



ASSESSMENT OF THE PRIVATE SECTOR'S ROLE IN CONFLICT AND PEACEBUILDING IN
ETHIOPIA
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INITIATIVE AFRICA AND INSTITUTE FOR SECURITY STUDIES

Executive Summary

This document is a summary of a study conducted by ISS and Initiative Africa. The study explores the nature of the relationship between the business sector and the state under successive regimes, offering insights into the contextual dynamics at the intersection of business, peace, and conflict. Through desk reviews and key informant interviews, the study identifies and analyzes patterns of private sector engagement in peace and conflict situations, focusing on contemporary dynamics, determining factors, as well as challenges and opportunities.

Throughout much of Ethiopia's history, the state has been the dominant player in all economic affairs, leaving little room for the private sector to participate in critical political and policymaking matters, including peacebuilding. During the Derg regime, the private sector faced unfavorable ideology that hindered its growth and influence in state affairs.

Following a significant shift in governance philosophy after 1991, the EPRDF government recognized the vital role of the private sector in the country's economic future and implemented key reforms to support its growth and wealth accumulation. However, the business environment was disrupted by a regular perception by the party of the private sector as untrustworthy and aligned with enemy forces, party-backed conglomerates and endowments, and the adoption of a mismanaged developmental state model by the EPRDF. A combination of these factors has marginalized the nascent yet uncompetitive private sector.

The private sector in Ethiopia exhibits certain characteristics that merit examination. A large segment of the private sector rely on either direct government (procurement and land) support or good will, or both, for its survival, which has perpetrated survivalist tendencies, weaknesses and willingness for proactive cooption. However, it is important to note that not all businesses in the private sector operate under such conditions. Following the change of government in 2018, there is a growing concern about the contribution of businesses to conflict generation and insecurity. This has led to recognition of the significant influence that the private sector holds in being a major stakeholder in future peacebuilding initiatives.

When it comes to organized lobbying, it is evident that the private sector in Ethiopia has historically encountered obstacles in effectively advocating for its own interests – including its

concerns over security, business links to conflict promotion and its stake in peacebuilding programs of the country.

Divisions along ethnic lines within the private sector reflect the broader socio-political reality in Ethiopia. Ethnic diversity and tensions continue to influence key aspects of the Ethiopian society, including the private sector. And it is important to approach this topic with sensitivity and avoid dangerous generalizations that oversimplify the complex dynamics at play. While prominent businesses may operate based on ethnic, political and other identity based considerations, it is critical to note that businesses in general prioritize collaboration and mutual interests to build consensus that transcends identity boundaries to sustain their survival and grow their network and profit margins.

To address these challenges and divisions, it is essential to promote inclusive dialogue, cooperation, and capacity-building initiatives within the private sector. By fostering a more unified and forward-thinking private sector, businesses can leverage their self-interest to advocate for peace and promote security, social cohesion and stability.

Despite its presently marginal role, the private sector has the potential to make a critical contribution to peacebuilding in Ethiopia. The sector's capacity to create employment opportunities for unemployed youth, invest in the rehabilitation of war-damaged infrastructure, contribute to the demobilization and rehabilitation of ex-combatants, and support internally displaced persons (IDPs) demonstrate its potential to contribute to the peacebuilding process.

In this regard, Ethiopia can tap into the resources and good will of the sector to support efforts to address the underlying causes of conflict, support reconciliation, and foster sustainable peace and development in the country. Collaborative efforts that include the government, non-state actors led by the private sector and international partners could lead the initiative to broaden the sector's ownership of peace and stability programs.

The study highlights the historical challenges and limited involvement of the private sector in peacebuilding processes; its existing and potential roles in conflicts and the need for a more inclusive and collaborative approach involving the private sector.

In the post-2018 political and security environment, the role and impact of the private sector in tension and conflicts have become more visible. Several major trends define this period, including:

1. **Ethnic Leveraging:** Some private sector entities leverage their ethnic affiliations to seek recognition, association, and social support.
2. **Seeking Protection:** The private sector seeks protection from political actors to conduct routine business activities, facilitate customs and tax processes, and expand business interests. This often involves paying patronage fees to powerful actors, including armed insurgents.
3. **Role of regional development enterprises:** Party-affiliated, endowment, and regional state-owned companies play increasingly significant roles in consolidating patronage networks and funding political operations.
4. **Illegal Trade:** There is evidence of increasing illegal trade in key agricultural, manufacturing, and export businesses.

