage and supra-regional orientation. The junior partners of the ruling

32 The Ethiopian state intervenes heavily in the market, and has a strong developmental vision to be achieved through industrialisation.

33 Ethiopia's strong commitment to agricultural development is noteworthy, as reflected by high government spending and the world's biggest contingent of agricultural extension workers.

34 See International Monetary Fund. 2014. *The Federal Democratic Republic of Ethiopia Selected Issues Paper*, Washington DC: International Monetary Fund

35 See Chaffour, JP. and Gobezie, M. 2019. *Exiting Financial Repression: The case of Ethiopia*, Working Paper 9082, Washington DC: World Bank.

36 See Geda, A. 2018. 'Recent macroeconomic development in Ethiopia: presentation for Addis Ababa Chamber of Commerce, June 26, 2018, Addis Ababa', available at https://www.researchgate.net/publication/326271746_Recent_Macroeconomic_Development_in_Ethiopia_EthChamberHilton_June2018 (accessed 21 April 2020).

coalition also own for-profit companies of lesser importance, again overseen by holding companies registered as endowments. They are Endeavour (Tiret) of ANDM (Amhara), Tumsa Endowment (formerly Dinsho) controlled by OPDO (Oromia) and Wondo Group controlled by SEPDM (Southern Ethiopian People's Democratic Movement).³⁷

Box 1 Ethiopia's economic plans

The EPRDF's economic paradigm has been crystalised through three successive economic plans: the Growth and Transformation Plan I (2010-2015), the Growth and Transformation Plan II (2016-2020) and the Homegrown Economic Reform Plan (2019-2030).

GTP I

The Growth and Transformation Plan was an ambitious five-year plan to reach GDP growth of 11-15% a year from 2010-2015, with a total estimated cost of US\$75-79 billion. It aimed to expand agriculture opportunities by offering around 8 million acres of land to commercial farming investors, in addition to big infrastructure and industry projects such as expanding road networks, building a 1,500 mile-long standard gauge rail network, developing four industrial cluster zones and investing in renewable energy and cellular networks.

GTP II

GTP II aims to transform Ethiopia through sustaining the rapid, broad-based and inclusive growth into a low middle-income country by 2025. Thereby, the GTP II plan carries the objectives of sustaining an annual average real GDP growth rate of 11%. This growth should help narrow the saving-investment gap, bridge the widening trade deficit, develop domestic engineering and manufacturing capacities and improve the productivity, quality and competitiveness of productive sectors. The strategy, therefore, seeks to optimise growth that ensures a trickle-down effect and improves public ownership and benefits from the development process.

Homegrown Economic Reform Plan

The Homegrown Economic Reform Plan focuses on the expansion of the country's economic capabilities and the creation of employment opportunities through a set of macroeconomic, structural and sectoral reforms by 2030.

37 See Abegaz, B. 2011. *Political Parties in Business*, Working Paper 113, https://www.researchgate.net/publication/254402972_Political_Parties_in_Business (accessed 21 April 2020). Woldesenbet, W. 2020. *The Tragedies of a state dominated political economy: shared vices among the imperial, Derg, and EPRDF regimes of Ethiopia*, Development Research Studies Research, 7:1, 72-82.

It includes streamlining bureaucratic and regulatory procedures, improving governance of public institutions, creating a secure and predictable market access to exports, increasing investments in logistic infrastructure and enhancing the efficiency of domestic markets for goods and services. The plan prioritises key sectors – specifically agriculture, manufacturing, mining, tourism and ICT.

The extent to which growth in GDP per capita in Ethiopia translates into poverty reduction, however, has been low. The largely stagnant population growth helped Ethiopia sustain its improvements across a number of Sustainable Development Goals. However, the continued postponement of a population census has masked the explosive population growth that was not accommodated in official statistics. In its mission to accelerate GDP growth, Ethiopia has also managed to reduce its poverty rate from 27.3% under \$1.9 per day in 2015 to 24.2% in 2018.³⁸ Countries with similar per capita GDP levels tend to have higher poverty rates. However, the ‘poverty elasticity growth’, a measure of the extent to which GDP growth reduces poverty, amounted to -0.22 between 2005 and 2015. That means a 1% increase in per capita GDP was accompanied by only a 0.22% reduction in the poverty rate.³⁹ Poverty elasticity growth for other African countries for the same period includes -0.65 for Uganda, -0.57 for Kenya and -0.4 for Rwanda.⁴⁰ Hence, while GDP growth has made strides in alleviating poverty levels in Ethiopia, the structure of growth is still lagging in producing growth that is adequately pro-poor. Promoting shared prosperity requires fostering the consumption growth of the bottom income groups.

Indeed, apart from market-oriented reforms implemented during the 1990s, EPRDF’s successive economic strategies have lacked stern efforts to produce sustainable structural economic reforms.⁴¹ Part of the concern about the long-term sustainability of Ethiopia’s recent growth emanates from this lack of transformation. As GTP II nears its completion date (2020), the underlying economic structure, in the simple but wide sense

38 World Bank Group. 2019. ‘Ethiopia Economic Update 7: Special Topic - Poverty and Household Welfare in Ethiopia, 2011-16’, *World Bank Group*, January, <http://documents.worldbank.org/curated/en/432421554200542956/pdf/Special-Topic-Poverty-and-Household-Welfare-in-Ethiopia-2011-2016.pdf> (accessed 21 April 2020)

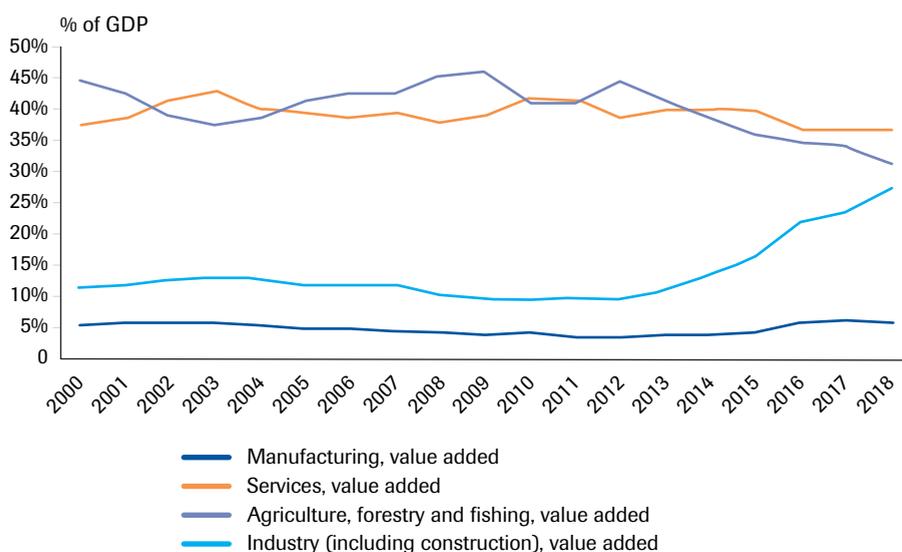
39 Geda, A. and Yimer, A. 2014. ‘The political economy of growth, poverty and inequality in Ethiopia, 2000-2013’ in *Reflections on Development in Ethiopia: New trends, sustainability and challenges*; Rahmato, D. (ed) and et al., Addis Ababa: Forum for Social Studies

40 World Bank Group. 2019. op. cit.

41 Manyazewal, M. and Shiferaw, A. 2019. ‘Economic policy and structural transformation in Ethiopia’, in *The Oxford Handbook of the Ethiopian Economy*, Cheru, F. Cramer, C. and Oqubay, A. (Eds), Oxford: Oxford University Press.

of a shift in relative shares of sectoral activity, has been modest. Figure 2 shows changes in GDP composition by added value per sector. While agriculture was the main economic sector at the beginning of the programme, the services sector gradually took over and was complemented, in recent years, by a construction boom. Out of an average growth rate of 10.4%, services contributed 5.4 percentage points followed by agriculture with 3.6 percentage points and industry with 1.7 percentage points.⁴²

Figure 3 Sectoral GDP shares⁴³



The key challenge for the current economic structure lies with its failure to create jobs, especially amidst high population growth rates. As the structure of output shifted from agriculture towards services, the corresponding employment shift was modest. The growth was concentrated in the services and construction sectors – both of which are considered sectors of limited employability or employment largely engaged on an informal basis. With services constituting 37% of output share of GDP, they covered only 15.2% of the total employment share in 2013, up to 21% in 2018.⁴⁴ Similarly, industry (including construction) constituted 27% of GDP and 12% of total employment.⁴⁵ Most alarming is the share of manufacturing, stagnant at 5% of GDP for so long despite

42 World Bank Group. 2016. *Ethiopia's Great Run: The growth acceleration and how to pace it*, Washington DC: World Bank.

43 World Bank Development Indicators. See: <https://data.worldbank.org/indicator>.

44 World Bank Development Indicators. See: <https://data.worldbank.org/indicator>.

45 Ibid.

successive attempts at pursuing a strategy of industrialisation. Indeed, many analysts, including the World Bank, have highlighted this as a structural weakness of Ethiopia's growth paradigm, with prominent economists arguing that sustaining rapid growth in African countries is unlikely without a profound structural change in favour of manufacturing.⁴⁶

Despite the attention given to manufacturing in GTP I and GTP II, it is quite clear that the sector's productive capacity is not keeping pace with the rest of the economy. Ethiopia's largescale investments in infrastructure are yet to produce largescale growth in the manufacturing sector.⁴⁷ A key reason for this weakness is the private sector's limited access to credit.⁴⁸ Shiferaw measures the average investment rate among firms with initial bank ties at twice that of firms without bank ties.⁴⁹ This observation is consistent with a study by the World Bank which found that 56% of small and medium enterprises (SMEs) are credit constrained, which is far above the African average.⁵⁰ This situation has led to a steady decline in private sector borrowing from the banking sector as a percentage of GDP.⁵¹ While individual investors can borrow from private banks, the latter are constrained by high liquidity and reserve requirements as well as single-borrow limits. In addition, the market, dominated by state-owned banks, dedicates almost all of its lending efforts to public infrastructure projects and expansion of state-owned enterprises.⁵² To emphasize this, the new directive of the National Bank of Ethiopia (NBE) requires private banks to set aside 27% of any loan provided to the private sector for purposes of purchasing NBE bonds. The idea is that funds raised in this manner

46 Rodrik, D. 2014. *An African Growth Miracle?*, NBER Working Paper 20188, <https://www.nber.org/papers/w20188.pdf> (accessed 21 April 2020).

47 Previous studies lamented that the size of African firms are restrained by aggregate demand and poor infrastructure. While this might explain Ethiopia's situation during the 1980s, it stands at odds with the recent experiences of rapid GDP growth and improved infrastructure. See: Collier, P. (2000). 'Africa's Comparative Advantage,' in H. Jalilian, M. Tribe and J. Weiss (eds.) *Industrial Development and Policy in Africa*. Cheltenham, UK: Edward Elgar.

