Coffee makers: how politics, economics, and evidence shaped coffee policy in Ethiopia, 1950-2018

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Abstract

There is a pervasive assumption that there is very limited room for evidence-informed policymaking in most African countries, because of the clientelistic nature of their regime. The thesis tests this assumption by looking at the *longue durée* history of the political economy of coffee policy in Ethiopia and asking what type of, and whose evidence influenced it, if at all, and why.

The research finds that regardless of the degree of clientelism of Ethiopia's political settlement, political economy parameters, not evidence, defined coffee policy priorities over the decades. Coffee has been a primary source of foreign exchange and revenue, funding political priorities of successive rulers. The agrarian specifics of the Ethiopian coffee sector made rent capture in the productive sector unattractive for elites and discouraged a strong policy focus on increasing production of coffee cherries. Instead, Haile Selassie, the Derg and EPRDF regimes maximized surplus extraction through policies allowing greater capture of coffee beans trade. Despite the ruptures in the political settlement, there was continuity in coffee policy across regimes, the main difference being the degree of state marketing involvement.

Evidence supply and demand followed, but played an important role to design, enforce and monitor the marketing policies decided by the ruling coalitions. Socio-economic evidence, mostly as consultant and donor reports, was more influential than agronomic or breeding evidence. Despite the nationalistic discourse around coffee, influential policy advising organizations and reform proposals were largely foreign. They included the FAO, the World Bank, and the International Food Policy Research Institute. Charismatic policy entrepreneurs pushed forward all key reforms through high technical competency, clarity of purpose and embeddedness into policy and political processes. Evidence was also used as a diplomacy and fundraising instrument. Haile Selassie used "coffee research diplomacy" for Ethiopian state legitimization on the global scene, US rapprochement and resource mobilization. This continued through coffee donor projects under the Derg and the EPRDF.

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Acronyms and abbreviations

ADLI	Agricultural Development Led Industrialization
AMC	Agricultural Marketing Corporation
ANDM	Amhara National Democratic Movement
CBD	Coffee Berry Disease
CBE	Commercial Bank of Ethiopia
CELU	Confederation of Ethiopian Labour Unions
CIP	European Union Coffee Improvement Project
CLU	Coffee Liquoring Unit
COPWE	Commission for Organising the Workers' Party of Ethiopia
CPDC	Coffee Plantation Development Corporation
CPP	World Bank Coffee Processing Project
CQI	Coffee Quality Institute
CSA	Central Statistical Agency
CSDS	Coffee Sector Development Strategy
CTA	Coffee and Tea Authority
CTDMA	Coffee and Tea Development Marketing Authority
CTSCMD	Coffee, Tea, Spices and Cotton Marketing Department
CTSDD	Coffee, Tea and Spices Development Department
DBE	Development Bank of Ethiopia
DFID	Department for International Development
DSA	Decentralization Support Activity
DST	Direct Specialty Trade
ECEA	Ethiopian Coffee Exporters Association
ECMC	Ethiopian Coffee Marketing Corporation
ECTA	Ethiopia Coffee and Tea Authority
ECX	Ethiopian Commodity Exchange
EDRI	Ethiopian Development Research Institute
EIAR	Ethiopian Institute for Agricultural Research
ELF	Eritrean Liberation Front
EPLF	Eritrean People's Liberation Front
EPRDF	Ethiopian People's Revolutionary Democratic Front
EPRP	Ethiopian People's Revolutionary Party
ETB	Ethiopian Birrs
ETD	Ethiopian Dollars
EUD	European Union Delegation
FAO	Food and Agriculture Organization of the United Nations
FEDECAME	Coffee Federation of Americas
FOB	Freight on Board
FY	Fiscal Year
HIID	Harvard Institute for International Development
IAR	Institute of Agricultural Research
IBRD	International Bank for Reconstruction and Development
ICA	International Coffee Agreement
ICO	International Coffee Organization
IFAD	International Fund for Agricultural Development

IFPRI	International Food Policy Research Institute
IFPRI-ESSP	Ethiopia Strategy Support Program
IIAS	Inter-American Institute of Agricultural Sciences
IMF	International Monetary Fund
JARC	Jimma Agricultural Research Centre
JATS	Jimma Agricultural Technical School
LAO	Limited Access Orders
MCTD	Ministry of Coffee and Tea Development
MOFED	Ministry of Finance and Economic Development
MSF	Multiple Streams Framework
NBE	National Bank of Ethiopia
NCB	National Coffee Board
NCE	Nairobi Coffee Exchange
NCO	Non-Commissioned Officers
NECC	National Export Coordinating Committee
OAO	Open Access Orders
OPDO	Oromo People's Democratic Organization
PA	Peasant Associations
PBS	Public Broadcasting Service
PEPD	Uganda Petroleum Exploration and Production Department
PMAC	Provisional Military Administrative Council
POMOA	Provisional Office for Mass Organizational Affairs
PST	Political Settlement Theory
SCAA	Specialty Coffee Association of America
SDCS	Strategy for Development of the Coffee Sector
SDPRP	Sustainable Development and Poverty Reduction Programme
SNNPR	Southern Nations, Nationalities and People's Region
TPLF	Tigrayan People's Liberation Front
UNDP	United Nations Development Programme
USD	US Dollars
WRS	Warehouse Receipt System

Technical Glossary of Ethiopian Coffee Terms

This glossary succinctly presents the key Ethiopian coffee terms used in this dissertation.

Coffee Cherries: Coffee cherries are the fruit of the coffee plant, within which the coffee beans are found. These cherries begin as green and turn red, yellow, or purple as they ripen. In Ethiopia, harvesting is predominantly done by hand, typically by smallholder farmers. Cherries can be sold either fresh (red) or dried by the farmers. The quality and ripeness of the coffee cherries are crucial in determining the flavour and quality of the coffee beans produced. Ethiopian farmers often prefer to sell dried cherries, as these require less labour and can be stored longer than fresh cherries. However, the quality of dried cherries is typically lower than the red ones, and is harder to assess visually for middlemen, leading to lower prices.

Coffee Beans: Coffee beans are the seeds found inside coffee cherries, with each cherry typically containing two beans. Coffee beans are the essential component in coffee production and hold greater value than raw cherries. The taste of the final coffee product is significantly influenced by the processing method, bean variety, and growing conditions. In Ethiopia, most farmers do not extract the coffee beans themselves; instead, the beans are typically produced by those who own processing equipment, such as traders, exporters, or cooperatives.

Washed Coffee (Wet Processing): Washed coffee refers to coffee beans that have been processed using the wet method. In this method, fresh red cherries are de-pulped to remove the outer skin and flesh, and then the beans are fermented in water to remove the mucilage before being dried. In the Ethiopian context, the quality of fresh red cherries is easier to assess than that of dried cherries. Consequently, this method typically yields higher-quality beans, characterized by cleaner, brighter flavours with greater acidity and clarity in the cup.

Unwashed Coffee (Dry Processing): Unwashed coffee, also known as natural, dry-processed or sundried coffee, involves drying whole coffee cherries under the sun before the beans are extracted. The beans are later separated from the dried fruit through hulling, a process typically performed by middlemen or traders. Ethiopian farmers tend to dry the cherries themselves, using methods that could compromise their quality, such as drying on the ground instead of on elevated mats, although practices have improved over the last decade. As a result, dried coffee cherries in this context often produce beans of lower quality.

Marbush: Marbush refers to sun-dried coffee that is hulled locally by farmers, often to be sold informally in village markets or to middlemen. The hulling and marketing of marbush coffee by farmers has long been illegal under Ethiopian law, as it diverts coffee from the export channel and is perceived as a loss of foreign exchange. Due to the artisanal hulling process, marbush coffee is generally of lower quality and is sometimes purchased by traders who mix it with other coffees, thereby deteriorating the overall quality of the exported product.

Sebsabi/collector: Sebsabi is the Amharic term for coffee collectors. Sebsabies often work for akrabies, collecting coffee from smallholder farmers and delivering it to akrabies or to processing facilities. Sebsabies can set their own prices when dealing with farmers and have historically been viewed negatively by Ethiopian governments as undesirable middlemen. Despite this, they have remained a central component of Ethiopia's coffee value chain.

Akrabi/supplier/trader: Akrabi is the Amharic term for a coffee trader, also known as a supplier. The akrabi is typically a small to mid-scale trader who purchases coffee cherries directly from smallholder farmers or through sebsabies. Akrabies then sell the cherries to processors or process the cherries themselves to extract the beans, which are then sold to exporters. Akrabies play a crucial role in connecting often remote smallholder farmers to the broader Ethiopian coffee market. They are in the thousands, purchasing from millions of farmers, and have a significant capacity to set farm-gate prices. In recent years, the Government has also allowed them to produce and export their own coffee.

Exporter: Exporters are companies or organizations responsible for selling Ethiopian coffee to international buyers. Historically, Ethiopian coffee exporters had to be Ethiopian nationals under the Haile Selassie, Derg, and EPRDF regimes, although during the Haile Selassie era, many were of foreign descent. During these periods, the number of exporters ranged from a few dozen to a couple of hundred, almost exclusively based in Addis Ababa. Depending on the period and regulations, exporters have purchased coffee from akrabies, cooperatives, State enterprises or directly from large and specialty coffee farmers. In recent years, some exporters have also begun producing and exporting their own coffee.

Vertical Integration: Vertical integration in the coffee industry refers to a business model where a single company or entity controls multiple stages of the coffee production and supply chain, from farming to processing to exporting. It has been prohibited for much of Ethiopia's coffee policy history, but recent reforms have allowed it.

Specialty Coffee: Specialty coffee is a term used to describe coffee that exhibits exceptional quality in terms of its sensory attributes, including aroma, flavour, body, and aftertaste. This quality is typically influenced by growing conditions, harvesting and processing methods. Specialty coffee is often associated with beans that possess distinct and desirable characteristics, which can be attributed to factors such as the coffee's origin, variety, and the specific methods used in its production.

Coffee Cupping: Coffee cupping is a standardized method for evaluating the sensory qualities of coffee, such as aroma, acidity, body, and flavor. It involves brewing coffee under controlled conditions and scoring its attributes using established protocols, often for quality control and flavor profiling in the coffee industry.

Liquoring Unit: A liquoring unit is a facility in where coffee samples are evaluated and graded by professional cuppers. This process ensures the coffee meets the quality standards required for export.

Stumping: Stumping is a coffee plant management practice where old, unproductive coffee trees are cut back to the stump to encourage new growth. This rejuvenation process helps improve the health and productivity of the coffee plant.

Mulching: Mulching in coffee farming involves covering the soil around coffee plants with organic materials such as leaves, straw, or compost. This helps retain soil moisture, suppress weeds, and improve soil fertility.

Pruning: Pruning involves selectively cutting back certain branches of coffee trees to manage their shape, improve air circulation, and increase sunlight exposure. This practice helps maintain the health and productivity of the coffee plant.

Chapter 1. Introduction

1.1 Framing the political economy of evidence and policy change

1.1.1 A political economy of evidence-informed policy

A principal function expected from governments is to improve the lives of their constituencies (Rossell, 1993). To do so, governments use their legal-rational powers – principally the monopoly of legitimate force, tax collection and public spending (Weber, 1958; Elias, 1990) – to “administer, manage and control access to resources” (Jones, Datta and Jones, 2009, p.4). The choices made by state organizations as to who accesses what resources and how can be referred to as public policy (Anderson, 2011).

The public policy literature outlines an ideal-typical policy cycle, which starts with the problem definition - a policy issue that is set on the agenda of policy-makers - followed by an appraisal of policy options to solve the problem, the design and implementation of the most appropriate policy option and its evaluation (Lasswell, 1977). Given the inherent complexity of adopting the most efficient, effective or equitable policy to tackle a given issue, this ideal-typical cycle comes with the assumption that governments will evaluate options rationally, solving policy problems with evidence to “enlighten” their choice (Weiss, 1977).

Evidence can be defined as “expert knowledge; published research; existing research; stakeholder consultations; previous policy evaluations; outcomes from consultations; costings of policy options; output from economic and statistical modelling” (Cabinet Office, 1999, p.33) in (Sutcliffe and Court, 2005, p.3). A rational model of policymaking is one where supply of evidence meets the demand and where the best evidence prevails to support welfare-maximising policies (Neilson, 2001).

The literature abounds on the reasons why this model rarely holds in the real world (Stone, Keating and Maxwell, 2001; Court and Young, 2002; de Vibe, Hovland and Young, 2002; Omamo, 2003). On the demand side, the government is a polycentric organization composed of a constellation of power holders, from high-level policy-makers to street-level bureaucrats (Lipsky, 2010), who are not always interested in the public good or evidence to inform their decisions. They act based on “interests, institutions, and ideas” (Hall, 1997, p.1): their norms, values and beliefs (Jobert and Muller, 1987; Sabatier, 1988), their time, resource and social constraints (Broadbent, 2012; Stewart *et al.*, 2019; Langer and Weyrauch, 2021), but also their political priorities and perceived interests (Neilson, 2001).

On the supply side, evidence providers do not always provide policy-tailored knowledge, at an opportune time and to the right people, and they do not communicate it effectively to policy-makers (von Grebmer *et al.*, 2002; Oliver and Cairney, 2019). Evidence suppliers are not isolated in the proverbial “ivory tower” either: they are political players, engaging in the struggle between different “regimes of truth” (Stone, Keating and Maxwell, 2001, p.30). Knowledge organizations partake in policy making rather than being apolitical purveyors of objective science, with evidence produced or favoured by the powerful often prevailing (Habermas, 1972; Foucault, 1980; Keeley and Scoones, 2000; Desrosières, 2010).

The real-life policy process is thus a messy one, by which policy-makers are “muddling through” (Lindblom, 1959, p.1), applying “bounded rationality” to tackle pressing policy problems (Simon, 1955). Evidence tends to be used when it is attuned to the political mood, pushed forth by savvy policy entrepreneurs, and relevant to a burning issue (Newman *et al.*, 2012). The confluence of these three factors opens windows of opportunity for evidence-informed policy (Kingdon, 1984), but what counts as an issue, what evidence is valued, and who is in a position to push it and use it, is contingent to the distribution of political power and interests (Hudson and Leftwich, 2014). This speaks to the importance of political economy factors in driving the supply and demand of evidence into policy.

1.1.2 The specifics of clientelist political economy configurations and the use of evidence

These issues are especially salient for the African continent. Africa harbours 22 out of 26 low-income economies (World Bank, 2023) and their governments face the double challenge of fostering broad-based economic transformation with scarce public funds and capacity. Evidence can inform more efficient, equitable and effective policymaking, and so the political economy of what and whose evidence shapes policies is of peculiar relevance (Goldman and Pabari, 2021).

With clientelism an "enduring feature" of African politics (Klaus, Paller and Wilfahrt, 2023, p.1), there is a pervasive assumption[1] that political economy parameters are not propitious to evidence-informed policy in the region (Broadbent, 2012; Goldman and Pabari, 2021). In a clientelistic policy setting, one would expect public policy to reflect the personal interests of powerful patrons in the form of informal rent allocation to clients that maintain them in power. As Khan (2010, p.26) puts it, redistributive flows from patrons to their client groups cannot "be enshrined in formal public rules of redistribution such as taxes and subsidies (…) because such redistributions to the not-so-poor would be difficult if not impossible to justify in terms of general public principles of welfare".

Evidence would therefore seldom inform policy decisions because allocating rents through informal mechanisms would not require expert or scientific knowledge. If used, evidence would be called upon tactically to serve the pre-existing interests of the powerful (Weiss, 1977; Strydom *et al.*, 2010; Desiere, Staelens and D'Haese, 2016) – so-called policy-based evidence (Cramer and Goodhand, 2011; Head, 2016) – by giving a veneer of legitimacy to rent allocative policies.[2] The content of the evidence demanded by governments to formulate policies would thus reflect these interests and they would turn to organizations or individuals willing or capable to provide it.

While there is a large body of work on the political economy of clientelistic policy regimes, the assumption that such regimes are only conducive to tactical or lack of evidence use in policy formulation has, paradoxically, rarely been tested with empirical research.

The political economy of clientelism in Africa has been investigated as a set of "personalistic authority structures undermining political systems" (Roelofs, 2019, p.4) – draining material

[1] The founding assumption itself derives from the author's lived experience as an agriculture development economist working in African agricultural policy spheres – an argument along these lines has been made countless times to the author by representatives of donor agencies, academia, civil society, and government workers.

[2] In the timeless words of French fabulist Jean de la Fontaine: "the reason of the strongest is always the best" (Authors' translation) (La Fontaine, 1668).

resources away from a majority of politically weak citizens and transferring them to a minority of better organized groups (Van de Walle, 2001; Bates and Block, 2011; Bates, 2014; Poulton, 2014). Clientelistic relationships in Africa have also been described as systems rooted in "moral economies" (de Sardan, 1999, p.1) that involve "repertoires of reciprocal obligation" (Klaus, Paller and Wilfahrt, 2023, p.4) and affective values between legitimate Big Men and their communities. The enmeshing of these traditional and interpersonal forms of authority into Weberian state structures has been portrayed by some authors as "neo patrimonialism", a specific form of clientelism inherited from the colonial trajectories of African societies (Bratton and Van de Walle, 1994; Chabal and Daloz, 1999).

Douglass North and the New Institutional Economics school of thought have posited that interpersonal institutions, in clientelist regimes, hindered economic growth by increasing market transaction costs and discouraging perceived payoffs from long-term investments in productivity-raising activities. Institutions like the rule of law and secure property rights were identified as transformative, as they fostered innovation and investment, and their presence were assessed to be a fundamental explanation for difference in development outcomes across the world (North, 1993, 2008), "trumping" other *en vogue* explanations like geography and trade integration (Rodrik, Subramanian and Trebbi, 2004, p.3).

Following in these footsteps, authors of the "new New Institutional Economics literature" (Hazel Gray, 2018, p.29) sought to answer why clientelistic institutions persisted, given that they were associated with poorer growth outcomes. Acemoglu and Robinson (2012) provided a simple political economy framework for this. They contended that institutions were created and maintained over time by groups with *de facto* power – a specific ability to solve collective action problems and mobilize groups, for instance for strikes or conflict. These groups shaped more durable *de jure* institutions – e.g., a constitution – to redistribute economic and political resources to themselves and lock in their privileges. These elite groups favoured *extractive* institutions – as opposed to *inclusive*: they opposed changes in institutions, for instance private land ownership or freedom of speech, that would allow the emergence of new economic and political challengers. The framework thus leads to a somewhat deterministic and static view, the pathway from clientelistic extractive economies to liberal inclusive orders lacking a clear theorization (Hazel Gray, 2018; Dercon, 2022).[3]

Douglass North offered his own assessment of the question. In *Violence and Social Orders*, he theorizes that most human societies moved from a state of pervasive violence to a Limited Access Order (LAO) (North, Wallis and Weingast, 2009). In LAOs, powerful groups agree to minimize violence against one another by dividing rents from trade, monopolies, taxation, or aid. While these elite bargains provide conditions for peace and a minimal level of growth, they restrict access to new entrants – thereby stifling productivity-enhancing competition and innovation. In contrast, Open Access Orders (OAO) have generalized rights, political and economic arenas that are open for competition, with rents that come mostly from technological change. Powerful groups in LAOs have no interest in the transition to OAOs, but it can happen through the incremental growth in the number of capable and capitalized public and private organizations, pushing for an extension of impersonal rights to secure an increasingly complex set of economic and political interests.

[3] In addition, the assumption of a teleological pathway from inferior clientelistic extractive economies to superior liberal inclusive orders has been critiqued as reductive (Schäfer, 2017).

Other streams of literature have questioned these new institutionalist theoretical frameworks, that failed to account for sustained development in countries with clientelist sets of institutions, such as South Korea or Vietnam. Rooting their work in the seminal studies of (Amsden, 1989) and (Wade, 1990) on Asian "developmental states" (Johnson, 1982, p.306), these authors portray clientelism as an inherent feature of pre-capitalistic economies, that does not however preclude the adoption of growth-oriented policies under certain circumstances (Khan, 2017; Hazel Gray, 2018; Behuria, 2020). They outline the fundamental role of a cohesive, centralized state implementing an activist industrial policy by distributing controlled rents to capitalist firms in sectors of excellence, provided they adhere to a long-term national development strategy. This literature advances that several developmental states have emerged in the absence of the liberal institutions favoured by the New Institutionalists, and have managed to foster growth through clientelistic but deftly managed rent allocations in "pockets of efficiency" sectors that pulled the economy forward (Whitfield *et al.*, 2015, p.20).

Mushtaq Khan and the "political settlement school" investigate the conditions under which such developmental states emerge. In particular, Khan sees the concentration of vertical (across elites) and horizontal (between elites and their affiliated, less powerful groups) power as necessary to providing the administrative capacity and time horizon that allows for developmental policies (Khan, 2017). Under these necessary, but not sufficient conditions, he posits that ruling elites with the right leadership may adopt broad-based growth policies to keep opposing constituencies satisfied and maintain their hold on a stabilized settlement. The political settlement school also borrows from the "bellicist" argument of Charles Tilly by recognising the threat of violence, latent or real, as a major incentive for ruling elites to adopt such policies (Tilly, 1992).[4]

In *Gambling on Development*, Stefan Dercon draws from the frameworks mentioned above and places the "development bargain" at the core of economic transformation (Dercon, 2022, p.54). This bargain is defined as a commitment by ruling elites to pursue growth-oriented policies[5]. Dercon identifies three drivers for this bargain to take place: the emergence from conflict or extreme events, a quest by the ruling elite to gain legitimacy, and the foresight that growth and development is likely to result in a better economic deal. In that sense, he also places the threat of (relapse into) conflict as an incentive for developmental policies. Dercon (2022, p.397) also singles out three features of a development bargain: real and credible politics of the bargain, the use of state capabilities to achieve the goals of the bargain without overreaching ("not biting more than it can chew"), and a political and technical ability to learn from mistakes and correct courses.

Dercon highlights the role that technocrats can play in that regard, by steering policies towards long-term economic deals rather than short-run gains. He sees development bargains as being

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[4] Tilly, however, is more preoccupied with inter-state wars as formative to European states, and how growth policies can increase tax revenue to fund capable armies; whereas the political settlement approach also considers the threat of internal turmoil within the ruling coalition.

[5] Interestingly, Dercon underlines that a development bargain does not have to be concurrent with a developmental state. Ruling elites can agree to foster development, without extensive State intervention through regulation and planning. Dercon also concurs with Khan that democratic inclusive institutions are not a necessary condition for a development bargain, although they are desirable.

favourable to the use of evidence in policy, with governments being more susceptible to emphasize “effectiveness of spending over patronage and clientelism” and with research findings contributing to a stronger “evidence-based policy-making culture” Dercon (2022, p.345-346). This point alludes to the core interest of this dissertation, namely the interplay between state-centric political economy parameters and the provision and use of evidence in policymaking in Africa.

The politics of knowledge supply and demand in Africa are thinly documented but have been tackled by various streams of work. Researchers have highlighted the degree of artificiality and politicization of statistical production in African countries (Carletto, Jolliffe and Raka, 2013; Jerven, 2014), and even the production of macro-economic statistical data as form of story-telling to legitimate power and mobilize resources from international financial institutions (Hibou and Samuel, 2011; Samuel, 2013). The view of an apolitical knowledge from foreign organizations, in the context of African policy, was notoriously challenged in William Easterly’s *Tyranny of Experts* (Easterly, 2021) and, in the domain of food and agriculture policy, by the likes of Omamo (2003). Given its outsized financial, ideational and policy influence in sub-Saharan Africa, the World Bank’s knowledge production has been the object of several critical assessments (Hibou, 1998; Oya, 2008; Bayliss, Fine and Van aeyenberge, 2011).

Focusing more on policy processes, Danielle Resnick and colleagues developed and applied a framework – the Kaleidoscope model – that helps to assess the drivers of food security policy change in developing countries (Resnick *et al.*, 2018). Breaking down policy processes along the ideal-typical cycle, they identify entry points for evidence at each stage (agenda-setting to evaluation) of a policy reform, as well as other political economy, ideological and ideational variables. In the same vein, researchers have assessed how competing groups of like-minded policy players draw on evidence to frame the stakes of contested policy reforms in developing countries, for instance the removal of input subsidies (Birner, Gupta and Sharma, 2011; Mockshell and Birner, 2015).

In their authoritative book on evidence-informed policy change in Africa, Goldman and Pabari (2021) review the state of the art and bring together nine case studies of evidence supply and use in African policy processes. They highlight the low quality and use rate of evidence in the continent – for instance, nearly half of policy makers surveyed in Benin, Uganda and South Africa rarely or never use evaluation evidence to inform their work (Cronin *et al.*, 2015). They also point to four key enablers and barriers of evidence use in African policymaking observed throughout the case studies: the significance of the policy challenge, a conducive broader political and socio-cultural environment (political timing, space for public participation, interest, and engagement of stakeholders), catalysts of change (e.g., crises), and a supportive institutional environment (systems, evidence champions, leadership, capacities, culture, and relationships). The role of politics is touched upon in some reform case studies but, as in much of the literature on evidence-informed policy, the relationship with state-level political economy parameters is scarcely theorized, with the lens being firmly at level of specific policy processes.

Cramer, Sender and Arkebe (2020,p.60) take a more “possibilist” approach and see room for “adroit policy reasoning” (Cramer, Sender and Arkebe Oqubay, 2020, p.4) by spirited cadres who operate, admittedly, within a constrained environment thick with contradictory ideas about what policies should be adopted. They are also sympathetic to policymakers’ scepticism in the face of evidence they are presented with: no matter how sophisticated, if often rests on low quality data, contradictory assumptions and stylized facts that do not stand the scrutiny of contextualized reality checks.

1.2 Research question

This thesis brings together the literature on the macro-level, state-centric political economy of clientelist regimes, and the insights of the evidence-informed policy literature on meso and micro drivers of evidence supply and demand for policy change to investigate its central research questions.

The first objective of the research is to understand how political economy parameters interplay with the influence of evidence on policy in an African policy environment, while a secondary objective is to identify, inductively, other drivers of the supply and use of evidence around policy change.

The scope of research on the political economy of the evidence-policy relationship at large is too vast to be researched with a PhD thesis. Other research in the field tends to “lock” several of the following variables: the country, the period, the policy, the actors, the evidence, the process, the sector. For instance, Booth and Golooba-Mutebi (2009) have investigated the political economy of road reforms in Uganda during the 1998-2008 period, Serra (2014) has documented the underlying factors of the cotton sector reform in Mali during the 2008-2010 period, Onwujekwe *et al.* (2015) have looked into evidence-informed policies in the health sector in Nigeria over the 2012-2013 period.

The thesis follows this approach and seeks to answer the following research question: “What type of and whose evidence have influenced coffee policy in Ethiopia, if at all, and why?”.

The choice of Ethiopia and the coffee sector is further detailed in the theory and methodology chapters. In short, Ethiopia presents a valuable case study because political economy and ideological parameters have contrasted strongly over the period analysed, 1941 to 2017, with interesting implications about the supply and use of evidence in policymaking. Most notably, from the early 2000s to 2017, the country experienced what has been labelled a “developmental” settlement (Clapham, 2018, p.1), whereby political economy and ideological conditions were propitious to the adoption and implementation of a number of broad-based growth policies. On the contrary, political economy conditions were markedly more patrimonial under the imperial settlement, and extractive under the Derg era.

The coffee sector is of peculiar interest because it has been fundamental to the survival of all Ethiopian ruling coalitions since the Haile Selassie era and even, as we argue in this thesis, to the very Ethiopian state formation. As such, it is a highly political commodity in Ethiopia, making it a relevant object of research with regards to our central question.

The research question, even narrowed down to a specific period, country, and sector, remains encompassing. It can be broken down into the following sub-themes:

- **The interaction between state-level political economy parameters, the production and use of evidence around coffee, and coffee policy change**

The thesis explores how political settlement parameters, such as predominant ideologies, the level of concentration of power and ruling coalition survival prospects, set a course for the production and demand of specific knowledge related to the coffee sector; and how it shaped coffee policy.

- **The key players involved in coffee evidence and policy and their interactions**

The research identifies key stakeholders involved in the production and use of evidence around coffee policy for different time periods. It analyses the power dynamics between different constituencies around coffee knowledge generation and mobilization, including specific donor organizations like the World Bank or the FAO, national and global research organizations, and government key figures and organizations.

- **The content of evidence produced and used**

The nature of evidence produced and mobilized around coffee, for the periods under review, is thoroughly investigated. This includes the type of research produced (e.g., data and statistics, socio-economic research, agronomy, breeding…), its normative framework, policy relevance and eventual uptake – or lack thereof – in coffee policy reforms. It interrogates why certain forms or evidence have been more prevalent than others in shaping coffee policy.

- **Other drivers of coffee policy change**

The research allows for inductive empirical findings on drivers of coffee policy change unrelated to evidence or political economy factors. These include technical specifics of the coffee sector, such as the dual production and marketing systems for cherries and beans, or the spread of coffee berry disease.

- **The longue durée history of coffee evidence and policy production in Ethiopia**

The dissertation takes advantage of its historical approach to uncover the path dependencies in coffee policy change as well as production and mobilization of knowledge around coffee reforms across three different political settlements, from 1941 to 2017.

1.3 Significance and originality of the research

The contribution of this thesis is three-fold. First, it contributes to fill a gap on the political economy of evidence and policy in Africa and, more broadly, in developing countries. As discussed above, there is limited literature available on this topic – and even more so for the agricultural sector.

Second, it develops innovative linkages between the political settlement and the evidence-informed policy literatures. The political settlement literature, which is mobilized in this thesis, offers solid theoretical ground to analyse state-level political economy drivers of policy change – but it devotes little attention to the role of knowledge in shaping policy. Literature on evidence and policy, on the other hand, focuses on individual- and meso-level drivers of evidence use in policy processes. Few studies do consider the role of politics in shaping evidence use in policy reforms, but they tend to be a-theoretical in their interpretation of political economy parameters that shape the evidence-policy interface. This thesis is the first research effort, to the best of our knowledge, that bridges the gap by drawing from the two strands of work to inform its theoretical and empirical approach.

Third, the thesis is the first piece of research, to the best of our knowledge, that offers a historical analysis of coffee policy and knowledge in Ethiopia, from the emergence of an Ethiopian coffee policy and knowledge ecosystem under Haile Selassie to the Ethiopian Commodity Exchange reforms under Meles Zenawi and Hailemariam Desalegn. To do so, the research makes use of rarely or never cited archival material from the Food and Agriculture Organization of the United Nations (FAO), the World Bank, the Ethiopian Institute for Agricultural Research, the International Coffee Organization library; as well as valuable doctoral dissertations, consultant reports and French material that were never previously quoted in the anglophone literature, together with interviews and an exhaustive review and analysis of hundreds of reports, academic papers, blogs, news items and descriptive statistics.

It is important here noting that a small part of this dissertation has already been published in the form of a research report (sole authorship) with the International Institute for Environment and Development. This corresponds to sections 6.5 (p.175-189), sections 8.3 and 8.4 (pp.211-213). The report is available at https://www.iied.org/20111iied.

1.4 Argument and main findings

The core of the argument is that political economy parameters set coffee policy priorities under the rule of Haile Selassie, the Derg and the Ethiopian People's Revolutionary Democratic Front (EPRDF): the content and source of evidence supply and demand followed. Evidence did however shape coffee policies: ruling coalitions, with the support of foreign experts, used it to design, monitor, and enforce the instruments dictated by political economy priorities, and for diplomacy and donor fund-raising.

From the 1950s, coffee was the main source of commodified, taxable, and tradable wealth in Ethiopia, and the priority of each ruling coalition was to maximize extraction of foreign exchange and revenue for the sector to fulfil high-order objectives. Haile Selassie used coffee resources to build a superficial Weberian state, the Derg traded them against weapons to survive a permanent state of war, and the EPRDF mobilized them to fund its developmental agenda.

The ruling coalitions did not seek to maximize coffee rents through production-oriented policies. On one hand, the imperial, Derg and ERPDF political settlements showed strong concentration of power but narrow social foundations that excluded coffee producing constituencies. On the other hand, coffee land briefly served as a form of primitive capital accumulation for imperial elites in the 1950s, but there was little rent to be extracted from small-scale, low-productivity coffee production, especially after the Derg's land reform that precluded privatization and aggregation.

Ruling coalitions instead sought to maximize rent extraction through the control of coffee bean marketing and trade. This led to a policy environment skewed towards marketing and governance. Haile Selassie led the way with a coffee marketing system characterized by licensing, grading, regulatory and auction reforms. They were deepened under the Derg and completed with total state involvement in marketing through parastatal companies – nearly killing off the private sector. The EPRDF returned to the imperial system of strong marketing regulation without direct state involvement, adding a warehouse receipt system and repackaging it under the Ethiopian Commodity Exchange (ECX), a failed grain auction and donor magnet that proved too big to fail. It also forced trade through the state controlled ECX, reining in the private sector that had been resuscitated after the post-Derg liberalization.

Production policies were peripheral and used mostly as diplomacy and donor mobilization devices. As part of his multilateral and bilateral diplomacy, Haile Selassie facilitated the establishment of the Point Four, FAO and International Bank for Reconstruction and Development (IBRD) programmes in support of coffee production and processing in the 1950s. In the 1960s and 1970s, this ecosystem morphed into a nationally managed research and extension system centred around the underfunded Jimma Agricultural Research Centre (JARC) – yet it remained heavily dependent on FAO expertise. Under the Derg, the system started to revolve around two donor projects, the European Union Coffee Improvement Project (CIP), and the World Bank Coffee Processing Project (CPP). The dysfunctional projects had little effect on Ethiopia's coffee production, besides the curtailing of the Coffee Berry Disease (CBD) and a marginal increase in the number of washing stations. They were discontinued in the early 1990s, with the CIP being revived in the late days of the EPRDF.

Evidence supply and demand followed the priorities imposed by the political settlement parameters, but played an important role to design, enforce and monitor the marketing and governance policies decided by ruling elites: the licensing system, the auction, the National Coffee Board (NCB) and, later, the Ethiopian Commodity Exchange creation and reform, were all demonstrably informed by evidence. Evidence on production (agronomy, breeding) was also placed at the core of donor projects CIP and CPP, with short feedback loops between research, extension and infrastructure building under the projects' umbrella – yet this peripheral knowledge generation was never adequately funded or scaled.

The evidence produced by Ethiopia's ruling coalitions' key allies was favoured and reflected the dominance of the US, from the Haile Selassie to the EPRDF era. The US-dominated World Bank and FAO, the Point Four programme and the International Coffee Organization (ICO) were central providers in the Haile Selassie era, with the emperor using "coffee diplomacy" for Ethiopian state legitimization on the global scene, US rapprochement and resource mobilization. The interest was mutual, as the US sought to study the Ethiopian coffee gene pool to combat coffee rust that was threatening its supply sources. During the Derg administration, US involvement waned due to tensions with the communist regime, but it persisted through the CIP and CPP projects, developed by the World Bank. The ECX reforms, under the EPRDF, were informed by the Washington-based International Food Policy Research Institute (IFPRI) and the World Bank.

At a micro-level, a series of policy entrepreneurs stand out as having been particularly influential for each period: FAO's Sylvain on the Haile Selassie marketing system reforms, FAO's Robinson on the breeding against the CBD, and IFPRI's Eleni Gabre-Madhin on the ECX creation. These entrepreneurs share attributes of high technical competency, clarity of purpose and embeddedness into the domestic policy and political processes. They framed coffee policy problems in simple terms, offered ready-made and clear solution with actionable steps and, in the case of Sylvain and Eleni Gabre-Madhin, could showcase examples of the reform having been adopted elsewhere.

Despite the nationalistic discourse around coffee, most of the evidence that informed coffee policy reforms was produced by foreign advisers and took inspiration from policy reforms developed outside of Ethiopia. This includes the suggestion by FAO's Sylvain of a Brazil-style grading system and a board and auction inspired by the Tanganyika and Kenya systems, the Point Four influence on the Jimma Agricultural Research Centre initial programme of work, the horizontal resistance method for breeding and propagation against CBD developed by FAO's Robinson, as well as CBD spraying tactics drawn from the Kenyan experience. This trend continued under the EPRDF, as Eleni Gabre-Madhin drew from Commodity Exchange models from South Africa, India and China to inform the ECX.

Given the government emphasis on governance and marketing reforms, socio-economic evidence has been prevalent in major coffee policy reforms. It mostly consisted of consultant and donor reports until Meles Zenawi's chief economic advisor Newai Gebre-ab and Eleni Gabre-Madhin pushed academic socio-economic research with IFPRI and the Ethiopian Development Research Institute. Paradoxically, research on the production side of coffee (breeding, agronomy…) has been more abundant due to the path dependency of the research training programmes set under the JARC, but it has been less influential due to the prioritization of market control policy. This imbalance is also found in the production of data: it has been under invested in (Cramer, Sender and Arkebe Oqubay, 2020), whereas price and trade data is abundant, although largely kept out of sight.

1.5 Structure of the thesis

The remained of the thesis is structured as follows. Chapter Two presents the theoretical framework that guides the empirical research and reconciles political settlement theory with the evidence-informed policy literature. Chapter Three discusses the methodology adopted for the thesis. Chapter Four analyses the political settlement context of the Haile Selassie era (1941-1974) and dissects how a coffee knowledge and policy ecosystem emerged under imperial guidance to fulfil the state-building objectives pursued by Haile Selassie. Chapter Five looks at the transformation of this ecosystem under the upheaval brought about by the Derg revolution – it also touches upon the partial liberalization of the coffee sector brought about by the collapse of the regime (1974-1998). Chapter Six focuses on the political economy and evidence interplay leading to the creation and implementation of the Ethiopian Commodity Exchange. Chapter Seven offers concluding remarks (1998-2012). Chapter 8 is a short epilogue on the reforms that ended the ECX extensive control of coffee marketing (2012-2020).

Chapter 2. The political economy of evidence-based policy: a Political Settlement theoretical framework

2.1 Introduction

This chapter presents the theoretical framework designed to analyse the political economy of evidence supply and use in Ethiopia's coffee policy. The framework is geared to answer the dissertation's research question: "What type and whose evidence have influenced coffee policy in Ethiopia, if at all, and why?".

The framework is adapted from a Political Settlement Theory (PST) approach, which is tailored and expanded to better apprehend the role of evidence in agricultural policies. The literature on evidence-informed policy is used to that end.

2.2 An overview of Political Settlement Theory

Political Settlement Theory (PST) builds on a body of work produced by economist Mushtaq Khan since the mid-1990s.[6] From the 2010s, it was greatly expanded and revisited with a new generation of empirical and theoretical critiques.[7] With PST, Khan set out to answer the two following questions: "why are certain institutions associated with economic growth in developing countries and not in developed countries" and "why are certain institutions associated with economic growth in developed countries and not in developing countries"? Picking theoretical blocks from political science, New Institutional Economics, as well as developmental state theory and Marxism, political settlement theorists build an explanatory framework that brings together power configuration, institutions, and resource allocation. We draw on the PST literature to lay the ground for an interactive pathway between the political economy of Ethiopia at a given period, the formulation of its coffee policies, and the role of evidence in that process.

2.2.1 Building blocks of the political settlement

A political settlement "implies an institutional structure that creates benefits for different classes and groups in line with their relative power" (Khan, 2010, p.20). For the settlement to hold, the benefit-distributing institutions should achieve the minimum that is required to sustain a society, both politically and economically (Khan, 2017) : they should not alienate too powerful an interest group or coalition of interest groups, for it would challenge and possibly even wreck the settlement, nor stifle the economy beyond a threshold acceptable to the general population, for they would support an opposing interest group or revolt. Khan argues that, at macro level, power and benefits will always be in line, however there can be misalignment at the level of specific institutions or temporarily whenever there is a change in the structure of society, because the settlement is a dynamic process (Khan, 2010).

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[6] Although it is not referred as a theory in the founding papers, we consider it as such, as per (Whitfield *et al.*, 2015).

[7] Political Settlement Theory got traction in the United Kingdom in particular, when it started being used by the Overseas Development Institute and Department for International Development (DFID) to analyse political economy determinants of development in the mid-2000s. From 2010, « New generation » political settlement theory studies have been spearheaded by the University of Manchester's Effective States and Inclusive Development (ESID) research centre, the Crisis States Research Centre, and the University of Birmingham's Development Leadership Program (Kelsall *et al.*, 2022). Political Settlement Theory also registered moderate success outside the United Kingdom, for instance being used by the Danish Institute of Strategic Studies' « Elites, Power and Production Program », the Partnership for African Social and Governance Research in Kenya and the University of Eduardo Mondlane's Hierarchies of Rights: Land and Investments in Africa programme (Behuria, Buur and Gray, 2017).

The privileged unit of analysis, in PST, is the organization : a "group of individuals who work together in structured ways and are subject to the rules of interaction set by institutions in their transactions with other individuals or organizations" (Khan, 2017, p.4). At the core of PST is the power of these groups, and how they interact to shape institutions that distribute benefits to themselves. Power is defined as *holding power*, that is the capacity of an organization "to hold out in actual or potential conflicts against another organization or the state", itself a function of the organization's ability to impose costs on others and absorb damage inflicted onto it (Khan, 2010, p.20). In other words, *holding power* reflects an organization's capacity to win battles, institutional, ideational, military or otherwise.

In developing countries, the main source of power is not economic capabilities but what Khan refers to as *organizational power* (Khan, 2010). Organizational power is alternatively defined by Khan as the success in "organizing factions with holding power that can be deployed in political mobilizations" (Khan, 2010, p.56) and the capacity of an organization's leadership to "mobilize and enthuse, and their skill in identifying and rewarding the right people through formal or informal networks" (Khan, 2017, p.5)[8]. In developing countries, *intermediate classes* tend to hold more organizational power than capitalists. These classes include "rich peasants, middle peasants, the urban petty-bourgeoisie and the educated middle-class" (Khan, 2010, p.62) and derive their organizational power from their relative education and wealth, corporatism and sheer number.

Khan contends that 'the only way to start understanding the distribution of organizational power in a society is to look at its history and see how organizations have mobilized, won and lost in the past' (Khan, 2017, p.5). In particular, Khan argues that the colonial and post-colonial histories of developing countries are fundamental in understanding the distribution and source of power in their societies, which have conditioned the nature of their institutions, not the least clientelism. Colonial rule 'accelerated the collapse' of pre-capitalist political settlements (Khan, 2010, p.27) because, in many cases, 'strategies of colonial rule required the colonial power to recognize the organizational power of different groups who did not have formal rights but who had to be incorporated sequentially into the system of state benefits to ensure stability'.

2.2.2 The clientelist political settlement

Indeed, in the PST framework, the defining specificity of developing countries is the scarcity of capital. The first major implication, as we have seen, is that economically powerful groups of capitalists are limited. The second is that informal forms of power and institutions prevail. Khan argues that a Weberian formal, general, and impersonal rule of law emerges in societies with both a high level and spread of capitalist assets. Key formal and impersonal institutions, such as the monopoly of violence, fair and equitable justice, tax and spend policies, are promoted by scattered powerful interest groups to lower the transaction costs of protecting their productive capital - especially with property rights - and distributing it.[9] A blanket rule of law

[8] This definition opens the door to consider the role of ideas (e.g. rhetoric, perceptions, promise) in Political Settlement Theory, although it has *de facto* been peripheral in Mushtaq Khan's approach. It was, however, picked up by other authors (see below.

[9] This somewhat parsimonious and linear reading is rooted in the PST's neo-institutional economics core that is focused on institutions as a transaction cost reduction instrument. It does not consider other driving factors behind institutional transformation documented in the political science literature. These include the role of war in accelerating the development of an institutional umbrella that allows broad-based taxation and the pressure of an emerging bourgeois class to adopt institutions that wrestle power away from traditional groups.

funded through formal taxes ends up less costly than paying for informal protection and transfer of capital vis-à-vis and towards a multitude of other powerful groups. And so, institutions protect the productive base and maintain capitalist power while allowing for a sustainable level of growth and redistribution to non-capitalists: this is a *capitalist political settlement* (Khan, 2010).

In many developing countries, however, and in Africa in particular, capitalists are too few to achieve systemic formalisation of capital-protecting institutions (i.e., rule of law). They thus resort to informal protection and personalized, patron-client relationship, weaving symbiotic relationships with the organizationally powerful. This informal settlement also creates entry barriers against opponents, with the few capitalists protecting their property rights through informal means. In addition, it is difficult for the state to finance the enforcement of formal property rights because of the thinness of the formal productive base, a prerequisite for taxation. Formal institutions therefore co-exist with informal ones. This is a *clientelist political settlement* (Figure 1).

Figure 1. Typology of political settlements

	Formal Institutions Potentially Support Growth	**Formal Institutions are not growth-oriented or have collapsed**
Holding power aligned with Formal Institutions	***'Capitalist'* Political Settlement**: Formal productive rights dominate as associated incomes are the dominant source of holding power. Formal rights are well enforced, constraining the range of distributive conflicts.	***Pre-Capitalist* Political Settlements**: Variants of feudalism with formal land and military rights aligned with distributions of political-military power.
Significant sources of Holding Power not aligned with Formal Institutions	***'Clientelist'* Political Settlements**: Formal productive rights exist but are not well enforced. Powerful groups can influence economic outcomes irrespective of their formal rights. Ranges from developmental states to societies on the verge of crisis.	**Political Settlements in *Crisis***: Formal institutions have virtually collapsed and most informal 'economic' activity is supported by or based on the threat or exercise of violence.

Source: (Khan, 2010)

The definition of benefits in PST is somewhat blurrier. They are implicitly equated to economic gains – that have a monetary value. These gains, in turn, provide power to beneficiary groups and help them consolidate their organizational power in a self-sustaining circle. While the benefits may originate from free market institutions, there is a strong focus of PST on rents. Rents are likened to "earning an income higher than the minimum (a person) would have accepted, the minimum being usually defined as the income in his or her next-best opportunity" (Khan, 2000, p.1). In the characteristic clientelist political settlements of developing countries, rent-seeking and rent-allocation are rational behaviours for powerful individuals (patrons) and their associated factions of lesser power (clients) to obtain benefits in the absence of substantive formal economic gains (*next-best opportunity*) for the powerful and formal redistributive mechanisms for the powerless.[10] Moreover, as discussed above, the few powerful patrons shape clientelist institutions that benefit them, such that informality abounds and individuals have little incentives to follow constraining formal rules, lest they should lose benefits to others who do not obey them. There is therefore a game-theoretic dimension to the way a political settlement evolves.

2.2.3 Political sustainability in the clientelist settlement

The clientelist settlement's groups are permanently gaining and losing power, joining and leaving coalitions, and the settlement thus constitutes an "interactive order" (Khan, 2018, p.22). A constellation of powerful groups in the settlement eventually amalgamates into a ruling coalition. As mentioned above, to hold onto power and survive, the ruling coalition shapes institutions that distribute benefits in a politically and economically sustainable manner. This has two corollaries.

On the political side, the ruling coalition must prevent opposing groups from seizing power, through repression or co-optation. Both strategies consume resources that are roughly proportional to the power of the excluded groups vis-à-vis the ruling coalition, what Khan refers to as the *horizontal distribution of power* (Khan, 2010, p.64). If an excluded group does not obtain benefits in line with its perceived power, it will make a bid to modify institutions and access more benefits. The ruling coalition will thus have to burn more resources in oppressive behaviour or alter prevailing institutions to increase rent-allocation and satisfy excluded groups. The same dynamic process can be found within the ruling coalition. To maintain its integrity, core groups must punish or reward other member groups (*lower-level factions*), based on the internal balance of power, or *vertical distribution of power.*

The more powerful outside factions are, the more *vulnerable* the ruling coalition is; the more powerful lower-level factions, the *weaker* it is. A vulnerable and/or weak ruling coalition will have a short time horizon for political survival and will seek to allocate quick-earning rents to competing internal and outside factions. These rents are likely to be damaging for the public finances, economy, and society: undue land titles, public procurement for subpar goods and services, public contracts for 'white elephant' infrastructure, subsidies with no transparent allocation criteria, or revenue from expanded criminal activities and traffic. In addition, fragmentation of power among many factions increases the volume of petty rent allocation.

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[10] Political Settlement Theory places rent allocation at the core of the configuration of power. This is not unlike Alex de Waal's political marketplace: a "system of governance run on the basis of personal transactions in which political services and allegiances are exchanged for material reward in a competitive manner" (De Waal, 2016, p.1). The marketplace is, on one hand, a frame to interpret political settlements as an economic process, with political constituencies likened to firms on a market, exchanging political capabilities (including violence) against money through a supply-demand relationship. While this meets Khan's rather transactional view of power, political settlement theory also places strong emphasis on historical path dependencies as drivers of power configurations, and has expanded to include other factors, such as the role of ideas and social foundations. Political settlement also allows for an understanding of rents that goes beyond the distribution of material interests. On the other hand, the marketplace may be seen as a specific form of political settlement, whereby the end-goal of competing factions is to maximize profit over any form of State building. This would exclude developmental settlements and, indeed, De Waal's marketplace framework is mainly used to study the volatile settlements of the Horn of Africa, such as Sudan, South Sudan and Somalia.

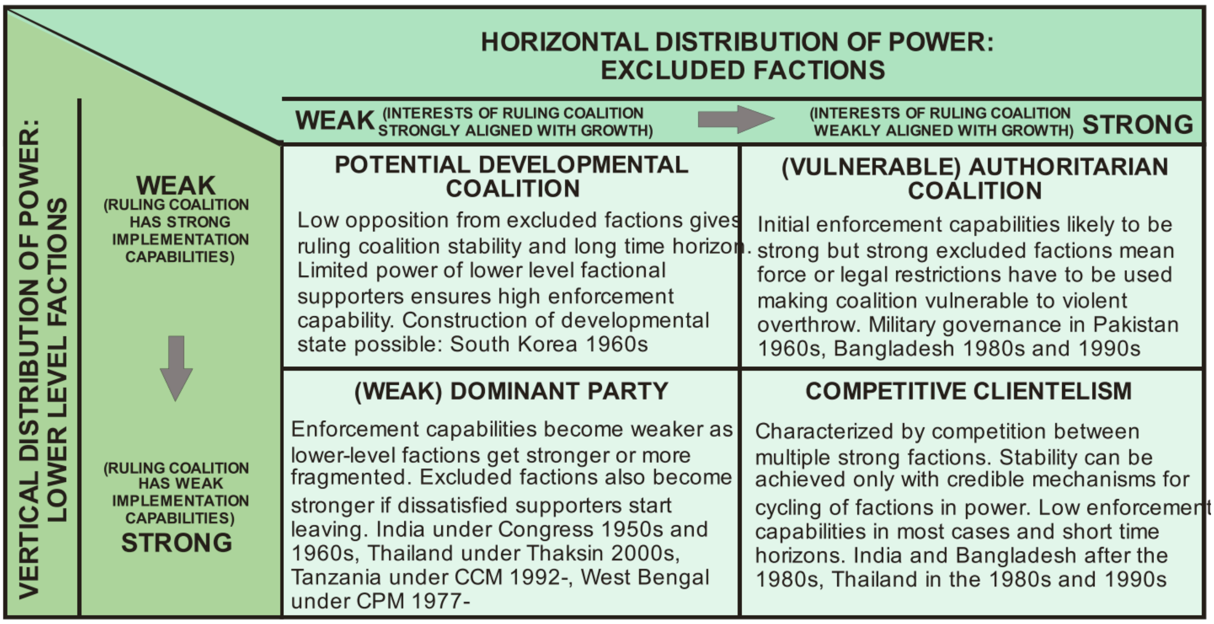
Khan argues that strongly centralized power, both horizontal and vertical, allows for centralized rent management and expands the time horizon of the ruling coalition. This sets the stage for a developmental, growth-inducing state, although it also requires the right type of leadership and technological capacities (Figure 2). In particular, centralized rent management allows ruling coalitions to create 'pockets of efficiency' (Whitfield *et al.*, 2015, p.20). These take the form of insulated, capable bureaucratic units in charge of policy design, implementation and monitoring that operate closer to the Weberian rational-legal ideal-type than other units. An example is Uganda's Petroleum Exploration and Production Department (PEPD) from the mid-1980s to the 2000s (Hickey and Izama, 2017).[11]

Another variable associated with developmental policies, although not quite formalized in Khan's body of work, is that of latent threat to the developmental coalition's survival. While not being vulnerable nor weak, the coalition must be facing a latent threat of mass unrest, strong emerging opposing factions, or even foreign invasion if it fails to deliver broad-based growth (Doner, Ritchie and Slater, 2005). This is what prevents it from using its centralized rent management capacity to engage in outright theft and looting of public resources – a so-called *predatory state* (Kelsall *et al.*, 2022, p.62). This is outlined, for instance in the works of Booth and Golooba-Mutebi (2012) on Rwanda and Berhanu and Poulton (2014) on Ethiopia. Both governments (Rwanda since 2000, Ethiopia since 1992) have adopted a developmental stance because of the respective threat of a new civil war igniting from a discontented Hutu majority (Rwanda) and of the federal regime's implosion in case of mass regional insurgency (Ethiopia). In South Korea, the latent threat of foreign invasion was a key factor in pushing the ruling coalition to adopt developmental policies that would earn vital foreign exchange to acquire war material (Whitfield *et al.*, 2015). A second condition is that the state ought to face resource constraints – meaning that it is incentivized to develop a strong fiscal base to fund its survival. This is not the case in states with abundant point-source resources such as oil, gas or minerals, where governing elites will be less incentivized to support broad-based economic growth (Kelsall *et al.*, 2022).

At the other end of the spectrum, a high spread of horizontal and vertical power is *competitive clientelism*, whereby a multitude of groups face each other for power. In a developing country context, this is a negative situation, as it impedes the building of coalition strong enough, with a comfortable time horizon to implement developmental institutions.

[11] The PEPD is a public agency tasked with establishing and promoting Uganda's petroleum potential. It has "earned the respect of many observers and stakeholders for its high level of capacity, mainly its well-trained geologists" (Hickey and Izama, 2017, p.173) . For instance, the PEPD commissioned a report from a Norwegian consultancy firm and used it, along with other forms of evidence with great effect to support the government's negotiation with private sector firm Tullow on establishing an oil refinery in Uganda in 2013.

Figure 2. Horizontal and vertical distribution of power and associated clientelist political settlements



Source: (Khan, 2010)

2.2.4 Economic sustainability in the clientelist settlement

On the economic side, the ruling coalition must deliver enough economic growth for the settlement not to collapse. Outside factions and the general population can only tolerate a certain level of economic sluggishness before making a bid to overthrow the ruling coalition. In that sense, the worst possible political settlement is no settlement and that is an all-out war. This is one of the reasons why PST has been extensively used in post-conflict studies (Kelsall, 2018). Economic growth comes from the productive base of the economy, constituted of natural resources, human capital, and capital assets. It is possible for a ruling coalition to sustain the political settlement without developing human and fixed capital in a resource-rich, extractive economy. In less endowed economies, growth can only come from the latter two, and that is why the coalition must strive to maintain a basic level of economic productivity.

Should the political and economic conditions be propitious to developmental policies, the ruling coalition will have to incentivize capitalists to invest in technologies that expand the production frontier. Indeed, the few domestic capitalists may be content enough with low-technology, low productivity, high volume activities based on cheap labour, such as small agricultural businesses or informal manufacturing. If the ruling coalition is developmental, stronger than capitalists and capitalists actually have the capabilities to acquire better technologies, it can discipline them into doing so by allocating *rents for learning* (Khan, 2000, p.4) – for instance, infant industry tariff protection. With such rents, the deadweight loss associated to rent allocation is compensated by increased economic gains from technological progress. The rents will pay off, for ruling coalition members, in the medium and long-term through increased formal and informal revenue base, more organizationally powerful capitalist backers and higher level of economic growth keeping voters satisfied. Capitalists should thus have enough political influence to lobby for rent-allocation and keep the developmental coalition in check so that it does not simply extract resources away from them and for patronage towards unproductive constituencies. Yet, they should not have too much clout, otherwise they will neutralize a learning rent strategy, which requires the government to be able to withdraw rents from non-performing firms or even dissipate sectoral rents to force capitalists into investing for survival. This is what Whitfield et al (2015, p.18) label *mutual interests.*

The specific case of transnational capitalism should be noted here. As mentioned above, the peculiarity of developing countries is the scarcity of domestic capital. In the case of Africa, this scarcity has been exacerbated by specific pre-colonisation and colonial socio-economic trajectories – among other things, the abundance of land and low population density has limited competition over land resources and thus their privatization and primitive accumulation (Whitfield *et al.*, 2015); and the colonial powers have strongly restrained the emergence of a domestic capitalist class. The small size of the black African capitalist class in most countries means ruling coalitions have long acted as 'gatekeepers' (Cooper, 2002, p.156), relying on and managing external resources both for their survival and to induce domestic economic development: import taxes, visas, foreign aid and foreign direct investments. Regarding the latter, some African states do attract foreign capitalists with rent allocations, for instance in the form of special economic zones. However, whereas foreign capitalists may be more capable and numerous than domestic ones, they will be hard to discipline into technology transfer investments, even for a potentially developmental coalition. Indeed, whether the coalition can discipline them depends on the relative dependence of the foreign firm and ruling coalition on each other's assets (usually, natural resource endowments and cheap labour in the case of African countries; versus technological capabilities and capital for foreign firms) and the negotiation skills and persistence of the coalition. Some successful developmental negotiations have been documented in the African context, for instance in the sugar industry in Mozambique (Castel-Branco, Cramer and Degol, 2001; Whitfield *et al.*, 2015) and the oil sector in Uganda (Hickey and Izama, 2017).

2.2.5 Institutions in the political settlement

Rent and benefit distribution is mediated by institutions. Political settlement theory roots its understanding of institutions in New Institutional Economics and the works of Douglass North. They are defined as "rules for making decisions about how particular assets can be used, can reduce the transaction costs of coordinating productive activities, in the same way as defining traffic rules can make driving easier' (Khan, 2017, p.4). Examples of other formal institutions are constitutional arrangements defining rules for sharing and cycling executive, judicial and legislative powers over time and space; human rights and freedom of press; official borders.

Institutions can be enforced by 'legitimate governance agencies like courts, the police and so on' (Khan, 2017, p.6). Informal institutions, on the other hand, are social rules that are "not formal" (Khan, 2017, p.6). They comprise social norms, patron-client rules set by formal agencies and rules set by informal organizations, such as networks or illegal organizations. Respective examples include attitudes and expectations towards women (though some can be formalized), nepotism, mafia organizations' internal code of conduct. In developing countries, informal institutions are ever-present as means to allocate the informal rents described above. The constant interplay between different power groups to hold or claim power chisels benefit-distributing institutions through incremental changes (Khan, 2018) or, rarely, disruptive events such as revolutions or violent outbreaks called "political ruptures" (Behuria, Buur and Gray, 2017, p.1). These events are not unlike the 'critical junctures' introduced in historical institutionalism by Stein Rokkan and Seymour Lipset (Capoccia, 2015) and echoed more recently by Acemoglu and Robinson, who defined them as 'a major event or confluence of factors, which disrupts the existing balance of political and economic power in a nation' (Acemoglu and Robinson, 2012, p.106).

2.3 A critique of Political Settlement Theory

Political Settlement Theory has been the object of a continuous academic debate. The main critiques are presented below and are drawn upon in this thesis to present our own tailored version of the framework.

2.3.1 Fluid versus fixed order

Political settlement is a polysemic term that is anchored in different streams of literature, which has led to debates as to what it should mean (Mallett, 2013; Khan, 2018). The key fault line is between an understanding of political settlement as a static, explicit, and negotiated settling of a conflict by political means (e.g., a peace treaty), or a fluid ongoing and tacit agreement between powerful constituencies that conditions the distribution of rent, evolving gradually because of "market-like" countless interactions between multiple powerful groups. These understandings are rooted in different fields of literature, the former in conflict studies and the latter in political economy and development studies.

Kelsall et al. (2022, p.27) have offered to reconcile these meanings by drawing on the metaphor of a marriage and acknowledging that an agreement can be both a discrete event and a continuous set of "negotiations, adjustments and compromises".[12] Their proposed definition is that a political settlement is "an ongoing agreement among a society's most powerful groups over a set of political and economic institutions expected to generate for them a minimally acceptable level of benefits, which thereby ends or prevents generalized civil war and/or political and economic disorder" (2022, p.27). The agreement may be informal, formal or an evolving mix of both. We follow this definition, which ultimately considers political settlements as fluid orders that "typically persist over medium-term time-horizons" (Kelsall *et al.*, 2022, p.46), albeit possibly predicated on formal, constitutive agreements that can shift during political ruptures.

2.3.2 Scale and unit of analysis

Policy scale of analysis

A second point that derives from the debate between fluid and static settlements is the scale of analysis PST is best suited for. For instance, Kelsall (2018) argues that PST is best suited to the analysis of macro-level, conflict-ending agreements and a significant share of PST research indeed looks at national level power configurations (Behuria, Buur and Gray, 2017). This does not preclude the use of a PST framework, however, as an interpretive heuristic to understand how macro-level foundations affect lower-level political economy. As Kelsall et al. (2022, p.51) put it, the political settlement establishes "quasi parameters that set boundaries for interaction, within which less foundational institutions evolve". There is indeed a wealth of literature using a macro PST approach to explain policy dynamics in lower-level sectors as diverse as education (Abdulai and Hickey, 2016), oil (Hickey and Izama, 2017), urban

[12] As Michel Foucault put it, "the law is born of real battles, victories, massacres, and conquests (…) it was born together with the famous innocents who died at break of day" and yet "law is not pacification, for beneath the law, war continues to rage in all the mechanisms of power, even in the most regular" (Foucault, 2003, p.51). Political settlements and institutions are perpetually intertwined.

transformation (Goodfellow, 2014), industrial policy (Whitfield *et al.*, 2015) and agriculture (Kjær, 2015).

Following this literature, we consider the political economy of coffee in Ethiopia akin to a Russian doll of power configurations. At macro-level, the political settlement sets the foundational political and economic parameters. The meso- and micro-levels can be referred to as "policy domains" for agriculture and coffee: socially constructed "arenas of policy contestation, in which political elites interact with actors such as organizational heads and veto players, senior public servants, influential technocrats, civil society advocates and foreign aid donors" (Yanguas, 2017, p.6).

Policy domains have their own power configurations and institutions, but do not share the same properties as a "political settlement" and cannot be analysed as mini-settlements.[13] Rather, political settlement parameters are exogenous to, and influence, policy domains, power configuration and institutions, especially when they are linked to the very survival of the political settlement because of the rents or legitimacy they provide (Kelsall *et al.*, 2022). This is the case for "high-stakes" policies that target an export crop that generates a large share of the nation's foreign exchange, like coffee in Ethiopia or cocoa in Ghana (Whitfield *et al.*, 2015). The political settlement parameters cannot explain, however, the whole political economy dynamic of a given policy domain – for this, a more standard political economy lens can be used. The most recent political economy literature (Hudson and Leftwich, 2014; Whaites, 2017) tends to share the same building blocks: understanding the sector's structural trajectory and institutions, mapping the sector's stakeholders (as individuals, groups and coalitions), their interests in a specific change for a given institution (or incentives), their power and their worldviews. In that sense, they are compatible with the PST.

Spatial scale
A limitation often mentioned of PST is that it considers first and foremost nation state-level ruling coalitions as drivers of the political settlement institutions, thereby obviating the role of actors that operate at a different scale, for instance transnational (donors, neighbour countries, companies…) or subnational players (local governments, traders…) (Lavers and Hickey, 2015; Goodhand and Meehan, 2018; Kelsall *et al.*, 2022). This is a valid argument – Khan's body of work and case studies very much take a statist approach whereby coalitions are often equated to central-level political parties, businesses, or religious groups, while institutions are explained largely as an outcome of their interactions, regardless of transnational/subnational players' influence. From an empirical perspective, political settlement studies moving away from the nation-state focus are a rarity. Yet, "domestic elites' strategies to secure their interests are often oriented outwards, particularly in regional conflict systems in which violence, networks

[13] We can identify three main differences: (i) Lower stakes: the political settlement collapses, there is a risk of all-out violence. That is not the case for meso and micro-level power configurations. (ii) Drivers of change for institutions: institutions at meso or micro-level, for instance in the agricultural sector, are not necessarily the outcomes of a meso-level specific power configuration. They can derive from the macro-level political settlement – for instance, it is not uncommon that a Ministry of Livestock be created ex nihilo to grant someone a Ministerial position as an elite bargain and not as the outcome of power play in the livestock sector (iii) Weaker relationship between stakeholders' power and sector of interest: while political settlement ruling coalitions derive their power from the political settlement configuration, powerful groups at a meso level (e.g. coffee sector) may derive of their power from another sector (e.g. affiliation with the ruling party). This renders the political settlement framework inoperative to analyse sectoral-level political economy dynamics.

and flows (of weapons, goods and people) operate across borders" (Goodhand and Meehan, 2018, p.15).[14] This is very much the case for Ethiopia across the Imperial, Derg and EPRDF eras. The role of transnational corporations and foreign aid agencies as active players in political settlements could also be underlined. For instance, a voluminous literature has demonstrated the significant influence of the World Bank and the International Monetary Fund on political trajectories of African countries where they deployed conditional funding against structural adjustment policies (Oya, 2006). Donors have been, in some cases, direct participants in the political settlement: for instance, in support of Mozambique's transition to peace in the early 1990s, "there was strong donor investment in aiding Renamo's transition from a rebel group into a formal political party (…) donor conditionality stipulated the inclusion and co-operation of all relevant actors in the drafting of electoral laws and democratic processes" (Manning and Malbrough, 2013, p.3).

We acknowledge this limitation, while contending that PST can and should at least accommodate the role of these actors where they contribute to shape the balance of power and institutions at the nation-state level. For instance, the political settlement of Ethiopia during the Derg era can hardly be discussed without taking the role of Eritrea, Somalia, the US and the USSR into account – all having a significant claim on the national-level power balance. Equally, the political settlement of the EPRDF era post-2010 is bound to consider the role of the Oromia *qeerroo*, however subnational this group was, and of transnational diaspora leaders like Jawar Mohamed. We thus follow the approach that centres the analytical lens on the national state level and assumes "primacy of domestic politics" (Poulton, 2014, p.3), while taking into account transnational and subnational actors where relevant to that lens. An example of this approach is (Hickey and Izama, 2017) who looked at how the political settlement parameters of Uganda affected the ruling coalition's oil governance, including but not limited to its capacity to bargain favourably with transnational oil companies.

Unit of analysis

Political settlement theory has been criticized on the grounds that it is excessively focused on elite interactions to explain institutional change, which makes the framework blind to the agency of minority groups – both a normative and methodological issue (O'Rourke, 2017; Goodhand and Meehan, 2018). There is a strong element of truth in this critique, because PST is preoccupied with constituencies that have the capacity to disrupt rent-distributing institutions at a structural level. This is often at odds with a focus on minority group agency. It is not always the case, however: non-elite groups can amass enough disruptive capacity that it places it on the radar of a PST analysis (Behuria, Buur and Gray, 2017), for instance the disenfranchised, protesting rural youth in Oromia in 2015-17 is an important part of Ethiopia's political settlement for that period.

The PST framework adopted for this dissertation, therefore, allows for an understanding of the role of non-elite groups insofar as they contributed to shape macro-level and, where relevant, coffee-specific institutions that distribute rents and power. It does have blind spots in terms of

[14] Alex de Waal also emphasizes the importance of considering political economy dynamics, in the Horn of Africa, as a regional phenomenon rather than the sum of country-level politics (De Waal, 2015). His metaphor of the political marketplace, however, reminds us that national and regional scales of analysis are not mutually exclusive: one can analyse with relevance the agricultural market of Ethiopia, while also considering the importance of regional food flows.

capturing the role of minority groups beyond that, especially given the highly centralized and exclusory nature of policy-making processes in Ethiopia, including that of coffee (Mas Aparisi, 2021).

2.3.3 Role of social foundations

In their recent book *Political Settlement and Development*, Kelsall et al. (2022) reflect on the limitations in Khan's PST when it comes to assessing why a ruling coalition may adopt broad-based distribution of benefits. To accommodate for this shortcoming, they suggest a new dimension to political settlement analysis, which they label "social foundations". Social foundations refer to the "settlement's basis of support", that is the extent to which powerful insider groups of the settlement are reflective of the society, horizontally (e.g. ethnicity, race, religion) and vertically (class and labour strata) (Kelsall *et al.*, 2022, p.54).

The assumption is that socially narrower political settlements have less public accountability and lower incentives to distribute development benefits broadly. They are also more likely to repress the numerous and large excluded groups that represent a threat to the survival of the few atop the settlement. Broad settlements, on the other hand, have a pressure for widespread distribution of benefits. While this is conducive to development on balance, it can lead to dispersion of power within the ruling coalition, resulting in collective action problems that can paralyse developmental policies.[15] The addition of the social foundation dimension is helpful to refine the understanding of how the political settlement configuration might shape institutions and we include it in our framework.

2.3.4 The role of ideas

Another oft-mentioned weakness of PST is that it does not adequately accommodate the contribution of ideas to shaping the political economy parameters of a country or sector (Lavers and Hickey, 2016; Goodhand and Meehan, 2018). Given the focus of our dissertation on the interplay between the political settlement dynamics and the role that evidence might play in shaping coffee policies, this shortcoming needs to be addressed in our framework.

Political settlement theory is structural and transactional at heart – and so it mostly acknowledges ideas in the form of paradigmatic ideologies (Khan, 1995, 2010, 2017). Ideologies affect, at a macro level, how coalitions perceive what is in their interest, the way they exert their power and the shape they give to institutions in the settlement. For instance, 1960s and 1970s socialism was foundational to Tanzania's political settlement: Nyerere used it to legitimate the socialist one-party system and *Ujamaa* policies, such as collectivized agriculture, that had real consequences on power and rent-distributing institutions and ultimately the social and economic trajectories of Tanzania (H Gray, 2018). In the Ethiopian context, ideologies such as Marxism-Leninism under the Derg or developmentalism under Meles Zenawi's rule played a fundamental role in shaping the political settlement parameters that conditioned coffee policies, as well as the supply and demand of knowledge around these policies.

[15] This is not unlike Alice Amsden's argument that concentrated developmental rent allocation is more likely to emerge in societies with more equal income distributions, because risk of social unrest is lower and political elites are less pressured to diffuse the rents to buy stability. (Amsden, 2001)

In addition, the policy studies literature points to the importance of non-structural value, belief and behavioural factors of policy players in determining policy outcomes (Godfrey, Funk and Mbizvo, 2010; Smith and Joyce, 2012; Wesselink, Colebatch and Pearce, 2014; Oliver *et al.*, 2015; Head, 2016). At this meso and individual level, standard PST falls into the pits associated with the methodological individualism of its neo-institutionalist roots: ideas tend to be treated as a "subordinate outcome of the incentives that flow from the political settlement and its resultant institutional arrangements" (Lavers and Hickey, 2016, p.392), and these incentives are largely reduced to the "pursuit of wealth and power" (Goodhand and Meehan, 2018, p.17). In contrast to this somewhat deterministic trait of PST, we expand our framework to consider the worldviews of key groups or individuals in the settlement, and how they might influence the shape of major policy reforms. This makes room for the role of evidence and agency of policy entrepreneurs to shape the policy space within the prevailing political economy parameters of any given settlement.[16] While doing so, we leverage the PST focus on long-term history to highlight the path dependencies – and ruptures – in prevailing ideas that shape the settlement.[17]

2.4 Political Settlement, coffee policy and the role of evidence

This thesis draws on a political settlement understanding of Ethiopia across three time periods to understand the political economy drivers of policy change in the coffee sector. This entails two major theoretical considerations. First, clarifying the position of coffee, as a specific sector and policy domain, in the political settlement of Ethiopia. Second, defining the interactions between evidence and political settlement analysis.

2.4.1 Ethiopia's political settlement and coffee policy

Coffee in Ethiopia can be considered both a meso and macro policy domain. Coffee policies have stakes both for players in the coffee sector (e.g., coffee farmers, cooperatives, traders, exporters…) and for elite groups that constitute the macro-level political settlement.

At sectoral level, coffee is significant enough to be considered a meso domain in that it involves a large number of different players (e.g. around 5 million farmers, 3000 collectors, 1000 traders) through multiple geographies (16 areas across 5 administrative regions) (Davis *et al.*, 2018; Mas Aparisi, 2021). Whatever policy decision that affects rent allocation within the sector

[16] Both the macro ideological and meso/micro ideational level coexist: for example, Hickey and Izama (2017) using a political settlements framework, describe the fundamental role of President Museveni in negotiating exploitation contracts with oil companies in Uganda in the past decade. They point to the share his developmental ideas played in the process, referring to his 'ideological commitment' (Hickey and Izama, 2017, p.169). But in the same paper, they also tell the story of the final, last-minute negotiation between the Government of Uganda and oil companies Tullow and Total. The negotiation was stalling that day because the companies kept insisting for a clause in the contract that allowed them to use international arbitration as a mechanism for dispute resolution, which had always been refused by President Museveni. However, "as international oil company officials were leaving State House, the lawyers for Tullow and Total persuaded the president that a compromise could be reached" and according to a source present that day, 'She (the lawyer) split it so well, the president was convinced, and no-one said anything. Then we agreed to come back in a few days and sign' (Hickey and Izama, 2017, p.181). In that example, the nature of a contract critical for the settlement rent allocations was not pre-determined by Museveni's ideological stance, some idiosyncratic interaction with a specifically skilled lawyer have altered the course of the negotiation when it could have gone different ways.

[17] As John Maynard Keynes famously put it: "Practical men, who believe themselves to be quite exempt from any intellectual influence, are usually the slaves of some defunct economist."(Keynes, 2018, p.383).

will be supported by would-be winners and contested by would-be losers of the coffee policy domain.

However, the coffee policy domain is also “high-stakes”: it affects rent-distribution at macro-level well beyond coffee players, thereby involving political settlement dynamics. Throughout the three periods analysed, coffee was one of the primary and most reliable sources of foreign exchange and tax revenue. During the Haile Selassie and EPRDF eras, it was also a significant opportunity of capital investment for ruling coalition elites, as well as a multilateral cooperation device. Therefore, as argued throughout the dissertation, coffee has occupied a central role within Ethiopia’s political settlement as a rent-capture and allocation instrument and, further so, as being co-constitutive to Ethiopia’s state apparatus development.

While there is an interplay between macro and meso-level coffee political economy, we consider that political settlement parameters have a primacy over sectoral level dynamics. By analysing political settlement dynamics, we can comprehend the overriding drivers of coffee policy in Ethiopia. A finer understanding of sectoral-level political economy, relaxing the assumptions of PST, further serves to further understand how coffee players have sought, and sometimes succeeded, to shape coffee policy “from below”.

