

Ethiopia's "Peace Dividends"

-Are massive loans a blessing or a curse? -

Aklog Birara (Dr.)

Part I of II

In Ethiopia's highly polarized political and governance environment, it is virtually impossible to subject any policy and structural issue to intellectual and analytical rigor. Each and everyone has a firm opinion. This opinion is often guided by narrow self or group interest, ethnic and or religious affiliation, class or ideology or village and region and so on. I am not talking about differences of opinion that are justified and supported by evidence. Rather, I am talking about the absence of a common denominator that guides discourse concerning **Ethiopia as a country** and all Ethiopians as **human beings and** as Ethiopian citizens. For example, does Ethiopia come first or does Amhara, Tigray, Oromia etc.?

For me, there is no contest at all. Ethiopia comes first. It should not take a foreign expert to tell us that we are "all Ethiopians." Ethiopia is the origin of humankind after all. The "elephant in the room" is therefore the still lingering question of whether or not there is a **national consensus** of Ethiopia's primacy. Ethiopian political elites are far behind the rest of Africa and the world on this fundamental question.

In the month of December 2019 alone, two hot national topics offered us a glimpse of the unfinished business of the conflicted and conflicting issue of "nation building", the advancement of democracy and the establishment of equitable and sustainable development in Ethiopia. All three themes are critical themes to understand, discuss and to offer alternatives.

The first hot and timely hot topic that I wish to discuss, albeit briefly, is Prime Minister Dr. Abiy Ahmed's well-deserved Nobel Peace Prize 2019 Win. This Prize placed Ethiopia as one country and all Ethiopians as citizens, in fact all Africans and other peace-loving people on the world's map. A phenomenal number of people estimated at more than one billion watched the celebration. I believe President Isaias Afewerki of Eritrea should also have been honored. Prime Minister Abiy should be commended for acknowledging this.

Sadly and because of our polarized and conflicted perspectives, not all Ethiopians see this as a victory for Ethiopia, for all Ethiopians and the rest of the globe. The presenter of the Prize expressed it best when she noted that "we are all Ethiopians." Remember that Ethiopia is one of the cradles of civilizations; and the origin of humankind. We lose sight of this phenomenal gift that we cannot purchase in the open market with trillions of dollars at our peril. Admittedly, Prime Minister Abiy is not God. He cannot be perfect in an imperfect society even if he wanted to. But he represented the best of Ethiopia and Ethiopians.

What is the global narrative here?

Abiy's Nobel Price win reelevated Ethiopia's status on the world stage; lifted-up all Ethiopians. My take is that the Nobel team and their global allies genuinely believe that Abiy Ahmed stands

for the right stuff: Ethiopia, peace, reconciliation, mutual understanding, democracy, the settlement of conflicts through dialogue, debate and alternative views that serve a common purpose. He is forthright in acknowledging the hurdles Ethiopia and Ethiopians face. It is therefore understandable if multilateral and bilateral donors would respond positively by pumping in more capital.

First thing first though. I know of no country that has modernized and prospered without accepting itself as a unified country; without peace, national consensus, respect for the rule of law, personal security, stability, the empowerment and engagement of civil society, a robust private sector; and a competent and relatively corruption free state and government leadership. It is in this environment that the power of ideas that Abiy espouses flourishes. **Among these, peace and security are foundational principles** that all Ethiopian stakeholders must embrace.

I therefore appreciate Abiy's steadfast commitment to peace; and urge the rest of us to give "peace a chance." I also urge his government to take bold steps on the rule of law and personal security of all citizens.

This does not, however, mean that Ethiopia is out of the woods. Ethiopia's ship of state faces an unchartered, rough and volatile future. It is not because of ordinary people doing bad things. It is elites, primarily ethno-nationalists and fundamentalists encouraged and supported by external forces that pose danger. Proxy wars are real. The past 18 months of dramatic changes in some areas reveal deeply rooted ethnic and religious fault lines. These are exploited by elites and foreign adversaries alike. Egypt among the primary actors of proxy wars.