48 Ability to access credit is closely tied with firms' relationship with banks (i.e. ability to tap into networks). Private banks, generally, rely on relationship lending in screening loan applications instead of using a credit rating system.

49 Shiferaw, A., M. Söderbom, E. Siba, and G. Alemu. 2015. 'Road infrastructure and enterprise dynamics in Ethiopian manufacturing', *Journal of Development Studies*, 51(11), 1541-58.

50 World Bank Group. 2015. *SME Finance in Ethiopia: Addressing the missing middle challenge*, Working Paper 96365, Washington DC: World Bank.

51 Domestic credit to the private sector dropped from 19% of GDP in 2004 to 11% in 2011. Ethiopia seems to be unique in this regard as no other African country exhibits a declining trend in credit to the private sector. World Bank Group. 2015. *SME Finance in Ethiopia: Addressing the missing middle challenge*, Working Paper 96365, Washington DC: World Bank.

52 There are about 16 privately owned commercial banks in Ethiopia, accounting for less than 30% of the sector's financial assets. CBE overwhelmingly dominates the market.

will be allocated to the Development Bank of Ethiopia (DBE) for on-lending to priority sectors.⁵³ As a consequence, the employment share of manufacturing remains below its 5% contribution to GDP as firms struggle to grow and increase labour productivity and hiring.

Beyond limited employability growth in the productive sectors, the state-led model leads to a reduction in public sector employment – considered the largest employer in Ethiopia. The public sector accounts for almost one-fifth of urban employment and about 68% of employment among those with higher education.⁵⁴ However, cutbacks in public expenditure and privatisation of public enterprises under EPRDF's capital accumulation model have tended to reduce the employment creation role of the public sector and cut redundant labour, resulting in an increase in unemployment. Attraction of foreign investment and largescale infrastructure projects have failed to replace the secure employment within the public sector that also comes with a number of non-financial benefits. Ethiopia's large growth rate has largely been driven by the ability to attract low-cost investment – specifically cheap low-skilled labour. Between 1999 and 2013, and despite high rates of growth registered, labour productivity in Ethiopia increased at a marginal rate of 4.4% in manufacturing, 3% in agriculture and 4.3% in construction.⁵⁵ Beyond low wages, employment in Ethiopia's formal sector is often characterised by precarious working conditions including long hours, physically dangerous environments, limited on-job training and lack of benefits. In addition, the possibilities for employees within the formal sector to organise and lobby remain very limited. Box 2 looks closer at working conditions in Ethiopia's industrial parks that aim to improve competitiveness and innovation.

53 Shiferaw, A. 2017. *Productive Capacity and Economic Growth in Ethiopia*, CDP Background Paper No. 34, <https://www.un.org/development/desa/dpad/wp-content/uploads/sites/45/publication/CDP-bp-2017-34.pdf> (accessed 21 April 2020).

54 World Bank Group, 2016, *5th Ethiopia Economic Update: Why so Idle? Wages and Employment in a Crowded Labor Market*, Washington DC: World Bank.

55 United Nations Development Programme. 2017, *Growing Manufacturing Industry in Ethiopia: Case study*, <https://www.undp.org/content/dam/ethiopia/docs/Understanding%20African%20experiences%20in%20formulating%20and%20implementing%20plans%20for%20emergence%20Growing%20Manufacturing%20Industry.pdf> (accessed 21 April 2020); World Bank Group. 2016. *Ethiopia's Great Run: The growth acceleration and how to pace it*, Washington DC: World Bank.

Box 2 Jobs in industrial zones

Industrial zones are considered one of the government's key strides towards accelerating growth in manufacturing and achieving GTP targets. These facilities are intended to provide investors with ready-made factory sites and basic utility services, and are particularly attractive to foreign firms that may not be familiar with local bureaucracy and business practices. The major attractions for multinational corporations (MNCs) in Ethiopia are low costs of labour and energy.⁵⁶ For example, Chinese MNCs in industrial zones pay \$40-\$60 per month per factory worker.⁵⁷ Most workers employed at the parks are reported to be low-skill labourers with limited education. Upon employment, most get basic skills training in one specific task on the production line (like making sleeves or fitting buttons) without any additional soft skills or work-readiness training.

In general, workers and government officials report that the low salary and high cost of accommodation provide limited incentives for young people to participate in jobs at industrial zones, leading to great frustration and recurring protests against the parks. Employers also report relatively high turnover rates, which increases the cost of production and limits productivity. A recent December 2017 article 'Park Life: Workers struggle to make ends meet at Ethiopia's \$250 million industrial zone' confirms many of these findings.⁵⁸ A cloth-cutter for a garment company receives a monthly salary of 650 birr (\$20) for working eight hours a day, six days a week. The company provides transport but no food or housing. In our fieldwork we interviewed a number of construction workers employed at a Chinese firm who said their employment was based on a verbal agreement and they earn an average monthly salary of 80 birr per day. All workers interviewed agreed that their salaries are not enough to make a decent living and it takes a long time to save enough to go back home to their families: *'Many are ashamed to go back home without anything.'*

56 Akileswaran, K., Bisrat, M. and Tekaligne, M. 2020. *Reflecting on the 'how' of Ethiopia's industrialisation push*, <https://institute.global/advisory/reflecting-how-ethiopia-industrialisation-push> (accessed 21 April 2020).

57 Shiferaw, A. 2017. *Productive Capacity and Economic Growth in Ethiopia*, CDP Background Paper No. 34, <https://www.un.org/development/desa/dpad/wp-content/uploads/sites/45/publication/CDP-bp-2017-34.pdf> (accessed 21 April 2020).

58 Davison, W. 2017. 'Park life: workers struggle to make ends meet at Ethiopia's \$250m industrial zone', *The Guardian*, 5 December, <https://www.theguardian.com/global-development/2017/dec/05/ethiopia-industrial-park-government-investment-boost-economy-low-wages> (accessed 21 April 2020).

2.3 Inequality and marginalisation: the informal sector

Ethiopia's double-digit growth conceals high rates of unemployment. According to the conservative Central Statistical Agency, the unemployment rate reached 19.1% in 2018, up from 16.8% in 2015.⁵⁹ Specifically, employment is further strained by rapid population growth and urban transition. The demographic transition began in the 1950s, while rapid urbanisation began in the 1960s.⁶⁰ Each year an estimated 2 million people are added to Ethiopia's population. In addition, the limited productive growth in the agricultural sector, coupled with inadequate expansion of the manufacturing sector, has resulted in rapidly growing migration of labour to the urban informal service sector. Rural-urban migration is a result of the scarcity of land compared to the growing rural population and the need for employment and income-generating opportunities.⁶¹

The pace of urbanisation, however, far exceeds the rate at which basic infrastructure and services can be provided, and the consequences for the urban poor have been substantial. The inadequacy of urban development efforts over the past three decades has left weak urban governance and management structures, obsolete local tariff and revenue structures, a critical shortage of trained personnel and declining urban infrastructure and services.⁶² This scenario has crippled urban areas and resulted in an increase in poverty and inequality. Real incomes in urban areas have risen, but only for the wealthiest households have they increased significantly. The incomes of poorer households have actually declined in real purchasing power when considering the high inflation rates of recent years.⁶³ According to the latest poverty data, the GINI coefficient for urban areas has increased since 2000 and remains as high as 0.47 in 2018 compared to 0.27 in rural areas, with an average GINI coefficient of 0.46 across urban Africa.⁶⁴ This is clearly manifested in the number of underage labourers, street vendors and taxi drivers who cover the streets of large Ethiopian cities. Inadequate shelter, combined with poor sanitation, overcrowding and the high proportion of vulnerable women, young

59 Central Statistical Agency of the Federal Republic of Ethiopia. 2018. *Statistical Report on the 2018 Urban Employment Unemployment Survey*, <http://www.csa.gov.et/component/phocadownload/category/362-ueues-2018> (accessed 21 April 2020).

60 Tegenu, T. 2010. *Urbanization in Ethiopia: Study on growth, patterns, functions and alternative policy strategy*, <http://www.diva-portal.org/smash/get/diva2:925645/FULLTEXT01.pdf> (accessed 21 April 2020).

61 For an exploration, see Panhurst, A. and Dom, C. (eds), 2019, *Rural Ethiopia in Transition: Selected discussion briefs, 2018*, Addis Ababa.

62 World Bank Group, 2015. *Ethiopia Urbanization Review: Urban institutions for a middle-income Ethiopia*, Washington DC: World Bank.

63 World Bank Group. 2015. *Ethiopia Poverty Assessment 2014*. Washington DC: World Bank.

64 United Nations Human Settlements Programme. 2008. *State of the World's Cities 2008/2009: Harmonious cities*, London and Sterling, VA: Earthscan.

people and children with very low incomes and high unemployment results in a high risk of disease and an extreme poverty trap for many urban residents.⁶⁵

Urban poverty has been aggravated by population growth that is beyond what the urban economy can support. The official urban unemployment rate in Ethiopia has increased from 17.5% in 2012 to 19.1% in 2018, mainly due to female and youth unemployment.⁶⁶ Among the regions, Dire Dawa has the highest rate of unemployment at 25.3%, followed by Tigray at 21.5%, Addis Ababa at 20.2% and Amhara at 19.7%.⁶⁷ Vulnerability pushes many of Ethiopia's urban residents into informal employment. Informal employment comprises the total number of informal jobs, whether carried out in formal sector enterprises, informal sector enterprises or households, during a given reference period. A 2013 International Labour Organization (ILO) survey revealed that out of the total urban employed population, 31.7% were engaged in the informal sector.⁶⁸ The data indicated a decrease from previous years – 60% in 2003 and 50% in 1999. However, according to many researchers this number is inconsistent with the situation in Ethiopia and can be attributed to changes in the definition of the informal sector by the ILO and the Central Statistical Agency of Ethiopia.⁶⁹ Adjusting the data to become inclusive of all parameters previously counted in the 1999 and 2005 survey, Desta calculates a 35% increase in informal employment since 2003 to an approximate total of 81%.⁷⁰

Informal employment in Addis Ababa specifically is largely exclusionary – meaning the poor resort to informality as a last resort. This is different to voluntary informality practised in several countries where businesses and households opt for informality, based on a cost-benefit analysis.⁷¹ As much as 69% of all employment in Addis Ababa

65 Birhanu, K. 2019. *Determinants of Urban Poverty and Coping Strategies of Household to Urban Life in Town of Ethiopia*, https://www.researchgate.net/publication/335380804_DETERMINANTS_OF_URBAN_POVERTY_AND_COPING_STRATEGIES_OF_HOUSEHOLD_TO_URBAN_LIFE_IN_TOWN_OF_ETHIOPIA (accessed 21 April 2020).