2.4.2 Bringing together political settlement analysis, coffee policy and evidence

The focus of the dissertation is on explaining the supply and use of evidence (or lack thereof) in major coffee policy changes – through a political settlement lens. While political settlement theory provides the overarching explanatory framework, a structured approach is necessary to analyse how coffee policy change materializes within the settlement and what role evidence might play in the process. To that end, the literature on evidence-informed policy is mobilized.

First, a political settlement analysis is conducted for each period to uncover the salient parameters that underpin coffee policy change. In line with our Political Settlement Framework, this includes an identification of the key coalitions and affiliated groups that operate in the settlement, social foundations of the settlement, rent capture and allocation mechanisms, as well as resource constraints and threats to the settlement that might shape its direction.

Coffee policy reforms are then examined, for each period, through a Multiple Streams Framework (MSF) approach. The MSF is a foundational approach in public policy research, developed by Kingdon in his seminal work *Agenda, Alternatives and Public Policies* (Kingdon, 1984). The MSF offers a set of structuring hypotheses to explain how ideas become solutions to policy problems. According to Kingdon, three streams ought to coalesce for a window of opportunity to open that would allow policy change.

The first stream is the *problem stream* : policy problems must be brought to the attention of policy makers, often through a ‘’focusing event’’ and they must be convinced that something should be done to change it (Neilson, 2001, p.29). This dissertation considers the problem stream at two levels for Ethiopia’s coffee sector: first-order coffee policy problems derive from the macro dynamics of the political settlement that steer the ruling coalition into action towards the high-stakes coffee sector, for instance the acute need for foreign exchange to fund developmental state projects under the EPRDF. Second-order problems emanate from sector-specific constraints to the sector, for instance the devastation brought by the Coffee Berry Disease spread in the mid 1970s.

The second stream is the *policy stream*: a policy solution to the problem must be available. Because solutions take time to develop, and policymakers' attention goes from one issue to another, players referred to as ''policy entrepreneurs'' develop solutions in anticipation of a problem, or even shape what is considered as a problem (Cairney and Jones, 2016). The defining characteristic of policy entrepreneurs is ''their willingness to invest their resources – time, energy, reputation, and sometimes money – in the hope of a future return (…) in the form of policies of which they approve, satisfaction from participation, or even personal aggrandizement in the form of job security or career promotion" (Kingdon, 1984, p.179). Entrepreneurs may form coalitions to drive their desired policy change – they are gathered around a common set of interests, but also beliefs (Sabatier, 1988). The policy stream is where we assess the role of evidence supply and demand dynamics: policy entrepreneurs can and will often call to evidence to further strengthen their proposed solutions, either to justify their relevance or to specify the technical modalities. Policymakers may also request or gather evidence from entrepreneurs to enhance the legitimacy of their favoured solution or, simply, to assess the most desirable options. We also give due to consideration to the way political settlement parameters will shape preferences of the ruling coalition towards certain suppliers and contents of evidence.

The third stream is the *political stream*: the ''national mood'', the organized political interests, economic parameters and the worldviews of policy makers must be such that they pay attention to the problem and the solution. Here again, we mobilize our political settlement analysis to identify how parameters such as the importance of coffee as a source of rents and the ideological *zeitgeist* are leading policymakers to pay attention to the sector and to specific solutions to change its course.

The MSF offers a flexible and adaptable framework to assess the drivers of policy change and the role of evidence in coffee policy reform. Moreso, it allows to mediate these dimensions with the macro-level political economy dynamics - the problem, policy and political stream examinations are grounded in our political settlement reading of each period.

On the downside, MSF has been criticized for lacking theoretical and empirical grounding due to the excessive room for interpretation it carries, that has been further diluted over the years through hundreds of policy process case studies that exhibit little cross-consistency in definitions and findings (Cairney and Jones, 2016). We mitigate that issue by resting our theoretical framework on the narrower premises of PST, while MSF is used to structure our understanding of coffee policy reform within the PST parameters.

2.5 The Political Settlement and Evidence Framework

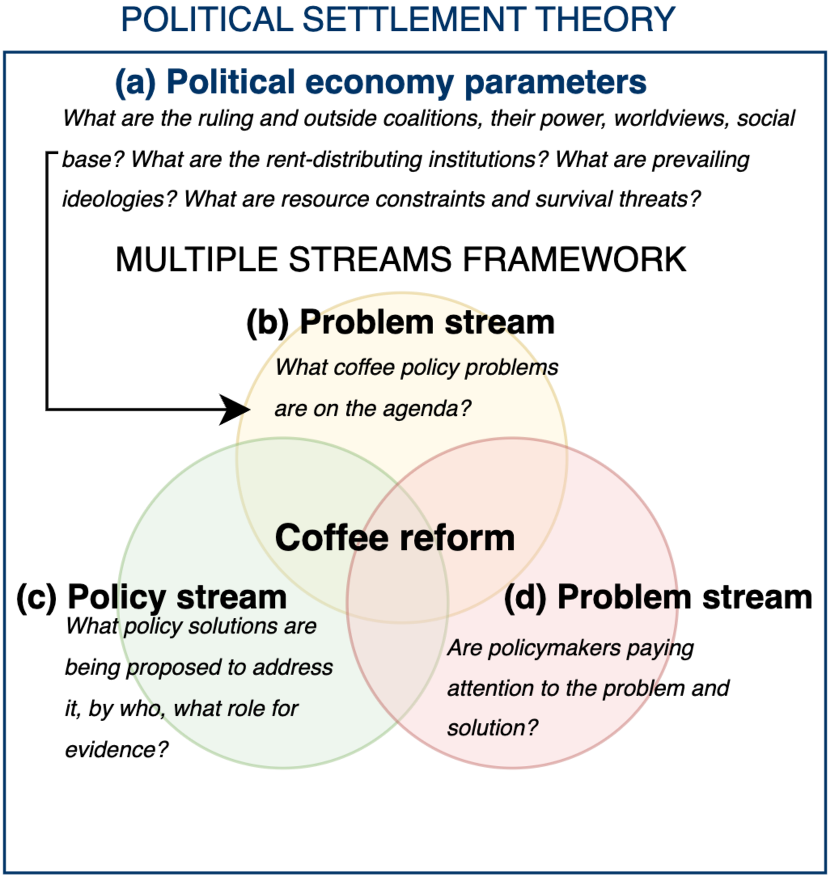
Our adapted version of the Political Settlement and Evidence framework is presented in Figure 3 below. It constitutes the theoretical reference for this dissertation.

For each period analysed, the dissertation addresses the political economy environment of major coffee policy reforms, what role evidence might have played in the process, whose evidence and why. The political economy parameters that shaped the coffee policy environment at a macro-level are analysed with an adapted Political Settlement Theory framework (a). The reforms themselves are interpreted through a Multiple Streams Framework that identifies (b) how policymakers perceived problems relevant to the coffee sector (problem stream) (c) how an ecosystem of knowledge players and policymakers interacted to articulate solutions to the problems (policy stream), and (d) whether the national mood was propitious for policymakers to act upon the problem and draw from the knowledge available (political stream).

At the problem stream level, first-order political settlement parameters influence what policymakers perceive as a macro-problem with relevance to the coffee sector (e.g., not enough foreign exchange), given that coffee is a high-stakes policy domain in Ethiopia. Second-order coffee sector dynamics may further contribute to shape problem definition (e.g., the Coffee Berry Disease outbreak). At the policy stream level, policymakers and knowledge producers can mobilize and supply evidence, respectively, to legitimate or shape a policy reform affecting the coffee sector (e.g., breeding research for Coffee Berry Disease, economic research for the Ethiopian Commodity Exchange). At the political stream level, political and economic parameters influence the government into acting upon the coffee sector, possibly considering ideas brought about by policy entrepreneurs (e.g., war against Eritrea dramatically accentuating pressure on foreign exchange).

We then analyse the implementation of the major coffee reforms that were adopted throughout each period by looking at the delivery of outputs and outcomes they were meant to foster. Going beyond the adoption stage, this opens further avenues to understand the role of political economy, evidence and other variables in shaping the reforms.

Figure 3. Political settlement, evidence, and coffee policy theoretical framework



Source: Author's elaboration

Chapter 3. Methodological framework

3.1 Introduction

This chapter presents the methodological framework used to assess the political economy of evidence supply and use in coffee policy in Ethiopia. It first presents the research hypotheses, moving on to the research design and data collection, before outlining key challenges and limitations in the approach followed.

3.2 Research question and hypotheses

The driving research question is "What type of and whose evidence influences coffee policy reform in Ethiopia, if at all, and why?". The funding assumption tested with this question is that political economy parameters, in a clientelistic policy setting, are not conducive of any sort of evidence-informed policy making.

The PST framework presented in the previous chapter provides a solid theoretical set of propositions to characterize the political economy of a clientelist policy regime and infer likely sources and content of evidence use in the formulation of its policies. It also introduces four useful distinctions.

First, PST proposes that in specific circumstances whereby (i) power is highly concentrated within the ruling coalition of a clientelistic policy regime and (ii) the ruling coalition is facing a latent threat for survival, and resources are constrained, it is possible to see a developmental state emerge. The developmental state is clientelistic but has enough of a survival horizon and implementation muscle to allocate productive rents and discipline capital to foster developmental outcomes. This contrasts with political settlements that have dispersed power (either internally or between competing coalitions), whereby policy priorities are dictated by short-term survival and quick-gain rent allocation to political clients. All other things being equal, developmental settlements with broader social foundations are also more likely to foster redistributive growth policies, given the incentives of the ruling coalition to reward powerful groups that account for a large share of the population (Kelsall *et al.*, 2022).

In such circumstances, it may be expected that the pattern of evidence use in a clientelistic setting would differ from that presented above. The concentration of power, in the developmental state, "facilitates building state capacity and a potential for economic development" (Kelsall *et al.*, 2022, p.64). The use of that state capacity for economic development entails a degree of impersonal and programmatic allocation of resources towards sectors that are productive, rather than politically rewarding, as the main criterion. This, in turn, opens the door for evidence mobilization to identify these productive and transformational sectors and assess how best to spur economic transformation. For instance, Lavers and Hickey found that social protection programmes in Africa were less prone to political interference and more targeted based on evidence-driven criteria in power-concentrated political settlements (Lavers and Hickey, 2015). The case of Ethiopia is particularly interesting because it did present, for the period 1992 to 2017, and even more so 2001-2015, what could be labelled a developmental political settlement. This was not the case, however, for the period 1951-1991, offering valuable contrast for investigating hypotheses between settlement configuration and evidence supply and demand for policy reform.

Second, it is manifest that political ideologies that prevail in the settlement affect public policies, regardless of the distribution of power or social foundations (Behuria, Buur and Gray, 2017; Hazel Gray, 2018; Gray, 2019). For instance, Hazel Gray (2018) shows how Vietnam and

Tanzania, despite having similar, highly centralized power configurations in clientelistic policy regimes, implemented different public policies with different developmental outcomes due to their diverging experience of socialism as a state ideology. Ethiopia also experienced wild ideological swings over the last 70 years, which is fertile ground to explore the role of structural ideas in shaping policy outcomes and, by association, of the ideas that might be privileged in the form of evidence supply and demand for these policies.

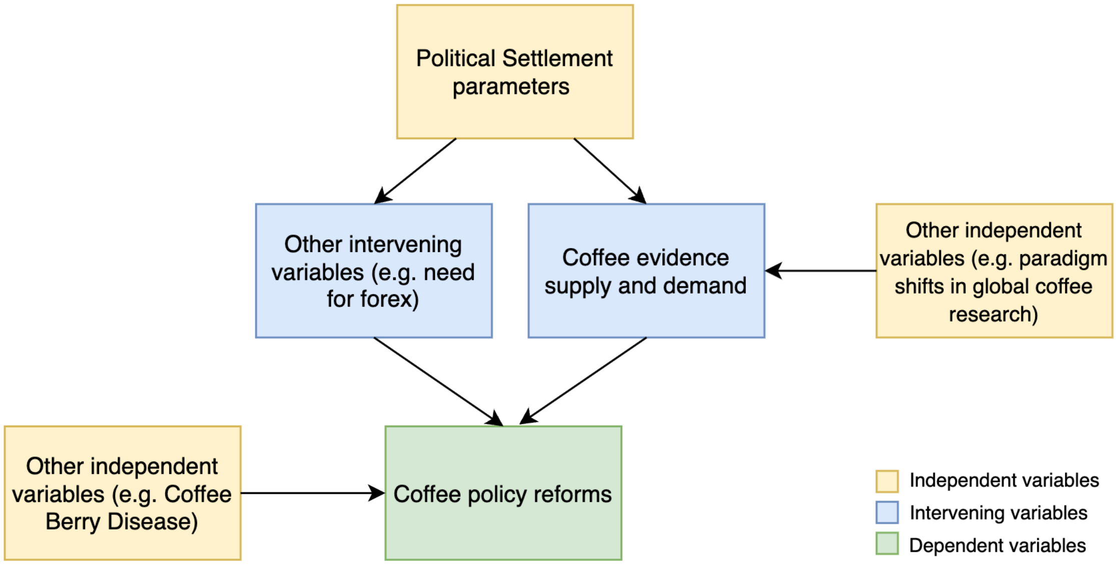
Third, PST literature contends that policy formulation, even in a clientelistic regime, can veer towards the programmatic or clientelistic depending on the sector targeted and its importance for regime survival. For instance, Whitfield et al. (2015) argue that the cocoa sector policy in Ghana from the 2000s has been relatively insulated from rent-seeking and left to a technocratic *pocket of efficiency* because cocoa export revenue is critical to the macro-economic and political stability of the regime. The technocratic management of the policy domain is expected to go hand in hand with increased opportunities for evidence mobilization into policy formulation. This dissertation is focused on Ethiopian coffee policy, which falls firmly in the category of policy domains that matter for regime survival since the 1950s. The focus on coffee allows us to test the hypothesis that coffee, due to its high-stakes nature, was treated as a pocket of efficiency throughout the different political settlements of Ethiopia, with technocratic reforms more likely to be informed by evidence.

Whatever the merits of PST, it should be acknowledged that "we should (…) not expect a political settlement to strongly determine outcomes across all of a country's policy domains" (Kelsall *et al.*, 2022, p.40). While we have made the case that coffee policy – and inter alia evidence supply and use – is likely to be significantly shaped by political settlement parameters, other factors are at play that can explain both coffee evidence supply and demand and the nature of coffee policy change.

The dissertation therefore takes an inductive approach, whereby inferences are drawn out of observation and ultimately explain the underlying processes that cause a phenomenon, in this case coffee policy reform (Bryman, 2012).[18] These include but are not limited to the role of political economy and evidence in that process (Figure 4).

[18] The observations themselves are informed by a set of presumptions, drawn from Political Settlement Theory, about what the generative mechanisms exist between political economy and coffee policy reform. In that sense, the design owes to a critical realist approach (Bryman, 2012).

Figure 4. Research design



Source : Author's elaboration

3.3 Methodological framework

The research design is articulated around a process tracing approach for key coffee policy reforms in Ethiopia between 1941 and 2017. As a structuring device, it borrows from Resnick et al. (2018) to break down major coffee policy reform processes, for each period under review, into a stylized policy cycle framework (Table 1). [19]

Table 1. Policy stage, research approach and key questions

Policy stage	Research approach	Key questions
Context (setting the stage for a reform to emerge on the agenda)	Political Settlement Analysis	What are the salient political settlement parameters: coalitions and interests, social foundations, rent-allocation mechanisms, resource constraints and threats to the settlement?
Agenda setting (coalitions of policy actors putting the reform on top of the agenda)	Kingdon Multiple Streams Approach	1: What are the key policy problems faced by the

[19] It is acknowledged that, while it is conceptually useful as a research heuristic, the policy cycle below is a simplified model and that real-world policy processes rarely follow such steps in a linear fashion (De Marchi, Lucertini and Tsoukiàs, 2012).

Design (formulating the policy instruments, including direction and technical features)		ruling coalition related to the coffee sector? 2: What policy solutions exist and where do they come from? 3: What are the incentives for the ruling coalition to pay attention to the problem and the solutions?
Adoption (going through legislative and executive process or otherwise)		
Implementation	Comparing reform objectives with actual outputs and outcomes	How are coffee policy reforms implemented?

Source: Author's elaboration

The political economy context for the reforms is investigated through a political settlement theory approach, further discussed below.

Reform agenda setting, design, and adoption are analysed with Kingdon's Multiple Stream Framework (MSF) (see Theoretical Chapter). For each reform bundle, we assess (i) the problem stream, that is, focusing events leading policymakers to adopt a coffee policy reform. We consider first-order problems emanating from the PST dynamics and second-order problems deriving from coffee sector-specific constraints or other parameters (ii) the policy stream, reflecting what knowledge and evidence is produced and demanded around the coffee sector that might provide solutions to the problem (iii) the political stream, which characterizes the organized political interests, economic parameters and worldviews of policymakers that lead them to pay attention to the problem and to the solutions. The political stream is also informed by our PST analysis and the sector-specific dynamics of the coffee policy domain.

Finally, we analyse implementation of reforms after their adoption by accounting for the variance between their objectives and actual outputs and outcomes.

Through this approach, we seek to test the hypotheses presented above and to uncover (i) the political economy determinants of coffee policy reform and evidence use, if any, for each of the reform (ii) other variables that might explain coffee policy change and the supply and use of evidence around this change, if any.

Case study selection

We use a *longue durée* approach, articulated around three case study periods: the 1941-1974 Haile Selassie period, the 1974-1998 Derg and early EPRDF period, and the 1998-2012 core EPRDF period. A fourth shorter case study is added as an epilogue to accommodate important coffee policy changes that took place during the 2012-2017 period (Table 2).

Table 2. Case study description and selection

Case study	Description	Rationale for selection and time period
1. The Haile Selassie era, 1941-1974	The case study looks at the foundational coffee policies	Ethiopia's entire coffee public policy and knowledge

	and knowledge producing institutions that were set in place during that period in research, extension, processing, marketing, and governance.	ecosystem is path dependent on the reforms adopted during that period. The year 1941 corresponds to Haile Selassie's return from exile and the rise of coffee as a primary source of Ethiopian capital, revenue and foreign exchange.
2. The Derg and early EPRDF era, 1974-1998	The case study looks at the evolution and upending of the imperial coffee knowledge and policy ecosystem under the Derg, characterized by twin processes of donor projectification (production, processing) and deepening of state extraction of surplus (marketing and governance). It looks at the collapse of the Derg system and partial liberalization of the sector in the early days of the EPRDF.	The Derg reforms accentuated state control over coffee rents and started the dual knowledge/policy system that prevailed all the way to the ECX reforms. The early years of the EPRDF are considered as part of the same era when it comes to coffee policy, as they are characterized by a gradual dismantling of Derg policies rather than a new policy momentum.
3. The Meles Zenawi EPRDF era, 1998-2012	The case study is an in-depth investigation of the ECX reform that defined the Meles Zenawi era of coffee policy, stressing the role that political economy and knowledge played in the process.	The ECX reform was the centrepiece of agricultural and coffee reforms in Ethiopia during the period. The year 1998 correspond to the start of the Ethiopia-Eritrea war that would see Meles Zenawi's TPLF faction assume full control of Ethiopia's ruling coalition. The year 2012 is the death of Meles Zenawi and the beginning of a new political settlement era in Ethiopia.
4. The Hailemariam EPRDF era, 2012-2017	The epilogue chapter analyses the 2017 reform that significantly altered the ECX reform adopted under Meles Zenawi.	The 2017 coffee reforms marked the end of the compulsory trading of coffee through ECX, while seeing a resurgence of hands-off coffee governance and private sector activity, bringing Ethiopian coffee policy-knowledge ecosystem

		closer to the Haile Selassie era than it had ever been since 1974. It is also a reflection of the rapid decay of the EPRDF political settlement that followed Meles Zenawi's passing.

Source: Author's elaboration

The *longue durée* approach has three merits:

First, one of the core tenets of PST is that political settlements are the outcome of historical processes, with strong path dependency in the distribution of power and the shape of institutions that characterize it. A solid political settlement analysis of the EPRDF era is rooted in an understanding of the ruptures and continuities from the preceding Derg and Imperial eras. The time period of 75 years thus focuses on the "meso-level" of political, economic and institutional transformation that sits well with a PST framework, between the epochal *longue durée* of centuries-long changes – for instance, Piketty's work on inequality regimes – and the "quotidian processes" of political economy approaches aimed at development practitioners like Everyday Political Analysis (Kelsall *et al.*, 2022, p.35).[20] The case study starting and end points are delineated around major political settlement ruptures– Haile Selassie resuming his reign post-Italian invasion (case study 1), the Derg's accession to power (case study 2), and the Ethiopia-Eritrea war that marked the beginning of the "Meles Zenawi EPRDF" era (case study 3). The starting point is set in 1941, the return of Emperor Haile Selassie from his British exile, because it corresponds to the dawn of a new political settlement in Ethiopia, under which a coffee policy system began to emerge. The end point of the dissertation, encompassed in a short epilogue chapter, corresponds to yet another major rupture with the beginning of the Abiy Ahmed era.

Second, the political economy of Ethiopia's coffee sector shows strong path dependencies threading through the Haile Selassie, Derg and EPRDF eras. In particular, the analysis of the main coffee reform under the EPRDF era, the Ethiopia Commodity Exchange, would be limited if done in isolation from the previous periods. For instance, a significant share of the literature on the ECX reform portrays it as an ex-nihilo innovation, without acknowledging that the coffee auction on which it is predicated dates back from the Haile Selassie era, with its own history of innovative evidence. The *longue durée* thus serve to highlight the ruptures and continuities in coffee policy and evidence in Ethiopia.

Third, the three case study periods show contrasting features for both their political settlement and their coffee policy variables. At the political settlement level, the geometry of power and social foundations of the settlement varies significantly between the Imperial, Derg and EPRDF eras. The nature of the coalitions in power, the rent-allocative institutions, the prevailing ideologies, and the relationship between the state and capitalist class also differ from one period to another, allowing for a rich analysis of the linkages between political settlement

[20] This approach, developed by the University of Birmingham's Developmental Leadership Program (DLP), is aimed at helping "frontline development practitioners make quick but politically-informed decisions" (Hudson, Marquette and Waldock, 2016, p.1)

configuration and coffee policy change. At the coffee sector and policy level, each period is also characterized by specific sets of far-reaching reforms. It is also associated to a different environment for coffee knowledge generation and demand by the ruling coalitions. Finally, the coffee sector itself – the value chain, the domestic and global market dynamics – underwent important transformations across the periods that make for valuable contrast when testing the hypotheses of the dissertation.

3.4 Measurement and data collection

3.4.1 Measurement approach

My research focuses on two inter-related objects: (i) the political settlement of Ethiopia and (ii) the policy process and political economy dynamics of major coffee policy reforms.

Political Settlement

There are two dominant measurement approaches to political settlement analysis. The most prevalent approach uses qualitative methods of key informant interviews, policy documents, news items, relevant literature and descriptive statistics analysis to inform their understanding of the political settlement of a given country (Whitfield *et al.*, 2015; Lavers and Hickey, 2016; Hazel Gray, 2018). For instance, Whitfield et al. (2015, p.30) using a PST approach to analyse industrial policy in a sample of countries, argue that "the questions posed (…) cannot be answered satisfactorily with a large-N quantitative methodology (…) the distribution of power in a society is best captured in analytical narrative (…) the main variables (…) require qualitative data that can indicate actors' motives, assessments of political costs, and perceptions of economic risks".

The key variables analysed, although not quite formalized in this qualitative literature, can be summed up as:

i. The historical trajectory of the political settlement.
ii. The main coalitions (ruling, lower-level, outsider) of the political settlement.
iii. The interests of coalitions in the settlement.
iv. Power relations between the coalitions of the settlement.
v. Social foundations of the settlement.
vi. Key institutions and rent allocation mechanisms in the settlement.
vii. Structuring social and economic parameters of the settlement, such as macro-economic, trade and sectoral indicators.

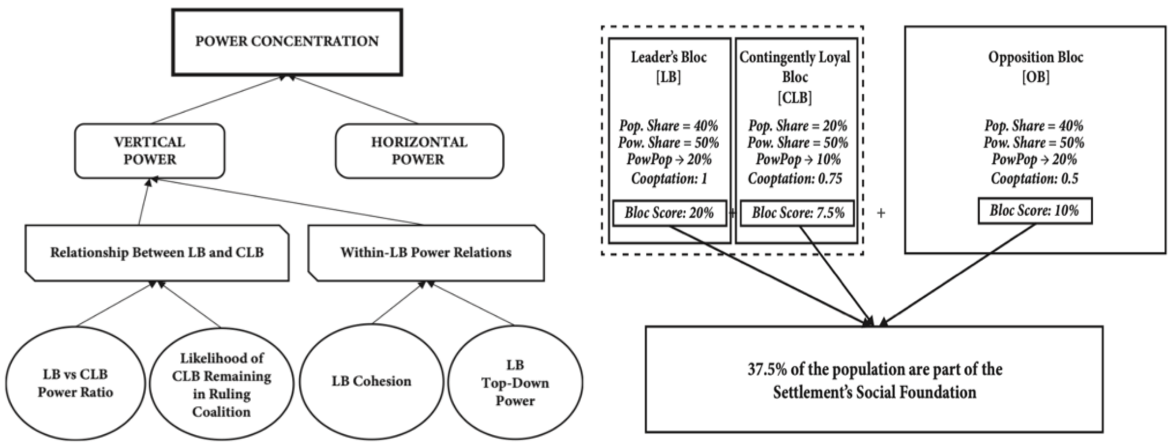
The qualitative data and descriptive statistics for these variables are then interpreted and structured throughout the political settlement lens to generate analytical insights on the nature and evolution of the settlement. This approach is typically used for an in-depth assessment of one case study.

A second quantitative approach has recently emerged with the work of Kelsall et al. (2022). The Effective States and Inclusive Development researchers contend that the largely qualitative approach to measuring political settlements results in ambiguous, un-generalizable, small-N sample findings that are holding PST back. They propose instead a formal conceptualization of 103 political settlement variables, and their measurement by a scoring process through a questionnaire administered to multiple political economy specialists ("coders") for each country – an approach inspired by the Varieties of Democracy (V-Dem) dataset. This allows them to put together PolSett, a systematic cross-country, time-series dataset measuring political settlement with harmonized variables for 42 countries – including Ethiopia. At a broad level, the PolSett dataset measures 6 main variables domains:

i. The settlement's configuration of power, including distribution of power across and within the ruling, affiliated to the ruling and opposition coalitions (called "Leader's Bloc", "Contingently Loyal Bloc", and "Opposition Bloc", respectively).
ii. The blocs' relationship to the settlement, including the use of repression and co-optation.
iii. Decision-making and implementing power of leadership, aimed at assessing the relationship between power concentration in a settlement and actual capacities of the leadership.
iv. Foreign influence and internal and external threats, aimed at assessing threats that might spur it towards a Developmental State configuration.
v. Economic organizations, aimed at assessing technological and entrepreneurial capacities of the domestic capitalist class.
vi. Economic and social policy, aimed at assessing the nature of institutions prevailing in the settlement.

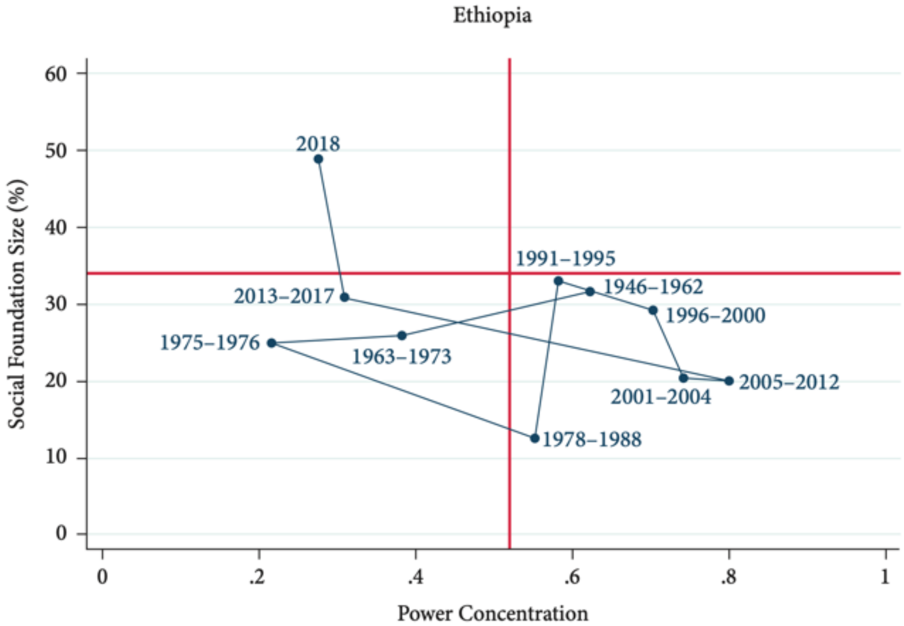
Almost all these variables are coded along an ordinal scale (e.g., "extremely powerful", "quite powerful", "somewhat powerful", "somewhat powerless", "powerless"), one notable exception being a percentage assessment of the total adult-aged population represented by each bloc. Authors then draw from a selection of raw variables to measure the political settlement against the two indicators of power concentration and social foundations (Figure 5 and Figure 6).

Figure 5. Construction of power concentration and social foundation indicators of the PolSett dataset



Source: (Kelsall *et al.*, 2022)

Figure 6. Polsett indicators for Ethiopia



Source: (Kelsall *et al.*, 2022)

This endeavour to formalize political settlement measurement is a valuable addition to PST, especially through the greater analytical clarity that it forces on the definition of the concepts underlying the theory. The measurement itself can be critiqued on the usual grounds applied to research projects that assign quantitative measures to fuzzy concepts like “democracy” or “governance”. The main shortcoming is that PolSett indicators such as “power concentration” give the illusion of being continuous numerical variables, while they reflect judgment-based values on ordinal scales (e.g., 1=not important, 2=slightly important, 3=fairly important, 4=very important). The scoring along the ordinal scales is measured by country experts – but one expert’s “not important” might be another expert’s “slightly important”. Equally, even if all experts were to hold the same threshold levels for a given variable scale, one expert may be less knowledgeable about the variable than another one, leading to measurement error when aggregating ordinal scale values (Maxwell, Marquardt and Lührmann, 2018).[21] The V-Dem dataset, the gold standard for this type of approach and inspiration for PolSett, uses statistical methods to mitigate these limitations – they have not yet been applied to the PolSett dataset.

For these reasons, my approach is rooted in the first school of thought. I deploy a qualitative analysis of the settlement for the three case study periods (1941-1973; 1974-1991; 1992-2017) rather than administering a questionnaire.

However, I take advantage of the work conducted by Kelsall et al. (2022) by triangulating my political settlement analysis with the indicators they computed for Ethiopia for the same time periods.

[21] Another element of critique is the lack of theorization behind the “mashing up” of index indicators’ sub-components (e.g. weighing, normalization, aggregation) as a way of measuring the overarching concept (Gutiérrez *et al.*, 2011; Ravallion, 2012).

Evidence supply, use and coffee policy processes
For each period, major coffee policy reforms are identified through a review of the relevant literature. For the Haile Selassie and Derg/early EPRDF era periods, the analysis is centred on coffee reform "bundles", rather than a single reform – whereas the 1998-2012 EPRDF case study focuses on the ECX reform.

A "twin-track" process tracing approach is then used to investigate a) the chain of events and driving factors that led to the reform's adoption and implementation, ascertaining the role that evidence might have played (demand track) and b) key knowledge outputs around coffee for the period and what contribution they may have brought to the reforms under consideration (supply track). The process tracing is structured around Kingdon's MSF and is conducted through key informant interviews and analysis of relevant literature, news items, policy documents and statistics:

(i) Problem stream
- Characterizing first-order policy problems relevant to the coffee sector through the PST analysis, and, where relevant, second-order policy problems specific to the coffee policy domain.

(ii) Policy stream
- Tracing the milestones leading to the reforms.
- Mapping the key players supplying and demanding knowledge around the coffee sector around the time of the reforms.
- Ascertaining how key knowledge products on Ethiopian coffee (e.g., research projects, policy reports…) might have been used for the policy reforms of interest.

(iii) Political stream
- Analysing the political and economic context that have highlighted the relevance of coffee policy problems for the key policy stakeholders at the time.

(iv) Implementation
- Assessing the outputs and outcomes associated with the reforms under consideration (e.g., production growth, quality improvement) through literature review, descriptive statistics, and key informant interviews).

3.4.2 Data collection
The data collection approach is differentiated for the contemporary period (EPRDF era) and the historical periods (Derg and Haile Selassie eras) case studies.

Case study 1: the 1998-2012 EPRDF era
The 1998-2012 EPRDF era case study focuses exclusively on the Ethiopia Commodity Exchange reform, which represented the one overarching coffee reform for the period.

The political settlement analysis is based on an extensive review of the relevant literature and descriptive statistics for the period.

The coffee policy process tracing data is collected from key informant interviews, a review of major policy documents for the period as well as the relevant literature and descriptive statistics.

On the interview side, 36 interviews were conducted with Ethiopia coffee sector and policy experts, academics, government, donor, private sector, and cooperatives representatives. Interviews included stakeholders directly involved in the reforms, such as former ECX, donor, and senior government staff. Interviews were conducted in Addis Ababa, London and remotely. The respondents were identified through snowball identification by a set of seed respondents selected on reputational criteria and stratified by organizations to include the government, donor, and academic communities. This approach is often performed for unobservable network populations, such as policy networks (Lewis, 2006; Contandriopoulos *et al.*, 2017). Interviews were structured around a set of questions seeking to elicit respondent's perception on the main determinants of the ECX policy reform, including its political economy and the role of evidence, if any, in shaping the reform. They were transcribed and coded for themes relevant to the case study.

On the literature side, the case study relied on an extensive base of academic articles, dissertations, donor reports, blog posts, news items, policy documents and legislations on the ECX policy reform – to our knowledge, this is the first systematic effort to collect data on the policy process of the ECX reform design, adoption, and implementation. The 200 documents cited include academic papers and dissertations in French that have never been used in the anglophone literature, and major policy documents that have rarely or never been used previously in the literature. Of particular interest is the 1998 unpublished, and never cited before, consultant report to the Prime Minister's Chief Economic Adviser that contained the first seeds of the ECX reform; as well as the unpublished, and never cited before, 2003 *Getting Markets Right* report of Eleni Gabre-Madhin that sets the blueprint for the ECX.

Films include Eleni Gabre-Madhin's TED talk, and Public Broadcasting Service's (PBS) 2009 documentary on the ECX reform, *The Market Maker,* which provide valuable insights into the framing used by Eleni Gabre-Madhin to present the ECX reform. Descriptive statistics are mainly drawn from the International Coffee Organization, FAO, World Bank and International Monetary Fund (IMF) data on Ethiopia macro-economic and coffee sector indicators.

Case study 2 and 3: 1941-1974 Haile Selassie and 1974-1998 Derg and early EPRDF eras

The 1941-1974 Haile Selassie era case study looks at the original coffee knowledge ecosystem that emerged under the emperor's rule, namely the multiple interconnected, mostly foreign, evidence producers and policy players. It assesses the political economy determinants of their motivations and role in shaping a set of foundational coffee policy reforms: the establishment of a coffee research and extension system, the promotion of coffee marketing and processing, the creation of the National Coffee Board, coffee grading centres and the coffee auction.

The 1974-1998 Derg and early EPRDF era case study analyses the transformation of this ecosystem under the upended political economy parameters of the Derg period. It looks at how the system began to separate between an evidence sphere marked by the "projectification" of coffee knowledge production, as cyclical donor programmes took hold, and the policy sphere driven by the Derg's ideological and survival consideration and centred on state plantations and state-led marketing. It also investigates the specific case of the Coffee Berry Disease containment policy. It broaches the coffee liberalization reforms that followed the collapse of the Derg and emergence of the EPRDF at the turn of the 1990s.

The political settlement analysis for the two chapters follows the same process as Case Study 1 on the 1998-2012 EPRDF era. It is based on the relevant literature and descriptive statistics available for the period. Of mention is the effort made to mobilize the rarely cited French political science literature on the topic.

The coffee policy process tracing data is collected from a review of major policy and legal documents for the period as well as the relevant literature and descriptive statistics. The case studies are grounded in the most significant archival work conducted on coffee policy in Ethiopia for these periods, to the best of our knowledge. Organizations visited for this research include:

- Addis Ababa: Ethiopia Commodity Exchange, Central Statistical Agency (CSA), Ethiopia Coffee and Tea Authority (ECTA), French Centre for Ethiopian Studies Library, Addis Ababa University Library.
- Jimma: Jimma University Library.
- London: International Coffee Organization Library, British Library, SOAS Library.
- Glasgow: Glasgow University Library.

In addition to this, the virtual archives of the World Bank, the FAO and the Ethiopian Institute for Agricultural Research (EIAR) were searched extensively for relevant documents – through my affiliation with the FAO, I was provided with documents never previously cited in the literature. In-depth research of relevant dissertations published at the time was conducted on ProQuest. Finally, the research retrieved the only other major academic work published on the political economy of coffee in Ethiopia - *The Political Economy of the Coffee Filiere in Ethiopia* - a dissertation published in 2002 with the University of Leeds by researcher Roy Love. The only physical copy was not digitalized until September 2023 and, until this dissertation, has remained unused in the research on Ethiopia's coffee sector despite the wealth of first-hand material and political economy analysis produced by the author and covering the Haile Selassie to early EPRDF era. Other documents of particular interest include the first ever report by an FAO policy adviser to the Government of Ethiopia, in 1955, that outlines plans for critical policy reforms such as the National Coffee Board, and internal FAO correspondence as well as an unpublished expert report, from 1969, advising the government on options for a Coffee Auction, never analysed or cited in the literature before to the best of our knowledge.

Descriptive statistics include macro-economic and coffee sector indicator time-series that were reconstructed from archival documents of the World Bank, FAO, International Coffee Organization, government agencies, and other relevant sources.

Epilogue chapter: 2012-2017 late EPRDF era
The epilogue chapter looks at the 2017 reforms that re-opened coffee marketing and exports outside of ECX while strengthening sectoral governance through a revival of the Coffee Marketing Authority, effectively ending the ECX experiment of the Meles Zenawi years. It relies on the data collected for Case Study 1, to which it adds period-specific literature and descriptive statistics reviews.

3.5 Challenges and limitations

Several challenges and limitations emerged throughout the dissertation.

Research design

The research project was initially designed as a cross-case study comparison between coffee and agro-industrial park policy reforms during the 2010-2017 period. The COVID-19 pandemic erupted during the coffee case study field work: on one hand, it shortened it before I could conduct interviews in coffee production areas, on the other hand it led to the impossibility of returning to Ethiopia for the second case study. In addition to this, several well-informed respondents suggested that the ECX coffee reforms deserved to be analysed through their historical trajectory, originating all the way back to the Haile Selassie era, and that this would contribute to fill an important research gap on a critical sector that was co-constitutive of the Ethiopian state development. This led to a reassessment of the research project: the agro-industrial parks case study was dropped in favour of a more historical perspective centred on coffee policy, and the Haile Selassie and Derg case studies – more amenable to UK-based data collection – were added to the research design. The COVID-19 pandemic also complicated the research from the UK, as successive lockdowns, including closures of schools and nurseries, slowed progress on the dissertation.

Data collection

The data collection process faced three main challenges:

- First, the COVID-19 pandemic reduced the time spent in the field. Twenty-five coffee case study physical interviews were conducted in Addis Ababa between December 2019 and the eruption of the pandemic in March 2020, and the fieldwork was interrupted before a planned trip to coffee producing areas could be made. An additional twelve interviews were conducted in the UK, either in London or remotely, between March 2020 and May 2021.
- Second, the initial research design envisaged a Social Network Analysis of ties around evidence sharing in the coffee policy network of Ethiopia. Among other variable measurements, the Social Network Analysis questionnaire entailed that respondents systematically provide names of other individuals who they were taking advice from or sharing advice with, in relation to coffee policy. During the piloting of the questionnaire, it became clear that this sociometric approach was difficult to deploy effectively as an outsider investigating a sensitive policy domain in the guarded and shifting environment of Ethiopia's federal government. Given the high risk of collecting data riddled with measurement errors, this approach was abandoned in favour of a more free flowing interview method, centred around core questions related to the ECX reform process determinants. This decision proved successful in yielding valuable qualitative data.
- Third, the historical case study research could not be conducted directly by the author in Addis Ababa, as the decision to change the research design and produce these case studies was made after the author was back in the UK for the COVID lockdowns, in March 2020. The author was able to visit the International Coffee Organization library in London, however, and access documents that were virtually never used in coffee research before. A research assistant based in Addis Ababa was also hired to visit key archival sources and search for policy and academic documents related to coffee for the Haile Selassie and Derg period.

Limitations and areas for further research

The dissertation contributes in several ways to the literature: first, it bridges, theoretically and empirically, two strands of research on evidence-informed policy and political settlement theory; second, it yields one of the only *longue durée* political settlement outlooks on Ethiopia; third, it arguably constitutes the most in-depth historical research available on coffee policy in Ethiopia, using several sources never cited before; fourth, it offers valuable insights into the role of evidence in informing agricultural policy in developing countries.

There remain, however, limitations that call for further investigation. An important drawback is that it does not rely on first-hand accounts as to how key coffee policy decisions were made during the Imperial and Derg eras. There may be individuals with institutional memory, or archival documents that were not found by the author, that would help document this further. For instance, it is unclear whether there are any remaining archives of the National Coffee Board and the Ministry of Coffee and Tea Development, beyond scanned documents that could be found with the EIAR and scattered around virtual libraries – some key respondents posited that they had all been destroyed with regime changes, but individual documents may remain in possession of specific individuals. The fact that the archival work in Ethiopia was conducted remotely through a research assistant constitutes another limitation in that regard.

A second limitation is that the author could not interview the most senior figures involved in the ECX reforms. Ato Newai Gebre ab passed away shortly after the field work began, and the author was not able to interview Eleni Gabre-Madhin, Arkebe Oqubay, or other apex-level stakeholders. Further research could focus on triangulating this dissertation's findings with their accounts.

A third limitation is that the findings are difficult to generalize beyond the case of Ethiopia's coffee sector. Further research could seek to replicate the approach to other sectors within Ethiopia, or to different types of political settlement outside of Ethiopia, to test the validity of the findings in different contexts.

Finally, although great care was taken in specifying the research design and approach, PST and evidence-informed policy research remain loaded with fuzzy concepts that are difficult to measure and analyse, either quantitatively or qualitatively. For further research, it may be valuable to deploy the Social Network Analysis framework initially envisaged, in a context that would be more amenable to this type of data collection. A more anthropological approach, whereby the researcher would be better able to observe day-to-day coffee policy processes and how they may be shaped by political economy and knowledge, would also be of great value.

Chapter 4. Founding the coffee policy and research ecosystem: the Haile Selassie Era, 1941-1974

4.1 Introduction

This chapter looks at the political economy of Ethiopia and its coffee sector between 1941 and 1974, and how it affected the supply and demand of evidence in coffee policy. The chapter first analyses the political settlement parameters that set coffee policy in motion in Imperial Ethiopia at the turn of the 1940s (Empire state Building: centralization and surface modernisation). It documents and analyses how the Imperial Ethiopian government and a small number of foreign organizations encouraged the emergence of a coffee knowledge ecosystem, intrinsically linked to the development of the major coffee policies that still shape the sector to this day (Founding the coffee knowledge and policy ecosystem). The chapter then reviews the evolution of this ecosystem from the mid-1950s to 1974 and assesses how successful it was in fostering the outcomes pursued by the Imperial government (Implementation: the nationalization of coffee knowledge and centralization of coffee policy)

4.2 Empire state building: centralization and surface modernisation

This part situates the Ethiopian political settlement trajectory and dynamics at the turn of the 1940s. This political settlement can be considered to have lasted, relatively unadulterated, until the mid-1960s, and has been the canvass for the major coffee policy reforms under Haile Selassie's rule.

The section first analyses the defining impact of the development of the Ethiopian empire, from the end of the 19th century to 1936. From the 1920s, the country's political settlement was defined by Haile Selassie's efforts to hyper-centralize power and rents in his hands and those of his affiliates. This required a consolidation of the fragile empire that had been violently put together in the 19th century by his predecessors. As a regent and then emperor, Haile Selassie strategically promoted the transition of Ethiopia into a centralized Weberian state, characterized by legal-rational institutions and increased state presence on the territory. The centralized state structure, albeit superficial, helped him drain rents and power away from the regional aristocracy and bolster his imperial legitimacy domestically and abroad.

4.2.1 Menelik II and violent Empire-building

Ras Tafari Makonnen became regent of Ethiopia in 1916 and emperor in 1930 under the name Haile Selassie I. From the early years of his reign, he pursued the overarching ambition of his predecessors: to transform Ethiopia from a feudal to an absolute monarchic order, under the rule of one emperor[22]. He was building on the dynamic initiated under Emperor Tewodros II (1855-1868) and continued under Yohannes IV (1872-1889) and more so Menelik II (1889-1913).

Menelik II, as the King of Shewa (1865-1889) and then emperor, was the first to expand the imperial territory beyond the historical Christian highlands. He conquered – among other territories – the Gurage lands, the Gambella region, the Kaffa, Wolayta and the Gibe kingdoms to the South-West of his Shewan base; the Wellega to the West; the Arsi, Harar and Ogaden

[22] The absolutist project of Haile Selassie is defined by Barhu Zewde as the cohabitation between a surface modernization of institutions and subterranean archaism of political and social relationships (Bach, 2011).

territories to the South-East; and the Afar region to the North-East (Bach, 2011; El Ouaamari, 2013). Menelik was particularly gifted in negotiating with France, Italy, and Britain to obtain military training[23] and tens of thousands of modern guns and rifles that gave his army an edge over the Southern kingdoms (Jalata Assafa, 1990).

Menelik's conquests first aimed at consolidating his prestige and imperial standing. As a king (*negous*) he was eyeing the emperor's throne (*negoussa nagast*) occupied by Yohannes IV but could not claim it without expanding his sphere of political and economic influence beyond the Shewan province. Twenty-four years into Menelik's reign, Yohannes died at the hands of the Sudanese Mahdists, and the Shewan monarch was able to succeed him. He needed, however, to assert the authority of Shewa. For most of the 19th century, the political heart of Ethiopia had been in the Northern regions of Tigray and Gondar, where Yohannes and Tewodros originated: the Southern expansion displaced the Empire's centre of gravity towards Menelik's homeland.

The conquests were also a ''practical necessity'' for Menelik (Schäfer, 2017, p.107). The Northern Highlands were experiencing recurring famine episodes, due to a combination of livestock diseases, failing rains and limited availability of fertile lands. This was in part associated with the land tenure system prevalent in the North, based on *rist* and *gult* customary rights. Landlords who had *gult* rights (*gultegna*) on a land could extract tithe, rent, and corvee on a given population of taxpayers (*gebbar*) that lived on the land, provided they channelled a share of the resources to the central authority. Meanwhile, peasants had *rist* rights, that is ownership of the land, so long as they would fulfil their *gebbar* obligations. *Rist* rights were granted to kinship groups based on a common mythical ancestor who first laid claim on the land and passed on from generation to generation. *Rist* rights could be granted to new and powerful claimants and divided among children of their owners upon their death (Abate Teferi Adem, 2019). They were not, however, sold or given beyond these justifications. This led to an ever-growing land fragmentation, encroachment into unproductive marginal territories and a decreasing availability of land for the would-be *gultegna* (Schäfer, 2017; Abate Teferi Adem, 2019).

Menelik's annexation of the fertile Southern peripheries alleviated pressure on food availability and provided an abundance of rents for his clientele: the land itself, cattle, slaves, ivory, coffee, made even more valuable because Southern conquests opened new trade routes to the Red Sea ports. The goods his army plundered, and the tributes and soldiers of submitted kingdoms, also fuelled his perpetual campaigns, arms imports and empire-building projects, such as the Addis Ababa-Djibouti railway. The emperor also began imposing centralized taxation[24] in the South by appointing *nagadras,* noble merchant chiefs who oversaw market towns and tax collection for the Empire (Jalata Assafa, 1990).

[23] The French in particular provided training on cartography, military tactics, and administration to Menelik's troops. In return the emperor bought thousands of weapons from them and facilitated trade between Shewa and the French trading post of Obock, that would become the Djibouti colony. One of the most notorious French trade representative and arms dealer at the time, based in Harar, was poet Arthur Rimbaud.

[24] For instance, in 1887 the emperor imposed a tax of 10 000 dollars on each gate of the occupied city of Harar (Jalata Assafa, 1990).

The Imperial state established a variant of the *rist-gult* land tenure system in the conquered South, obliterating the pre-existing customary rights. *Gult* rights were provided to Menelik's trusted administrators (*melkegna*), co-opted local elites (*balabbat*), and simple occupying soldiers (*neftegna*). These *gult* owners were different from their Northern peers – they were settlers (or co-opted locals), playing both a pacifying and administering role in the conquered territories (Schäfer, 2017). The peasants working on their lands had to abide by their *gebbar* tribute and tithe but did not benefit from the *rist* status (Henok Kifle, 1987). The emperor also gave a limited number of concessions to foreigners, including on coffee land, marking the beginning of a foreign direct investment diplomacy (Jalata Assafa, 1990).

Menelik's army built several garrisons (*katamas*) to control the conquered lands, from which it would centralize tax collection and conduct raids, especially in the pastoral lowlands (Jalata Assafa, 1990; Markakis, 2011). The garrisons also harboured a few international merchants, especially the French, Armenian, Arabs and Indians. The *katamas* network would form the imperial trade and administrative nervous system (Jalata Assafa, 1990) in the 20th century.

Where there was resistance, Menelik's campaigns were very violent, as his army devastated fields, houses, enslaved and decimated the civilian population (Jalata Assafa, 1990). A case of interest for the coffee sector is the coffee-producing kingdom of Kaffa. After the emperor's army vanquished King Chinito in 1897, Kaffa collapsed, leading to widespread massacres, plundering, and slave capture from Menelik II soldiers, rogue bandits, and some former Kaffa elites. Thousands of farmers fled and abandoned fields and coffee forests. This led to population decline from one million inhabitants at the end of the 19th century to possibly as low as 100 000 in the 1930s (El Ouaamari, 2013). The neighbouring coffee kingdom of Jimma, on the other hand, was spared by Menelik due to its relative wealth, important trade status through the market town of Hirmatta, and effective centralized rule by king Abba Jiffar (El Ouaamari, 2013; Schäfer, 2017). Jimma, however, had to pay a hefty tribute to the emperor and participate in his military campaigns. After the death of Abba Jiffar in 1932, it was forcefully integrated in the Empire by Haile Selassie.

Through his campaigns, Menelik brought together an amalgam of kingdoms and provinces under the Abyssinian banner. These territories had various degrees of autonomy, some being ruled by hereditary kings, others by his appointees; all were expected to pay tribute and raise an army upon command. In that sense, an Empire existed but was a fragile construct and the locus of power remained provincial, with Menelik's court exerting ''parcellized sovereignty'' (Henok Kifle, 1987, p.181).

Menelik's endeavours, along with the European colonial expansion in the Horn of Africa, defined the outside borders of Ethiopia through diplomacy, trade and military confrontation: the emperor kept the British bay in Sudan and British Somaliland, the French in Djibouti and the Italians in Eritrea and Italian Somalia. The victorious battle of Adwa against the Italians, in 1896, constituted the culminating event of this process and earned Ethiopia recognition as a sovereign empire by Western nations. In the wake of the victory, Menelik II signed treaties with Italy, France, and Great Britain – the three Western powers with views on Ethiopian land. The Addis Ababa treaty, signed with the Italians, granted them Eritrea, much to the discontentment of the Tigrayan nobility. The Tigrayan Ras Mengesha attacked Menelik, but the emperor overcame the military challenge. This episode once and for all established Shewa and its new capital city of Addis Ababa as the political centres of the Ethiopian empire. The battle of Adwa was also the founding event in the building of a modern pan-Ethiopian "imagined community" (Anderson, 2006, p.1) and would be used by all regimes to stoke the national sentiment.

From their Tigrayan and Shewan cores, Tewodros II, Yohannes IV and Menelik II conquered and annexed most of the peripheral kingdoms and territories, while repelling Western powers. They spent their lives in quasi-perpetual military campaigns.[25] Haile Selassie, instead, would focus on consolidating the Empire he inherited and deepening its political, territorial, and symbolical presence. [26]

4.2.2 The Haile Selassie early years: setting up the superficial Weberian state

Under Ras Teferi's regency and imperial rule, Ethiopia began transitioning towards a centralized Weberian state model. [27]The country's first Constitution, adopted in 1931, provided a formal, legal-rational foundation for the Empire. It created a Senate and a Parliament. The deliberative chambers gave the appearance of a separation between executive and legislative powers, associated with the modern nation state. Beyond the surface however, institutions remained firmly patrimonial and rooted in the military and political hegemony of the imperial elite. Supreme power still lay ''in the hands of the emperor" (Imperial Government of Ethiopia, 1931, p.1). Haile Selassie decided who would sit in the Senate. Members of Parliament were elected for an unspecified period of time by the nobility and were not allowed to initiate legislative processes and debate government organization, the army, foreign affairs (Bach, 2011).

Haile Selassie favoured the emergence of a bureaucracy to run the expanding state machinery. Education had been the mandate of the Church until then, but Haile Selassie planted the seeds of an imperial education system to train future state administrators and, more generally, build a technocratic elite that he could control.[28] The department of Education was raised to a Ministry in 1930, two schools were created under his name (1925) and that of his wife (1931) to teach children of the elite, and by 1936 there were thirteen schools in Ethiopia (Markakis, 2011). Haile Selassie also appointed, as top-level Addis Ababa civil servants, Ethiopians that had studied abroad under Menelik II and Zewditu's reign. They often did not originate from the very upper echelons of the nobility, in that sense forming a new elite class whose allegiance was to the central Empire (Markakis, 2011). In the regions, the emperor placed trusted individuals as state governors, siphoning power away from the provincial aristocracy and consolidating his hold on the imperial territory. This was further cemented in 1941, when Ethiopia adopted a set of administrative rules and regulations that

[25] Although it should be acknowledged that Menelik II planted the seeds of the ''modern Ethiopia'' – he introduced the concept of a professional and well-equipped army, a Cabinet of Ministers, a telephone and postal line, was behind the Addis Ababa-Djibouti railway and an intellectual opening towards other modernizing Nations, in particular Japan (McVety, 2008).

[26] This is aligned with Antonio Gustozzi's central point in *The Art of Coercion*, namely that military-oriented elites first go through a primitive accumulation of a monopoly of large scale violence (the "Menelik phase"), which is then consolidated by political-oriented elites through "co-option, alliances, manipulation, and intimidation" (the "Haile Selassie" phase) (Giustozzi, 2011, p.9) or, as Norbert Elias put it, a "curialisation" of warriors from fighters to courtiers. (Elias, 2000)

[27] That is, exerting the monopoly of legitimate use of physical force on a defined territory through a set of legal-rational and administrative instruments (Weber, 1946).

[28] Including for the very education of Teferi Makonnen himself. The young Teferi was educated by a French capuchin monk by the name of André Jarosseau.

included a wage payment for regional administrators, increasing their dependency and loyalty to the core (Markakis, 1974).

Much of the legal and administrative state building was devoted to fiscality. The Constitution stated that “The receipts of the Government Treasury, of whatever nature they may be, shall be expended in conformity with the annual budget fixing the sums placed at the disposal of each Ministry” (art.55) and that “the Nation is bound to pay legal taxes” (art.21) (Imperial Government of Ethiopia, 1931, pp.3-6). The emperor created Custom Director positions in Addis Ababa, and reformed the statute of *nagadras*, paying them with a wage instead of a percentage on tax collection (Bach, 2011). As had Menelik, Haile Selassie deployed them strategically to collect and funnel taxes directly to Addis Ababa, gradually replacing the old system of roadblock fees on trade routes that benefitted the local elite (Edwards, 1988). In 1934, each Ethiopian was asked to contribute one Ethiopian dollar annually, and in 1935 a tax of 30 birr per *gasha*[29] was added to the *asrat*, the traditional tithe paid by Ethiopian peasants (Bach, 2011). These two regulations were precipitated by the impending Italian invasion and the urgent need to fund armament imports and raise more soldiers, highlighting the interconnectedness of the fiscal policy of the state and the build-up of Haile Selassie’s coercive muscle (Henok Kifle, 1987).

The centralization and formalization of the army was the other building block of the reformed Empire. The powerful Minister of War, Habte Giorgis, died in 1926 and his army of 16 000 men came under the service of then Regent Teferi Makonnen. Teferi used this force to clear his way to the throne, adding a personal militia of 5000 men that became the Imperial Guard in 1928. From 1929, Ethiopian officers were sent to the elite French military school of Saint-Cyr and Ethiopia received military planes and training from the French. The Belgians trained the imperial guard and the Swedish did so with the infantry in the new military school of Holeta, a few kilometres away from Addis Ababa (Bach, 2011; Markakis, 2011). The modern army was also an instrument of state-building insofar as it brought together Ethiopians hailing from several different regions and ethnicities. The top level of command was nevertheless firmly Amharic, with Oromos making the bulk of the low-grade soldiers (Markakis, 2011).

4.2.3 The Weberian state as a rent-allocation instrument

The Weberian state construction in the early days of Haile Selassie’s reign was not a purposeful transition towards a capitalist political settlement, dominated by “well-enforced formal rights” (Khan, 2010, p.49). Rather, it can be understood as an evolution in the means of imperial domination, from sheer military violence to institutionalized control under the absolute power of the emperor. During his two decades long ascension to the throne, Haile Selassie had to survive multiple intrigues and military challenges from the Shewan and provincial aristocracy. With a more centralized army and fiscal system, he deprived them of the means of violence and ability to raise resources, thereby undermining their capacity to challenge him. The burgeoning legal-rational institutions also helped draining rents from the periphery to the core, where they could be allocated by the Palace to manage the pacified settlement. New positions of power emerged, giving access to these centralized rents. Many of these positions, including senatorial, ministerial, or high-ranking civil servant roles, were in Addis Ababa, bringing provincial elites closer to the Imperial watch. The enlisted support of

[29] A *gasha* corresponds to a surface of 40 to 80 hectares (El Ouaamari, 2013)

this clientele of rural nobles ensured they would not agitate the peasantry against the emperor (Barhu Zewde, 2001).

Ethiopia was a pre-capitalist economy at the time and the foremost source of rents was land. In the 1930s, Ethiopian land rights were still customary. In the Highlands and the Southern territories annexed under Menelik II, they were predominantly organized around the *rist-gult* system described above. The *rist-gult* system was anchored in hereditary and communal right transmission. It entailed an informal relationship between the *gult* and *rist* owners that went beyond a legal and transactional rapport, a striking feature of which was the impossibility to evict the *rist* owners or buy *rist* from them. This stood in the way of land acquisition, distribution, and consolidation – all three being critical for the Palace to allocate rents to its proto-capitalist elite clientele.

Haile Selassie began to commodify the land. The Constitution of 1931 guaranteed the ownership of landed property as a fundamental right, opening the door for the state-sanctioned right to eviction that was a precondition for land accumulation. The commodification was especially aimed at the vast Southern fertile lands, that had high latent rent value because they could more easily consolidated than in the North and used to harvest several cash crops – especially coffee.[30] The *gult* system in the South, an institutional novelty that had been superimposed by Menelik II, was not as strongly rooted as in the North. An absentee *gultegna* class had begun to emerge, engaging in construction or manufacturing in urban centres and treating the *gebbar* as sharecropper tenants (El Ouaamari, 2013; Schäfer, 2017).

In 1941, all forms of tributes and services – except tithe – were legally banned and replaced by a monetary tax system, thereby rendering the *gebbar* obligations *de jure* void (Love, 2002; Mascagni, 2013). In 1942, 1944 and 1951, successive Land Tax Proclamations prohibited the use of *gult* rights. Although not always respected *de facto*, these legal changes encouraged the agrarian transformation towards a market economy, eroding the customary rights system. In 1951-52, the *gibre tel* declaration allowed the state to seize land if the tax had not been paid for, as well as land considered as excess under the burgeoning land registration (Love, 2002; El Ouaamari, 2013). State administrators used the declaration to seize and redistribute vast tracts of land away from smaller *gultegna*, such as the *neftegna*, and to the core imperial clientele.

The opportunities for significant capital accumulation were limited and strongly correlated with land possession. The imperial elite benefited through the sale of cash crops, forestry, and animal products on the land they were accumulating, including coffee, honey, ivory, civet musk, fruits and horticulture (McClellan, 1980; El Ouaamari, 2013). Export crops were particularly valuable because they provided foreign exchange to import luxury goods (e.g. cars, fridges) and pay for the foreign education for the children of the elite (Jalata Assafa, 1990). By the 1920s, coffee was fast becoming a primary vector of accumulation: most Ethiopian elephants had been slaughtered, it was increasingly difficult to find slaves and the

[30] There was room for agricultural capitalism to flourish outside of the Southern lands: for instance, from the 1950s Haile Selassie's government would promote sugar and cotton production in the Awash valley, as well as pulse and oilseeds in Humera. These, however, relied on foreign financial and human capital. Coffee was, quite literally, a low-hanging fruit for domestic capitalist production because it could mobilize a readily available wage force, natural capital (wild coffee trees and managed forests and gardens) and land.

practice was becoming frowned upon by the Imperial state due to international pressure (McClellan, 1980; Jalata Assafa, 1990).[31] Meanwhile, global coffee prices were on the rise and production could be expanded easily by incentivizing *gebbar* into picking more cherries and through investments in “quick and dirty” plantations with a low-input/low-output model that well suited absentee ownership. Haile Selassie himself developed a 60 000-tree coffee plantation in Harar (Love, 2002). The Empire also granted a small number of coffee land concessions to foreign compagnies, for instance, the Société Belge des Plantations d’Abyssinie, which employed 2000 workers and harvested around 1.7 million plants in 1936 (Love, 2002).

Another important source of capital accumulation was investment in urban land and renting to foreigners – who were not legally allowed to buy land – for urban development (Schaefer, 1992). It should also be noted that banking activities were expanding fast in the 1920s and 1930s, providing loans that assisted the transition of the Ethiopian nobility into a capitalist-aristocratic class. The Bank of Abyssinia, that had been a branch of the British-controlled National Bank of Egypt since 1905, grew increasingly independent and was fully nationalized by Haile Selassie in 1931 (Schaefer, 1992).

The Imperial core also dabbled in trading. For instance, *Dejazmatch* Desta Damtew, Haile Selassie’s son in law, bought and introduced his own fleet of lorries to trade coffee in the early 1930s – as a governor of Jimma in 1929, he had paved the way for his own business to succeed by ordering the Jimma-Agaro road to be built (McClellan, 1980; Guluma Gemeda, 2002). However, the trading business was dominated by foreign players. The Arab, Indian, Greek, Yemenis and Armenian small and medium-sized traders were more successful than their Western counterparts. These dealers practised relatively small-scale commerce with modest profits.[32] They were agile in adapting to the infrastructural and institutional parameters of Ethiopia and had a fine understanding of the local politics in production areas. They also did little political meddling and could not vie for land ownership. Finally, they traded largely through Addis Ababa and via Djibouti, which very well suited the centralizing ambitions of Haile Selassie. They played an important role in developing and deepening Ethiopia’s monetary economy, without endangering the political settlement managed by the Imperial government. As such they were seen favourably – some were given trading facilities, for instance the authorization to provide informal banking services outside of Addis Ababa (Edwards, 1988). Naturally, these traders invested in the coffee business: as soon as the 1930s, exporters of foreign descent controlled 80% of coffee exports (McClellan, 1980).

4.2.4 The territorial projection of the Weberian state

Haile Selassie’s centralizing project was not limited to a reform of legal-rational institutions. It also materialized physically, bringing more people in contact with the state soft and hard

[31] The wealth accumulated through coffee sometimes worked against the Imperial core. In 1928, *dejazmach* Balcha Safo, the Gurage governor of the coffee province of Sidamo, marched with his army on Addis Ababa to meet Teferi Makonnen. The emperor managed to nip the attack in the bud by replacing Balcha with a more popular Governor, leading to a defection of the large part of his army (Love, 2002; Bach, 2011).

[32] There were, however, some relatively large import-export firms. The most notorious and largest was Mohamedally and co., founded by Shaikh Shafaraly, a Gujarat trader that had lent a considerable sum of money to Ras Makonnen during the Ethio-Italian war of 1895, and had earned trading monopolies on coffee and other goods as a reward. Mohamedally then became close to Ras Makonnen’s son, Haile Selassie (Harre, 2015).

infrastructure: civil servants, state law and taxes for the former; schools, hospitals, telecommunications, roads, and rail for the latter (McVety, 2008). The imperial transport network was vital in that process and expanded through peripheral territories, with Addis at the core. Its backbone was the Djibouti-Addis Ababa railway, initiated under Menelik II and completed in 1917 by an Ethio-French company dominated by French capital and interests. The railway flipped the Ethiopian trading axis from North-South to West-East, firmly anchoring Addis Ababa and Shewa as the new economic centre of Ethiopia. Trade in historical Northern merchant cities, such as Gondar and Metemma, declined, while new market towns flourished along the railway and harboured much of Ethiopia's urban and industrial growth (Markakis, 2011).[33]

This was the case of Dire Dawa, a town established and planned by the company's engineers at the place that was the terminus of the railway between 1903 and 1917 (Pankhurst, 1963). The railway encountered several issues: engineering failures, theft and sabotage, excruciating red tape paperwork and custom control and fees in Djibouti and Dire Dawa (Pankhurst, 1963). Yet, Haile Selassie stymied the development of trade routes that would not go through Addis Ababa, making it indispensable. With growing global demand for coffee expanding (Clarence-Smith and Topik, 2003; Schäfer, 2017), so did the trade volume. The commodity already accounted for the bulk of the trade between Shewa and the Red Sea – 33 000 out of 55 000 camel loads at the beginning of the 20th century (Pankhurst, 1963). The tonnage quadrupled between 1910 and 1927. Exports had been limited to Harari coffee until 1921, but in that year "Abyssinian" coffee began to be exported as well and volumes expanded threefold within six years (Pankhurst, 1963).

The "Abyssinian" coffee came from the coffee growing regions of the South-West of Ethiopia, that contained the bulk of coffee forests and production: Wellega, Illubabor, Jimma and Limu, Tepi, Kaffa, Bench Maji.[34] The coffee exported from Ethiopia had hitherto largely been known as Harar – the Eastern Muslim city was the hub from which all Ethiopian coffee was traded to the Yemeni port of Mocha, where Ethiopian coffee was then shipped around the world (Siemenski, 1955; Koehler, 2017). Abyssinian coffee, on the other hand, was exported in large quantities through the West, via the British inland port of Gambella and Sudanese colony (Jalata Assafa, 1990; Love, 2002). This began to change as Menelik and then Haile Selassie expanded the road network into the heart of the South-West coffee production areas (Love, 2002). Road building was aimed at facilitating military and settler travel to pacify and administer regions recently conquered by Menelik, but also centralize economic flows through Addis Ababa - especially the coffee trade, with its associated tax revenue and foreign exchange earnings (Edwards, 1988; Love, 2002). The road network to the South-West would not be all-weather until the Italian road improvement programme (Baker, 1974), but the Djibouti Abyssinian coffee trade exploded nonetheless – going from 71,000 kgs in 1920 to 9,408,000 kgs in 1934 (Table 3).

[33] Although it should be acknowledged that the importance of Gondar had already started diminishing at the end of the 19th century, when the invading Sudanese Madhists massacred many of the cities' Christian traders during the war with Yohannes (Pankhurst, 1964).

[34] This production area typology is that of the Kew Coffee Atlas of Ethiopia (Davis *et al.*, 2018).

Table 3. Coffee exports via Djibouti (kg)

Year	Harari	Abyssinian	Total
1910	2,924,000	245,000	3,169,000
1920	2,745,000	71,000	2,816,000
1934	7,835,000	9,408,000	17,243,000

Source: (Pankhurst, 1968) in (Love, 2002)

4.2.5 The Weberian state and Haile Selassie's legitimacy

The transformation of Ethiopia into a – superficial – Weberian state had a strong symbolical dimension. With Western institutions stuck onto feudal Ethiopia, the Empire could claim "modernity", that is formal resemblance with other Westernized states of the emerging international legal order (Barhu Zewde, 2002a; Donaldson, 2020).[35]Below the surface, Ethiopia remained patrimonial and the economy pre-capitalist, but the institutional mimicry was enough to earn it some recognition, from Western powers, as a "sovereign jurisdiction existing on terms of formal equality" (Clapham, 1988, p.26-27).[36]The external legitimacy thus conferred did help Ethiopia's diplomatic endeavours – for instance, it was the second African state after Liberia to be admitted to the League of Nations in 1923. This should not be overstated, however. The very inclusion of Ethiopia in the League of Nations was largely the outcome of geopolitical games between France, Italy and the United Kingdom, albeit astutely exploited by the Palace (Iadarola, 1975)[37]. Although they held Ethiopia in higher regards than other parts of Africa by virtue of its ''modernity'' and Christian civilization, the three foreign powers pursued a colonialist policy stance towards it, and Italy ended up invading the country once again, with little opposition from the League of Nations (Donaldson, 2020).[38]

The prime beneficiary of Ethiopia's modern image was Haile Selassie. During his regency years, already, he wielded modernity as a symbolic weapon against his challengers from the Shewan aristocracy and the Orthodox church (Bach, 2011). Before he was crowned, Ras Tefari portrayed himself, to the foreign powers, as a liberal reformer that stood out from the conservatives of Zewditu's court (Edwards, 1988). This brought him significant support from the West - for instance the French Air Force suppliers and training - that set him apart from other challengers to the throne (Markakis, 2011).

Ras Teferi also understood the importance of the aesthetics of modernity. For instance he was the first Ethiopian personality to fly in a plane, in 1922, which did much for his reputation with Western admirers and Ethiopians alike (Edwards, 1988). His European tour of 1924 dazzled the public opinion and portrayed him as a "progressive Solomon" (Edwards, 1988, p.171), raising his profile abroad and domestically – although it was a diplomatic failure (Edwards,

[35] The recognition of Ethiopia as a state worthy of joining this order was also rooted in its "Christianity and military prowess", vindicating its ''civilizational standard'' as defined by the Christian Western states at the time (Donaldson, 2020, p.6).

[36] There are parallels between this and the attitude of Western colonial authorities following the Berlin Conference 1884-1885, who had to develop a patina of legal-rational institutions to earn legitimacy as sovereign territories in the eyes of competing Western powers.

[37] Ironically, Ras Teferi was not pleased with the acceptance, for which he did not earn credit as he had been side-lined by Zewditu and her court in the negotiation process (Edwards, 1988).

[38] The US objected to it, however, which did not go unnoticed in Ethiopia and facilitated diplomatic ties after WWII (Agyeman-Duah, 1984).

1988; Monin, 2013). Likewise, he made important symbolical gestures to end the endemic slavery in Ethiopia, an issue that was harming the nation's image abroad amidst growing outrage from the Western public towards the practice (Iadarola, 1975; Edwards, 1988).[39]

4.2.6 Conclusion

At the turn of the 1940s, all the ingredients of the Haile Selassie era political settlement were there. Taking a leaf out of Menelik's book, the emperor had initiated a process of hyper-centralization of the settlement, setting up a superficial Weberian structure to undermine the conservative opposition and facilitate the distribution of rents. He had accelerated the projection of state presence across the territories annexed by his predecessors and applied a veneer of Western modernity on his imperial project, increasing its domestic but most of all international legitimacy. The Italian invasion, however, upended the settlement before it could solidify. Haile Selassie would need to deploy colossal resources to restore it, and Ethiopian coffee would prove critical to this endeavour.

4.3 Founding the coffee policy and knowledge ecosystem

This part uses Kingdon's Multiple Streams Framework to assess how a coalition of foreign experts worked together with the imperial elite to establish the basis of an Ethiopia coffee policy and knowledge ecosystem in the 1940s and 1950s. According to Kingdon (1984) three streams ought to coalesce for a window of opportunity to open that would allow policy change: a problem, a policy and a political stream.

The 1940s and 50s were not characterized by single, specific policy problems but rather the overarching objective of Empire consolidation pursued by Haile Selassie. The emperor needed to breathe life into his vision of a centralizing political settlement built around his persona and coffee policy was fundamental in that regard as an instrument to concentrate resources and garner support from the US and the nascent multilateral system of organizations. This was propitious to the emergence of a technical apparatus that would generate the knowledge necessary to maximize resource extraction from the coffee sector, formalize the coffee market and increase the capital accumulation of imperial elites in coffee production areas. This knowledge ecosystem, in turn, shaped major coffee policies, the most important of which was the creation of the National Coffee Board.

4.3.1 Introduction

In May 1936, with Italian forces marching on Addis Ababa, Haile Selassie went into exile. The invaders settled in Ethiopia, aiming to transform it into their jewel-in-the-crown colony. However, they faced stiff and lasting Ethiopian resistance, and the eruption of World War II aggravated their woes: in 1941, British forces attacked from the South, via Kenya, and the West, via Sudan. They defeated the fascist power in three months (Pankhurst, 1996; Markakis, 2011). The emperor, who had spent five years exiled in Bath, returned to rule Ethiopia.[40] He

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[39] In Britain, the Anti-Slavery Society was especially vehement in lobbying Westminster and the League of Nations to pressure Ethiopia into ending slavery. They published newspaper articles that deeply offended Haile Selassie, much to the dismay of the British Foreign Office, whose main interest was in securing a dam on Lake Tana to regulate the Nile floods for cotton production in the prized Egypt protectorate (McCann, 1981).

[40] In somewhat colorful terms, Addis Hiwet sums up the process that led to Haile Selassie returning to the throne: "The British, determined that whoever was installed in power in post-war Ethiopia had to serve British war-time

picked up his absolutist project where he had left it off, starting what might be called the Restoration period.[41]

The Italian interlude had strengthened Haile Selassie's hand. The war against the fascists greatly weakened the Abyssinian provincial elite, with many killed or dispossessed and many more discredited for having collaborated with the enemy (Swansinger, 1991; Markakis, 2011). This was the case of several prominent leaders that were enemies of Shewa and saw, in the Italian occupation, an opening to reclaim space from Addis Ababa. This included Tigrayan lords, like *Dejazmatch* Haile Selassie Gugsa who helped the Italians administer Tigray, and Southern chiefs from the people recently subjected to the imperial rule. The Italians were also hostile to the *rist-gult* system and had chased away many imperial administrators in the Southern peripheries, hoping to win support from the local population in the fight against the Abyssinians (Jalata Assafa, 1990; Markakis, 2011).[42] In that sense, they accelerated the emergence of the capitalist transformation that Menelik and Haile Selassie had begun to unleash.