In the 1960s and early 1970s, there was a modicum of multinational effort among elites focusing on policy issues such as "**land to the tiller and the national question.**" Ethiopian youth, intellectuals, members of civil society and trade unions met in groups, associations and multiethnic parties as concerned human beings and as citizens. Issues mattered more than ethnic or religious affiliation. Today, Ethiopians have grouped themselves into ethnic, and at times, religious silos. There is absolutely no cross fertilization of thinking, ideas and alternatives. This condition pushes Ethiopians down; and diminishes their resolve to tackle policy and structural issues.

In its December 16, 2019, the International Crisis Group (ICG) wrote a provocative piece entitled "**KEEPING ETHIOPIA'S TRANSITION ON THE RAILS,**" and identified the need to bring on board dissenting voices and parties into the transition process. "Why does it matter? Such tensions could derail Ethiopia's transition. Meanwhile, reforms Abiy is making to the country's powerful **but factious ruling coalition** anger opponents, who believe that they aim to undo Ethiopia's ethnic federalist system, and could push the political temperature still higher. Elections in May 2020 could be divisive and violent."

A few months ago, I wrote a commentary on the need **to postpone the next election until**, among other things, personal security is restored. You can't run a national election unless there is ample evidence that the electorate can and will participate without fear and retribution. The commentary was hand delivered to the office of the Prime Minister. Other commentators have said the same thing to no avail. Foreign experts may have a better luck in drawing attention.

ICG asks “What should be done? Abiy should step up efforts to mend divisions within and among Ethiopia’s regions and push all parties to **avoid stoking tensions** around the elections. **International partners should press Ethiopian leaders** to curb incendiary rhetoric and offer increased aid to protect the country from economic shocks that could aggravate political problems.”

I do not subscribe to aspects of the ICG analysis especially with regard to causes of the current turmoil in Ethiopia. Ethnic federalism as designed and managed by the TPLF dominated EPRDF has failed. It has not even managed to unify the party let alone Ethiopia’s 110 million people. It has failed to meet the employment demands of the vast majority of Ethiopian youth. The parasite federal and regional bureaucracy has failed to respond to the democratic demands of the population. The cost of living keeps rising. Yet, theft, graft and corruption persist. It is therefore untenable to fix a broken system.

The reform process offered a window of opportunity to exercise freedom. But, this freedom of movement, expression, assembly, dissent, association and media has not been accompanied by **an equally important norm, namely, a sense of responsibility to do the right thing at all times. Freedom is not really a free good to kill, to steal, to maim and to displace. There must be a red line that should not be crossed by any person or group.** Ethiopia should not be treated as an exception to the norm or rule in governance. For example, the TPLF has the right to disagree with the reform agenda. It does not have the right to run a parallel government though. Jawar Mohammed has the right to express his views. He does not have the right to champion hate speech, to call for the murder or displacement of non-Oromos or for the burning and destruction of Christian Churches or symbols etc. Otherwise, the rule of law has no meaning.

Nevertheless, I agree with ICG cautionary conclusion. “Ethiopia has long been an anchor state in the restive Horn of Africa. Its three-year uprising arguably served as a model for later protests in the neighborhood. Many are watching its delicate transition to a potentially more open era with considerable expectation. **Ethiopian leaders and their foreign allies should redouble efforts** to prevent a breakdown and to shepherd the country to a better future.”

This is the reason why I suggest in the strongest terms that Ethiopia’s first priority is to convene an all-party or inclusive conference; arrive at a national consensus; and firm up the fundamental and incontestable principles of Ethiopia’s territorial integrity, unity with diversity and sovereignty as an overarching and core value while advancing the rule of law and democracy based on citizenship rights.