66 Central Statistical Agency of the Federal Republic of Ethiopia. 2018. *Statistical Report on the 2018 Urban Employment Unemployment Survey*, <http://www.csa.gov.et/component/phocadownload/category/362-ueues-2018> (accessed 21 April 2020).

67 Ibid.

68 International Labour Office, 2018. *Women and Men in the Informal Economy: A statistical picture*, Geneva: International Labour Office.

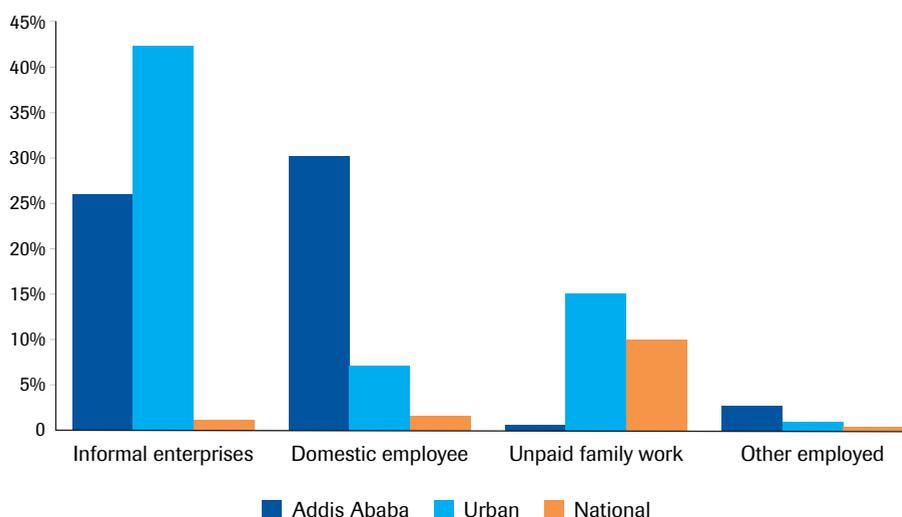
69 That is, in contrast to the 1999 and 2005 survey, the 2013 survey reports noted that people engaged in subsistence farming and those who worked in private households were excluded from the informal economy. Given this conceptual variation, the reported decline in the sector is not surprising.

70 Desta, C. 2018. 'The urban informal economy in Ethiopia: theory and empirical evidence', *Eastern Africa Social Science Research Review*, 34(1), 37-64.

71 Fransen, J. and Dijk, M. 2008. *Informality in Addis Ababa*, Ethiopia, <http://www2.econ.uu.nl/users/marrewijk/pdf/ihs%20workshop/fransen%20paper.pdf> (accessed 21 April 2020).

and 65% of urban Ethiopia is informal.⁷² This comprises those working in informal businesses, as well as huge groups of domestic workers, apprentices and unpaid family workers. A remarkably large group of those in informal employment are domestic employees, generally women working in what is termed ‘elementary occupations’. This is a particularly vulnerable group, at the mercy of the household in which they work, with relatively high rates of abuse and violence. Domestic workers we interviewed during our fieldwork reflected such a sentiment: *‘It depends on our luck. Sometimes we are treated well, other times we are treated in an inhumane manner.’*

Figure 4 Percentage of informal employment⁷³



The informal economy in urban Ethiopia consists of small-scale, non-dynamic activities. The World Bank reports that the informal sector is found to be a last resort and, therefore, the sector includes a large majority of new entrants and the unemployed.⁷⁴ The manufacturing sector is considered the largest employer in the informal sector, followed by trade, hotels and restaurants. The most common manufactured goods and services include a range of wood and metal works and other household and office furniture; the most common commercial activities include various retailing and repair activities dominated by electric, electronic and cell phone maintenance in addition to food and drink retailing activities. In terms of rate of change, community and personal

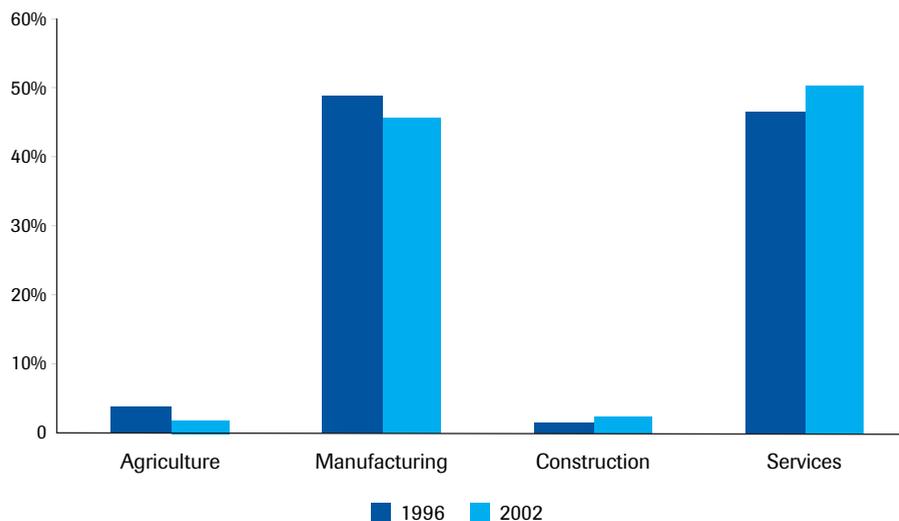
⁷² Ibid.

⁷³ Ibid.

⁷⁴ World Bank Group. 2007. *Ethiopia - Urban Labor Markets: Challenges and Prospects, Volume 2*. Washington DC: World Bank.

services showed the largest employment rate of growth (205.2%) followed by the construction industry (142%).⁷⁵ Although the manufacturing and the commercial sectors, which respectively exhibit the largest figures of levels of employment, have also increased their employment level in absolute numbers, their rate of their growth is substantially small (28.5% and 25.2%).⁷⁶

Figure 5 Informal sector employment⁷⁷



Within the informal sector, the largest amount of gross income was generated from the commercial sector followed by the manufacturing sector. However, the amount of income generated per person working in the informal sector has declined substantially since 1996 and varied sharply among the various sectors. Although the manufacturing sector provided the largest percentage of employment, workers engaged in this sector received the lowest income per person. In contrast, despite the agricultural sector providing a low percentage of the total employment in urban areas, workers engaged in agricultural work received the second largest amount of income per person (next to commercial activities).⁷⁸

75 Desta, C. 2018. 'The urban informal economy in Ethiopia: theory and empirical evidence', *Eastern Africa Social Science Research Review*, 34(1), 37-64.

76 Ibid.

77 World Bank Group. 2007. *Ethiopia - Urban Labor Markets: Challenges and Prospects, Volume 2*. Washington DC: World Bank.

78 Ibid.

Like governments elsewhere in the developing world, the Ethiopian government initially followed anti-informal activity policy, and owners/operators were often dealt with unfavourably.⁷⁹ Later, increased international recognition of the sector's contribution to poverty reduction led to the Ethiopian government's change of attitude and adoption of various programmes and strategies to enable the sector. The government's recent attempt to create enabling environments is likely to have increased the size of the sector. But despite such efforts, the informal sector has seen limited growth in productivity and remains dependent on low-skill work binding its workers to vulnerable employment. Key problems faced by informal workers to improve their conditions include the lack of sufficient capital to start an activity, followed by inadequate skill to perform it. More than 74% of informal entrepreneurs invest less than 251 Birr (US\$7.70) when setting up an operation.⁸⁰

2.4 Conclusion

Ethiopia is pursuing economic growth through a developmental state model consisting of state-led economic reform with strong centralised political control. While this model has succeeded in sustaining high GDP growth rates for a number of years, the country faces a challenge in promoting shared prosperity. Job creation urban centres has not kept pace with GDP growth, nor with population growth or the significant rural-urban migration. As a consequence, large segments of Ethiopia's youth population have been pushed into the urban informal economy where they struggle to make end meet. Employment in the informal economy has been key to increasing the number of livelihood options, but the persistent poverty, inequality and marginalisation many face is also deepening grievances.

79 Enquobahrie, A. 2006. *Some Controversies on Informal Sector Operation in Ethiopia: Problems and prospects for a development strategy*, [http://homepages.wmich.edu/~asefa/Conference%20and%20Seminar/Papers/2003%20papers/Enquobahrie,%20Asmamaw%20\(delete\).pdf](http://homepages.wmich.edu/~asefa/Conference%20and%20Seminar/Papers/2003%20papers/Enquobahrie,%20Asmamaw%20(delete).pdf) (accessed 21 April 2020).

80 Garoma, B. 2012. 'Determinants of microenterprise success in the urban informal sector of Addis Ababa: A multidimensional analysis'. PhD dissertation. Erasmus University Rotterdam, the Netherlands.

3 Political mobilisation

3.1 Introduction

While Ethiopia has sustained significant economic growth, this growth has not translated into improving livelihoods for many. Rapid population growth, changing demographics and rural-urban migration have given rise to a substantial informally employed urban population facing persistent poverty and marginalisation, driving substantial dissatisfaction.⁸¹ However, the EPRDF's strong control over the political and public sphere have long limited the space to express such grievances. Only in recent years have ethnic nationalist sentiments managed to mobilise such popular dissatisfaction to the extent that they can mount a serious challenge to the EPRDF's position. This chapter thus discusses the rapidly changing political organisational context in which such sentiments could rise to political significance. It covers changes in governance as well as the re-emergence and mobilisation of ethnic nationalist forces.⁸²

3.2 EPRDF mobilisation

The ethnic nationalist ideologies gaining salience and forming a driving force behind the tensions in Ethiopia's political competition are not a new phenomenon. Such ideologies can be traced back to the Ethiopianizing campaign of the imperial regime of Menelik II and the various forms of ethnically exclusionary governance systems that have dominated since.⁸³ While the explicit political recognition of Ethiopia's diverse ethnic composition in the federal structure – and the EPRDF's ethnic sister parties can be seen as an attempt to recognise ethnic grievances and build support from previously marginalised ethnic groups, it should be remembered that actual grassroots ethnic mobilisation was but a limited component in the EPRDF's mobilisation efforts.⁸⁴ To a

81 Dissatisfaction is strongly felt among both the lower and highly educated, both of which are present in the urban informal sector.

82 It should be noted that many of these changes are to some degree tied up with issues of land ownership, notably land speculation, compensation and the Integrated Regional Development Plan (i.e. the Addis Ababa Masterplan). The discussion of these topics is, however, beyond the scope of this paper.

83 Markakis, J. 1990. *National and Class Conflict in the Horn of Africa*, London: Zed Books; Yusuf, S. 2019. 'Drivers of ethnic conflict in contemporary Ethiopia', *Monograph 202*, Institute for Security Studies.