The fascists invested heavily in the transport network, cementing the status of Addis Ababa as the economic and political centre of Ethiopia (Figure 7). Until 1935 there had been 58 km of all-weather road in Ethiopia – Italians built close to 7000 km of roads, 3450 of which were tarred. This included roads from Addis Ababa to the coffee producing areas of Jimma and Lekemti, and to the ports of Assab and Massawa (Baker, 1974). The Italians also renovated the Addis Ababa-Djibouti railway. They sought to extract as much foreign exchange as possible from their colony and went as far as banning exports from Ethiopia to Italy, including coffee, to divert them to other markets that would earn foreign currency (Love, 2002). Their hopes were frustrated, however, as coffee production crashed under their rule due to the disruptions they brought to the *gebbar* system, shortages of labour, passive resistance and falling global prices.

interests, found in the disgruntled little monarch at Bath, the inveterate Anglophile, an ideal choice" (Hiwet, 1975, p.87-88) in (Assafa, 1990, p.327).

[41] This term is found in the French literature on Ethiopia, as a self-explanatory reference to the Bourbon restoration period that followed the Napoleonic era. From 1815, kings Louis XVIII and then Charles X, brothers of Louis XVI, attempted to restore the absolutist monarchic institutions that had been uprooted during the French revolution. They were ultimately unsuccessful and swept away by a second revolution in 1848.

[42] In addition, they opposed slavery and, instead, employed hundreds of thousands of gebbar and free slaves as a proletariat to work in the burgeoning colonial industry and public works.

Figure 7. The transport network under the Italian occupation

Source: (Playfair, 1956)

4.3.2 The problem stream: breathing life into Haile Selassie's Weberian-patrimonial Ethiopia

From 1941, Haile Selassie was in a strong position to consolidate his hold on the Ethiopian Empire. Challenges were multiple, however. The Italian intermezzo had emboldened the Northern Highland provincial nobility. The two Tigrayan leaders, Seyoum Mengesha and Haile Selassie Gugsa, had been particularly close to the fascists and had hoped to form a greater Tigray, merged with Eritrea (Markakis, 2011). They had some support from the British, and were appointed by the War Office as governors of Tigray in 1941, without Haile Selassie having been consulted (Erlich, 1981). A scheming Haile Selassie Gugsa was soon out of the picture, and the emperor forced Seyoum Mengesha to pledge allegiance to him.[43]

Some of the first decrees of the restored Empire were to impose a fixed land tax (1941) and to set up an imperial provincial administration, drawing upon the system put in place by the Italians (1942) (Henok Kifle, 1987). Both were intended to extend imperial control and subjugate rebellious provinces, especially in the North by undermining the *gult-rist* tithe and tribute system that was the foundation of the local elite's power (Henok Kifle, 1987). A first peasant revolt erupted in Gojjam, suppressed by the imperial army. Haile Selassie then

[43] The *dejazmatch* was arrested by the British on suspicions of collaboration with the Italians (Erlich, 1981).

appointed Abebe Aregay, an Oromo, as Governor of the Tigray, in 1943. This provocation was very poorly received in Tigray. The rule of a state-appointed Southerner over the province consecrated the humiliating turn of the tide for Tigrayans. Tensions escalated and, soon, a coalition of *shiftas*, peasants and local aristocrats raised an army, self-styled as the Woyane, to force out the Imperial government (Gebru Tareke, 1984). The imperial forces, with support from the British aviation, managed to defeat them. Seyoum was re-instated Governor as a compromise, and a revision of the Land Tax in 1944 preserved the *rist* in Northern provinces – which meant peasants had to pay both the land tax to the Empire and their customary tributes to the *gultegna*.[44]Although Haile Selassie emerged victorious from this episode, the conflict stressed the paramount importance of investing in a modern and capable army to ensure the survival of the Shewan-based empire. It also showed that the *Ancien Régime* Ethiopian forces were still very much alive. To remain in power, Haile Selassie would need to hammer the nail of the centralizing Weberian state reforms that he had initiated.

The Woyane revolt equally illustrated the duplicity of the British and the danger, for Haile Selassie, of relying exceedingly on them. During the conflict with the Italians, the country had been placed under control of the War Office by Westminster. The War Office administrators were ''colonially minded (…) officials, several of whom had lived and served in such British or British-controlled territories as Kenya, Uganda or the Sudan, (they) were unfamiliar with the hopes and aspirations of an independent African state, and had remarkable little sympathy for them'' (Pankhurst, 1996, p.40). They prepared and signed an Anglo-Ethiopian agreement, in 1942, that Ethiopia could hardly refuse but that provided the British with powers close to those of a colonial state or an occupying force, although Ethiopia's sovereignty was recognized (Jalata Assafa, 1990). The officers began plundering whatever valuable Italian assets they could find, much to the displeasure of Haile Selassie and the Ethiopian population, and harboured uncertain views on fully restoring Ethiopia to the emperor, influenced also by the Colonial Office that administered neighbouring territories in the East and Horn of Africa (Swansinger, 1991; Pankhurst, 1996). Meanwhile, Britain prevented Ethiopia from issuing its currency, and demanded its dollar earnings to be given to them in exchange for sterling (Henok Kifle, 1987). The Foreign Office, albeit more supportive of the emperor than the Colonial Office, pressured the emperor into creating a London-controlled Currency Board that would bring Ethiopia into the sterling currency zone and further submit it to the British interests (Swansinger, 1991).

The bullish attitude of the British, combined with a perception of their declining global political and economic influence, led Haile Selassie to seek a *rapprochement* with the rising United States. In 1942, he formally requested financial and technical assistance to Roosevelt. The Americans' foreign policy was dictated by two tenets: seeking new markets for their products and opposing the spread of communism (McVety, 2008). Economic prospects were dim in Ethiopia, but the US were interested in building up their soft power by showcasing their willingness to help Nations from every continent rebuild after World War II (Swansinger, 1991; McVety, 2008). And so, they agreed to support Haile Selassie through a Mutual Aid agreement and lend-lease rights (1943), much to the dismay of Westminster.

[44] This would have long-term consequences, stymieing the development of capitalist agriculture in the Northern highlands until the Derg nationalization of land.

Although the British kept providing technical and military assistance, their influence in Ethiopia began to wane as they became embroiled in diplomatic struggles with the United States. Haile Selassie, on his end, was emboldened: in 1944, he created a Central Bank against British advice and renegotiated a much more watered-down Anglo-Ethiopian agreement, regaining control of the Addis Ababa-Djibouti railway, airfields and garrisons (Jalata Assafa, 1990). In that same year, the United States sent Perry Fellows, an economic expert, on what would be the first of a long string of American technical missions to the country. Fellows drew a ten-year development plan, with priority projects totalling 153 million US Dollars (McVety, 2008). The plan was however shelved, as Ethiopia lacked the resources to implement it and the Americans were not yet prepared to provide significant financial support to the empire.

Confronted both internally and externally, the core imperial elite treaded carefully to ensure its survival. Domestically, the emperor sought to strengthen his military and territorial capacity to pacify the volatile settlement. Centralized coercive control was not possible across the whole territory: it was thus indispensable to enlist the support of the provincial clientele in managing the settlement. For this, Haile Selassie required formidable capital, land, and human resources to consolidate the army, project territorial state capacity, fund the growing bureaucracy and allocate rents to the co-opted elites.

On the external front, Haile Selassie had to fend off the colonialist fantasies of the British and carve a path back for Ethiopia in the post-World War II international order. To do so, he needed to cultivate the relationship with the US and the new multilateral organizations that were sprouting from the ashes of the League of Nations. For this, it was critical to keep building the image of Ethiopia as a modern Nation, or at least striving to become one.

Coffee was important to meet all these needs. Coffee, in the 1940s and 1950s, was one of the foremost sources of monetized wealth in Ethiopia (Love, 2002). The coffee resources flowed through market towns and to Addis Ababa, where they could be taxed to fund the bureaucracy; and then to Djibouti, where they generated traceable foreign exchange that could be used to import weapons, industrial equipment, and manufactured goods for the urban population and elite. Land in the Southern Highlands was the main source of rents that the Palace could provide, and coffee enhanced the value of that land. The *gult* system had been further eroded by the Italian presence, the landed aristocracy was transforming into a capitalist class and managed cash crop production was an important channel to build wealth and power.

State involvement in, if not engineering of, a monetized coffee market could also be a potent device to increase imperial territorial presence in the Southern peripheries while weakening Northern opposition in Tigray, Gojjam and Gondar. Coffee producers, traders and exporters were all marginal political forces: this made it an excellent sector to bring about ‘’modern’’ formal market institutions without threatening the patrimonial political settlement that benefitted Haile Selassie and his coalition.

Finally, coffee was one of the rare globalized Ethiopian goods and the United States, wooed by Haile Selassie, the world’s foremost consuming nation. Coffee diplomacy and trade could help Ethiopia claim a place as a sovereign state in the international legal order.

Coffee could go a long way towards helping the Imperial elite consolidate its position in the settlement. Nevertheless, there remained important technical challenges to maximize resource extraction from coffee, formalize the market and increase state presence across the different coffee value chain territories. This required a coffee technical apparatus that would generate and mobilize the required knowledge, something that barely existed in Ethiopia at the time. The Empire brought foreign expertise to set this knowledge ecosystem in motion.

4.3.3 The policy stream: a coffee knowledge ecosystem

On one hand, the Ethiopian government faced a critical and vast challenge to develop a coherent coffee policy. On the other hand, there was an almost complete lack of national knowledge generation capacity, that could provide technical solutions to inform coffee policy. In response to this, the government worked with foreign organizations to set up the foundations of a knowledge ecosystem that would propose and sometimes directly implement multiple technical solutions to shape the sector. This system included three elements: fundamental research and training with the Point Four programme and the Jimma Agricultural Technical School (JATS), support to coffee plantations and processing capacity with the International Bank for Reconstruction and Development, and policy and governance support with the FAO.

Point Four and the JATS

On 20 January 1949, President Truman announced "a bold new programme for making the benefits of our scientific advances and industrial progress available for the improvement and growth of the underdeveloped areas" (Truman, 1949, p.4). This programme was the fourth on Truman's list of American foreign policy objectives and was labelled, prosaically, Point Four. It was launched in the context of the Cold War early stages, two years after Truman formulated his communism containment doctrine to the American Congress. India and Indonesia had become independent, France was struggling to keep hold of Indochina and the Korean war had broken out. Point Four aimed at consolidating the US' soft power through scientific collaboration in the growing cohort of "swing" Nations that were at risk of becoming allied to the Soviet Union (McCook, 2019). The objective was also economic: to create a market, in developing countries, for American and European goods – the latter being critical to stimulate European economies beyond the Marshall plan and, in turn, stoke their demand for American goods (McVety, 2008).

In the same year Henry G. Bennett, the president of the Oklahoma Agricultural and Mechanical College (Oklahoma A&M), left his Stillwater campus to tour war-torn Europe. He had been requested, by the Civilian Agricultural Department of the US Army, to write a report on food shortages and relief needs under the Marshall Plan (Green, 1990). The capable Bennett was a trusted civil servant with a high profile – in twenty years he had transformed the Oklahoma A&M from a minor land-grant college into a major university. In the follow-up to his European tour, in April 1950, the US administration sent him to Ethiopia to meet with emperor Haile Selassie (Siegenthaler, 1965). There, he discussed the technical assistance that the United States could provide to Ethiopia on the specific topic of agriculture, which was bound to be a central component of the American support as identified in the Perry Fellows report (McVety, 2008). On the way home, he met Oklahoma Senator Robert S.Kerr, who set up a meeting with President Truman. Soon after, the Oklahoma A&M president was appointed as administrator of the US' Technical Cooperation Administration to implement the Point Four programme (Green, 1990).

On 16 June 1951, Ethiopia signed an agreement with the US to request technical assistance under Point Four, making it the first country to join the programme (Vestal, 2003). The US had little economic interest in Ethiopia,[45] but they saw it as a critical ally against communist expansion in the Horn, and among the developing nations (McVety, 2008). The American military was also keen on using the Kagnew radio base, built and abandoned by the Italians in Eritrea. Being close to the equator and high above sea level, the base was perfectly located for wave transmission in the region (Agyeman-Duah, 1984).

As the freshly appointed head of Point Four, and the former president of Oklahoma A&M, Henry Bennett committed to mobilize resources from the University. Agriculture was identified as the centrepiece of the Ethiopian Point Four (IBRD, 1950a; McVety, 2008).[46]Agricultural development was Oklahoma A&M's area of expertise, and well aligned the dominance of certain American values, in the Truman era, that have been labelled ''low modernist'' by rural sociologist Jess Gilbert (McVety, 2008). Low modernist values emphasized the importance of science, technology, and progressive reforms, all the while giving importance to the small scale and the agrarian dimension of these reforms, especially grassroots farming knowledge and local social relationships. They were opposed in that regard to the "high modernist" focus on industry, grand scale transformation and top-down planning that would come to dominate American technical assistance under Kennedy.

The Technical Cooperation Administration and the Imperial government agreed to establish an Imperial College of Agriculture and Mechanical Arts, modelled on Oklahoma's A&M, and two agricultural secondary schools. They would be the first of their kind and train the initial Ethiopian generation of "agricultural extension agents, coffee board agents, and as leaders in other similar development programmes" (Siegenthaler, 1965, p.3).[47] Henry Bennett had high ambitions for the Ethiopian College of Agriculture, which in words could become no less than "the big factor in solving food shortages for the Middle East" (Siegenthaler, 1965, p.3). The Ethiopian Point Four began formally in 1952, implemented by the United States Operation Mission (USOM) with a funding of 800 000 USD split equally between the US and the Government of Ethiopia (McVety, 2008).

The first step of the agricultural programme was to set up a secondary school while the Imperial College was still being constructed. The school was established in Jimma. The town was chosen because it was connected through a road to Addis Ababa and was at the heart of one of Ethiopia's foremost coffee production areas. [48] The US technical missions had identified export increase as a development priority, with coffee as the most promising channel (IBRD, 1950a, 1950b). The Jimma Agricultural Technical School (JATS) opened in that same year,

[45] In 1944, Haile Selassie had given the US Sinclair Petroleum company a 50-year concession over all Ethiopian oil (IBRD, 1950a). The company prospection in Ogaden yielded promising results, but the volatile political environment meant it was never able to exploit it.

[46] The Ethiopian Point Four also included programmes on education and health.

[47] There was, however, another agricultural technical school in Ethiopia at the time, in Ambo. The Ambo school had been created in 1932, working with German instructors. In 1952, it became a preparatory school for the Imperial college as well. It was however smaller and did not have the support and impact that Jimma would have. It also did not deal with coffee (Huffnagel, 1961).

[48] The Jimma town was built by the Italians close to the old Hirmatta market town, with a view to transform into a regional capital. Hirmatta was the economic and political heart of the Jimma kingdom and harbored the ''greatest market in all southern Abyssinia" (Lindahl, 2005).

on the dishevelled remnants of a complex built and abandoned by the Italian occupation forces, that included a school, barracks and a church (Gill, 1976; Green, 1990). The Oklahoma A&M sent eight teaching staff to Jimma (USOM, 1958). In keeping with the low-modernist values of the University, these staff were selected among the most senior and competent and were expected to establish JATS from scratch. During the first weeks, they spent their nights in sleeping bags in the abandoned buildings and renovated the infrastructure with local workingmen (OSU, 1969; Gill, 1976).

The school was rapidly operational, and the first crop included 80 students, mostly the "sons of large landowners and government officials, the elite of the country" (Green, 1990, p.302). The JATS was both a preparatory school and a centre of research. It provided courses in agronomy, horticulture, poultry and livestock, farm mechanics. It also placed strong emphasis on coffee instruction, with one dedicated staff member, Hugh Rouk, teaching agronomy, management, processing, and marketing.[49] Under Rouk's supervision, the JATS opened the first coffee research station in Ethiopia, focusing on coffee variety trials, agronomy (pruning and mulching experiments), local selection experiments and studies on wild coffee (USOM, 1958). In addition, the JATS harboured a nursery, aiming to produce disease-resistant and high yielding coffee seedlings for distribution to farmers – in 1958, it managed 500 000 coffee plant seedlings (Siegenthaler, 1958). It is also worth noting that the school curriculum had some colonial undertones: for instance, students received 5 hours per week of "hygiene training" (OSU, 1969).

The IBRD and the World Bank
In parallel, the US-dominated International Bank for Reconstruction and Development began its operations in Ethiopia. Haile Selassie's government had submitted to the Bank, in 1949, a request for a loan of USD 25 million to finance 15 projects. The organization went for a more modest support programme. In 1951, following a technical mission visit, it provided its first loans in Ethiopia, aimed at covering foreign exchange requirements and technical assistance for three projects on highway rehabilitation (USD 5 million), telecommunications (USD 1.5 million), and agricultural and industrial development (USD 2 million) (IBRD, 1954a).[50] In the same year and upon IBRD's request, the Government of Ethiopia created the Imperial Highway Authority, the Imperial Board of Telecommunications and the Development Bank of Ethiopia (DBE) to manage each loan programme. After ten years of disrepair, one third of the Italian road network was in dire conditions and the Imperial Highway Authority, initially managed by the US Bureau of Public Works (Henok Kifle, 1987), set out to renovate it. The "coffee roads"' to Jimma and Lekemti were identified as priorities: the Government of Ethiopia allocated USD 9.2 million of its own resources to renovate them, together with the Addis-Assab export road (Huffnagel, 1961).

The DBE was tasked with accelerating agricultural enterprise formation with small loans but struggled initially as there were few applicants, and fewer even with approvable requests (IBRD, 1952). In 1953, it opened a branch office in Jimma specially devoted to loans for coffee

[49] Rouk was not, by any stretch of the imagination, a coffee expert and was informed of his mission three days before travelling to Ethiopia, per his own admission: "the only resource material I had at my disposal under these conditions was the Folger's Coffee can in the kitchen cabinet" (Gill, 1976, p.45).
[50] The first loan of the IBRD was to France, in 1947, a mere four years before the Ethiopian loans. The 1951 Ethiopian loans were some of the first in the developing world for the World Bank institution.

production in the Kaffa-Jimma province. The government, encouraged by US technical advisers, aimed to hasten the clearing of local forests to make way for managed plantations. In the first year, absentee coffee landowners accounted for fourteen out of fifteen loan requests. The requests were made by persons "holding positions of local importance'' (IBRD, 1954b, p.3) – by and large civil servants and military men – and as such were appraised by a specially recruited American branch manager, one Mr. Buckow, to see that they would be granted strictly on an economic basis (IBRD, 1954b). This greatly slowed down the loan attribution and Mr. Buckow soon worked with the director of the JATS, who had by then become Hugh Rouk, to identify a suitable Ethiopian assistant – highlighting the linkages between Point Four and the IBRD programmes on the ground.[51] The coffee loan programme also showed the limits of coffee growing based on the absentee landowner model. The loan applicants focused on land clearing and extensive cultivation, with limited interest for methods that would intensify production, to the point that the IBRD concluded: "if the Kaffa-Jimma province is to survive on an expanding scale, intensive cultivation is necessary (…) This will require the creation of a coffee extension service and, for large landowners, the employment of practical plantation managers resident on the land (…) a foundation for these services should be laid by the Ministry of Agriculture, Point 4 and FAO'' (IBRD, 1954b, p.8).

The FAO policy entrepreneurs

The FAO completes the trinity organizations with coffee expertise that entered the Ethiopian scene in the early 1950s. In February 1951, the Government of Ethiopia and the FAO – created just six years before – signed an agreement for technical assistance on coffee to "survey and assess the value of areas producing wild coffee and to organize suitable schemes for the rational exploitation of these areas; and to recommend measures for the extension of the culture of cultivated coffee and to give general advice concerning improved methods of processing and marketing of the produced coffee" (Sylvain, 1955, p.1). Pierre Sylvain, a Haitian coffee specialist with a PhD from Iowa State (Koehler, 2017), arrived in Jimma in 1952 to lead this effort under the aegis of the Ministry of Agriculture.[52] The botanist had been seconded to FAO from IIAS based in Turrialba, Costa Rica. He stayed two years in Ethiopia, during which he visited all coffee producing provinces, as well as Uganda, Kenya, and Tanganyika. Sylvain worked across the board on the Ethiopian coffee value chain, conducting research with the JATS staff on agronomy, breeding, pest and diseases, processing, marketing, and governance.

Whereas JATS was more oriented towards fundamental research, and the IBRD towards lending activities, Sylvain had the profile of a policy entrepreneur. He had been mandated to directly inform government policy and did so with diligence. He produced an interim report in 1953, and a final one as he was leaving, in 1955. The 1955 Sylvain report was the first coffee policy report ever produced in Ethiopia and contained several watershed policy recommendations, some of which had already been proposed to government and adopted by the time of the report's publication.[53] First, Sylvain's report introduced the proposition for a National Coffee Board, for which he had drafted a Proclamation that had been submitted to

[51] Point Four also contributed to half the salary of Mr Buckow (IBRD, 1954b)

[52] Interestingly, he was the son of Georges Sylvain, a Haitian poet, lawyer, and diplomat who had been an active opponent to the American occupation of Haiti.

[53] To the best of our knowledge, the final version of this report has never been analysed or quoted in a research paper before this one.

government. Sylvain explicitly mentioned the Tanganyika Native Coffee Boards as a model, drawing from the experience of his recent travel to the country.[54] He also mentioned the Colombian Federation of Coffee Growers and the ''new Brazilian Coffee Institute'' (the Campinas Agronomic Institute, founded in 1952) as sources of inspiration (Sylvain, 1955, p.12), no doubt due to his familiarity with the Latin American coffee organizations. The Board, he added, should be ''established as soon as possible to co-ordinate all aspects of the production, processing and marketing of coffee (…) and financed by funds obtained from a percentage of the customs duties collected from coffee exports'' (Sylvain, 1955, p.12).

Second, Sylvain indicated that he had prepared legislation to regulate coffee quality and prevent export of ''a wet product susceptible to mouldiness in transit'' (Sylvain, 1955, p.7). This followed an incident, in 1954, during which the United States Food and Drugs Administration rejected Ethiopian coffee as ''unfit for human consumption'' (Sylvain, 1955, p.7), due to mould that had developed as it travelled in the warm ship's hold.[55] A law had already been passed in January 1952, before Sylvain's arrival, to prohibit exports of uncleaned and ungraded coffee. It stipulated that all coffee for export had to be inspected by cleaners and graders licenced by the Ministry of Commerce and Industry. This had proved insufficient, as illustrated by the mouldy coffee incident, and with guidance from Sylvain, the government passed another law in 1954, the Proclamation establishing Coffee Cleaning and Grading Regulations. The law specified that the beans were to be classified based on origin, size, shape, and type. The licensed inspectors were to examine 300-gram samples, certify and grade them on a scale of 1 to 5 according to the number of defects. Beans that had over 100 defects were considered unproper for export, as was all coffee not free of mould. Four origins were introduced, corresponding to the main coffee trading centres at the time: Harrar, Sidamo, Jimma and Lekemti (Imperial Government of Ethiopia, 1954). Sylvain, however, considered this regulation to be a ''transitory measure'' as it did not involve any inspection of the coffee cup characteristics that would be necessary for accurate grading. Moreover, he lamented that the legislations did not "provide for adequate means of enforcement'' (Sylvain, 1955, p.10).

For this, Sylvain suggested an increase in the control of coffee marketing, by means of establishing ''commercial centres where coffee traders may operate'' given that ''it has been found that the control of marketing is easier when the trade is concentrated at convenient centres'' (Sylvain, 1955, p.16). Coffee was to be inspected and graded in the centres based on cup characteristics, with washed separated from dry coffees; and ''coffees of different

[54] Sylvain had also travelled to Kenya and Uganda, and all three countries had coffee boards, created by the British government in the 1930s and strengthened during WWII. It is interesting that he would reference the Tanganyika Native Coffee Boards as his benchmark for Ethiopia's NCB. The main reason invoked in the report is that Tanganyika's Moshi Native Coffee Board worked in co-operation with the Kilimanjaro Native Co-Operatives Union. The KNCU had been founded and was run very effectively by smallholder growers from the Chagga people and was notoriously in competition with white settler plantations at the time (Yoshida, 1973; Rogers, 1974). Sylvain envisaged that the National Coffee Board would play a similar role in Ethiopia, organizing small Ethiopian coffee growers into bigger cooperatives and raising their living standards, which suggests that he was not in full alignment with the large plantation model sought by Haile Selassie.

[55] This formative incident would be referenced, five decades later, in a landmark conference on the history of coffee research and development in Ethiopia. The author was Ato Yilma Yemenabrehan, the first Ethiopian director of the Jimma Agricultural School. He suggested that the coffee had been ''dumped into the sea at the New York port'', which had served as a ''wake-up call'' for the government to take immediate legal measures (EIAR, 2008, p.11).

districts could be blended to produce named types to be marketed in various countries''(Sylvain, 1955, p.16). Coffees of better qualities would be less taxed than others to encourage growers in adopting better methods of processing. The speculative National Coffee Board would also promote the establishment of dry processing and washing stations. The recommendations foreshadowed with striking similarity those that underpinned the ECX reform, fifty years later.

Sylvain stressed the importance of extension services to disseminate coffee production and processing methods that would raise productivity and coffee quality. To that effect, he recommended that the Ministry of Agriculture implement a ''Project of Coffee Demonstration and Extension'' which he had himself drafted and submitted (Sylvain, 1955, p.10). The project was to be funded by the Ethiopian government and Point Four. Sylvain's vision for coffee agronomy was very much aligned with the managed plantation model that dominated Latin America, his geographic *forte*, and the British colonies in East Africa he had visited. He suggested to transform forests into ''efficient coffee plantations'' by clearing them, spacing coffee trees, stumping and pruning them, removing underbrush, and regulating shading. New coffee plantings were to come from nurseries (i.e., JATS) that would select high-yield seeds and coffee varieties. Extension services were to distribute them, provided the road network system could be improved to facilitate access to all coffee production areas.

Other recommendations were mainly aimed at locking in the future National Coffee Board with the rest of the coffee knowledge and policy ecosystem being rolled out at the time. They included supporting research by the JATS, especially variety trials, working with the DBE to provide loans to coffee growers and supporting the training of Ethiopian coffee specialists. On this latter point, Sylvain convinced FAO to pay fellowships for four JATS students to study coffee abroad in Africa and with his home institution, the Inter-American Institute of Agricultural Science (IIAS), in Costa Rica, Brazil and Colombia (Lejeune, 1958; Sylvain, 1958).

After Sylvain left, he was replaced by Jean Lejeune, a French engineer, who also stayed for two years in Ethiopia. Lejeune produced another policy report, finalized in 1958. The document did not bring major additions to the landmark contributions of the Sylvain report but expanded some of his main recommendations. Lejeune had worked with the Point Four Marketing Expert, Donald Shuhart, and an FAO agricultural economist, Hans Huffnagel, to finesse the proposal of a National Coffee Board (Huffnagel, 1961). The report contended that the NCB had to be created urgently to organize the value chain, especially in the absence of cooperatives. Interestingly, it anticipated the possible creation of an International Coffee Organization (it would happen six years later) and argued that the NCB would be critical if Ethiopia were to join. The report also insisted on the need for a central coffee research station and sending Ethiopians abroad for training, especially in Kenya and Tanganyika. Lejeune went even farther than Sylvain in his recommendations for systematic managed plantations. He suggested cutting no less than 80 to 90% of large trees in coffee forests of the Ethiopian South-West, to clear the canopy and increase coffee tree productivity. He also recommended cutting and burning whole forests where ecological conditions were propitious for coffee growing, and replacing them with plantations (Lejeune, 1958). Another striking feature of the Lejeune and Sylvain reports was that they were entirely supportive of the government desire to increase control over the coffee market, and they genuinely sought the best policy options to enable it.

In just five years, between 1950 and 1955, the major component of the Ethiopian coffee knowledge ecosystem had been set up, with very significant involvement of US, IBRD and FAO advisers. Furthermore, the ecosystem rapidly took a life of its own, garnering interest and support from the Ethiopian government and other coffee policy stakeholders. Indeed, the production of knowledge on coffee was strongly aligned with the political priorities of the time for Haile Selassie, the US, and the global coffee community.

4.3.4 The political stream: coffee at the core of Ethiopia's political settlement

Contrary to the low-modernist vision of the Truman Administration and Point Four, the restored Haile Selassie government did not place much emphasis on the development of the agricultural sector. Haile Selassie was confident in the ability of Ethiopia to feed itself (Dejene Aredo, 1992) and viewed the peasant class as "the premier impediment to modernization" (McVety, 2008, p.394). He prioritized the development of transport, communication, and industry as a means to pull agricultural workers away from the fields and into factories (McVety, 2008). The first Ethiopian five-year plan, published in 1957, estimated a budget requirement of 40.3 million Ethiopian dollars for the agricultural sector, out of a total of 534.6 million for the total plan (McVety, 2008).

The imperial government, however, strongly encouraged the emergence of medium and large agro-capitalist ventures, especially for export crops that could raise foreign exchange and revenue. Coffee was one of the most promising avenues for this. It also had the benefit of being an important diplomatic instrument with the US and the global community.

Coffee as a foreign exchange and revenue earner

The utmost priority of the restored Empire was to push ahead with the centralization of the state and in the early 40s, "(…) it had become abundantly clear that the financing of the apparatus of the emergent modern state required that it had a direct and greater share of the social surplus" (Henok Kifle, 1987, p.381). The drive for surplus extraction played out at two principal levels: tax revenue to fund the expanding bureaucratic and coercive capacity of the Empire, and foreign exchange to finance imports of capital, armament, manufactured goods for the urban mass and luxury goods for the elites.

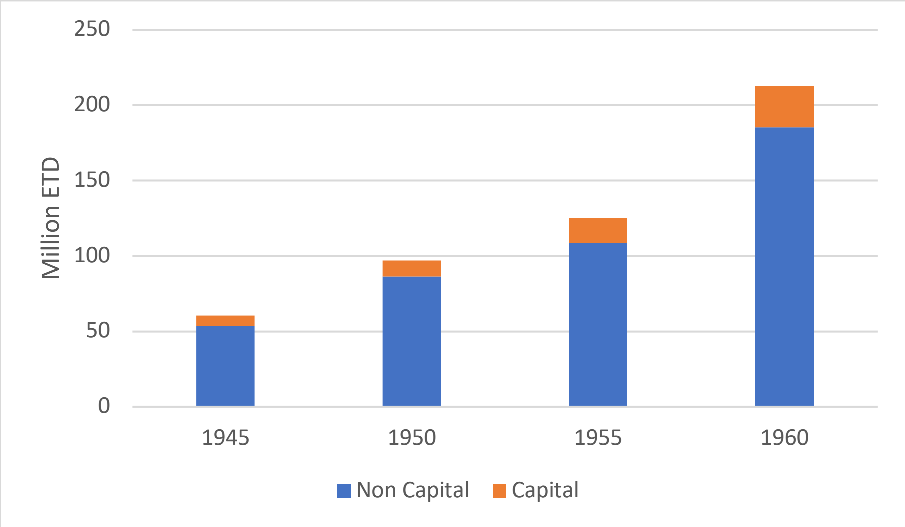
Raising revenue to build state capacity

In 1942, the Empire adopted a series of Proclamation that laid the basis for a strengthened bureaucratic structure. A founding Proclamation was the Decree 1 organizing the provincial administration (*Teklay Gizat*) into provinces, sub-provinces and districts headed by state-appointed salaried Governors. This was followed by two proclamations establishing a national police, under the Ministry of Interior, and a new judiciary system with judges appointed by a central authority (Henok Kifle, 1987). The underlying bureaucracy expanded in proportion to the creation of these new institutions. In the mid-1940s, there were 13 000 to 15 000 civil servants and those numbers rose to 17 000 by 1950 (Henok Kifle, 1987).

In the meantime, the military was reorganized in professional corps: imperial guard, marine, infantry, air force. The Woyane rebellion had underlined the importance of a strong army to fend off domestic existential threats, and the emperor invested heavily in it. There were an estimated 20 000 military and 20 000 policemen in 1950 – spending on internal order and defence accounted for 47 percent of public expenditures between 1945 and 1960 (Henok Kifle, 1987). The growth of government expenditure over that time, from 60 to 214 million

Ethiopian Dollars (ETD) and with an average 88% for recurrent costs, reflects the focus of the Imperial budget on expanding and consolidating administrative and coercive capacity (Figure 8).

Figure 8. Ethiopian government expenditures, in million ETD, 1945-1960*



Source: (Henok Kifle, 1987) *capital expenditures reported in this figure are based on official budget figures, and they were underestimated by the Ethiopian Ministry of Finance until 1962. In 1963, the IBRD estimated that they were closer to 25% of the total budget for the 58-62 period (IBRD, 1963a).

The budget expansion came at a price and taxation surged to meet revenue needs. The historical source of revenue for the Empire had been gatekeeping duties on exports and imports, and this continued to be the case through the 1940s and 1950s. Export and import duties accounted for respective averages of 9% and 33% of total revenue. Coffee taxes dominated export duties – they represented 76% of them between 1961 and 1974 (Worku Aberra, 1981) and, very likely, an even higher share during the 1950s.[56] In this period, the Customs applied a standard duty tax on coffee, that was gradually augmented between 1947 (3 ETD/quintal) and 1952 (20 ETD/quintal) as global prices rose (Table 4). The years 1950 to 1955 saw a veritable boom in global coffee prices that further enhanced the importance of the commodity to fund the growing Imperial state.

[56] It has not been possible to find a breakdown of export duty data for the 1940-1960 period. Due to coffee prices being at their peak 1950s, it is very likely that the commodity accounted for more than 76% of export duties during that period.

Table 4. Main export and agricultural direct taxes in Ethiopia, 1943-1967

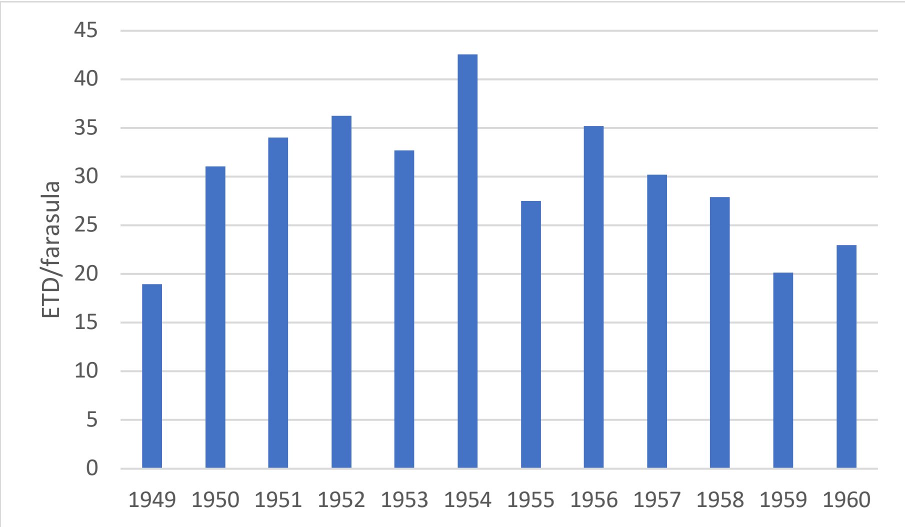
Taxes	Year	Description
Main export taxes		
All exports		
Transaction Tax	1961	2% ad valorem of all exports
Coffee		
Standard customs duty	1943	10% ad valorem
SCD revision	1947	3 ETD/quintal
SCD revision	1949	5 ETD/ quintal
SCD revision	1952	20 ETD/quintal
Fixed surtax	August 1953	6 ETD/quintal
FS revision	December 1953	15 ETD/quintal
FS revision	April 1954	40 ETD/quintal
FS revision	November 1954	20 ETD/quintal
FS revision	1959	15 ETD/quintal
Sliding surtax	April 1954	4 ETD for each US 1 cent/pound rise in Santos N.4 coffee (New York FOB) above US 82 cents/pound.
SS revision	November 1954	2.5 ETD for each US 1 cent/pound rise in Santos N.4 coffee (New York FOB) above US 55 cents/pound.
Cess	1958	1 ETD/quintal to fund the National Coffee Board.
Cess revision	1961	1.5 ETD/quintal to fund the National Coffee Board.
Cess revision	1967	2 ETD/quintal to fund the National Coffee Board.
Hides and skins	1961	0.2 ETD/piece of hide and skin
Agricultural direct taxes		
Land Tax	1942	Fixed monetary tax of 15, 10, 5 thalers (then ETD) for fertile, semi-fertile and poor *gasha* of land.
Land Tax (consolidated) including tithe tax	1944	All provinces except Tigray, Gojjam and Begemdir: 1942 fixed monetary tax + additional tax replacing tithe: 35 ETD/fertile gasha, 30 ETD/semi-fertile gasha, 10 ETD/poor land.

		Tigray Gojjam and Bemegdir: 1934 tax rate (10% of the rate in other provinces) + additional tax replacing tithe
Cattle Tax	1955	Fixed tax on animals aimed at the pastoral population that does not pay tax on land; 1 ETD/pig; 0.5 ETD/camel; 0.5 ETD/cattle, horse or mule; 0.1 ETD/donkey; 0.05 ETD/sheep or goat.
Education Tax	1947	Fixed tax on land to fund education services.
Health Tax	1959	Fixed tax on land to fund health services.
Agricultural Income Tax	1967	Relative tax on agricultural businesses, with 20% flat tax and graduated tax rates above certain income levels

Source: (Taye Gulilat, 1961) for coffee and transaction taxes (except cess), (Love, 2002) for cess tax, (Worku Aberra, 1981) for hides and skins, (Henok Kifle, 1987) and (Eshetu Chole, 1969) for Land Tax, (Henok Kifle, 1987) for Education, Health and Agricultural Income tax.

Although it forewent revenue raising opportunities in the early years of the boom, the government proclaimed a new fixed surtax of 6 ETD/tonne in August 1953, raised twice to reach 40 ETD/tonne in April 1954, at the peak of the boom (Figure 9). It also added to this a sliding surtax in that same month, to cream off more revenue from the skyrocketing prices. By November, prices were starting to fall, and the sliding surtax was revised downwards upon exporters' pressure, but remained (Taye Gulilat, 1961). As had been recommended by Sylvain and Lejeune, a cess was also introduced to fund the NCB and until 1974 exporters had to pay four taxes on coffee (custom duty, fixed surtax, sliding surtax and cess), which were passed on to traders and, ultimately, growers.

Figure 9. Jimma coffee prices, in ETD/farasula

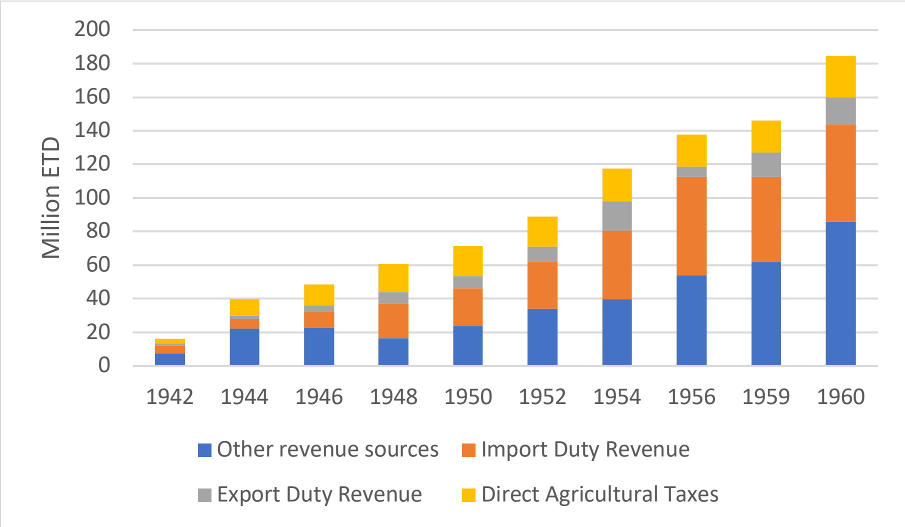


Source: (Taye Gulilat, 1961)

The direct contribution of coffee taxes to export revenue in the 1940s and 1950s stood at around 7 percent, making them significant but not critical. They should however be considered in conjunction with the much more substantial import duties (33% of total revenue). Indeed, coffee amounted to 54% of export value and thus foreign exchange earnings between 1949 and 1959 (Taye Gulilat, 1961). The boom led to a dazzling acceleration of these earnings – reserves grew fivefold between 1950 and 1957 (Taye Gulilat, 1961). Imports were being paid for with the very same foreign exchange; consequently, they also soared and so did the import duty revenues (Figure 10). This led some authors to state that the coffee contribution to tax revenue was the highest through the indirect import duty channel (Taye Gulilat, 1961; Henok Kifle, 1987).

In addition to the trade taxes, the Imperial government deployed a series of agricultural direct taxes, the most important of which was the consolidated Land Tax of 1944, including both the land and the new centralized tithe tax. It was complemented by a Cattle Tax, an Education Tax in 1947, meant to fund education but levied on land; and a 1959 Health tax with the same modality. These combined direct agricultural taxes amounted to 18% of government revenue in the 40s and 50s, a modest share when considering the political cost of the tax. Indeed, wealthy landowners largely evaded the Land Tax or obtained exemptions. They also pushed back on land registration, allowing them to under-report their acreage –according to Eshetu Chole (1969, p.44) the ''taxable capacity of land (…) could be tripled or quadrupled if uniform cadastral survey is carried out". Finally, they frequently transferred the burden of tax on tenants. These farmers would set aside the tax equivalent of their crop for "the landlord's use to offset their legal obligation to pay the tax" (Eshetu Chole, 1969, p.44).

Figure 10. Tax revenue sources, in million ETD



Source: (Kifle, 1987). NB: The main other revenue sources include income tax, indirect tax (tobacco, alcohol, fuel, stamps), salt tax, and extraordinary revenues such as state sale of assets (Eshetu Chole, 1969).

Earning foreign exchange to fund imports critical to the political settlement

The expansion of the Weberian state was intrinsically linked to that of its importing capacity. The growing urban population, including the burgeoning capitalist and bureaucratic classes but also the wage workers of the formal and informal private sector, had an appetite for imported foreign goods.[57] These were dominated by textile clothing items, especially cotton, which accounted for 23% of all imports between 1951 and 1962 (Figure 11). Other major consumption items comprised cars, medical products, soap and paper (15%) as well as fruits, salt and sugar (7%). All these consumption goods made up for 45% of total good imports, weighing heavily on the balance of payment (IBRD, 1963b).[58]

The other key category was that of construction materials (cement, metal, electrical materials) and machinery – accounting for 24% of imported goods.[59] These imports surged from 1953, when Ethiopia began to implement the capital-intensive Telecoms and Highway projects, with IBRD loans covering its foreign exchange needs. Disaggregated budget data is available from 1958 and shows that capital expenditure represented 25% of the total budget in 1958-1963, with half of it in support of the IBRD and US-funded Highway and Aviation programmes (IBRD, 1963a). In other words, the Empire had established a dual trading system, whereby national

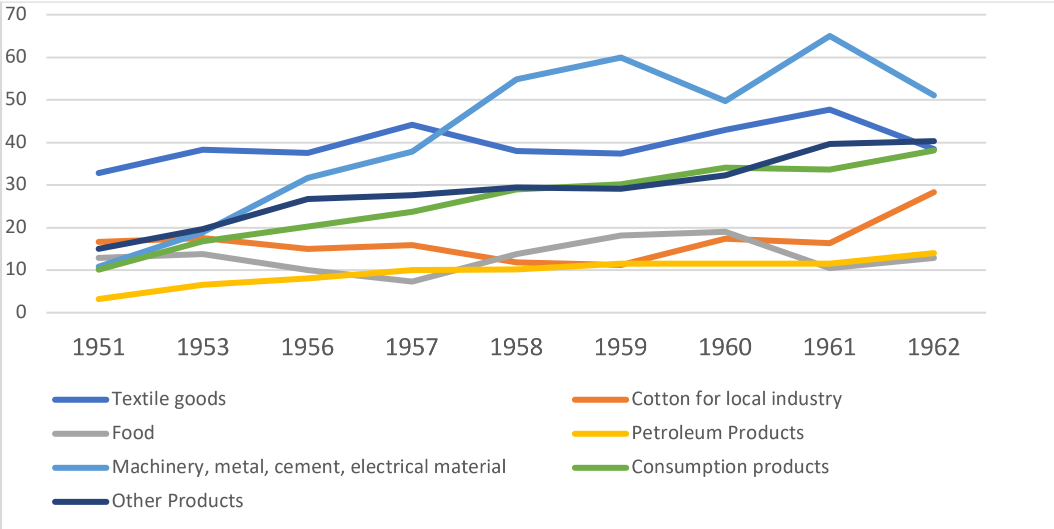
[57] This resonates with Cramer, Sender and Arkebe Oqubay : "Developing countries have a thirst for imports. Partly this is a function of rising incomes: as the demand for basic goods starts to take up less of people's incomes, there is a rising demand for a range of imported consumer goods (…) second-hand jeans and T-shirts, or smartphone apps" (Cramer, Sender and Arkebe Oqubay, 2020, p.249).

[58] Goods accounted for 75% of all imports in 1962, with services and transfers taking the remaining 25% (IBRD, 1963b).

[59] Armament imports are not reported under official statistics.

exports were used to fund imports of consumer goods and armament, while US loans provided the foreign exchange necessary to import capital goods for infrastructural development projects.

Figure 11. Key imports, in million ETD



Source: Adapted from (IBRD, 1963b)

Coffee represented half of those national exports between 1948 and 1959. There was a window, around the end of World War II, when global grain markets had collapsed and Ethiopia had become a net grain exporter to neighbouring countries, with a peak at 124 000 tonnes in 1947-48 (Henok Kifle, 1987).[60] This did not last, however, as major exporters, like Australia, quickly got back on their feet. The Empire set out to develop other export and import substitution industries, especially by seeking to attract foreign capital. As soon as 1950, a Legal Notice offered special facilities to foreign capital investments, and in 1954 the state adopted a Proclamation to Encourage Agricultural and Industrial Expansion (Henok Kifle, 1987). While there were some early successes in the sugar industry, the balance of trade remained driven by coffee performance.

Global coffee prices began to rise around the early 1950s, with European demand picking up and Brazil destroying stockpiles (Martin, 1954; McCook, 2019). This shored up the unit value of the commodity for Ethiopia, and the foreign exchange windfalls associated with it (Table 5). The government, therefore, had every incentive to promote an increase in coffee export volume and value, with a view to maximize custom duties and, even more so, generate sizeable foreign exchange reserves to support import needs. The technical assistance of FAO, Point Four and IBRD, was critical in that regard to augment the productivity and quality of coffee production, processing, and marketing but also to design policy instruments that would give greater market control to the state.

[60] This led Haile Selassie to claim before the American Congress, in his 1954 visit, that Ethiopia had ''become the granary of the Middle East''(McVety, 2008, p.391)

Table 5. Coffee volume (tonnes), value (thousand ETD), unit value (thousand ETD/tonne), share of total exports, and Ethiopia foreign exchange holdings (ETD million)

	Volume	Value	Unit value	% Exports	Foreign exchange holdings
1948	15344	14653	0.95	18.8	NA
1949	22349	22139	0.99	31	NA
1950	18710	32648	1.74	46	27,4
1951	30349	62700	2.07	53.7	39,8
1952	21611	52052	2.41	47.2	52,4
1953	43883	100271	2.28	59.2	94,5
1954	31592	99508	3.15	62.1	114,1
1955	42094	90202	2.14	55.6	126,7
1956	31503	80099	2.54	53.2	133,2
1956	50681	123029	2.43	64.1	150,3
1958	39861	84051	2.11	58.6	131
1959	45354	98207	2.17	62.3	114

Source: (Taye Gulilat, 1961)

Coffee as an instrument in the US-Ethiopia relationship

The technical assistance programmes on coffee were also nested in a set of interests that expanded beyond the mere increase of the commodity's export volume and value.

On the side of the Imperial government, they were an opportunity to weave a closer relationship with bilateral and multilateral partners, the first of which were the Americans. Point Four was the first component of a broader alliance that included the loan programmes of the IBRD but also, and more fundamentally, military support. This was a primordial concern of Haile Selassie, both to manage internal dissent and to deter foreign aggression.

Up until 1951, the British provided military assistance to the Imperial army. This was however not to the level expected by Haile Selassie. The emperor began requesting military support from the US as soon as 1943, but the Americans were initially reluctant to do so and provided light technical assistance - the Fellows mission - instead. While ensuring British and Czechoslovak support, Haile Selassie persisted in his pleas for US military assistance. In 1950, Ethiopia sent a contingent of 1069 soldiers to fight the Korean war, a gesture highly appreciated by the US.[61] Still, the Americans resisted the idea of offering military support and advanced Point Four instead. Yet, they placed a growing premium on Asmara's Kagnew radio station, which they had been operating since 1941 after they took it from the Italians.

In no small part for this reason, they strongly supported the United Nations' 1952 decision to federate Ethiopia and Eritrea. In that same year, Gamal Abdel Nasser overthrew the Egyptian monarchy and, although initially backed by the US, proved to be an unreliable ally in the struggle against communist expansion in the region. Haile Selassie, himself worried by

[61] In the words of a Department of State declassified policy report, it had ''great propaganda value of including among the UN armed forces a contingent of troops from an independent, colored Nation in Africa, which would help to offset the Soviet claim that the Korean war is white imperialist aggression against the colored races of the world (Department of State, 1951, p.1238)

Nasser's manifest nuisance capacity, capitalized on this event and offered the reassurance of a Christian bastion for the US in the Horn of Africa (McVety, 2008). In 1953, the two countries signed a Mutual Defense Assistance Agreement and a treaty providing full rights for the Kagnew base to the US. By 1956, the US had granted the Empire over 12 million USD of military assistance; and would provide 90% of the Ethiopian military equipment and close to 210 million USD in military support until 1974 – 60% of the total US aid to Africa (Diamond and Fouquet, 1972; Agyeman-Duah, 1984; Bach, 2011).

On the US side, the support to Ethiopia was aiming, according to a Foreign Service dispatch of the American Embassy in 1957, to ''check and reduce Communist and Egyptian influence in the area'', ''assure the continued use of existing United States military installations in Ethiopian territory'', and ''influence Ethiopia politically towards strengthening its alignment with the United States and maintaining its support of collective free world actions'' (Agyeman-Duah, 1984, p.14). In addition, the US perceived Ethiopia as a leader and an influence among African states and hoped it would leverage their influence on the continent and even among the non-aligned Nations (Agyeman-Duah, 1984).

The US support to Ethiopia on coffee, through Point Four and the IBRD loans, was of secondary importance when compared to the military dimension of the alliance. Nevertheless, its diplomatic significance should not be underestimated. Even though, in practice, the emperor did not care much for the development of agriculture, he committed symbolic capital to Point Four's agricultural programme. Haile Selassie chose the location of the Agricultural College to be in his home province of Harar, naming it Alemaya ("place from which the world may be viewed") (Gill, 1976). He opened the college in person, in 1958, taking great care to compliment the American assistance in his speech (USOM, 1958).[62] In 1954, he travelled to the US to meet Eisenhower and made a surprising detour to Oklahoma A&M Stillwater campus, to personally thank the University for their work on Point Four, stating: "I do hope that my visit to this great country will stimulate an even greater program of technical assistance and private investment'' (Vestal, 2003).

Coffee as an instrument of multilateralism

Coffee was important to Ethiopia, and Ethiopia was important to the US – and thus, Ethiopian coffee development and research mattered to the Americans. But there was more to it. In 1958, Sylvain published a ground-breaking article, ''Ethiopian Coffee: Its Significance to World Coffee Problems". The paper drew from his experience as an FAO coffee adviser in Ethiopia; it was the first global publication to contain detailed research results on Ethiopian coffee. The botanist covered aspects related to agronomy, processing, marketing and governance but insisted on the breeding work he had been conducting jointly with Point Four. He concluded: ''By maximum utilization of the available genetic variation we may be able to grow the crop successfully in areas where the present standard varieties do not yield well. These programs

[62] Fascinatingly, his opening address anticipated Meles Zenawi's Agricultural-Development Led Industrialization policy tenets by 40 years: "Only when a solid agricultural base has been laid for our country's commercial and industrial growth can we ensure the attainment of the ultimate goal of our development programme, namely, a high standard of living for our people. Commerce and industry, being concerned in the main with development and distribution, can only develop and profit from existing resources, but cannot actually create things which did not exist before (…) agriculture and industry are indispensable to one another'' (USOM, 1958, p.2).

of improvement of the species probably constitute the main significance of Ethiopian coffee to the production of this commodity all over the world'' (Sylvain, 1958, p.137).

At the core of this significance was the potential of Ethiopian coffee to show resistance to *Hemileia vastatrix,* a fungus better known as coffee rust. The rust had been a major preoccupation of coffee growing nations since the first outbreak in Ceylon in 1869. The fungus is an obligate parasite of coffee and is omnipresent in Ethiopian coffee forests, where it coexists with the trees. Ethiopian forests are protected against excessive rust damage through their extreme genetic diversity, natural spacing, and canopy protection against excess water moisture on the leaves. However, colonial coffee plantations, that multiplied around the 17th century, all relied on a few arabica plants and seeds extracted from Yemen.[63] The genetic diversity on plantations was very low, exacerbated by the arabica's autogamous nature, meaning that plants self-fertilize and can therefore produce vast number of seeds with little genetic variation (McCook, 2019).

After the Ceylon outbreak, the rust quickly spread through the dense plantations of the Indian Ocean basin, ravaging the coffee industry in Asia and the Pacific – it dropped from 30% to 5% of world coffee production between 1870 and 1910 (McCook, 2019). The rust also made its way across African colonies around that time, with less dire consequences however: East African plantation managers were already used in dealing with it, and West African producers mostly grew *robusta* coffee, named so because of its innate resistance to the rust.[64] The rust did not reach American shores at the time, in part because of luck and in part because the US and Latin American authorities enforced stringent quarantine measures in place on every coffee plant import.

From the end of the 19th century to the World War II period, coffee research centres emerged around the world: in the colonies (Dutch East Indies, Kenya and Tanganyika, Congo, Côte d'Ivoire) as well as Brazil, Colombia, and most Latin American producing countries. There was a divide in research agendas: the American institutes focused on local agronomy to raise yields, whereas Africa, Asia and the Pacific gave more prominence to the coffee rust that was threatening their industry. There was little exchange between all these research centres. This all changed with the eruption of World War II. The US increased inter-American cooperation to keep Latin American countries with the Allies and ensure a steady supply of agricultural goods. As part of this, the Interamerican Institute for Agricultural Science was created in 1942, with a strong focus on coffee that had become critical stimulant to the American industry and military. Pierre Sylvain joined the ranks of the IIAS, and from 1947 one of his colleagues was Frederick Wellman, a leading American tropical plant pathologist who had produced well-regarded work on banana fungal diseases and Salvador's coffee plant pathologies.

[63] Yemen acted as a ''sterilizing'' filter on coffee rust. Yemeni coffee trees were grown on irrigated terraces under very dry conditions. The rust needs water droplets to survive and was thus absent in Yemen, from where the colonial powers obtained their coffee genetic material. This explains why it took around 150 years before rust found its way from Ethiopia to the colonial plantations, perhaps through the Napier expedition (McCook, 2019).
[64] The marketing name Robusta was coined by the Belgium nursery Horticole Coloniale for the *coffee canephora* species. Robusta originates from the central and West African lowlands. The rust thrives in this moister environment and Robusta has had more exposition to it than Arabica, and therefore developed higher resistance (McCook, 2019).

Two years after, Truman held his inaugural address and announced Point Four; multilateralism was in the air. The Coffee Federation of Americas (FEDECAME), a cooperation institution just created, was aware of the dangers posed by *Hemileia vastatrix*. The Americas had limited scientific capacity on coffee rust and FEDECAME called for a world survey to prepare for the inevitable advent of the rust in the New World. The US heeded the call: as a consuming nation, it had an interest in a reliable coffee supply. American officials also wanted political and economic stability in their Latin American "backyard", a corollary of good coffee production in most of the continent's countries (Topik, Talbot and Samper, 2010). The US government mobilized Point Four's Technical Cooperation Administration, then under the leadership of Henry Bennett, and elected the IIAS' Frederick Wellman to lead a World Coffee Mission. Wellman and William H. Cowgill, a horticulturalist, embarked in July 1952 on a tour of the coffee producing world, looking for occurrence of *Hemileia vastatrix*, rust-resistant arabica plants, and state-of-the-art research on fighting it. They were also tasked with establishing a global coffee research network (McCook, 2019; McCook and Peterson, 2020). On their way to Africa, they passed by the FAO to discuss how their mission could connect with the young organization's global work on coffee – Wellman being a staunch believer in multilateralism and the role of the United Nations (McCook and Peterson, 2020).[65] Wellman almost crossed paths with his IIAS colleague Pierre Sylvain, who had begun his FAO secondment to Ethiopia two months before.

The presence of his colleague in Ethiopia might explain why Wellman did not include the country in his tour, a surprising decision given it was a critical place to search for accessions of arabica coffee resistant to coffee rust.[66] While Wellman seemed to have overlooked the importance of Ethiopia, Sylvain himself very well understood the significance of the country's coffee gene pool in the struggle against the fungus. Together with the JATS technicians, he collected over a 100 accessions of Ethiopian coffee and sent them for breeding experiments to several stations across the Western hemisphere, including the IIAS, the Agronomic Institute of Campinas in Brazil, and FAO's Mysore State station in India (Sylvain, 1958). He also sent samples of *Hemileia* spores and coffee seeds to the newly established Centre of Investigation of Coffee Rusts (CICR), in Portugal, equally subsidized by Point Four.[67] Although Ethiopian coffee was not endangered by coffee rust, Sylvain and the JATS researchers were also interested in breeding experiments that could produce high-yielding plants. The circulation of coffee accessions thus went both ways: Sylvain introduced 49 plants from Kenya, Tanganyika, Brazil and Guatemala to the JATS Coffee Experiment Station (Sylvain, 1958) – these ultimately failed to adapt to Ethiopia (EIAR, 2008).

The nucleus of an Ethiopian coffee knowledge-policy ecosystem was therefore rapidly embedded in a global network dominated by the US. This served Haile Selassie's objectives,

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[65] The FAO had just moved offices from Washington D.C to Rome, in the marble *palazzo* built by the fascists to house their Ministry of Italian Africa and, thus, administer Ethiopia.

[66] The African part of the tour included Nigeria, French Cameroon, Belgian Congo, Angola, Uganda, Tanganyika, and Kenya.

[67] The CICR was founded in the wake of Wellman and Cowgill's 1952 tour. They had met with Dr Banquinho d'Oliveira, a leading researcher on plant pathology, and agreed that Portugal was an appropriate place to a establish a global centre to research the rust. This was due to its central location and the absence of coffee plantations in Portugal that could be endangered by spores escaping the station. For the government of Portugal, the centre was an opportunity to improve the global legitimacy of their Empire and better manage their colonial coffee plantations (McCook, 2019).

as it bought goodwill from their American ally without costing much to the emperor nor the ruling elites. In fact, elites involved in coffee production cooperated with Point Four and the FAO. Ras Mesfin Sileshi, the governor of the Kaffa region between 1945 and 1954, was a keen coffee capitalist himself. In the early 1950s, Sileshi had seized sizeable land property for his coffee-growing activities, and had sold additional land to coffee investors, becoming one of the richest men in Ethiopia (Schäfer, 2017). He had also founded the Tana Limited Company, in 1952, just as the JATS programme began (Sylvain, 1958; El Ouaamari, 2013). This company grew 700 hectares of coffee land in Kaffa and owned several other plantations. The Tana company was the first to import dry and wet coffee processing equipment at a significant scale, soon after its establishment in 1952. It received technical support on agronomy and processing methods from FAO experts Sylvain and Lejeune, as well as the JATS staff (Sylvain, 1958). Mesfin Sileshi also supported and benefited, as head of Tana, from a demonstration Coffee Processing Centre in Sutu, Limmu (Huffnagel, 1961) partly funded by the IBRD under guidance from FAO (IBRD, 1954b).

The relationship around knowledge sharing went both ways. The Tana company had hired an Italian plantation manager, Dr Giacomo Fiumana and an Italian engineer, Fuzzi. They worked closely with Sylvain and Lejeune, giving them access to the plantations and sharing the evidence they had gathered (Sylvain, 1955; Lejeune, 1958). For instance, the Tana company had carried out, on their plantations, the first systematic coffee production surveys known in Ethiopia – results were shared with the FAO (Sylvain, 1958). Tana also worked with an Italian cup taster to introduce their own coffee grading as soon as 1952. This grading was based not only on physical properties but also on cup quality, as was advocated by Sylvain in his 1955 report to the government. Mesfin Sileshi likewise supported the JATS. He granted them access to his property of Buda Buna forest, near Jimma, which contained wild coffee trees that provided ''valuable training and research materials'' (USOM, 1958, p.45). The Ministry of Finance also allowed Sylvain to study the plantation it owned in Arba Gougou, Arsi; and Haile Selassie did the same for Lejeune with his Harar plantations.[68]

4.3.5 Conclusion

In the 1950s, the conditions were ripe for a coffee knowledge ecosystem to emerge and take hold rapidly in Ethiopia. This ecosystem began to shape coffee policy through various channels. Some contributions were in the form of direct policy intervention: the JATS effectively represented the nucleus of a public agricultural and coffee research system, doing research on coffee varieties, agronomic and processing methods that could then be picked up by extension services to try and maximize the value generated through the sector. Similarly, the IBRD acted as government investment promotion agency, granting loans to coffee businesses, and supporting the development of a coffee processing capacity. The FAO worked with JATS on coffee research, but also carried policy proposals. The most significant of those was the creation of a National Coffee Board, but they also included the establishment of coffee grading centres at regional level, the adoption of a more stringent coffee grading system and the expansion of an extension services programme.

[68] This plantation was managed by a Russian agricultural engineer, George Turceninoff (Sylvain, 1955)

4.4 Implementation: nationalisation of coffee knowledge, centralization of coffee policy

This part assesses the evolution of the Ethiopian coffee knowledge and policy ecosystem that emerged in the early 1950s. The ecosystem underwent two major transformations between 1950 and 1974. First, it was nationalized, in the sense that an Ethiopian class of researchers, extension officers and administrators gradually took control of the organizations set up by the US, the FAO and the IBRD. Second, the Imperial government used the institutional muscle of the ecosystem to further centralize coffee policy. This increased coffee policy capacity did little to increase the volume or quality of coffee produced, and even less to improve the welfare of farmers. It did however help the government achieve its primary objective, that was the maximization of resource extraction.

4.4.1 The nationalisation of the coffee knowledge ecosystem

"They (foreign experts) have been involved as technicians or persuaders, in almost all of the modernizing measures which the government has taken, but they have never been able to take the decisions involved, and much of their work and many of their recommendations have no effect whatsoever" Christopher Clapham wrote, about the Haile Selassie regime (Clapham, 1969, p.106). This may have been true for many policy matters; if one was to describe coffee sector in the mid-1950s, however, they would likely come to a different conclusion.

The JATS-FAO-IBRD nucleus was central to coffee knowledge and policy production. It was also almost exclusively dominated by foreign experts such as Rouk, Shuhart, Sylvain, Lejeune, Buckow. Private sector knowledge was also produced by the foreign managers running the plantations of the imperial elite, like Giacomo Fiumana or George Turceninoff. The knowledge produced by these experts directly seeped into coffee public policy: research, investment promotion, regulations.

However, this would evolve rapidly, fuelled by the mutual US and Imperial drive for nationalising the coffee knowledge ecosystem. On the Ethiopian side, coffee was central to stability and survival of the political settlement for the foreign exchange, tax revenue and rent potential it represented. Elites had invested in coffee plantations following the 1950s boom, and there was a keen interest from the imperial regime to assert control over the new institutions that regulated the sector. On the American side, the Point Four administration and the IBRD were committed to phasing out their technical assistance and handing to nationals the control of organizations they had set up (McVety, 2008). As the US stepped up its military assistance, Point Four became of a lesser importance for both the Americans and the Empire; Truman's darling programme was also facing mounting criticism from the Eisenhower administration (McVety, 2008). Handing back control to the locals was also in line with the "low-modernist" ideals that still permeated the US mission to Ethiopia in the 1950s and early 1960s, especially among the Oklahoma University staff running agricultural education and research institutions (Gill, 1976).

The JATS was the incubator for these institutions: in 1955, it was the only agricultural school of Ethiopia, on top of being the foremost agricultural and coffee research station of the country. A key step towards the nationalisation of the coffee knowledge ecosystem was the opening of the Alemaya Imperial College of Agriculture in 1956. The college displaced the centre of gravity of agricultural knowledge towards Harar, closer to the Imperial sphere of influence. In the first year, the teaching staff was almost exclusively foreign[69] but was gradually replaced by Ethiopian professors in the 1960s. In 1961, it became a constituent college of Haile Selassie I University, further anchoring it to Addis Ababa (IBRD, 1967). As the College of Agriculture opened its doors, so did its dedicated agricultural research station, situated in Debre Zeit (Huffnagel, 1961; OSU, 1969).

With Alemaya and Debre Zeit hitting the ground, the JATS was retrograded to a more minor role. Kendall Jones, the first dean of the Imperial College, submitted to the Point Four mission that the phase out of American instructors at JATS should begin by 1958-1959 and that "(…) our greatest contribution in agricultural education can be made at the college level rather than in secondary school work (…) it is obvious that we will need to concentrate our personnel and resources to the best possible job there" (Gill, 1976, p.61). Indeed, Hugh Rouk, the unexpected pioneer of Ethiopian coffee research, left the JATS in 1959 to become the Director of Research at Alemaya.[70]

With this shift, the JATS became the preparatory school it had been designed to be, training future entrants to the Imperial college but also agriculture administrators and the bulk of middle-grade extension agents (IBRD, 1967).[71] The extension system had been created and placed under the supervision of Point Four, in 1952, and named 4-T, a copy of the US 4-H model (OSU, 1969; Gill, 1976).[72] In that year, the first two Ethiopian extension agents were sent to Fiche and Asella to distribute rams and ewes to the local population (Green, 1990). The system then grew sluggishly, highlighting the limitations of a low-modernist programme like Point Four in expanding and managing a network of extension officers across Ethiopia. In 1957, there were only 39 agents in the whole of Ethiopia (Huffnagel, 1961); this had increased to 132 in 1963 (Gill, 1976).[73] By that time, the Ministry of Agriculture took control of the system.

In 1966, OSU switched from an operational to advisory role with JATS and the Imperial college, and in 1968, it terminated its technical assistance in Ethiopia (Gill, 1976). In total, 185 OSU staff had worked at JATS and Alemaya over the course of 16 years, and, with Point Four funding, the University had invested 11.8 million USD, out of which 6.7 million for Alamaya and 2 million for the JATS (OSU, 1969). By that time, there were several nationals in senior positions in both organizations. The most outstanding students had been granted scholarships by Point Four and the Rockfeller Foundation to do doctoral studies in American Universities and had returned to replace the US staff.

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[69] Out of the 14 teaching staff, there was only one Ethiopian, the administrator Ato Abraham Demere (USOM, 1958)

[70] The year before, he had been awarded the Order of the Ethiopian star by Haile Selassie for his work at the school (Gill, 1976).

[71] Out of the 80 first students, 50 went to Alemaya, 26 did an MSc in US institutions and 16 completed a doctoral programme (OSU, 1969)

[72] The 4-H model (head, heart, hands, and health) was at the core of agricultural extension services in the US in the 1940s. It was based on youth groups diffusing agricultural knowledge to young farmers.

[73] Although they were arguably "elite" extension agents, 8 having been sent to the American University of Beirut and one to the US for additional training (Huffnagel, 1961).

After Hugh Rouk had left, in 1959, an Ethiopian national and coffee agronomist, Yilma Yemenabrehan, had taken over as the director of the JATS.[74] Under his leadership, the school continued to conduct research on agriculture, with a stronger focus on coffee breeding and agronomy trials (EIAR, 2008). Yilma Yemenabrehan also worked with an important FAO Mission that visited Ethiopia, in 1964, led by American botanist Frederick Meyer. This mission had been first proposed by Sylvain at the first global Coffee Roundtable, held in Costa Rica, in 1953, to collect specimens that may be resistant to coffee rust (Sylvain, 1958). In an FAO conference in 1960, the renowned Brazilian coffee genetician Carlos Arnaldo Krug brought up and supported Sylvain's suggestion (Meyer, 1965). Meyer, who was working with the US Arboretum, had experience of travelling to Ethiopia and working with the JATS staff, and he was selected by FAO to lead the mission. The team included breeders working with the Tanganyika and Kenya coffee boards, a geneticist working with the Campinas Agronomic Institute of Brazil, and the botanist of the FAO research station of Mysore, India, a friend of Sylvain.[75] The mission visited most coffee production areas of Ethiopia, with support from Yilma Yemenabrehan, the National Coffee Board (led by Lemma Frehiywot, the director) and various imperial elites engaged in coffee cultivation. Their main legacy consists in the vast number of coffee germplasms they were able to collect and classify – these were then sent and stored in research stations in Costa Rica, Brazil and other parts of the world. To this day, they form the major gene bank of Ethiopian coffee outside of the country and used for breeding research (Koehler, 2017).

In 1966, the Ministry of Agriculture created the Institute of Agricultural Research (IAR), assisted by a special fund from the United Nations Development Programme (UNDP) and with FAO as an executing agency. Jimma was one of the three initial IAR research stations. In 1967, it formally became the Jimma Agricultural Research Centre, although it has often been referred to as the Jimma Coffee Research Centre; in that capacity the NCB funded it, for a total of 1 million Ethiopian Birr (ETB) during the first five years of its existence (NCB, 1972; Rourk, 1975; EIAR, 2008). The JARC was run by nationals but still benefited from foreign expertise: the FAO outposted a resident coffee specialist to support station trials and research on washed coffee – initially, it was one Brownbridge (World Bank, 1971; Brownbridge and Eyassu Gebreigzabhair, 1972).[76]

A similar process of nationalisation happened with the DBE. After supporting it with seed capital in 1952, the IBRD took a step back and adopted an advisory role towards the organization. The DBE continued to diligently grant coffee loans through the 1950s and 1960s. After having opened the Jimma branch in 1953, it opened another one in Gore, Ilubabor (1956) and then Yirgalem, Sidamo (1958) (Huffnagel, 1961). The grants, however, met very mixed success. Coffee loans accounted for 38% of all the loans given by the organization between

[74] Yilma Yemenabrehan studied in Mexico's College of Agriculture. He would occupy several technical and political positions under the Empire, the Derg and the EPRDF governments and had become a leading figure of the Ethiopian coffee sector into the 2000s.

[75] This was the leading coffee research institute of Brazil, that Sylvain had proposed as a model for the National Coffee Board. Krug was the director of the IAC.

[76] The path dependency was strong: much like Sylvain before him, Brownbridge published an article reporting trial results on the quality of Ethiopian coffees with the IIAS' Turrialba journal. Sylvain had return to the IIAS headquarters in Costa Rica at the time as their emeritus horticulturist, and it is reasonable to assume he had some role in getting the paper published. Times had changed, however, because Brownbridge co-authored the paper with an Ethiopian researcher, Eyassu Gebreighzabhair.

1951 and 1966, and 17% of their value. Yet, they also represented 90% of all outstanding loans and 50% of their value, indicating substantial repayment issues with coffee, as opposed to the fewer but larger and more secure industrial loans (IBRD, 1967).[77]

The Government of Ethiopia was uninterested in the DBE as an instrument to develop the coffee sector, possibly because the agro-capitalist elites had enough of their own capital to fund their projects.[78] Consequently, the DBE had limited technical and financial capacity, and the IBRD assessed in 1967 that it had "not been able to provide finance which has made any great contribution to agricultural development" (IBRD, 1967, p.56). The government also split the State Bank of Ethiopia into the National Bank of Ethiopia (NBE) and the Commercial Bank of Ethiopia (CBE) in 1963. The CBE had more capital than the DBE and an overlapping mandate, contributing to weaken the Development Bank. For instance, in 1969, the CBE had a loan portfolio of 32 million ETB for coffee exporters and 8 million ETB for merchants, including those close to production areas such as Kaffa and Sidamo. This was much higher than the 6 million ETB that the DBE had lent for coffee over the whole 51-66 period (World Bank, 1971). In 1971, the flailing DBE was converted into the Agricultural and Industrial Development Bank (AIDB) (World Bank, 1971).

The FAO, in the meantime, faded into the background of coffee policy. A year after the publication of the Lejeune report, the Ethiopian government adopted the National Coffee Board reform that had been FAO's lead proposal. In his 1955 report, Sylvain wrote that "considering the present lack of qualified Ethiopian coffee technicians, the Board should for the present be staffed mostly by foreign experts" (Sylvain, 1955, p.12). On the contrary, the NCB personnel was fully Ethiopian from the get-go. There was, however, a British adviser named Ian McLean, who stayed from 1958 to 1961 (FAO, 1969). The management, also, had a foreign education. In 1970, the 6 most senior managers had all earned Masters in the American continent (US, Colombia, Mexico). They had not specialized in coffee but rather in agricultural economics and economic development (NCB, 1972). This was because the NCB was not a technical coffee organization in the strictest sense – that role went to the JARC – but rather a policy institution aiming at centralizing state regulation of the sector.

4.4.2 The centralization of coffee policy

The NCB was a quintessential Weberian policy instrument, embodying Haile Selassie's vision for the Empire. The 1957 Decree establishing the Board provides three rationales for its creation: to improve the quality of Ethiopian coffee sold on the world markets, to increase the production of that coffee in the interest of the Empire economy, and to effectively enforce the Cleaning and Grading Proclamation of 1952 (Imperial Government of Ethiopia, 1957). To do so, the NCB was empowered to construct, operate and lease warehouses, processing and cleaning plants, marketplaces, research stations and nurseries; carry out research into coffee cultivation, harvesting, processing and marketing; engaging cleaners, graders and inspectors;

[77] There were only 331 industrial loans, against 1474 coffee loans and a total of 3789 loans. However, their unit value was much higher, at 69 000 ETB on average, against 4674 ETB for coffee loans. The default rate of industrial loans was also much lower, at 34%, against 86% for coffee loans. There is no information as to why industrial loans proved more solid.