Key Findings

- Constitutional dispensations of the state anchored on ethno-linguistic considerations in post-1991 Ethiopia provides the basis for the establishment and expansion of a private sector that is a reflection of the strengths and weaknesses of the political spectrum. The widespread inter-ethnic rivalries, the attempt to redistribute economic rent, and the aggressive rent accumulation by officials and business owners along ethnic lines particularly following the coming to power of the current government in 2018 dominates the functional space of today's business environment. The overarching assessment derived from the findings of the study indicates the private sector's minimal contribution to peace initiatives while its actual and potential role in promoting, directly and as a byproduct of its affiliations, rivalries and conflicts in various parts of the country is noteworthy.
- Regional Party-affiliated and owned businesses, which operate outside the public and private sectors, are experiencing significant growth in size and influence, particularly in the Oromia and Amhara regions of the country. These companies exert increasing investment influence

over the economic and political landscapes of their respective regions, and consequently, the country as a whole, surpassing the private sector. Through a combination of political dedication and as tools of economic nationalism, these conglomerates are diverging from the federal government's agenda of liberalizing and privatizing the economy. These party/region owned businesses and endowments continue to be a demonstration of ethnic-based rivalries and contribute to tensions and conflicts among the political elite.

- In regions where armed insurgent groups have established control over administrative and security structures, the private sector is compelled to pay protection money to ensure the safety of their businesses. This practice is particularly prevalent in the Amhara and Oromia regions of the country. In the Amhara region, both militant and political groups threaten wholesale businesses and truck operators for regular payments, while armed units of the Oromo Liberation Army engage in organized and widespread extortion, kidnapping, and ransom operations in Oromia region and localities neighbouring the regional borders.
 - Confirmed reports indicate the severity of this organized kidnapping and extortion, with local residents in the most affected localities of West and East Shoa now feeling their homes in search of safety. The kidnapping and ransom operations are sustained by fixed payments, amounting to millions of birr a month, from businesses involved in the trade of commodities such as coffee, cattle, gold, timber, and logistics in Oromia region. Additionally, daily kidnappings of business owners and drivers yield varying amounts of money.
 - The funds generated through extortion in both regions serve to facilitate the arms and contraband trades, further strengthening the financial position of armed and political groups, and providing a means of livelihood for their social support base. The increasing availability of money obtained through extortion, coupled with the rising cost of living, presents an appealing incentive for unemployed local youth to consider joining the armed groups as a potentially better life prospect.
- Regional development enterprises, owned by regional states and closely aligned with ruling parties, are expanding in Ethiopia. These enterprises aim to utilize regional resources for wealth creation and promote ethnic ownership of these resources. However, the

implementation of wealth creation programs based on regional and ethnic lines could complicate existing rivalries and create fertile ground for new conflicts at sub-national levels. A new arena for such ethnic based competition is salt extraction in the Afar region.

- Rampant illegal trading in major agricultural products such as sesame, coffee, and livestock, manufactured products such as cement, and export products such as gold has created business actors that have strong connections with ethno/political elites. These actors use all means necessary, including instigating ethnic and religious conflicts, to protect their businesses contributing significantly to the security crisis in the country.
- Amhara businesses that have gained control over the sesame supply chain in western Tigray are reportedly actively supporting armed groups and political establishments in the welkait and humera localities. Their involvement is said to be aimed at obstructing political settlements and undermining any community-based reconciliation efforts. This is driven by fears that any reconciliation between the communities and a political settlement could lead to the repossession and disruption of their businesses.
- The private sector offers great potential for contributing to peacebuilding programs and processes that are already in place or are planned. However, Ethiopian businesses' have poor track record in thrusting into conventional peacebuilding activities as a focused and planned engagement. If there are any efforts in conflict prevention, management, resolution, and/or in peace processes, it is primarily motivated by interest in preventing and minimizing risks to their businesses or the safety of their families.
- The war in northern Ethiopia has severely affected the private sector, damaging assets and the business environment in the Tigray, Amhara, and Afar regions. The business community in Tigray has shown better than expected initiatives in contributing to peacebuilding by reaching out to fellow business groups in Amhara region.

Introduction

Ethiopia's private sector has long been shaped by the country's unique political and economic context. Under successive regimes, its role has been constrained, particularly in governance and peacebuilding. Historically, the Ethiopian state has maintained dominance over the economy,

leaving the private sector with limited room for maneuver. However, the private sector's influence on conflict and peacebuilding has become increasingly evident, especially in the aftermath of Ethiopia's 2018 political transition and subsequent conflicts.

This summary examines the private sector's dual role in contributing to conflict and its potential to support peacebuilding. It highlights the sector's historical challenges, current dynamics, and future opportunities for meaningful engagement. By addressing the interplay between the private sector, ethnic divisions, and political power, the article provides actionable insights for policymakers and stakeholders to leverage the sector for sustainable peace.

Private Sector's Contribution to Conflict

The private sector in Ethiopia has inadvertently played a role in fueling conflicts in several ways:

1. Exploiting Instability for Profit:

Some businesses view instability and conflict as opportunities to maximize economic gains. Examples include illegal trade in agricultural products, tax evasion, and monopolizing supply chains during periods of unrest. For instance, the cement industry has seen significant disruption, with local officials and armed groups allegedly colluding to control distribution networks. Such practices not only harm the economy but also perpetuate cycles of violence by funding armed actors.