84 De Waal, A. 2018. *The Future of Ethiopia: Developmental state or political marketplace?*, Somerville, Massachusetts: World Peace Foundation.

large extent the central components of the EPRDF regime dominated the devolved, ethnically based administrations.⁸⁵ While initially this may have been due to the weak capacity of the newly set up regional organisations, the centralising tendencies and top-down policymaking procedures associated with the EPRDF's vanguard party model also directly undercut regional autonomy and limited the space for bottom-up initiatives from the regions.⁸⁶ In particular, following the (unexpectedly) weak electoral performance of the EPRDF in the 2005 elections and the significant post-election repression, the ruling party significantly restricted the political space and brought political processes under central oversight – centrally, regionally and at grassroots level. As such, the EPRDF effectively monopolised the political discourse and disseminated its own conception of developmentalism with a restricted and subservient role for popular political participation.⁸⁷ Meanwhile, religious actors were under strict and at times invasive EPRDF control as well, while legislation increasing religious freedoms significantly fuelled inter-religious competition, thus weakening the traditionally dominant position of the Ethiopian Orthodox Church.⁸⁸ While inter-ethnic tensions may have remained relatively limited during significant parts of EPRDF rule, it is likely they were a significant factor in the collapse of political mobilisation outside of EPRDF structures, as well as the opposition to the top-down centrally led development ideology shared by different ethnic and nationalist ideologies.⁸⁹

Regardless of the EPRDF's top-down method of governing, grassroots engagement and mobilisation has not been a neglected facet: the party saw the maintenance of a 'hegemonic' position in the political arena as vital to its developmentalist strategy.⁹⁰ The state institutions the EPRDF inherited had a strong capacity to govern to the lowest

85 Abbink, J. 2009. 'The Ethiopian Second Republic and the fragile "Social Contract"', *Africa Spectrum*, 44(2), 3–28, 22.

86 Van der Beken, C. 2018. 'The Challenge of Reform within Ethiopia's Constitutional' <http://riftvalley.net/publication/challenge-reform-within-ethiopia-constitutional-order> (accessed 2 June 2020).

87 Fourie, E. 2015. 'China's example for Meles' Ethiopia: when development "models" land', *The Journal of Modern African Studies*, 53 Tronvoll, K. 2012. 'Epilogue The 'New' Ethiopia: changing discourses of democracy Tronvoll, K. 2012 'Epilogue The 'New' Ethiopia: changing discourses of democracy', in *Contested Power in Ethiopia*, Leiden: Brill.

88 Haustein, J. and Østebø, T. 2012. 'EPRDF's Revolutionary Democracy and Religious Plurality: Islam and Christianity in post-Derg Ethiopia', *Journal of Eastern Africa Studies*, 5: 755-772.

89 Yusuf, S. 2019. 'Drivers of ethnic conflict in contemporary Ethiopia', *Monograph 202*, Institute for Security Studies.

90 For instance, an EPRDF document from 1993 stated that 'our revolutionary democracy forces need to have a sustained support that ensures legitimate superiority by winning all regular elections through continuous popular support to govern the country. Losing even for a single election can create a serious danger. Hence, the road to a hegemonic dominance must be paved by winning the first election.' Quoted in Gebremariam, E. 2017 'The politics of developmentalism, citizenship and urban youth in Addis Ababa, Ethiopia', PhD Philosophy (Political Science) dissertation. UK: University of Manchester, 102-106.

levels of administration. As the EPRDF party became harder to distinguish from these governing institutions, especially following the 2005 elections, its membership base as well as its ability to monitor and shape the lives of its citizens at the *kebele* (village council) level was systematically expanded.⁹¹ While the state's extensive repressive capabilities are often cited as a driver of both stabilisation and destabilisation,⁹² it should be kept in mind that the central government maintained an increasingly large array of auxiliary organisations in order to build a political base supportive of the party's aims (especially in urban centres).⁹³ Many such auxiliary organisations were traditionally associated with the mass-party organisation to which the EPRDF aspired, but the breadth and scale of those set-up in urban centres was not. The wide range of organisations effectively allowed the EPRDF to crowd out other forms of (non-EPRDF) civic debate. For example, in the 2008 local elections, the EPRDF was the only party able to field enough candidates to cover the vastly expanded number of local council seats (approximately 3.5 million), thus reasserting its control at local level. These candidates were to a considerable extent drawn from the Addis Ababa Youth Forum, a young people's organisation established by the EPRDF in 2006. The Forum grew rapidly as the EPRDF offered loyal members recognition, access to Micro and Small Enterprise programmes, housing and job opportunities in government positions.⁹⁴ Additionally, the range of benefits accessible through the auxiliary organisations, as well as some religious institutions, made them a significant foundation for many household livelihoods.⁹⁵ The development of such institutions tied in well with developmentalist social policy, and the state's strong administrative capabilities also made it possible to tie benefits to an individual, effectively trading a range of benefits for professed loyalty to the regime.⁹⁶

Unemployed and informally employed (male) youth were of special concern to stability in the fast-growing urban centres, given their 2005 support for opposition parties.⁹⁷ As such, the government rolled out a range of measures to tie this group closer to

91 Gebremariam, E. 2017 'The politics of developmentalism, citizenship and urban youth in Addis Ababa, Ethiopia', PhD Philosophy (Political Science) dissertation. UK: University of Manchester.

92 Tronvoll, K. 2010 'The Ethiopian 2010 federal and regional elections: re-establishing the one-party state', *African affairs*, 110(438), 121-136.

93 Gebremariam, E. 2017 'The politics of developmentalism, citizenship and urban youth in Addis Ababa, Ethiopia', PhD Philosophy (Political Science) dissertation. UK: University of Manchester, 108.

94 Vaughan, S. 2011. 'Revolutionary democratic state-building: party, state and people in the EPRDF's Ethiopia', *Journal of Eastern African Studies*, 5(4), 619-640.; Aalen, L. and Tronvoll, K. 2009. 'The End of Democracy? Curtailing political and civil rights in Ethiopia', *Review of African Political Economy*, 36(120), 203.

95 Notably the Orthodox Church, which closely aligned with Amhara identity the governing ideology, thereby also driving the growth in non-Amhara membership of the Ethiopian Evangelic Church.

96 Arriola, L. and Lyons, T. 2016. 'The 100% election', *Journal of Democracy*, 27(1), 76-88.

97 Di Nunzio, M. 2014. 'Thugs spies and vigilantes: community policing and street politics in inner city Addis Ababa', *Africa*, 84(3), 444-465.

the ruling party across urban centres, most notably Addis Ababa.⁹⁸ These measures included job creation programmes, small enterprise development programmes and the registration of cooperatives (reliant on government contracts and licensing) and youth and women leagues, which reinforced the tie between individual livelihoods and at least a marginal expression of support for the state. Wide participation across urban centres shored up the EPRDF's weakened legitimacy, while at times providing valuable support to participants' livelihood strategies. Yet, it also defined state-controlled channels, rather than self-organised initiatives, as the place for the informally employed to express their demands for social and economic rights and benefits. Additionally, registration and membership structures allowed for a significant degree of co-option, by making access to a range of benefits and licences contingent on members' participation in state-sponsored political activities, recruitment efforts and other political endeavours.⁹⁹ The ability to hand out benefits selectively creates a conducive environment for local officials to extend and reinforce patronage networks in the informal sector. Meanwhile, significant numbers of potential beneficiaries remained excluded from such programmes, as participation and benefits are tied to an individual's location of registration, thus reinforcing the marginalisation of those migrating from rural areas and small cities into the major urban centres.¹⁰⁰ While the connections thus created reinforced the ties between the state and the informal sector, the livelihoods of a considerable proportion of the target population remain insecure, creating a stark contrast between the government's development and economic growth narrative and the individual's own personal fortunes.¹⁰¹

3.3 Changes to the structure

Regardless of the extensive efforts to shore up the state and EPRDF's relations with the urban population, Abiy Ahmed's ascension to the position of prime minister amidst heavy popular protests reflected a major departure from the EPRDF's internal politics and governance approach. The new prime minister's approach seems to challenge many key facets of the governance system in which the EPRDF thrived over the past three decades, and has challenged a wide range of existing elite networks while lifting

98 Gebremariam, E. 2017 'The politics of developmentalism, citizenship and urban youth in Addis Ababa, Ethiopia', PhD Philosophy (Political Science) dissertation. UK: University of Manchester.

99 Especially the youth and women league were mass-based organisations were used to co-opt member. Gebremariam, E. 2017 'The politics of developmentalism, citizenship and urban youth in Addis Ababa, Ethiopia', PhD Philosophy (Political Science) dissertation. UK: University of Manchester.

100 Feyissa, D. 2018. 'Expectations and belonging in Dire Dawa: Drivers, dynamics and challenges of rural to urban mobility'.

101 Di Nunzio, M. 2019. 'The Act of Living: Street life, marginality and development in urban Ethiopia', Ithaca, NY: Cornell University Press.

the lid on long-suppressed forms of ethnic and pan-Ethiopian nationalism.¹⁰² The roll-back of state surveillance and the partial dismantling and reorganisation of the security apparatus appear to have been effective in breaking up entrenched TPLF patronage networks and cementing the new government's hold of key institutions, while also signalling a step change from a repression-based relationship with the population. The implementation of the planned release of political prisoners, inviting opposition politicians back into the country from exile and the unblocking of 264 websites and a range of social media channels effectively broke the EPRDF's monopoly control over the spaces of political debate.¹⁰³

While recent institutional changes may be crucial to allow for the expression of protesters demands that led to the change in governing actor, they also ensure that socio-political demands are expressed outside the institutions designed to handle them and grant access to benefits. The rearrangement of elite networks, the dismantling of several central institutions and the unclear balance of power between central and regional centres has left a range of local and *kebele* level governance actors in a weakened or delegitimated position.¹⁰⁴ Although large sections of the ruling elite (outside TPLF elites) are still in place, the institutional context around them has dramatically shifted. Rather than reforming existing institutions, the Prime Minister's office has sought to implement significant parts of its agenda while bypassing existing central institutions formally tasked with implementing the required reforms and creating new ones in their place.¹⁰⁵ As such, ambiguity around direction and mandate significantly has increased among middle and lower governance, delaying service delivery and implementation of new directives. Additionally, with the weakened coherence of the EPRDF party structure following the rift in ethnically based sister parties (and the subsequent creation of the PP), another lever of control has been rendered largely ineffective. In some cases, previously tightly controlled spaces are being liberalised instrumentally. For instance, while public employees are generally prohibited from unionising, recent changes have made it possible for employees working with METEC

102 Yusuf, S. 2019. 'Drivers of ethnic conflict in contemporary Ethiopia', *Monograph 202*, Institute for Security Studies.

103 Yusuf, S. 2019. 'Ethiopia's Power Security and Democracy Dilemma', <https://issafrica.org/iss-today/ethiopias-power-security-and-democracy-dilemma> (accessed 1 June 2020).

104 Lefort, R. 2020. 'Preaching unity but flying solo, Abiy's ambition may stall Ethiopia's transition', *Ethiopia Insight*, 25 February, <https://www.ethiopia-insight.com/2020/02/25/preaching-unity-but-flying-solo-abiy-ambition-may-stall-ethiopias-transition/> (accessed 1 June 2020).