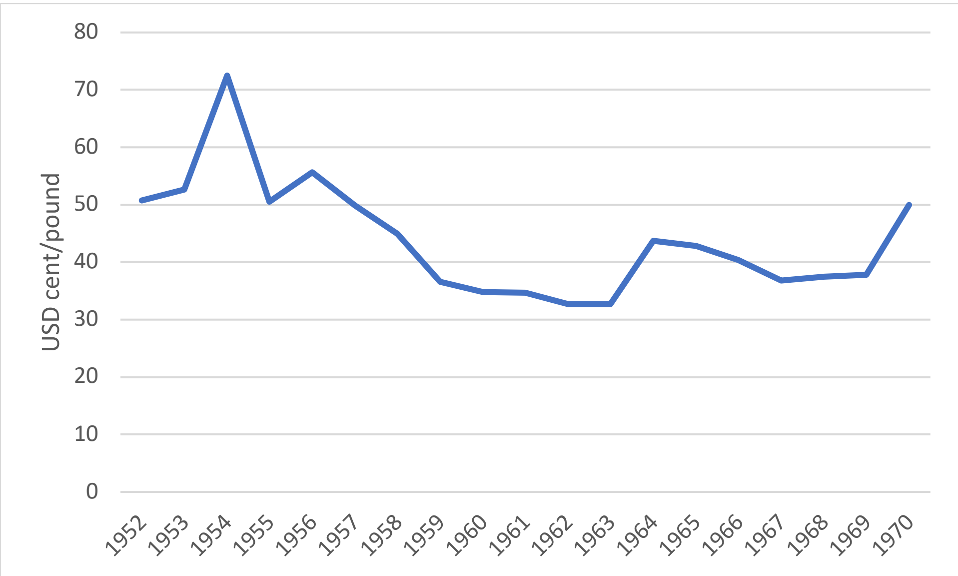
[78] Most had inherited wealth. There were other forms of capital accumulation, however: some "accumulated capital working in the growing civil service of the military, while others had made enough money (…) by trading in urban centres" (Schäfer, 2017, p.167).

establish coffee markets at Addis Ababa and in provinces to facilitate coffee processing, storing and trading; and to establish a Coffee Exchange at Addis Ababa (Imperial Government of Ethiopia, 1957). The Board was placed under the Ministry of Trade and absorbed the former coffee division of the Ministry of Agriculture – its Senior Head was appointed directly by Haile Selassie (Agrer Consortium, 2014)

Shortly after, in 1959, the Board was empowered to issue licenses to traders – the same decree also forbade growers from picking unripe cherries, drying coffee on the ground, using artificial heat to dry the cherries or store coffee in poor conditions (Imperial Government of Ethiopia, 1959). That same year, a central delivery depot was established in Makanissa, Addis Ababa, where all coffee transiting through the city could be inspected and monitored by the NCB, which also set its offices there (Love, 2002). The Inspection Report given to the trader served as an authorization to sell to exporters, and the NCB also retained a copy for statistics purpose (Love, 2002).

In the words of the NCB, it had been created in the context of "the protoplasmic importance of coffee production in Ethiopia resulting from increasing price boom in the early 1950s" (NCB, 1969, p.1). As discussed above, the NCB reform had started to take shape as early as 1952, with the Cleaning and Grading Proclamation and the policy advice of the FAO. In 1954, coffee prices were peaking to levels never seen before or after in the Haile Selassie era (Figure 12). The potential for the government to extract resources from coffee exports was high. But the paradox was that this potential could only be unlocked by the small farmers that Haile Selassie so little cared about. The budding agro-capitalist class invested in coffee farms, and organizations like FAO or the IBRD supported them through knowledge and capital. But the transformation of the Ethiopian coffee economy into a plantation model could not happen overnight. The Imperial government thus had three solutions to increase coffee resource capture: raise production volume, raise production value, and augment the volume of coffee marketed and exported through government-controlled channels.

Figure 12. New York spot price for Ethiopian unwashed arabica, USD cent/pound



Source: (World Bank, 1971)

Production increase

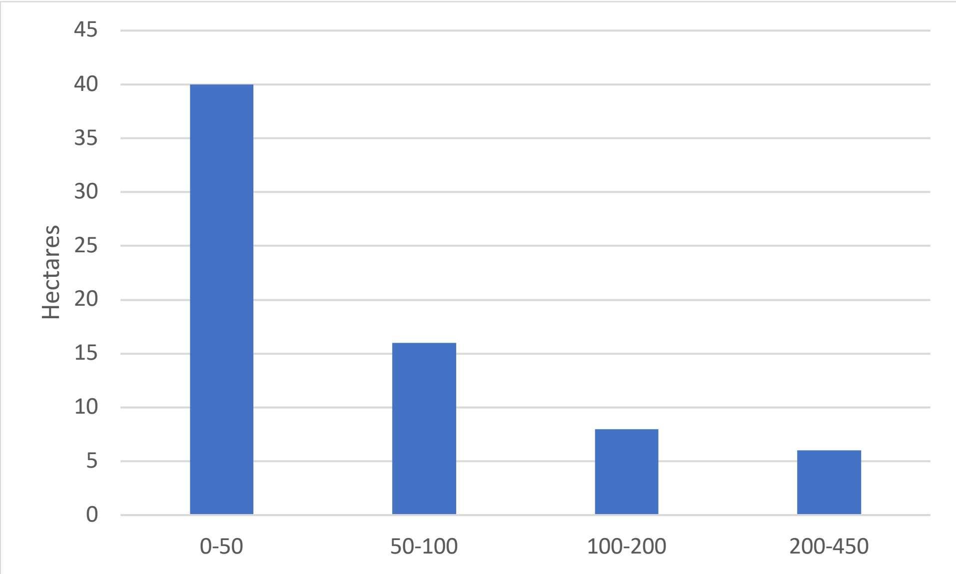
In the early 1950s, coffee production volume increased without much need for policy intervention. Farmers in production areas sought to make the most of the skyrocketing prices: they increased wild and semi-wild coffee picking and planted more garden trees. The NCB produced the first official estimate of coffee production in 1959 and, as such, it is not possible to document the boom with reliable figures (Haile-Mariam Teketel, 1973). However, written and oral sources corroborate it. For instance, when visiting Jimma with the FAO coffee mission, in 1965, the botanist Meyer wrote that "the high world price of coffee about 1950 encouraged farmers to plant coffee in every available stream valley in the Jimma area (…) and now fifteen years later many valleys adjacent to Jimma consist of thickets of overgrown and tangled coffee plants" (FAO, 1968, p.97). El Ouaamari, who interviewed coffee farmers in the Kaffa and Jimma area around 2010, writes that "many farmers agree that their fathers started to significantly expand the area cultivated with coffee in the 1950-1960s due to, fundamentally, favourable prices (…) the memory of the 1952-53 season, in particular, is so vivid that a number of farmers in Choche still reference it as *Buna Bara Jahaatama,* that is the year when the coffee *farasula* price reached 60 ETB" (El Ouaamari, 2013, p.140).[79]

As described above, a small but significant number of agro-capitalists also invested in coffee plantations – the DBE made 1474 successful coffee loans between 1951 and 1966 (IBRD, 1967). There were large plantation ventures by the elite, such as *Ras* Mesfin Sileshi, already documented above, *Fitawrari* Selashi Zerfu, a close friend of Mesfin Sileshi, *Fitawrari* Gebre-Kristos, the grandson of a Menelik general, or *Ras* Andergachew, Haile Selassie's son-in-law (El Ouaamari, 2013; Schäfer, 2017).[80] However, smaller civil servants or soldiers, who had managed to accumulate capital, also invested in coffee. For instance, out of 70 coffee loan applications made to the DBE in 1954, 40 were for applicants who owned less than 50 hectares (Figure 13). One exceptional case was that of the Ethio-American company, which was 70% American-owned, and was the only foreign company with substantial involvement in coffee production (Worku Aberra, 1981).

[79] Own translation from French.

[80] The FAO coffee mission report of 1968 also acknowledges six other senior plantation owners that gave access to their land for research purposes: Ato Getahoun Birke in Limmu, *Ato* Teke Egano in Doyo and Gera, *Dejazmatch* Johannes Girma in Sedecha, *Ato* Mahari Endale in Kossa, *Ato* Shone Seda in Sapa Dildye and *Ato* Shibeshi in Mizan Teferi (FAO, 1968). Given that the mission was organized with direct support from the Minister of Agriculture and the head of the National Coffee Board, these individuals were certainly part of the imperial elite, but we could not find any additional information on them, except for Mahari Endale who was a notorious Ethiopian aristocrat, import-export and agricultural entrepreneur (Guluma Gemeda, 1994) in (El Ouaamari, 2013).

Figure 13. Distribution of land ownership size among coffee loan applicants to the DBE, in hectares



Source: (IBRD, 1954b)

Quality increase

With price incentives doing the work to promote coffee production, the NCB focused on improving quality. As per the Decree establishing the institution, this was the organization's core *raison d'être*.

At the production level, the NCB outposted field officers in major coffee producing provinces. They served as coffee extension agents: in 1964, there were around 80 of them (ICO, 1964). The NCB officers taught production and processing methods aiming at raising yields as well as quality of the coffee. This included advice on cultivating, pruning, picking, washing, drying, handling and transporting the coffee (NCB, 1972). The Board also attempted to enforce the regulation forbidding growers to dry coffee inadequately, and from picking unripe cherries. It did so by deciding on the beginning of the picking campaign after the end of the rainy season, something the farmers resented as long rainy seasons significantly delayed the picking and deprived them of income-raising opportunities (ICO, 1964). Another issue was that several growers, especially in the Jimma, Illubabor, Wollega and Sidamo areas, hired wage workers to pick the coffee. These workers were paid on a crop-share basis and had no incentive to spend more time stripping fewer cherries for the same wage (Love, 2002).

The social, economic, and technical constraints to improving the quality of dry coffee in Ethiopia are abundant and for that reason, foreign experts have recommended the promotion of washed coffee from the earliest stages of the Point Four and FAO technical assistance. [81] Pierre Sylvain had sent washed Ethiopian coffee beans for testing to the Kenya Coffee Board: they had been found to be the same quality as the prized Kenyan beans, whereas dry Ethiopian beans were of much lower value (Sylvain, 1955). Lejeune had done the same with the Ruanda-Urundi FAO station, and had come to the identical conclusion (Lejeune, 1958).

[81] On the differences between dry and washed coffee processes, their constraints, and advantages, see Chapter on the 1998-2018 period.

With Sylvain's guidance, Point Four had recruited Donald Shuhart, a Texan coffee expert who had devised a mobile "work unit system" to process wet coffee at a low cost. Shuhart had perfected his system in mountainous Bolivia and found it adaptable to Ethiopia as it faced similar transportation and financial challenges; he claimed that 10 work units could process the same amount of wet coffee as a washing station, with 10 ten times less funds (Department of State, 1960). In 1956, there were 50 such units in Ethiopia (Huffnagel, 1961). The DBE had also funded the Sutu demonstration plant in Limu, which could process, by 1957, 300 tonnes of cherries (Huffnagel, 1961).

Despite this, the Ethiopian wet coffee processing capacity remained very low when the NCB was created. In 1967, Ethiopia was only exporting 5000 tonnes of washed coffee (IBRD, 1967), out of a total of 81 000 tonnes (Haile-Mariam Teketel, 1973), concentrated on a few pioneer plantations (FAO, 1969). This was not for a lack of price premium – it stood at 34% at the Addis Ababa wholesale level – or market, as West Germany was a strong importer (Haile-Mariam Teketel, 1973). Rather, the production of washed coffee required significant technological, financial, and human capital to import the necessary material, build washing stations and acquire the know-how to operate them. Perhaps more importantly, it necessitated a model by which nucleus growers or pickers would be financially incentivized to select red ripe cherries, something that took much more effort than indiscriminate stripping, had to happen on a shorter period, and be carried out many more times. This did not fit with the absentee landlord-sharecropping tenant model that dominated at the time (FAO, 1969).

Undeterred, the NCB requested support from the World Bank, in 1969, to develop a Coffee Processing Project. The aim was to create a 100 new washing stations, mainly in the Sidamo area, adding to the existing 100 or so functional stations, [82] raising exports to 11 000 tonnes (World Bank, 1971). Another goal was to foster the development of cooperatives by giving them control of the washing stations.[83] The project was approved in 1972 and a Project Implementation Unit was planned to be set up in the NCB (WB 75).

The cornerstone of quality improvement, under these conditions, was the enforcement of a grading system. The basis of that system had been laid out in the 1952 Cleaning and Grading regulations. In 1955, with Sylvain's assistance, the government had amended the legal notice to introduce a grading scale inspired by the Brazilian one (Rourk, 1975). Defects would be counted, given a score (e.g., small stone: 3 points), and beans would be classified according to grading bins (e.g., Grade 1: 0-3 defect; Grade 2: 4-12 defect) (Imperial Government of Ethiopia, 1954).[84] The notice also forbade exports for coffee with over 11.5% moisture.

In 1959, a new regulation expanded the defect list (for instance, wanza seed was added as a defect), tightened scores, and created 5 exportable grades (1-5 – also called Usual Good

[82] According to the IBRD project appraisal, in 1971, the NCB had granted licenses for coffee washing stations in Sidamo quite liberally, and there was an overcrowding of poorly managed stations in the area. The reasons behind this are not clear.

[83] The basic law establishing cooperatives had been approved in 1966 and the NCB was trying to encourage the emergence of a coffee cooperative sector, in the footsteps of the Tanganyika Native Coffee Boards.

[84] This Brazil-inspired system survived all coffee policy eras in Ethiopia. The ECX tweaked and rebranded it as an institutional innovation. For more details on this, see chapter on the 1998-2018 period.

Quality), 2 non-exportable ones (6-7) and 1 sub-standard grade (SSG). The NCB also faced resistance in enforcing this standard. Exporters vigorously protested, claiming that Grade 6 beans were on level with the established Brazilian Coffee Santos Grade 4 and were, as such, exportable. From a purely technical perspective, they were partly right. Ethiopian Grade 6 was given to coffees with 101-153 defects, whereas Brazilian Santos Grade 4 was attributed to coffees with 60-120 defects (Mutua, 2000).

This raised the question, however, of the reliability of the Ethiopian cleaning and grading process. The first problem, already highlighted by Sylvain (1955) was that grading was done based on physical defects alone, not through cupping. This could not be overcome rapidly by the NCB because of Ethiopia's lack of liquoring capacity, including within NCB's ineffectual liquoring unit (World Bank, 1971). But even the physical grading of coffee did not work very satisfactorily. In 1955, there were 43 licensed cleaners, yet exporters had little incentive to pay for clean coffee, beyond the basic cleaning that yielded an exportable standard. Indeed, as observed by FAO (1969) the quality of the bean was largely determined at the cherry picking and drying level, a parameter that was out of control for the exporter and that could not be improved with cleaning.

Another issue was that exporters would have had no desire to acquire high-quality coffee at a premium because of unreliable grading. In his authoritative work on Ethiopia's coffee sector, Hailemariam Teketel (1973, p.106) claimed that "some of the National Coffee Board agents, by accepting bribes, actually grade the poor and the best quality coffee in the same category".

Market control

Notwithstanding the failings of field agents, the NCB did aim to improve the quality of exported coffee, as it was in the very interest of the Imperial government. However, it can be argued that the primary objective of the quality regulations enforced by the NCB was to "increase efficiency in collecting revenue and (…) foreign exchange earnings from coffee" (Haile-Mariam Teketel, 1973, p.107). The quality control was a medium by which the Empire could assert power over the sector. There were three dimensions to this: formalizing, controlling, and monitoring the market.

The formalization of the coffee market was a critical element to maximize and organize state resource extraction. But coffee was a very unruly resource: it was difficult to commodify. It existed as a cash crop before the Ethiopian state. It grew in communal forests and in mixed cropping systems. It was perennial, with asymmetric supply cycles, there were many varieties and agro-ecological zones that yielded different qualities, at different periods of the year. Farmers who grew coffee liked to consume it themselves. They sometimes owned the land, sometimes rented it. They picked the coffee themselves, or had family do it, or paid pickers, often with sharecropping. Traders had informal relationships with the farmers, and exporters with traders. The sector was, thus, a far cry from the colonial managed plantation system that facilitated resource extraction in countries like Kenya or Tanganyika.

The emergence of such a model was beyond the reach of the NCB, Instead, it sought to define the rules of the game in the value chain by defining specific roles, and attributing licenses for them. The 1952 established the basis of a licensing system, limiting it to cleaners and graders, with a 50 ETD fee (Imperial Government of Ethiopia, 1952). In 1957, the fee was raised to 500 ETD outside of Addis Ababa, and 1000 ETD in the capital (Love, 2002). The 1959 notice, that further specified the powers of the NCB, offered a definition for the functions of "growers", "dealers", "cleaners and graders" (Imperial Government of Ethiopia, 1959). It also established a more extensive licensing typology: license A for exporters, license B for traders, license C for pulping processors, license D for drying processors and license E for cleaners and graders. The typology was further expanded in the 1960s to include coffee warehouse owners (license F) and the owners of trucks serving the coffee industry (license G) (Haile-Mariam Teketel, 1973). Specific criteria were attached to each license, for instance exporters needed a working capital of ETD 100 000 and traders of 10 000 ETD. The NCB was empowered to deliver the licenses, and it was forbidden to take part in the value chain without one.

This formalization process, enforced by the NCB with support from Governors and sub-Governors, who had initiated the request for the regulations (FAO, 1969), did not go smoothly. An International Coffee Organization technical mission visited major coffee production areas in 1964 and noted: "In Agaro (…) popular feeling became very heated, complaints from farmers being no less bitter than those from traders. The same feelings were experienced in Limu. Everywhere was violent criticism directed against the National Coffee Board of Ethiopia, as it was felt that the Board was responsible for the accumulation of stocks in the coffee producing areas as it had stopped issuing licences for shipping coffee from the interior" (ICO, 1964, p.61) in (Love, 2002, p.71). The market formalization allowed the government to better tax coffee flows but also to threaten traders and exporters into complying with regulations, lest they should lose their license although the NCB made little actual use of that power (World Bank, 1971). One major grievance of the government, that would be a constant throughout the decades, was that traders and exporters speculated on coffee price movements, leading exporters to default or find themselves unable to sell their coffee depending on the vagaries of the global market (World Bank, 1971). This limited the predictability of foreign exchange earnings and frustrated the government, which flirted with the idea of giving a more interventionist role to the NCB, bringing it closer to a fully-fledged marketing board (Haile-Mariam Teketel, 1973). For instance, in 1966, the NCB requested assistance from FAO to assess how the Board could engage directly in buying coffee from traders, using its own internal quality scale, and export it (FAO, 1969). The policy, however, never materialized.

A second step involved the physical control of the market. The NCB established provincial marketing centres where growers were legally required to sell their coffee (ICO, 1967), and two central inspection centres in Addis Ababa and in Dire Dawa – Harar coffee being exported directly to Djibouti via the railway, whereas Southern and Western coffee was transiting via Addis en route to Djibouti, Assab and Massawa (NCB, 1972; Haile-Mariam Teketel, 1973; Rourk, 1975).[85] All coffee marketed in Ethiopia had to be inspected, by law, through these centres. The aim was to funnel coffee of exportable quality towards the Addis Ababa and Dire Dawa gateways, where it could be effectively controlled and taxed. At this point, the NCB was assisted by two other organizations, the Customs Department and the National Bank of Ethiopia. The former collected the export duties, whereas the latter authorized exports and retained foreign exchange earned by the exporters. The NBE also kept a watch on export contracts and made sure that prices did not fall below a threshold determined from the

[85] The NCB's argument, later reprised by the ECX with the primary marketing centres, was that farmers could sell to competing traders if they would go to these centres, instead of being taken advantage of at the farm-gate (ICO, 1967).

international price: this would indicate that an exporter might be underselling to a sister company to evade taxation (ICO, 1967; Haile-Mariam Teketel, 1973).

The Addis Ababa and Dire Dawa inspection centres were rapidly functional, and as early as 1961, the NCB began seriously considering the next stage: the Coffee Exchange (Ministry of Commerce and Industry, 1961). The 1957 Degree had indeed made provisions for the organization to establish one in Addis Ababa. As described above, the NCB reform had been inspired by the Boards that already existed in Kenya, Tanganyika, and Uganda since the 1930s, and these organizations had Coffee Exchanges. The oldest one was the Nairobi Coffee Exchange (NCE), created at the same time as the Kenya Coffee Board. It had been founded by the British plantation owners, and Britain had a long tradition of setting up commodity exchanges to manage the trade of its colonial commodities.[86] Ian McLean, who had advised the NCB from 1958 to 1961, resurfaced in 1966 as an FAO expert assigned to work, once again, with the Board. He was expected to assist the NCB in establishing the Exchange (FAO, 1969). McLean, as Sylvain had done before him, looked to Kenya for inspiration and initially considered the price pool system practiced by the NCE (Abbott, 1966). This feature was, however, not part of the Coffee Exchange legislation proposal he submitted to the Board, in 1966 (FAO, 1969). The McLean proposal was extensive. He proposed that the Exchange should work as an independent auction, with the NCB sitting on the Board. He also suggested governance and arbitration rules, membership fees and requirements, a brokerage system and a funding mechanism to cover the operations of the auction (FAO, 1969).

The proposal was made in 1966 but the Exchange and the auction system were not adopted immediately. As had been expected by the FAO, the traders resisted the reform (FAO, 1969). The exporters were in favour of it, so long as it was voluntary – they were on reasonably good terms with the NCB but opposed every form of direct intervention (FAO, 1969). Exporters had been complaining that traders would come to them with a small sample of coffee, negotiate prices bitterly, and then default on their commitment if they found another exporter willing to pay more (Love, 2002). Facing this, they were beginning to organize as a corporation: they had founded the Ethiopian Coffee Exporters Association in 1963 (NCB, 1972) and it is reasonable to assume that they saw the auction as a golden opportunity to form a cartel: they were after all 40, and 10 of them handled 70% of exports, whereas there were 2960 traders (Haile-Mariam Teketel, 1973). The auction could funnel the traders into a single transactional space, where they would have to take the prices that exporters would propose. The voluntary nature of the auction was to allow them to keep direct relationships with traders where this was in the sector's interest: as put by the World Bank (1971, p.25), "a compulsory auction system would interfere with some exporters acting as a source of crop finance for traders and processors".[87] For instance, they lent to 40% of the coffee merchants of Sidamo (Haile-Mariam Teketel, 1973). It took 31 "heated meetings" (Love, 2002, p.77) with the Exporters Association to get traders to accept the Exchange, which was established in January 1972, with one auction in Addis Ababa and one in Dire Dawa (Yared Berhe, 2010). The traders secured an

[86] It dated back from the 16th century and had started in London coffee houses (Forrester, 1931), so in a sense the Nairobi Coffee Exchange was coming full circle.

[87] The same IBRD mission, which was appraising the Coffee Processing Project, also wrote about the Coffee auction that "it would be necessary for coffee to be cleaned and graded in the provinces to a standard suitable for export" (World Bank, 1971, p.25). This regional grading would also be implemented by the ECX 40 years later.

agreement that they were allowed to refuse selling at the auction, although they would occur storage charges after 3 days[88] They also obtained the creation of a minimum price system, which could have been a boon for them but never got implemented. It is worth highlighting at this stage that the coffee exporters were an unusual interest group in Haile Selassie's Ethiopia in the sense that they were largely foreign: Ethiopian exporters only handled 20% of unwashed coffee exports, and none of the washed coffee (Worku Aberra, 1981). That may have facilitated their relationship with the Imperial government: they could not acquire land, which was the heart of the rent-allocation system under Haile Selassie's political settlement.

The third dimension of market control was to monitor it. The NCB used its physical contact points with the coffee market to collect data on prices as well as origin, volume, and value of coffee arrivals in Addis Ababa, and export volumes, values, transactions and name of the exporter. Interestingly, the NBE collected coffee prices in major producing areas, with the NCB focusing on minor markets not already covered by the Bank (Haile-Mariam Teketel, 1973). This information helped the government track the flows of coffee and forecast foreign exchange earnings and revenue mobilization. However, one major statistic kept eluding the NCB: the production volume and value. The main reason invoked by the government was the diversity of coffee cultivation systems and their corresponding yield per tree, including picking in wild and semi-wild forests, intercropping in gardens and terracing in Harar (CSA, 1962). This made it very difficult to produce estimates that could be extrapolated reliably, and it was beyond the reach of the NCB to survey the whole production – although they did request that such a survey be funded in the appraisal for the Coffee Processing Project of the World Bank (World Bank, 1971). It should also be added that the NCB did not have much "foot on the ground" in coffee production areas, besides a few dozen field officers. Perceptions in the Addis Ababa office might have been shaped by some inherent fantasies about coffee production areas, for instance the NCB claimed that 60-65% of Ethiopian coffee was picked from trees in the wild forests, a dubious statistic methodically contested by Haile-Mariam Teketel (1973, p.29) observations and surveys, including in the "so-called wild forests" of the Keffa province.[89] The Central Statistical Office was created in 1961, and one of the very first surveys it conducted was a pilot, in Limu, to try to estimate coffee production – it failed to yield reliable estimates (CSA, 1962). It had a second and more ambitious go at it, in 1967-1968, on 12 provinces, and provided an estimate of 160 000 tonnes, while the NCB number was of 200 000 for the same year (Haile-Mariam Teketel, 1973).

From 1964, it became more critical to know how much coffee was being produced in Ethiopia, because the country signed the International Coffee Agreement (ICA). The ICA was pushed by the US, with the aim to stabilize global coffee prices and ensure political stability in the coffee-dependent Latin American countries. In essence, the ICA attributed quotas to member countries, with a view to regulate supply. The ICA also established the International Coffee Organization, a multilateral organization that was a discussion forum between signatories. It also produced global knowledge on coffee (e.g. production and trade data), monitored export quotas and provided technical and financial support to increase coffee productivity and reduce

[88] That concession would hurt traders long after – as documented in the Chapter on the 1998-2018 period, the exporters did form a cartel, and were unbothered by the refusal to sell clause, because they knew traders could not afford the storage charges.
[89] There was wild coffee picking, but most coffee picking was what is now called "semi-wild", i.e., coffee trees planted in a forest, and modestly managed.

dependence on the crop through a Diversification Fund (ICO, 1964; Love, 2002; Schäfer, 2017). Most countries signed in 1962 but Ethiopia was initially reluctant to do so, arguing that managing over-supply of coffee in the world market was the responsibility of Brazil (Ministry of Commerce and Industry, 1962). It eventually caved in and joined in 1964.

As a signatory of the ICA, Ethiopia was to be attributed an export quota by the ICO, and this would be decided based on its exportable production. In the absence of reliable data, a quota of 51 000 tonnes was decided at the United Nations Coffee Conference of 1962, vehemently disputed by Ethiopia (Love, 2002). An ICO mission was hastily put together and dispatched to Ethiopia the following year, with a view to accurately assess the exportable production.[90] The members were selected among two usual suspects of coffee technical assistance in Ethiopia: the FAO and the IBRD (ICO, 1964). The report painfully attempted to describe the limited reliability of data on the ground without being insulting to the Government of Ethiopia – in conclusion, Ethiopia managed to increase its quota to 62 200 tonnes. The NCB was the contact point with the ICO, and as such they had to issue certificates of origin for every export transaction to quota countries and share them with the ICO; this required even closer supervision of the exporters, who were tasked with filling the certificates. Another problem was how to allocate the quota between exporters. The NCB decided on a system whereby it would announce the total quota to exporters, and then attribute it on a first come, first serve basis; if there were more applications than the quota, they would distribute it based on the past performance of exporters and encouragement to new entrants. In 1965/1966, Ethiopia failed to export its quota by 14%, and the NCB blamed this on speculation by the traders: exceptionally, it was granted the powers to actively participate in trade by the Council of Ministers, to make up for the quota shortfall (World Bank, 1971).

Yet, the problem did not disappear: Ethiopia under-shipped its quota again in 1968/69, and once more in 1969/70, by respective margins of 10% and 6% - this represented a loss of 6% of Ethiopia's foreign exchange earnings. It was symptomatic of deeper issues in the sector.

4.4.3 The limited impacts of the policy reforms

The Ethiopian coffee knowledge ecosystem and the National Coffee Board were conceived during the 1950s, at the peak of Haile Selassie's centralizing project and during the "coffee Eldorado" of booming prices and new highways to the coffee South-West. However, by the time they were becoming operational as national organizations, in the mid-60s, the coffee sector and political settlement dynamics had become much different.

The main change was the downturn in global coffee prices following the rebound in Brazil supply: in real terms, prices were divided in half between 1955 and 1965 (Deaton, 1999) in (El Ouaamari, 2013). This was directly passed on to the Ethiopian prices. Between 1955 and 1963, the Jimma spot price at the New York exchange decreased at an average 4.7% per year (World Bank, 1971). In 1965, the coffee *farasula* in Addis Ababa sold at 28 ETB – the mythical 1953 price, that rose above 60 ETB, was a distant memory (El Ouaamari, 2013).

[90] The report introduction almost comically describes how little the Mission members had been briefed about what they had to do once in Ethiopia – for instance they did not know what criteria they were meant to use to estimate the quotas, or what other aspects of the coffee sector they were supposed to document.

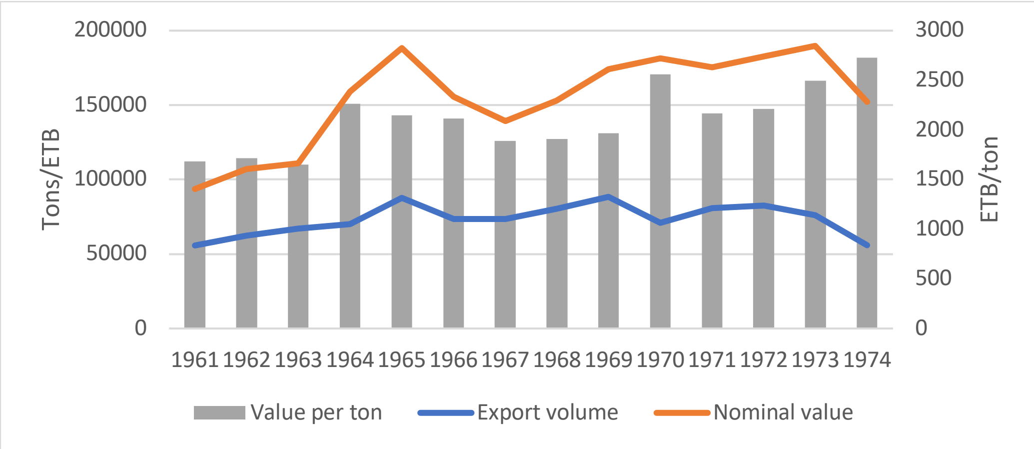
As prices plunged, coffee became less attractive for the elite agro-capitalist class. Large landlords began to move capital away from the commodity and into different ventures, such as real estate, hostelry, or other agricultural sectors like haricot bean and dairy (Guluma Gemeda, 1994). There was also disillusionment with the plantation model: making a profit required significant investment in time, financial and human capital, something that was not well aligned with the absentee landlord model that some investors sought to pursue. One major issue was to find and manage the workforce that would weed, plant, and pick coffee trees. The absentee capitalists could not rely nor on customary obligations, such as corvees, nor on family labour to do this. They needed to hire wage workers. In the South-west, local farmers already grew coffee on their plots and had little interest to do wage work on someone else's land, so migrants largely came from the North (Wello, Gojjam, Gondar, Gurage part of Shew) and from the nearer regions of Kembatta, Wolayta, Yem and Dawro (El Ouaamari, 2013). In the early 1970s, there were 50 000 of them during harvesting season (Wood, 1983) in (Schäfer, 2017). Yet, wage labourers were still a scarce resource, to the point that landlords sometimes had to fight over them: El Ouaamari (2013) reports that a rich Amhara landlord was assassinated in the early 1970s for having offered a wage that was 3 ETB/month higher than his competitors. In 1970, after 20 years of government and foreign partners' promotion of coffee capitalism, there were just 119 plantations in Kefa, which concentrated "most of the large-scale coffee farms in the country" (Teketel, 1973, p.45). They exported between 5 to 14% of coffee in Ethiopia.

Despite the attempts of the JATS/JARC, FAO and the IBRD to increase the quality of Ethiopian coffee, in 1970, 97% of unwashed exports were of grade 5, the bare minimum for exportable coffee (World Bank, 1971).[91] Besides, between 1952 and 1970, the global price for the standard Jimma 5 coffee remained systematically below that of Santos 4, and the delta barely budged, with respective averages of -8% for the 1952-1962 and -9% 1962-1970 periods. For what regarded washed coffee, the country counted just about 100 functional washing stations in 1970, mostly in Sidamo, and washed coffee accounted for 12.5% of total export volume (World Bank, 1971). Even though it was a low figure, this might have been the most positive development in the sector, as washed coffee production and exports had been inexistent when the coffee knowledge and policy system began emerging in 1952. The growth in washed coffee production is likely behind the slight increase observed in the unit value of exports between 1961 and 1974 (Figure 14). Total exports, on the other hand, plateaued, except for a bump in 1964 following a frost in Brazil and, therefore, a small global price hike (Worku Aberra, 1981).[92]

[91] The IBRD Coffee Processing Project appraisal mission felt safe enough to write that "It would not be an exaggeration to state that Ethiopia (…) exports some of the world's worst unwashed arabica coffee". (World Bank, 1971, p.19)

[92] Given the lack of reliability of production data, export data is the best proxy to understand production trends.

Figure 14. Export volume (tonnes) (left axis), value (ETB) (left axis), and value per exported tonne (right axis) of Ethiopian coffee



Source: (Schäfer, 2017)

The fact was that small holders kept dominating production and the price of cherries was the main, if not the only incentive for them to increase coffee production volume and quality. But the knowledge and policy apparatus developed during the Haile Selassie period did little to increase that price. The regulatory reforms of the NCB were purported to rationalize the value chain and reward quality for the benefit of the farmer, who would earn higher prices and be incentivized to produce better coffee (NCB, 1972; Haile-Mariam Teketel, 1973; Love, 2002). But it can be argued that neither the licensing, the creation of marketing and inspection centres or the auction served those functions. They certainly formalized and possibly improved price transmission in the coffee bean value chain (although there is no evidence to support this), but most small farmers were paid by traders for the volume of dried cherries they produced.[93] Beyond obvious defects, such as stones or twigs, it was difficult for traders to observe the quality of the dried cherries and they had no reason to pay a premium that would cover the additional cost incurred by the farmer or the picker. This fundamental problem would persist throughout the decades and limit the efficacy of market-based solutions to increase production and quality of coffee.

The extension services provided by the NCB would also have had limited effects for another reason: the prevalence of tenancy among coffee producers. The CSA rural sample survey of 1970 found that, on average, 62% of farmers in coffee producing areas were tenants. This went as high as 68% and 76% in core coffee regions like Kaffa and Illubabor (Central Statistical Office, 1970). The tenants had to make sharecropping payments to the landlords, but also had to contribute themselves for all variable inputs, such as oxen power. The survey found that the practice of paying tithe and proving corvee services to the landlord persisted in some regions (Haile-Mariam Teketel, 1973); yet the tenants could also be evicted due to the commodification of land that had been pushed by the Haile Selassie government. For these reasons, tenants were not incentivized to invest time and resources to bring marginal improvements to the coffee farms, for instance by planting new trees, or adopting the practices promoted by the NCB, such as mulching or pruning (Worku Aberra, 1981).

[93] In 1966, it was estimated that the farmer received 26% of the export price of coffee (Worku Aberra, 1981).

From 1964, when Ethiopia joined the ICO, the NCB even began to actively "discourage any action that might lead to production increase", going as far as uprooting of new trees (ICO, 1967, p,12), and "limited their instructions to actions which improve quality" (IBRD, 1967, p.52). The Board wanted to avoid a situation whereby coffee supply would exceed the quotas, which would have lowered prices and certainly displeased coffee capitalists while causing unrest in coffee producing areas. In that context, the building of new roads that drained more coffee from remote production areas such as Illubabor, western Kaffa, or Wollega, began to be seen negatively: in 1967, the IBRD referred to it as a "danger" that could lead to an exceeding of the quota (IBRD, 1967, p.6).

A final aspect of importance is that the enforcement capacity of the NCB should not be overestimated. In 1964, the budget of the Board was of 750 000 ETB (300 000 USD) (ICO, 1964) and it only disposed of around 50-80 field agents. While it could reasonably control the Makanissa depot and the auction in Addis Ababa, which involved around 40 exporters, it was much more difficult to regulate the 2000 traders or so that operated across the production areas, not to mention the hundreds of coffee farmers and wage workers that grew and picked the coffee. No matter what the *de jure* powers of the NCB were, it did not have the institutional muscle to force farmers into producing better quality coffee, neither could it funnel all the coffee through its grading system given the many opportunities "that lower-level middlemen had to sell to retailers or domestic consumers at local and regional levels" (Haile-Mariam Teketel, 1973, p.105).

Ultimately, the most concrete change brought by the various coffee policy reforms adopted under Haile Selassie was the higher capacity of the state to tax coffee, and retain foreign exchange earned from exports. Even without a massive expansion of production volume, or significant increase in coffee quality, Haile Selassie's Empire was capable to extract more resources from coffee than had ever been the case in Ethiopia. The NCB's statistical apparatus, combined with the licensing system and marketing centres, also allowed the Empire to know – with limited accuracy – where coffee was being produced, sold and exported, and by who. Finally, the government could forecast tax and foreign exchange earnings, a critical aspect of the Weberian management of the state that the emperor was instituting.

These developments were in line with the overarching policy pursued by Haile Selassie. But the ecosystem of coffee knowledge and policy that emerged under his rule brought other consequential innovations. It was foundational to the Ethiopian coffee and even agricultural research system through the pioneering role of the JATS, and later the JARC; it was equally foundational to the technical cooperation between Ethiopia and the United States as well as multilateral organizations like FAO and the World Bank. It inscribed Ethiopian coffee in the emerging global network of coffee breeding and genetic research. It also laid the basis for a centralized marketing system, including physical market infrastructure, a grading system and an Exchange, that would survive throughout different governments and finally be rebranded as the Ethiopian Commodity Exchange.

4.5 Conclusion

The building of the superficial Weberian centralized state eventually caught up with Haile Selassie. As the “modern” state expanded, new classes emerged especially in the urban centres. These included high-level bureaucrats, militaries who had been trained by foreign armies or had fought in Korea, middle-level civil servants, teachers, taxi drivers and students educated abroad and in the new Universities created by the emperor. Haile Selassie, who had built the political settlement around rent-allocation to a small clientele of provincial aristocrats reverent of the Imperial model, could not control these new forces. He could not offer them much, neither rents nor a shared vision of what Ethiopia needed to be.

In 1960, Haile Selassie survived a first coup, attempted by General Mengistu Neway and his US-educated brother Germame. The two putschists were seen as progressive elites who challenged the conservative order and concentrated power of Haile Selassie’s regime. Germame, in particular, criticized the disdain of the ruling class for the rural population and, as Governor of Walamo, had carried out unusually progressive policies such as giving Imperial property away to landless peasants (Bach, 2011). The coup failed, but students took to the streets in protest, a novelty in Ethiopia. They were shot at by the army. The paradigm shifted from that date, emboldening opposing groups to confront the emperor. Students began to organize and challenge the regime repeatedly, holding a famous protest in front of Parliament in 1965 to demand a land reform.

Land control was at the centre of Haile Selassie’s political settlement, which was well understood by the emerging forces embodied by the urban student movements: the slogan “Land to the Tiller” soon became their political motto. Revolts also erupted in rural areas, like in Afar, Bale and Gojjam, to denounce the abusive Imperial elite taxation and control over land and pastoral resources. These mutinies were violently suppressed and further increased the unpopularity of the Imperial government, including within the Army. In 1973, the oil crisis sent shockwaves through the Ethiopian economy. Prices surged by 20% in the first quarter of 1974 alone, angering Addis Ababa and further increasing the volatility of the political settlement (Mascagni, 2013). To make matters worse for Haile Selassie, following a poor rainy season, a famine erupted in Wollo. Peasants took to the highway to beg drivers for food, and 1500 of them marched to the capital, only to be dispersed by the police. The emperor dismissed the protestations of students and Addis Ababa intellectuals, blaming the famine on peasants’ laziness (Kumar, 1991). Doom also befell the coffee sector. In the early 1970s, an outbreak of Coffee Berry Disease (CBD) was detected.[94]The fungal disease ravaged Ethiopian coffee trees – in 1973, production had declined by 30% in infected areas (El Ouaamari, 2013). In 1974, there was a sense of ineluctable demise for Haile Selassie, and following a further series of mutinies, strikes and protests, he was overthrown by a military committee, the Derg.

[94] Contrary to what appears to be an established fact in the literature, CBD was not discovered in 1971 in Ethiopia. Lejeune reported it in the 1956 FAO report to the government of Ethiopia. Fernie, a botanist of the 1964 FAO mission, strongly suspected having observed it, although he could not confirm it.

Chapter 5. Coffee beans for bullets: the Derg and early EPRDF era, 1974-1998

5.1 Introduction

This chapter looks at the political economy of Ethiopia and its coffee sector between 1974 and 1998 and how it affected the supply and demand of evidence in coffee policy. The chapter sets the stage by analysing the political settlement parameters that would shape coffee policy under the Derg regime (part 1 – The emperor's new clothes: the Derg reinvention of the Ethiopian state). It then documents and analyses how the Derg adapted the coffee policy-knowledge ecosystem of the Haile Selassie era, infusing it with Marxist-Leninist policies and Western development projects to maximize surplus extraction at the lowest political and economic cost (part 2 – Squeezing every last drop: coffee surplus extraction under the Derg). The chapter then studies the evolution, eventual demise, and partial dismantling of this system under the young EPRDF (part 3 – Coffee policy implementation: slow unravelling, rapid resurgence).

5.2 The emperor's new clothes: the Derg reinvention of the Ethiopian state

This section situates the Ethiopian political settlement that prevailed around the end of 1977, when it took the lasting shape that would condition coffee policies under the Derg era.

It first investigates the fundamental transition between the last days of the Empire and the Derg era. The Imperial settlement collapsed, as it was structurally incapable of meeting the demand for benefit redistribution from emerging intermediate classes. A group of young officers within the military – the Derg – were able to capture power thanks to their superior organizational capacities and firepower. After a few years of high turbulence within the ruling coalition, the Derg prevailed and eliminated opposing internal factions. Within the Derg, major Mengistu Haile Mariam overcame his rivals and centred the ruling coalition around his persona.

The Derg also acted fast to weaken external Ethiopian competitors – the old aristocracy – by reforming land ownership, buying support from the peasantry on whose labour their potency rested. Although Mengistu was able to stabilize the settlement within the first five years at its helm, Somalian, and then more importantly Eritrean armed forces started a permanent war with the Derg that would define the political settlement over the 1980s.

The military regime fostered a war economy and allied with the USSR to secure military support, embracing opportunistic Marxism that gave ideological shape to an unprecedented state expansion policy. The coffee sector had been strategic for state formation under Haile Selassie, but it became a matter of simple survival for the Derg, as it generated the foreign exchange necessary to import armament and fund capital-intensive project that gave momentum to the regime.

5.2.1 Introduction

In the early 1970s, Ethiopia's political settlement was characterized by the hyper-centralization of power around Haile Selassie and affiliated imperial elites (see above chapter). The main source of power was control over land and peasantry in the Highlands – concentrated in the hands of a small number of aristocrats. Haile Selassie rewarded their loyalty through land titles and stakes in Imperial ventures, while ostracizing challengers and, when necessary, confronting them with a superior military force. To strengthen his hand, he had fostered a superficial Weberian state structure atop this patrimonial settlement, allowing him to drain resources from provincial competitors through more effective taxation, allocate new forms of rents with high-level civil servant positions, and wield the greater power of a professionalized army. The emergence of this superficial state also conferred enhanced legitimacy on the emperor vis-à-vis Western nations, enabling technical, financial, and military support that contributed to stabilize the settlement to his advantage.

5.2.2 The collapse of the Imperial political settlement

While it cemented Haile Selassie's control over the Empire, the rise of an Ethiopian Leviathan released new political forces. The emperor had laid out a public education system to train the bureaucrats needed to run and expand the state. This included civilians, such as teachers and civil servants, but also officers tasked with administering the middle rungs of the professional army. Public and secular Universities took higher education outside the narrow confines of the upper elite, creating a new generation of educated Ethiopians that were more critical of the traditional imperial order.[95] More Ethiopians also began to study abroad, especially in the US and Europe, where they were exposed to *en vogue* Marxist theory. Meanwhile, the economic expansion of Addis Ababa led to a burgeoning class of urban workers, in the small industrial sector as well as service economy, such as taxi and bus drivers (Clapham, 1988; Barhu Zewde, 2001; Eleni Centime Zeleke, 2019).

These urban intermediate classes aspired to structural reforms – students, in particular, advocated for land redistribution to the peasants – but also more prosaic changes: higher wages, better working conditions, pensions, the right to unionize and, with the 1973 oil crisis, lower gas prices. This culminated in a string of strikes and protests in Addis Ababa in early 1974. The Imperial government met some of the protesters' demands, but this did little to relieve the structural pressure for a realignment of the political settlement. The aging Haile Selassie could not conjure up a solution to this new challenge: the emperor was gifted in managing Ethiopian polities in a court-like fashion, dealing with a clientele of aristocrats and warlords that depended on him. Except for violence, he had no answer for the aspirations of the alien new constituencies that his state-building project had engendered.

The transition to a new political settlement was inexorable but gradual: initially, there was no group capable or willing to challenge the Imperial elite's hold onto power. The opening came from young army officers, an offspring of Haile Selassie's modernization project. A group mutinied in Neghelle, Southern Sidamo, in January 1974, to protest their living conditions. After being promised improvements by old regime general Aberra Abebe, they were arrested, sparking outrage that spread across the Ethiopian caste of junior non-commissioned officers (NCOs). Unrest flared in several military bases, such as Bishoftu and Asmara. The young officers had learnt from the unsuccessful military coup of 1960: they coordinated their protests and avoided direct confrontation with the Palace to avoid being crushed. In February, with a hope to quell mutinies, Haile Selassie appointed general Aman Michael Andom as chief of staff of the armed forces (Dawit Shifaw, 2012).[96] Instead of salvaging the situation, Andom

[95] There is an interesting echo with the fate that would be befell the EPRDF in 2017.
[96] The general was well respected by the military for his heroics against the Somali army in the 1960s, but the emperor, perhaps because of his popularity, had placed him in a semi-retirement position at the Crown Council (Dawit Shifaw, 2012)

began organizing the dissenting military forces. In June, he supported the establishment of a Coordinating Committee of the Armed Forces, Police and Territorial Army – soon known as the Derg.[97]

The Derg included representative NCOs elected from every unit of the Army, amounting to 108 members (Clapham, 1988). Its initial aim was to manage dissensions within the military and show a united front in negotiations with the government. It soon overshot that mandate and drifted towards a ruling coalition in the making, defying the emperor with growing boldness. The imperial elite attempted last-ditch efforts to reinvent a political settlement that it could still dominate.[98] In March, Endelkachew Makonnen had replaced the unpopular Aklilu Habte-Wold as Prime Minister. He had started to work on a constitutional reform that would have brought Ethiopia closer to the United Kingdom model of parliamentary monarchy. This was in vain: the Imperial regime was losing legitimacy by the day, and the Derg did not allow the proposed constitutional reform to gather steam.

In July, the Derg crossed the Rubicon, arresting and imprisoning 200 senior military, government officials, and members of the nobility connected to the regime – including Endalkachew Makonnen and Aklilu Habte-Wold (Clapham, 1988). On 12 September, it deposed Haile Selassie, completing its "creeping coup" (Time, 1974). Three days later, it took control of government facilities and named itself the Provisional Military Administrative Council (PMAC). In November, the Derg rounded up 60 senior personalities of the old imperial regime and executed them. This was the bell toll that marked the end of the Imperial era.

5.2.3 Filling the vacuum: the Leviathan comes alive

The Derg as an emanation of the state

Haile Selassie had created the Ethiopian Leviathan to manage the imperial political settlement: its weight ended up crushing it. With the emperor gone, and none of the traditional aristocratic constituencies in a position to replace him, the settlement was at risk of sliding into anarchy (Clapham, 1988). The Derg filled the vacuum immediately and with it, the very Leviathan became a new political force of its own. The defining feature of the Derg military officers was their allegiance to the state over the emperor. They shared the centralizing and unitarian vision of Haile Selassie, but where the emperor saw the state as an instrument to rule his patrimonial settlement, the Derg came from it and derived its power from it. To rule Ethiopia, the Derg would seek to project the state into every facet of its society.

The Derg seizing of the Palace, however, did not immediately bring the settlement into a new equilibrium. Internally, the ruling coalition was still in flux, with no clear leader emerging from the committee, a volatile assortment of ambitious soldiers from every unit of the military. Externally, it was under immense pressure to disband from the urban constituencies that had brought the downfall of Haile Selassie, especially students, while also facing the prospect of a counter-revolution from the aristocratic forces that had just been ousted, all compounded by the threat of invasion from Somalia and Eritrea. The Derg was fighting for survival from the

[97] Derg is the Amharic word for a committee. It echoes the word ''Soviet'', which means the same thing in Russian (Yordanov, 2012)

[98] Some elites had encouraged the mutinies in the earlier stages, hoping they would facilitate a more progressive imperial regime that they could still rule.

very first day. Yet it could not rely on collapsing traditional institutions to stay in power, and so followed two strategies: the roll-out of a Marxist-Leninist project, and a phenomenal increase in the level of violence.

Opportunistic Marxism

The Derg quickly adopted a Marxist-Leninist Party-state project. This took some wind out of the sails of revolutionary student movements by adopting the very ideas they promoted, while providing a ready-made ideological and institutional replacement to the Empire. It was, also, an ideal vehicle to expand the Derg's centralized military model beyond the confines of the army, giving it greater control over the Ethiopian society and economy.

The Derg officers were not Marxist radicals – they were an organized and well-armed group that drifted to power, carried by the revolutionary current of the urban protests. In the words of Clapham, "the revolution made the Derg, rather than the Derg made the revolution" (Clapham, 1988, p.42). When they replaced Haile Selassie, they had no grand proposal to enthuse the urban masses, other than the bare-minimum nationalist slogan of "Ethiopia First" (Bach, 2011). They soon recognized the value in adopting a Marxist stance, popular with students and workers, many of whom were – with reason – suspicious of the Derg's commitment to the revolution. In December 1974, the Derg published a 10-point programme that established Ethiopia as a socialist state, including propositions such as the creation of a revolutionary political party, the nationalization of all assets and industries except those deemed of public utility, and the right to own land for those who work it (Clapham, 1988). Derg officers had little Marxist education, and the ideas had been borrowed from the student movements, then dominated by two organizations: Meison[99] and the Ethiopian People's Revolutionary Party (EPRP). These two groups would then inform the definitive Marxist credo of the Derg's regime in the Programme for the National Democratic Revolution of 1976.

The Derg implemented three key reforms in 1975: the nationalization of assets, rural land, and urban lands together with extra houses. The reforms worked in their interest in several ways.

First, they gave the Derg some credentials as a genuine Marxist movement, making it harder for student organizations to oust them in favour of a revolutionary civilian government. The same credentials facilitated the relationship with the USSR, which would become critical to withstand the existential threat of Somali and Eritrean armed confrontations.

Second, the nationalization of rural land deprived the aristocratic class of its main resource, further weakening the prospects of a counter-revolution. In the Southern Highlands, this also earned the Derg welcome support from the mass of sharecropping peasants who, thanks to the reform, stopped paying exploitative in-kind contributions to absentee landlords. In the Northern Highlands, however, the reform was less popular: 83% to 93% peasants had a form of land tenure already through the *rist-gult* system (Clapham, 1988) and the nationalization complicated matters for them by reshuffling land ownership through the redistribution process orchestrated by the Derg. The land nationalization was a transfer of ownership from landlords to "the Ethiopian People" (i.e., the state) and from 1975, the Derg set up Peasant Associations (PAs) to reallocate land rights between farmers and serve as the basic unit of administration

[99] The Amharic acronym for All-Ethiopia Socialist Movement.

in rural areas. The land allocated by the PAs – on a rolling basis throughout the Derg's rule – could not be sold, rented, or transferred, and was limited to ten hectares per farmer, although it was, in practice, much less than that (El Ouaamari, 2013). It also became prohibited to hire labour on one's land. Land remained the foremost source of wealth in rural Ethiopia; with the landowning class gone, the PAs controlled it, and the Derg controlled the PAs.

Third, as a corollary to the land nationalization, the Derg orchestrated the *zematcha* campaign – modelled on Mao's Down to the Countryside Movement. It sent over 50 000 to 60 000 members of the *intelligentsia* in the countryside to educate and learn from the peasantry (Bach, 2011) thereby draining rival urban movements of a vital lifeforce.

Fourth, through the nationalization of urban assets and extra houses, the Derg seized another key source of rents for the aristocratic class: many of the rentier landlords had invested their accumulated capital in urban real estate. The *kebeles* were created at that time, as the urban counterparts of the PAs, one of their primary tasks being the management and allocation of the confiscated land and houses. The nationalization of assets was also a one-time rent for the Derg regime – however, Ethiopia had a very limited industrial capacity, nor did it have major mineral resources, and the state gained little from it (Clapham, 1988). One of the most significant consequences of this policy was the Derg's appropriation of the agricultural estates of ousted landlords, including large coffee plantations that were turned into state farms.

The violent stabilization of the settlement

The reforms of 1975 undermined both the old imperial elites and the emerging urban intermediate classes, while reinforcing the Derg's control on rent-allocating institutions, both in rural and urban areas. Nevertheless, the political settlement remained highly volatile.

Within the Derg, a fierce internal struggle raged on for three years – with Mengistu Hailemariam, a young officer from the Harar Third Division, emerging victorious. In November 1974, a military unit dispatched by Mengistu killed the Derg's Chairman, Aman Andom, in a shoot-out at his residency (Yordanov, 2012). The General held a conciliatory position on Eritrea's separatist movements and the fate of the old imperial elites, at odds with the Derg's increasingly violent and uncompromising stance, embodied by Mengistu. He was replaced with Teferi Bante, who also sought to pacify the settlement and dispatched Mengistu's supporters to the countryside to clip his wings. But Mengistu was a persistent, gifted schemer with little distaste for violence. He doubled down on his bid for power. He orchestrated a first wave of assassinations within the PMAC in July 1976, getting rid of challengers Sisay Habta, Kiros Alemaheyou and Getachew Nadaw. In February 1977, during a routine meeting, Teferi Bante and some of his senior allies got arrested by Derg officers loyal to Mengistu, taken to a garage, and shot on the spot. Atnafu Abate, the last remaining Derg official that could oppose Mengistu, was executed in November of that same year (Bach, 2011).

Externally, the two leading student movements, the EPRP and Meison, threatened the Derg in different ways. The EPRP posed the most pressing challenge. Its members tended to hail from the Northern Highlands and to be educated in the US (Clapham, 1988). The EPRP denied that a military government could be truly revolutionary, and, partly because of their Northern bias, were in favour of allowing the secession of Ethiopian regions, including Tigray and Eritrea. They were well implanted in Addis Ababa, enjoying strong support from the intelligentsia as well as the unions' umbrella body, the Confederation of Ethiopian Labour

Unions (CELU), Gurage traders, and the workers of Eritrean-dominated Ethiopian Airlines (Clapham, 1988; Bach, 2011).

Meison, on the other hand, was mostly composed of Ethiopians from the Centre and the South, largely educated in Europe, especially France. Meison was more popular than the EPRP with the workers coming from the Southern regions of Ethiopia, often less skilled and working, for instance, in the textile factories of Addis Ababa. They shared the Derg's opposition to the partition of Ethiopia and believed they could gradually infiltrate and absorb the military government, rather than confront it. During the years 1974 to 1977, Meison developed a symbiotic relationship with the Derg, becoming its ideological muse. The movement informed the Derg's Marxist reforms of 1975 and programme of 1976, dominated civilian ideological organizations, such as the Provisional Office for Mass Organizational Affairs (POMOA) and the cadre training school Yekatit 66 – it also managed many of the first kebeles.

In 1976, the fracture between the EPRP and the Derg-Meison alliance spiralled into a civil war. The EPRP began to assassinate members of the Derg, Meison, kebele officials and other organizations associated with the regime, such as the All-Ethiopian Trade Union, the confederation of unions created by the Derg to replace the dissident CELU. Meanwhile, the Derg and Meison had the advantage of the deeper, if still nascent, state structure that they had been laying out. They relied on the kebeles and PAs to form armed militias and gather information on EPRP sympathizers, proceeding to house-to-house searches to arrest and kill them one by one. This proved effective[100] and, by mid-1977, the EPRP was largely defeated, its members dead or exiled.

By then, Mengistu was firmly in control of the Derg, and the coalition was stronger for it. The ruler had defeated his challengers - he had no longer use for the opportunistic alliance with the dangerous Meison. Through a series of Proclamations in 1977, the Derg began to increase their hold on POMOA, a clear indication that they did not intend to share power (Clapham, 1988). Meison, still hoping to overtake the Derg, did not bend. Its members went into hiding and, much like the EPRP before them, waged a war of assassinations against their former ally. In response, between the end of 1977 and early 1978, the Derg unleashed a cycle of extreme violence – the so-called Red Terror – turning a blind eye on the murder of every individual suspected to support the EPRP, Meison, or simply stand against the regime.[101] Within months, all opposition was defeated and the Derg was in total control of the settlement's core.

Opposition building up in the peripheries: the North and Somalia

By early 1978, Mengistu's Derg had annihilated all competing factions in Addis Ababa. In the South and South-West, the land reform and initial benevolence of the Derg towards the

[100] Although it was certainly not efficient, due to the low organizational capacities of the kebeles and the poor quality of the intelligence gathered: many innocent people were arrested and killed in the process (Clapham, 1988).

[101] This period of anomy led to mass murders that had more to do with score-settling and paranoia than the actual struggle between student movements and the Derg (Clapham, 1988).

Oromo[102] had it insulated from Oromo nationalism and peasant revolt (Markakis, 2011). The centre was pacified; but opposition built up in the peripheries.

Danger came from the North. Eritrean calls for independence were increasing since Haile Selassie annexed the country in 1962.[103] After years of internal rivalries between radical groupuscules, two main organizations had emerged: the Eritrean Liberation Front (ELF), and the Eritrean People's Liberation Front (EPLF)[104], founded in 1970 as a splinter group of the ELF, and headed by Isaias Afewerki from 1973 (Bach, 2011). Although both movements struggled for the independence of Eritrea, they were bitterly divided: the ELF was more Muslim-dominated, factional, with older and more conservative leaders, whereas the EPLF had more Christian members, with a pan-Eritrean vision and a more radical left-wing ideology inspired by Maoism (Markakis, 2011). A 1972-1974 civil war between the ELF and EPLF, the former supported by Libya and the latter by China, had weakened them. Yet they still possessed formidable warfare capacities, honed by twenty-five years of guerrilla against the Empire and rooted in competent, albeit clandestine, administrations. They also enjoyed overwhelming support from the Eritrean population. Indeed, after decades of Italian and British rule, and then autonomy, Eritreans had developed a distinct national identity and rejected the Ethiopian dominance.[105]

The ELF and EPLF took advantage of the chaotic change of power between Haile Selassie and the Derg to launch a major conquest of Eritrea. They made swift progress: when the Red Terror dust finally settled in Addis Ababa, in early 1978, they had managed to conquer all the territory but the Ethiopian army strongholds (Clapham, 1988). To make matters worse for Mengistu, the EPLF started to support a sister organization in Tigray, the Tigrayan People's Liberation Front (TPLF). The TPLF had been created in 1975 and derived from the University Association of Tigrayan Students, a student organization founded in Addis Ababa University in 1971 (Bach, 2011).

The TPLF initially advocated for the independence of Tigray.[106] It quickly changed directions and promoted a Marxist-Leninist model that would keep Ethiopia's unity but give greater autonomy to its constituting nations, including the right to secede. In that sense, the TPLF's enemies were proponents of a centralized and culturally homogenous Ethiopia (i.e., reflective of the Amhara culture): the ousted imperial elites and the Derg regime both shared this vision. The TPLF adopted a Maoist ideology and took to the countryside, where it earned the support

[102] General Teferi Bante, who was the chairman of the Derg after the Eritrean Aman Andom, was an Oromo. Haile Fida, the leader of Meison, was also an Oromo. Mengistu himself was not an Oromo but hailed from South-West Ethiopia (Wolayta) – he was the first leader of Ethiopia that was not an Amhara or a Tigrean. For these reasons, the Derg was believed to be sympathetic to Oromo nationalism in the early years, although this changed under Mengistu's uncompromisingly unitarian Ethiopian regime.

[103] The beginnings of the ELF are to be found in 1952, when the United Nations passed a resolution to create an Ethiopian-Eritrean federation under the rule of Emperor Haile Selassie.

[104] The EPLF was called the Popular Movement for the Liberation of Eritrea until its first congress in 1977.

[105] This dominance was accompanied with alienating violence. For instance, in 1970, the Ethiopian army massacred an undocumented number of civilians in the Keren area in reprisal for the assassination of a general by the ELF (Warren and Warren, 1976).

[106] This was stated in their 1976 Manifesto, quickly repudiated but that would be perennially held by some detractors of the TPLF as proof of their anti-Ethiopian tendencies (Bach, 2011)

of the peasantry that was discontent with the land nationalization policy of the Derg, a regime dominated by and associated with Southerners.

The TPLF's alliance with the EPLF first aimed to defeat rival Tigrayan rebellion movements: the Ethiopian Democratic Union (EDU), a conservative independentist party headed by imperial aristocrat Seyoum Mengesha;[107] the EPRP, which had retreated to Tigray after its Addis debacle; and the Tigray Liberation Front, a sister organization of the ELF. The TPLF overpowered them by mid-1970s, and the alliance with EPLF then pivoted to the sole objective of defeating the Derg. The EPLF and TPLF synergetic alliance posed a serious problem to Mengistu: the EPLF provided military training to the TPLF and kept the Sudan corridor open for them to access food and weapons, while the TPLF harassed the rear bases of the Ethiopian military fighting in Eritrea. The two groups, however, diverged on a critical question that would strain their relationship over the years: the TPLF's support for self-determination of peoples was opposed to the EPLF's struggle for an independent and unified Eritrea, whose territory harboured Tigrayan people, but also other nationalities such as the Safo and the Afar (Bach, 2011).

The core source of instability, in the post-imperial political settlement, lay in the North. However, the most immediate blow came from the South-East, in the Ogaden territory. In 1969, general Siad Barre undertook a coup in the Somali Republic, days after the assassination of president Shermake. He established a one-party government following the principles of Marxism-Leninism, Islamic tenets and Somali nationalism; the country was renamed the Somali Democratic Republic. His Marxist regime strengthened the prevailing alliance Somalia had with the USSR.[108]

Meanwhile, the US military support to Ethiopia was coming to an end. The country was withdrawing from some of its global commitments due to the Vietnam war and Ethiopia's geopolitical value was falling. The Kagnew communication base was becoming obsolete with the advent of satellite technology, and the radicalization of the Derg towards a violent Marxist-Leninist Party-state made them an undesirable ally.[109] Combined with the Derg's internal turmoil, this opened a window of opportunity for Siad Barre to attempt an annexation of the Ogaden territory. Ogaden was in Ethiopia, but mostly populated with Somali clans, among which the Ogaden which gave its name to the territory, and formed part of Barre's vision of a Greater Somalia.

In July 1977, the Somali army invaded Ethiopia with a small force of 40 000 men (Markakis, 2011). It advanced swiftly, reaching Jijiga in September, at which point it controlled 80% of the Ogaden territory (Porter, 1984). The tide turned, however, when the USSR decided to switch

[107] He was the son of Ras Seyoum Mengesha, who opposed Haile Selassie upon his return to Ethiopia and was, himself, the grandson of Yohannes IV.
[108] The USSR was closely involved in Somalia since 1960. They were providing technical, financial and military assistance to Prime Minister Shermake's regime (Yordanov, 2012).
[109] The deterioration of the US-Ethiopia relationship had begun during the late 1960s. The US were growing increasingly circumspect about their alliance with a vacillating Haile Selassie regime. This worsened with the emperor's rapprochement with USSR. In 1973, Ethiopia followed several other African states in cutting ties with Israel, following the war with Arab nations. Ethiopia could no longer support the US' staunchest ally in the region and the geopolitical value of Ethiopia further tumbled (Yordanov, 2012).

alliances and back Mengistu's regime against the Somalis. In October, the Soviet regime stopped shipping arms to the SDR and in November began to pour weapons and military advisors in Ethiopia, followed by a contingent of 16 000 Cuban troops. Within months, Ethiopia reconquered the lost territory and the war ended in March 1978. In that same year, the USSR and Ethiopia signed a 20-year Treaty of Friendship and Cooperation, whereby the Soviets would provide military, industrial and technical assistance to the Derg, in exchange for the use of the Asmara airfield and unrestricted use of the Dahlak Islands, a strategic location to extend their naval presence in the Red Sea and Indian Ocean (Berouk Mesfin, 2002).

5.2.4 Conclusion

By mid-1978, the defining properties of the Derg political settlement were present. Mengistu ruled the Derg unchallenged, and all urban constituencies that could destabilize him were eliminated or coerced. The student movements and unions had been tamed, and the imperial elites obliterated – Haile Selassie himself was murdered in August 1975. The Derg controlled the rent-generating institutions: land - especially in the coffee areas of the South-West and South, urban estate, state farms, industry.

The Derg's Marxism-Leninism replaced Haile Selassie's Imperial ideology. Both systems of values shared commonalities: they combined a belief in science-based modernity with a faith in dogma anchored in sacred texts, and they contended that a group of enlightened individuals could lead the masses to greater prosperity. They were also imbued with the same nationalistic and unitarian vision of Ethiopia [110] In that regard, the Derg's settlement pursued the Imperial state-Building project: the regime borrowed the founding myth of the Adwa victory, for instance in Mengistu's public speeches during the 1977 war with Somalia (Bach, 2011) and official newspapers lauded the centralizing emperors of the past, Menelik and Tewodros. The key ideological difference between the two systems lied in their depiction of power: vertical-elitist and divine for Haile Selassie, horizontal-egalitarian and Statist for Mengistu (Bach, 2011). This depiction is not to be mistaken with the exercise of that power: Mengistu ruled in the highly personalized and top-down manner of his predecessor. However, he used different means to do so.

Indeed, the Derg projected its power through the expansion of the army into the state, and of the state into the urban and rural areas of Ethiopia - what was referred by Markakis as "garrison socialism" (Markakis, 1974). The development of a military-like, decentralized state structure manifested itself in the creation of a capillary network of public and semi-public bodies, such as PAs, kebeles, state-Owned enterprises (Love, 2002). These organizations controlled movement of resources and people across rural and urban territory through land, housing, and later food allocation. Such administrative muscle granted the Derg more expansive and deeper power than Haile Selassie ever had. However, what the Derg had in power, it lacked in negotiation room for manoeuvre. The ruling coalition had nothing to offer to

[110] In the 1976 Programme for the National Democratic Revolution, the Derg adopted the Marxist-Leninist views on self-determination of nationalities, with nationality having recognition according to the spirit of socialism, and regional autonomy to decide on internal matters. The Derg's vision and governance Ethiopia was, in practice, firmly unitarian. They believed that tensions between Ethiopian nations (e.g. Amhara and Oromo) were the manifestation of class relations more than a national question, and therefore would be solved with a Marxist-Leninist political system (Clapham, 1988; Markakis, 2011).

the TPLF and EPLF that were fighting it from day one, with substantial military capacities – neither could it dispel the ever-present threat posed by Somalia.

Thus, the Derg-led political settlement reached some stability, but it was predicated on the growth of the Leviathan, and this consumed considerable resources. These were needed to pay the wages of the new cohort of civil servants and party-affiliated leaders of PAs and kebeles, to feed an unprecedented number of soldiers, to import capital necessary for grand Soviet-style projects and acquire the weaponry necessary to keep pace with the TPLF and EPLF. These armed groups constituted an existential threat to the Derg: to counter them and with the US gone, Mengistu's priority was to safeguard the alliance with the USSR, as he desperately needed their weapons and military expertise. For this, the Derg was bound to walk a Marxist-Leninist policy line. The Derg's core problem thus became how to extract as much surplus as it could from the febrile Ethiopian economy, all through a Marxist-Leninist toolbox. Coffee policy would play a central role in this process.

5.3 Squeezing every last drop: coffee surplus extraction under the Derg

Two problems inflected coffee policy during the Derg era. At the coffee sector level, a second-order problem was the outbreak of Coffee Berry Disease, that gravely threatened coffee production and needed urgent addressing. At the macro level, a first-order problem was that the Derg's survival was predicated on foreign exchange earned from coffee exports: the question was how to maximize these earnings in the shortest possible time. Given these parameters, the political stream was always a given – decision makers did pay attention to these two vital problems, because coffee was a critical source of foreign exchange and revenue.

The difference was in the "policy stream". The CBD problem was driven by a fungal pathogen, ubiquitous in Ethiopian coffee forests when it was discovered – it was outside the realm of human activities, blind to political manoeuvres, and required technical and evidence-informed solutions. For surplus extraction, on the other hand, the Derg could dig into its readily available opportunistic Marxist policy toolbox: state farms, collectivisation, and state-controlled marketing.

5.3.1 The problem stream: funding the Derg's *fuite en avant*

Yohannes, Tewodros and Menelik's overarching ambition had been to expand the Ethiopian Empire – they exerted their power in that forward motion. Haile Selassie devoted his reign to consolidate it as an exoskeleton for his personal rule. Mengistu had a different problem: from his first day in the Palace, Ethiopia's imperial foundations were crumbling under his feet, and he was thrust in a *fuite en avant*[111] to survive atop the vacillating settlement. The Derg had little popular legitimacy and no support from the old Empire elites and new urban "transitional classes" (Eleni Centime Zeleke, 2019) that he had alienated, imprisoned, or killed. Potent

[111] The French idiom *fuite en avant* designates the act of escaping a difficult situation by doubling down on the actions that caused it, instead of solving the root problem and facing consequences. For example, one might *fuir en avant*, when tailed by a police car due to excessive speed, by pressing on the accelerator instead of pulling over.

armed opposition was amassing in Eritrea and Tigray. To power through this perilous configuration, his Derg embarked in an alchemical project: to transform Haile Selassie's Empire, its superficial Weberian institutions and Solomonic mythology into a fiscal-military party-state, grounded on a novel Marxist ideology.

The combination maximized the settlement to the advantage of the Derg. The Committee was an emanation of the reformed, bureaucratic army that was born under Haile Selassie. Derg junior officers were Statist at heart and had the organizational competencies to run military-like organizations aimed to deliver well-defined campaign objectives (Clapham, 1988). The development of a hierarchical and deeper state structure, loyal to the unelected leader, was a natural fit for the military committee to exercise power with limited reliance on the faded institutions of the Imperial era. The Marxist ideology gave credence and momentum to the roll-out of this party-state structure, being the blueprint and justification for the nationalization of land, assets, the creation of peasant associations and kebeles, and, from 1978, cooperatives. It also helped the Derg operate a vital rapprochement with communist USSR at a time when the US was withdrawing from its military alliance.

The Derg's capillary network of federal and regional level administration but also PAs, kebeles, youth associations, cooperatives, trade unions, parastatals, and state farms allowed for a minute control over key sources of rents in Ethiopia: land, housing, industry, food, and export crops, not the least coffee. It gave the Derg administrative muscle to repress dissent and launch the grand policy campaigns that provided the regime with momentum. It also created jobs to absorb the tamed but ever-threatening intermediate urban classes. Perhaps more importantly, the transformation of Ethiopia into a garrison state addressed Mengistu's main problem: to drain and allocate resources for a perpetual and existential war with the North.

Under his rule, the army grew from four divisions, pre-revolution, to 24 in the mid-1980s (Clapham, 1988). It continually expanded from then on – going from 40 000 men in 1973 to a maximum size of 300 000 in 1990 (Barhu Zewde, 2001). The army was colossal but poorly trained: initially, many of its soldiers were farmers who had been conscripted by the PAs. In 1976, the Derg put together a militia of 20 000 to 30 000 peasants and sent the inexperienced and under-equipped infantry to the Eritrean front, where it was decimated by the EPLF and ELF forces (Petras and Morley, 1984). This disastrous defeat cut short experiments of that sort: the peasant militias were restricted to a local level, and the Derg introduced a country-wide military service in 1981 (Clapham, 1988).

In 1978 the Derg went on the offensive in Eritrea, deploying the full scale of its military. The nationalist sentiment was at a high tide after the galvanizing victory over Somalia, and Mengistu stoked the fire with impassioned speeches that harked back to the battle of Adwa – in one of them, he compared Siad Barre with Mussolini dreaming of a Greater Italy (Bach, 2011). The army gradually reconquered Eritrea's territory, especially with its all-out Red Star Campaign, in 1982 and 1983, that mobilized advanced Soviet armaments, such as fighter jets and combat helicopters (Bach, 2011). [112] The campaign culminated in a stand-off between 84 000 Ethiopian soldiers and 22 000 Eritrean fighters. Against the odds, the Eritreans held onto their last fortress, the ''lifeless ruin'' of Nakfa, a Sahelian mountain village (Markakis, 2011,

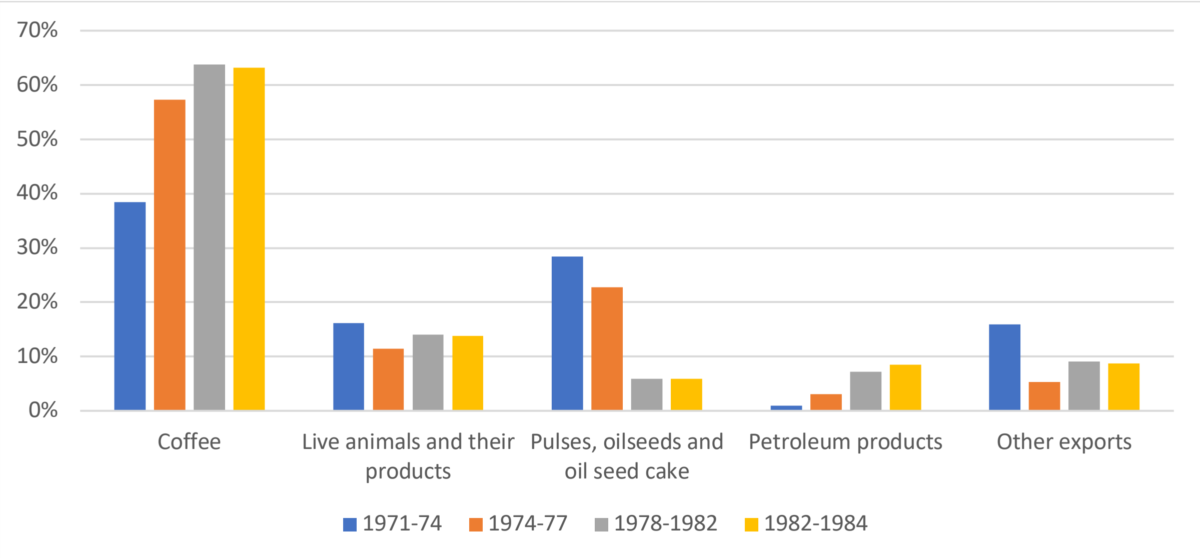
[112] Military operations in Eritrea slowed down in 1980-1981 under the threat of a renewed Somali invasion, as 14 000 regular Somali troops entered Ogaden in 1980 (Anderson-Jaquest, 2002).

p.185). This defeat was a turning point for the Derg, as they lost their military momentum and more importantly the trust of their USSR ally in their ability to snuff out the Eritrean insurgents (Yordanov, 2012). With Soviet support waning, Mengistu was not able to reach a decisive victory – the never-ending war went from fuelling the Derg to eating it away and, eventually, engulfing it.

