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Prime minister Hailemariam Desalegn (2012 – present) criticises his own ruling Ethiopian People’s Revolutionary Democratic Front (EPRDF) over its failure to improve governance standards and curb corruption. The unprecedented comments may act as a precursor to Hailemariam curbing the influence of the Tigray People’s Liberation Front (TPLF). Ethiopia and Somaliland sign agreement to increase trade through the Port of Berbera. Concerns about capacity at the Port of Berbera will persist until the Berbera Port Authority agrees a management concession. The United Nations (UN) faces a \$700m financing gap to respond to the continuing food crisis which is the result of 2015 droughts.

Hailemariam criticises EPRDF over governance standards

Policy continuity has continued to mark the administration of prime minister and **Ethiopian People’s Revolutionary Democratic Front (EPRDF)** chairman **Hailemariam Desalegn** (2012- present) since succeeding the late **Meles Zenawi** (1995-2012). However, Hailemariam has broken with his predecessor in his willingness to criticise the ruling EPRDF. Other senior government officials have blamed the **Oromia Regional State** violence that has continued since November (see *ARC Briefing Ethiopia February 2016*) on external forces including **Eritrea** and the **Oromo Liberation Front (OLF)**. However, Hailemariam told an ARC Briefing researcher that the EPRDF had failed to adequately manage grievances in the Oromia.

“We have understood that most of the dissent in the Oromia region has emanated from our own supporters. Most of them are EPRDF members, but frustrated ones. We have to stop blaming outside actors. We should look inward and find out what is going wrong.”¹

Hailemariam acknowledged that governance standards are in decline in Ethiopia and that the government must intervene.

“That is the main reason why people are protesting. This is really a positive sign. I have recently apologised in front of the parliament for our mismanagement and lack of responsibility that have generated these dissents. We are now taking measures to address those grievances.”²

The EPRDF chairman criticising the governing coalition is “unprecedented”.³ It is possible that Hailemariam is using the emphasis on good governance as a platform to move to curb the power of the politically and economically influential **Tigray People’s Liberation Front (TPLF)** which dominates the EPRDF.⁴ However, by blaming the EPRDF for the failure to improve governance standards and end corruption, Hailemariam may face the blame should he fail to deliver on his promises.

“I think the prime minister is becoming too open and too liberal to the rest of the ruling EPRDF party leaders. He is recently observed being too critical of the party’s policies, and then blaming

¹ Source, interview, 18 Mar 2016.

² Source, interview, 18 Mar 2016.

³ Source, journalist, Addis Ababa

⁴ Source, journalist, Addis Ababa

it for many shortcomings. This is unprecedented taking into account the party's tight-lipped nature.”⁵

Hailemariam additionally told academics in a meeting in March that his administration welcomes criticism and is ready to engage the public in its future policy making. There is a perception that this change of tone indicates that the Oromia violence has rattled the confidence of the EPRDF leadership.

“Suddenly, the EPRDF-led government has found itself in the middle of a chaotic period. By the party's own admission, public disapproval of the current political order has hit an all-time [high] in the past decade or so. Public uproar, political unrest and threats and actual organised strikes appear to be on the rise. Member parties and regional state administrations are sacking top political leaders left and right. But some in the government and the public question if these moves would bring structural changes.”⁶

The government campaign against poor governance has taken the form of a large number of dismissals:

*“Thousands in Oromia and hundred in the capital **Addis Ababa** have been fired from their posts in the past two months.”⁷*

The majority of dismissals are in the land administration and justice ministries. The **Oromo Peoples' Democratic Organization (OPDO)** politburo has fired three senior officials. The dismissed officials include office head of the OPDO and the vice president of the Oromia Region **Daba Debele**, and head of the region's administration and security bureau, **Solomon Kuchu**. Both faced criticism for not doing enough to tackle the political crisis.⁸ The OPDO has named **Ethiopian Revenues and Customs Authority** director **Beker Shale** as replacement office head and **Bezu Wakbeka**, a close Hailemariam ally, as the region's administration and security bureau head.⁹