105 Lefort, R., and Tronvoll, K. 2019. 'Ethiopian elite lost in electoral maze under Abiy's gaze', *Ethiopia Insight*, 27 February, <https://www.ethiopia-insight.com/2019/02/27/ethiopian-elite-lost-in-electoral-maze-under-abiy-gaze/> (accessed 2 June 2020); Lefort, R. 2020. 'Preaching unity but flying solo, Abiy's ambition may stall Ethiopia's transition' *Ethiopia Insight*, 25 February, <https://www.ethiopia-insight.com/2020/02/25/preaching-unity-but-flying-solo-abiy-ambition-may-stall-ethiopias-transition/> (accessed 2 June 2020).

or the Grand Ethiopian Renaissance Dam to unionize, and for those unions to address corruption issues.¹⁰⁶ Such changes have taken place alongside a wider drive to break TPLF networks.

The reinvigorated ethnic nationalistic demands expressed in the newly opened political space are thus being made in a weakly governed space. Many demands for greater devolution, autonomy and secession have a formal basis in the constitution. Yet most relevant regulations have so far remained poorly developed, as no formal appeal has ever been made on them. The salience of ethnic demands is further pushed by the upcoming elections (originally scheduled for August 2020 but then delayed to June 2021), as the first-past-the-post system incentivises political actors to further polarise the debate, often by presenting themselves as the strongest proponent of ethnically defined regional state constituencies. Debate governed by poorly developed norms and regulations around acceptable political communication and political finance regulations, yet with ample scope and history for repressing debate, fuels incidents and conspiracy theories (see Box 3).¹⁰⁷

3.4 New methods of ethnic mobilisation

Regardless of the political changes that have taken place over the past two years, the state's approach to mobilisation to tackle social unrest appears to remain largely focused on economic issues and livelihood support, rather than the political demands voiced in the protests.¹⁰⁸ The Homegrown Economic Reform Plan is largely focused on job creation, as well as maintaining currency stability. The policy aimed to combat the significant rate of unemployment by creating 3 million jobs in the formal sector during the course of 2020 as well as enabling increased and less-exploitative labour migration (mainly towards the Gulf states).¹⁰⁹ Additionally, a new round of privatisation of several state-owned enterprises is being implemented, aiming to improve private sector efficiency by reducing the state's involvement in business ventures while ensuring currency stability through potentially generated foreign direct investment

106 Interview with a union member, Addis Ababa, November, 2019.

107 See for instance Tasfaye, E. 2020. 'Amid blackout, Western Oromia plunges deeper into chaos and confusion', *Ethiopia Insight*, 14 February, <https://www.ethiopia-insight.com/2020/02/14/amid-blackout-western-oromia-plunges-deeper-into-chaos-and-confusion/> (accessed 20 April 2020).

108 Interview with a researcher, Addis Ababa, November, 2019.

109 Interview with an Ethiopian academic, Addis Ababa, November, 2019; Gebre, S. 2019. 'Ethiopian PM says reforms will deliver 3 million jobs in 2019-20', 2 July, <https://www.bloomberg.com/news/articles/2019-07-02/ethiopian-pm-says-reforms-will-deliver-3-million-jobs-in-2019-20> (accessed 22 April 2020).

(FDI).¹¹⁰ While such reforms are largely in line with financial institutions' recommended reform agenda for Ethiopia, they are also largely an extension of the economic reforms implemented under the previous administration's GTP programmes. While such reforms may be effective at continuing to drive macroeconomic growth, it remains questionable to what extent they can deliver short-term benefits to historically excluded and marginalised groups. Additionally, with the liberalisation of the political debate, it is questionable to what extent the EPRDF model of trading private benefits for a degree of political allegiance remains a viable and legitimate option.¹¹¹

While the economic policy may represent a large degree of continuity, party relations have shifted considerably. Following the power shifts that occurred within the party throughout 2017, the aggressive breaking up of TPLF patronage networks and shifting ethnic demands placing the ODP and ADP in an increasingly polarised debate, EPRDF decision making became paralysed.¹¹² In the newly liberalised space of political competition defined by ethnic nationalism, the value of the centralist EPRDF brand and its historical baggage is questionable. Hence, while the administration turned over in 2018, a substantial segment of the political elite remained in place throughout state bodies, but had little incentive to join a centrally pushed drive for liberalisation.¹¹³ The creation of the Prosperity Party (PP) as a merger of (parts of) the EPRDF sister parties ADP, ODP, SEPDM and some regional parties, but not the TPLF, likely functioned as a move to salvage at least part of the EPRDF apparatus reorganised into a new

110 Fikade, B. 2019. 'Privatization process encounters vociferous criticism', *The Reporter*, 21 September, <https://www.thereporterethiopia.com/article/privatization-process-encounters-vociferous-criticism> (accessed 22 April 2020).

111 Lefort, R. 2020. 'Preaching unity but flying solo, Abiy's ambition may stall Ethiopia's transition', *Ethiopia Insight*, 25 February, <https://www.ethiopia-insight.com/2020/02/25/preaching-unity-but-flying-solo-abiy-ambition-may-stall-ethiopias-transition/> (accessed 2 June 2020)

112 Gebissa, E. 2019. 'Dangerous interregnum: the anatomy of Ethiopia's mismanaged transition', *Addis Standard*, 5 December, <https://addisstandard.com/commentary-dangerous-interregnum-the-anatomy-of-ethiopias-mismanaged-transition/> (accessed 20 April 2020)

113 Gebissa, E. 2019. 'Dangerous interregnum: the anatomy of Ethiopia's mismanaged transition', *Addis Standard*, 5 December, <https://addisstandard.com/commentary-dangerous-interregnum-the-anatomy-of-ethiopias-mismanaged-transition/> (accessed 20 April 2020); Lefort, R. 2020. 'Preaching unity but flying solo, Abiy's ambition may stall Ethiopia's transition' *Ethiopia Insight*, 25 February, <https://www.ethiopia-insight.com/2020/02/25/preaching-unity-but-flying-solo-abiy-ambition-may-stall-ethiopias-transition/> (accessed 2 June 2020)

functional structure.¹¹⁴ Some observers note the party appears to be aimed at the urban electorate taking an Ethiopian nationalist position through the PM's *medemer* philosophy (in stark contrast to the various ethnic nationalisms prevalent across the regions).¹¹⁵ It should be kept in mind, however, that the *medemer* concept appears to be relatively flexible, and that the PP is to a considerable degree built on components of the EPRDF that have a strong regional and rural presence. While the administration has launched a range of high-profile projects highlighting its vision for the country, its exact platform and appeal (especially in the regions) appears to still be under development.

In stark contrast to the governing parties, the newly opened space available to opposition parties has led to very different mobilisation approaches. With the disappearance of the common adversary in the form of a repressive central regime, the protest movement largely shattered into its constituent ethnic nationalist components. The ethnic nationalist opposition parties have since defined themselves in opposition to both Ethiopian nationalism as well as other forms of ethnic nationalism by rallying against ethnic minorities within their own ethnic regional state.¹¹⁶ With no ability to hand out benefits, and policy being subservient to ethnic identity issues, mobilisation has largely revolved around projecting themselves as the most salient advocates for ethnic nationalist demands. This strategy has resulted particularly in a blossoming of ethnically based media and social media campaigning, stemming from political actors and from independent entrepreneurs spotting an opportunity for ethnically based news and entertainment channels. The absence of a developed narrative and media strategy by state institutions, alongside local state actors' weakened control in response to rising protests, has fed a media environment in which ethnically biased and fake news have proliferated rapidly, further polarising the debate and raising inter-ethnic tensions (see Box 3 for an example).¹¹⁷ Facilitated by the recent expansion of network coverage, greater speeds and price reductions, social media has proven to be an effective

114 The regional parties include: The Afar National Democratic Party (ANDP), the Benishangul-Gumuz People's Democratic Unity Front (BGPDUF), the Ethiopian Somali People's Democratic Party (ESPDP), the Gambela People's Democratic Movement (GPDM) and the Hareri National League (HNL) (Ezega News. 2019. 'Eight Ethiopian political parties sign to join Prosperity Party', *Ezega News*, 1 December, <https://www.ezega.com/News/NewsDetails/7501/Eight-Ethiopian-Political-Parties-Sign-to-Join-Prosperity-Party> (accessed 31 December 2020)).

115 See for instance Gebissa, E. 2019. 'Dangerous interregnum: the anatomy of Ethiopia's mismanaged transition', *Addis Standard*, 5 December; Lefort, R. 2020. 'Preaching unity but flying solo, Abiy's ambition may stall Ethiopia's transition', *Ethiopia Insight*, 25 February.

116 Yusuf, S. 2019. 'Drivers of ethnic conflict in contemporary Ethiopia', monograph 202, Institute for Security Studies.

117 'The mayor tweets twice a day about the festivals and other events, but has now been quiet for the last 11 days since the protests.' Interview with an Ethiopian civil society member, Addis Ababa, November, 2019

channel to reach migrating and illiterate segments of the population, potentially further aggravating tensions between marginalised urbanising groups and established urban classes.¹¹⁸

Box 3 Student kidnappings

Ethnic violence and clashes have been increasing at Ethiopian universities over the past year, and several students have been killed in clashes and conflicts at different universities.¹¹⁹ The abduction in early December 2019 of at least a dozen Amhara students from the Dembi Dollo University in Oromia sparked significant anti-government protests. It also raised ethnic tension between Oromo and Amhara populations, two groups whose political representatives were instrumental in jointly breaking the TPLF's dominance of the EPRDF apparatus and bringing the Abiy administration into office. The protests focused on the government's silence on how the situation developed and alleged poor management of the situation on the side of state and regional state security forces. Numerous students across the country dropped out of university due to the insecurity caused by ethnic clashes on university grounds.¹²⁰

While the government remains largely silent on social media, many opposition voices are very active on channels such as Facebook or Twitter dominating the framing of the event. In addition, government news outlets have remained mostly silent on the abduction and surrounding ethnic tensions and clashes, not commenting on the kidnapping for weeks. Later statements from the government produced more confusion: they noted 21 students had been freed but such reports could not be verified by other media on the ground or by regional state sources. A subsequent statement in parliament raised further questions, as PM Abiy claimed it was not possible for structures parallel to the legal government and the army to exist.¹²¹ The statement referred to the regional government in Oromia, which blamed the Oromo Liberation Army (OLA) for the kidnapping and

118 Interview with a Ethiopian civil society member, Addis Ababa, November, 2019.

119 Gardner, T. 2020. 'Suspicion and fear linger as Ethiopia's campus wars go quiet', *The Guardian*, 15 April, <https://www.theguardian.com/global-development/2020/apr/15/suspicion-and-fear-linger-as-ethiopia-campus-wars-go-quiet> (accessed 2 June 2020).