The war exerted a considerable drain on Ethiopia's constrained budget and foreign exchange reserves. Faced with these twin pressures, the Derg needed to maximize surplus extraction in the export and taxable sectors. Haile Selassie had faced this very problem – the difference was that its magnitude and urgency was heightened for Mengistu: while the emperor was invested in state building with a long time horizon, the Derg leader had a short term survival focus. Furthermore, he could not address the resource mobilization problem in the imperial way of encouraging aristocrat-capitalist investment and landlord-driven tax collection. Instead, Mengistu was bound by the parameters of the Marxist political settlement he had committed to: foreign investment was restricted, domestic investment was heavily constrained by the state ownership of the land and the eradication of the pre-capitalist class, public resources were invested in unproductive state farms and import-substitution industries (Mascagni, 2018).

And so, coffee became even more central to the revolutionary state than it had been for the Empire. This was compounded by the Derg's loss of control over Northern export commodities (sesame, pulses), placing coffee even more firmly at the core of merchandise exports, the lifeline of foreign exchange (Figure 15).

Figure 15. Distribution of merchandise exports, by share of total exports



Source: (World Bank, 1987)

Coffee beans were optimal extraction material. They flowed through the secure pathways locked in during Haile Selassie's era, from the South and Southwestern areas nested deep in Derg-controlled territory, to Addis Ababa for centralized control, foreign exchange retention and taxation, and then East towards Djibouti through relatively uncontested terrain.[113] The key

[113] Although there were disruptions during and in the aftermath of the Somali war (World Bank, 1987)

question for the Derg was how to extract rent effectively from the sector after upending the aristocratic landlord sharecropping system that had constituted its basis under Haile Selassie.

5.3.2 The policy stream: the dualization of the coffee knowledge ecosystem

Introduction
Mengistu inherited the coffee policy-knowledge ecosystem that had been created under Haile Selassie. This ecosystem had been built as a technical apparatus to maximize resource extraction, formalize the coffee market and increase state presence across the different coffee production territories. Because agronomic, economic and policy knowledge on coffee barely existed in Ethiopia at the time, the emperor had brought foreign expertise to set the system in motion. The FAO, the International Bank for Reconstruction and Development and the US administration Point Four programme were at the centre of it.

They infused the initial policy, market, and agronomic knowledge capital, respectively, contributing to establish the Institute for Agricultural Research, National Coffee Board, the auction, the Jimma Agricultural Technical School (which became the Jimma Coffee Research Centre under the IAR) and the Alemaya Imperial College of Agriculture. The IBRD, through its loan programme, also funded several plantation projects.[114] This ecosystem was bound together by a tight network of foreign and national elites – FAO, Point Four, World Bank and National Coffee Board staff all communicated and supported their respective endeavours, working closely with aristocratic coffee plantation owners who lent their lands and benefitted from agronomic, economic and policy technologies that were developed.

Towards the end of Haile Selassie's reign, the ecosystem had undergone two important transformations. First, as coffee institutions matured and national capacity and interest in the sector grew[115], the Empire began to assert increasing control over them. Meanwhile, the US was phasing out from the all-out technical support that characterized the Truman years of international cooperation. These congruent processes led to a nationalization of the coffee knowledge-policy ecosystem, with Ethiopians taking the reins of the Jimma Coffee Research Centre, the Alemaya College, leading the National Coffee Board, the coffee departments and extension services of Ministry of Agriculture, as well as the Development Bank of Ethiopia that funded coffee projects.

Second, the ecosystem morphed from a relatively loose set of institutions and personnel to a centralized model, under the command of the National Coffee Board. The NCB, established in 1957, had three missions: to promote coffee production, to improve its quality, and, unofficially, to increase the flow of coffee exported through state-controlled marketing channels that would allow taxation and forex retention. While production increase was largely left to the vagaries of the international market price fluctuations – which were exceptionally favourable in the 1950s – the Board focused on quality improvement and market control.

The knowledge sphere: the Coffee Berry Disease, CIP and CPP research

[114] See chapter on the Haile Selassie era.
[115] The global coffee price boom had prompted Ethiopian elites to invest significant capital in coffee.

The nationalisation and centralization of the coffee knowledge-policy ecosystem, under the later period of Haile Selassie's reign, led to the emergence of a dual system. Foreign institutions and experts, once the glue of the ecosystem, were increasingly relegated as technical partners in the knowledge domain. Policy was placed firmly in the hands of the NCB. Still, there remained a degree of circulation of ideas between coffee experts and policy practitioners, for instance in the design of the coffee auction and the grading system to be used by the NCB.

The Derg's seizing of power drastically accelerated this dualization process. The coffee policy priority of the regime became, even more firmly than under Haile Selassie, surplus extraction over production. They needed little domestic or foreign expertise to inform this. Coffee research was largely circumscribed to the Melko station in the Jimma Agricultural Research Centre,[116] a fragile and underfunded institution that had been under national direction for a mere 15 years and was still heavily dependent on the research impetus of the Point Four programme.[117]

The struggle against Coffee Berry Disease

During the initial years of the Derg, the limited coffee research resources were devoted to pick up the fight against the Coffee Berry Disease, initiated in the dying hours of the Imperial regime. The CBD epidemic flared up between 1971 and 1973, quickly ravaging coffee trees across the country and threatening the coffee manna (Table 6), with estimates that production could drop by up to 50% (Wye College, 1984).

Table 6. Percent crop loss in four major regions attributed to CBD, 1974-1978

	1974-75	**1975-76**	**1976-77**	**1977-78**
Kaffa	26	28.3	27.8	14.3
Sidamo	11.6	27.2	23.4	6.1
Illubabor	50.9	23.2	21.7	28.8
Wollega	24.7	24.2	24.5	31.5

Source: (Meoaku, 1984)

The JARC and the NCB looked to Kenya, where CBD had blighted coffee plantations since the 1920s and had intensified in the mid 1960s, triggering a CBD-resistant breeding research programme in the Ruiru Coffee Research Station in 1971.[118] That same year, the IAR and the NCB[119] invited S.K Mulinge, a Kenyan researcher at Ruiru who had published ground-breaking material on CBD control in the region. Mulinge was asked to assess the extent of the CBD epidemic and propose appropriate measures. He recommended two strands of action, modelled on the Kenyan experience: in the short-term, a fungicide spraying programme, limited to ''growers who have the necessary technical resources and finance to operate it''

[116] The JARC station also worked as a nucleus for six small sub-stations that were built in 1972-1975 with the CPP funds, see below.

[117] In 1984, (Wye College, 1984) estimated that the government allocated 0.36% of its agricultural Gross National Product to agricultural research, and 10-15% of this budget to coffee.

[118] Interestingly, the breeding programme used, among others, Ethiopian coffee accessions collected during the 1964 FAO mission (Walyaro, 1983).

[119] The invitation was extended by Ato Yilma Yemenabrehan, the first Ethiopian director of JATS, who had by then become the head of production in the NCB.

(i.e., aristocrat-owned plantations) (Mulinge, 1972, p.3).[120] In the long-term, Mulinge suggested ''development of cultivars combining disease resistance with high yield and quality'' (Mulinge, 1972, p.5). For this, he proposed that a specific CBD breeding research programme be established, headed by an experienced plant pathologist, and a sub-station be set up at Wondo Genet or Gera, the epicentres of the epidemic. He also suggested a joint Kenya-Ethiopia research programme on CBD. His recommendations were followed almost to the letter, except for the Kenya-Ethiopia programme, which never materialized.

In 1973, the Imperial government began a pilot spraying programme on 6 000 hectares, and the Derg expanded it to 10 000-13 000 hectares annually from 1977 (Meoaku, 1984).[121] The spraying had some success in controlling CBD, but as assessed by Mulinge, it was neither sustainable nor scalable: unlike Kenyan plantation managers,[122] small coffee farmers could not shoulder the financial and opportunity costs of spraying operations, made higher by the difficult access, irregular spacing, density, tallness of semi-forest and garden trees. The Derg was also concerned about the forex and budget implications of importing and subsidizing the fungicides (Wye College, 1984) – indeed, the subsidy rates were gradually reduced from 100% to 65% in 1982 (Meoaku, 1984) and the programme died down in the mid-1980s.

The second and more successful course of action was to select, breed, multiply and propagate CBD-resistant coffee cultivars. In line with Mulinge's recommendations, the FAO dispatched in 1972 a new resident pathologist and geneticist at JARC,[123] Raoul Arthur Robinson.[124] Robinson was working at the time on an innovative and controversial method of breeding against crop disease that was labelled ''horizontal resistance". The method relied on developing and dispersing a diverse genetic barrier to the pathogen, as opposed to the standard approach of optimizing a single gene for resistance. It was picked up and promoted by the FAO through an International Programme on Horizontal Resistance (FAO, 1980; Price, 2015).

In Ethiopia, Robinson, pushed by FAO's senior plant pathologist (Robinson, 1996; Price, 2015) got a golden opportunity to demonstrate his approach empirically. In 1973 he started a programme to select, multiply and supply the seeds of multiple CBD-resistant varieties (FAO, 1980). The programme was taken over from 1975 by FAO pathologists Nicolas van der Graaf and R. Pieters, FAO agronomist Robert G. White and a small nucleus of do-it-all Ethiopian researchers (Chiarappa, 1980). By 1979, the JARC and extension services had distributed 6.2 million CBD-resistant seeds to growers (Chiarappa, 1980).

[120] Kenyan plantation owners had started to spray against CBD as early as the 1920s, although research on spraying had kicked off in 1956 (Masaba and Walyaro, 1984).
[121] The total area under cultivation for coffee back then was estimated to be 500 000 hectares (Institute of Agricultural Research, 1981).
[122] In Kenya, spraying accounted for 30-35% of coffee production costs (Masaba and Walyaro, 1984).
[123] Following the establishment of IAR in 1966 with FAO technical assistance and UNDP funding, the programme was renewed in 1971, 1974 and 1979. There was a continuous presence of at least one FAO coffee agronomist or breeding expert at JARC during this time, and a coffee processing officer from 1966 to 1971 (van Der Graaf, 1981)
[124] Robinson had worked for 13 years as a plant pathologist at the Ruiri research station (then Scott laboratories). When Kenya became independent in 1963, national staff replaced much of the foreign experts and Robinson left to join the FAO (Price, 2015).

The whole coffee research edifice, at the time, rested on no more than 8 lead national researchers, of whom two (Mesfin Ameha, head of coffee department, and Million Abebe)[125] were leading half of the projects (Institute of Agricultural Research, 1981), and a fluctuating group of seven FAO experts, centred around R.G White and Nicolas van der Graaf. The FAO/UNDP special project also funded scholarships abroad for Ethiopian staff in coffee agronomy, pathology, entomology, and provided the JARC with equipment (van Der Graaf, 1981). Meanwhile, the government contributed 1 million birr annually for recurrent costs - for comparison, the total Ethiopia recurrent budget was of 1.7 billion birr in 1980 (World Bank, 1990).

The CBD selection efforts then bled into a breeding programme to hybridize trees and further enhance the resistance of distributed cultivars (Meoaku, 1984): 15 viable selections were ultimately bred – they were still produced at the turn of the 2010s (EIAR, 2008).[126] As early as 1980, the programme was credited to curtailing the CBD epidemic in Ethiopia[127] and, to this day, is frequently quoted as the major success of the Ethiopian coffee research system (Scanagri, 2005; EIAR, 2008; Demelash Teferi, 2019).

Van der Graaf, who was leading the programme from 1975, attributed its effectiveness to the fact that Ethiopia was the "relatively undisturbed gene centre of the crop" (FAO, 1980) with an extant availability and diversity of resistant existing varieties (Wye College, 1984). Another factor was that the inbreeding characteristic of Arabica allowed for very fast multiplication of seeds – in addition, the breeding was only done against one pathogen, CBD, and with little regard for other variables, such as yield and cup quality (FAO, 1980).

Van der Graaf also identifies political economy factors. The stakes for the Derg were such that "economic and political pressures to accelerate the programme were intense'' (van Der Graaf, 1981, p.92), further aided by the fact that Ethiopian coffee research was in its infancy when CBD was detected, and malleable enough to prioritize it towards the one urgent problem. Finally, he sees the land reform as beneficial to coffee research in the sense that it ''destroyed vested interests in the coffee industry'' (van Der Graaf, 1981, p.92), thus allowing coffee research, especially pathology, to be ''less influenced by short term objectives" (i.e.: subsidizing annual fungicide spraying) with more resources being devoted to ''medium- and long-term cultivar development'', such as the land made available for propagation and trials.[128]

[125] There were more junior researchers – for instance, Nicolas van der Graaff identifies 11 staff in the coffee pathology department of Jimma alone (van Der Graaf, 1981).

[126] As of 2014, the JARC had developed 26 CBD-resistant selections (out of 37 selections) and was producing between 20-35 million seeds annually, with an informal farmer-to-farmer market estimated to be much higher (Scanagri, 2005; Taye Kufa *et al.*, 2011). The most singular selection is 741, the first CBD-resistant progeny identified in 1974 (hence the name) by R.A Robinson and Ethiopian researcher Teklu Andrebahn: it came from a single tree full of yellow (instead of red) healthy berries discovered serendipitously as they were taking a shortcut over a plantation ravaged by CBD (Robinson, 1996). It remained the third most distributed improved seed variety in 2011 – the first and second having been derived from it (74110 and 74112) (Taye Kufa *et al.*, 2011).

[127] There is no quantitative evidence that decisively establishes the fact, although there is consensus in the literature that the CBD severity decreased significantly. CBD was not eradicated, however, and remained a problem (ULG Consultants Limited, 1988).

[128] Given the history of collaboration between Ethiopian plantation-owning imperial elites and coffee experts (see Haile Selassie chapter), as well as Kenyan plantation owners and coffee breeding researchers, one may

The CBD research effort absorbed much of the coffee research capacity of Ethiopia in the early 1970s (ULG Consultants Limited, 1988). Other domains in agronomy (planting, spacing, weeding, mulching, pruning), processing and marketing were left underfunded. The expansive Oklahoma State University (OSU) coffee technical assistance had come to an end in 1968: around the same period, the FAO/UNDP special fund in support of agricultural research took the mantle but the support was limited to the two FAO experts posted in Jimma. Cognizant of this, the National Coffee Board had reached out to the World Bank for additional support in 1969 (see Haile Selassie Chapter), and the Bank appraised two projects in support of processing and production.

The Coffee Processing Project and Coffee Improvement Project
The first one, the Coffee Processing Project (CPP), was approved in 1972 with a 6.3 million USD budget and a Project Implementation Unit set up in the NCB (World Bank, 1983). The radical change in government in 1974 delayed the project but did not sink it, and it restarted in 1976, with a reduced remit. The start of the CPP inaugurated a new era in the Ethiopian coffee sector, that of cyclical, top-down development projects and programmes funded by donors.

The key objective of the CPP was to build a hundred new washing stations, mainly in the Sidamo area, adding to the hundred or so functional stations and raising washed coffee exports to 11 000 tonnes. The project also included trainings for farmer cooperatives who were to operate the stations, and the building of 400km of access roads to the cooperatives (World Bank, 1971). On the research side, the CPP funds were used to set up coffee research sub-stations in 1972-73 at Agaro (Kaffa), Mugie, Mettu (Illubabor), Anfillo (Wollega) and Wenago (Sidamo). A sub-station in Gera (Keffa), at the epicentre of the CBD epidemic, was added in 1975 – this is where Robinson and his team conducted most of the CBD selection and breeding work (Wye College, 1984).

In addition to the CBD research, the stations were meant to carry out research on forest coffee agronomy. It is unclear why this mode of production was prioritized, given the logistical and statistical difficulty of conducting agronomic research and improvements on forest coffee and the very constrained research capacities available at the time. One reason invoked was that the NCB and World Bank staff believed it to be by far the dominating mode of Ethiopian coffee production, and one that would remain so for years to come (Wye College, 1984). They may have overestimated it: the appraisal report mentions that "60-65% of production comes from forest coffee" (World Bank, 1971, p.3) – ten years later, Wye College (1984) estimated it at 50%.[129]

At any rate, when the CPP I closed in 1980, research achievements were ''negligible", with buildings ''unsatisfactory and (…) never properly completed", "none of the trials work (…) completed" and "no work (…) undertaken on processing" (ULG Consultants Limited, 1988, p.7). Whatever trials were conducted in the forests around the sub-stations resulted in 'erratic

challenge this claim. There is however merit to the idea that the Derg's stabilized political settlement of the late 1970s, focused on scientific state farms and cooperatives mass production, might have been more favourable to the specific ''campaign style'' breeding and distribution CBD project.
[129] Current estimates are around 40-45% (Minten *et al.*, 2019).

yield results and extreme yield variabilities'' leading to the conclusion that "coffee trials under natural forest shade trees will not produce statistically sound results'' (Wye College, 1984, p.37).

The second project appraised by the Bank, in 1976, aimed to complement CPP by focusing on the production side (ULG Consultants Limited, 1988). It included the building of feeder roads to production areas, credit provision through the Agricultural Investment Development Bank, research, and extension/distribution on CBD-resistant varieties, as well as mulching, stumping, pruning and other agronomic practices. The project was eventually dropped by the World Bank[130] and picked up almost immediately by the European Economic Community. An agreement signed was with the Derg government in 1977 for a 17 million USD project (Wye College, 1984).

The CIP started by funding the emergency response to the CBD crisis, including equipment and staffing for the CPP-funded Gera sub-station. Following the rapid success of the CBD breeding programme, the project added a CBD-resistant variety planting component. As CBD dwindled, the CIP morphed into a project based on the achievement of physical targets, characteristic of both the Derg and development project organizational cultures. It focused on the number of hectares to be stumped, sprayed, planted. In 1982, the EEC and the government extended the CIP into CIP II for 21 million USD without any substantial appraisal: the project doubled the physical targets[131], although it had been unsuccessful in reaching them under CIP I.

The research component, which should have represented 10% of the project spending, received 4%, whereas inputs (i.e., seedlings) accounted for about 40% (Wye College, 1984). Other key areas of expenditure under the project were for the building of feeder roads, payment of field workers – there were 817 of them in the early 1980s, with 549 working as extension agents and the rest in nursery and support functions – and for cooperative support (Wye College, 1984). The latter aspect was central to the CIP design. The project aimed to accelerate cooperative development, and both the physical targets and the provision of inputs were assigned to the cooperatives by a CIP Extension Agent, following CIP headquarters instructions.

The policy sphere: the parasitic reforms

The CIP and the CPP soon substituted for Ethiopia's coffee research, extension, cooperative development and market infrastructure policy. In these domains, the loop between knowledge and policy was short, embedded in the project design: the donor-funded knowledge generation would feed directly into donor-funded extension and input distribution. Yet, except for CBD research, the volume and quality of knowledge generated was weak (Wye College, 1984; ULG Consultants Limited, 1988) and its use limited: it did not inform extension, which focused instead on pushing, with limited success, towards the achievement of the project physical targets on forest coffee planting, spraying, stumping.

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[130] One plausible reason might be the increasingly tense relationship between the US and the Ethiopian government due to the nationalization of assets that occurred in 1975. This is explicitly mentioned by the World Bank as a cause for delay in the approval of the 2nd Coffee Processing Project (World Bank, 1993).
[131] The doubling was extensive: the project added 7 new production areas to the 8 initial ones.

The real policy thrust came in governance, state production, marketing and taxation. The CIP and CPP-funded research had shielded coffee trees from the CBD fungal pathogen, but the Derg adopted a series of parasitic reforms that aimed at sapping the surplus of the sector. In 1978, Proclamation 134 repealed previous coffee laws, abolished the NCB and replaced it with the Coffee and Tea Development Marketing Authority (CTDMA). The CTDMA retained NCB's mandate of regulating the coffee sector – but it was also empowered to intervene directly in coffee production and trade, a policy contemplated but never implemented under Haile Selassie (Yared Berhe, 2010). In the same year, the new Ministry of Agriculture and Settlement established the Ethiopian Coffee Marketing Corporation (ECMC) as a public corporation placed under the control of the CTDMA.

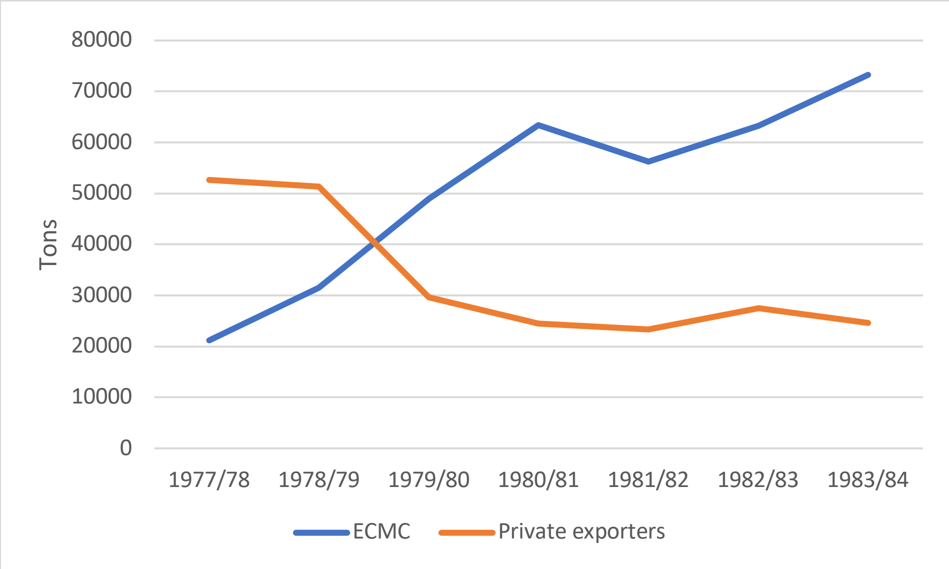
The ECMC was empowered to purchase, store, process, sell and export Ethiopian coffee. To acquire the coffee, the ECMC used and expanded the regional purchasing stations created under the NCB, taking them to 55 (Yared Berhe, 2010). It became the sole buyer of washed coffee – produced, by and large, in the cooperative washing stations financed by the World Bank's CPP. For dried coffee, the ECMC competed against *akrabies* to acquire it from the growers – however, a harmonized local price was decided by the CTDMA.[132] Furthermore, *akrabies* were only allowed to buy coffee from growers after the latter had fulfilled quotas set by the ECMC. They then had to compete with Derg-affiliated cooperatives (Love, 2002). The traders who still managed to acquire coffee had to sell it to exporters through the Addis Ababa and Dire Dawa auctions that had been set up by the NCB.

The Derg kept the auctions alive, as they conveniently funnelled coffee through a single transactional space: this had been a bounty for the cartel of exporters under Haile Selassie but turned against them with the Derg. The ECMC participated in the auction as an exporter, hoovering up whatever coffee it had not gathered in the provinces. In the first two years, the exporters could outbid the ECMC, but in 1977 the CTDMA introduced a system of maximum auction prices (Love, 2002).[133] The ECMC had a priority right over the exportable dried coffee of higher quality, and exporters were left to transact on the residual market, based on the quotas that were allocated to them as part of the International Coffee Agreements. The quotas were immediately revised downwards whenever an exporter would not meet them. Through these regulations, the state was able to gradually encroach on private sector trading of coffee, and by the mid-1980s the ECMC handled 66% of the dried coffee and 100% of the washed coffee (Figure 16). The ECMC owned 100 coffee hullers in the interior, 69 stores, 7 warehouses, cleaning plants in Addis Ababa, and employed 4085 staff and 3000 temporary workers (Meoaku, 1984; Ministry of Agriculture, 1986a).

[132] The price was calculated from the Freight on Board (FOB) sales of Jimma 5 to USA, or the New York price, to which taxes and value chain marketing costs were deduced.

[133] The maximum auction prices were also calculated from the FOB sales minus taxes and marketing costs to the auction.

Figure 16. Coffee exported by the ECMC and private exporters, in tonnes



Source: (Temesgen Workaheyu, 1993)

From the early 1980s, the Derg tightened the screw on coffee sector governance. First, the CTDMA was elevated to a Ministry of Coffee and Tea Development (MCTD), with Proclamation 179/1980. In 1984, Proclamation 263 expanded the MCTD powers over coffee trade, broadened to include cleaning, collection, supply, roasting, wholesaling, retailing, and acting as a trade auxiliary for foreign compagnies. All these players were requested to obtain a license issued by the MCTD, which could be revoked at any time ''to implement a government policy" (Yared Berhe, 2010). The issuance and annual renewal of license fees were increased for *akrabies* from 100 and 30 birr, respectively, to 10 000 and 1500 birr (Love, 2002). In addition, all traders were requested to buy and sell coffee at the fixed price but also in the geographic areas designated by the MCTD.

The MCTD era represented the peak of state control of the coffee sector in Ethiopia, with a level of institutional concentration and importance never seen before or after. Through its Development and Cooperative Department, the MCTD managed the CIP (research/extension) and the CPP (processing) projects, the extension services and the cooperative support in coffee-producing woredas (Meoaku, 1984; Wye College, 1984). The Inspection and Market regulation department administered prices and enforced market regulations (e.g., licenses, geographical restrictions on trade). The Public Relations and Training Department delved in Ethiopian coffee promotion.

The MCTD also controlled the ECMC and the Coffee Plantation Development Corporation (CPDC). [134] The CPDC held the 13 000 hectares of coffee state farms, of which 8000 were appropriated from imperial elite plantations, and 5000 hectares were seized from local peasants to establish new farms, dominated by the vast Bebeka plantation (El Ouaamari, 2013). To guarantee their profitability to the Derg, the farms were run at the lowest possible labour costs, paradoxically mimicking the imperial plantation model. Meanwhile, the profits of

[134] It also controlled the small Tea Development Enterprise.

the ECMC, predicated on below-market wages and below-market prices paid to growers, were used as an additional implicit taxation for the sector.

There is no indication that the reforms adopted under the Derg in terms of coffee governance, marketing and taxation were based on any study or evidence source. Whatever literature is available from national or foreign experts at the time tends to be critical of the measures adopted, perceiving them as excessively extortionate and likely to deter coffee production volume and quality by dampening price incentives for farmers and processors (World Bank, 1971; Wye College, 1984; ULG Consultants Limited, 1988).

Technical policy advisers had limited currency during the Derg era, major decisions being taken on ideological grounds by a small circle of ever shifting Mengistu advisers (Clapham, 1988). The echo chamber for these decisions was, from 1979 to 1984, the Commission for Organising the Workers' Party of Ethiopia (COPWE), a central committee whose 93 founding members were handpicked by Mengistu, mostly from the armed forces or the police. The COPWE also established regional representatives and opened offices in small towns, like Jimma or Dessie. The Party representatives possessed the *de facto* ruling power over state administrators, whose function was closer to that of a chief of staff (Clapham, 1988). After five years of cannibalizing the state, the COPWE had morphed into the Workers' Party of Ethiopia.[135] It was an organization of 30 000 members, with regional and district officials being appointed at central level and navigating across regions depending on the vagaries of internal party politics – a definitive break from the Imperial era regional politics based on co-optation of local nobility.

The COPWE and Workers' Party of Ethiopia relayed the decisions taken by Mengistu and his advisors – they were "more influential than government Ministers" (Clapham, 1988), with reforms on state farms, cooperativisation, villagization and resettlement being disconnected from technical advice (Clapham, 1988). The decisions themselves were taken from the Marxist-Leninist state toolbox. It permeated the Derg's policy repertoire since the early days of symbiosis with the intelligentsia[136] of the student movements – although these ideologues had been dispatched by the time Mengistu started to implement his socialist plan, including on coffee.

[135] The USSR pressured the Derg into creating the party, with the hope that it would give permanence to Ethiopia's communist transformation beyond the reign of Mengistu. Mengistu, instead, used it for further consolidate his hold on the Ethiopian state through a centralized Party structure.

[136] This intelligentsia had debated Marxist policy for much of the 1960s and early 1970s in student forums and journals, drawing from the classical texts of Maoism and Marxism but more so the New Left, such as Sweezy, Baran, Fanon (Barhu Zewde, 2002b; Eleni Centime Zeleke, 2019). The policy debates remained largely theoretical except on the topic of land reform. Following the Neway coup in 1960, Haile Selassie had created a Land Reform Committee, which had submitted a draft proclamation for a mild reform in 1962, shot down by the land-owning Senate. The Committee also tasked the FAO with a report, published in 1964, recommending the set-up of a single Land Reform organization. This materialized in 1965 with a Land Reform and Development Authority, converted to a Ministry of Land Reform and Administration (MLRA) in 1966 (Dunning, 1970). In 1973, the MLRA proposed a radical reform, drawing notably on the negative experience of the Swedish-Ethiopian Chilalo Agricultural Development Unit (CADU), the country's major agricultural development programme that had been hijacked by the landowning class (Markakis, 2011; Bruno, 2017). The reform was not taken up by the Imperial government but served as a basis for the Derg's land reform.

While Mengistu called on Soviet policy orthodoxy to justify Derg reforms, USSR advisors themselves seemed to have had little influence over them (Clapham, 1988; Jinadu, 1988; Yordanov, 2012). From the late 1970s, they became increasingly critical of the Derg's policies. This was due to their poor implementation and catastrophic results, but also the irksome tendency of the Derg to request "a lot, quickly and freely" from the USSR to solve its economic and military failures (Yordanov, 2012, p.278). It was, equally, a consequence of the internal transition of the USSR towards the perestroika, making the Derg's Brezhnevian model increasingly unfashionable (Anderson-Jaquest, 2002).

In 1985, Gosplan Soviet advisers produced a rare and critical review of the Ethiopian government's policies, urging it to revisit some of its most heavy-handed socialist reforms. The report is ''noteworthy for its absence of (…) a detailed discussion of problems of Ethiopia's only significant remaining export crop: coffee" (Henze, 1989, p.32), but it does recommend simplifying the complex coffee governance system and examining "the issue of improving the procurement prices for coffee and of determining a producer price that would stimulate and increase in production both on individual farms and in peasant producers' cooperatives and state farms" (Henze, 1989, p.141). The latter point was a clear rebuttal of the Derg's coffee policy and was strikingly aligned with the advice that came from the World Bank.[137]

The coffee reforms under the Derg were, therefore, neither based on evidence nor ideological underpinnings – they can rather be seen as an escalation in the extractive framework set out under Haile Selassie, under the parameters set out by the Marxist nature of the settlement. This escalation was concomitant both with the greater capacity of the Derg state structure and its needs for coffee resources.

5.3.3 The political stream: in the mood for surplus extraction

The Derg had a strong impetus to ensure the coffee sector be safeguarded against CBD, and to push for extractive governance and marketing reforms. The coffee beans were in effect traded for the bullets spent in the existential war waged in the North. They also funded capital imports for the grand projects that characterized the regime and were converted into critical tax revenue to feed soldiers and bureaucrats of the growing Leviathan.

Coffee as a foreign exchange earner

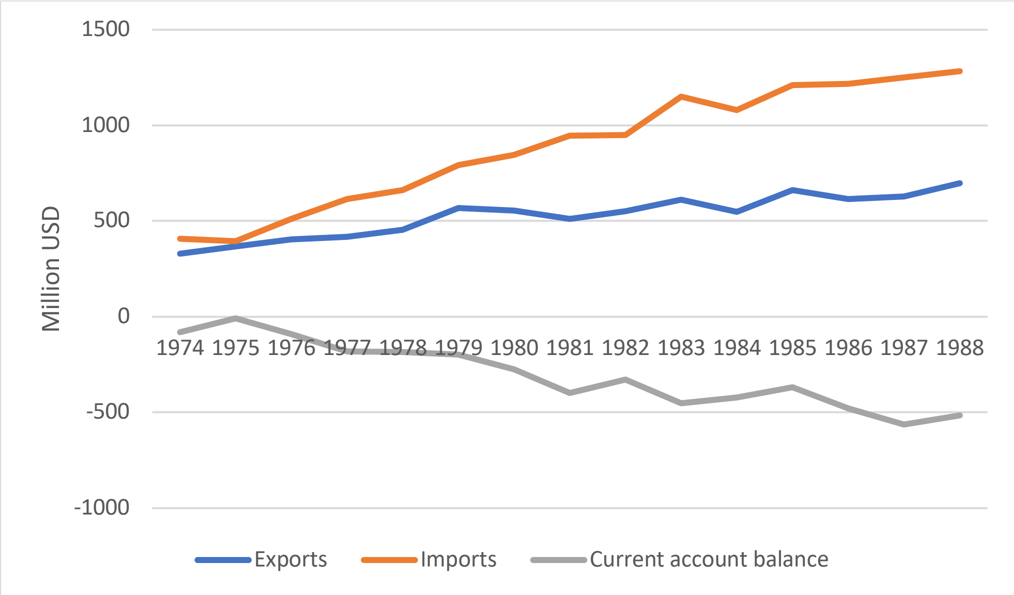
The war against Eritrea and the Tigrayan insurgents put strong pressure on the Ethiopian budget. Military expenditures were multiplied by six between 1974 and 1982, going from 18% to 32% of total expenditures (Berouk Mesfin, 2002). It also weighed on the balance of payments. As part of the 1978 Treaty of Friendship, the USSR provided a deluge of armament to Ethiopia: up to 2 USD billion worth of high-quality equipment in support of the 1982 campaign and another 1.4 USD billion in 1984 (Anderson-Jaquest, 2002; Berouk Mesfin, 2002).[138] The weaponry was provided as debt, with a stock estimated at 2000 million USD in 1981 (Jinadu, 1988) and annual repayment estimated at around 328 million USD (Anderson-Jaquest, 2002). The armament debt servicing is not included in official statistics, but inevitably

[137] For instance, in its 1983 report, the World Bank notes that ''the surtax could be expected to inhibit increased production of coffee and (…) affect the attractiveness to farmers of producing coffee relative to other agricultural crops'' (World Bank, 1983, p.11).

[138] For instance, weapons included over 115 modern Mig-23 and Mig-21 aircrafts, reserved for prime clients of the USSR, such as Syria (Anderson-Jaquest, 2002).

strained the balance of payment, [139] which was already under significant pressure from a tumbling current account balance (Figure 17).[140]

Figure 17. Export, imports, and current account balance, in million USD



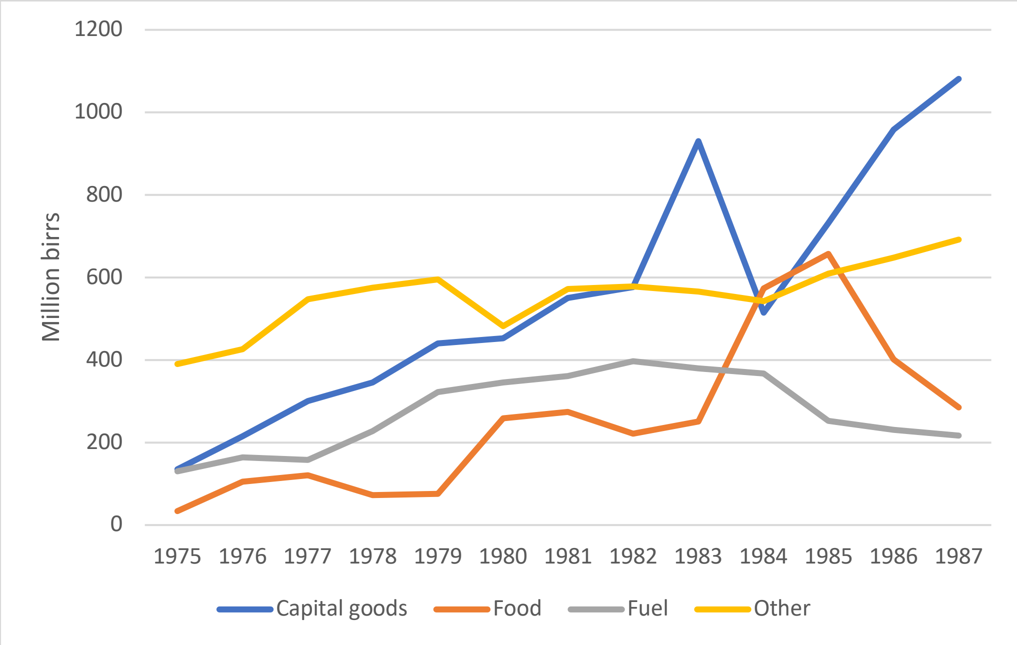
(World Bank, 1990) *Note: the exports and imports include goods and non-factor services. The current account balance is the exports minus imports, corrected for the balance of factor services (e.g., foreign investment income) and private transfers (e.g., remittances).

The Derg's model of state expansion indeed required large imports of capital for showpiece industrial projects (Clapham, 1988): cement and metalworks, textile, leather, processed foods and beverages, sugar (Figure 18 and Figure 19). Contrary to the Derg's rhetoric, these forex-consuming projects were not putting Ethiopia on the path to mass industrialization – (Clapham, 1988) estimated that the flagship cement industry generated one job for each 452 000 birr spent, while textile mills created 3460 jobs for a 222 million birr investment. They were also concentrated in a very limited spatial area: satellite towns around Addis Ababa and the railway axis, such as Akaki, Debre Zeit and Dire Dawa. In 1988, industry accounted for 16.8% of total value added, and 3% of employment in Ethiopia (World Bank, 1990) – while the share of industry in GDP was 4 points above the African average (Clapham, 1988), with some success in the alcohol and leather sectors, results were dismal in comparison with the amount of public resources invested.

[139] Total exports for 1982, for reference, accounted for 551 million USD (World Bank, 1990).

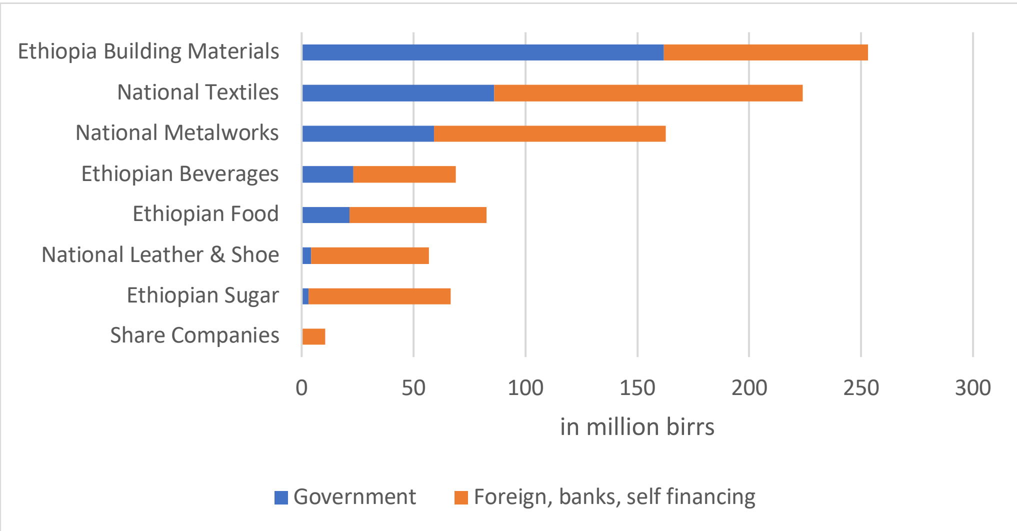
[140] The current account deficit could have been even larger without the stunning success of Ethiopian Airlines (World Bank, 1990).

Figure 18. Value of imports by end use, in million birrs



Source: (World Bank, 1990). Note: Food includes foods imports and relief. Capital includes transport (41%), industry (52%), and agriculture (5%). Other includes raw material, semi-finished material, non-food consumer goods, miscellaneous.

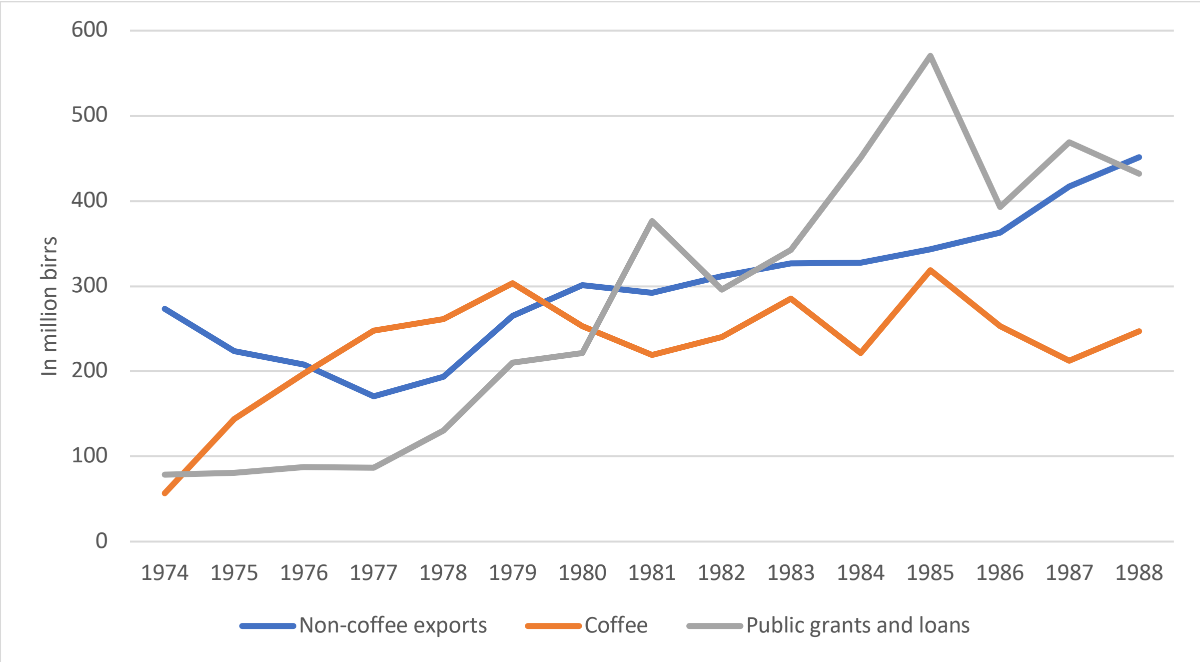
Figure 19. Capital expenditure in the manufacturing industry, by source of financing, for corporations supervised by the Ministry of Industry, in million birrs



Source: (World Bank, 1990). Note: Between 1980 and 1986, these state industrial projects were funded at 41% by the government, 33% by foreign loans – an important one being the Kombolcha textile factory loan from the Czech Republic and Italy – and 19% by local banks, with only 6% of self-financing.

While the Derg's needs for foreign exchange skyrocketed, the export sector faltered (Figure 20). The 1984 famine led to a surge in Western foreign loans and grants that helped satiate the economy's thirst for foreign exchange. However, a significant share of it paid for peaking food relief imports and capital imports (Figure 18); meanwhile, the war exerted an inexorable pull on forex. For instance, the reserves built up in 1985 and 1986 thanks to global relief support melted away with the renewed intensity of the Northern conflict and were reduced to ''little more than three week's merchandise imports'' in June 1988 (World Bank, 1990, p.34).

Figure 20. Key sources of finance for the current account deficit, in million birrs



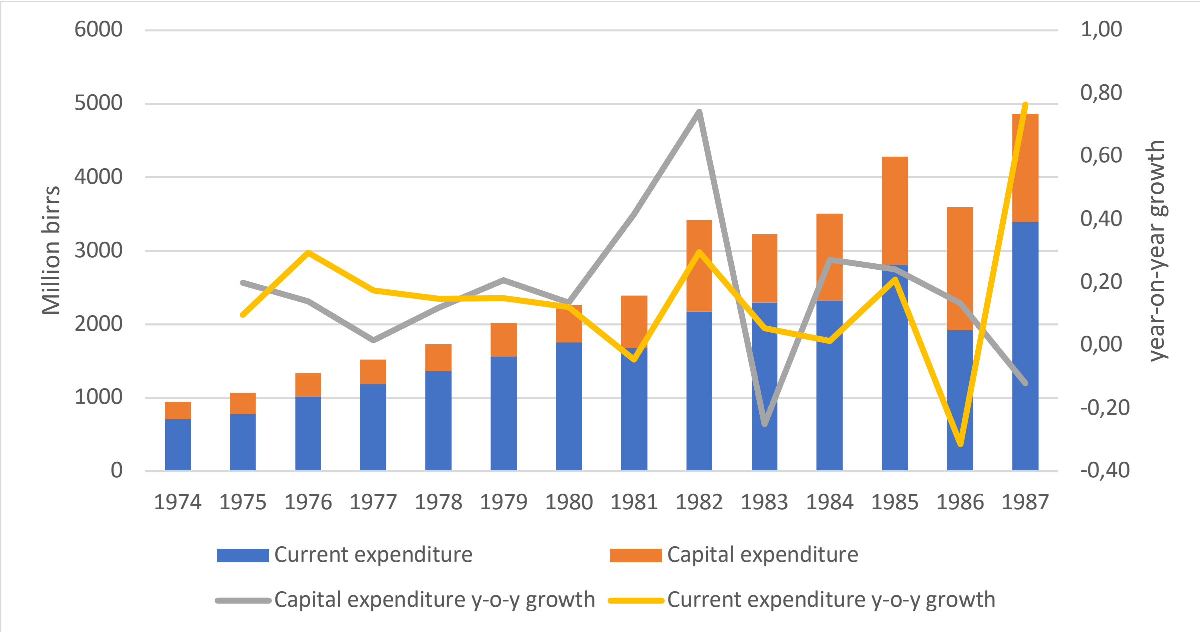
Source: (World Bank, 1987, 1990)

This enhanced the importance of maximizing coffee foreign exchange earnings for the regime. Yet, with falling global coffee prices, poor performance of state farms and absence of private investment in the sector, supply prospects were dim. The Derg had, therefore, every incentive to capture as much coffee surplus, as rapidly as possible, regardless of the damage done on long-term prospects of the sector.

Coffee as a revenue earner

The Derg's revenue needs also increased as they unfolded their socialist programme. During its turbulent take-off, the regime focused public expenditures on current spending to recruit civil servants and pay soldiers' wages (Figure 21). Capital expenditure ballooned with the Derg's active economic push of the 1981-1985 period – which culminated in the inauguration of several industrial projects for the 10-year anniversary celebrations of 1984 (Clapham, 1988)

Figure 21. Current and capital expenditure, in million birrs (left axis), and year-on-year growth (right axis)



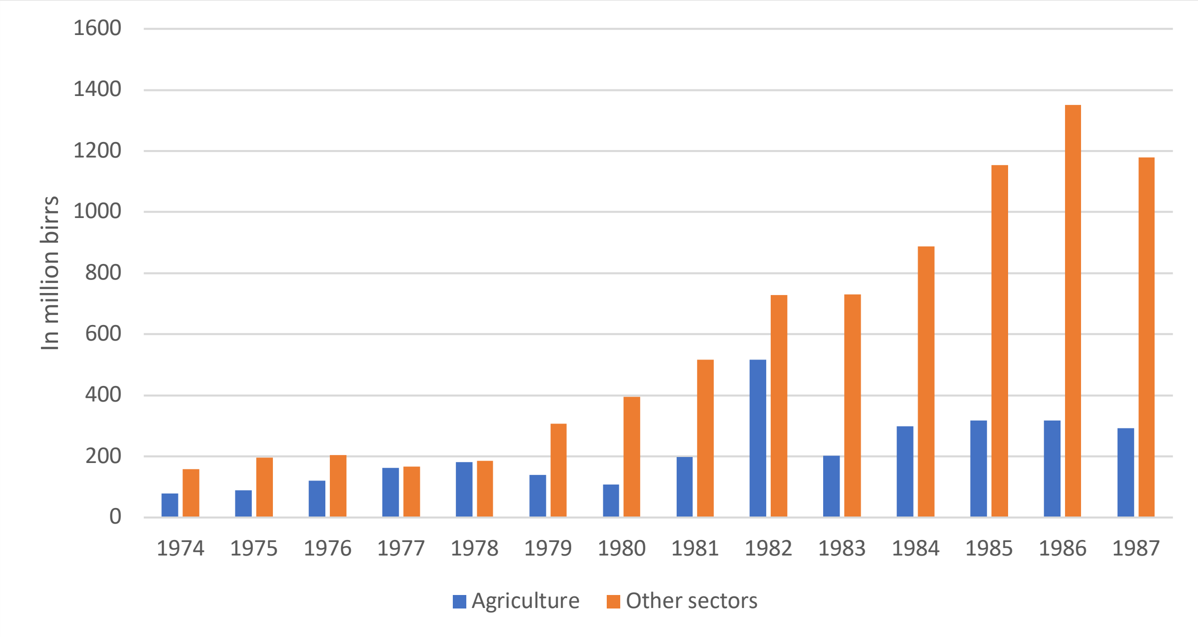
Source: (World Bank, 1990)

While industry captured a sizeable 17% of these capital expenditures, agriculture was a more significant driver, at 27% (Figure 22).The Derg allocated the bulk of this spending to state farms: (Clapham, 1990) estimates that it invested between 58% and 64% of agriculture expenditure on the farms during the 1978-1982 period. The central function of state farms was to provide cheap grain in cities to keep the lid on urban discontent, and a secondary role was to function as sources of raw material for the domestic industry and for exports – especially cotton (through the seizing of the former Mitchel Cotts estates in the Awash valley)[141] and coffee (Clapham, 1990). The farms were highly capitalized, using imported tractors and combined harvesters but poorly managed, with yields equal to or below that of small-scale farmers – grain farms had to sell their output to the parastatal Agricultural Marketing Corporation (AMC) at above-market prices to guarantee their profitability.[142] Despite massive support through budgetary transfers and price administering, the farms only produced 285 530 tonnes of cereals in 1987, against 4.9 million tonnes in peasant holdings – for coffee, they yielded 2.4 million tonnes against a total production of around 160 million tonnes (World Bank, 1990).

[141] As part of the Imperial government's ambition to promote agricultural capitalism, the British company had acquired 5800 hectares in the Awash Valley in the late 1950s to develop cotton farming. The land was purchased from local sultan Ali Mirah, an ally of Haile Selassie – on top of the agricultural investments, Mitchel Cotts funded the sultan's militias (Bach, 2011).

[142] The AMC was introduced by the Derg in 1976 to buy grains in rural areas and distribute it to major urban centres of Addis Ababa, Asmara, Dire Dawa at subsidized prices. From 1978, the AMC became the sole player legally authorized to move grains across regions, with traders acting as their agents in producing areas. It was also an outlet for unprofitable state Farms and cooperatives; and peasants associations were compelled to deliver a share of their production at centrally fixed prices that were below market values. Although the AMC covered a fraction of grain consumed in Ethiopia (due to on-farm consumption) and an estimated 16% of total marketed grain (Clapham, 1988), it hampered Ethiopian spatial grain allocation, contributing to lower availability and affordability in deficit areas.

Figure 22. Agriculture and other sector capital expenditure, in million birrs



Source: (World Bank, 1990).

As highlighted in Figure 21, recurrent costs still represented the bulk of central government spending – although they did not grow as fast as capital spending, their volume quadrupled between 1974 and 1987. This reflected the sheer cost of the Derg's war economy – 55% of the recurrent budget went to security, law and order (World Bank, 1990) – as well as the growing volume of civil servants on the expanded state payroll, from 109 322 to 167 860 between 1977 and 1982 (Clapham, 1988).[143]

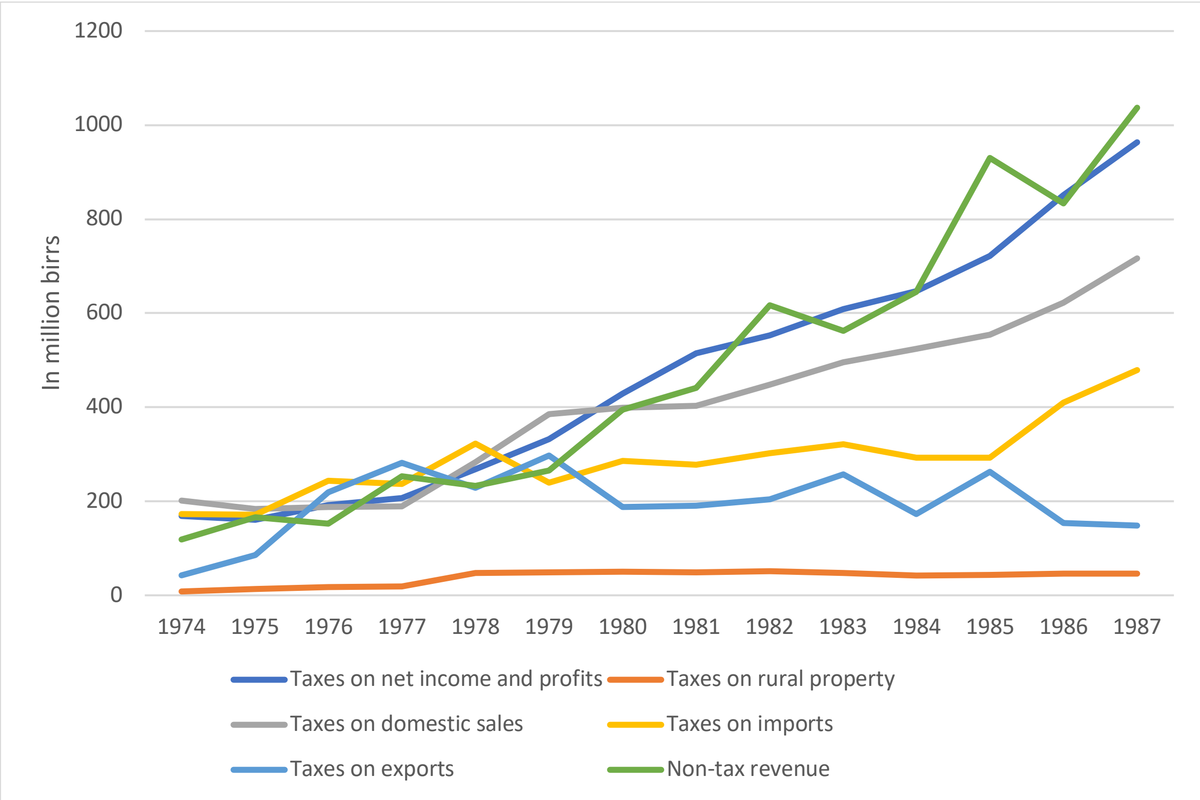
The Derg needed to foot this bill by mobilizing additional revenue. Given the nature of its policies, the government had limited access to private foreign capital. The US donor funding (30 million USD in 1976) was also suspended in 1979 following the seizing of US assets and rapprochement with the USSR (Mascagni, 2018) although the shortfall was compensated by the European Union stepping in, with European aid going from 9.8 million USD in 1971-1973 to 82.4 million in 1979-1982 (Clapham, 1988).[144] The non-military Soviet aid, meanwhile, amounted to 1.2% of total aid in 1983 and was insignificant.

Thus, the government had to look at taxing the domestic economy. With unproductive public investments and a contracting private sector, the growth of the national resource base was stunted. The Derg was left with the only option of squeezing the lemon harder, and so it did. Revenue mobilization was one area where Derg's Ethiopia was ''buoyant'', with a performance that was ''exceptionally high relative to GDP for a low-income African country'' (World Bank, 1990, p.54): the ratio went from 20% in 1980 to 29% in 1987.

[143] Salaries, on the other hand, were pegged on the 1972 scales (Clapham, 1990).
[144] It should be noted that Ethiopia was not a major recipient of aid – it ranked 45th among developing countries in terms of aid receipts as % of GNP, although it had one of the lowest GNPs in the world (Clapham, 1990).

The Derg perpetuated the revenue base built under Haile Selassie, predicated evenly on trade tax, indirect domestic sales tax, and income and profit tax. From the 1980s, it began using its deep administrative muscle to aggressively mobilize additional income/profits, as well as domestic sale revenue: these two domains increased by 177% and 106%, respectively, between 1974-80 and 1981-87 (Figure 23). The category that most increased, however, was non-tax revenue (220%): this corresponds to the profits (''residual surplus") of public enterprises and financial institutions that were almost entirely transferred to the Treasury. Trade taxation, meanwhile, had already been optimized by the gatekeeping imperial regimes. It registered a most modest growth of 42% (imports) and 3% (exports) – consequently, its share went from 36% of total revenue from 74-80 to 21% in 81-87.

Figure 23. Central government revenue, in million birrs



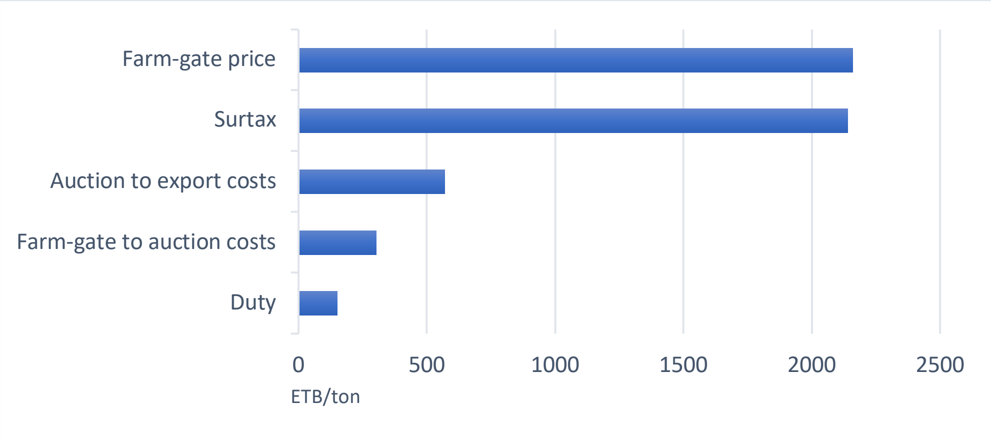
Source: (World Bank, 1990)

Coffee taxation played a significant role in raising revenue. The government used two mechanisms for this. First, it retained 90% to 100% of the ECMC profits (World Bank, 1983), itself extracted from state farm wage workers, farmers and traders through the payment of below-market wage and coffee prices (Love, 2002). This implicit taxation appears in the non-tax revenue – although data is not available to quantify it.

Second, the Derg taxed coffee directly, accounting for an average 7% of export revenue over the period (World Bank, 1990). For this, it relied on the Imperial coffee tax structure, which included a cess tax (to fund the NCB), a transaction tax of 2% of the Freight on Board (FOB) value to be paid on all exports, a basic export duty, and a surtax which included a sliding component based on New York coffee prices, to capture the increased value generated by rising global prices. The Derg increased the surtax significantly – it accounted for around 40% of the export price – and it came to be the dominant source of direct taxation in the sector

(Figure 24). Farmers' share of the export price plummeted in consequence of below-market administered prices and heavy surtax, going from an estimated average of 60% in the 1960s to 42% during the Derg period (Love, 2002).[145]

Figure 24. Breakdown of sundried coffee export (FOB) price components in Ethiopia, 1985, in ETB/tonne



Source: (World Bank, 1987)

5.3.4 Conclusion

In the 1980s, the conditions were propitious for the Derg to implement their extractive policies to the full. The regime was engaged in a very costly war in the North and multiplied capital-intensive projects, exerting a strong demand on the resources coffee could provide. The knowledge-policy ecosystem had morphed into a dual structure: on one hand a breeding, agronomy and processing sphere based on donor projects, with a short and dysfunctional loop between underfunded research and project physical targets - except for the critical CBD intervention. On the other hand, a governance, marketing and taxation sphere driven by surplus extraction objectives, with reforms emanating from the Marxist-Leninist policy repertoire. Except to solve the technical issue of the CBD, the project sphere was directly subordinated to the extractive policy sphere. The question was whether this parasitic policy environment could extract resources without killing the host sector off.

[145] Farmer price records did not exist in the 1960s, so the author estimated them by deducting value chain costs from FOB export values – they should therefore be considered rough estimates. The World Bank estimated a similar range for the decrease, with farm-gate prices going from 70% of FOB prices in 1975/76 to 35% in 1980/81 (World Bank, 1983).

5.4 Coffee policy implementation: slow unravelling, rapid resurgence

This part assesses the evolution of the Ethiopian coffee knowledge and policy ecosystem under the Derg rule. As argued above, in the late 1970s the ecosystem split into two interconnected spheres, with breeding, agronomic and processing knowledge locked into self-contained CPP and CIP projects funded by donors, while the thrust of policy reforms went to surplus extraction through more expansive state involvement in sectoral governance, production, marketing and taxation. These parasitic reforms were effective in extracting coffee surplus to support the Derg's *fuite en avant* for a decade.[146] However, they wore out the sector: they shrivelled the wage worker, trader and exporter private sector and contributed to depress farmer price incentives, and, ultimately, production. The eventual demise of the Derg and EPRDF take-over led to a gradual liberalization of the sector, a win-win for the new government to resuscitate the critical forex manna while buying goodwill from liberal Western donors.

5.4.1 Knowledge supply: the failures of the CIP and CPP projects

The CIP and CPP marked the "projectification" of Ethiopia's coffee production and processing support policy. These projects were designed with built-in knowledge to policy pathways: on the one hand, they funded coffee research and on the other hand, they implemented breeding, agronomic and processing activities that were supposed to be informed by that very research. In practice however, this pathway proved to be dysfunctional.

In its first phase, from 1977, the CIP funded Ethiopian coffee research with two objectives. First, increasing coffee yields, largely through a trio of improved agronomic practices: stumping, mulching, pruning. Second, curtailing the CBD epidemic spreading across Ethiopia coffee production zones. The latter was initially addressed with fungicide spraying and, gradually, with breeding, multiplying and distribution of CBD-resistant varieties for planting. The research component was intertwined with three other objectives: extension to disseminate agronomic good practices, cooperatives support, and rural roads to link production areas to market. In 1982, the CIP was extended to a CIP II – its content was largely unaltered, but 7 production areas were added to the project's remit (Dorward, 1988).

Besides the breeding research on CBD, discussed above, the CIP was largely unsuccessful in reaching its targets: the project evaluation could not document any yield increase after 10 years of implementation (Wye College, 1984). The CIP recommendations on stumping, mulching, and pruning were derived from the experience of the international consultants that first designed the research agenda – they had no empirical ground in Ethiopia (Wye College, 1984; Dorward, 1988). Building such empirical material was a daunting challenge for CIP staff – reliant on a shifting pool of international consultants.[147] There was no existing coffee research capital to start with in Ethiopia, except for the small national capacity that had begun

[146] They did consolidate some state capacity that would be redeployed more productively by the Meles Zenawi government.

[147] This situation had not subsided even by the mid-1980s. For instance, the mid-term evaluation report prepared by the Ministry of Agriculture, in 1986, recommends that a CIP report prepared by foreign consultant Ray Watkins be used as the basis to develop the future IAR research programme, after having been cross checked for quality by crop breeders in Wageningen University, Wye College and East Malling; and that a World Bank funded (foreign) taxonomist be recruited urgently (Ministry of Agriculture, 1986b).

to emerge under the Point Four programme in the 1950s and 1960s. Indigenous knowledge was also difficult to capitalize and generalize given the high variability of coffee species, growing systems and agro-ecological zones.

The IAR staff funded by CIP were neither standing on the shoulders of giants nor could they count on peer learning: the Derg suppression of private plantations smothered private research and innovation. With their limited resources and capacities focused on CBD control, the IAR produced research findings on a limited scale and quality.[148] These findings, in addition, had little bearing on the sector due to poor linkages with extension services and lack of trained extension agents (Wye College, 1984) – about 1 for 600 coffee farmers in 1988 (Temesgen Workaheyu, 1993). Even if the agronomic targets promoted by CIP had been appropriate, their scale and achievement were lacklustre: for instance, in 1982/83, the project had planted 454 hectares of CBD-resistant varieties out of a target of 2328, stumped 828 hectares out of 6338, sprayed 1321 hectares out of 6338 (AED, 1984). These were a sliver of the 500 000 hectares used to produce coffee at the time.

The CPP registered a more positive trajectory, in no small part because its objectives were less challenging. The World Bank project was designed as the processing side of the CIP, with a focus on washed coffee production and marketing. It funded important research infrastructure (e.g., the Gera substation at the heart of CBD resistance breeding work) but the emphasis was on the building of washing stations and training of farmer cooperatives to operate the stations. The CPP I project (1972-1980) was successful in constructing 360 km of access roads, 57 washing stations by 1980 and training 80 cooperatives, mainly in Sidamo (76% of washed coffee production) and Kaffa (22%) (World Bank, 1983) – to which CPP II (1980-1992) added 62 stations, as well as 110 km of access roads and 294 km of link roads (World Bank, 1993). The CPP I led to an incremental washed coffee production of 3000 tonnes, instead of the 11 000 tonnes expected, but this was largely attributable to a lower number of stations being built compared to project objectives, due to a reduction in funding made available by the World Bank following the Derg seizing of power (World Bank, 1993). Out of the 61 cooperatives operating the new washing stations in the early 1980s, 59 were assessed to be profitable – yet, they encountered difficulties to operate above 50% capacity, as they offered prices below farmers' expectations (World Bank, 1983, 1993). Like the CIP, the CPP was hampered by management issues: in 1987, only 38% of CPP II funds had been spent, and the project closing date was extended four times (World Bank, 1993).

These implementation issues were not merely technical. Although the CPP and CIP "projectified" the production and processing dimensions of Ethiopia's coffee policy, they were no donor islands. Rather, they were firmly subordinated to the Derg's policy agenda. The CPP Project Implementation Unit and CIP Headquarters were placed in and driven by the MCTD (World Bank, 1983; Wye College, 1984). For instance, until 1987, "virtually all CIP assistance was reserved for common holdings and producer cooperatives, even though individuals accounted for 90% of production" (Kassahun Seyoum, Franzel and Tesfaye Kumsa, 1988, p.9). Farmers who were not working with cooperatives and PA common farms were denied assistance by the CIP extension agents, and inputs by the CIP cooperatives (Dorward, 1988;

[148] For instance, in 1986, (Wye College, 1984) observed that no reliable findings existed on incremental yields stemming from the adoption of stumping, although it was one of the major agronomic practice promoted by CIP I and II.

Kassahun Seyoum, Franzel and Tesfaye Kumsa, 1988), For those farmers working with the cooperatives and PAs, they were “unwillingly involved in the project activities…This target dominated approach appears to have been imposed (…) rather than the project activities having emerged from it as an expression of the farmers desire” (Kassahun Seyoum, Franzel and Tesfaye Kumsa, 1988, p.33).[149] The cooperatives themselves suffered from severe corruption issues: the CIP evaluation report, in 1986, reports that 95% of the 162 CIP service cooperatives suffer from “shortages” of a total of 6 million birr, with some cooperative officials and employees having “stolen several tens of thousands of birrs” (Ministry of Agriculture, 1986a, p.27).

In such circumstances, the plantings on common holdings were bound to fail,[150] and yet they were supposed to act as demonstration plots for other farmers to adopt the technologies promoted by the CIP (Ministry of Agriculture, 1986b; Seyoum, Franzel and Kumsa, 1988). The CPP was managed in a similar fashion to serve the Derg’s overarching policy objectives. Instead of being passed on to farmers, the price premiums obtained from the washed coffee were “retained as profit by CMC or diverted by the local administration, often in collaboration with local cooperative management committees, to the construction of roads, schools, etc. which destroyed the incentive for farmers to deliver fresh cherries to the washing stations instead of sun drying them” (World Bank, 1983, p.12).

5.4.2 The failure of Derg coffee policies

The Derg led the CIP and CPP implementation in line with its broader coffee policy agenda, and this agenda was driven by the ideological and political economy parameters discussed above. As such, the theorized linkage between research and operations, for the two projects, was not apparent in practice aside from the case of CBD resistance breeding and, to a modest extent, washed coffee production. In addition, while the MCTD developed its own dysfunctional “adaptive research” through CIP, the Ministry left the IAR, underfunded, concentrate on longer term breeding and agronomy endeavours that were even further distanced from policy implementation[151] (Ministry of Agriculture, 1986a, p.5). Neither the CPP and CIP nor the IAR conducted significant socio-economic research that might have informed the Derg’s flagship policy reforms on coffee marketing, and so, it can be inferred that coffee policies under the Derg was almost exclusively detached from any significant evidence base.

These policies, centred around state-led production, marketing, and collectivisation, were successful in channelling enough foreign exchange to fuel the Derg settlement for almost fifteen years. They failed, however, on all other accounts. Export volumes stagnated: levels in 1987 and 1988 dropped below their 1971 value (Figure 25). Export values were, de facto, a function of international prices since coffee quality did not improve significantly enough to dent

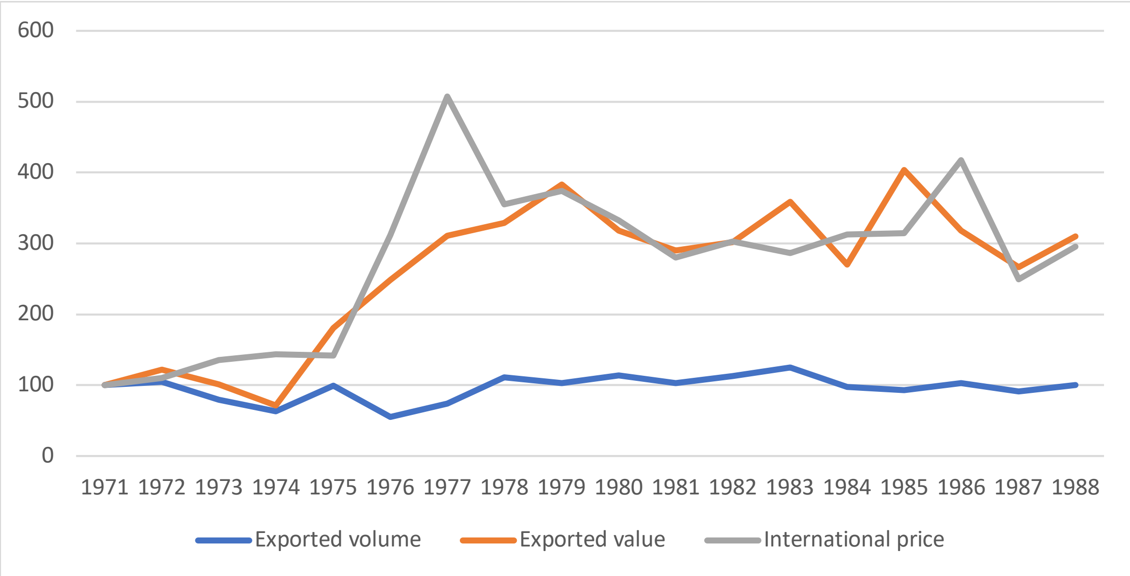
[149] The targets themselves were set by the Peasant Associations (Ministry of Agriculture, 1986b) and not the CIP project management, another manifestation of the Derg complete subordination of CIP to the Derg policy agenda.

[150] The Derg-like focus on achieving targets over quality applied to the CIP – for instance the CIP evaluation report concedes that “planting targets have generally been achieved but apparently at the expense of the quality of establishment” (Ministry of Agriculture, 1986a, p.5).

[151] There were tensions, throughout the whole Derg period, between the MCTD and the IAR on their roles and responsibilities for coffee research. This stemmed from the fact that IAR had the institutional mandate to carry it, but research activities were planned under the CIP and CPP projects, located in the MCTD (World Bank, 1993).

unit prices. The Derg benefited from an exceptional international price boom in the early years of the Revolution. The boom tailwinds carried export values into the early 1980s. The 1980s decade was, however, rougher, as global prices kept tumbling from their 1977 peak.

Figure 25. Ethiopian coffee exported volume, value and international price, base 100 (1971)



Source: (World Bank, 1987, 1990; LMC International, 2003)

From 1983, the opportunity cost of growing coffee soared for small farmers: drought and policy-induced food shortages built up to the 1984 crisis and pushed the price of grains up. Returns to maize production in coffee areas, for 1984, were estimated to be at least 50% higher than for coffee (World Bank, 1987). Although global coffee prices picked up momentarily in 1986, the situation persisted – in that same year, one kilogram of coffee could only purchase 3.6 kg of maize, against 15 kg in 1972 (Seyoum, Franzel and Kumsa, 1988). In addition, the Derg's punitive taxation policy – through export surtax and controlled official prices – left farmers with an estimated 42% share of the FOB price for the Derg period (Love, 2002)[152] – above several other coffee producing countries (Cameroon, Ivory Coast, Madagascar, Uganda, Indonesia), but far below top performers such as Kenya (86% in 1982), Guatemala (63%) or Colombia (56%) (World Bank, 1987).

Coffee returns were also hampered by the rising cost of labour. This stemmed from the prohibition of seasonal farm labour under Proclamation 31/1975, but also the reduction in seasonal worker migration, as the land reform incentivized workers to stay in their home area to avoid being dispossessed of their land by the Peasant Associations (El Ouaamari, 2013). On top of all this, the CBD, albeit weakened, persisted (World Bank, 1993). Coffee production started to drop noticeably from 1983, as farmers cut down trees *en masse* to plant staple crops and coffee trucks were seized for food aid distribution (Clapham, 1988; El Ouaamari, 2013) – exported coffee bags dropped below their 1971 levels, not to recover under the Derg (Love, 2002).