Today, the new conversation among elites concerning what comes first, that is, the “chicken or the egg” debate belies an ongoing Ethiopian tragedy. It goes without saying that all Ethiopians need to tackle endemic poverty and technological backwardness; deal squarely with severe unemployment and underemployment among youth who constitute the vast majority of the population; implement a robust program of financial and human capital investment by deploying homegrown tools; accelerate modernization and create a competitive national economy.

To do this, all Ethiopian stakeholders must first and foremost resolve the manmade political crisis inflicted on ordinary Ethiopians by elites. Here is the reason why? If you invest and, if

those with ill-will destroy the investments, the society loses. If you save capital and robbers break banks and steal the funds, the society loses. If you build a dam and who ever hates Ethiopia destroys it, the country loses. If you borrow foreign exchange thereby elevating the country's debt burden further, and if thieves of party, state and government and their allies siphon it off, remit it out of the country, the country loses. It is then forced to borrow more to pay debts. Etc. Security is thus paramount. This phenomenon of constant destruction creates a vicious cycle that no society should tolerate.

On the opposite side of the equation, a virtuous model suggests that stakeholders resolve their political and differences in governance first so that the above incidents do not occur in the first place. It makes no difference to me who governs Ethiopia, as long as those in charge possess the **moral and ethical values** and competence that enable them to dedicate their talent in the service of all Ethiopians. In short, the benefits of consensus and good governance are immense. The costs of constant friction are equally huge. Massive loans can't deal with this plight.

In the light of the above hypothesis, dissidents such as the TPLF and others have an obligation to their constituencies and to the rest of Ethiopians to sit around the conference table, debate, negotiate and offer the Ethiopian people alternatives peacefully. I urge ICG and other experts to recognize that it takes a willingness and readiness on the part of all parties to "avoid stoking tensions" not only around the election, but in day to day life in Ethiopia. Ethiopian elites should stop normalizing the settlement of conflicts through extrajudicial means. Even if one forgets the past 50 years of animosity, inhumanity, human rights abuses, killings organized plunder, what happened over the past few months is troublesome. Elites are squandering opportunities for peaceful change.

For example, who is accountable for the murders of 86 innocent people last October? Who champions and propagates ethnic and religious hate and violence? Who annexes lands and displaces innocent civilians? Who robs banks and why? Don't the federal and regional governments have a moral responsibility to protect innocent civilians? And to protect investments including banks?

Shouldn't the "international" community, especially governments of the United States, the UK, members of the UN and AU families have an obligation to call on ethno-nationalists, fundamentalists and homegrown terrorists and their external backers to stop murdering innocent civilians, displacing millions from their lands, spreading hate speech and acting as proxies and destabilizing Ethiopia to stop their activities? Isn't home grown terrorism a threat to the entire Horn of Africa and to world peace?

Is it not high time for the global community to identify **specific persons** accused of crimes against humanity, of theft, graft and massive illicit outflow of funds and to hold them accountable now? Why are foreign governments and countries of destination where ill-gotten billions of dollars are hidden or invested still reluctant to disclose who owns what and where?

In summary, it is true that Ethiopia is conflict ridden, unstable, unsafe, undemocratic, poor and economically and technologically backward. It is dependent on foreign aid. Its youth are disempowered and disillusioned. More chilling, it is equally true that **the rule of law** is in

shambles and is administered unfairly. It is also true that there are political prisoners who should be released immediately and unconditionally.

But these and other truths in political economy should not mask the fact that Ethiopia's relations with Eritrea have improved dramatically; and that there is more freedom now than ever before. In terms of the Nobel Peace prize, the honor goes to Abiy and Isaias; and to the brotherly peoples of both countries. The glass is therefore half full.

Given peace and mutual acceptance, Ethiopia and Eritrea have much more in common than the false and misleading narratives that their traditional external adversaries and opposing elites on both sides advocate and advance. Imagine the socio-economic, trade and geopolitical benefits that would accrue if these relations are strengthened further; and if a **common market** between these two and the rest of the Horn of Africa becomes a reality in the next decade or so. I believe that the entire region will become stable, prosperous and strong. For this to happen, Ethiopia's domestic political problems must be resolved first and soon.