120 Endeshaw, D. 2020. 'Kidnapping of students sparks anti-government protests in Ethiopia', *Reuters*, 1 February, <https://www.reuters.com/article/us-ethiopia-students/kidnapping-of-students-sparks-anti-government-protests-in-ethiopia-idUSKBN1ZV3O5> (accessed 2 June 2020).

121 Tasfaye, E. 2020. 'Amid blackout, western Oromia plunges deeper into chaos and confusion', <https://www.ethiopia-insight.com/2020/02/14/amid-blackout-western-romia-plunges-deeper-into-chaos-and-confusion/> (accessed 2 June 2020).

cracked down on their political opposition, despite the recently rehabilitated OLA denying any involvement.

The incoherent messaging and lack of a joint media strategy left a significant space for a range of Oromia nationalist channels (mostly *Qeerroo* youth movement aligned) running stories framing the kidnapping as a part of a government campaign to suppress opposition in Oromia. Furthermore, they claim the government is supported by and acting in favour of the Amhara people by suppressing and prosecuting Oromo opposition. Some channels go as far as accusing the government of having invented the kidnapping in order to create an anti-Oromo atmosphere, and to legitimise the suppression of Oromo people and security activities in west Oromia.

Meanwhile Amhara nationalist media outlets accuse the government of protecting the Oromo extremists they held accountable for the kidnapping. Amhara nationalist outlets claim that Oromo extremists are targeting Amhara students, framing Oromo movements as terrorists that form a significant danger for all Amhara people living in Oromia. Both sides see their point proved by what is seen as poor crisis management and an incoherent media strategy on the part of the central government. The space left allows social media channels to be a significant force driving anti-government campaigns by mobilisation on an ethnic basis, feeding mistrust between ethnic groups.

3.5 Conclusion

While ethnic nationalist cleavages are by no means novel, their rising salience has been both a product of, and an impetus to, the changing form of political contestation and mobilisation over the past few years. The declining cohesion of the governing party has made a strongly repressive response less feasible, yet many of the EPRDF's clientelistic approaches to political mobilisation and its claim to legitimacy based on economic growth have equally lost purchase. The rising significance of ethnically based mobilisation appealing to widespread economic grievances requires the governing party to reinvent its own appeal, and has facilitated the spread of ethnic tensions outside of the traditional spaces of political contestation and into various forms of non-EPRDF controlled mobilisation.

4 Ethnic grievances extending into the informal sector

4.1 Introduction

The governing party's weakened hold over the spaces of political debate coupled with recent liberalisation efforts, as well as new models of political mobilisation, have allowed political contestation to extend outside of EPRDF controlled structures. While the ethnicization of the formal economy and government institutions has been an established phenomenon during the EPRDF regime,¹²² the increasing space for contestation has expanded such dynamics into the urban informal economy. As such, ethnic networks in the informal economy are increasingly visible and instrumentalised in the political mobilisation efforts of a range of both new and established political actors. This chapter thus examines the role of ethnic identities and ethnic social networks in employment, as well as their increasing politicisation.

4.2 Ethnic networking in the formal sector

The explicit recognition of ethnicity and party affiliation as an organising principle under the EPRDF's rule has had a substantial impact on the ethnicization of the formal sector. The developmental state model aimed to lead the way to a depoliticised economic growth model independent of private sector actors' influence, in order to avoid a fate in which the state itself would become the main resource to be divided through corruption and graft.¹²³ While the state has indeed achieved a remarkable degree of economic growth, its founding logic also reframed all competition between the different power centres in the state and within its institutions in ethnic terms. Decisions surrounding the allocation of resources as well as key appointments became increasingly viewed as an ethnic balancing act, superseding considerations of merit, sectoral interests, minority rights and centre-periphery concerns.¹²⁴ A range of political actors seems to have prioritised the ethnic components of the EPRDF's ideology over its overarching

122 While ethnicity mattered, party affiliation was an important factor in accessing formal jobs, running a business or accessing tertiary education.

123 De Waal, A. 2013. 'The theory and practice of Meles Zenawi', *African Affairs*, 112 (446), 148-155.

124 Abbink, J. 2009. 'The Ethiopian Second Republic and the Fragile "Social Contract"', *Africa Spectrum*, 44(2), 3-28.

goal of economic growth and poverty eradication.¹²⁵ The ethnic redefinition of the regions resulted in inhabitants being put into categories of permanent majorities and permanent poorly represented minorities.¹²⁶ Parallel institutions such as banks arose, serving different ethnically defined constituencies, and many mid- and lower-level public officials granted preferential access to government employment programmes and other publicly controlled resources to their own ethnic constituencies.¹²⁷ As a consequence, ethnic federalism played an important role in the degradation of cross-cutting social capital between ethnic constituencies, ensuring ethnic politics came to be reflected in every formal sector.¹²⁸

As the Ethiopian state exerted a strong grip over private sector activity, similar ethnic considerations came to be mired in private enterprises. While some of the major Ethiopian companies and businessmen had explicit political links to one of the EPRDF's parties through the endowment funds, parastatal companies (e.g. EFFORT, TIRET, METEC, etc) or credit facilities at one of the three major state-owned banks,¹²⁹ other companies had similar incentives, as timely access to capital, permits and foreign currency frequently required warm relations with key decision makers. In some cases, this enabled political actors to direct new investments and a sizeable share of international development finance towards their own constituencies, creating stark differences in regional development.¹³⁰ Recognising such dynamics, workers in turn paid special attention to the careers of colleagues from their own ethnic groups. As one interviewee noted, *'No one sees your degree [...] It works through who you know. [...] People feel secure when they hire based on recommendation [...] You promote either by your network, or you switch to a new sector where you might be able to build such a network.'*¹³¹ As ethnic tensions became increasingly salient over the past few years, ethnic competition in the formal sector became increasingly evident in the informal sector as well, as the claims at stake rose beyond individual career prospects.

125 Interview with an Ethiopian academic, Addis Ababa, November 2019.

126 Yusuf, S. 2019. 'Drivers of ethnic conflict in contemporary Ethiopia', *Monograph 202*, Institute for Security Studies.

127 Interviews with a young professional and an Ethiopian Academic, Addis Ababa, November 2019.

128 Interview with an Ethiopian academic, Addis Ababa, November 2019; Granovetter M. 1973. 'The strength of weak Ties', *American Journal of Sociology*, 78(6), 1460-1380.

129 Zerihun, A., 2008. 'Industrialization policy and industrial development strategy of Ethiopia', in Assefa, T. (ed.) *Digest of Ethiopia's National Policies, Strategies and Programs*

130 Especially Tigray and Amhara regional states benefitted from such practices.

131 Interview with an Ethiopian young professional, Addis Ababa, November 2019. Similar views echoed in an interview with an Ethiopian academic, Addis Ababa, November, 2019.

4.3 Extension into the informal sector

Whereas in the formal sector a person's ethnicity has formed an important qualification for a variety of positions and career prospects for years, the informal sector in Ethiopian urban environments has historically been relatively depoliticised. Workers from a variety of backgrounds shared the same spaces, attempting to secure livelihoods on a daily basis rather than considering networking opportunities to further future any career prospects. As is evident from ethnographic studies of the informally employed urban youth in Addis Ababa, planning for the future is an activity only accessible to those with the resources that allow them to take the time and make meaningful investments into their preferred future.¹³² Considering that informal workers in Addis Ababa are generally (self-) employed out of necessity rather than entrepreneurial ambition, earning a living is frequently a daily overriding concern, further entrenching marginalisation and grievances.¹³³

While employment in the informal sector is not inherently politicised, an individual's social capital is an important factor influencing one's livelihood strategies and resilience, especially in situations of marginalisation.¹³⁴ As barriers to rural-urban migration were reduced by urban and regional authorities over the past years, rural-urban migration picked up significantly, leading to increasing competition between informally employed urban residents and migrant workers as well as between migrant worker groups.¹³⁵ Given the difficulties for rural migrants to connect to existing urban social networks in such polarised environments, migrants' ethnic identities became a key asset to rebuilding or reconnecting to a social network among an ethnically segregated migrant population.¹³⁶ While some sectors require only low-skilled labour (mostly day labour, mainly in construction) generally hire any worker willing to take the job, most opportunities to

132 Di Nunzio, M. 2019. 'The Act of Living: Street life, marginality and development in urban Ethiopia', Ithaca, NY: Cornell University Press.

133 Haile, G. 2008. 'Determinants of Self-Employment in Urban Ethiopia: Panel data based evidence', London: Policy Studies Institute.

134 See Uzelac, A., Meester, J. and Van Den Berg, W. (2018) 'The untapped resource: Protecting and leveraging refugee social capital in protracted displacement' for an exploration of the importance of social capital as an asset to livelihoods and resilience during experiences of migration and displacement.

135 Interview with an Ethiopian young professional, Addis Ababa, November 2019; Feyissa, D. 2018. 'Expectations and belonging in Dire Dawa: Drivers, dynamics and challenges of rural to urban mobility', Interview with a researcher, Addis Ababa, November 2019.

136 Interview with an Ethiopian young professional, Addis Ababa, November 2019; Informal workers social network is on average made up of 2.4 close relatives, 2.3 distant relatives, 4.1 friends, and 56.0 acquaintances, of which 2.1 are described as trusted individuals. Bezu, S. and Holden, S. T. 2014. 'Rural-urban Youth Migration and Informal Self-Employment in Ethiopia', https://www.researchgate.net/publication/269030249_Rural-urban_Youth_Migration_and_Informal_Self-Employment_in_Ethiopia (accessed 22. April 2020).

advance one's position are not as easily accessible. At a basic level, social connections are key to acquiring information regarding available job opportunities, and different ethnic social networks carry information regarding different sectors (depending on the predominant activities of its members).¹³⁷ When it comes to accessing (low) skilled jobs, ethnically based professional networks have an impact beyond the information asymmetry they encapsulate. Not only do popular perceptions of different ethnic groups' skills for different trades affect one's ability to sell goods and services, the ability of new rural migrants to acquire the skills required to participate in a certain trade relies significantly on having access to other skilled workers willing to share knowledge and at times invest time and effort to help new migrants build their skills.¹³⁸ Additionally, in many of the more specialised jobs in micro-enterprises, a degree of start-up capital to buy equipment is a considerable barrier to entry. Embeddedness in an ethnic social network in many cases grants access to an informal savings group (*equb*) that does not require a local ID card like most banking services do.¹³⁹ Knowing others who are willing to share, borrow or sell equipment (and potentially deferring payment) is a significant factor in overcoming such barriers, but one that is available only to those with access to other tradesmen in the sector. Once in operation, ease of access to specific suppliers of base materials and favourable rates form another key factor to ensure the continuity of many informal livelihood strategies. Such dynamics are further reinforced through migrants' living arrangements. As housing in Ethiopia's urban centres is generally scarce, expensive and difficult to access, migrants frequently find accommodation through their network and share accommodation with other migrants from the same ethnicity, leading to increasing ethnic segmentation in neighbourhoods at the edges of the city.¹⁴⁰ Ethnic social capital is thus reinforced, and becomes a major source of livelihood security. As Bezu and Holden note: '*Youth who have strong social capital feel less tenure insecure while the length of time one lives in the city or town did not improve the sense of tenure insecurity*'.¹⁴¹ While it is unlikely that any of these factors are inaccessible without recourse to an ethnically based social network, strong ethnic social capital significantly reduces opportunity costs to access a range of necessities leading to an increasing degree of ethnic stratification of migrant labour.¹⁴² In practice, therefore, a range of

137 Interview with an Ethiopian academic, Addis Ababa, November 2019

138 Interviews with Ethiopian academics, Addis Ababa, November, 2019.

139 Bezu, S., and Holden, S. T. 2014. 'Rural-urban Youth Migration and Informal Self-Employment in Ethiopia', https://www.researchgate.net/publication/269030249_Rural-urban_Youth_Migration_and_Informal_Self-Employment_in_Ethiopia (accessed 22 April 2020).