[152] That share was higher for washed coffee – between 50% and 60% according to (World Bank, 1993)

The Derg could not count on its state farms either to bolster domestic output. It could not attract labour to pick the coffee on the farms, if not for the conscription of peasants who were paid well below the opportunity cost of working on the farm (Clapham, 1988), and the revival of controlled seasonal migration (El Ouaamari, 2013). The vast farms were poorly managed, riddled by pest and disease and yields did not exceed those of peasant farming state farms accounted for about 3% of total coffee output (Table 7) (Clapham, 1988).

Table 7. Coffee state farms area, production volume and yield

	1983	1984	1985	1986	1987
Area (1000 ha)	11,68	12,51	13,12	13,54	14,68
Production (1000 tonnes)	2,21	1,94	4,51	4,82	2,49
Yield in tonne/ha	0,19	0,16	0,34	0,36	0,17

(Temesgen Workaheyu, 1993)

The Derg's significant efforts to promote collectivisation of coffee production also registered limited success: by 1988, 650 coffee cooperatives controlled 8500 hectares of land in coffee growing regions – about 2% of total estimated coffee area. Out of this landholding, about 27% was allocated to coffee (Temesgen Workaheyu, 1993). To this must be added the Peasants Association common holding for coffee, estimated at 1500 hectares at the same period (Workaheyu, 1993).

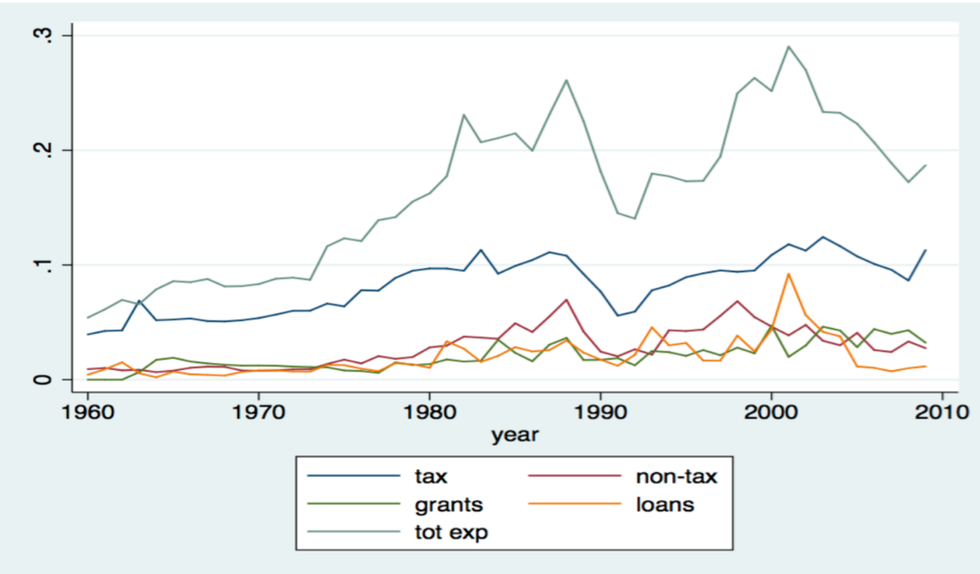
The cooperatives and PAs had preferential access to scarce technical assistance, inputs, credit and building material to cooperatives, yet they struggled to attract farmers due to their poor management and collective action issues (Clapham, 1988). Although membership was supposed to be voluntary, non-member farmers were pushed or even coerced into joining them (Clapham, 1988; Kassahun Seyoum, Franzel and Tesfaye Kumsa, 1988; El Ouaamari, 2013). For instance, cooperatives enjoyed a continuity of landholding, and would acquire the adjacent plots of non-member farmers, compensating them with more remote ones.

As mentioned above, non-members could be refused access to input, credit or services from the CIP and CPP projects. They still had to contribute one day per week to the cooperative activities, and surveys in coffee producing areas showed that some farmers spent up to 2 to 3 days per week. They were not paid in return, neither in-kind nor in cash (Seyoum, Franzel and Kumsa, 1988) – CIP evaluators report that their was a common conception, within PAs, that mandatory farmer labour was "free" and even referred as such in PA coffee holding profitability assessments (Wye College, 1984).

Even cooperative members encountered issues – for instance, they had to share their farm equipment with other members, even if they were members of simple service cooperatives, or were requested to work cooperative common holdings every day, to the detriment of their own land (El Ouaamari, 2013).

Towards the end of the 1980s, the Derg's extractive war economy started to run out of steam. The one-off rent of nationalization had dissipated. The resource gap between exports and imports widened, from 5% of GDP in 1980/81 to 10.2% in 1988/99: imports for unproductive mega projects and debt repayment for armaments kept soaring, while exports, made over-reliant on coffee, were dampened by the falling global prices (World Bank, 1990). Tax and non-tax revenue tumbled, as the fiscal base and collection efficiency contracted due to decreasing trade, loss of territory in the North, population discontent with the regime and turmoil within the bureaucracy itself. The Derg became more dependent than ever on Western foreign loans and grants to keep the economy afloat, but around 1988, donors started to anticipate a possible regime downfall and the volume of loans and grants contracted (Figure 26) (Mascagni, 2018).[153]

Figure 26. Trends in fiscal variables, percentage of current GDP



Source: (Mascagni, 2018)

The donor circumspection rose as the Derg suffered a string of crippling defeats against the TPLF and EPLF, allied once again in 1988 after years of in-fighting. In March of that same year, the Ethiopian army lost 18 000 men in the battle of Af Abet, Eritrea (Yordanov, 2012). This turning point strengthened the resolve of the USSR, now led by Gorbachev, to freeze arm delivery deals[154] to Mengistu and to push him to accept a political solution to the conflict. In response, Mengistu tried to restore ties with the US: the Americans, however, had established diplomatic channels with the TPLF and EPLF and supported a negotiated settlement (Yordanov, 2012). Neither the EPLF and TPLF nor Mengistu were willing to back down. The TPLF, under its new coalition guise of the Ethiopian Popular Revolutionary Democratic Front (EPRDF) (see Chapter on the Political Settlement of Ethiopia) reconquered the whole of Tigray in 1989, and launched a full-blown offensive towards Addis Ababa. The Ethiopian Army, in disarray, could not stop them. In May 1991, TPLF troops entered the capital, with Mengistu fleeing to safety in Zimbabwe.

[153] The Derg had begun to pivot back to the West in 1981, when it had become apparent that the USSR would not become a significant trade partner nor an aid provider. In particular, the regime had repaid Western countries for the nationalized assets to restore its eligibility to World Bank grants and loans (Jinadu, 1988).
[154] The USSR honored, however, deals already agreed upon. For instance, it delivered tanks to Mengistu well into 1989 (Yordanov, 2012).

5.4.3 The partial liberalization of the coffee sector

The Derg had a lucky draw with the global coffee market when it came to power in the mid-1970s. The opposite happened as it was losing the war in the late 1980s. In June 1989, the International Coffee Agreement collapsed, driven by ideological and interest shifts in the US amidst the end of the Cold War[155] and the growing segmentation of the market that could not be satisfied with the old quota system (El Ouaamari, 2013). Immediately, global coffee prices collapsed by one-third to one-half, and Ethiopian terms of trade fell by 20% in the midst of the TPLF/EPLF offensive (World Bank, 1990).

With its back to the wall, the Derg moved swiftly to safeguard its main source of foreign exchange and mitigate turmoil in the critical coffee production areas, launching a series of all-out, desperate coffee liberalization and support measures. The government reduced the surtax drastically (from 1810 ETB/tonne, in 1983, to 100 ETB/tonne) and subsidized farm-gate prices, with the aim to keep them above 0.45 ETB/kg (World Bank, 1990, 1993). It reopened the moribund Addis Ababa auction floor to private traders, and allowed them to compete with ECMC and service cooperatives. The Coffee Marketing Corporation increased margins and transport allowances for its procurement agents and gave them some discretion over the official price paid to farmers. Peasants in the main coffee growing districts were relieved of their obligation to supply grain to the AMC.

With the conflict gaining in intensity and closing in on the coffee producing regions, these last-ditch measures did not suffice to quell coffee export volume collapse in 1990 (-41%) and 1991 (-71%) (World Bank, 1993). They did, however, set a precedent for a fuller liberalization during the early years of the EPRDF rule. In 1992, the new government created a more inclusive Price Differential Committee, bringing in representatives from the MCTD and the National Bank of Ethiopia but also private exporters – the Committee set out floor, instead of fixed prices. In that same year, it started to depreciate the Ethiopian birr, thereby raising coffee export prices. In 1993, with Proclamation 70/1993, the government reduced license fees of exporters and *akrabies/sebsabies* from 20 000 and 10 000 birr, respectively, to 200 and 150 birr.

Coupled with previous liberalization measures adopted under the last days of the Derg, these reforms ressuscitated the private sector: private suppliers went from controlling 20% of the market in 1989/90 to 82% in 1992/93, and exporters from 13.5% in 1989/90 to 52.5% in 1995/96 (Alemaheyu Geda, 1999). In 1993, the government dismantled the ECMC, which had lost its marketing monopoly, and split it into the Ethiopian Coffee Purchasing and Sale Enterprise and the Ethiopian Coffee Export Enterprise – they would gradually lose their share of the market until they ceased operating in 2002. Two years later, it replaced the MCTD by the Coffee and Tea Authority (Yared Berhe, 2010).[156] This marked the end of the Ministerial era of coffee governance, started under the Derg in 1980, and reflected the more secondary importance that the Tigray-led EPRDF would assign to coffee in the coming decades, as it sought to redevelop Northern agricultural exports (e.g. sesame, pulses) and diversify the

[155] The US did not need to appease coffee producing Latin American anymore to prevent them from falling under Communist rule.

[156] The MCTD itself was briefly renamed Ministry of State Farms, Coffee and Tea between 1993 and 1995, after it merged with the short-lived Ministry of State Farms (Yared Berhe, 2010).

economy base. In 1997, the government adopted its last significant reform before the ECX era, by putting an end to the farm-gate price floor (El Ouaamari, 2013).

5.5 Conclusion

Although the changes under the EPRDF "created an impression of considerable liberalisation", the government kept alive critical elements of the regulatory architecture developed under the Imperial and Derg regimes (Love, 2002, p.180).

The licensing system for *sebsabies*, *akrabies* and exporters remained, with growers legally required to sell to licensed *sebsabies* or cooperatives and *sebsabies* to *akrabies*. Each agent was still legally compelled to sell exclusively within their defined geographic areas – once the coffee would leave the area, it was still required to flow through the Dire Dawa and Addis Ababa auctions, where it would be cleaned and graded. Coffee for domestic consumption could not be sold outside the growing region either, the sale of exportable quality coffee continued to be prohibited. Cooperatives were still encouraged through priority access to inputs and extension, as well as control of washing stations. They were also allowed to bypass the auction and export directly.

The projectification of coffee production and processing policy, initiated by the Derg, continued under the EPRDF. While the CPP was discontinued, the government approved other projects and programmes to support the washed coffee sector through the likes of USAID and Technoserve; meanwhile, EU cooperation continued and a new CIP project was approved in 2002.

Another fundamental legacy of the Derg was the land reform and eradication of the budding capitalist coffee class. The EPRDF would embrace this legacy, and knowledge production in the coffee sector would remain entirely dependent on idiosyncratic local initiatives, underfunded public research and donor projects.

In that sense, there is strong continuity between the Imperial, Derg and EPRDF coffee knowledge and policy eras; with each period bringing disruptions that reflected the political settlement parameters of their time.

Chapter 6. When the Developmental State meets the Chicago School: politics, theory, and evidence in the creation of the Ethiopia Commodity Exchange, 1998-2012

6.1 Introduction

This chapter looks at the political economy of Ethiopia and its coffee sector between 1998 and 2012, and how it affected the supply and demand of evidence in the Ethiopia Commodity Exchange reform. The chapter first analyses the political settlement parameters that shaped the trajectory of coffee policy for the 1998-2012 period (part 1 – Economic, political and ideological tidal shift: the critical juncture of the Eritrean-Ethiopian War). It then appraises how the government and a coalition of policy entrepreneurs, against this political settlement backdrop and with the 2002 crisis as a focusing event, pushed forward the Ethiopia Commodity Exchange reform (part 2 – A river runs through it: multiple streams converging towards the Ethiopia Commodity Exchange). The third part of the chapter studies the adoption of the Ethiopia Commodity Exchange and its eventual absorption of the coffee sector marketing and governance structure (part 3 – Building the coffee machine: putting the ECX together). The final section reviews the early years of implementation of the ECX (2008-2012) and their impact on the Ethiopian coffee sector, with reference to the political economy and evidence drivers and consequences of the reform (part 4 – implementation and evaluation).

6.2 Economic, political, and ideological tidal shift: the critical juncture of the Eritrean-Ethiopian war

This part analyses the political settlement context that underpinned the Ethiopia Commodity Exchange reform, with a focus on 1998-2001 as a "critical juncture" in the Ethiopian political settlement at all economic, political and ideological levels, setting the stage for a significant inflection in Ethiopia's agricultural and coffee policy.

6.2.1 A critical juncture in Ethiopia's political settlement

The demise of the Derg and advent of the EPRDF, in 1991, marked a radical change in the Ethiopian political settlement. The TPLF, at the core of the new ruling coalition, adopted a new ideology of "revolutionary democracy", ushered in by the party's ideologue and eventual leader, Meles Zenawi. The TPLF became a self-proclaimed "vanguard party", a class-conscious group of peasant-rebel elites destined to bring the masses out of their feudal state of poverty. It also borrowed the concept of "democratic centralism" from the Marxist-Leninist register. Collective rights and communal involvement were favoured over individual citizen participation, with decisions ultimately taken by a central authority representing this community (Markakis, 2011). While initially intended to be structured around class, the TPLF's conception of communities gradually moved towards a more salient political marker: ethnicity (Lavers, 2023)[157]. As part of this shift, the party drew up a new Constitution, which came into force in 1995, and transformed Ethiopia from a unitary to a federal state, made of nine ethnically based regions with a right to self-determination, up to and including secession. In 1993, the EPRDF also allowed Eritrea's independence, honouring its agreement with the Eritrean Liberation Front ally that helped it overthrow the Derg.

[157] According to Lavers (2023, pp.87-88), this was a response to the national question that originated in the 1950s student movements, that is, how to ensure representation of all of Ethiopia's ethnic groups in power. However, the TPLF also placed peasantry support at the foundation of its power and the party was ''convinced that peasants could be best mobilised in their own language and by members of their own ethnic groups''. Therefore, the ''federal system constituted a major practical and symbolic shift from the nation-state building project of past regimes (….) ethnically defined regional states, rather than the federal government''.

The relationship between the two former comrades in arm soured rapidly, however, and the Eritrean-Ethiopian war erupted in 1998. The war catalysed simmering tensions within the TPLF. A spat erupted between the hardliner Tigray branch, in favour of annexing Eritrea and keeping close to its Marxist-Leninist ideological roots, and a softer, more conciliatory and ''modernist'' branch in Addis-Ababa led by Prime Minister Meles Zenawi. A series of heated Central Committee debates ensued, and Meles Zenawi's faction prevailed after the Prime Minister orchestrated a series of political chess moves that eliminated, within two years, most of his internal opponents (Medhane Tadesse and Young, 2003; Paulos Milkias, 2008). The ensuing purge of the TPLF and EPRDF cleared the way for Meles Zenawi to exert full control over the Party apparatus.

The war against Eritrea also had the effect of rallying many Ethiopians around the flag; Ethiopianness ''rose like a phoenix from the revolutionary ashes''(Tronvoll, 2008, p.59), shifting the national sentiment away from the ethno-nationalism promoted, until then, by the EPRDF (Bach, 2014). In the meantime, Meles Zenawi's struggle for control of the TPLF led him to seek support from the coalition's satellite parties, in particular the pan-Ethiopianist Amhara National Democratic Movement (Paulos Milkias, 2008). Against this backdrop and in a break with the so-called TPLF dissidents, the Prime Minister distanced the Party from its origins as a ''provincial Tigrayan nationalism'' movement (Tadesse and Young, 2003, p.394). He turned to Ethiopian nationalism[158] and cemented the role of the TPLF as the head of an Ethiopian ruling coalition, with a professed aim to foster the development of the nation. This required two major transformations: first, an accelerated decentralization of financial and political resources at regional, zonal and woreda level, especially in Oromia, Ahmara and the Southern Nations, Nationalities and People's Region (SNNPR), in a bid to consolidate the support of local elites across the country (Mascagni, 2018). Second, a renewed grand national discourse to give flesh to Ethiopian nationalism and bolster the legitimacy of the EPRDF as a coalition working for all Ethiopians (De Waal, 2013; Clapham, 2018).

The third break that came with the war is thus ideological. Under Meles Zenawi's centralized rule, the TPLF's Marxist-Leninist doctrine of revolutionary democracy slowly gave way to that of the Developmental State (Tefera Negash Gebregziabher, 2019).[159] Before the outbreak of the war with Eritrea, Meles Zenawi had already started to crystalize his thinking on the Ethiopian Developmental State into a draft thesis, *African Development: Dead Ends and New Beginnings* (De Waal, 2013). The document, ultimately published in 2006, remains a highly informative window into the worldviews held by the Prime Minister that would so influence the policy stance of Ethiopia after the war (Int.4), not the least in the agricultural and coffee sectors. As such, it merits close examination.

In essence, Meles Zenawi's Developmental State vision sheds the group-based rights – and *inter alia* the emphasis on ethno-nationalism – and peasant class struggle that were at the core of the revolutionary democracy. Instead, Meles Zenawi borrows from the developmental

[158] The pan-Ethiopian convictions of Meles Zenawi may be considered purely opportunistic – he had famously referred to the flag as a mere ''piece of rug'' in the early years of the EPRDF (Paulos Milkias, 2008, p.8).
[159] There is a wealth of literature on the Ethiopian Developmental State, what a Developmental State is, and whether Ethiopia is one and if so, in what respect. We are interested here in what the Developmental State was to Ethiopia's policy-makers – first and foremost Meles Zenawi and his advisers – and how this contributed to shape coffee policy and the evidence around it.

economics playbook and places broad-based Ethiopian economic and social development as the end goal of the state. He argues that the role of the state is, *in contra* the neoliberal tenets, to actively foster economic development. To that end, the state needs to intervene in the economy with a view to promote a value-adding private sector and curb “rampant rent-seeking” that is the natural condition of the ‘’predatory African state’’ and will occur whether or not the state exhibits the liberal duality of democracy and free market (Meles Zenawi, 2011, p.3).

The agricultural sector and the peasantry, in keeping with the revolutionary democracy ideals, ought to be ‘’the engine of growth’’[160] (Meles Zenawi, 2011, p.7) and the ‘’bedrock of a stable developmental coalition’’ (Meles Zenawi, 2011, p.13)., respectively. But, contrary to the approach informed by neoclassical economics, for Meles Zenawi agricultural development lies not in ‘’getting prices right’’(Meles Zenawi, 2011, p.7) to incentivize efficient allocation of resources to the sector. That is because, Meles Zenawi argues, the state ought to get the “non-market determinants” of price right first: promoting fairness and equity, developing hard and soft infrastructure (Meles Zenawi, 2011, p.7). The former can be achieved by ‘’eliminating virtual networks of patronage’’ (Meles Zenawi, 2011, p.22) and ‘’creating a population of independent commercialized farmers (…) linked by a relatively dense network of independent farmers associations’’(Meles Zenawi, 2011, p.36). The latter includes, for hard infrastructure: marketing, storage and transport infrastructure; for soft infrastructure: market information systems, grades and standards and, generally, all institutions that reduce transaction costs. The influence of New Institutional Economics shines through these views on agricultural policy and indeed, the incomplete bibliography includes, among other key New Institutional Economics references, a 1999 paper co-authored by the economist Eleni Gabre Madhin, ‘’Accelerating Africa’ Structural Transformation: Lessons from East Asia’’. Her ideas would come to have some influence on Ethiopia’s agricultural and coffee policy.

6.2.2 A critical juncture in Ethiopia’s agricultural and coffee policy

Agriculture policy: from a Mellorian to a developmentalist stance

The Eritrean-Ethiopian war was also a turning point for Ethiopia’s agricultural policy. An early manifestation of the budding Developmental State project can be seen in a change of agricultural policy strategy in 2001, right after the end of the war.[161] The Agricultural Development Led Industrialization (ADLI) approach, which had since 1991 encapsulated the EPRDF’s vision for the sector and indeed the whole economy, became integrated in a more encompassing Sustainable Development and Poverty Reduction Programme (SDPRP) for the period 2000-2005. The SDPRP was the first generation of Poverty Reduction Strategy Papers (PRSP) in Ethiopia. The SDPRP has been presented as something of a cosmetic restatement of the government’s policy direction at the time, destined to obtain debt relief and concessional lending from the World Bank and the International Monetary Fund,[162] much needed after the costly 1998-2000 war (Amdissa Teshome, 2006). Nevertheless, it opened the door to a shift

[160] Interestingly, Meles Zenawi acknowledges that the neo-liberal school of thought is ‘’absolutely correct in taking agriculture as the engine of the early phases of development’’. (Meles Zenawi, 2011, p.7)

[161] Lavers (2023, p.153) attributes the shift to a period in time, in the late 1990s, when Meles Zenawi ‘’discovered Alice Amsden’s work on South Korean industrialisation and requested that all his advisors read it’’.

[162] Both agencies had indeed become earnest promoters of PRSPs as strategic frameworks to achieve recently adopted Millennium Development Goals and were then considering debt relief for Ethiopia.

in the strategic direction for the Ethiopian agricultural sector, that would be strengthened through the following PRSPs.

The ADLI posited that growth in productivity of smallholder farming would be the lead driver of Ethiopian development, through agrarian surplus, higher on-farm and off-farm rural incomes leading to increased demand for domestic industrial goods and lower urban food prices (Lavers, 2023). This view might be labelled "Mellorian", as it was heavily rooted in the works of American agricultural economist John Mellor (Dercon and Gollin, 2019).[163] It was anchored in a post-Derg political settlement, whereby the EPRDF was preoccupied with securing its peasant basis of support by encouraging productivity growth through labour-intensive, smallholder agriculture (Lavers, 2023). The strategy did not succeed[164] and the plans that followed the SDPRP prioritized instead medium and large-scale private sector investment in export-oriented agro-processing and non-agricultural sectors. The end goal of smallholder agriculture became poverty reduction and food security, for staple crops, and a contribution to Ethiopia's agro-industry and export diversification, for other crops (OECD, 2020).

A concrete and early sign of a shift from a ''Mellorian'' to a ''developmental agricultural sector'' is visible in the 2001 Rural Development Policy and Strategies document, published by the Ministry of Finance and Economic Development (MOFED) in 2003. The strategy was the first explicit policy document produced under the EPRDF that targeted the agricultural sector. The sector was presented as a contributor to a broader rural transformation objective. The policy explicitly referred to ''development experiences of the East Asian countries that have succeeded in attaining rapid development'' (MOFED, 2003, p.7) and stressed the importance of attracting foreign investment to the agricultural sector, expanding rural infrastructure and linking agriculture to export-oriented industries. The document also bears the mark of the New Institutional Economics worldviews of ''getting markets right'' that gradually became meshed with the developmental project in defining Ethiopia's agricultural policies: it stresses the importance of building an agricultural marketing system, including grading of products, provision of market information, strengthening of cooperatives and promoting the participation of brokers.

Coffee policy: prologue to an Exchange

Ethiopia's agricultural policy stance over that period cannot be dissociated from the persona of Newai Gebre-ab, the chief economic advisor to the Prime Minister. Newai Gebre-ab was a former member of one of the Marxist-Leninist study groups that emerged in Addis-Ababa University in the 1960s (Addis Fortune, 2021), where much of the TPLF senior cadres began

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[163] John Mellor co-published, in 1961, the seminal ''The Role of Agriculture in Economic Development'' in the *American Economic Review*. Lee Teng Hui, Mellor's PhD student in the 1980s, would become the president of the Republic of China (Taiwan) and implement a ''Mellorian'' agricultural policy (Mellor, 2017). The Taiwanese case study would in turn would inform much of Mellor's book ''Agriculture on the road to industrialization''. Mellor claims that Meles Zenawi, a "true intellectual", read this book ''when he was leading the troops that eventually took over the government'' (Mellor, 2017, p.233) and converted it into ADLI – although the chronology is somewhat faulty, the book having been published in 1995. Newai Gebre-Ab, Economic Advisor to Meles Zenawi, confirmed the influence of Mellor on ADLI in an interview to Lavers (2023, p.115)

[164] The shortcomings of ADLI can be attributed to lack of administrative capacity in implementing the agricultural productivity policy programme (extension, fertilizer, seeds, credit), the difficulty in securing access to seeds and fertilizers in the absence of a thriving private sector, and the limited market access for surplus agricultural output (Lavers, 2023).

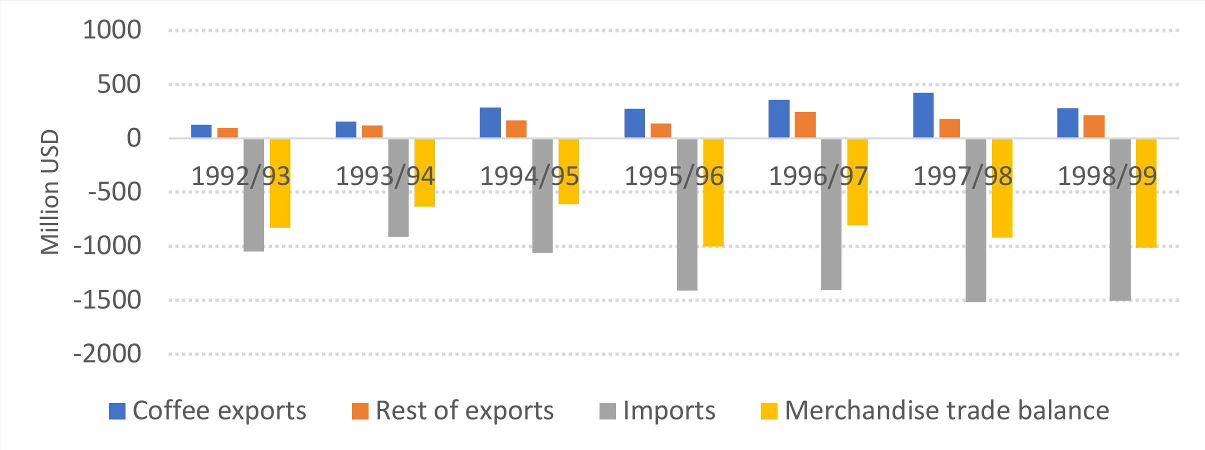
their political trajectories.[165] He graduated in economics from Addis Ababa University in 1962 and went on to work as a loan officer at the Development Bank of Ethiopia and the Planning Commission. He also obtained a postgraduate diploma in Economics from Manchester University and a B. litt in Economics at Oxford University (EDRI, 2021). Newai Gebre-ab worked abroad during the Derg era, including for United Nations organizations (not the least the FAO) and came back to Ethiopia in 1991, becoming Meles Zenawi's chief economic advisor, a position he would retain for more than two decades.

In 1996, Newai Gebre-ab was among the top advisers overseeing Ethiopia's Civil Service Reform Program, a colossal restructuring of the country's public administration initiated when the EPRDF had taken over, in agreement with the International Monetary Fund and the World Bank. The Harvard Institute for International Development (HIID) had then just begun to support government of Ethiopia with the public financial management component of the programme, under the Decentralization Support Activity (DSA) project (Peterson, 2019). Meles Zenawi quickly requested DSA to expand their advisory mission beyond bookkeeping and towards policy, as he was reportedly dissatisfied with the advice received from the Bretton Woods institutions (Peterson, 2019). Following this, Newai Gebre-ab formulated a number of urgent policy study requests to HIID – the former program manager references six of them in total (Peterson, 2019). One was on industrial growth, two on macroeconomic issues and four on the agricultural sector, a reflection of the importance of agricultural policy for the government at the time. Among those four were a Strategy for Development of the Coffee Sector (SDCS).

The SDCS, produced in 1998, stands out as being the first identifiable piece of policy evidence on Ethiopian coffee that was not produced in response of a donor programme evaluation since the Haile Selassie era. The rationale for the study was that ''the country urgently needed an increase in foreign exchange income'' and that '' coffee was the main potential source of this'' (Westlake, 2020, p.1). Indeed, the liberalization and development process that had taken off since 1995 had unleashed demand for imports faster than what the export sector – almost exclusively driven by Ethiopian Airlines and coffee – could absorb (IMF, 1999).[166] The merchandise trade balance deficit was widening significantly by financial year (FY) 1997/1998 (Figure 27).[167]

[165] Meles Zenawi himself joined such a group in 1973, a year before the revolution (Perlez, 1991).
[166] Buoyed by the gradual exit of government companies from coffee marketing, improving global prices and the birr devaluation, coffee exports have been on the rise, but not fast enough.
[167] July to June

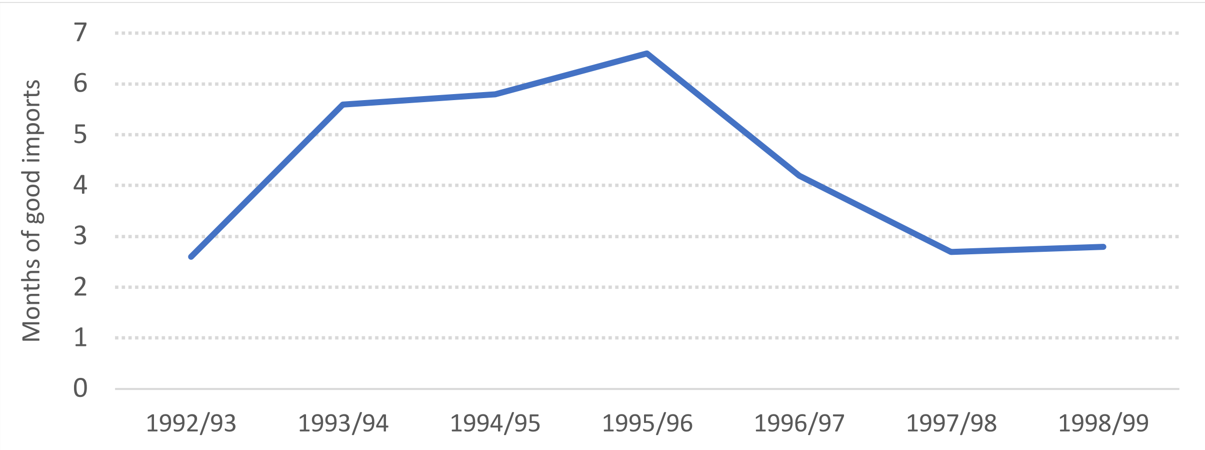
Figure 27. Exports (FOB) and imports (CIF) and merchandise trade balance of Ethiopia, in millions of US dollars*



Source: IMF, 1999 *this graph only includes merchandise exports and imports, thereby counting Ethiopian Airlines exports out.

The war with Eritrea was also looming: government current expenditures had increased by 24% between Fiscal Year (FY) 96/97 and FY 97/98, fuelled by skyrocketing defence spending (150%). Imports had jumped by 8%, mainly to cover military material and higher food imports due to a bad harvest and the resulting food crisis (IMF, 1999). The foreign exchange reserves had gone from covering an average 5 month of imports between FY 92/93 and FY 96/97 to only 2,7 in FY 97/98 (Figure 28).

Figure 28. Ethiopia foreign exchange reserves, in months of goods imports



Source: IMF, 1999

The SDCS report scanned the whole Ethiopian coffee value chain that was, at the time, dominated by a small group of traditional exporters, revived by the liberalization initiated in the early 1990s. As had been the case under the late days of the imperial era and the Derg, the exporters would, officially, buy all their coffee as anonymous lots, through the two auction centres in Addis Ababa (80%) and Dire Dawa (20%). The coffee was, as ever, of low quality, dominated at around 85% by unwashed coffee of grades 4 and 5 (World Bank, 1993) and very little ''specialty coffee'' exports (Westlake, 1998).

The SDCS was critical of the government policy of forcing all coffee to be delivered to and sold as anonymous lots at the Addis-Ababa and Dire Dawa auctions. It identified the following drawbacks:

- since exporters could not easily buy coffee from the provenance of their choice,[168] this discouraged exporters' investment in the washing station segment of the value chain, preventing vertical integration that would lead to better quality of coffee;
- it also prevented exporters from developing a trusted commercial relationship with farmers and processors, precluding the development of specialty coffee that is predicated on a repeat business model;
- it inhibited processors from making forward contract with exporters, and exporters from making forward contracts with importers.

The SDCS recommended three alternative reforms – not mutually exclusive – to remedy this. First, increasing the efficiency of the current auction system by adding a warehouse receipt system and improving coffee grading, second introducing standardized, forward contracts based on receipts for coffee lots stored in the regional warehouses, and third, allowing for direct trading next to the auction. The first and second reform proposals would transform the auction into a "Coffee Exchange".[169] The third one anticipated another series of reforms adopted more than 20 years later.[170]

The report expected that these reforms would increase price pass-through to small farmers producing dried cherries and, with appropriate extension support, encourage production growth. It was delivered on 24 October 1998. By then, the Ethio-Eritrean war had erupted. Although Newai Gebre-ab reportedly said that the study was ''one of the best consulting reports he had ever read'' (Peterson, 2019, p.250), the war and internal party dispute turned the leadership's attention away from any major coffee policy reform. The USAID – with whom HIID was linked – also imposed a travel ban on its staff, thereby preventing short-term policy advisors from traveling to Ethiopia (Peterson, 2019). This effectively put an end to HIID's policy advice activities in Ethiopia. The last output to be produced by HIID, however, would be significant for the coffee sector. Newai Gebre-ab requested Mike Westlake, the consultant behind the SDCS, to draft Terms of Reference for the Development of a System for the Trading of Grain Warehouse Receipts at a Commodity Exchange that would foreshadow the Ethiopian Commodity Exchange (Peterson, 2019; Westlake, 2020).

6.2.3 Conclusion

The Ethio-Eritrean war was a critical juncture in shaping the ideological, political and economic background for coffee policy change. The concentration of power within the hands of Meles

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[168] In practice, exporters could most of the times identify the lots through illegal methods, but this added uncertainty and transaction costs to the business model (Westlake, 1998).

[169] The idea of developing a warehouse receipt system for the coffee auction, which would go a long way towards transforming it into an Exchange, was at that time already under consideration by the Coffee and Tea Authority (Westlake, 1998)

[170] It also came with a very clairvoyant note that "'experience from other countries indicates that direct trading of coffee alongside an auction serves to undermine and weaken the auction". This was because "exporters attempted to acquire the better qualities before they reached the auction, resulting in the auction becoming a residual means of trading low qualities'' (Westlake, 1998, p.9). This is indeed what has happened to the Ethiopia Commodity Exchange after direct trade was allowed in 2017.

Zenawi, together with the drain that the war exerted on the balance of payment, set the stage for an ambitious reform of the coffee sector such as the Ethiopia Commodity Exchange. The rise of Meles Zenawi as an absolute ruler cleared the horizon for ambitious policy reforms, on one hand. On the other hand, it meant that his worldviews and those of his close advisers, such as Newai Gebre-ab, fundamentally shaped Ethiopian agricultural, and coffee policy.

6.3 A river runs through it: multiple streams converging towards the Ethiopian Commodity Exchange

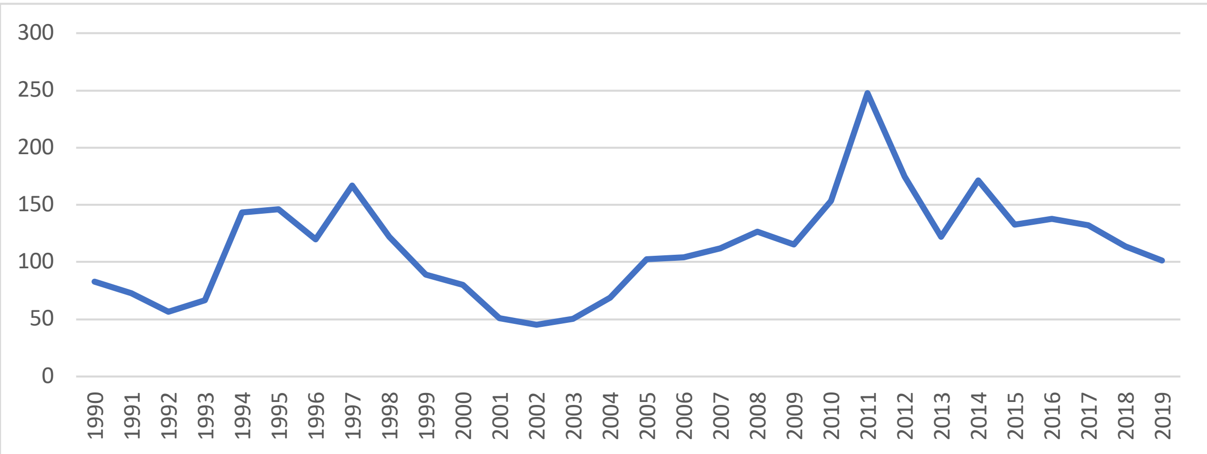
This part uses Kingdon's Multiple Streams framework to assess how the ECX reform was adopted. According to (Kingdon, 1984), three streams ought to coalesce for a window of opportunity to open that would allow policy change: a problem, a policy and a political stream.

It is argued that twin coffee and food crises, in 2002, made their way atop the government's policy problem agenda. A coalition of policy entrepreneurs, led by economist Eleni Gabre-Madhin, framed the problems, developed the ECX as a politically desirable solution and promoted it until it was adopted. To do so, they produced and used considerable evidence – albeit there was in effect a disconnect between the instrument that was adopted and the evidence base that was used to promote it.

6.3.1 The problem stream: the twin coffee and food crises

In 1998, global coffee prices began to fall sharply. A glut in global supply brought the prices down, driven by the rapid expansion of the Vietnamese production and new plantations in Brazil (ICO, 2002). The ''Brazilian Naturals'' price indicator of the ICO, which the ICO uses to refer to the Ethiopian quality of exported arabica coffee, dropped from 167 in 1997 to 122 in 1998. It then decreased every year until 2002, when it reached a rock bottom 45, less than a third of its 1997 value (Figure 29)**.**

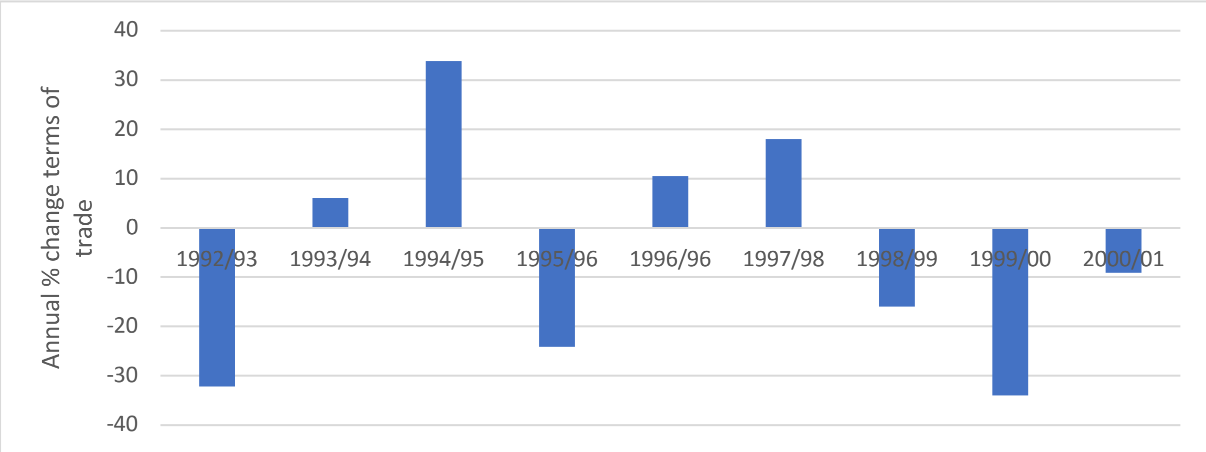
Figure 29. Indicator price index for Brazilian naturals



Source: International Coffee Organization, 2020

The drop in global coffee prices started in the midst of the Ethio-Eritrean war, worsening Ethiopia's terms of trade (Figure 30) and compounding the pressure on the trade balance and foreign exchange availability already exerted by rising imports of military equipment and withdrawal of donor resources (Mascagni, 2018).

Figure 30. Annual percentage change in the terms of trade for Ethiopia, 1992/93 to 2000/01



Source: World Bank, 2002

This exacerbated the importance of maximizing the volume and average unit price of Ethiopian coffee exports. In 1998, the government allowed cooperatives and specialty coffee producers to export directly outside of the auction, restoring some traceability and premiums for higher-value coffees (World Bank, 2002). In 1999, farmers were allowed to sell their coffee directly to *akrabies*, bypassing the *sebsabies* (Love, 2002), a strong recommendation of the SDCS that aimed at increasing the share of export price going to farmers. Global prices continued to tumble down, however, overtaking any effect of those adjustments.

Even as the war ended, the pressure on the balance of payment remained. By FY 2001/02, Ethiopian coffee exports, which still made up 40% of merchandise exports, had fallen to 156 million USD, the lowest since 1993/94. Export volumes remained steady but low unit export prices continued to destabilize the value chain, forcing policy change.

In 1999/2000, some less-established exporters cut off competition by offering tempting above-market prices to suppliers through post-dated checks, without having the funds to pay them once the coffee had been acquired – a total of about 60 million birr were lost (Eleni Zaude Gabre-Madhin *et al.*, 2003). This was picked up by the Ethiopian media, and led the Ethiopian Coffee Exporters Association (ECEA) to work with the Coffee and Tea Authority towards a secure payment system, implemented in 2001 with success (Eleni Zaude Gabre-Madhin *et al.*, 2003).

Conversely, the global price slump meant exporters were not in a position to meet the daily minimum export prices for coffee that were set by a Price Differential Committee, a body created in 1992 and headed by National Bank of Ethiopia (NBE). In 2002, the committee and floor price were scrapped (Yared Berhe, 2010; El Ouaamari, 2013). With a view to give exporters more breathing room, the government also removed the last remaining tax on coffee exports, the 6.5% tax that had been consolidated in 1998 from the byzantine Derg system that was inherited by the EPRDF (Yared Berhe, 2010).[171] The government also discontinued the state-owned Ethiopian Coffee Export Enterprise,[172] which had gone from exporting over 90% of coffee under the Derg regime (Love, 2002) to 8% in 2001 (El Ouaamari, 2013). The batch of reforms effectively ended the remnants of the Derg era of government price control and direct participation in production and marketing. The EPRDF did not, however, fiddle with the time-tested marketing control measures instituted under Haile Selassie and deepened under the Derg. These included the licensing of collectors, traders, processors, cleaners, roasters, exporters, mandatory transactions through the government-controlled regional and auction centres, as well as a ban on moving coffee across regions and selling exportable quality coffee to local consumers. All these measures worked to maintain a formal, monitorable, and taxable coffee market, while discouraging vertical integration and, therefore, exporter capital accumulation.

Further down the value chain, several suppliers went bankrupt (Eleni Zaude Gabre-Madhin *et al.*, 2003) and coffee farmers and labourers felt the hard pinch of rock-bottom export prices (

Figure **31**). In 2001, an assessment conducted by the European Union and USAID found that coffee cherry prices had declined to 80-90 cents/kg of cherry, compared to 2-3 birr/kg in previous years, leading to sales of assets, credit default and even reduction of food consumption. They estimated that, in 2002, up to 100 000 people were at risk of food insecurity in the coffee-producing regions of Oromia and SNNPR (Ethiopia Network on Food Security, 2002). Coffee prices were so low that coffee-producing households also began to sell maize as a substitute cash crop to make for their loss of income,[173] flooding the market and contributing to the downfall of maize prices that began in 2000[174] and fuelled the massive food crisis that broke out in 2002 (United Nations Country Team, 2002).

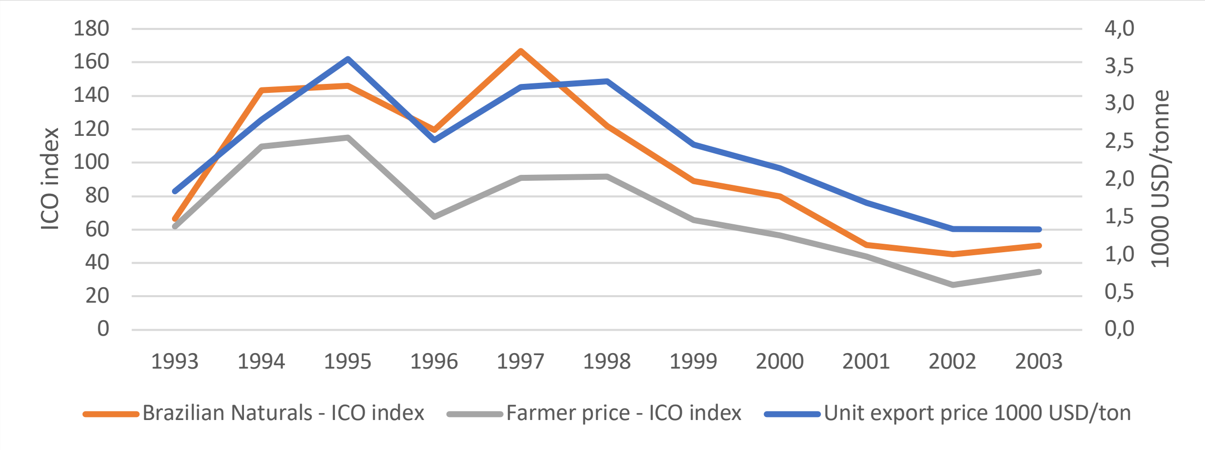
[171] Although some reports at the time framed it as a critical loss of fiscal revenue for the government (The New Humanitarian, 2001; Ethiopia Network on Food Security, 2002; Oxfam, 2002), (Alemaheyu Geda, 1999) demonstrated that export taxes on coffee had accounted for no more than 1.5% of total government revenue since 1991/92.

[172] Under the name Ethiopian Coffee Marketing Board.

[173] One of the critical use of that income was to repay fertilizer and extension packages provided by the government as part of the ADLI strategy. Planel (2012) has documented the coercive practices of government in relation to fertilizer packages, including forcing farmers to adopt them and jailing those that did not repay their loans.

[174] Low grain prices were also due to an oversupply that resulted from the ''successful'' ADLI focus on whipping up smallholder production. Neither the market nor government players could absorb the grain surplus that built up – a situation compounded by the massive food aid that came with the Ethio-Eritrean war (United Nations Country Team, 2002).

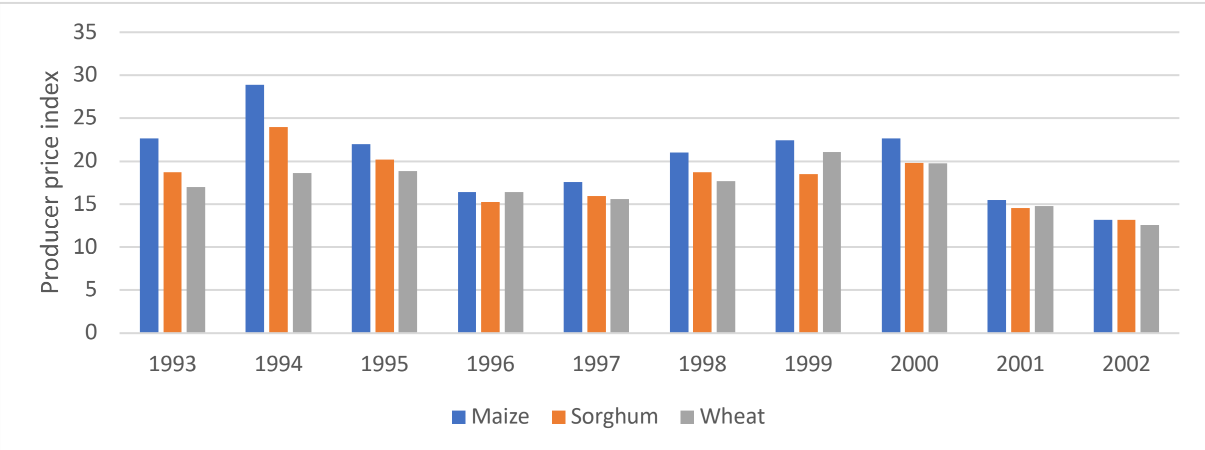
Figure 31. ICO global price index for Brazil naturals (left axis), ICO Ethiopia farmer price index (left axis) and unit price for Ethiopian coffee export, in 1000 USD/tonne (right axis)



Source: Author from (ICO, 2020) for Brazilian Naturals and Prices paid to growers and (FAOSTAT, 2020) for unit export price.

The 2002 crisis was a ''perfect storm'': a drought occurred, households were vulnerable after having contracted debt and sold assets during 2000 and 2001, grain prices were at a record low for the EPRDF era (Figure 32), cattle export opportunities were reduced due to the closure of the Eritrean border, and coffee prices continued to plunge. An estimated 6 to 14 million Ethiopians were in need of food aid (Bryant, 2002). The government was facing a twin balance of payment and food crisis, both driven by dysfunctional grain and export agricultural markets.

Figure 32. FAOSTAT producer price index (2014-16 = 100) for maize, sorghum and wheat in Ethiopia



Source: FAOSTAT, 2020

6.3.2 The policy stream: getting markets right as a solution

In November 2002, the World Bank country office of Addis Ababa organized a conference on the depressed grain prices and the related food crisis (Brinkerhoff, 2016). The resident representative, Ishac Diwan, had invited Meles Zenawi and Newai Gebre-ab. They attended – food price fluctuations being, by then, at the very top of the government agenda. One of the presenters at the conference was Eleni Gabre-Madhin. An Ethiopian national, she had lived outside of the country since her childhood, following her father, a United Nations staff, in several African nations and to the United States where she had completed her higher education at Cornell and Michigan State University (Eleni Zaude Gabre-Madhin, 2002).[175] She had specialized in agricultural economics, had worked as an economist in Geneva with the United Nations Conference on Trade and Development and, in 1995, she had begun a PhD with Stanford University on Ethiopian grain markets, completed in 1998. The dissertation, *Transaction costs, institutions and contractual choices in the Ethiopian Grain Market*, is rooted in a New Institutional Economics epistemology. The thesis finds that brokers are essential for the good functioning of Ethiopian grain markets, and that their roles ought to be formalized to facilitate flows of grains between surplus and deficits areas and ensure food security. The conclusion of the abstract is as follows: "This dissertation (…) has important implications for the economic incidence of policies to reduce transaction costs. In Ethiopia, these policies might include the promotion of grain classification and inspection, the standardization of grain contracts and the establishment of an organized grain exchange in the long term'' (Eleni Zaude Gabre-Madhin, 1998, p.5).

In 1999, Eleni Gabre-Madhin became a postdoctoral fellow at the International Food Policy Research Institute and published a working paper derived from her thesis. In 2000, Newai Gebre Ab reached out to her, having read her work and having shared it with Meles Zenawi (Brinkerhoff, 2016) (Int.2). The writings of Eleni Gabre-Madhin aligned with Newai Gebre-ab's interests, as illustrated by his request for Mike Westlake to develop Terms of References for a study on a grain exchange, formulated at the same period. From a broader perspective, there was a convergence between Eleni Gabre-Madhin's research on reducing transaction costs in agricultural markets and the obsession of Meles Zenawi with curbing so-called "rent-seeking behaviour", not least associated with collectors and traders in rural areas (De Waal, 2013; Weis, 2015; Schäfer, 2017; Clapham, 2018) (Int.10) (Int.19).

In 2001, Eleni Gabre-Madhin, now with the World Bank as a senior economist – while keeping her affiliation with IFPRI – flew to Addis-Ababa on a mission. At the request of Newai (Brinkerhoff, 2016), she presented her work at the Ethiopian Development Research Institute (EDRI), the government policy think tank founded in 1999 as part of the Civil Service Reform and headed by Newai. The momentum around her work was thus very much building when she presented in front of Meles Zenawi at the ''watershed conference'' of 2002 (Renkow and Slade, 2013, p.51). The talk she gave was titled ''Does Ethiopia need a commodity exchange?'' (Bloom and Poplak, 2016, p.207). During this presentation, and subsequent talks such as a 2007 Ted Talk seen 800 000 times, she framed her results in terms that suggest a familiarity with the literature on shaping public policy. In keeping with the "three streams

[175] Interestingly, she had resided for a year in Bamako in the early 90s to complete her MSU dissertation, doing research on grain markets.

metaphor",[176] Eleni Gabre-Madhin set out to clearly articulate a policy problem, a policy solution – coming from the evidence she produced – and a political vision making it possible.

The problem as she presented it, the starting point of her narrative, was that of food security. It had been propelled on top of the government and donors' agenda by the 2002 crisis, which acted as a ''focusing event''. [177] In particular, appealing to Amartya Sen's authoritative work on food entitlements, Eleni Gabre-Madhin reframed Ethiopia's food security problem from one of availability decline to one of accessibility (Int.2, Int.14): Ethiopian food crises happened because of fragmented markets leading to inefficient allocation of food between surplus and deficit areas (Eleni Zaude Gabre-Madhin, 2007a, 2007b). The corollary was that deficient markets, not a Malthusian shortage of food supply, were the reason for food insecurity in Ethiopia – even for the infamous 1984 crisis.[178]

As would a good policy entrepreneur, Eleni Gabre-Madhin had a solution to that problem: an institutional reform to help ''getting markets right'' (Eleni Zaude Gabre-Madhin *et al.*, 2003) and, more specifically a Commodity Exchange that would support better allocation of grain across time and space, stabilize prices and increase price transmission to farmers.

As for the political stream, Eleni Gabre-Madhin drew from the Developmental State repertoire of an Ethiopian Renaissance and controlled market liberalization: "Ethiopia's marketing system must take the country into the new *(Ethiopian)* Millennium'', to ''enter the modern age'' and to ''forge a new partnership between the private and public in the new arena created by market liberalization'' (Eleni Zaude Gabre-Madhin, 2007b).

Meles Zenawi was reportedly impressed by the November 2002 presentation (Int 4.), and according to Bloom and Poplak (2016, p.206) went as far as saying ''Today we have just learned something that we have never thought about before (…) This country has to do something about its markets. We have not paid any attention to this issue. And from now on, that's going to change". The somewhat uncritical reporting may overstate the Prime Minister's reaction – the decision of the government to create a Commodity Exchange was discussed already in a World Bank report from April 2002 (World Bank, 2002). The conference was, however, symbolic of a change of direction in Ethiopia's agricultural policy-politics-solution nexus, towards a stronger focus on agricultural markets as opposed to production, with the growing evidence production on the Exchange an embodiment of that shift.

Following this, Newai Gebre-ab travelled to Washington DC and met with senior management at IFPRI. He suggested the secondment of Eleni Gabre-Madhin to the government of Ethiopia,

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[176] Familiarity with John Kingdon's work in particular is also suggested by her recurrent use of an apocryphal citation from Victor Hugo: ''There is nothing more powerful as an idea whose time has come'' (Eleni Zaude Gabre-Madhin, 2012, p.6). The first chapter of Kingdon's seminal book is ''How does an Idea's Time Come?'' and is introduced by another apocryphal version of the same Hugo citation: ''Greater than the tread of mighty armies is an idea whose time has come'' (Kingdon, 1984, p.2). The actual citation is ''One withstands the invasion of armies; one does not withstand the invasion of ideas'', from the novel *History of a Crime*.

[177] The TPLF leadership was well aware of the existential threat posed by famines, the 1973 and 1984-85 crises having been critical in bringing about the Imperial and Derg regime downfalls (Lavers, 2016)

[178] This is an argument open to debate. In Sen and Dreze's The Political Economy of Hunger (1990), (Kumar, 1991) concludes that the 1984 famine was indeed caused first and foremost by a problem of country-wide availability collapse and not by a deficient transfer of food from ''fertile regions in the South part of the country'' as claimed in (Eleni Zaude Gabre-Madhin, 2007a).

something brought to the consideration of the Director General (Brinkerhoff, 2015). This was followed by a more formal request for IFPRI to open a country programme in Ethiopia (Colman and Mellor, 2008; Brinkerhoff, 2016) – a momentous and rare demand of institutionalized foreign assistance on the core policy topic of agricultural development. That Meles Zenawi and Newai Gebre-ab would go to IFPRI was not a matter of chance: John Mellor, whose writings had made an impression on them, was the founding father of the Institute in 1975 and its first Director General. (Renkow and Slade, 2013) also mention that Newai Gebre-ab spoke in positive terms about the works on rural non-farm growth of IFPRI figures Peter Hazell and Steven Haggblade. Presented with such a golden opportunity for policy relevance, the IFPRI obliged and in 2004, IFPRI's Ethiopia Strategy Support Program (IFPRI-ESSP) was established with funding from the Canadian International Development Agency, DFID, USAID, Dutch cooperation and Irish Aid. It was initially based at EDRI, still headed by Newai Gebre-ab, with a view to foster collaborative policy work.

Eleni Gabre-Madhin, who had briefly joined the World Bank Headquarters, quit and moved to Ethiopia to head the programme. She had a shot at impacting Ethiopian policy, with the stars being aligned as both Newai Gebre-ab and Ishac Diwan, the World Bank's country director, were respectively ''going to make this thing work'' and ''be the champion of it'' (Brinkerhoff, 2016, p.5). She was herself the perfect policy champion: both an insider as an Ethiopian Amharic-speaker and an outsider as an American-educated World Bank economist; well-versed in the academic and policy vernaculars; a charismatic, eloquent and committed policy entrepreneur pushing a well-defined technical solution to a well-defined policy problem. Most interviewees believe she was the catalyst and driver of the ECX reform (Int.5, Int.10, Int.11, Int.14, Int.15, Int.19, Int.20, Int.24).

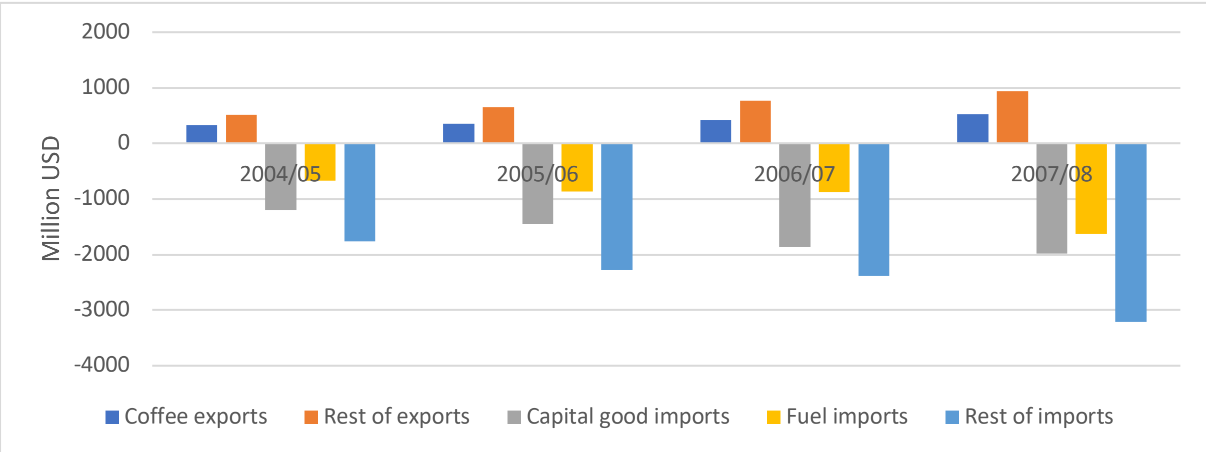
6.3.3 The political stream: agricultural grain markets as a priority

The IFPRI-ESSP programme began in a turbulent political context, at all three levels of the macro political settlement, the agricultural and the coffee sectors. On the broader scale, 2004 was the year leading up to the May 2005 elections, the first free elections organized in Ethiopia. After ten years of tightly controlled nation-building, the ruling coalition was confident in its ability to loosen up the political space and win an open contest, even allowing opposition to use state-owned media and public spaces for rallies (Abbink, 2006; Aalen and Tronvoll, 2009; Bach, 2014). However, the EPRDF ended up winning a mere 371 Parliament seats out of 542, registering severe setbacks in Addis Ababa and other urban centres but also among the rural peasantry, the bedrock constituency of the coalition. The opposition challenged the results and various parties and citizen groups organized sit-ins, demonstrations, and riots: the government responded violently, with police forces killing more than two hundred demonstrators and arresting thousands of politicians, journalists and activists across the country.

These coercive measures helped the EPRDF keep its hold on power. But the leadership also acknowledged that, in order to survive in the long run, it needed transformative and pro-poor investments to reconquer – politically and economically – the rural areas, while providing jobs to the urban youth that had been behind much of the 2005 riots (Lefort, 2012; Lavers, 2023). To increase its outreach, the EPRDF intensified the merger between the party and state structure in rural areas, where it recruited vast numbers of middle and low level employees from the *kebele* and *woreda* administration (Lefort, 2010; Bach, 2014). The EPRDF also truly ramped up the developmental state project (Planel and Bridonneau, 2015; Arkebe Oqubay, 2018), both as a way to generate broad-based growth and regain legitimacy through a unifying grand *cause nationale*. The state began massive public investments in transport (roads and railway), energy (the Grand Ethiopia Renaissance Dam), agro-processing (sugar and fertilizer factories, agro-industrial parks), as well as human capital formation through health and education (Clapham, 2018; Lavers, 2023). The outlays required imports of capital goods that put exacting demands on the balance of payments.

For the agricultural and coffee sector, this had several implications. First, after years of seesawing merchandise exports due to over-reliance on volatile coffee, the government became more aggressive on agricultural export diversification. In keeping with the Developmental State policy stance, the government increased promotion of export-oriented and high-value agro-industry, with more labour intensity and forward-backward linkages than coffee. In particular, it pushed foreign investments in horticulture, cut flowers being the spearhead industry. In the short run however, the growing trade deficit heightened the urgency of squeezing more foreign exchange out of the coffee sector, the commodity still accounting for 36% of merchandise exports over the 2003/04 to 2007/08 period (Figure 33).

Figure 33. Exports (Freight on Board prices) and imports (Cost Insurance and Freight prices) and merchandise trade balance of Ethiopia, in million USD



Source: IMF, 2008

Note: The merchandise trade balance reflected above tumbled from -2786 million USD to -6811 million USD between 2004/05 to 2007/08. This deficit could not be compensated by the services trade balance (mostly reflecting Ethiopian Airlines performance), which hovered between 149 and 245 million USD. Instead, the accounts were largely balanced through private (remittances) and official (aid) transfers, which surged from 1023 to 2006 million USD and 784 to 1308 million USD, respectively. Foreign direct investment also increased from 150 to 815 million USD.

Second and in relation with the first point, the government allowed large-scale private investment in agricultural land. In addition to the agricultural export diversification and upgrading objective, the land leasing policy aimed at maximizing inflows of foreign direct investment (Kassahun Berhanu and Poulton, 2014; Clapham, 2018). The carefully controlled leases were mostly confined to Chinese, Saudi and Indian ventures in the politically marginalized, low-density lowlands, leading to controversial acquisitions of lands that were depicted as *terra nullius* by the government (Lavers, 2023), but have been described as a source of livelihood for local communities (Makki, 2014). There is no evidence that these ventures made any significant impact on Ethiopia's agricultural output (Clapham, 2018;

Lavers, 2023). The uneasy relationship of the Ethiopian government with the domestic private sector and the need for foreign exchange also led it to favour foreign companies (Clapham, 2018). However, Ethiopian investors did manage to acquire land, and many did so in the coffee sector (Schäfer, 2017).

Third, the government intensified efforts to increase smallholder productivity, with a stronger focus on food crop commercialization that reflected the shift initiated after the 2002 food crisis. This realignment is highlighted, with special reference to the role of appropriate market institutions, in the Plan for Accelerated and Sustainable Development to End Poverty, the successor to the SDPRP and in its agricultural avatar, the Agricultural Policies, Programs and Targets (MoARD, 2006). The document, published in 2006, explicitly mentions the ''due importance given to develop an Ethiopian commodity exchange centre'' and, also, the objective of ''establishing 10 commodity exchange centres (…) for six commodities (Teff, Wheat, Maize, Sesame, Haricot Bean, Coffee)" (MoARD, 2006, p.50). The government also reorganized the Ministry of Agriculture as the Ministry of Agriculture and Rural Development (MoARD) in 2004. It gave more prominence to marketing through a revitalized Marketing Department and designed a National Market Strategy in 2005, centred on the development of farmer cooperatives in alignment with the rural reconquest strategy (MoA and IFPRI, 2005; Francesconi, 2009; Brinkerhoff, 2016) (Int.10).[179]

These three policy directions placed the long-term development of the coffee sector – neither an emerging export nor a food crop – at the back of the government agricultural policy agenda. In 2004, the Coffee and Tea Authority was dissolved, marking the end of 57 years of continuous high-level governance for coffee. The mandate for coffee policy was transferred to the newly established Ministry of Agriculture and Rural Development and downgraded to two departments: the Coffee, Tea, Spices and Cotton Marketing Department (CTSCMD) and the Coffee, Tea and Spices Development Department (CTSDD). The transfer of federal coffee governance to a production-focussed Ministry, its downgrading to two separate department-level units and its merger with other more minor commodities has been referred to, in several interviews, as a significant rupture and a grave strategic mistake.[180]

The institutional change caused major disruptions – for instance a two-year lag in the implementation of the main support programme to the sector, phase IV of the European Union-funded, 24.15 million euros, Coffee Improvement Programme (CIP-IV) (Scanagri, 2005). The CIP was then the prime source of funding for Ethiopian agronomic coffee research, but due to institutional hurdles in accessing the 2.8 million euro CIP funds lodged at MoARD, the Jimma Agricultural Research Centre had to make do with the government-allocated recurrent funding (Scanagri, 2005). Delayed activities also included a national coffee survey in 11 000 coffee-farming households to fill the persistent gap in evidence on the basic production level in the

[179] The revitalization of farmer cooperatives, that had floundered in the aftermath of the Derg demise, had however started before the 2005 rupture. In 2002, the government had established the Federal Cooperative Commission (FCC) with the mandate to provide at least one cooperative per *kebele* to 70% of *kebeles* by 2010 (Francesconi, 2009)

[180] Those interviewees having worked on coffee for the government still displayed strong feelings towards the decision of dismantling the CTA and three also referred to the 1995 downgrading of the Ministry of Coffee and Tea Development to the CTA as the original sin of the EPRDF. Two interviewees ascribed it to the disdain of the TPLF-led coalition towards a Southern crop they disregarded and that had, also, provided to the Derg the foreign exchange they needed to fight them.

sector.[181] On top of these disruptions, the change resulted in significant loss of human capital and expertise with an exodus of CTA staff (Int. 25): for instance, while CIP-IV was designed to fund 39 CTA staff, it ended up being implemented by the CTSDD, which counted 5 coffee specialists only (Scanagri, 2005). The MoARD was unable to absorb the programme and returned 50% of the funds to the European Union when it ended, in 2010 (Particip, 2016). The dismantlement of the CTA was, in addition, accompanied by the physical destruction of valuable archive documents (Int.24).

While coffee research was being defunded, the government began to produce several internal policy papers, seeking to go beyond the 'getting the basics right' approach of the 1990s decade and solve, in particular, the problem of food security that had come to the fore again in 2002 (Int.2, Int.25). And so, IFPRI-ESSP's research activities began against this backdrop. Under the guidance of Newai Gebre-ab and Eleni Gabre-Madhin, the programme ignored coffee policy issues and concentrated research efforts on smallholder commercialization and agricultural grain markets (Renkow and Slade, 2013). While research on the forthcoming Exchange was a red thread of IFPRI-ESSP's activities, they encompassed a wider and colossal evidence generation enterprise on those topics. It included, in particular, a country-wide IFPRI-EDRI-CSA survey on smallholder commercialization (7186 households) (Dawit Alemu, Eleni Gabre-Madhin and Samson Dejene, 2006), in 2005, that was used to construct and analyse sub-samples on farmer cooperatives' participation to the market in 2008 (Bernard, Alemayehu Seyoum Tafesse and Eleni Gabre-Madhin, 2008) and, in 2009, a smaller sub-sample on cooperatives' market linkages in ECX centre areas (Francesconi and Heerink, 2011). The IFPRI-ESSP also conducted an "ECX trader survey" in May-July 2007, shortly before the launch of the Exchange, on 458 wholesalers in 21 markets around Ethiopia (Quattri, 2012) – completing the ''trilogy'' of Eleni Gabre-Madhin's 1998 dissertation survey (152 wholesale grain traders and 17 brokers) and the 2002 ''Getting markets right'' survey (364 traders). All three surveys were heavily oriented towards grain trade, although the 2002 and 2007 surveys did include some coffee traders.

In May 2005, three days after the elections, the IFPRI-ESSP organized a research conference with a daring title, ''Unleashing Markets for Agricultural Growth in Ethiopia''. The conference was, in effect, a "conveyor belt" (Stone, Keating and Maxwell, 2001, p.3) to bring key policy players around the evidence base for, and build a coalition around, an Ethiopia Commodity Exchange. Eleni Gabre-Madhin, with support from deputy Prime Minister and close ally, Addisu Legesse (Int.4), as well as Newai Gebre-ab and Ishac Diwan, managed to clinch the participation of senior donor, federal and regional government and traders' association representatives (Brinkerhoff, 2016). The conference programme reflects a carefully built policy-making exercise, with presenters from all institutional backgrounds discussing key marketing elements of a Commodity Exchange: the policy environment at federal and regional level, market information, grading, exchange infrastructure and Warehouse Receipt System (WRS), the role of middlemen, contracts, and, finally, a way forward to make it all happen. Cooperatives were, however, conspicuously absent. This may reflect a signal of appeasement towards donors, who were at the time unfavourable to the government approach of making cooperatives the linchpin of their Marketing Strategy (MoA and IFPRI, 2005; Brinkerhoff,

[181] To the best of our knowledge, the survey never materialized.

2016).[182] It also foreshadowed a major blind spot in the ECX policy process, namely the absence of a well-developed evidence-base on the articulation between the Exchange and the basic production level for grains, coffee and other commodities, beyond the narrow transactional view of NIE. It should also be noted that the workshop presentations overwhelmingly focused on grains – although there was one address on the prospect of a Coffee Exchange by prominent exporter Abdullah Bagersh. There were doubts at the higher level of governments, including from Newai Gebre-ab, that coffee should be included in the Exchange, since the commodity had an already functional – if not perfect – auction system (Int. 4).

The workshop was a success and served to lock in indispensable donor funding. The State Minister for Agricultural Marketing, Getachew Teklemedhin, announced that the Marketing Strategy would be centred around the ideas laid out during the conference (Brinkerhoff, 2016). For the EPRDF, the Exchange was a perfect instrument for accelerating the emergence of farmer cooperatives as key aggregators and trading constituencies, as envisaged by the government (Francesconi, 2009) (Int.10), while bringing liberal-oriented donors around a market reform that purported to emulate the Chicago Board of Trade. The Deputy Prime Minister and Chief Economic Advisor asked Eleni Gabre-Madhin for a blueprint ECX paper. She enlisted the support of Ian Goggin, who was then the Chief Executive for the Malawi Commodity Exchange and the former president of the Zimbabwe Exchange and wrote *"Does Ethiopia need a Commodity Exchange?"*, published in November 2005 as an IFPRI-ESSP working paper. The paper's conclusion is ''yes'': it proposes an ambitious holistic approach to designing the full ECX ecosystem but is silent on coffee, confirming the drift towards a single, grain-oriented Exchange. Drawing on lessons from other African commodity exchanges, Goggin and Eleni Gabre-Madhin also propose that the Exchange concentrate on spot contract trading in the early stages. The paper was presented to and endorsed by Meles Zenawi in early 2006 (Eleni Zaude Gabre-Madhin, 2012; Brinkerhoff, 2016) - by that time, there was no doubt the Exchange would see the day of light (Francesconi, 2009; Eleni Zaude Gabre-Madhin, 2012).

6.3.4 Conclusion

A perfect combination of a salient policy problem (the food crisis), a policy solution (the Commodity Exchange) and the political support for it (the TPLF elite pushing the Developmental State model, wanting to better control rent-seeking traders and quell future food crises) led to the ECX reform being approved at the highest level. A gifted policy entrepreneur, Eleni Gabre-Madhin, (co)produced, mobilized and conveyed the evidence in support of the policy reform. Together with the ruling coalition elite, she built a coalition with donors to fund the reform, drawing from a stream of evidence to produce a powerful and convincing narrative.

Paradoxically, although the ECX would be the alpha and omega of coffee policy *after* its creation, there was very little evidence produced that justified the ECX reform to improve the

[182] As per the words of the donor community representative, at the conference: ''Such organizations (including cooperatives) should be developed on farmer's demands, economic interest and bottom up and must compete at level playing field with other private sectors (…) farmers should be encouraged to organize themselves according to their interests and not according to administrative interests'' (MoA and IFPRI, 2005).

coffee value chain. Instead, the problem, solution and political support all gravitated around the grain market which, albeit interconnected with the coffee market as demonstrated above, was a very different sector. Eleni Gabre-Madhin's thesis and related papers, the agricultural surveys and research pieces of IFPRI-ESSP, were overwhelmingly focused on grains. The major effort on coffee was the Getting Markets Right report, which did lay out a plan for the creation of a Coffee Exchange under ECX. Nonetheless, the report contains a very slim evidence base to justify such plans.

In parallel, the EPRDF defunded the coffee sector by dismantling the CTA, which constituted a reservoir of knowledge that could have supported a well-informed coffee reform. This disrupted the implementation of projects in support of the coffee sector, in particular the historical Coffee Improvement Project, which funded agronomic and breeding research on Ethiopian coffee. There was a chasm between this research and the evidence it generated, and the evidence produced for the ECX reform, albeit both were aiming for the same objectives, improving the lives of coffee farmers and increasing the value of coffee exports.

Finally, the dwindling global coffee prices pushed the governments to adopt a further batch of reforms that dispelled remnants of the Derg policy apparatus and gave breathing room to the exporters: the dismantling of the state-Owned Ethiopian Coffee Enterprise, the end of the Coffee Price Differential Setting Committee, and the discontinuation of the export tax. There is no traceable evidence to back up these reforms.

6.4 Building the coffee machine: putting the ECX together

This part traces the process that led to the birth of the ECX as a coffee trading policy instrument, from the green lighting by Meles Zenawi to the mandatory introduction of coffee to the Exchange. It examines the various political, ideological and institutional factors that came to shape the ''coffee ECX'' and assesses the role played by evidence in that process.