The second and prime reason for my commentary has to do with what I call the "Peace Dividends" and potential risks of the massive loans **reported at \$9 billion** announced by Prime Minister Dr. Abiy's government. The Prime Minister was recognized" for his efforts to achieve peace and international cooperation, and in particular for his decisive initiative to resolve the border conflict with neighboring Eritrea." This achievement is widely recognized by the global community, including multilateral donors. This is the reason I called the loans "peace dividends."

Granted that peoples' assessments and perspectives on the implications of the Nobel Prize may differ. Equally important is the dire and worrisome socioeconomic and life condition of Ethiopia's 110 million people. Here, it seems to me that most educated Ethiopians and especially elites and so-called foreign experts seem to have forgotten Ethiopia's dark times under the Tigray People's Liberation Front (TPLF) and its ethnic coalition, namely, the rest of the Ethiopian Peoples' Revolutionary Democratic Front (EPRDF) that governed Ethiopia for 27 years. I refer to this reality because Abiy's government is not the first one that received massive loans. The largesse extended to the TPLF regime was, however, squandered, stolen and billions of dollars were taken out of the country. Ethiopians were left with massive debt.

The TPLF governed the country with an iron-fist by deploying draconian laws including the Anti-Terrorism and CSO Proclamations, Revolutionary Democracy (RD), state led development and the like. For sure, Ethiopia achieved remarkable growth in physical and social infrastructure.

At the same time, party, government, state and private individual theft, robbery, corruption and massive illicit outflow of precious capital became the norm. There was ample capital to steal and hide. By the time the reform process began, this organized theft left millions destitute. Ethiopia's national treasury was left virtually empty. Ironically, the 1990s and the early decade and half of the 21st century enticed tens of billions of dollars in bilateral and multilateral aid to Ethiopia. The United States alone granted Ethiopia between \$20 and \$30 billion. There is no accurate and reliable data. This is because financial and monetary data was underreported; and made opaque intentionally. Massive theft is real and is corrosive.

Evidence shows that Ethiopia became one of the largest recipients of foreign aid under the TPLF regime. In theory at least, this massive inflow of capital should have induced **substantial employment and increased productivity; and should have created a large middle class.** Ethiopia should have achieved food self-sufficiency. It did not.

The massive inflow, including remittances created a **handful of millionaires** and possible paper billionaires in one of the poorest, starved and unhealthiest countries on the planet. What did the rich and super rich produce? What employment did they generate? What structural transformation did they bring? Did the well to do dig wells or construct water kiosks similar to what Kenyans did or build schools in their home villages so that women who fetch water by traveling long distances would instead have access to safe drinking water or so that deserving children would attend schools close to their villages? Did the well to-do, instead, send their children overseas to acquire their education so that they could be ahead of their peers? Did the well to-do build factories that employ youth or did they remit their funds to overseas hiding places? Etc. etc. I leave these to the imagination of the reader.

Aid has an ugly side.

In the 1990s and until the popular revolt against the TPLF-led regime about two years ago, the world community accepted Ethiopia's dictatorial regime and granted it **tens billions of dollars in** grants, soft and commercial loans. Is this for altruistic reasons or to serve national interests?

I urge the reader to think of Ethiopia's poor, especially the **20 million who barely eat** one meal per day; the millions of youth who do not have jobs; the tens of millions of school age children who attend facilities made of straw huts or dilapidated buildings built by the Italians; the millions of mothers who do not have safe drinking water. Why is it that billions of dollars in aid did not transform their lives? For one, you need aid agencies and public authorities who care about the poor.

Aid serves the national interests of the donors. It also bolsters tyrannies, enriches incompetent and parasitical bureaucrats, cadres and their allies; makes recipients dependent; dwarfs and discourages the domestic private sector. It is, after all, a business. Winners take all kind of proposition!!