140 Interviews with an Ethiopian young professional and an Ethiopian civil society member, Addis Ababa, November, 2019.

141 Bezu, S., and Holden, S. T. 2014. 'Rural-urban Youth Migration and Informal Self-Employment in Ethiopia', https://www.researchgate.net/publication/269030249_Rural-urban_Youth_Migration_and_Informal_Self-Employment_in_Ethiopia (accessed 22 April 2020).

142 Feyissa, D. 2018 'Expectations and belonging in Dire Dawa: Drivers, dynamics and challenges of rural to urban mobility'.

informal occupations have come to be associated with migrants from specific regions, for example informal trade (Gurage), shoe shining (Wolayta/Hadiya), selling lottery tickets (Amhara) and door-to-door sales (Oromo).¹⁴³

While the ethnic networks structuring and becoming more visible in the informal economy are not inherently political, they connect a base that is jointly affected and easily mobilised by ethnic politics. While strong polarisation in the informal sector is not yet as pronounced and visible as in the formal sector, tensions between ethnic groups in the informal sector have been rising over the past two years as ethnic nationalisms have become increasingly pronounced in the political arena.¹⁴⁴ As tensions rose, ethnically based networks and sectors became increasingly rigid and closed, and internal labour migration was curtailed as ethnonationalist attitudes raised barriers to workers from other zones.¹⁴⁵ As trust between individuals erodes and ethnic prejudice rises, in-group connections grow in significance and, at times, form a type of social security. Similarly, social ties have become increasingly important in hiring decisions, as factors such as recommendations are increasingly used to overcome declining trust.¹⁴⁶ Ingroup-outgroup tensions are further reinforced as political actors are increasingly seeking to mobilise individual ethnic groupings in the informal sector through the clientelistic allocation of benefits such as taxi licences, urban identity cards, loans and access to job programmes.¹⁴⁷ As such, and given the severe vulnerability of many informal livelihoods to ethnic protest and violence (e.g. street vendors), the ethnic tensions are felt acutely in the informal sector. When protests erupted following rumours of an assassination plot on Jawar Mohammed (an Oromo politician) in November 2019, taxi drivers reported significant violence targeted at protesting colleagues, while workers in the construction sector (a generally depoliticised and multi-ethnic sector) indicated they do not discuss such issues among themselves for fear of violent repercussions.¹⁴⁸

143 It should be noted that sectors have also changed hands as the socio-economic and political position of ethnic groups changed. Examples are the shoe-shining sector changing from Gurage to Wolayta/Hadiya, and the trading at Mercato (Addis Ababa) becoming less Gurage controlled. Interviews with Ethiopian academics, Addis Ababa, November, 2019.

144 Interviews with an Ethiopian young professional and an Ethiopian academic, Addis Ababa, November, 2019.

145 For example, the Wolayta labour migration was often linked to Shashemene or Hawasa, but has been declining in the face of Oromo and Sidama ethnonationalism respectively.

146 Interview with an Ethiopian young professional, Addis Ababa, November, 2019.

147 Interview with an Ethiopian young professional and a focus group discussion with Ethiopian taxi drivers and parking guards, Addis Ababa, November, 2019. Also see Feyissa, D. 2018 'Expectations and belonging in Dire Dawa: Drivers, dynamics and challenges of rural to urban mobility', for an excellent example of the way the Oromo and Somali political parties supported their ethnic group in the informal sector, and perceptions of the way southern migrants to the city are viewed.

148 Focus group discussions with Ethiopian taxi drivers, parking guards and construction workers, Addis Ababa, November, 2019.

4.4 Ownership of geographies

The increasing ethnicization of the informal sector is reinforcing the sectoral segmentation of different kinds of activities, and is also translating into growing geographic divisions. Ethnically based social networks not only ensure access to employment and benefits to ingroup members, they also create barriers for outsiders to enter the same trade and/or location. As such, significant segments of Addis Ababa have come to be dominated by groups of informal workers from several professions that are closely connected. As one taxi driver from Hawassa based in Addis Ababa explains: *'I can work anywhere, but I can't park on just any spot. Other drivers claim other areas'* – a fact which co-ethnic parking guards, mobile phone air-time vendors and book vendors from the same street immediately confirmed.¹⁴⁹

The relatively closed nature of groups that occupy different urban spaces is reinforced by a number of administrative measures. In an effort to improve security and reduce crime rates, security forces and/or kebele administrations have begun registering young people with informal businesses stationed in specific areas. Registration does not entail formal rights to operate on the location, but does form a kind of informal acknowledgement that those registered will be allowed to operate on their designated spot by the police if they help maintain security around their workplace. Non-registered individuals do not have the right to operate near registered spots, ensuring new individuals can only start operations in the area following a formal invite by a registered person at that location (and registration of the newcomer at security/kebele administration).¹⁵⁰ Groups of informal workers are thus able to claim sought-after locations and exclude other groups from those locations. Furthermore, registration requirements for informal businesses extends the reach of local politicians' clientelist networks, allowing them to allocate registration and other significant permits (cooperative registrations, taxi permits for specific routes, etc) only to specific ethnic groupings.

While some political actors have responded to the increasing ethnicization of the informal sector by handing out benefits to their base in order to strengthen their political positions and claim to certain segments of the informal sector, other actors have gone on to encourage migration to several multi-ethnic cities to reinforce their position in

149 Focus group discussion with Ethiopian taxi drivers and parking guards, Addis Ababa, November, 2019; Interview with an INGO worker, Addis Ababa, 2019.

150 Bezu, S., and Holden, S. T. 2014. 'Rural-urban Youth Migration and Informal Self-Employment in Ethiopia', https://www.researchgate.net/publication/269030249_Rural-urban_Youth_Migration_and_Informal_Self-Employment_in_Ethiopia (accessed 22. April 2020).

the cities' multi-ethnic governance arrangement.¹⁵¹ As such, the identities of several traditionally multi-ethnic cities' have come to be increasingly contested. Notable examples include Addis Ababa, Oromia, Dire Dawa and Sidama, where different ethnic groupings are attempting to challenge the governance arrangements by changing the demographic composition.¹⁵² This is at times done by encouraging rural-urban migration from ethnic regional states to specific cities with a close ethnic balance, often by advertising the economic growth and opportunities and encouraging cultural events attract additional migrants.¹⁵³ On an administrative level, debates about the legalisation of new migrant neighbourhoods dominated by specific ethnicities, as well as discussions regarding whether such areas are within or outside city limits, drive similar conflicts within the city administration and with neighbouring ethnic regional states. IDP resettlement schemes have also become politicised in Oromia and Amhara regional state, as regional state administrations have been accused of demographic engineering by relocating IDPs to towns in which the regional state's ethnicity forms a minority. Additionally, IDPs resettled in urban areas often receive support to establish small businesses, thus altering the city's economic relations as well.¹⁵⁴

4.5 Conclusion

Ethnically based social capital has been key to many migrants' decision to migrate, to finding employment and accommodation, and to gaining access to services and other support for their livelihoods. With political debate extending beyond previously formalised channels, ethnically based networks are gaining significance on a new dimension, as political actors increasingly seek to use them for mobilisation on both clientelist and identity-based appeals. While such appeals may help ethnic groupings secure control over various sectors, locations and at times even cities, it has also connected economic grievances with ethnic fault lines, allowing ethnic nationalist tensions to spill over into sometimes violent conflicts across a range of urban spaces.

151 For an example of the latter, see Feyissa, D. 2018. 'Expectations and belonging in Dire Dawa: Drivers, Dynamics and Challenges of Rural to Urban Mobility'.

152 Interview with a researcher, Addis Ababa, November 2019, see also Feyissa, D. 2018. 'Expectations and belonging in Dire Dawa: Drivers, dynamics and challenges of rural to urban mobility'; Kiruga, M. 2019. Ethiopia's Sidama chases greater autonomy in key statehood poll, 25 November, The Africa Report, <https://www.theafricareport.com/20454/ethiopias-sidama-choses-greater-autonomy-in-key-statehood-poll/> (accessed 22. April 2020).

153 Feyissa, D. 2018. 'Expectations and belonging in Dire Dawa: Drivers, dynamics and challenges of rural to urban mobility'; interview with a researcher, Addis Ababa, November 2019.

154 Ibid.

5 Conclusions and recommendations

Ethiopia has been credited as being one of the fastest growing economies in Africa. Defining poverty as the biggest threat to the regime's survival since its inception has led the EPRDF to establish a top-down developmental state model in order to drive continuous economic growth and thus legitimate its continued existence. While this model has succeeded in sustaining high GDP growth rates, Ethiopia faces a challenge translating such growth into improved livelihoods across different segments of its population. Growth has been largely state led, through accumulation of capital and public investments in infrastructure. The private sector, in contrast, has remained weakly developed, hamstrung by a weak exchange rate and constrained access to foreign exchange, and outcompeted by politically backed parastatal companies. As a consequence, job creation in Ethiopia's urban centres has not kept pace with GDP growth, nor with population growth or the significant rural-urban migration. This has pushed large segments of Ethiopia's youth population into the urban informal economy where they struggle to make ends meet. While employment in the informal economy has been key to increasing the number of individuals' livelihood options, the persistent poverty, inequality and marginalisation many face is also deepening grievances. What thus may appear to be a strong state at first sight may in fact harbour considerable tensions and fault lines under the surface.