6.4.1 Behind the green light: assessing Meles Zenawi's motivations for clearing the reform

It may seem counterintuitive that Meles Zenawi, amid his developmental push, would enact a major agricultural policy reform drawing from the new institutional and even Chicago school economics playbook.[183] There were, however, several other factors at play.

First, Meles Zenawi's developmental state project went deeper than an East Asia-inspired political and economic mode of governance. It was also an hegemonic discourse (De Waal, 2013) and a nation-building "political imaginary" (Browne and Diehl, 2019, p.1). A central part of this imaginary was that of an Ethiopian Renaissance as it entered the new Millennium. The Renaissance was embodied through symbols, invoked in Meles Zenawi's dissertation: monumentality (roads, dams), modernity (breaking down traditional patronage networks) and

[183] Eleni Gabre-Madhin frequently referred to neoclassical economist Theodore Schultz in her writings and presentations, to argue that farmers were rational and profit-minded, and as such, would respond to higher prices if only market institutions were functioning better (Eleni Zaude Gabre-Madhin, 1999, 2007a). Schultz won the 1979 Nobel Memorial Prize in Economics Sciences and headed the Chicago Department of economics. His works, especially his 1964 study on ''Transforming traditional agriculture'', were influential in shaping the international development agenda towards free markets and ''getting prices right'' for smallholder farmers as the driver for agricultural transformation.

scientificity (technological change, bureaucratic capacity).[184] The proposed Exchange bore these attributes: a warehousing infrastructure, a formalized and impersonal approach to market transactions, and real-time price data as well as competent diaspora experts. This vision can be found in the interviews conducted for this research, with the word ''modernity'' frequently invoked to explain the ECX's birth (Int.7, Int.8, Int.9, Int,11, Int.21, Int.23), as if part of an inevitable teleological process.

Second, as highlighted above, there was a convergence between some propositions of the ECX reform and the political project of the post-2001 EPRDF. The most obvious one was the regime's greater focus on smallholder commercialization, with a view to avoid the risk of 2002-like ''green famines'' on one hand and, on the other hand, to allow some consolidation of agrarian capital and the emergence of a co-opted peasant bourgeoisie (Chinigò and Fantini, 2015; Planel, 2016). The ECX was also a convenient channel to integrate farmer cooperatives to the market, a central objective of the government agricultural marketing strategy (Bernard, Alemayehu Seyoum Tafesse and Eleni Gabre-Madhin, 2008; Chinigò and Fantini, 2015). Another point of convergence was on market control. Meles Zenawi, in the vein of the developmentalist worldview, pushed a distinction between ''productive capitalists'' and ''rent seekers''. While the former, with carrot (incentives) and stick (discipline) from the state, could contribute to the development of Ethiopia, the latter had to be combated. They included those who "made profits through connections with officials, as importers/agents of a foreign company, and by hoarding goods" (Vaughan and Mesfin Gebremichael, 2011, p.15). Agricultural traders and brokers were all suspected rent-seekers – fixing prices, evading tax and repatriating profits.[185] While Eleni Gabre-Madhin and IFPRI-ESSP promoted the Exchange as an institutional engineering device to reduce market transaction costs, risk and increase transparency, it was also a tantalizing state control technology that would funnel agricultural trade rents through a panopticon, thereby allowing greater revenue and foreign exchange mobilization (Int.10). It would also standardize the market across the country according to the state rulebook and sterilize informal trading networks and their unruly capital flows.

Third, the Exchange was a potent resource mobilization vehicle (Int.15, Int.20, Int. 23). At face value, its establishment garnered at least 29 million USD from donors (Eleni Zaude Gabre-Madhin, 2012), with the total figure likely to be much higher. That is consequential: over the 2002-2008 period, the average annual official development assistance for agriculture, in Ethiopia, was 36,5 million USD (OECD, 2019). Beyond the immediate funding for the Exchange, it was an apt success story of regulated market liberalization, conveyed to the liberal donor community with convincing charisma by champion and ambassador Eleni Gabre-Madhin. The Exchange was a powerful image to illuminate, in a positive light, the ''third way'' narrative of the Developmental State and fluidify a government-donor relationship that had been dented by the 2005 election debacle (Int.18).

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[184] The pictures of giant intricate roadworks, that promoted the Millennium festival in Addis Ababa, are an appropriate illustration of these symbols (Bach, 2011). Fittingly, a stylized coffee bean had been chosen as the logo for the festival.

[185] This is well reflected by the following quote from a paper of the Ethiopian Commodity Exchange Authority, supposed to be one of the most trader supportive government agency: "middlemen do not add value but merely snatch the benefit which could have accrued to the producers (…) they are usurers''. (Meijerink, 2014, p.2).

6.4.2 Policy engineering: designing the Exchange

The new state Minister for Agricultural Marketing, Yacob Yala, established a technical committee chaired by Eleni and including ESSP technicians, bank representatives as well as the presidents of traders' associations: coffee (Abdullah Bagersh), grain and pulses (Int. 10). The committee coordination was soon escalated to a task force under the Deputy Prime Minister, Addisu Legesse, who by then was also Minister of Agriculture.[186] The task force produced yet another preparatory report that recommended to bring coffee into the Exchange (Eleni Zaude Gabre-Madhin, 2012). This was followed, in May 2006 by an educational trip to India of the whole task force, including Addisu Legesse. The team was welcomed by India's Minister of Agriculture (Int. 10) and visited the Mumbai Multi-Commodities Exchange (MCX) and the National Commodities and Derivative Exchange (NCDEX), which left a strong impression on them – in particular the real-time price data (Int. 10) (Eleni Zaude Gabre-Madhin, 2012; Bloom and Poplak, 2016).

Following the tour, the team produced a 200-page Commodity Exchange design report, transitioning from the policy-theoretical approach of Eleni Gabre-Madhin's earlier papers towards a more practical perspective informed by the real-life confrontation with the MCX and NCDEX. The paper was submitted in June to the Prime Minister's Office. A week later, she was summoned for a meeting with Meles Zenawi himself (Int. 10, Int. 27). She went with Ian Goggin (Int. 27). The meeting lasted four hours: the Prime Minister had read and annotated the full report and conducted further research of his own (Bloom and Poplak, 2016). During that meeting, Meles Zenawi informed Eleni Gabre-Madhin that the Exchange would not be a public-private partnership, as envisaged by the IFPRI-ESSP team: it would be fully government owned and regulated (Int. 10, Int. 27). This was, as a respondent put it, a ''fatal flaw'' in the design, paving the way for a mismanagement of the Exchange and lack of engagement by the private sector. This decision caused great commotion among the IFPRI-ESSP team (Int. 27) – they researched and found the only other publicly owned Exchange in the world was a minor Exchange from Central Asia (Int.10). The team came back to the Prime Minister with a proposal: that the management of the Exchange be independent from the ownership and accountable to a public-private board (Int. 10, Int.14) (Eleni Zaude Gabre-Madhin, 2009b). The "compromise" was easily accepted by Meles Zenawi: the government found a way around the constraint through the appointment of endowment companies' representatives as ''private sector'' board members (Wondwossen Mezlekia, 2009).

The window of opportunity for an ECX launch was open in full. Two things were, however, lacking: a crew and resources. Eleni Gabre-Madhin proposed a US Ethiopian diaspora team structure to kickstart the Exchange design, with a gradual take-over by "born and raised" nationals.[187] Ethiopians from the diaspora, including Eleni herself, shared a similar hybrid US-Ethiopia value system, professing their commitment to improve the lives of their fellow Ethiopians and an American faith in individual freedom and free markets (Brinkerhoff, 2015, 2016). For these reasons, they were willing to quit their well-paid jobs in the US to embark in

[186] According to one interviewee, traders were lobbying with the state minister to stall the ECX project and the EPSS team successfully went to Addisu Legesse for support.

[187] To convince the Prime Minister, Eleni Gabre-Madhin drew on the history of the Ethiopian Airlines-Trans World Airlines and the Ethio Telecom-Swedish Telecom partnerships and technology transfers (Brinkerhoff, 2015).

the ECX adventure. They nevertheless needed comfortable salaries that were more than the Government of Ethiopia would afford.

In the summer of 2006, Eleni Gabre-Madhin, with support from deputy Prime Minister Addisu Legesse, went to the donors for resource mobilization. The approach was as far as could be from cold canvassing, the donor community having been groomed for years about the upcoming Exchange reform. The World Bank had been championing it from the early 2000s. The International Fund for Agricultural Development (IFAD) had commissioned in 2003 a key report on designing the ECX and used it to inform the design of the Agricultural Marketing Improvement Programme, a ten-year, 35 million investment aimed at supporting key components of an Exchange. The project, appraised in 2004, already entailed "the establishment of a Warehouse Receipt System, an agricultural marketing information system (AMIS) and a decentralized coffee liquoring system'' (IFAD, 2009, p.24).[188] The funds to build up the coffee liquoring system were, themselves, a top up to the contribution of the Swiss Cooperation and the Geneva-based International Trade Centre to the Coffee Quality Improvement (CQI) project – started in 2003 with the Coffee and Tea Authority. The project, delayed until 2005 due to the aforementioned dismantlement of the CTA, aimed at building seven regional laboratories for coffee quality assessment and train government staff on coffee cupping (ITC, 2011). The training on grading was provided by the US-based Coffee Quality Institute (CQI), which had been active in Ethiopia as early as 2003 through the Coffee Corps initiative funded by the USAID (Coffee Quality Institute, 2021).

The USAID, DFID, the Netherlands, the Canadian International Development Agency, the DFID and the Irish Aid had funded the creation of IFPRI-ESSP. Finally, a sizeable cohort of donor representatives[189] had attended the 2005 "Unleashing Agricultural Growth" workshop. The government and the ECX project team ended up securing 9.2 million USD funding from four long-term allies of the Exchange: the USAID, the World Bank, the CIDA, and IFAD (Eleni Zaude Gabre-Madhin, 2012), as well as a new player, the UNDP that would pay the salaries of the ''top-calibre'' core team of 9 professionals (UNDP, 2011, p.10). They were later joined by the World Food Programme and the European Union Delegation for a total of 29 million USD. On 4 September 2007, one week before the turn of the new Ethiopian Millennium, the House of People's Representatives issued Proclamation No. 550/2007 to provide for the establishment of the Ethiopia Commodity Exchange and the Ethiopia Commodity Exchange Authority (ECEA).

6.4.3 Going with the grain: the integration of coffee into the Commodity Exchange

The jump from a grain ECX to a coffee ECX

[188] The project did end up rehabilitating and constructing eight coffee liquoring centres and warehouses. They were handed over to the Ethiopia Commodity Exchange Authority. This was the programme's most substantial contribution, and given the vast resources invested in the project over ten years, it was considered ''unsuccessful', with a ''weak project design'' and an ''unsatisfactory outcome'' by the 2016 country evaluation (IFAD, 2016, p.13) .

[189] The Italian Development Cooperation, the Canadian International Development Agency, the European Union Delegation, USAID, the World Bank, the DFID, the United Nations Development Programme, the World Food Programme, the FAO, IFAD, the Netherlands, the Irish Aid, JICA, the German Technical Cooperation and the African Development Bank.

The Ethiopia Commodity Exchange was registered as a commercial entity in March 2008 and opened formally on 24 April 2008 (Eleni Zaude Gabre-Madhin, 2012). The Exchange was owned by the government, managed through the public-private Board (dominated by the government) and open to private sector members for a 5000 USD entry price. Two types of membership were designed: Trading Members, who traded on their own accounts, and Intermediary Members, who were brokers and were trading on behalf of suppliers, who paid them a fee (Meijerink, 2014; Schaefer and Abebe, 2015).

The ECX began as a voluntary open-outcry physical trading floor, located in Addis Ababa, trading maize, wheat, and beans. Members traded spot contracts, for commodity lots stored in ECX-owned warehouses located across the country – there was one in 2008, and the number grew to 55 in 2012 (Meijerink, 2014; Minten, Thomas Assefa and Hirvonen, 2017). The commodity lots were controlled and graded by ECX quality officers, anonymized and traded on a first-in first-out basis, with their grade and regional indication as the sole information. Once a deal was agreed between members, initially by clapping hands, the warehouse receipt for the commodity lot was transferred from the buyer to the seller, and the funds were transferred from the seller's bank account to the buyer's through ECX's clearinghouse.

Eleni Gabre-Madhin soon resigned from IFPRI and joined the ECX as the CEO, making the rare jump from economist policy adviser to policymaker, implementing her own recommendations. Yet, by 2008, there were already significant departures from the Exchange initially envisaged in the seminal 2003 *Getting Markets Right* report (Eleni Zaude Gabre-Madhin *et al.*, 2003), a testament to the Developmental State hybridization of the ECX project:

- The Exchange was not engaging in forward contracting, although this had been its central premise.
- The Exchange was owned by the government and managed by a government dominated board (6 public to 5 private members, including parastatals).
- The trading institutions envisaged in the report and aimed at facilitating private sector engagement around the Exchange, namely the Grain Industry Council and the Coffee Industry Council, had not been created.
- The market development phase envisaged in the report (phase 2), was merged with the final ECX creation phase (phase 3) in a bid to accelerate the Exchange creation.
- The Exchange concentrated on grain trading and did not deal with coffee.

A few months after it opened, the ECX was already on the verge of collapse. Grain traders were not participating: between April 2008 and February 2009, the Exchange had traded 950 tons of maize and 90 tons of wheat (Rashid and Asfaw Negassa, 2011) and had earned a total estimated gross revenue of 1588 USD (Rashid, Winter-Nelson and Garcia, 2010). Traders were distrustful of the institution, which they saw, with reason, as a system that would enhance tax compliance[190] (Int. 14, Int. 21) and add transaction costs (Int.14, Int.19), while the benefits were unclear to them (Eleni Zaude Gabre-Madhin, 2012; Meijerink, 2014). There were also quality issues: the little grain that traders would sell was of too low and variable

[190] Meijerink (2014) reports that the Revenue and Customs Authority imposed a 15% VAT payment to traders, to be paid immediately after a transaction through ECX – and repaid by the exporter after export.

quality for systematized and reliable grading by ECX officers (Int. 9, Int. 22, Int.27).[191] Finally, the launch of the ECX coincided with the global food price hike of 2007/08. Between June 2007 and June 2008, nominal retail prices for wheat and maize had increased by 60 and 90 percent respectively (Assefa Admassie, 2014). Traders would sell in their local markets or export illegally in neighbouring countries, resulting in grain shortages across the country (Int.4, Int.23). Global markets were also more volatile, casting uncertainty and pushing traders to rely on their familiar informal networks (Rashid and Asfaw Negassa, 2011). One option would have been to force grain trading into the Exchange but, from the perspective of the EPRDF, the rising urban food prices were a political liability (Assefa Admassie, 2014) and most certainly a deterrent for policy experimentation on grain markets.

The coffee sector, however, was different. There was a tradition of state control, dating back from the 1950s. It had been mandatory to export coffee through the Dire Dawa and the Addis Ababa auctions since their creation in 1972, a tried and tested marketing system that had survived through the Derg and the liberalization years of the EPRDF (Yared Berhe, 2010) (Int.8). There were in essence three critical decisions to be made on how ECX would deal with the sector.

The first was whether to allow the ''traditional'' auctions to operate alongside the Exchange. The *Getting Markets Right* report proposition was that they would first be transformed to include forward contracting and be absorbed into a Commodity Exchange after three years of learning process. That was also the views of some senior experts involved in the ECX design (Int. 27), as reflected in a report published by the ECEA in July 2008 (Schäfer, 2017).

The second was whether to allow for voluntary coffee trading through the ECX or make It mandatory, as had been the case with the traditional auctions.

The third was whether to allow for a direct trading channel for “specialty” coffee, that would run in parallel to the Exchange – as was already the case for cooperatives and some exporters since 2001 (World Bank, 2002; Petit, 2007). This was discussed at length in the 1998 SDCS with a clear-sighted evaluation of the pros and cons: that it would allow for a smoother expansion of specialty coffee exports and undermine the auction, respectively. It was also addressed in the Exchange design report submitted by Eleni Gabre-Madhin’s team to the Prime Minister (Eleni Zaude Gabre-Madhin, 2009b) (Int.16). The Exchange technical team was hoping it would have two years to figure these aspects out, focusing on setting up the grain trade in the short term (Int.10, Int.16). The circumstances would not allow it.

Upon seeing the impending demise of the Exchange, the Prime Minister, Deputy Prime Minister Addisu Legesse and Eleni Gabre-Madhin agreed on a radical decision: in August 2008, the government made it mandatory to trade coffee through the ECX with Proclamation 602/2008 (Federal Democratic Republic of Ethiopia, 2008).[192] The absorption of the

[191] One interviewee who was part of the team working on ECX design claims that the ECX team was aware of this fundamental flaw even before the launch of the grain oriented ECX.

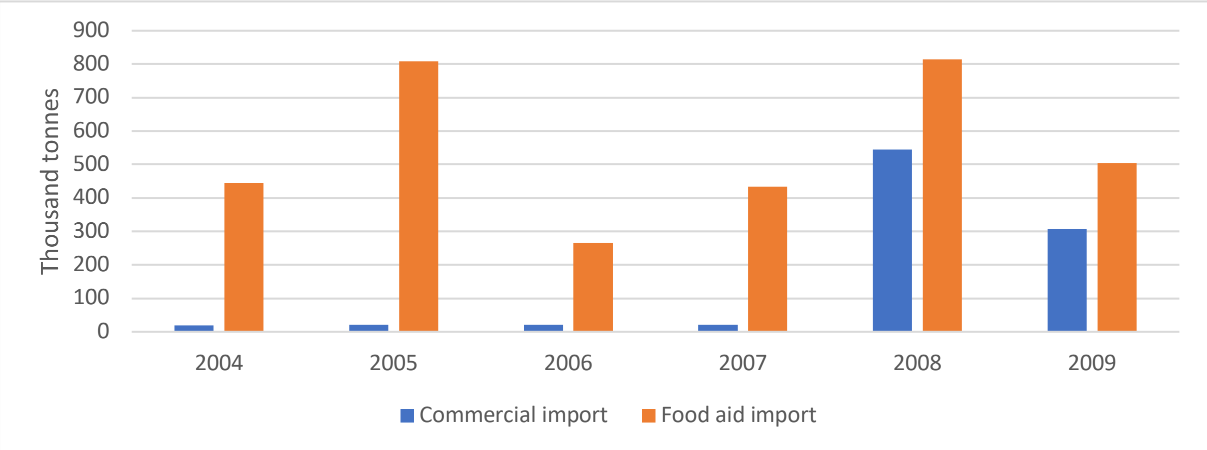
[192] According to Eleni Gabre-Madhin in PBS (2009), the decision was the outcome of a 9-hour meeting with Prime Minister Meles Zenawi, Deputy Prime Minister Addisu Legesse and other ''very senior people in government''. There was no consultation with the industry’s stakeholders. Eleni Gabre-Madhin was asked if ECX could take coffee on, and she said ''yes''. According to other respondents, she was the one imploring Addisu Legesse to introduce coffee into the Exchange in order to save it (Int.23, Int.27).

established coffee marketing and centralized auction system was a ready-made solution to infuse liquidity and address a matter of ''plain survival'' for the ECX (Int.4, Int.14, Int.23). The reform killed three birds with one stone for the EPRDF regime.

First, the Exchange needed to be kept afloat, because the regime had invested significant reputational capital, with the international community and the general Ethiopian public,[193] and there was also important donor funding at stake (Int.13, Int.14, Int.20).

Second, the government was in dire need of foreign exchange. The combined 2007-2008 financial crisis had ripple effects on the global price of fuel and fertilizer – they increased by a respective 150 and 75 percent. The Ethiopian fertilizer and fuel import bill doubled and reached close to 2 billion USD (IMF, 2009). Meanwhile, the government had ramped up imports of subsidized wheat to address the spike in food prices, even dwarfing World Food Programme food aid that had hitherto taken the lion's share (Assefa Admassie, 2014) (Figure 34).

Figure 34. Food aid and commercial imports (including government procurement) of wheat in Ethiopia, in thousand tonnes

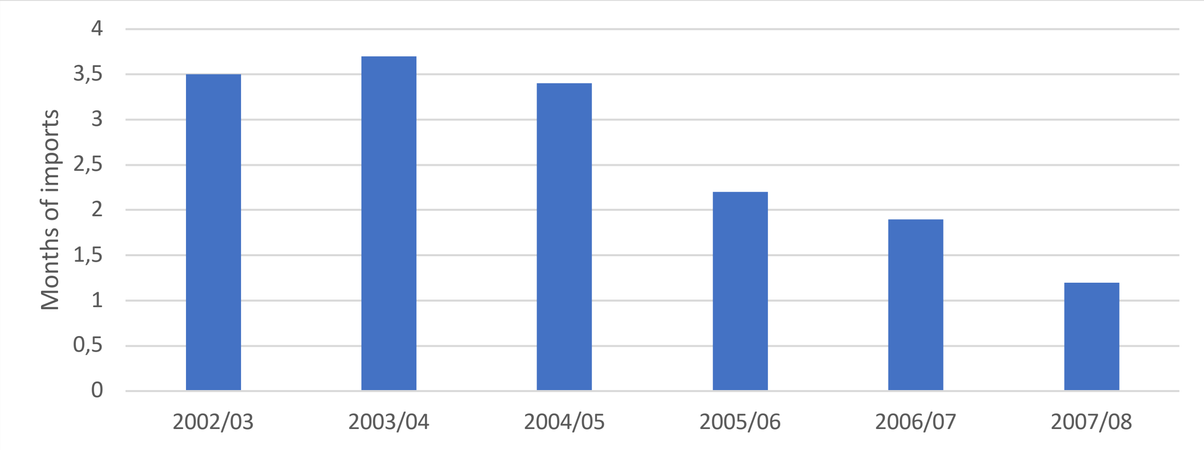


Source: Admassie, 2014

The cumulative increase in wheat, oil and fertilizer imports, for the 2007/08 and 2008/09 financial years, was estimated by the IMF to account for 2-3 percent of the Ethiopian GDP, with foreign exchange reserves dropping to 1.2 months of imports, leading the government to ask for a 33.5 million USD support from the IMF in December 2018 (IMF, 2009) (Figure 35).

[193] The ECX reform benefited from a strong public communication campaign – for instance, the President Girma Wolde Giorgis had announced the opening of the ECX in his televised address to the Nation to mark the new Ethiopian Millennium (Eleni Zaude Gabre-Madhin, 2012).

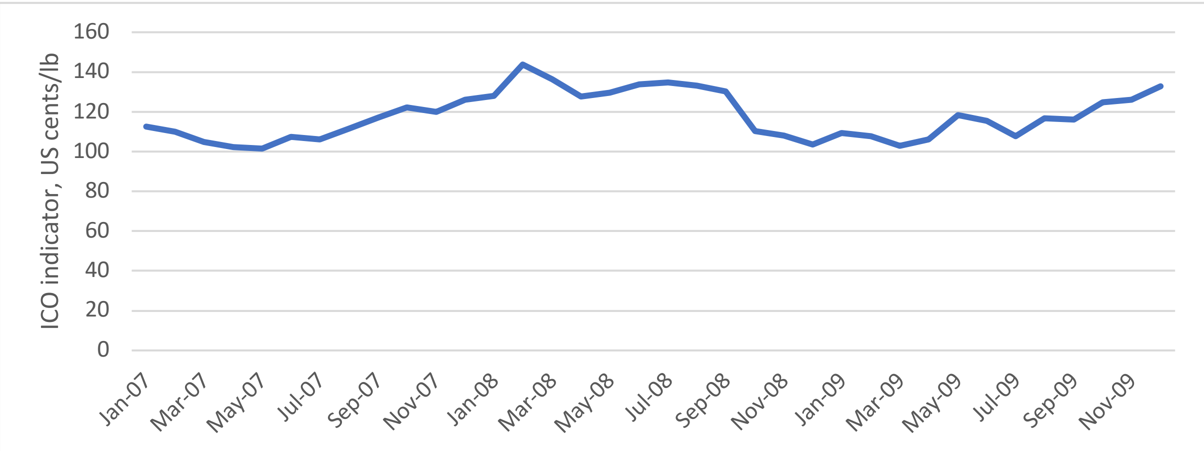
Figure 35. Foreign exchange reserves, in months of imports



Source: IMF, 2009

In addition to this, the financial crisis affected global demand for coffee, resulting in a short-lived but stinging price drop (Figure 36). The crisis also put stress on the liquidity of major Ethiopian coffee buying companies, leading to an overall lower demand at a lower price (Bagersh, 2009 in PBS, 2009). Finally, the government was ramping up the Developmental State project, putting foreseeable structural pressure on the balance of payment (Int.23).

Figure 36. ICO composite indicator for Brazilian naturals coffee, in US cents/lb, January 2007 to December 2009



Source: ICO, 2020

Coffee still accounted for 35% of exported goods, in 2007/08, and forcing it through the Exchange was expected to be a way of maximizing government control over every leakage source of coffee forex under the looser auction system (Eleni Zaude Gabre-Madhin, 2009b): illegal domestic and cross-border trade, speculative stocking and limited repatriation of foreign exchange (Int.11).

Third, the measure tightened the screw on coffee exporters. The controlled liberalization of coffee trade, in the 1990s (see Chapter on Derg and early EPRDF years) had revived the private sector. There were 14 exporters left in the market in 1991 (ICO, 2000). By 1999, they had become 75 (Love, 2001) and by 2008, there were 104 dealing with 95% of exports as opposed to 10% during the Derg (Yared Berhe, 2010). Coffee exporters represented a powerful group of domestic capitalists – in 2012, they accounted for 11% of the total number of exporters of the country, yet handled 32% of exported goods (World Bank, 2014). Besides, the top 20% of exporters[194] exported 80% of coffee (World Bank, 2014), meaning that a group of close to 40 people handled around a quarter of the Nation's foreign exchange earned through the export of goods. In addition, many of the top coffee exporting companies were also engaging in other import-export activities, either because they had diversified from coffee or, for the most recent exporters, because they had come from other sectors (El Ouaamari, 2013; Schäfer, 2017).

Although the profile of Ethiopian coffee exporters, let alone its evolution over time, is a topic that is under-researched,[195] there is evidence to suggest that for the most part, they did not belong to the EPRDF-affiliated capitalist class that had emerged after the 1990s (Love, 2002; Schäfer, 2017).[196] Interviews also reveal worldviews that are more closely aligned with Western liberalism than the Developmental State ethos (Int. 7, Int. 13, Int.15, Int.20). Exporters were, in addition, well connected to the fairly wealthy suppliers in coffee production areas *(akrabies*) from whom they would buy, or even be affiliated through family ties or sister companies (El Ouaamari, 2013; Schäfer, 2017). They were thus networked with a rural bourgeoisie of around 1000 individuals, scattered across main cities and towns of the Oromia and SNNPR regions where TPLF-EPRDF control was, by definition, looser than in Tigray and Addis-Ababa. Besides, the *akrabies* themselves worked with more than 2000 collectors (*sebsabies*), who covered the village level (Petit, 2007).

From a political settlement perspective, this posed a dilemma to Meles Zenawi's developmental ruling coalition: the exporters' financial and social capital, as well as their expertise and access to foreign exchange, constituted a potent source of growth; yet that same power, together with their organizational muscle and their lack of ideological alignment with the coalition, represented a latent threat. The mandatory trading of coffee through the ECX can thus also be seen as an opportunity to both reassert state authority on coffee capital – through tighter regulations and expanded control apparatus – and deconcentrate it by anonymizing transactions[197] and weakening the long-standing sebsabi-akrabi-exporter ties, thereby facilitating new entrants.

Rewriting the story: the ex-post narrative around the coffee ECX

Perhaps because the EPRDF knew that this would engender strong resistance, the ECX absorption of coffee marketing was done brutally, at breakneck speed, taking the whole industry aback (Int.16, Int.11) and obliterating the old auction system "overnight" (Renkow and Slade, 2013, p.51). This had a vast impact on the coffee sector, as documented below, but it also did change the ECX itself.

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[194] By 2012, there were 210 active exporters (World Bank, 2014).
[195] To the best of our knowledge, the dissertation by Schäfer (2017) is the only publicly available resource.
[196] A core group of ''traditional exporters'', in particular, are descendants of long-established families of foreign traders (Love, 2002)
[197] Transactions were already anonymous under the traditional auction system, but this anonymity could be more easily circumvented through informal methods than under the ECX.

It should be stated at this stage that, contrary to what is frequently argued in the literature and interviews conducted for this research (Int.7, Int.8, Int.11, Int.12, Int.22), the inclusion of coffee under an Ethiopian Commodity Exchange had been considered from the get-go.

First, as documented throughout this dissertation, the EPRDF had considered creating a Commodity Exchange for coffee at least as early as 1998, the possibility being already well outlined in the SDCS.[198] The reform effectively entailed adding a warehouse receipt system and the possibility of forward trading to the auction system that existed since 1972. The CTA had begun considering a WRS for coffee around 1998 (Westlake, 1998). In 2001, a WRS project started with support from the Common Fund for Commodities, ending up with the Warehouse Receipt System Proclamation, passed in 2003. By then, it had mostly drifted to a grain oriented WRS, the Ethiopian Grain Trade Enterprise being appointed as the warehouse operator (Pauw, 2017). The system was however ineffectual and ended up picked up for coffee by the ECX.

Second, a World Bank report from April 2002 alluded already to a study the government intended on commissioning to examine the creation of a Commodity Exchange that would trade coffee (World Bank, 2002). The study, funded by the International Fund for Agricultural Development (IFAD), [199] took place between May and September 2003. It was conducted under the institutional leadership of the Ministry of Trade and Industry, by an IFPRI team[200] led by Eleni Gabre-Madhin that included two coffee experts. The report largely drew on an IFPRI survey led by Eleni Gabre-Madhin between 2001 and 2002, focusing on traders in agricultural markets across the country. The 2003 unpublished study, *Getting markets right in Ethiopia: An Institutional and Legal Analysis of Grain and Coffee Marketing*, leaves no doubt that both grains and coffee were considered from the early stages as Exchange commodities. The authors propose that “either a single commodity exchange be established that would serve as a national commodity exchange for grains, coffee, and other agricultural commodities or that, alternatively, separate exchanges can be developed by commodity, which are jointly regulated by a single agency” (Eleni Zaude Gabre-Madhin *et al.*, 2003, p.80).

It is therefore not accurate to claim that the ECX had never been envisaged as a coffee trading mechanism, However, it is true that the 2008 ECX had been designed with grain trading in mind: it was not supposed to immediately abandon it and concentrate almost exclusively on coffee and, soon after, sesame, another export crop (In.16) (

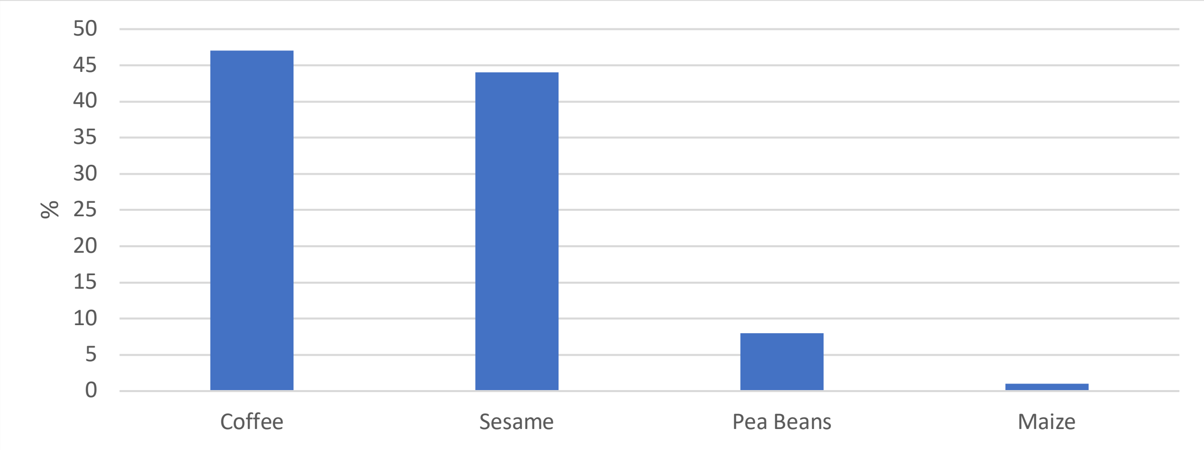
Figure 37).

[198] According to a respondent, the idea of a commodity exchange had been explored in Ethiopia since the early days of the Alemaya University.

[199] The report’s finding would then feed into IFAD’s Agricultural Marketing Improvement Project (AMIP), a programme that funded the renovation and building of warehouses that would eventually be integrated to ECX’s warehousing capacity.

[200] This was before the establishment of the IFPRI-ESSP country programme.

Figure 37. Commodities traded at ECX, 2010-2011, % of total



Source: ECX, in Eleni Zaude Gabre-Madhin, 2012

In that sense, the Exchange's *raison d'être,* was altered: although it had been portrayed, by Eleni Gabre-Madhin in particular, as a policy instrument that would solve food crises, it became a foreign exchange maximizing institution. The shift was not lost on Aaron Brown, the presenter of American channel PBS, that produced in 2009 *the Market Maker*, a much-publicized documentary on the Exchange and Eleni Gabre-Madhin (PBS, 2009):

"Aaron Brown: Coffee is an export item.

Eleni Gabre-Madhin: Yes.

Aaron Brown: What does this have to do with feeding people? What does this have to do with the famine, and the starvation?

Eleni Gabre-Madhin: Well, I think if you believe that hunger is not so much about producing food yourself, because I don't produce any food myself and I'm sure you don't but we eat, because we have entitlement, we have the ability to purchase food and feed our families…So the point is that if these farmers can sell faster, easier, get higher prices, then their incomes go up, they have an incentive to produce more, so that cycle will be set in motion"

This argument of Eleni Gabre-Madhin, that would become gospel, is a remarkable pivot on Amartya Sen's entitlement concept and a "retroframing" of the policy problem addressed by the ECX: unlike in her pre-ECX presentations, it became not so much grain allocation efficiency as a lack of income for coffee farmers, due to heavy transaction costs in the pre-ECX marketing system leading to low farmer prices.

While theoretically cogent, the retroframing came with a major drawback: it was not underpinned by most of the evidence base that Eleni Gabre-Madhin, the Government of Ethiopia and donors invoked to justify the creation of the Exchange. That base was heavily skewed towards grain market traders and brokers: it included Eleni Gabre-Madhin's dissertation, subsequent working and journal papers and the IFPRI-ESSP studies.[201] So did the 2002 and 2007 *Grain and coffee marketing* and *ECX trader* surveys: 8% and 19% of the

[201] We could not find an IFPRI study on coffee marketing that predates the creation of the ECX.

458 and 364 traders surveyed, respectively, dealt with cash crops (Quattri, 2012). It meant that there were at most 36 and 69 observations on traders who may have engaged in *some* coffee trading – although this would probably have been much less, given that the sampling was stratified to include Tigray and Amhara traders, unlikely to be dealing with coffee. As for the 2005 smallholder commercialization survey, conducted on 7186 households, it does not include a single variable on coffee (Dawit Alemu, Eleni Gabre-Madhin and Samson Dejene, 2006).

The only sizeable piece of evidence that can be found on coffee, in justification of the ECX reform, is in the *Getting Markets Right* report. It contains a 13-page chapter on the ''overview of coffee marketing in Ethiopia'' and 3 pages on the historical and contemporary legal framework for coffee marketing. The remaining content is forward-looking and details the possible design of a Coffee Exchange.

Another important implication of the retroframing of the ECX reform is that the key measure of its success became the prices received by coffee farmers – and their share of the export price – in lieu of the livelihoods and food security of Ethiopians. This is illustrated by the 2014 TedTalk presentation of the ECX by Eleni Gabre-Madhin (Eleni Zaude Gabre-Madhin, 2014):

When farmers came to the market armed with the knowledge of the weight of their commodity, of the quality of their commodity, of knowledge of what prices were fetching in international markets and national markets, even in their local market, they started to behave differently. They started to negotiate better prices. They started to think of themselves as people who could function with this marketing system. And that led them to produce more and bring better quality to the market, leading in fact to a doubling of their share of the export price, in the case of coffee for 15 million farmers, from 38% to nearly 70%.

Leaving aside that there were never 15 million coffee farmers in Ethiopia – at most 5 million – this quote is a telling example of the change in framing of the ECX. It also contains a number of assumptions and evidence claims about the Exchange and its impact on the coffee sector that are examined in the next section.

6.4.4 Conclusion

Eleni Gabre-Madhin made the unusual step of going from being an academic to a policy adviser to leading the technical design of the policy reform she recommended. Together with her team, she produced the design report and then went even further by joining the ECX as a CEO, effectively engaging into grand scale action research. The evidence mobilized in the very design of the Exchange, however, is not very well known. The report remains unpublished.

The global financial and food price crises transformed the ECX reform from the get-go. They pushed the EPRDF to transform the ''grain-ECX'' into a ''coffee-ECX' overnight, both to save the ECX that had been avoided by grain traders, and to maximize control over and volumes of foreign exchange in a period of crisis. This means that all the evidence mobilized in the creation of the ECX, focused on grains, became detached to some extent from the actual instrument.

The ECX team and government began to retroframe the narrative around the ECX reform to make it compatible with the ECX-coffee as an evidence-based instrument.

6.5 The ECX implementation and outcomes[202]

6.5.1 Introduction

The proclamation that introduces the mandatory trading of coffee through the ECX echoes Eleni Gabre-Madhin's framing as it establishes the rationale for the reform: ''whereas it has been found necessary to make the coffee marketing system fast and cost effective, in order to enable coffee producers to earn better income from coffee transactions" (Federal Democratic Republic of Ethiopia, 2008, p.1).

The ECX, the government and donors outlined two overarching causal pathways linking coffee's introduction to the ECX with improved coffee producers' livelihoods: more secure transactions and higher prices. We are examining here the institutional changes brought by ECX towards those aims, as well as their political economy implications and effects on the supply and demand of evidence. We also aim to disentangle the specificities of the ECX reform from those of the pre-existing coffee auction. Indeed, a voluminous literature flourished after 2008, adopting the magnetic ECX reform as a starting point. This has led to several common misattributions as to what alterations the Exchange truly brought to the marketing of Ethiopian coffee.

6.5.2 The unequivocal success: improving the security of transactions

A first and critical point, when assessing ECX's impact on the coffee sector, is that it is an instrument aimed at facilitating transactions of *coffee beans*. This point, while fundamental, is scarcely mentioned in the literature. The producers of the coffee bean are not smallholder farmers. They are individuals who own or sometimes rent drying and hulling equipment, for dry coffee, and washing stations, for wet coffee. These actors buy and/or aggregate dried (for unwashed coffee) or red (for washed and some unwashed) coffee cherries from farmers – which is what those farmers produce – and process them to produce the beans. These so-called "suppliers", or *akrabies*, are the ones using the ECX interface to transact with the exporters. Three players can produce the coffee bean lots and sell through ECX: akrabies, cooperatives, and large integrated farms that also possess processing stations. The owners of such farms are the only producers of coffee cherries that directly participate in the Exchange and match, to some extent, with the representation of the trading farmer that often comes with the description of the ECX. Nonetheless, they are not smallholder farmers.

With that important clarification, it is possible to look clearly at the first claimed impact of the Exchange, namely that it eliminated defaulting of payment between buyers and sellers and made farmers' lives easier (Int.16). Under ECX, all transactions are being electronically processed from one bank account to another, and suppliers are paid the day after the trade ('T+1') (Eleni Zaude Gabre-Madhin, 2012; Hernandez, Lemma & Rashid, 2015; Minten et al., 2019). This was an important improvement, often acknowledged in interviews (Int.4, Int.5, Int.6, Int.19, Int.21). However, it should be noted that payment defaults had already started to be drastically reduced under the previous auction system (Int. 7., Int.11, Int. 14). As per the *Getting Markets Right* background report for the ECX creation, the 1999/2000 coffee default payment crisis had led to the establishment of a "water-tight payment system'' in 2001, that

[202] The material from section 6.5 was already published by the author of this dissertation in a sole authorship report (Mas Aparisi, 2021). (Mas Aparisi, 2021)

had ''proved to work very well'' (Eleni Zaude Gabre-Madhin *et al.*, 2003, p.55). In addition, contrary to the ''smallholder beneficiary'' narrative that has been pushed around this improvement (Eleni Zaude Gabre-Madhin, 2014), it is the suppliers, not the farmers, who have been benefitting from the T+1 payment security. The suppression of payment defaults between exporters and suppliers should have reduced the risk of ricochet default to farmers. However, the latter tend to sell their coffee to village collectors (*sebsabies*) or, less frequently, *akrabies* against spot cash payment. It is thus unclear the extent to which the reform benefitted them.

6.5.3 The contested impact: increasing farmer prices

According to the ECX creators, higher coffee prices, for coffee smallholders, would have followed from (i) improved market information (ii) increased and more transparent competition at supplier and exporter level and less intermediaries (iii) lower risk and transaction costs (Eleni Zaude Gabre-Madhin and Goggin, 2005; Eleni Zaude Gabre-Madhin, 2006).

Improved market information: the limited power of knowledge

The ECX provided farmers with information on coffee prices — via radio, television, print media and phone, as well as above 80 ticker boards installed in rural areas (Gabre-Madhin, 2012; Gabre-Madhin & Goggin, 2005). It is generally accepted that these reforms have been effective in increasing information for coffee producers (Hernandez, Lemma & Rashid, 2015; Minten et al., 2019) (Int.4. Int.9). However, this improvement remains modest: 81% of farmers had no access to price information at the auction level in 2014, as opposed to 90% before ECX (Minten et al., 2019). Aderaju Shumet Tamirat et al. (2014, p.11), having surveyed 200 coffee producing households, go as far as positing that "almost no coffee farmers use the price information, if any, to make cropping and selling decisions". Suppliers, on the other hand, follow ECX prices – Dereje et al. (2016) found that 92% of them did so. The modernist ticker boards, however, appear to be more of an aesthetic statement than a price transmission technology, with only 3% of traders reporting using them.

Even with better price information, smallholders are still in a difficult situation when it comes to earning higher prices, as they are in a weak bargaining position vis-à-vis the collectors and suppliers (Int. 17). Before they became illegal (see below), there were 2291 registered collectors in Ethiopia. At the same period, there were 1068 *akrabies* (Petit, 2007). Although numbers have certainly changed since then, the range is unlikely to have budged. Assuming a number of 5.3 million coffee smallholders (Minten *et al.*, 2014), the ratio of collector to coffee smallholder is 1 to 2313 ; for suppliers, it is 1 to 4963. It is understandable that collectors and suppliers may easily set their price when buying from smallholders selling negligible volumes, "often less than 50 kg at a time" (Fekadu Gelaw, Speelman and Van Huylenbroeck, 2016, p.94) even if the latter are better equipped with information.

The politics of "levelling the playing field"

The ECX system aimed at ''levelling the playing field'' in the coffee sector, by cutting the number of intermediaries, severing the informal relationships between transacting parties and standardizing coffee.

It confronted the market power concentration in the value chain at two levels: with Primary Marketing Centres (PMCs) at the farmer-supplier interface, and the warehouse receipt system and its standardisation/anonymisation of beans transactions at the supplier-exporter interface (Int. 5).

At the farmer-supplier level, the PMCs are marketplaces set up by the ECX to put producers directly in contact with suppliers (*akrabies*), thereby cutting out collectors (*sebsabies*), who became outlawed (Andersson, Minetwab Bezabih and Mannberg, 2015). The trading of cherries through the PMCs became mandatory in 2010 (Mekdim Dereje *et al.*, 2016). While the success of PMCs is subject to debate, it is clear they have not displaced collectors (Gelaw, Speelman & van Huylenbroeck, 2017) (Int. 4; Int. 5). Many producers reside too far from PMCs and so must sell to them or directly to washing stations (Int.5). The collectors are also, in many cases, local wealthier coffee farmers whose economic relationships with smallholder farmers are embedded with social relationships and trust bonds that are not easily broken (El Ouaamari, 2013).

Farmers who do bypass them may face new brokers transacting on behalf of the suppliers or processors at PMCs (Agrer Consortium, 2014). These brokers obtain their margin by pushing down the prices they offer to producers. One study points to the fact that producers thus get similar prices at PMCs as they would at the farm gate from collectors (Minten *et al.*, 2019).

At the supplier-exporter level, the ECX standardized and anonymized transactions, making it compulsory for all suppliers to deliver their coffee to ECX-controlled warehouses, distributed across coffee production areas. The ECX agents inspected and graded the coffee, which was pooled into anonymous lots of standard quality and provenance that exporters could buy at the Addis Ababa ECX auction. The assumption was that exporters would be unable to manipulate prices as was the case under the former coffee auction system (Bizualem Assefa Gashaw & Saron Mebratu Kibret, 2018; Tadesse Kuma Worako et al., 2008) (Int. 4; Int. 5).

It should be stated that, on a *de jure* basis, the former auction did prevent exporter-supplier collusion already. The rule was, however, only nominal (Int.5, Int.11). The suppliers, some of whom were related to exporters as sister companies or through personal or economic ties,[203] used to bring lorry-loads of coffee lots for auctioning to the Addis Ababa (80%) and Dire Dawa (20%) auction centres (Westlake, 1998). They knew what coffee they were bringing and, in most cases, so did the exporters. The CTA's Coffee Liquoring Unit (CLU) would sample and grade the coffee from the lorry with visual and cupping testing (Eleni Zaude Gabre-Madhin *et al.*, 2003). Exporters could not taste the coffee – they had to inspect CLU samples, accompanied by their report card and an anonymized code number, in the auction hall shortly before it started (Westlake, 1998). Buyers would then bid on the lots and sellers could reject the bid and sell their coffee at the next day auction.

However, after three days, they had to offload their coffee in a government or an exporters' warehouse, so as to not hog the limited parking space around the auction centre (Eleni Zaude Gabre-Madhin *et al.*, 2003).[204] The transaction costs of such an event put traders in a difficult bargaining position and they would often arrange an informal sale with an exporter before

[203] For instance, the provision of credit.
[204] This rule existed since the creation of the auction in 1972 and the bitter exporter-trader negotiations to set it up.

bringing a truck to the auction centre (Int.5, Int.13) (Fekadu Gelaw, Speelman and van Huylenbroeck, 2017). The small cartel of exporters would then agree with one another on what exporters buys which coffee lot during the auction and on which day (Int.4) through what has been described by one of them as a ''code of honour'' (Molina Fernandez, 2010, p.46). Finally, after the sale, the trader had to take the coffee to the exporters' warehouse, upon which exporters would often contest the quality and quantity of coffee, ask and obtain a discount (Int.5) (ICO, 2000). In the case where the supplier was a sister company to the exporter, the exporter would effectively buy from himself at a very high price and export at a low price, with a view to register a negative profit and avoid taxation (Int.11). There was thus a *de facto* supplier-exporter traceability, predicated however on a set of informal rules that amounted to a rent for exporters.

The ECX transformed the lack of exporter-supplier integration from a *de jure* to a *de facto* state.[205] The key mechanism was the regional warehousing and mixing of coffee lots. Since the exporters would bid in Addis Ababa, on anonymized lots pooled by grade and variety, located in regional warehouses and sold first in first out, it became much harder to know from which *akrabi* they were buying from (Int.4, Int.9). This put a strain on the collusive vertical (akrabi-exporter) and horizontal (cartel) practices of the well-established exporters. It destabilized their business model based on asymmetry of information and interpersonal relationships, thereby opening the door for new capital in the sector and improving the market environment for suppliers (Leung, 2014; Tröster, 2015) (Int. 10, Int.14, Int.21).

The reversal in the power relationship between exporters and suppliers was compounded by the fact that exporters now had to transport the coffee themselves between the ECX warehouse and Addis Ababa, when it had previously been on the supplier (Int.1, Int.4, Int.7). An important question is whether this environment resulted in the entry of new capitalists in the sector – and in particular affiliated with the TPLF-EPRDF regime. A Word Bank study found that the number of yearly coffee exporter entrants did not increase significantly in the immediate years after the Exchange reform (World Bank, 2014). However, (Minten *et al.*, 2014), using data from the Ministry of Trade, find that the post-ECX period corresponds to an important inflow of small exporters (Figure 38). In addition, several informed interviewees (Int.13, Int.14, Int. 19, Int.21, Int.22) and some of the recent literature (Senesha Tamru, Minten and Swinnen, 2019; Hutz-Adams, 2020) argue that a differentiation process began to unfold among exporters,[206] with the following categories:

- The ''specialist exporters'': family businesses that had specialized in the coffee sector since the Haile Selassie era, with strong linkages in the coffee producing areas. Specialist exporters, paradoxically, became more involved in production as a way to circumvent the loss of traceability through ECX – since direct export was allowed for owners of farms above 30 hectares (Int.14, Int.26). They acquired coffee land, in particular in the ''land-grabbing'' peak period of 2008-2012, when the EPRDF incentivized agro-investment and offered large plots, some over hundreds of hectares (Schäfer, 2017; Lavers, 2023) (Int.26).

[205] It was still possible to trace coffee for an exporter, by colluding with a supplier and an ECX warehouse officer who would inform the exporter of the date of arrival and auction sale of the specific lot they were interested in. This was, however, a much more difficult and costlier maneuver.
[206] One interviewee referred to the ''last three years'', meaning around 2017.

- The ''generalist exporters'': import-export companies, based in Addis, with little to no prior knowledge of the sector, that entered the coffee business to access rationed foreign exchange and use it to import goods and sell them at a high premium, as well as accessing finance. Some of them were affiliated to the TPLF (Int.11).
- The ''akrabi exporters'': while traditional exporters moved downstream to the production level, some akrabies who owned processing stations moved upstream to the export level, taking advantage of their improved position in the value chain. They were also pushed upwards by the government decision to punish ''hoarding'' at the regional level, by raising storage fees in the ECX warehouse. The objective was to discourage akrabies from constraining supply of coffee to raise auction prices and speculate, a new possibility offered to them unintendedly by the ECX decentralized warehouse receipt system (Int.14).

Figure 38. Evolution of incumbent (present year before), exiter (not present year after) and entrant (not present year before) firms in the coffee export sector, by number and share in coffee exports

Source: Minten et al, 2014

According to these sources, the number of generalist exporters increased because of the growing rationing of foreign exchange that resulted from the developmental imports. Since the pressure on access to forex built up, the export-import companies went looking for every opportunity to obtain it, including through coffee. Because there is a premium on scarce forex and thus on the price of import goods, these companies could import and sell such goods (e.g., cars, electronics) with exacting margins.[207]

As a result, they offered prices to suppliers that were higher than the export parity price – that is, they export a loss (Int.6, Int.21, Int.22). This allowed them to outcompete the specialized exporters by bidding higher prices at the ECX (Int.18). Paradoxically, to survive, the specialized exporters had to align themselves on those prices and diversify into imports of goods to sustain this practice (Int 14, Int. 21). The inflated ECX coffee prices, in turn, accrue to a rent for akrabies, reinforcing their stronger market position and their ability to integrate the export level. In short, while the ECX reform did not create the forex scarcity situation that fuelled the growth of generalist coffee exporters, it did weaken the position of specialized exporters, thereby facilitating entry of these new players.

[207] (Seneshaw Tamru et al., 2019), estimate that the price of imported ballpoint pens has been 87% above its import parity between 2010 and 2017, reflecting the forex scarcity import rent.

This differentiation process also diluted the political power of all coffee exporters, since the specialized and generalist exporters have different sets of interests and values (Int.13).[208] For instance, the Ethiopian Coffee Exporters Association, which had been founded in 1969 to defend the interests of ''specialized exporters'' and had been influential in the creation of the auction, has become more internally fragmented (Int.13).

The flipside of the anonymization and standardisation of coffee bean transactions was that it hindered traceability in the value chain. It became formally impossible for exporters and international buyers to acquire ECX coffee from identified processing stations or farms, something that was soon identified as the main weakness of the reform (Int. 3, Int.4, Int.7; Int. 9; Int. 13) (Adolphe, 2010; Tadesse Kuma Worako, Minten & Schäfer, 2019; Leung, 2014). Buyers going through ECX had to rely, instead, on the grade and region of origin as given by the ECX quality control officers. The government also maintained the possibility for farmer cooperatives and unions, as well as farms over 35 hectares, to export directly – as was the case under the former auction system. The objectives remained the same: by giving them an advantage over other traders, to encourage the development of cooperatives, on one hand, and the flow of new capital for large agricultural land acquisition, on the other hand.

Politically, this process of commodification strengthened the hand of the government on the coffee market. The relationship between the exporter and the supplier, and all the information on the coffee lots that it encapsulated, had been an important determinant of the auction price. This information was largely destroyed and the ECX grading became the signal for price determination, all the more because it remained impossible for exporters to sample the coffee before buying it. It created a new rent opportunity, for the ECX grading officers at regional level who lived on very modest public salaries (Int.10). They could either collude with suppliers to over-grade, or buyers to under-grade (Int .1, Int. 4, Int.5, Int.6, Int.14, Int.19). Warehouse personnel could also make sure that a given exporter would get their preferred coffee lot shipped out of the warehouse when they bought it through the auction (Int.14). In the words of an exporter, ''there was corruption at the auction before, but the ECX multiplied it by nine when they opened the regional warehouses" (Int. 20). These practices, together with the daunting complexity of the task for newly trained grading officers, led to inconsistent quality, higher level of impurities in coffee bags (Int.4), higher mistrust of Ethiopian coffee from buyers and exporters, therefore lower price to factor in the risk (Cramer and Sender, 2019) (Int. 1, Int. 14).

Besides, the mechanics of the grading and labelling system themselves became more fundamental. Before the ECX reform, there was an 8-grade system (Table 8). The grades were attributed based on a list of defects that each came with a point weighting, a system introduced under the Haile Selassie regime in 1955 (Yared Berhe, 2010).[209]

[208] Aside from the price competition, the generalist exporters are less interested than specialists in building long-term relationships with the global coffee buyers, leading to a higher level of mistrust towards exporters that ricochets on the specialists (Hutz-Adams, 2020).
[209] The grading system itself is a policy recommendation by the FAO, see chapter 3.

Table 8. Grading system before the ECX reform

Grade	Defects	Marketing implication	Coffee type
1	0-3	For export (Usual Good Quality - UGQ)	Washed
2	4-12	For export (Usual Good Quality - UGQ)	Washed
3	13-25	For export (Usual Good Quality - UGQ)	Unwashed
4	26-45	For export (Usual Good Quality - UGQ)	Unwashed
5	46-100	For export (Usual Good Quality - UGQ)	Unwashed
6	101-153	For domestic market (Under-Grade – UG)	Unwashed
7	154-340	For domestic market (Under-Grade – UG)	Unwashed
8 or Unclean	Over 340	For domestic market (Under-Grade – UG)	Unwashed

Source: Author with (ICO, 2000) and (Minten, Thomas Assefa and Hirvonen, 2017)

In addition, the CLU would attribute a regional appellation to the coffee. This process is not as straightforward as it may seem: the criteria for assigning the appellation include the geography but also the coffee organoleptic characteristics, cup profile and processing method. For instance, (Adolphe and Boisvert, 2009) demonstrate that a coffee produced in the Gedeo administrative zone can be been sold as Yirgacheffe (a woreda of Gedeo), Sidamo (the old name for the Sidama region) or Gedeo, depending on where exactly it is produced, the season, whether it is washed or natural and whether it is for the export or domestic market. With each regional appellation comes a price function – for instance Yirgacheffe and Harar fetch higher prices than Jimma (Minten *et al.*, 2014). The true quality grading thus came both from the scale number and regional appellation. In practice, however, the grade system was not central to the auction due to the coffee traceability, except for the cut-off point between grade 5 and the rest, which would not qualify for export.

This changed radically with the ECX reform. Mindful of that reality, the ECX team went for a more sophisticated system. In 2009, they adopted a typology based on the "Q-grading" notation, developed and promoted by the US-based Coffee Quality Institute (CQI) since 2003 (Table 9). The CQI, through a USAID-funded programme called Coffee Corps, had started that very year to train federal and regional CLU staff under the Coffee Quality Improvement project (see above). The CQI was linked with the Specialty Coffee Association of America (SCAA), the powerful trade association grouping the main US importers of specialty coffee.

For the ECX, the use of Q-grading was a way to legitimize its approach to the SCAA and to the broader community, while addressing the criticism they received on their commodification of coffee. For the SCAA and the CQI, it was also an important opportunity. Since 2003, the CQI had been diffusing the Q-grading system as an international norm (CQI, 2021). They did so through training and certification of coffee cuppers as ''Q-graders'' in consuming and producer countries – the latter mostly through Coffee Corps. The institutionalization of the Q-grading as the official standard for a whole coffee industry in a producing country was an unprecedented feat (Int.14). The ECX team also refined the grades for the 10 regional appellations, breaking them down into sub-components that reflected coffee terroirs and whether the coffee was washed or natural.[210] This resulted in an intricate system of over 220 combinations of sub-regional appellation and grade.

Table 9. Grading system after the ECX reform, 2009-2014

ECX Grade	Defects	Marketing implication
1	91-100	Regraded by Q-grader. If still 1, considered Q1 – Specialty Coffee. Export and market as specialty.
2	81-90	Regraded by Q-grader. If still 2, considered Q2 – Specialty Coffee. Export and market as specialty.
3	71-80	Regraded by Q-grader. If still 3, considered Q3 – Commercial Coffee. If regraded 1 or 2, considered Specialty Coffee.
4	63-70	Q3 – Commercial Coffee. Export and market as ''standard'' coffee.
5	58-62	Q3 – Commercial Coffee. Export and market as ''standard'' coffee.
6	50-57	Q3 – Commercial Coffee. Export and market as ''standard'' coffee.
7	40-49	Q3 – Commercial Coffee. Export and market as ''standard'' coffee.
8	31-39	Q3 – Commercial Coffee. Export and market as ''standard'' coffee.
9	20-30	Q3 – Commercial Coffee. Export and market as ''standard'' coffee.
Under-Grade	15-19	Q3 – Commercial Coffee. Export and market as low-quality coffee
Rejected for grades	NA	Q3 – Commercial Coffee. Export and market as low-quality coffee
Peaberry	NA	Export as peaberry coffee.
Unfit	0-15	Domestic market.

Source: Author with (Boot, 2011; Adugnaw Mintesnot, Nigussie Dechassa and Mohammed, 2015; Minten, Thomas Assefa and Hirvonen, 2017; SCAA, 2020)

However, these efforts did not address a central principle of specialty coffee trading: that it is a repeat market, based on sustained relationships between a buyer and a seller of a coffee

[210] For instance, Sidama commercial washed got broken down into three sub-categories (named A, B and C) and Sidama specialty washed into five (A, B, C, D and E). Each letter corresponded to a sub-regional grouping (Boot, 2011).

that is not easily substitutable (Int.7, Int.21). Foreign importers, and by extension Ethiopian exporters, needed to obtain a reliable supply of the very specific and unique coffees they had been used to market. In addition, part of the value of the coffee they would sell came from the narrative around it: the farmer or the processing station's name and story (Daviron and Ponte, 2005; Hutz-Adams, 2020). None of this could be guaranteed under the ECX system[211] – no matter how refined the grading – harming the very business model of specialty coffee companies in Ethiopia (Int.7, Int. 14, Int. 21).

For that reason, the SCAA became one of the strongest advocates against the ECX regulations preventing vertical integration between exporter and supplier (SCAA, 2020) (Int.7). In April 2009, some of its members booed Eleni Gabre-Madhin on stage, as she was presenting the ECX reform at their annual conference in San Francisco (Eleni Zaude Gabre-Madhin, 2012). Following this event, Eleni Gabre-Madhin invited the SCAA to collaborate with the ECX on the revamped grading system presented above (Eleni Zaude Gabre-Madhin, 2009a), that was launched in November 2009.[212] While the SCAA readily accepted, they remained unsatisfied with the core issue of lack of traceability of specific coffees down to the station or farm (SCAA, 2020).

In a bid to further remedy to the problem, the ECX launched the Direct Specialty Trade (DST) system in 2010. The DST was a platform, organising bidding sessions for coffees that had been graded as Q1 or Q2 - see (Table 9). The Exchange would provide additional information on such coffees, including the producer identity, any certification and other descriptors (e.g. spicy, round body, chocolate) (El Ouaamari, 2013). Although the first session of February 2010 had some moderate success with over 500 000 USD worth of trade (Int. 21), the initiative fizzled out within the year. During the last recorded session, only 15% of the lots were sold and more than half came from private plantations, that could already export directly (El Ouaamari, 2013). Two reasons are behind this: first, coffee cooperatives and plantations already had a channel outside of ECX for exporting traceable coffee and did not need to sell through DST. This meant that, on the supply side, the system would only be of interest to small farmers producing very high-quality coffee, a rare occurrence. Even then, those farmers were not able to afford and master the logistics required to export the coffee through Djibouti and therefore needed to pay export companies to support them, something they had little interest in doing – especially because the ECX requirement was that farmers would pocket 85% of the export price (El Ouaamari, 2013). From the demand side, buyers would use the DST sessions to establish a connexion with specific sellers of high calibre coffee and seek to maintain it through informal means (Int 21).

[211] A simple illustration is that a Sidama Q2 washed category could contain any coffee with a quality note between 81 and 90 and from any washing station and woreda in the vast Sidama coffee area. This is compounded by the ECX quality officers' corruption issues aforementioned, that lead to unreliable grading.

[212] Her open letter to the SCAA is a very instructive insight into the astute policy entrepreneurship of Eleni Gabre-Madhin. She alludes to the US elite private sector and non-Ethiopian background of her staff to signal the un-Africanness and therefore credibility of the ECX institution – "Our ECX senior management team is composed of seven Ethiopian-American and three non-Ethiopian seasoned industry professionals who have given up plum corporate careers in Accenture, Fannie Mae, private securities law, DHL Express, London Financial Futures Exchange, MCX-India, in the US, Europe, and elsewhere to join our exciting effort. So your coffee is in good hands'' (Eleni Zaude Gabre-Madhin, 2009a).

The advocacy argument pushed by the SCAA around the loss of traceability was picked up by the specialized exporters, who had been vehemently opposing the reform from day one.[213] It was also made prominent by the activity of the notorious Seattle-based blogger Wondwossen Mezlekia, a fierce critic of Eleni Gabre-Madhin and the ECX, whom several interviewees referred to (Int.2, Int.14, Int.19). It is equally pervasive in the literature on the Exchange and coffee in Ethiopia and interviews (Int.3).

However, there is surprisingly almost no evidence as to the actual economic impact the loss of traceability had on foreign exchange earnings, exporters, and traders' profit as well as farmers' livelihoods. The ECX team assumption had been that the commodification of coffee would be fairly inconsequential, given that specialty coffee exports, as measured by the share of grade 1 and 2 over all grades, stood at 3.7% before 2008 (Tinsae Handino Demise, 2017). The only study available is a paper by (Leung, 2014), which compares the price obtained by exporters who produce their own coffee and export directly, with that of exporters who buy and export through the auction/ECX. Using regression analysis (Leung, 2014) finds that the ECX reform led to a spread that was 14% higher between the two prices, in favour of direct exports, controlling for the CLU grade, variety and destination of exports.

This is attributed to the loss of traceability, representing a cumulated foregone export price revenue of 280 million USD for the 2008 to 2012 period. The figure, albeit stark, should be put in perspective: in 2007/08 alone, Ethiopia exported 525 million USD of coffee (IMF, 2018). Besides, it is important to highlight that the dataset used only contains one year for the pre-ECX period (2007), which somehow diminishes the statistical power of the analysis.

While valuable, these results are also not informative on the distribution of the revenue loss across grades. It is unlikely that lower grades 4 and 5, which constitute the overwhelming majority of unwashed coffee exports (themselves accounting for 70% of total exports) (Figure 39), would have earned much of a premium through a direct, as opposed to an ECX trade. These coffees are, by and large, imported by international roasters as fillers to blend with other low-quality coffees, a far cry from the specialty coffee market (Hutz-Adams, 2020).

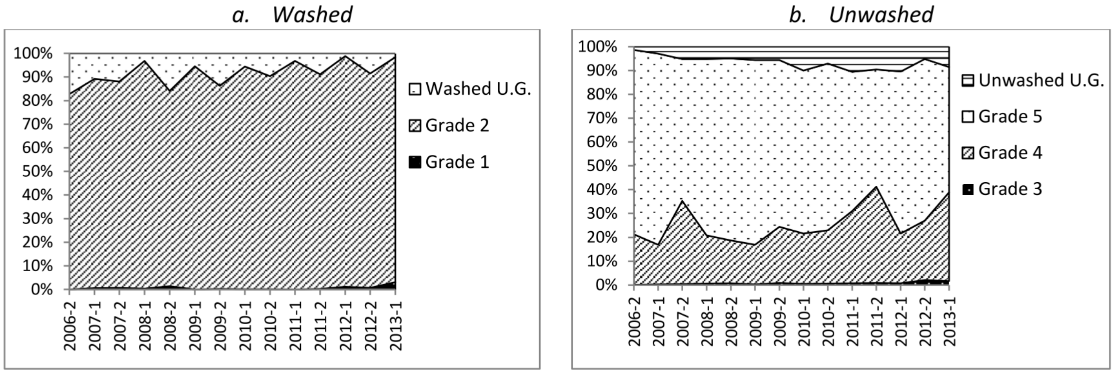
The locus of the traceability problem is thus largely about coffees graded 1 and 2,[214] as correctly identified by the ECX team in 2008, which are almost exclusively washed coffees and the prized Harar natural. While it is undeniable that lower traceability disrupted or even destroyed the supply chain for some of these high-quality coffees[215], it is important to consider that there are more structural limitations to the expansion of washed coffee in Ethiopia that are not solely attributable to the Exchange reform (see below). One should also nuance the assumption that all Ethiopian coffees scoring high at the ECX could reach the global market as direct, traceable coffees (Hutz-Adams, 2020), an issue that came to the fore with the relaxation of ECX restrictions in 2017;

[213] According to Eleni Gabre-Madhin, quoted in (Brinkerhoff, 2016), they had effectively been sabotaging the implementation of the reform by lying to the ECX team over the grading system needs, the weight of the standard bags and even crashing a truck in the weighing station of the first warehouse.

[214] Specialty coffees can also be understood to include certified coffees of a lower quality – but this channel is already well covered by cooperatives, who have had the possibility to export directly since ECX's early days.

[215] For instance, the world-famous Misty Valley coffee of Abdullah Bagersh could not be exported in the immediate years following the reform (El Ouaamari, 2013)

Figure 39. Exports of washed and unwashed coffee in Ethiopia, by grade, 2006-2013



Source: Minten et al, 2014

6.5.4 Value chain efficiency: failing the market

The ECX purported to increase value chain efficiency, thereby lowering transaction costs and increasing export price transmission to farmers. Two key mechanisms were at play: the warehouse receipt system, and a stronger regulatory and enforcement framework.

Warehouse receipt system and transaction costs

From a technical perspective, the centrepiece of the ECX reform was the warehouse receipt system, supposed to lower transaction costs along the marketing chain, thereby increasing price transmission down to the farmer. The ECX picked up the system that had been formally launched for grains in 2003 and had languished under EGTE management (Pauw, 2017). Under the supervision of Aman Adinew, a former director of pricing and revenue management at DHL in the US (Brinkerhoff, 2016), the ECX gradually expanded its coffee warehousing capacity, covering nine coffee producing regions by 2012. The warehouse receipt system put an end to the inefficient practice of suppliers having to physically bring their coffee to Addis Ababa before a transaction was sealed, which then caused very long lorry queues outside the one Addis Ababa auction warehouse (Int.5).

However, it also introduced new handling, storing and inspection costs that actually increased the transaction costs from the pre-ECX marketing structure (Mekdim Dereje *et al.*, 2016). Instead of flowing directly from the station to the Addis Ababa or Dire Dawa auction, the coffee first had to be brought by the supplier from the processing station to the regional bureau of agriculture for a moisture test, then again be transported to another location, at the ECX warehouse, for a triple test of moisture, quality and quantity and, finally, be trucked to Addis Ababa for cleaning, sorting and re-grading by the CLU (Andersson, Mintewab Bezabih and Mannberg, 2015; Mekdim Dereje *et al.*, 2016; Cramer and Sender, 2019). The breakneck expansion of ECX regional warehousing to absorb coffee likewise threw all sorts of logistical hurdles to the inexperienced and unprepared Addis-Ababa ECX team. These included internet and electricity failures, warehouse design issues, warehouse and feeder road high maintenance costs but most of all long lorry queues at warehouse sites due to low capacity in quality testing the coffee (Molina Fernandez, 2010; Mekdim Dereje *et al.*, 2016) (Int.5, Int.14, Int.21, Int.27).[216]

Finally, contrary to the past auction system, suppliers could not attend the bidding session in person given the limited physical space at the Exchange auction floor. They had to pay brokers to bid for them. These brokers were soon in a rent-seeking position, since there were many less broker member seats than needed to cover the needs of all suppliers (Agrer Consortium, 2014) (Int. 4, Int.14, Int.21).

Improved regulation and enforcement

The ECX regulatory enterprise was not limited to improved payments, standardized grading and the warehouse receipt system. For the ruling coalition, it was and is first and foremost a command-and-control institution aimed at preventing leakage of forex, reified as coffee beans (Int.6, Int.9). The first leakage source is at the farm level. There is a proportion of exportable coffee that is illegally roasted, milled and consumed at home and sold or exchanged informally in farmers' villages. This coffee, called *marbush*, could account for, roughly, a quarter to half the domestic consumption – itself amounting to around 50% of total production (Agrer Consortium, 2014). The ECX could only reduce this leakage indirectly, through an improved marketing system that would increase farm-gate prices and incentivize farmers to sell more of their coffee. This did not happen, as demonstrated below.

The second leakage source was at the level of suppliers engaging in cross-border trade and smuggling of beans on the domestic market, a central preoccupation of EPRDF (Int.4, Int.13, Int.16, Int.20, Int.24). The Primary Marketing Centres and regional ECX centres were meant to address this, by acting as the only authorized transaction interfaces,[217] thereby allowing the government to better trace the coffee. However, there is strong evidence that smuggling has continued to a significant extent (Hutz-Adams, 2020; Minten et al., 2017). Coffee prices on the domestic market are tantalizingly high, above their export value,[218] due to the strong and growing demand for coffee of a higher quality than the ''export reject'' allowed by the government (Int.4, Int.6, Int.17, Int.22). Upon conducting a blind quality test of a random sample of beans from Addis Ababa semi-wholesalers and retailers, Minten, Thomas Assefa and Hirvonen (2017) found that more than half of the bags were fit for grade 2 exports. The continued refusal of the government to allow the possibility of selling even low-quality coffee on the domestic market, which would likely come with better farm-gate prices and lower transaction costs, is illustrative of the higher priority given to forex earning than smallholder income.

The third source of leakage was at the exporter level. Before introducing coffee to the ECX, the government believed that the exporters were ''hoarding'' it, that is keeping it in their warehouses and speculating on global prices to sell it when they would rise (Int.3, Int.4, Int.13,

[216] It should be noted that the queues were not just a logistical problem but were also, in some cases, a marketing strategy of the exporters, as explained below.

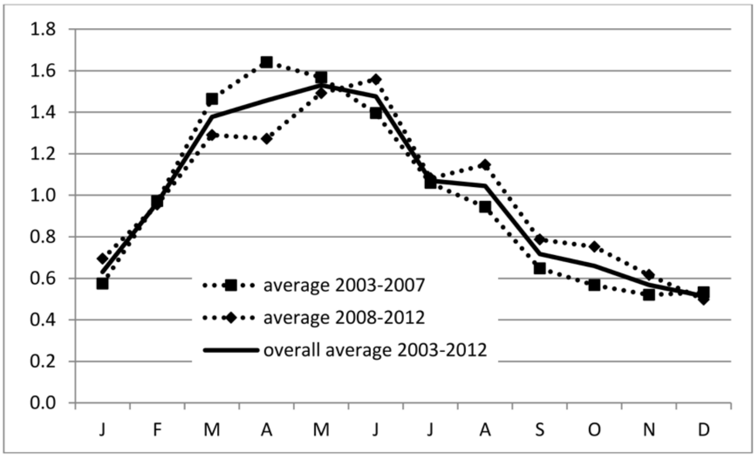
[217] According to the Proclamation to Provide for Coffee Quality Control and Marketing, penalties for transacting outside the ECX system were punishable by a fee of 20 000 Birr and an imprisonment of ''not less than one year but not exceeding three years" (Federal Democratic Republic of Ethiopia, 2017a, p.25).

[218] Hutz-Adams (2020) suggests an average price differential of 65% for the lower quality coffees.

Int.17, Int.26).[219] The concept of hoarding was very much part of the lexicon of the Developmental State ideology, a wasteful rent-seeking practice that had to be eliminated (Vaughan and Mesfin Gebremichael, 2011). The Proclamation that established the ECX coffee marketing system made clear provisions against hoarding: suppliers were supposed to deliver their coffee to the Exchange no later than six months after processing it; exporters had to sell their coffee before the next harvest and notify the National Bank of Ethiopia at most 24 hours after the conclusion of a contract for sale of coffee (Federal Democratic Republic of Ethiopia, 2008).

The main detrimental effect of coffee hoarding, from the government's perspective, was that they could not control the flow and predictability of foreign exchange (Schäfer, 2019) (Int.24). Since coffee accounted for such a high share of total exports, managing and forecasting the coffee forex cash flow was critical for the government to plan and execute import-intensive developmental projects (Int.11, Int.14). This flow was predictable, patterned around the coffee harvesting season. Cherry picking took place from October to December and, assuming some lag, washed coffee was exported from January to March. By the same token, unwashed coffee should have been exported around April, May and June (Figure 40). So, by July, the National Bank of Ethiopia ought to have cashed in most of its coffee forex. But this was not happening under the CTA, leading to the growing frustration of the EPRDF (Int.11) (Int.24).