Remember the time when the governments of the United States and the United Kingdom in particular propagated the notion of Africa's Renaissance leaders. The US President "Bill Clinton made his African journey in March 1998" and "helped popularize this notion when **he said that he placed hope in a new generation of African leaders devoted to democracy and economic reforms. Although Clinton did not identify the African leaders by name, it is generally assumed that he was referring to, among others, Yoweri Museveni of Uganda, Paul Kagame of Rwanda, Meles Zenawi of Ethiopia and Isaias Afewerki of Eritrea." History tells us that in later years, other names, including "Ghana's Jerry Rawlings, Mozambique's Joaquim Chissano and South Africa's Thabo Mbeki" were added to the list. Some of these African leaders such as Mbeki are genuine democrats. Meles crushed democracy in Ethiopia.**

In the ranking order of Renaissance men, Meles Zenawi was especially coveted by Western democracies and multilateral lending agencies including the World Bank and the IMF. He was recognized as such and invited to coveted conventions such as the Annual World Economic Forum in Davos where he touted the merits of the developmental state while at the same time advocating structural adjustment lending and privatization.

Do you remember how many state or public enterprises were privatized and their assets transferred to TPLF entities and loyalists? Hundreds of firms employing tens of thousands of Ethiopians. Ethiopia cannot afford to repeat the same strategic mistakes.

Measured against the criteria of **advancing democracy and economic** reform that would benefit the entire society, Meles' one-party state and government did the exact opposite. They squashed democracy; demolished civil society; and criminalized dissent and political pluralism. Party and state-owned enterprises and persons loyal to the party and government dominated the national economy and **milked it severely**. Political hegemony by the few offered some of the poorest members of the governing party in Ethiopia to become instant millionaires. Many party loyalists **who had no collateral** to speak of borrowed heavily from the banking system; and built luxury villas and skyscrapers for rent.

Meantime, poor pregnant women suffered from lack of basic health services while the newly rich accessed the best medical care in foreign countries; and sent their children and families abroad. Do you know that numerous newly rich people who gained ill-wealth under the TPLF regime possess homes and other properties in numerous countries, including the United States?

Party and state affiliated entities used their political connections and clout to access foreign exchange at will. The National Bank in charge of oversight failed in its governance responsibility to rein in excesses. Consequently, it was a matter of time that Ethiopia's foreign exchange reserves would be depleted, thereby requiring special remedies such as massive loans. Neither the lack of a genuinely committed state and government leadership and strong and independent institutions in support of **the public interest and to bolster accountability and** to strengthen the advancement of democracy; nor to hold culprits accountable for the **mismanagement and misuse** of limited financial and monetary resources proved to be of major concern to bilateral and multilateral donors.

Instead, marginal changes were propagated as success stories. The interests of the poor, the private sector, the country and the importance of democracy, the rule of **law and justice took secondary or tertiary** roles.

As galling as it may seem, in 27 years of TPLF dominated Ethiopia, the country became the darling of the donor community. It received massive amounts of grants and loans estimated at between **\$40 and \$50 billion** in Official Development Assistance (ODA) alone. Although under reported or not reported at all, remittances increased from hundreds of millions of dollars a year starting in the mid-1990s to an **average of \$4 billion per annum** by 2018. This average underestimate the inflow because a significant amount of dollars and other hard currencies flows into the country via the secondary **or the black market** that is outside the control of the formal

channel. Ethiopia's large and well to do Diaspora benefitted from this "black market" and many beneficiaries became apologists for the tyrannical regime of the TPLF.

So, grants, concessional, commercial loans and remittances have a checkered history in TPLF's dominated Ethiopia.

Less than a decade ago, Graham Hancock wrote an explosive book under the title "**Lords of Poverty**: the power, prestige, and corruption of the international aid business." It is vital to note that "aid" is synonymous to "help." The question we should keep in mind is who is "helped" by the transfer of funds from rich countries to the poor who need the most "help?"