Ethiopia signs Port of Berbera agreement

Ethiopia and **Somaliland** officials on 31 March signed an agreement to increase trade through the **Port of Berbera** (Somaliland).¹⁰ The agreement will reduce pressure on the **Port of Djibouti (Djibouti)** where congestion and delays are increasing business costs. The agreement included revised tariffs, and provides for the establishment of a joint committee to manage the transit of goods along the **Berbera Corridor** that links Ethiopia to the Port of Berbera. According to the **Growth and Transformation Plan 2010 – 2015**, Ethiopia targeted that 30% of its trade would pass through the Port of Berbera by July 2015.¹¹ However, official figures show that 97% of Ethiopian shipments are still via the Port of Djibouti.¹² The bottleneck at the Port of Djibouti has become more pressing as Ethiopia looks to increase its cereal imports in response to the continuing acute food shortage (see *ARC Briefing Ethiopia February 2016*). On 24 March, there were 10 ships berthed at the Port of Djibouti waiting to unload 450,000 tonnes of wheat destined for Ethiopia.¹³ The Djibouti government blames the inability of Ethiopian vessels to keep to their approved schedules for the delay.¹⁴

While trade through the Port of Berbera remains limited due to infrastructure and investment challenges (see below), there is a consistent positive trend in the number of containers handled, which increased 22% between 2009 and 2012.¹⁵ **Denmark-based A.P. Moller–Maersk Group** and

⁵ Source, senior political analyst, Addis Ababa

⁶ Source, senior reporter, Addis Ababa

⁷ Source, journalist, Addis Ababa

⁸ Source, journalist, Addis Ababa

⁹ Source, journalist, Addis Ababa

¹⁰ Ethiopian News Agency, 5 Apr 2016.

¹¹ Ethiopian News Agency, 5 Apr 2016.

¹² Ethiopian News Agency, 5 Apr 2016.

¹³ Bloomberg, 24 Mar 2016.

¹⁴ The Reporter, 3 Apr 2016.

¹⁵ www.dlca.logcluster.org

Singapore-based Pacific International Lines (Private) Ltd have agreements with the Somaliland government to operate a regular service to the Port of Berbera, and both companies have representative offices in Berbera and **Hargeisa**, capital of Somaliland. As part of the agreement, Ethiopia state-owned **Ethiopian Shipping and Logistics Service Enterprise (ESLSE)** is expected to open an office in Berbera¹⁶ as it looks to increase its presence in the **Gulf of Aden** to extend its reach towards **Asian** markets.

There are, however, concerns about the capacity and condition of the Port of Berbera and related transport infrastructure. The Port of Berbera currently only accommodates 350,000 tonnes.¹⁷ The **Berbera Port Authority** in 2014 started an investment plan to expand the dry port and establish an additional container terminal by July 2016.¹⁸ However, cargo handling equipment and storage warehouses remain limited. The constructions of bulk grain silos were never completed, and so bagging takes place on the quayside.¹⁹ While entry into the Port of Berbera is relatively straightforward, strong windy conditions during both the north-easterly (October to December) and south-western (July to September) monsoons can negatively impact vessels in both the approach channel and at the commercial quays.²⁰ A lack of tug vessels to assist in manoeuvring reduces ship safety.²¹ The **Mayara** and **Tamara** lighthouses at the entry of the port are ineffective navigation aids, and limit vessel entry and departure operations to daylight hours.²² Frequent dust storms can further impair visibility.²³ The Berbera Corridor is underdeveloped, with the road on the Somaliland side of the border unpaved for long stretches.²⁴ Ethiopia is working with the Somaliland government to secure financing for road improvement projects.

While the Somaliland government has invested heavily in the Port of Berbera as part of its own **National Development Plan 2012 – 2016**, it has struggled to secure private investment. As Somaliland is not recognised as an independent state, securing partial risk guarantees can prove problematic and contribute to delays in the project investment cycle.²⁵ The Somaliland government has shortlisted **United Arab Emirates (UAE)-based DP World**, **France-based Bolloré SA P&O** and **United Kingdom (UK)-based Mediterranean Shipping Co S.A subsidiary Terminal Investment Ltd** for the concession to manage the port.²⁶ **European Union (EU)** diplomats are heavily lobbying the Somaliland government to award the contract to a **Europe-based** company.²⁷ Somaliland foreign minister **Sacad Cali Shire** has linked the award of the Port of Berbera contract to Somaliland's international recognition as a state, towards which many EU diplomats are favourable.²⁸ However, the UAE government does not want involvement in the statehood issue due to its close relationship with the **Somalia** federal government, which refuses to recognise Somaliland as independent. However, DP World has links to **Bashe Awil Omar**, son-in-law of Somaliland president **Ahmed Mohamed Mahamud 'Silanyo'**, who has reportedly promised the company the contract.²⁹

DP World was until March in a dispute with the Djibouti government. The **Court of International Arbitration in London** in March cleared businessman and opposition figurehead **Abdourahman Boreh** of receiving bribes from the company to secure the contract to renovate the **Doraleh**

¹⁶ Somaliland Sun, 3 Apr 2016.