Figure 40. Monthly seasonality index for coffee exports (yearly average = 1.0)

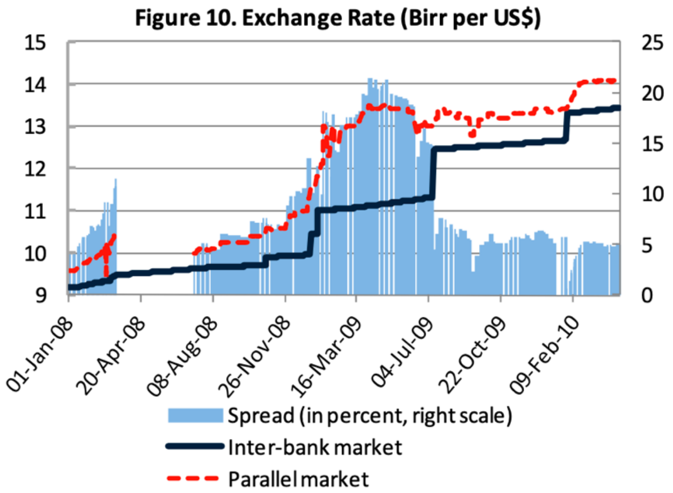


Source: Minten et al, 2014

As documented above, this issue became even more critical in 2007/08 and 2008/09, with the twin shocks of higher import and lower coffee prices. The slumping coffee prices heightened the divergence of interests between exporters and the government: the former were incentivized to stock as much coffee as could be with a view to sell when prices would rebound, whereas the latter needed forex to flow with increased urgency. The exporters were also holding onto stocks on the basis of rumours that the government would devaluate the birr in response to the adverse terms of trade, thereby making coffee exports more profitable (Rashid, Winter-Nelson and Garcia, 2010; Minten *et al.*, 2014). The rumours, and exporters' behaviour, were founded (Figure 41) but exacerbated the pressure on forex in the short term.

[219] One manifestation of this was through random checks carried out by the government on exporters' stocks every second month to make sure they were not hoarding (Int.13).

Figure 41. Exchange rate in Ethiopia, January 2008 to February 2010

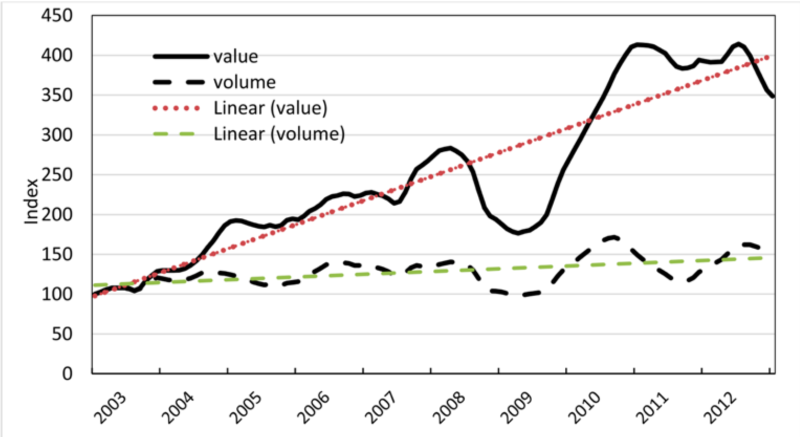


Source: IMF, 2010

In January 2009, the Prime Minister convened a meeting with coffee exporters and other representatives of the industry, including the ECX management (Int.4). Tapping into the newly found statistical power of the Exchange, he and Eleni Gabre-Madhin detailed the number of bags still in the ECX warehouses: 109 000. Besides, 10 000 bags scheduled for export had gone missing (Brinkerhoff, 2016). Meles Zenawi, in his typical fashion, then proceeded to use the stick and the carrot: he famously threatened to ''cut the hands'' of exporters who would be hoarding, following with a developmentalist harangue on the importance of coffee for the nation, to build "hospital and roads" (Brinkerhoff, 2016, pp.14-15).

Yet the message did not go through. In March, exporters had still sold only 28% of the stocks they had purchased through ECX (Wikileaks, 2009). The government turned the pressure up. After two warning shots on 10 and 19 March, the MoARD and Ministry of Trade and Industry suspended the trading licenses and seized stocks of 94 exporters, including top export earners, such as Mulege Private Limited Company, Kemal Abdela, Legese Sherefa, Sara, Seid Yasin and Ersede, who accounted for more than 70% of total export value (Wikileaks, 2009). The government proved its allegations using data from the NBE and the Ethiopian Revenue and Customs Authority – that had been established the year before to improve tax and revenue collection (Yared Berhe, 2010; Mascagni, 2018). They also demonstrated that the coffee was over a year old, using a quality assessement from the CLU. The EGTE sold the stocks on behalf of government, bringing some temporarily relief to the balance of payment (Int.11). Paradoxically, this episode disrupted coffee exports significantly, thus backfiring from an economic perspective (Figure 42). Politically however, the ruling coalition had effectively used the ECX regulatory and statistical apparatus to discipline unruly exporters (Int.10, Int.24).

Figure 42. Trends in real value and quantities of coffee exports from Ethiopia, 2003 to 2012 (Jan. 2003=100; 12-month moving average)



Source: Minten et al, 2014

6.5.5 The forgotten beneficiaries: coffee farmers

Although the ECX Proclamation purported to be in the interest of coffee farmers, neither the ECX nor the government established baseline indicators on their livelihoods before introducing coffee to the ECX (Renkow and Slade, 2013; Rashid, 2015). Furthermore, it not possible to identify any comprehensive study conducted by any other organization on the impact of the ECX reform on coffee farmer livelihoods. In the absence of a baseline, and even of a comprehensive survey of coffee farmers predating the ECX, such a study may have proven an elusive target.

Conversely, several studies document the effect of the ECX reform on coffee prices, which the ECX claimed as the pathway to improving producers' livelihoods. A recent paper suggests that Ethiopian coffee producers earn 60% of the coffee export value (Minten *et al.*, 2019), compared to an estimated share of 59% just prior to the introduction of the ECX (Tadesse Kuma Worako *et al.*, 2008). This implies that the export price pass-through to producers has neither improved nor worsened following the reform.[220] Three other studies conclude, respectively, that the "ECX has had limited impact in altering Ethiopia's coffee price dynamics" (Hernandez *et al.*, 2017, p.702), that its impact in "improving performance of markets in transmitting prices was quite limited" (Fekadu Gelaw, Speelman & van Huylenbroeck, 2017, p.99) and that "difference in farmers" share of coffee prices before and after the establishment of the ECX are not statistically significant" (Rashid, 2015, p.19).

These studies were all published at least 7 years after the ECX had begun marketing coffee. Nevertheless, much before this, the Exchange management claimed success for the Exchange in the form of higher farm-gate prices for coffee farmers, which had been framed as the main objective of the ECX in the retroframing exercise presented above. For instance, Eleni Gabre-Madhin provided on multiple occasions the narrative of farm-gate prices going from a range of 38% of the Freight on Board (FOB) export price before the ECX to 70% after

[220] Caution needs to be exercised in interpreting these numbers, however, due to volatile international coffee price resulting in fluctuating Ethiopian farmer shares of export price over the years.

it was introduced (Eleni Zaude Gabre-Madhin, 2013, 2014). This is not based in any published evidence – for instance, Eleni Gabre-Madhin herself provided a figure of 56,59% of FOB price share for coffee farmers in the *Getting Markets Right* report produced before the ECX reform (Eleni Zaude Gabre-Madhin *et al.*, 2003, p.87).

In addition, there is no doubt higher coffee prices are a good thing for coffee farming households, but the extent to which it would improve their livelihoods is worth interrogating. Ethiopian coffee farming households derive no more than 30% to 50%, on average, of their total farm income from the sale of coffee (Hutz-Adams, 2020). In a deep analysis of coffee farming systems in Kaffa and Jimma, El Ouaamari (2013) finds strong variance in the coffee share of total farm value added in coffee producing households, depending on the farming system and production region. For instance, when considering the value of non-marketed food produced by less specialized households in Kaffa, coffee accounts for 5% to 16% of total farm value added. Furthermore, the value added derived from coffee varies from a factor of 1 to 6.8 between sample households.

As such, a modest price increase for coffee may bring significantly different windfalls for coffee smallholders, depending on the volume of coffee they produce and the share of their income it represents. The average coffee family income in Ethiopia has been well below the poverty line for the whole period before and after the ECX reform – except for a peak in 2011 when global coffee prices rose significantly (BASIC, 2019). While some cooperative members may have reaped limited gains from the reform, income levels and access to benefits within the cooperatives were highly unequal (Cramer *et al.*, 2014): up to 86% of their members live below the poverty line, according to (Jena et al., 2012).[221] Looking at the higher-quality certified coffee segment, Minten et al. (2015) calculate that even if cooperatives were to fully pass price premiums for VSS coffee to certified smallholders, their annual income would be 22 USD higher than that of other farmers.

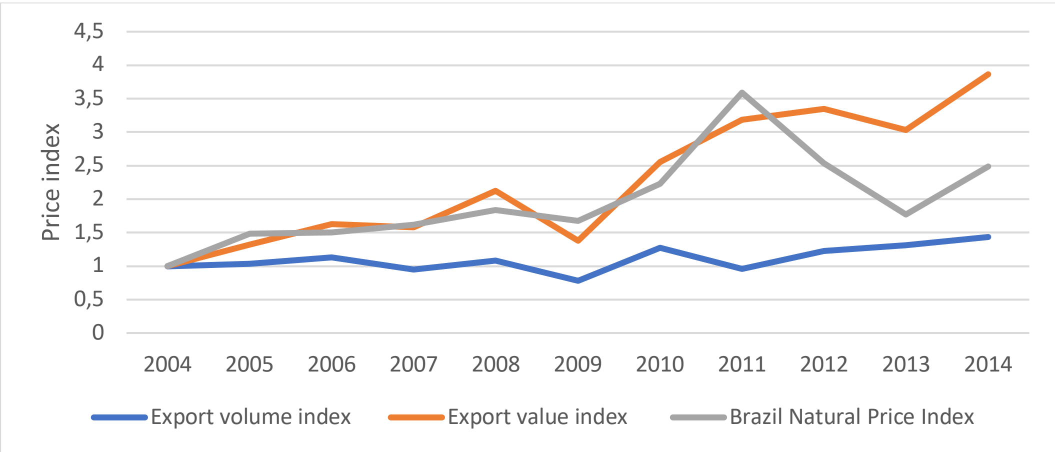
To significantly increase income gains from higher coffee prices, smallholder farmers need to either plant more coffee trees on the limited area they manage or input more labour to produce and pick higher quality cherries. This comes with opportunity costs in terms of food production and wage or non-wage labour on other farmers' land (El Ouaamari, 2013). In short, farmers would need to specialize more in coffee production, with the risk of being more dependent from the delayed monetary inflow[222] that comes with coffee production to ensure their livelihoods. The specialisation may prove problematic when coffee prices ineluctably fall, or food price inflation ramps up. The alternative is to increase the productivity of either/and their labour and coffee trees. This requires increased knowledge provided through extension services and public research on high-yielding varieties as well as pest and disease control. These policy areas, although they are critical, fall outside the reform scope of the ECX. Finally, many coffee families are ultimately limited by the size of the land they manage (Cramer & Sender, 2017). Their chances for improved livelihoods, and especially those of their children, may depend more on the development of non-coffee sectors such as rural health, education and energy, as well as higher wages for off-farm employment.

[221] Out of a sample of 249.

[222] El Ouaamari (2013) shows that coffee producing families may prefer the immediate cash they earn from labour on richer farmers' land to the delayed payment that comes with coffee harvest. This is exacerbated when they sell to cooperatives that tend to offer less immediate payment than traders.

In the absence of any livelihood evaluation indicators, the ECX management floated the figures on farmers' share of FOB price mentioned above and focused the ECX impact narrative around the financial value of trade going through the Exchange,[223] and the increase in coffee export values following the ECX reform (Int.14, Int.19, Int.21). The first argument, while certainly based in robust ECX data, is rendered moot when considering that the government forced the near entirety of coffee and sesame trade through the Exchange. A rigorous evaluation would have compared, instead, the value of Ethiopian coffee and sesame trade before and after the ECX, controlling for confounding variables. This would have been possible at least for coffee, using pre-ECX auction data – yet no baseline indicators seem to have been developed and/or publicized on these aspects either. The second argument should consider the fact that global coffee prices went on the rise at around the same time as the ECX began operations. This provided formidable tail winds to the Exchange and shored up export values. Export volumes, on the other hand, grew at a much slower pace (Figure 43).

Figure 43. Brazil natural coffee, export volume and values price index, base year 2004, 2004-2014



Source: Author from (ICO, 2020) for Brazilian Naturals price and (FAO, 2020) for unit export volumes and values

6.6 Conclusion

Although the ECX was presented by donors, governments and the ECX team as an evidence-driven reform, there is a paradoxical dearth of evaluation evidence on its stated objective for the coffee sector, namely, to improve the livelihoods of coffee farmers. In particular, the ECX team did not create a baseline to evaluate the impact of the reform and did not publish any study attempting to do so. One reason for this may be that the other objectives of the ECX, that had to do with the political economy of the sector (e.g., breaking the cartel of traditional exporters) and the maximizing of control over and flows of foreign exchange, were of higher importance to the government. The sheer complexity of rushing the creation of the ECX and the overnight absorption of the coffee marketing system by the new-born institution can also explain why this was left aside.

[223] For instance, Eleni Gabre-Madhin claimed that the ECX had been trading over 5 billion dollars' worth of commodities in the first 5 years (Eleni Zaude Gabre-Madhin, 2014).

The evidence available to evaluate the ECX in the early years of its implementation was produced outside of the organization and largely focused on the impact the Exchange had on prices. This is attributable to the framing of the Exchange reform, as an institution that would improve farm-gate prices, and the novel price data made available through the ECX, for researchers who were able to obtain it. This stream of evidence points to the failure of the ECX to achieve most of its objectives in the early years of its existence.

Chapter 7. Concluding remarks

A first set of concluding remarks summarize the findings linked to the central research question: “What type of and whose evidence have influenced coffee policy in Ethiopia, if at all, and why?”. The remarks go over the political settlement drivers for coffee policy, before addressing how evidence shaped the policy within these parameters. A second set covers three hypotheses related to the political settlement framework that structures the dissertation.

7.1 The political economy of coffee policy and the role of evidence

7.1.1 The coffee sector has been a major source of rents in Ethiopia since the Haile Selassie era

Coffee has been a source of rents in the strictest sense, that is an opportunity to “earn an income higher than the minimum a person would have accepted” (Khan, 2000). Five sources of rents can be singled out:

i. Capital accumulation at the production level. This form of rent was prevalent during the Haile Selassie era, when land in the Southern coffee producing regions was commodified and privatized by the imperial regime. With global coffee prices hitting record heights, and other sources of monetized wealth (elephants, slaves) becoming unavailable, this opened the door for coffee land capital accumulation strategies by settlers, civil servants and nobles affiliated with the imperial regime. High-level imperial elites, in particular, were granted vast tracts of coffee land by the emperor in a bid to co-opt them. The land was not *terra nullius*, and the process often involved transforming local dwellers into tenants forced to work the land for the new absentee landowners. These landowners often sought to turn the land into low input-low output plantations but registered moderate success due to the technological and wage labour availability constraints. From 1955, tumbling coffee prices and disillusionment with the plantation model drove the agro-capitalist class away from coffee. The 1975 land reform, under the Derg, brought all coffee land under state ownership and put an end to this form of rent until the mid-2000s, when the EPRDF opened up large-scale investments in agriculture. This revived coffee land capital accumulation strategies, especially from export-oriented investors affiliated with the EPRDF, who sought to earn scarce foreign exchange through vertically integrated coffee farms-to-export. Specialist coffee exporters also seized the opportunity to consolidate their supply sources for traceable coffee by investing in the production stage.

ii. Capital accumulation at the trade level. The trading of coffee beans constitutes the main source of monetized value in the sector. Two types of players stand out: first, the *akrabies*, a constituency of around 1000 rural traders who aggregate cherries and process them into beans. Second, around 50-200 exporters, who buy the beans off the *akrabies* and sell them to importers. During the early years of the Haile Selassie era, traders were in a position of relative strength as they could use the asymmetry of information on the quality of the coffee they were selling, and play exporters against each other, to sell at the highest price and earn a rent. This changed briefly when the National Coffee Board introduced an auction, in 1972, which created a single transactional space, allowing exporters to collude into a cartel and set their price, seizing the better part of the trading rent. In 1974, the advent of the Derg upended this. The public Ethiopian Coffee Marketing Corporation became the sole buyer of washed coffee and got prioritized access to quality dried coffee at the farmer and auction levels. The

Derg absorbed most of the trading rent: the ECMC handled 66% of the dried coffee and all the washed coffee in the mid-80s. This brought *akrabies* and exporters to their knees, but they were revitalized when the EPRDF disengaged the state from coffee marketing in the early 1990s. Exporters regained their hold on the trading sector through their control of the auction. The ECX reform, in 2007, reshuffled the cards once again. It anonymized and made transactions more transparent, making it more difficult to collude and set rent-seeking prices. New sources of rents emerged, however. Some ECX agents involved in grading the beans in regional warehouses colluded with *akrabies* or exporters to over- or under-grade the coffee. Given the limited space available in the ECX auction floor, brokers, who represented multiple traders, were able to charge extortionate fees to the traders. The anonymization also led to a loss of comparative advantage for specialist exporters, who relied on asymmetry of information on coffee lot provenance to edge competitors. This allowed the entry of new "generalist" exporters. Thanks to Ethiopia's overvalued exchange rate maintained through forex access restrictions, there was a premium on forex earnings, and those new exporters used coffee trade to earn forex and import goods (e.g., cars) they could sell at inflated prices. This put them in a position to outcompete specialist coffee exporters with bidding prices above export parity, effectively transferring part of their rent to the traders. Finally, the government granted coffee cooperatives and large farms an exclusive right on trading outside of the ECX. This constituted a rent since traceable coffee sold at a premium. The rent was dissipated in 2017, when the government re-allowed direct trade outside the Exchange for akrabies and exporters.

iii. Tax revenue. Coffee was an essential source of tax revenue to fund the Ethiopian state building during the Imperial era. The main contribution has been through direct taxation of coffee exports at the Customs. Under Haile Selassie, coffee accounted for three quarters of export tax revenue, and this revenue itself amounted to 9% of total state revenue. These proportions remained roughly the same under the Derg. However, the government earned significant additional revenue by having public companies pay below-market prices to state farm wage workers and coffee farmers and retaining 90 to 100% of the companies' profit. The EPRDF let go of this rent by disengaging the state from production and marketing. The ruling coalition maintained the export tax on coffee in its early years, but its share of total government revenue dropped to 1.5% due to lower prices and increased diversification of the tax base. It was discarded in 2002. As Ethiopia's main exported good, coffee also contributed indirectly by earning foreign exchange that increased the volume of imports, also taxed at the border under each regime.

iv. Foreign exchange. Since the 1950s, coffee has been Ethiopia's main exported good. During the Haile Selassie era, it represented over half of total merchandise exports. This dependency increased under the Derg, with the government losing control of the export crops in the Northern part of the territory (sesame, pulses) – coffee accounted for close to 65% of exported goods during the period. The EPRDF implemented an aggressive policy of export diversification, and the share dropped to 36% - still very significant. Given Ethiopia's limited capacity for producing manufactured goods, capital equipment and armaments, this means that the coffee sector has been central to the political, economic and military projects of successive ruling coalitions.

v. Aid mobilization. Successive ruling coalitions used the coffee sector to mobilize significant donor funding. Under Haile Selassie, coffee was a central component of the US' first technical assistance programme in Ethiopia through the Point Four programme. It was also an important component of FAO and the IBRD's portfolio, through technical assistance and loans to coffee producers, respectively. Under the Derg, the European Union funded the Coffee Improvement Project – 17 million USD in the first phase, and 21 million in the second phase. The World Bank invested another 6.3 million USD in the Coffee Processing Project in 1972. The Ethiopia Commodity Exchange, which was initially a grain market project but rapidly pivoted to coffee, raised at least 29 million USD from donors upon its creation.

In addition, two "latent" rents associated to the coffee sector can be mentioned:

vi. Spatial reconfiguration. The overwhelming majority of coffee production areas are in the Southern parts of Ethiopia, nested West and South of the Addis Ababa capital established by Menelik to anchor the centre of imperial power in his Shewan fiefdom and away from his Tigray challengers. Haile Selassie and the Derg seized this spatial advantage to wrestle further economic and political power away from rival Northern factions of Ethiopia – dominated by the Tigray nobility and the TPLF/EPLF, respectively. Haile Selassie, in particular, accelerated the development of the Addis-Ababa to Djibouti rail line and the building of "coffee roads" that facilitated outflows of beans from these regions to Addis Ababa, and then East for their export. This contributed to flip the trade axis of Ethiopia from North-South to West-East, depriving Northern elites from the rents associated with trade.

vii. Diplomatic resource. Coffee has long been a commodity of global interest, being heavily processed and consumed in the US, Europe, the former USSR and East Asia; and produced across Latin America, Africa and Southeast Asia. A significant share of that coffee is of the *arabica* species, which very likely originates from Ethiopia's forests. Coffee farmers across the world grow "standardized" arabica plants that have similar genetic signatures, but Ethiopia is the only place in the world where wild and semi-wild *arabica* trees grow in abundance, showing a highly diversified gene pool. Private and public organizations across the world have been interested in this unique diversity to look for varieties that can adapt to different geo-climatic conditions and diseases, especially coffee rust. This is supplemented by the strong brand appeal of Ethiopian specialty coffees, stemming from the imaginaries they evoke, rooted in Ethiopia's coffee drinking culture, landscapes and unique "wild coffee forests".

7.1.2 Coffee rents have been at the heart of Ethiopia's successive political settlements

All ruling elites, since Haile Selassie, have relied on coffee rents to pursue three fundamental political settlement objectives:

i. State-building. Coffee rents have been co-constitutive of Ethiopian state development since the imperial era. The foreign exchange and tax revenue have funded the expansion of the soft and hard state: an ever-growing web of Weberian bureaucracy and public infrastructure in transport, communication, health, and education. There has been a self-reinforcing element in the process, with each ruling coalition re-investing part of the coffee rents in the sector to increase their coffee taxation and control capacity. The building of coffee roads also contributed to territorial projection of the Ethiopian state.

In addition, coffee rents were fundamental to secure the monopoly of violence. Tax revenue contributed to pay and feed the ballooning police and military force, especially during the Haile

Selassie era, when the tax base was very narrow. More importantly, coffee foreign exchange was vital for Haile Selassie, the Derg and the EPRDF to import the armament necessary to prevail over opposing internal and foreign factions.

ii. Settlement stabilisation and control. Coffee was also used to pacify and rule over the political settlement. Haile Selassie commodified and distributed valuable coffee land to co-opt aristocratic elites that could have challenged the Palace. Decades later, Meles Zenawi's EPRDF opened coffee lands for private investment in a bid to accelerate Ethiopia's agricultural transformation. Coffee foreign exchange has also been important to allow the importation of capital, manufactured goods and food for the ever-growing urbanite class that has come to occupy a central role in each of Ethiopia's political settlement from the 1960s.

iii. Diplomacy. Ruling coalitions used coffee's "diplomatic rent" to legitimate the Ethiopian state vis-à-vis bilateral and multilateral partners. Haile Selassie, and later the EPRDF, benefited from the US interest in Ethiopian coffee's unique attributes to foster research collaboration that formed part of more comprehensive relationship centred on the critical military support it could provide. From the Derg era, the government also mobilized valuable foreign aid through the Coffee Improvement Project, the Coffee Processing Project and the Ethiopian Commodity Exchange reform.

7.1.3 Ruling elites have prioritized "zero-sum" policies that maximized short to medium-term capture of the coffee rents rather than growing them through higher production volume and value

The driving force behind most of the major coffee policies adopted by successive ruling coalitions has been to make coffee beans an optimal extraction material for tax revenue and foreign exchange. This policy stance can be broken down into four connected streams:

i. Safeguarding the productive base. Under the early years of coffee policy, in the 1950s, the imperial government landed elites – together with FAO and US partners - contemplated a plantation model for Ethiopia. This was associated with the development of an embryonic productivity-oriented policy apparatus, including public research and extension on agronomy and breeding. This endeavour was soon abandoned when global coffee prices dropped and most of the large capital moved to other sectors: when it came to the productive base, the priority for ruling elites became to safeguard, rather than expand it.

This approach was cemented during the late Imperial and early Derg years, as the Coffee Berry Disease epidemic brought the real threat of production collapse, mustering whatever little research and extension capacity had been cobbled together to develop disease-resistant species, regardless of their productivity or economic benefit to the farmer. The Derg did launch state farms and target-based, campaign-style coffee production development projects – given their poor design and results, they can be considered as more of a demonstration of state and donor practice than an actual policy aimed at bolstering production. The emphasis was, and remained, placed on the distribution of disease-resistant varieties through the national research and extension system.

Producers' revenues – central to any policy effort to increase productive investment and production volume – were never at the heart of coffee policy. At worst, the Derg practiced indirect farmer taxation through farm-gate price manipulation, at best the imperial and EPRDF regime left international market price fluctuations drive farm-level revenues without investing significant resources to increase productivity or price pass-through. This remained true under the ECX reform, which focused on formalizing and reducing transaction costs in market transactions between traders and exporters. A policy that would allow farmers to sell their coffee on the domestic market, which would arguably increase their incomes, was always disregarded in light of other rent-safeguarding objectives.

ii. Formalizing and segmenting of the market. The first national coffee policy priority, with the National Coffee Board, was to formalize and segment a coffee market for easier rent capture. The formalization of the market encouraged the commodification of coffee cherries and beans, facilitating taxation and foreign exchange retention. This was predicated on the establishment of a licensing system (one state-given license for each role in the coffee sector), grading system, and the creation of state-controlled physical marketing spaces (roads, rail, warehouses, regional trade and auction centres, cleaning infrastructure), that delineated traceable transactional roles across the coffee economy. The segmentation of the market, through role separation (e.g. traders cannot be producers), prevented capital consolidation from the exporters – so-called vertical integration. The segmentation was accelerated under the ECX creation, through the anonymization of the trader-exporter transaction that led to a delinking of those two trading constituencies, before being re-encouraged following the 2017 reforms.

Market formalization policies also aimed at guaranteeing a constant flow of bare-minimum tradeable quality for Ethiopian coffee through simple grading and inspection. The government never invested significantly into quality increase beyond that threshold, while the private sector was not incentivized to do so due to lack of possibility to vertically integrate. One exception is the slow-paced but constant progress of cooperatives washed coffee production, kickstarted through decades of moderately successful investments by the World Bank under the Coffee Processing Projects.

iii. Controlling and monitoring the market. The Imperial government, encouraged by the International Coffee Organization data requirements, laid out a basic state statistical apparatus to monitor coffee flows. The Derg pursued this effort, with a view to identify leakage sources, and anomalies in coffee flows such as shortfalls in coffee arrivals at Addis Ababa. The government multiplied contact points with the coffee bean market to collect data on arrival and export prices, volumes, values and trading companies.

The EPRDF disengaged from direct participation of parastatal companies in coffee marketing, which heightened the importance of building up state capacity in monitoring the flow of coffee rents. Under Meles Zenawi, the ECX was a key reform towards this "coffee panopticon" – for example the Prime Minister made use of its newfound power in 2009, using ECX data to blame exporters and traders for their hoarding practices. The government perpetually under-produced and under-used data on production, meanwhile, given its lack of relevance to the rent-capture policy orientation that it pursued.

iv. Taxing and retaining foreign exchange. The imperial regime set up a system of taxes on coffee export that were important, albeit not foundational, to the emperor's state Building project. The Derg regime, ever under fiscal duress due to permanent war and contracting productive base, took coffee taxation to its extreme by having parastatal companies paying farmers well below export parity price – on top of the export taxes inherited from the Imperial era. Another form of taxation of the coffee economy took place through the underpayment of labour workers on state farms. Under the EPRDF, coffee taxation became more secondary as the economy diversified. In 2002, price management and export taxation policies were scrapped.

Foreign exchange forecasting and retention, on the other hand, remained the utmost coffee policy priority throughout the decades. From the Imperial regime days, the National Coffee Board established a close relationship with Customs and the National Bank of Ethiopia to track coffee export contracts, transactions, and their associated foreign exchange earnings that had to be repatriated with national banks. The Derg was involved in coffee exporting through its parastatal companies, ensuring direct control on the foreign exchange. The EPRDF disengaged, but followed and tightened the approach of the Haile Selassie regime of keeping a close watch on coffee foreign exchange earnings.

7.1.3 The neglect of a rent-maximization strategy based on production growth can be explained by three factors: low economic return, low political return, and technical complexity

The focus of successive ruling coalitions on market formalization, control and taxation, follows from their coffee rent-capture strategy – that is, maximizing the capture of tradeable coffee already being produced. Contrary to some other coffee economies, none of the ruling coalitions chose to push an extensive or intensive increase in coffee production. Three factors explain this:

(i) Low economic return: limited production rents to be obtained at scale for ruling elites

From the imperial era, there were high transaction costs to set up large-volume coffee plantations in Ethiopia compared to other plantation economies. These costs included the diverse genetic pool of coffee trees yielding variable outputs, low labour availability, the high transportation costs within Ethiopia and the low quality of coffee produced at the time when compared to neighbours like Kenya and Tanzania. Except during periods of exceptionally high prices, like the mid-1950s, coffee production was not highly profitable under the low-input absentee landlord model sought by the aristocratic elite.

The Derg seized the land, chased away domestic and foreign capital and taxed farmers, doubling down on coffee rent capture over a strategy of encouraging production growth. The EPRDF liberalized the sector, but retained state ownership of the land, while keeping constraints on possibilities of vertical integration, meaning traders or exporters could not aggregate land, nor invest in washing stations or nucleus farms. This continued to constrain rent-making opportunities for ruling elites in the production sphere, except through some loopholes. These included the possibility for cooperatives to bypass ECX, that provided their members with a premium rent on traceable coffee their farmers produced.

(ii) Low political return: coffee producing constituencies do not weigh enough in the political settlement

Given the constraints raised above, there has never been a meaningful coffee production political constituency in Ethiopia that could inflect rent distribution towards the productive sphere. The millions of smallholder farmers have limited collective action or disruption capacity to represent their interests. Coffee cooperatives and unions developed under the Derg as extensions of the state and remained closely associated to the government under the EPRDF. Local politicians in the Oromo and SNNPR coffee growing areas, that might stand to benefit from production volume and value increase, have also been historically subordinated to the highly centralized settlements dominated by Addis Ababa. Under Meles Zenawi, the EPRDF did invest more than previous coalitions into agricultural production, but it focused on improving staple crops productivity and marketing – with the initial grain ECX, for instance – which was seen as a higher priority to ensure support of rural constituencies given the food security stakes it came with.

(iii) Complexity: the characteristics of Ethiopia's coffee production systems make it technically complex to foster productivity and production growth through public policy

Coffee is scattered across several production systems and is produced on a small-scale as part of a diversified crop pattern by millions of smallholder farmers, with limited to no investment capital, dealing with a very diverse genetic pool of trees that respond differently to production technologies. There is limited scope for large-scale productivity growth without aggregation, which has not been an option since the land reform.

The quality of the dried cherry is also difficult to observe for traders, especially as they purchase an aggregate of dried cherries from multiple farming households, further discouraging a system that rewards quality at scale for dried cherries.

The option pursued half-heartedly by the government for decades – initially under the World Bank Coffee Processing Projects – has thus been to maximize production of washed coffee with observable red cherry quality that can be outsourced to nucleus farmers. Another option is to promote the production of high-value specialty coffee with dried cherries, that are quality-controlled from farm to export by established exporters.

7.1.4 Within these parameters, evidence has had some role in shaping rent capture coffee policies as a design, monitoring and diplomatic instrument

Coffee rents have been at the heart of the political settlement, and successive ruling coalitions have adopted coffee policies aimed at maximizing capture of those rents. This political economy configuration has set out the parameters within which evidence was produced and use into coffee policy. Three evidence-policy pathways are identified:

(i) Policy design

Production policies: little influence of evidence into policy design

In the early days of coffee capital accumulation by the landed aristocratic elite, the Imperial government had a benevolent attitude towards the generation of evidence on the production sphere of coffee. From 1951, Haile Selassie allowed Point Four and FAO project experts to set up an embryonic coffee public research system, centred on agronomy and breeding. The researchers, plantation managers and landowners, who were also policymakers within the imperial elite, had frequent interactions in a close-knit ecosystem.

During the Derg, the ecosystem morphed into two separate spheres, with the knowledge sphere focused on production (agronomy and breeding), encapsulated into donor-funded projects (CIP, CPP) and disconnected from or subordinated to the policy sphere (marketing control for surplus extraction). The political objective of collectivization, for instance, permeated into CIP activities: against the project objectives, only members of farmer cooperatives were provided with extension services and technology packages.

Evidence was however instrumental in the design of a policy response to the CBD epidemic crisis. This was tied to the political priority of safeguarding the production base – so FAO and Ethiopian researchers at JARC were given room to come up with an effective solution, which they did albeit against other objectives of yield or quality maximization.

Under the EPRDF era, policy focus turned to governance and market reform once again. Paradoxically, the research system remained geared towards an abundant production of evidence on coffee agronomy and genetics, without leading to any large-scale coffee agronomy and extension policy, however.

Marketing policies: some influence of evidence into policy design

The imperial government used evidence to design the policies that laid the ground for coffee market formalization and control. For instance, it mobilized the expertise of FAO to develop a blueprint for the National Coffee Board, the coffee grading and licensing system, as well as the auction centres.

During the Derg era, there is no record of evidence being produced or used to inform the surplus extraction policies enforced by the parastatal companies – on the contrary, the little evidence gathered in the form of CPP and CIP project evaluation documents, or even the Soviet advisers' evaluation of Derg policy, systematically goes against those reforms.

There was however a resurgence of evidence production and use for coffee marketing policy during the late 1990s, under the twin influence of Meles Zenawi and Newai Gebre-ab. This is encapsulated in the reports on coffee that Newai Gebre-ab commissioned from Harvard, and then from the World Bank and IFPRI's ESSP programme. The latter programme, led by Eleni Gabre-Madhin, had a major influence on the design of the Ethiopian Commodity Exchange, although as demonstrated, not on how it would come to absorb and run the coffee marketing system.

A series of studies by IFPRI-ESSP between 2012 and 2017, as well as a report funded by the European Union in 2014, were also influential in the government's decision to amend the coffee marketing system in 2017, allowing trading outside the ECX for small farmers and non-cooperative members.

(ii) Policy monitoring

Successive governments set out and expanded a statistical apparatus to count coffee beans' volume and values, flowing through time and space across Ethiopia's coffee marketing system. This data, in turn, was used to assess whether players were following the rules: selling their coffee on the formal market, at the appropriate tradeable quality, to the designated agents and through the sanctioned transaction spaces and periods of time. This is illustrated again by Meles Zenawi making use of data on the number of bags in ECX warehouses to chastise the exporters for their speculative behaviour. Another use of this monitoring data has been to forecast foreign exchange earnings, which have historically rested heavily on coffee exports. This is an important source of information considering the time-sensitive needs for capital and weaponry imports of successive coalitions.

(iii) Diplomacy and resource mobilization

Haile Selassie actively promoted scientific cooperation on coffee to build bridges with bilateral and multilateral organizations at a time of personal standing consolidation and Ethiopia state building. This marked a golden era for Ethiopian global coffee cooperation, with the FAO and Point Four setting up the Jimma Agricultural Technical School/Jimma Agricultural Research Centre, and several missions from US, FAO, French researchers visiting the coffee centre and coffee production areas to study and collect genetic material, which remains used globally to that day. This cooperation did not happen at the research level, however, as Ethiopia barely had any of its own capacity.

With the Derg seizing of power, this dynamic changed. On one hand, the research system in Ethiopia got gradually more national, with capacity slowly building up after two decades of US and FAO leadership. On the other hand, Mengistu was less interested than Haile Selassie in a "soft power" strategy for earning domestic and global legitimacy. The US, also, became more disinterested in Ethiopia, both for geostrategic and ideological reasons. The coffee scientific diplomacy turned into more of a coffee resource mobilization approach: the Derg and donors (the World Bank, the European Union) worked together through the Coffee Improvement and Coffee Processing projects, that provided an opportunity to fund research and extension activities for the Ministry of Coffee, while unleashing some funds for the donors.

The EPRDF adopted a hybrid coffee research diplomacy/resource mobilization approach. It fostered a genuinely positive environment for coffee economic research production and use under the leadership of Newai Gebre-ab. However, IFPRI-ESSP and other partners ultimately produced a small number of outputs on coffee, with limited linkages with the ECX reform – most of the impetus being on the marketing of staple crops. Meanwhile, the government and Eleni Gabre-Madhin were astute in using the scientific legitimacy provided by these research programmes to mobilize outsized financial and reputational resources for the Ethiopia Commodity Exchange.

7.1.5 The main providers of evidence were US-dominated organizations and individuals, because of mutual geopolitical interests, soft power and path dependency

Much of the evidence on coffee under the imperial regime was produced by US-dominated organizations: Point Four (which would become USAID), the IBRD (World Bank) and the FAO (led by an American Director General). This is reflective of the political settlement dynamics of the time. On one hand, following his return to power in 1941, Haile Selassie had turned to the US to push back against British colonial ambitions, provide military equipment and training, and raise investment funds for his aristocratic-capitalist projects. On the other hand, Ethiopia was identified by the US, as soon as the early 1950s, as a strategic ally to contain the spread of communism and keep the volatile Nasser in check. Ethiopia also had an important military radio base in Kagnew, close to the equator and high above sea level, which they could lend to the US.

Within that propitious framework, Ethiopian coffee offered an opportunity for Point Four, the IBRD and FAO to demonstrate their value on a research topic that held a scientific and economic interest for their constituencies. Indeed, Ethiopia was harbouring an untapped coffee genetic pool at a time when coffee rust was threatening the industry in the Americas, which was grounded on the narrow and vulnerable gene pool of monoculture coffee plantations.

The US-Ethiopia geopolitical mutual interest waned under the Derg, but path dependency led to a continuous strong involvement of the FAO and the World Bank, with the addition of newcomer European Union, and a larger role for the growing cohort of national researchers. Much of the evidence at the time was produced under the FAO-run research programme on CBD and the World Bank CPP project, with also significant – if largely unsuccessful – agronomic research contributions from the CIP project. Production and use of evidence on coffee policy all but died down, except through project evaluation reports.

The EPRDF reignited coffee policy research. Again, path dependency was strong as Meles Zenawi and Newai Gebre-ab turned to US-based IFPRI and the World Bank to lead the way. This was also a reflection of the political economy dynamics under the EPRDF. Meles Zenawi needed to cultivate a solid relationship with the Washington organizations capable of funding his developmental projects. This rested, in part, on projecting the image of an enlightened ruler, open to the liberal ideas permeating the research of institutions like IFPRI. This also revealed, however, the organization’s soft power, as both Meles Zenawi and Newai Gebre-ab appreciated the works of IFPRI pioneer John Mellor on agricultural transformation, which was their chief preoccupation of the time.

7.1.6 Foreign advisers and ideas played an important role in shaping Ethiopian coffee policy

Going beyond macro political settlement drivers, a series of influential policy entrepreneurs stand out as having had a significant presence in Ethiopian coffee policy formulation. In the early 1950s, Sylvain, the first FAO agricultural policy adviser in Ethiopia, produced landmark policy reports to inform coffee marketing reforms. His successors, including Lejeune and McLean, had some degree of influence as well, especially the latter, who drew up advanced blueprints for an Ethiopian coffee auction. In the early 1970s, the FAO’s Robinson led the breeding programme that safeguarded Ethiopian coffee from the CBD. Decades later, Eleni Gabre-Madhin was the mastermind behind the creation of the Ethiopia Commodity Exchange.

These policy entrepreneurs share attributes of high and recognized technical competency, clarify of purpose and embeddedness into the domestic policy and political processes through their prolonged country presence and proximity to power. They framed coffee policy problems in simple terms, offered unambiguous and actionable solutions. In the case of Sylvain and Eleni Gabre-Madhin, they could showcase examples of the reforms having been adopted in other environments.

These advisers were all foreign except for Eleni Gabre-Madhin[224], showing that, despite the highly nationalistic discourse that has surrounded coffee policy in Ethiopia, successive governments were open to outside expertise. In addition, advisers themselves frequently drew inspiration from policy reforms developed outside of Ethiopia. For instance, Sylvain recommended a Brazil-style grading scheme, a Board and an auction inspired by the Tanganyika and Kenya systems. The Point Four advisers replicated the Oklahoma Agricultural and Mechanical college university system when creating the Jimma Agricultural Technical School, that would become the coffee-centred Jimma Agricultural Research Centre (JARC). When CBD hit, the JARC initially mobilized expertise on spraying and breeding tactics from Kenya, before turning to Robinson's horizontal resistance method. Under the EPRDF, Eleni Gabre-Madhin drew inspiration from Commodity Exchange models from South Africa, Zimbabwe, Malawi, India and China to inform the ECX reform.

7.1.7 Contingency matters: political economy is not the only game in town

This research shows that unpredictable factors, entirely out of control of the political settlement players, contributed to critically alter the course of Ethiopian coffee policy, evidence use and supply over the decades.

The first factor is the movement of global coffee prices. At a macro level, coffee price dynamics boosted or dampened economic and even military survival prospects of successive ruling coalitions. The fluctuations also narrowed or broadened the time horizon for coffee rent capture, changing government appetite for policy experimentation, and shored up or undermined the perceived value of policy reforms, including the National Coffee Board, the Derg state-run coffee marketing policy, and the Ethiopia Commodity Exchange.

A second factor is the role of unforeseen shocks acting as focusing policy events. The Coffee Berry Disease shocked the Imperial and Derg governments into action, unleashing an effective research programme of work that might not have seen the light of day otherwise. Likewise, the 2002 food crisis shocked the EPRDF into looking for market-based solutions to food insecurity, paving the way for the Ethiopian Commodity Exchange reform.

7.2 Political settlement hypotheses

Three political settlement hypotheses were discussed in the methodology section and are addressed below.

[224] However, she had grown and lived outside of Ethiopia until she joined IFPRI.

7.1.2 Political settlement configurations

First, it is useful to summarize the political settlement geometries across the 1951-2018 period.

- Haile Selassie era: the patrimonial political settlement

This political settlement is characterized by a strong concentration of power around Haile Selassie and his imperial court. Using Weberian state-building as an engine of personal power consolidation, the emperor managed to gradually weaken rival internal and external factions along the 1950s to mid 1960s. A professional army and a system of rent capture and allocation to the imperial clientele, including through coffee land attribution, kept would-be rivals in check. The state building project of Haile Selassie contains developmental aspects, in the sense that it laid the building blocks for any developed state, such as a fiscal system, bureaucracy, or professional army. It was not geared, however, to foster broad-based growth of Ethiopia but rather serve the narrow interests of the imperial court.

From the mid-1960s leading to 1973, the imperial regime started to lose its grip on power amidst the rising demands of new urban constituencies that could not be neither satisfied nor quelled under the prevailing configuration. Social foundations of this patrimonial settlement were always extremely narrow, as it was primarily designed by Haile Selassie to manage the aristocratic factions that could upend him. In the regime dying days, a last-ditch attempt to open the settlement to the discontented emerging classes – students, workers, young officers – proved futile.

- Derg era: the extractive settlement

Under the Derg, Mengistu re-concentrated power horizontally and vertically to an extreme level, by systematically coercing and confronting internal and external opposing factions, while harnessing an expanded state structure as a rent control and management structure. This came at a great economic and military cost, however. From the late 1970s, the Derg's time horizon was permanently clouded by the ongoing wars with the North and Somalia.

These parameters, combined with almost inexistent capitalistic capabilities, created conditions for a short-term rent extraction strategy, with hints of developmentalism in some limited "campaign-like" domains such as primary education enrolment.

The regime opened access to power for new constituencies, with Southerners and non-aristocrats joining the party ranks, cooperatives or youth groups at all echelons. Nevertheless, social foundations were very thin when it came to political representation at the higher level. Despite the collegial decision-making mimicry performed by the Derg, policy decisions were closely controlled by Mengistu and his shifting circle of advisers.

- EPRDF era: the developmental political settlement

Having defeated the Derg, the EPRDF exhibited a strong vertical concentration of power. Internally, the coalition was pulled in different directions by diverging factions within the TPLF in a turbulent 90s decade. The problem became particularly salient during the 1998-2000 war with Eritrea, which crystallized the struggle between a hardliner Marxist faction in favour of annexation, and a more "modernist" and conciliatory group led by Meles Zenawi. At the turn of the 2000s, however, Meles Zenawi was able to eliminate his internal rivals and concentrate power, while distributing stabilizing rents to lower-level factions of the EPRDF – elites from the TPLF and satellite Oromo, Amhara and SNNPR parties. Combined with Meles Zenawi's vision, this marks the start of Ethiopia's developmental state period, further accelerated by the 2005 elections debacle which highlighted the urgency, for the TPLF, in fostering distributive economic growth to avoid settlement dislocation. This period corresponds to the largest social foundations for any of the Ethiopian political settlements, with a genuine attempt to whip up broad-based growth across the territory through state-controlled and sanctioned capital investments. There remained, however, limited political representation for most constituencies outside of the party-state channels. Following Meles Zenawi's death in 2012, the settlement began to buckle under the pressure of demands from the disenfranchised rural youth, especially in the Oromia region, and the emboldening of lower-level internal factions of the EPRDF. It all but collapsed in 2018, when Abiy Ahmed came into power.

7.1.3 Hypothesis 1: Political economy parameters are more conducive to evidence-based policy in a developmental political settlement.

The starting point is that none of the ruling coalitions pursued programmatic policies in support of the coffee sector, including the developmental EPRDF. Rather, they all followed the same coffee rent capture strategy, albeit with different approaches depending on their time horizon, state capabilities and ideological leanings. The imperial regimes and EPRDF had longer time horizons and could adopt "smart" rent capture policies, including the development of complex institutions aimed at regulating and controlling the sector without killing it. The Derg was fighting for survival and opted instead for a short-term approach that maximized destructive rent extraction and directly involved the state in marketing.

Within that context, the coffee case illustrates that there is no specific association between supply-demand of evidence and a Developmental State, because evidence does not need to be tied to the formulation of programmatic, or growth-oriented policies. Rather, the role of evidence has been to facilitate the design and monitoring of policies aimed at rent capture: the safeguarding of the productive base, market formalization, control, and governance. It also served as a diplomatic instrument to build bridges with foreign organizations and legitimate the ruling coalitions of Haile Selassie and Meles Zenawi. This is not mutually exclusive with positive development effects that coffee evidence might have brought about. For instance, the evidence-informed grading system aimed at discarding lower quality coffee unfit for export has benefited both the ruling coalitions and the coffee economy.

7.2.3 Hypothesis 2: Dominant political settlement ideologies shape coffee policy and ideas privileged as evidence for policy reforms.

Ideological parameters of different political settlements were indeed influential in shaping coffee policy direction, and the ideas privileged as evidence for these reforms. This can be traced along three spectrums, identified inductively throughout the dissertation: state versus market, relation to knowledge, and the role of agriculture.

(i) State versus market

The state, under Haile Selassie, was more of a device to strengthen his own power and weaken his challengers. He used the growing Weberian state structure as a useful instrument to formalize, regulate and control the market and associated rents, without however accepting direct state involvement in coffee production, marketing, and export. The emperor, who had personal stakes in coffee land, as did some of his imperial clientele, had a benevolent attitude towards coffee capitalism, and his regime fostered a good relationship with experts providing advice that could increase profits in plantation coffee.

Much like Haile Selassie, Mengistu had a very personal conception of power, but could not rely on the crumbling traditional institutions and divine legitimacy upon which the emperor's power rested. The party-state became the extension and expression of his power. He fostered an opportunistic Marxist-Leninist ideological environment, which sterilized capital investment capabilities and further encouraged an all-out Statist coffee policy, centred around state farms, collectivization, and parastatal marketing. There was no room for significant evidence generation in that context, with the Derg coffee policies being taken out of the Soviet toolbox.

Under the EPRDF, and especially during the developmental phase, the government followed a mix of Developmental State "picking winners" and New Institutional Economics "getting markets right" principles. This led to the hybrid ECX reform: an institution aimed at facilitating grain market functioning by lowering transaction costs, that ended up becoming the mandatory transaction space for all coffee exports.

(ii) Relation to knowledge

Haile Selassie had a "high modernist" relationship to knowledge, encouraging science and modernity for the benefits of Ethiopia's progress, while keeping it firmly within the confined sphere of the aristocratic elite. This translated into a benevolent attitude towards coffee research in all domains, without however leading to any substantial large-scale investments towards the sector, beyond the policy endeavours aimed at formalizing and controlling the market.

The Derg also valued knowledge – as they discarded religion, the military placed rationality and science as fundamental ideological drivers of development. This led to a nominal expansion of public research towards coffee through the development of public institutions, but in effect this research was severely under-funded, mostly through donor funds. Knowledge remained the preserve of the elite, although national coffee research capacity moved from the insular JATS experiments to a more fleshed-out Ethiopian programme under the Derg.

Meles Zenawi, as the ideologue of TPLF, placed a high premium on knowledge and was himself an intellectual, embodying the figure of the enlightened ruler. Together with chief economic adviser Newai Gebre-ab, they fostered a positive environment for research – their leanings towards social science, and interest in the question of agricultural transformation, led them to revitalizing socio-economic research on agriculture, including coffee.

(iii) Role of agriculture

Haile Selassie disregarded agriculture as a backwards domain, with "modern" industry and services seen as the driving forces behind Ethiopia's progress. He did value export-oriented agro-capitalism and sought to encourage a knowledge-based plantation economy for coffee. The Derg perceived agriculture as important for organizing social life through collectivization, cooperatives, and state farms.

The EPRDF initially granted a primordial role to agriculture production through its Agricultural-Development Led Industrialization approach. Inspired by the works of John Mellor, Meles Zenawi and his advisers saw agricultural productivity as a key driver of transformation, leading into industrial growth through higher rural incomes and demand, the provision of cheap primary products for agro-processing and lower cost of food for non-agriculture rural and urban workers. They shifted to a more marked-oriented approach following the 2002 food crisis, which was convincingly framed as a transaction costs issue by economists like Eleni Gabre-Madhin. This opened the door to the ECX reform, while putting coffee production and productivity issues further down the list of policy priorities.

7.2.4. Hypothesis 3: Policy domains critical to political settlement survival, like coffee, are more likely to be managed as a pocket of efficiency, allowing for more use of evidence.

Despite its fundamental importance to Ethiopia's economy, at no point in time was coffee managed effectively by the government, in a sense of a productivity-enhancing set of policies that lead to a prolonged growth of the sector.

During the imperial and EPRDF eras, there was a relatively efficient management of the capture of coffee resources, allowing for some evidence use in the design of the capture instruments. The association between coffee's importance in Ethiopia's economy and the efficiency of public policy management of the sector is not automatic, however: the Derg adopted policies that were highly damaging of the sector, without making use of evidence in their design.

In addition, trade and marketing policies, despite being the priority of successive ruling coalitions, were also beset with implementation issues. For instance, the National Coffee Board had trouble enforcing the grading and licensing regulations, with local agents reportedly engaging in over or under-grading. Auction anonymity was systematically circumvented throughout the decades. Coffee smuggling is believed to have reached exceptional heights during the Derg era of extractive trade policies. During the EPRDF, the ECX encountered the same issues as the National Coffee Board, with coffee mis-grading being endemic to the sector.

Chapter 8. Epilogue: Back to the future? The 2017 reform: rolling back the Ethiopia Commodity Exchange

8.1 Introduction

This epilogue chapter documents the critical coffee sector reforms that took place in 2017. Just nine years after coffee trading through the ECX was made mandatory, the government initiated a roll back of the Exchange's outsized role in the sector through a series of amendments to the 2007 and 2008 Proclamations. These reforms set the stage for a new era of Ethiopian coffee policy, whereby the ECX co-exists with other direct trading channels and a stronger Ethiopian Coffee and Tea Authority is empowered to manage the sector. After 45 years of twists and turns, this closely resembles the policy environment that was envisaged by the imperial National Coffee Board when it created the coffee auction in 1972. However, it also reflects the differences between the imperial and current political settlement, especially the unparalleled decentralization of Ethiopian politics.

8.2 The coffee reforms backdrop: unravelling of the EPRDF political settlement

Meles Zenawi, the architect of Ethiopia's Developmental State, died in 2012. He was replaced as Prime Minister by a weaker Hailemariam Desalegn, a Wolayta from the politically marginal Southern lowlands and chairman of the Southern Ethiopian People's Democratic Movement, the least commanding of the four coalition parties. With the charismatic and iron hand leader gone, the structural pressures bearing on the EPRDF political settlement intensified (see Political Settlement Chapter). The Addis Ababa Master Plan, in 2014, entailed the expansion of the capital city jurisdiction over Oromo rural land, which signified the eviction of Oromo farmers and a loss of jurisdiction over this territory for the Oromo regional government. The Plan acted as a catalyst in two ways: at the Oromo population level, it symbolized the shortcomings of the EPRDF regime when it came to delivering broad-based growth. The heart of the problem was the failure of the EPRDF in achieving rapid developmental growth while generating enough opportunities for a rapidly growing youth that could hardly access land, nor a decent employment in the city – this is what Lavers (2023, p.1) refers to as a "distributive crisis". For Oromo regional elites – and soon in other regions – it marked an opportunity to stand up to the weakened federal government and claw back some power from it. Encouraged by Oromo leaders, especially the diaspora figure of Jawar Mohammed, a wave of protests and roadblocks erupted in multiple hotspots across Oromia. They were led by Oromo young men – the *Qeerroo* in Oromo language – but also included women, the *qaarree* (Lavers, 2023). The Qeerroo denounced what they saw as an accumulation of rents in the hands of the TPLF-affiliated elite, a lack of opportunities for the landless youth in rural areas, and the limited weight of Oromos in federal policymaking considering their share in total population and economic resources. The protests were quelled for 18 months by the federal Government, but they amplified throughout 2015 and 2016, spreading to the Amhara region (Lavers, 2023). They were met with increasingly violent responses by the EPRDF, with federal forces killing scores of protesters. This only served to escalate the movement. Rising with this tidal wave, regional parties, especially the Oromo People's Democratic Organization (OPDO) and Amhara National Democratic Movement (ANDM) vied for a bigger share of power within the EPRDF coalition.

The OPDO, in particular, took firm steps, recycling its old revolutionary elites who had become persona non grata for the Qeerroo, since they were perceived as TPLF 'puppets' (Forsén, 2018). The old guard was pushed out by a younger generation of politicians, who portrayed themselves as modern technocrats in line with the hopes and desires of the Qeerroo. They gathered under the banner of 47-year-old Lemma Mergesa, whose popularity rocketed after he spoke against the Addis Ababa Master Plan in November 2015 and who was elected OPDO chairman the year after. Among 'Team Lemma', Abiy Ahmed, 42, was named Mergesa's deputy and head of the OPDO Secretariat. Team Lemma broke with the subservience of previous OPDO leaders, being vocal against EPRDF's handling of the protests (Gardner, 2018).

The year 2017 and early 2018 were a critical juncture, with the country "at the precipice" (Lefort, 2018). Centrifugal forces within and outside the EPRDF pulled the political settlement apart, forcing the TPLF to let go of its hold. In January 2018, the government released 6000 political prisoners, including influential opposition journalists Eskinder Nega and Temesegn Desalegn as well as blogger Befekadu Hailu. Such measures were to no avail in quelling the crisis, and violent protests raged on. Faced with an internal EPRDF lockdown and the looming risk of a civil war, Hailemariam Desalegn resigned as Prime Minister on 16th February 2018. On 27th March 2018, the EPRDF called a Central Committee Congress to designate its new Chairman. The ANDM and OPDO joined forces to vote in favour of Abiy Ahmed. The OPDO candidate became Ethiopia's first Oromo leader. The Prime Minister quickly asserted himself and it became clear that the days of the TPLF-led ruling coalition were numbered. A year and half later, he inaugurated his Prosperity Party, putting an end to the EPRDF era.

8.3 The 2017 reform process and the role of evidence[225]

8.3.1 The problem: the ECX out of tune and out of time

With Meles' passing, the EPRDF accelerated its transition from Agricultural-Development Led Industrialization to "Industrialization-led agricultural development". The ADLI approach did not generate job and educational opportunities that met aspirations of the landless youth – at least, not as much as needed, and not fast enough. The government launched large industrial development projects, in rural and peri-urban areas. These projects, embodied by export-oriented industrial parks to be built across Tigray, Amhara, Oromia and SNNPR, were to act as job sinks for the youth, while providing regional governments with political credit and a source of localized rents. The hyper-centralization of Oromia and SNNPR coffee flows through Addis-controlled ECX was getting out of tune with this regionalization of Ethiopia's political settlement.

At the technical level, criticism from donors, international private firms and within the government mounted against the ECX. The criticism was directed at the reform's poor results in delivering its ambitious objectives of boosting coffee production, improving marketing, and foreign exchange earnings. It also, gradually, targeted the ECX management itself. In March 2012, the organization became embroiled in allegations of corruption (Wondwossen Mezlekia, 2012). A few months later, Eleni Gabre-Madhin resigned, shortly before Meles Zenawi's death. With the leading lights behind the Exchange gone, the magic started to wear off and donors distanced themselves from the drifting organization. Meles Zenawi had vouched personally for the ECX experiment, and his word was not opposed – but his death opened space for internal government criticism. Motives for resentment were not lacking: the ECX had taken the

[225] The material from sections 8.3 and 8.4 was already published by the author of this dissertation in a sole authorship report (Mas Aparisi, 2021).

coffee marketing policy mandate away from the specialized Coffee and Tea Authority, dismantled three years before the ECX was created, thereby displacing the coffee governance centre of gravity from the Ministry of Agriculture to the Ministry of Trade (Petit, 2007; Snetsehay Assefa, 2015).

With both government and donors increasingly disaffected with the ECX, the conditions were ripe for the new EPRDF leadership to defang it.

8.3.2 The ECX mandatory coffee trading: an idea whose time has passed

In 2014, the European Union Delegation (EUD), upon the request of the Ministry of Agriculture and Ministry of Trade, funded a study aimed at developing a Coffee Sector Development Strategy (CSDS) document. The report's authors visited every one of Ethiopia's 37 coffee production areas, meeting with all the value chain stakeholders, including smallholders, large coffee farms, coffee estates, cooperatives and unions (Agrer Consortium, 2014).

Two key recommendations would be influential (Int. 9; Int. 25; Int. 28). The first was that a Ministry of Coffee be re-established, while the second was that the coffee marketing system be re-assessed to facilitate exports of traceable coffee for all suppliers (Agrer Consortium, 2014). Soon after, in December 2015, the Ethiopian Coffee and Tea Authority was reinstated under the authority of the Ministry of Agriculture through Proclamation 364/2015 – and regional CTAs in Oromia and SNNPR were also created (Snetsehay Assefa, 2015). [226] Prior to this, IFPRI had organized an important coffee conference, at which researchers presented and discussed the results of four important papers on the Ethiopian coffee value chain, drawing on the landmark survey of 1,600 coffee producing households conducted in 2014 (Minten *et al.*, 2019). Among other findings, the papers made the case for greater traceability of Ethiopian coffee and for productivity improvements.

In 2016, Hailemariam Dessalegn relieved ADLI architect Newai Gebreab from his functions as Chief Economic Adviser, and he was replaced by Arkebe Oqubay, the mastermind behind Ethiopia's export-oriented industrial policy push. Arkebe Oqubay formed a National Export Coordinating Committee (NECC) tasked with finding measures to increase Ethiopia's exports. As part of this, in 2017, the NECC launched a consultation process to re-assess and reform the national coffee marketing system (Cramer and Sender, 2019) (Int. 7; Int. 14), a request directly emanating from Prime Minister Hailemariam Dessalegn in the face of the growing trade deficit.[227]

The NECC set up a committee, led by the ECTA, which included the Ministry of Agriculture, the Ministry of Trade, various ECX bodies, and representatives from regional governments, research centres and all relevant private sector players. Cooperatives and unions were also part of the process (Int. 7; Int. 14).

The committee shortlisted 11 reform points, which the ECTA then presented to the Prime Minister (Int. 5; Int. 12). Two major reform areas transpired: first, cutting the number of

[226] The coffee policy mandate, in the Amhara region, remained with the Bureau of Agriculture.

[227] While addressing parliamentarians on the coffee reforms, on July 7 2017, the Prime Minister said "The amendment of the two proclamations came as one action taken to narrow the trade deficit" (Tadesse, 2017, p.1).

middlemen in the value chain; and, second, restoring traceability through so-called 'vertical integration' — a reform point that featured prominently in the EUD's report.[228] Next, the ECTA prepared a draft bill in consultation with regional governments in coffee producing areas (Int. 12). In 2017, the coffee marketing system was amended through Proclamation No. 1050/2017 and No. 1051/2017.

8.4 The reforms implementation

8.4.1 Implications of the reform

The two proclamations specifically refer to producer interests in their introductory paragraphs: "to increase small scale farmers participation in the exchange" for No. 1050/2017 (Federal Democratic Republic of Ethiopia, 2017b, p.1) and "to boost the benefits of coffee producers" for No. 1051/2017 (Federal Democratic Republic of Ethiopia, 2017a, p.1).

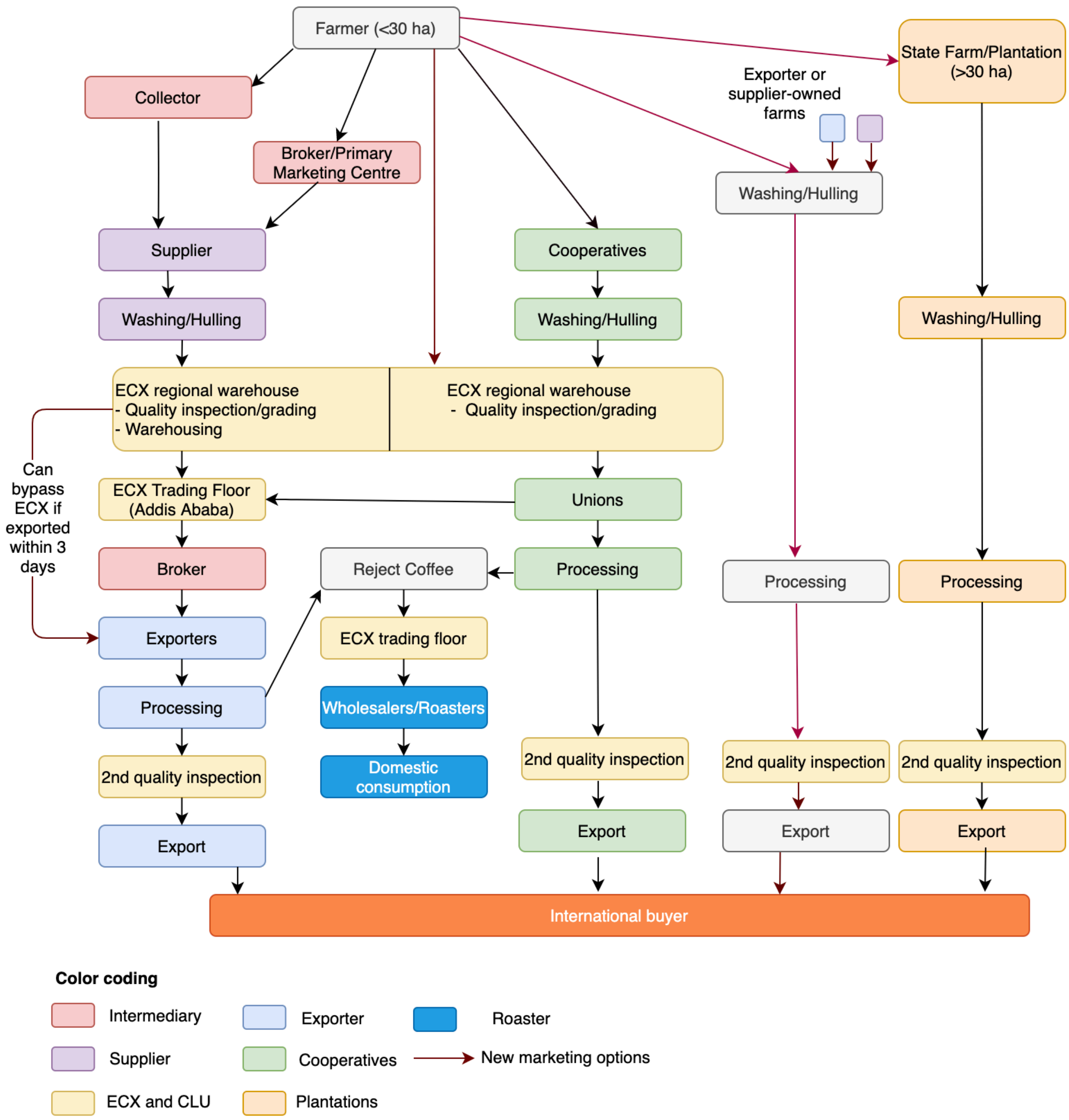
To this end, the proclamations bring about two major changes.[229] First, they allow coffee trading outside the ECX — not just for cooperatives and large plantations, as was already the case, but for any non-member producer or supplier processing coffee into green beans. Suppliers may also sell coffee directly to exporters, provided they do so no later than three days after it reaches regional warehouses.

Second, the proclamations enhance traceability within the ECX: blending of lots at the ECX warehouse level is no longer possible, and all lots sold on exchange are labelled all the way down to their washing station – the so-called Preserved Coffee Trading System.

From mid-2019, when the Proclamations began being enforced (Muluken Yewondwossen, 2021), coffee smallholders have seven selling options, instead of two (Int. 8). They can sell: 1) directly to the ECX; 2) to domestic roasters; 3) to international buyers; 4) to out-growing farms; 5) to suppliers; and, as before, to 6) suppliers' brokers at the PMCs; and to 7) cooperatives (Figure 44).

[228] Vertical integration means that economic actors can integrate different levels of the value chain, for instance exporters or traders may acquire washing stations, and farmers or traders may become exporters.
[229] Other reform points are that ECX can formally deal with forward and future contracts, the initial ambition of Eleni Gabre Madhin when creating the Exchange, however this was still not happening as of 2023. The ECX was also empowered to deal with non-agricultural commodities.

Figure 44. Coffee value chain in Ethiopia after the 2017 coffee marketing reforms



Source: Author's elaboration

The benefits of the reforms for most of the commercial coffee producing smallholders are unclear. On the one hand, the option allowing direct trade of coffee for all farmers does not affect them directly. They produce small volumes of coffee, cannot process it to high-quality standards and have limited knowledge of the international market, so cannot establish direct trade relationships with exporters or international buyers (Int. 3; Int. 14). They still need to work with trading constituencies to do so: cooperatives, suppliers, exporters or even specialized coffee foreign importers and non-governmental organizations.

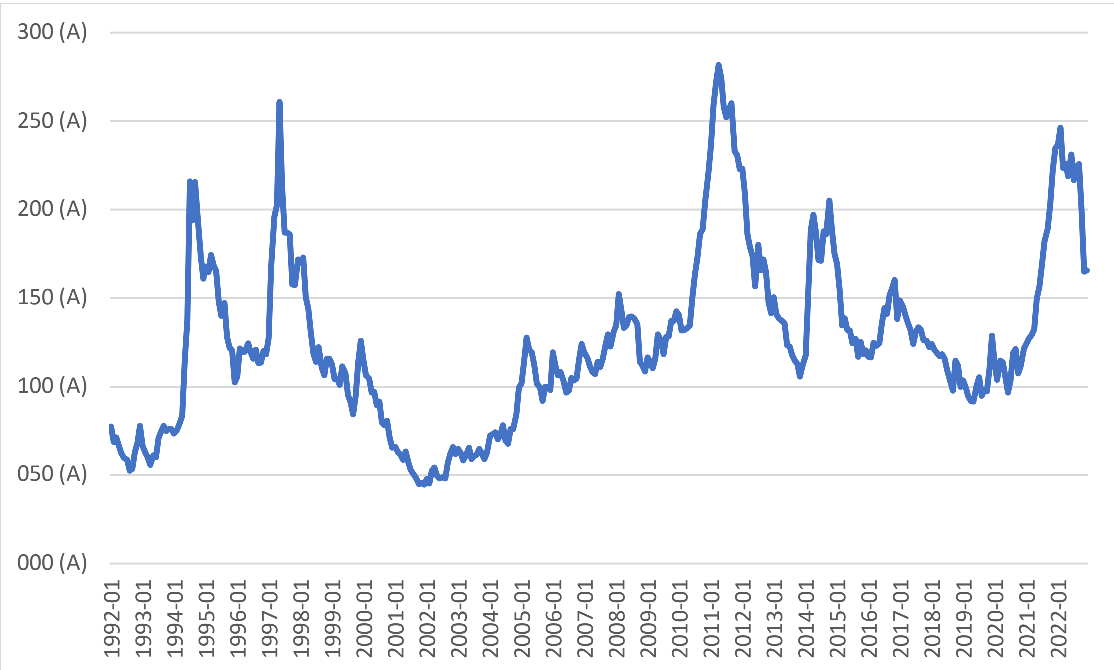
On the other hand, the reforms encourage out-growing, as exporters and washing station owners are now incentivized to acquire medium-sized farms to export valuable single origin and certified coffee (Int. 17). Out-growing schemes should provide additional opportunities for smallholders to access capital, training and inputs, thereby raising their productivity and the quality of the coffee they produce. An increase in the number of larger farms and processing stations, meaning a ramping up of the number of coffee buyers competing for coffee cherries, may also increase producer bargaining power and their share of the export price. As medium- and large-scale coffee plantations multiply, s the unfolding rural transformation process is likely to result in an increasing share of small farmers becoming specialized labourers (El Ouaamari, 2013) (Int. 26).

The position of specialty coffee producers is more favourable – their coffee is more traceable, and they have a better possibility of earning premiums. The bigger and most market-savvy producers, who own washing stations and boast high-quality coffee, can even sell directly to exporters or international buyers, potentially capturing a greater share of export prices (Int. 3). There are, however, few such producers.

The position of cooperatives has deteriorated, reflecting the impatience of Hailemariam Desalegn's EPRDF with the cooperativisation strategy of the Meles Zenawi days. Because exporters and suppliers are now allowed to invest in medium-sized outgrowing farms and export directly, the cooperatives have effectively lost their monopoly on traceable and certified smallholder coffee. Cooperatives already feel the pressure of this competition and are forced into diversifying, for instance by increasing their presence in commercial coffee exports and roasting their own coffee with government support (Int. 17).

It is difficult to gauge the effects of the reform on coffee exports. Much like the ECX reform after it was adopted, the vertical integration reform is riding high on an exceptional global price cycle that began around the end of 2020 (Figure 45) – the true test will be when the prices plunge.

Figure 45. Arabica C contract price, InterContinental Exchange Atlanta, US c/lb



Source: (INSEE, 2023)

8.4.2 Changing Governance

The post-2017 policy environment approximates the 1972 imperial vision of a liberalized sector, with dual auction and direct trading, all strongly regulated by one specialized, centralized state agency. Much like the NCB, the ECTA is empowered with the control and regulation of the market, issuance and revoking of trading licenses, the provision of extension support and quality control (World Bank, 2019). It does not intervene directly in coffee marketing or production, but it does step in assertively to safeguard the flow of coffee foreign exchange. For instance, it banned 80 coffee exporters from trading with the ECX in March 2019 because they withheld coffee to speculate on global prices (Capital, 2019). In January 2020, it coordinated with the National Bank of Ethiopia to adopt a directive that fixed a minimum coffee export price and allowed a maximum of 20% of earned foreign exchange to be retained for imports (USDA, 2022).[230]

However, the ECTA has arguably more policy range than the NCB thanks to its ability to mobilize significant donor funding for on-the-ground support to production, an innovation that only materialized in the early years of the Derg. In 2019, the EU, ever the coffee sector backer since picking up the CIP in 1976, approved a new comprehensive 15 million euros Coffee Action project in 2019, to be implemented with the ECTA and the Jimma Agricultural Research Centre (European Union, 2019). With the new director of ECTA being a coffee researcher himself,[231] the door is reopened to greater circulation of agronomic and breeding evidence between donors, local research institutions and policymaking.

Meanwhile, the ECX has been relegated to its coffee auction function. A key difference with 1972, and the foremost legacy of Eleni Gabre Madhin's New Institutional Economics innovation, is the warehouse receipt system and associated direct bank payment that has significantly reduced transaction costs and risk in commercial coffee trading. This remains the main asset of ECX. In the vertical trading channel, demons of the past have resurfaced, as contentious supplier/exporter deals and payment defaults are making a comeback outside of the airtight transaction system of the Exchange (Selome Getachew, 2022). Nevertheless, the flow of coffee transiting through the auction has diminished – from 80-85% pre-2017 (Mas Aparisi, 2021), to 70% in 2019 (World Bank, 2019) to, reportedly, 10% in 2022 (Ashenafi Endale, 2022).[232]

The drop might have been market-driven in the first place, but it was certainly accelerated after the Oromia regional government passed a directive forcing traders into supplying their coffee outside the ECX (Muluken Yewondwossen, 2022). In April of the same year, the Oromia regional state security forces closed 6 ECX branch offices and arrested its employees for an undisclosed reason. In November, the Regional State adopted a new coffee surtax of 2-5

[230] The directive was aimed at the growing lot of opportunistic coffee exporters who ventured in the sector to obtain scarce foreign exchange, using it to import and sell goods (e.g., vehicles) at a premium. These exporters sell at prices below export parity to undercut other exporters and recoup their losses on the imports sold at a premium (see EPRDF chapter).

[231] Dr Adula Debegna holds a PhD in coffee horticulture from Wageningen University and taught in Jimma University.

[232] The number is quoted from the director of ECTA, who has openly described ECX as a "policy failure" (Debele Adugna, 2022). As such, it may need to be taken with a pinch of salt.

birr/kg of coffee leaving the region, much to the discontent of traders and exporters (Ruth Taye, 2023).

8.5 Conclusion

The 2017 reforms show that the changing flux of the Ethiopian political settlement keeps having a bearing on coffee policy and the role and nature of evidence in this process. The shift in EPRDF policy ideology, from ADLI to export-oriented industrial push, as well as the growing power of the Oromia regional government, led to an opening for rolling back the ECX. The reforms themselves drew on a critical stream of evidence, a colossal sector review emanating from a coalition of the European Union and Ministry of Agriculture. It also picked on the work of IFPRI, which gathered a solid evidence base on the difficulties faced by the sector under the mandatory ECX trading regulations.

Yet, the settlement is not stabilized, and neither is coffee policy. The centrifugal forces that undid the EPRDF keep pulling at Abiy Ahmed's Prosperity Party settlement. They are impacting coffee policy, with an unprecedented assertiveness of the Oromia government: never in Ethiopian history had regional polities wrestled the merest smidgen of coffee policy away from central power. This might be the early days in a regionalization of coffee policy in Oromia, SNNPR and Sidamo, which would accelerate if the Prosperity Party managed to further diversify its export economy and reduce its reliance on coffee. Currently, however, the Ethiopian government remains as indebted to coffee as its Imperial, Derg and EPRDF predecessors.

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