In 1989 when Hancock wrote his book, annual aid flow to poor countries was in **excess of \$60** billion per annum. This figure has more than doubled since then. Based on evidence then, he concluded as follows. "Indeed, as this book has argued at some length, it (aid) is often profoundly dangerous to the poor and inimical to their interests; it has financed the creation of monstrous projects, that, at vast expense, have devastated the environment and ruined lives; it has supported and legitimized brutal tyrannies; it has facilitated the emergence of **fantastical and Byzantine bureaucracies staffed** by legions of self-serving hypocrites (cadres); **it has sapped the initiative, creativity and enterprise of ordinary** people and substituted the superficial and irrelevant glitz of **imported advice**; it has sucked potential entrepreneurs and intellectuals in the developing countries into non-productive administrative activities ; it has created a 'moral tone' in international affairs that denies the hard task of wealth creation and that substitutes easy handouts for the rigors of self-help; in addition, it has allowed the dead grip of officialdom to suppress popular choice and individual freedom."

I do not agree with all of the conclusions reached by Hancock; but share 90 percent of his assessment. Most worrisome to me are aid's contribution of legitimizing and supporting tyrannical regimes, dysfunctional, incompetent and self-serving bureaucracies as well as hypocritical foreign experts; a corrupt and corrupting culture; the disempowerment of the very people "aid is supposed to help;" the suffocation of the domestic private sector; the cycle of dependency it creates; and the proclivity to minimize the role of civil society organizations that defend the rights of the poor and indigenous people, for example, in the Omo valley and in Gambella where dispossessions and displacements are rampant. I find the argument that "**the poor could not survive without**" aid to be highly flawed. Empowered and free, the poor cannot only survive; but potentially thrive.

It is important to remember that the business of aid is to fill resource gaps and to **empower the poor so that they become resilient**. It does this by enhancing domestic productivity and by boosting the creation of wealth for the vast majority of the population. Ethiopia has been an aid recipient for more than half a century. I acknowledge the notion that some of this aid has been instrumental role in strengthening institutional and human resources capital capacity, for example, in higher, technical education and aviation.

Ethiopia's economy is dominated by the agricultural and pastoral sectors that remain virtually stagnant. For almost three decades of TPLF-dominated EPRDF rule, Ethiopia followed an agricultural-led growth strategy financed by the donor community. In theory, this targeted

strategy should have, at minimum enabled Ethiopia to **achieve food self-sufficiency and security**. Ethiopia has yet to achieve its primary goal of providing adequate supplies of grains and other essentials for its growing and urbanizing population. by this measure, Agriculture-Led Industrialization (ADLI) has therefore failed. Ethiopia imports food.

A major part of the problem is Ethiopia's land policy that has practically bestowed ownership and control to federal and regional government elites and bureaucrats. This policy perpetuates a **Stalinist type command and control** system that disempowers the farming population; and creates perpetual conflict and environmental degradation. This bottleneck must be tackled in order to unleash the productive potential of the rural sector.

In summary, modernization is virtually impossible without food self-sufficiency and security to which the donor community has given minimal attention.

On December 6, 2019, Bloomberg reported that "**Ethiopia Will Need Imported Wheat for a While Yet Despite Self-Sufficiency Plan.**" Food aid is not the answer. Productivity through intensive farming and rural sector modernization is the way forward; and the donor community must support this course of action. "Prime Minister Abiy Ahmed's government has pledged to invest in irrigation and machinery and encourage more farmers to plant wheat to scrap a reliance on imports by 2022. But as one of Africa's top wheat consumers, boosting output by about a third to reach that goal will be tough to do."

To summarize Part I of this commentary, the problem can be best illustrated by the gap in domestic productivity and supply. Ethiopia spends an average of **\$700 million per annum** "on grain imports, putting a strain on foreign-exchange supplies limited by large current-account deficits and debt... Any government would be concerned about a food-import bill that's rising," says Bloomberg quoting Tedd George, a London-based independent analyst.

Part II will diagnose the pros and cons of aid, including massive loans.

December 19, 2019