2. Ethnic Alignments:

Ethnic divisions in Ethiopia often extend into the private sector, where businesses align with identity-based groups to secure resources and protection. These alignments exacerbate existing tensions and contribute to the redistribution of resources along ethnic lines. For example, during the Tigray War, some businesses reportedly supported narratives that hindered political settlements, fearing economic losses.

3. Political Support:

To safeguard their operations, businesses often provide financial or material support to political actors. This may include funding armed groups or paying protection money to avoid disruptions. While such actions might offer short-term stability for businesses, they can entrench patronage systems and sustain conflict dynamics. For example, during Ethiopia's recent conflicts, businesses in rebel-controlled areas were compelled to pay significant sums to armed groups, indirectly financing further violence.

The Private Sector's Role in Peacebuilding

Despite its involvement in conflicts, the private sector holds untapped potential as a driver of peace. Its ability to create economic opportunities, rebuild infrastructure, and foster dialogue across communities positions it as a key stakeholder in peacebuilding initiatives.

1. Employment Creation:

Unemployment, particularly among youth, is a significant driver of conflict in Ethiopia. By generating jobs, businesses can address socioeconomic grievances that fuel unrest. For instance, private sector investment in labor-intensive industries such as agriculture and manufacturing can provide livelihoods for vulnerable populations, reducing the appeal of joining armed groups.

2. Post-Conflict Reconstruction:

The private sector can play a pivotal role in rebuilding war-torn regions. Investment in infrastructure, such as roads, schools, and healthcare facilities, can restore livelihoods and foster social cohesion. Businesses can also support the reintegration of ex-combatants and internally displaced persons (IDPs), contributing to long-term stability.

3. Dialogue and Reconciliation:

By engaging in cross-ethnic collaborations, businesses can help bridge divides and build trust among communities. For example, partnerships between business groups in the Tigray and Amhara regions have demonstrated the potential for economic cooperation to foster reconciliation. Such initiatives highlight the private sector's unique position to promote inter-regional dialogue and consensus-building.

Challenges Facing the Private Sector

While the private sector's potential for peacebuilding is clear, several challenges hinder its effectiveness:

1. Limited Institutional Support:

Ethiopia lacks strong institutions to support private sector engagement in peacebuilding. Businesses often operate in a volatile environment with minimal protections, limiting their ability to invest in long-term initiatives.

2. Entrenched Ethnic Divisions:

Ethnic polarization within the private sector mirrors broader societal divides, complicating efforts to foster unity and collaboration. This fragmentation undermines the sector's capacity to act as a cohesive force for peace.

3. Trust Deficit with Government:

A history of state dominance and patronage politics has eroded trust between the private sector and the government. Businesses are often viewed as junior partners, expected to align with state objectives rather than act independently. This dynamic stifles innovation and discourages proactive engagement in peacebuilding efforts.

Recommendations for Leveraging the Private Sector for Peacebuilding

To harness the private sector's potential, Ethiopia must address systemic challenges and foster an enabling environment for businesses to contribute to peace. Key recommendations include:

1. Inclusive Dialogue:

Establish platforms for dialogue between the private sector, government, and civil society. These forums should focus on building trust, addressing grievances, and developing collaborative strategies for peacebuilding.

2. Capacity Building:

Provide training and resources to equip businesses with conflict-sensitive practices. This includes fostering awareness of their potential impact on local dynamics and encouraging ethical business operations.

3. Public-Private Partnerships

Encourage partnerships between the private sector and government to invest in infrastructure, education, and social programs. Such collaborations can address the root causes of conflict while demonstrating the sector's commitment to national development.

4. Regional Cooperation:

Promote cross-regional business collaborations to bridge ethnic divides and foster economic interdependence. This approach can reduce tensions and build resilience against future conflicts.

5. Strengthening Institutions:

Develop robust legal and institutional frameworks to protect businesses and support their engagement in peacebuilding. This includes ensuring fair competition, reducing corruption, and creating incentives for investment in conflict-affected areas.

Conclusion

Ethiopia's private sector is at a crossroads. While it has historically been constrained by state dominance and ethnic divisions, it holds immense potential to contribute to peacebuilding and national stability. By addressing systemic challenges and fostering collaboration, policymakers and stakeholders can unlock the sector's ability to drive sustainable peace.

The private sector must also recognize its responsibility to operate ethically and proactively engage in initiatives that promote unity and reconciliation. By leveraging its resources and influence, the sector can help transform Ethiopia's socio-economic landscape, paving the way for a more peaceful and prosperous future.

This study calls on government officials, policymakers, and business leaders to work together in harnessing the private sector's potential. The path forward requires bold action, inclusive dialogue, and a shared commitment to building a stable Ethiopia for generations to come.

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