The ethnic nationalist cleavages rising to political salience today are by no means novel, and are a product of and an impetus to the changing form of political contestation and mobilisation over the past years. The ethnically defined federalist system has created potentially powerful ethnic nationalist constituencies and aligned other previously cross-cutting political cleavages with existing ethnic divides, which could result in strong centrifugal forces. While the new administration's liberal reforms may very well be a constructive attempt to deal with the tensions that led Previous Prime Minister Hailemariam Desalegn to resign, it should be noted that the declining cohesion of the governing party has made a strongly repressive response less feasible. Additionally, many of the EPRDF's established clientelistic approaches to political mobilisation and its claim to legitimacy based on economic growth have equally lost purchase in the face of persistent poverty and marginalisation. Growing ethnically based mobilisation appealing to widespread economic grievances has facilitated the spread of ethnic tensions outside traditional spaces of political contestation and into various forms of non-EPRDF controlled mobilisation, requiring the governing party to reinvent its electoral appeal.

With political debate extending beyond previously formalised channels, ethnically based networks are gaining significance on a new dimension. While career perspectives in the formal sector have long been intertwined with the ethnically based political (EPRDF) system, such dynamics are becoming increasingly pronounced in the informal sector. As political actors increasingly seek to use ethnicity to mobilise their constituencies, clientelist and identity-based appeals to urban informal workers are on the rise. The demarcation of boundaries between ethnic groups is growing in importance in the informal sector. While this may help ethnic groupings secure their livelihoods by securing control over various economic sectors and locations, it has reduced inter-group cooperation by eroding cross-cutting social capital and has connected economic grievances with ethnic fault lines. As a result, political tensions between ethnic nationalist groupings increasingly engage substantial urban constituencies, allowing tensions to spill over, at times leading to protests and violent conflicts in urban spaces.

While the assumption underpinning Ethiopian public policy and many donor interventions that (un)employment is a key driver of instability thus holds, the ethnicization of economic sectors and job creation is also a major factor driving tensions. The present dynamics cannot be adequately addressed by focusing merely on increasing job creation. While employment-related issues such as poverty, inequality and marginalisation are important factors in the economic grievances felt by many in the informal sector, the expression and political mobilisation of such grievances is not related to its reduction in a straightforward manner. Rather, the increasing political space has raised the salience of economic grievances and is increasingly aligning it with ethnic nationalist competition. As such, interventions aiming to stimulate private sector development and job creation are inherently politicised and risk politicising their target sectors or raising existing tensions within them. The informal sector is increasingly politicised, and donor engagements failing to recognise such dynamics risk deadlock, capture by (locally) dominant ethnic groups and other unintended destabilising consequences. Programming that aids livelihoods in part derived from the informal economy may be necessary, but they are by no means sufficient to support stabilisation. The following recommendations are designed to improve programme effectiveness and reduce associated risks.

5.1 Livelihoods-related programming in Ethiopia should take into account and address the risks posed by the weak media environment

As illustrated in the preceding chapters, livelihoods are related to ethnic divides and consequently livelihoods-related interventions run a high risk of being politicised. While such risks exist in many fragile contexts, they are severely exacerbated in the Ethiopian context due to the weak media environment in the country. While Ethiopia has a range of both public and private media outlets operating in multiple languages

and several channels (including social media), access to timely, trusted and accurate information on current events is low. As many outlets have a history of either censorship, strong partisan leanings, or a focus on entertainment over informational content, information shared is likely to be politically biased. Additionally, as state institutions frequently have a poorly developed media strategy and are difficult to access, timely information on the handling of emerging issues is often simply not available. Coupled with high illiteracy rates, frequent internet blockades and renewed repression against journalists, access to the news media is low for many demographic groups as well as in a number of areas. While such an environment obviously limits the ability to hold public officials accountable and impedes political debate, more significantly it has allowed for the circulation of highly polarising news items severely aggravating ethnic tensions and rapidly politicising otherwise minor issues. Livelihoods-related programming is increasingly likely to become the subject of such politicisation as ethnic tensions rise and an growing number of sectors are drawn into political contestation. A sound communication strategy involving accessible media monitoring and managing the risks related to community perceptions of an intervention is thus paramount, but may be especially challenging. Actively managing the way an intervention is perceived may be crucial, and is likely to require multi-language communications monitoring and messaging.

5.2 Interventions addressing employment or livelihoods more generally should actively avoid aligning with ethnic nationalist divides

The unemployment, poverty and marginalisation experienced by many of young people active in the urban informal economy is a substantial driver of the tensions seen in Ethiopia, and is increasingly mobilised along ethnic nationalist lines driving political contestation. While economic hardship thus expressed is an essential element in political debate, its alignment with ethnic divides is largely a product of the ethnic federalist system reframing many issues as questions of recognition and negotiation between ethnic nationalist groupings. While ethnically based social networks may be rising in importance as a basis for organising in the informal economy, the issues being contested affect urban youth across sectors regardless of their ethnic background. Addressing the hardship experienced in the urban informal sector is an important factor in stabilisation efforts, yet employment and livelihood programmes are easily politicised and have, over the past decade, formed an important tool of political mobilisation. Programming to tackle these issues should thus explicitly consider how to avoid reproducing ethnic nationalist divides or the segregation of economic sectors. While a range of conflict-sensitive measures could be applied across a wide range of interventions, some types of interventions may be more fit for purpose in this context than others. During the inception phase, sector assessment should include a political economic assessment considering to what extent the sector is open to different

ethnic groups, besides the technical requirements related to growth and job potential. Sectoral and geographical choices should aim to balance the distribution of benefits to various ethnic groups, including marginalised groups, and value-chain interventions could be selected taking into account how much interaction they enable between different groups. Additionally, perceptions of the intervention should be monitored and actively managed, and include the promotion of non-discriminatory recruitment policies throughout all partner institutions as well as communications in multiple all Ethiopian languages. Approaches related to the decent work agenda, support for labour unions, value-chain development interventions and programming that supports equal access to government services may be particularly worth considering, given their inherent reframing of contestation along non-ethnic lines or their focus on increasing connections between and dependence on separate economic sectors and demographic groupings. Additionally, close monitoring of programme implementation is necessary to avoid ethnic biases arising as an intended or unintended consequence of stakeholder networks.

5.3 Support to organizations in the informal sector to become more inclusive, improve their ability to articulate grievances and represent stakeholder interests

While the informal sector is not regulated, it is by no means unorganised. As well as the above described ethnically based networks, other forms of association occur. Occupational associations, informal workers' organisations, cooperatives, worker unions, savings groups and/or producer groups can all play a significant role in supporting various types of livelihoods. Such organisations may be significant in solving technical issues in their sector, but if they are able to articulate grievances and overcome ethnic tensions, they may also serve as platforms for collective action and potentially develop into institutional channels to discuss issues with formal stakeholders and regulators. In the limited space available, trade unions are showing some success organising workers along non-ethnic lines (although so far with significant risks to their members). A range of other informal organisational structures organised around other livelihood issues may be able to fulfil a similar role, articulating grievances outside of ethno-nationalist appeals. Support for such organisations in the form of recognition, provision of a platform, interconnection, organisational support, skills training and adjustments to the regulatory environment may be relevant. Close attention to such supported organisations will be required, however, in order to monitor and prevent weakening inclusiveness, elite capture and ethno-nationalist politicisation.

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Appendix 1: Methodology

This study has been conducted in accordance with CRU's political economy analysis framework, thus focusing on power arrangements. By analysing changes in arrangements of power one can understand why decisions are made, what incentives play a role, how alliances form or break, and what narratives dominate. In turn, such understanding is key to identifying feasible approaches to conflict resolution. Examining shifts in arrangements of power enables the simultaneous exploration of the perspectives of those who govern and those who are being governed, as power is always relational. Doing so requires the use of three lenses: 1) the power networks and relationships between conflict actors; 2) the power practices and exchanges between them; and 3) contextual factors such as institutions and ideology that affect the power distribution underlying conflict.¹⁵⁵

This political economy analysis is further specified to the informal sector, in order to situate the role of the informal sector in the deeper context of the political settlement, in which the most significant power and state connections are understood. The framework combines traditional conflict analysis with elements from social network and power analysis, and draws on recent research across a range of disciplines, namely new political economy, new institutional economics, and conflict studies. It thus brings to the surface the politics and power dynamics that may facilitate or hamper proposed interventions in conflict-affected situations. This way it uncovers hidden stakeholders, the practices and exchanges that facilitate the main actors' relation to power, and the written and unwritten rules and structures that form the silent backdrop of these relations. This identification of arrangements of power helps to identify potential spoilers and entry points for action by showing which structures might be amenable to changes and which structures might be used to the policy maker's advantage.

The report supports conflict-sensitive programming, by recognising that '[t]he success of most development efforts, including efforts to strengthen the state and build institutions of public accountability, rises or falls according to the degree to which these efforts are aligned with – or at least do not fundamentally threaten – the interests of powerful national and local actors who are in a position to thwart or co-opt those efforts.'¹⁵⁶ The analysis recognises that 'many times well-intentioned interventions

155 See Clingendael. 2019. *Our methodology for political-economy analysis*, The Hague: The Clingendael Institute of International relations for further details.

156 Parks, T. and Cole, W. 2010. *Political Settlements: Implications for international development policy and practice*, San Francisco: The Asia Foundation.

become ineffective because they reinforce an equilibrium that sustains the outcome the intervention attempted to change. These situations can arise from interventions that do not take into account the existing power balance.¹⁵⁷

Research for this report included desk research, interviews, focus group discussions and fieldwork, running between September and November 2019. Desk research included a literature review of academic and grey literature, supplemented with news sources and Ethiopian news websites, in order to do an initial scoping of migration patterns, ethnic nationalist tensions and employment in the urban informal sector economic developments. Fieldwork was conducted by Jos Meester and Nancy Ezzeddine, and consisted of key informant interviews and focus group discussions. Respondents represented a range of formal and informal positions, from construction to domestic work to street vendors, as well as labour unions, researchers, government advisers and (I)NGO staff. The wide range covered allowed the researchers to triangulate information and perspectives through cross-referencing information between different professional backgrounds.

Regardless of the efforts undertaken to cover the breadth and depth of grievances in the Ethiopian informal sector, and efforts to ensure reliable and valid data through triangulation and other efforts, the research was subject to a number of limitations. As indicated above, not all relevant sites could be accessed due to rapidly emerging security concerns (notably Dire Dawa and Bahir Dar). It should therefore be borne in mind that additional research in further depth covering stakeholders in the regional capitals might provide further insights. It should be remembered that Ethiopian ethnic nationalist and informal economic dynamics are not homogenous across ethnic regions and are evolving and changing rapidly as the country's governance changes. While the dynamics covered in this report are likely to be indicative of dynamics across a range of urban contexts, they cannot be expected to hold across all major cities, as Addis Ababa represents an especially dynamic case. Extrapolations from such dynamics without taking into account the local context may thus obscure important differences. It should also be noted that given the strong tensions surrounding the subject, and the particularistic or clientelistic nature of a number of these relations, participants were at times unwilling to fully share their experiences for fear of repercussions.

157 World Bank Group. 2017. *World Development Report 2017: Governance and the law*, Washington DC: World Bank Group, 27.