¹⁷ www.dlca.logcluster.org

¹⁸ www.dlca.logcluster.org

¹⁹ Source, East Africa analyst, UK

²⁰ Source, East Africa analyst, UK

²¹ Source, East Africa analyst, UK

²² Source, East Africa analyst, UK

²³ Source, East Africa analyst, UK

²⁴ Source, East Africa analyst

²⁵ Source, East Africa analyst

²⁶ Bloomberg, 31 Mar 2016.

²⁷ The Indian Ocean Newsletter, 22 Jan 2016.

²⁸ The Indian Ocean Newsletter, 22 Jan 2016.

²⁹ The Indian Ocean Newsletter, 22 Jan 2016.

Container Terminal.³⁰ High court justice Sir **Julian Flaux** ruled that the allegations against Boreh, the president of **Djibouti Ports and Free Zone Authority** between 2003 and 2008, were part of a politically motivated campaign involving president **Ismail Omar Guelleh** (1999- present).³¹

Poor rains exacerbate impact of 2015 drought

The **United Nations (UN)** on 23 March warned that it faced a \$700m financing gap to respond to Ethiopia's continuing food crisis.³² The financing shortfall is indicative of the funding challenges facing humanitarian agencies across **East Africa** and will exacerbate the impact of the 2015 drought. According to the United Nations, \$1.4 billion is required to meet humanitarian requirements in Ethiopia between January and December 2016.³³ International donors have pledged \$377m and the Ethiopian government has secured \$381m in funding commitments.³⁴

The drought has now resulted in successive crop failures, widespread livestock deaths and severe water shortages. The UN estimates that 10 million Ethiopians require humanitarian assistance, treble the number at the beginning of 2015.³⁵ The worst affected areas are the **East Hararghe** and **West Hararghe Zones** in the Oromia Regional State, **North Wollo** and **Wag Himra Zones** in **Afar Regional States**, and **Sitti Zone** in **Somali Regional States**.³⁶ In March, humanitarian agencies reported that the February to June *belg* rains were thus far below average.³⁷ The onset of rains was delayed and erratic in Afar, Oromia, **Amhara** and **Tigray Regional States**, exacerbating drought conditions.³⁸ The UN warned of both the humanitarian and economic implications of the drought as it threatens Ethiopia's previous development gains. The government has warned that agriculture growth in 2016 will be less than its previously projected target of 11%.³⁹

Implications

It is unclear whether Hailemariam is using his willingness to criticise the EPRDF as a precursor to dismissing TPLF ministers and heads of government department and agencies and replacing them with allies. This is a risky strategy as the TPLF has allies in both the business sector and the military who could turn against Hailemariam if they see their position under threat. Despite their elite position in politics and business, Tigrayans are a small minority, and will add to increasing ethnic tensions that pose a medium term threat to the stability of the EPRDF and Ethiopia.

Despite the Port of Berbera agreement, expensive trade procedures and continued high risk of congestion and delays, due to Ethiopia's heavy reliance on a few motorways, will mean that logistical bottlenecks persist. Lead times and costs will remain high, increasing business costs.

Rural Ethiopia will continue to face substantial gaps in basic food needs due to the 2015 poor harvests that have resulted in depleted household assets and livestock deaths. Food insecurity will persist with both humanitarian and economic consequences. Lower output, higher prices and reduced water supplies will threaten the lives of rural communities, but also reduce labour and livestock income perpetuating poverty.

³⁰ www.cips.org

³¹ www.cips.org

³² UN press release, 30 Mar 2016.

³³ UN press release, 30 Mar 2016.

³⁴ UN press release, 30 Mar 2016.

³⁵ UN press release, 30 Mar 2016.

³⁶ Source, humanitarian official, London

³⁷ Source, humanitarian official, London

³⁸ Source, humanitarian official, London

³⁹ Bloomberg, 18 Mar 2016.

About Africa Risk Consulting:

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