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The World Bank grants Ethiopia \$600m in loans and \$600m in grants to reform the financial sector and foster expansion of the country's export sector. Gambella Regional State president Gatlaok Tut resigns, highlighting issues with Ethiopia's unrepresentative political organisation. Prime minister Abiy Ahmed (2018-present) signs a peace deal with the Ogaden National Liberation Front (ONLF) but faces strong opposition from the Oromo Liberation Front (OLF).

World Bank grants Ethiopia \$600m in loans and \$600m in grants

The **World Bank** announced on 30 October the approval of \$600m in grants and \$600m in loans to Ethiopia as part of the World Bank's **Ethiopia Growth and Competitiveness** project.¹ The loan has a maturity of 38 years, with a six-year grace period in the repayment arrangement, offering the Ethiopian economy a chance to reap the economic rewards of the loan before beginning to repay the World Bank.² The World Bank's programme aims to aid the growth of Ethiopia's newly-liberalised economy, including the expansion of its export capacity and reform of its financial sector.³ Since the Ethiopian government's move to offer up previously state-owned enterprises to private investors, the World Bank's project seeks to develop public-private partnerships in key sectors including telecoms and power.⁴ The World Bank hopes that the success of these partnerships will encourage further private investment into Ethiopia.⁵ Although Ethiopia's business environment is improving, it still ranks a lowly 161 out of 190 countries in the World Bank's annual **Doing Business** report, which measures the ease of doing business across the globe.⁶

Low wages in Ethiopia make the country an attractive market for export businesses.⁷ **Germany**-based car manufacturer **Volkswagen** announced in August plans to assemble cars in Ethiopia "in the near future" (see *ARC Briefing Ethiopia September 2018*).⁸ The Ethiopian government fully supports the development of the country's export potential. Since assuming the office of prime minister in April, Abiy has toured neighbouring countries including **Sudan, Eritrea, Djibouti, Kenya** and **Somaliland (Somalia)** to gain access to (and often equity in) seaports, presumably with the intention of increasing both imports and exports to and from Ethiopia (see *ARC Briefing Ethiopia May 2018*).⁹ Furthering Ethiopia's international trade ambitions, **Berhanu Jula**, deputy chief of staff of the **Ethiopian Armed Forces**, announced plans to increase Ethiopia's naval capacity, despite the country being landlocked since the secession of **Eritrea** from Ethiopia in 1993.¹⁰

Ethiopia's perennial foreign currency shortage still casts doubt over the country's readiness for investors, and the World Bank's grant and loan seek to combat this issue.¹¹ A business leader in

¹ The World Bank, 30 Oct 2018.

² The World Bank, 30 Oct 2018.

³ The World Bank, 30 Oct 2018.

⁴ The World Bank, 30 Oct 2018.

⁵ The World Bank, 30 Oct 2018.

⁶ The World Bank, 30 Oct 2018.

⁷ Source, business leader, London

⁸ New Business Ethiopia, 24 Aug 2018.

⁹ Quartz Africa, 8 May 2018.

¹⁰ Borkena, 8 Nov 2018.

¹¹ The World Bank, 30 Oct 2018.

Ethiopia told ARC that the foreign currency shortage had made imported products, both for consumers and those necessary in the manufacturing sector, scarce.¹² Furthermore, Ethiopia's desperation for foreign currency appears to prohibit international investment. The Ethiopian government has demanded a deposit of \$10m for oil exploration rights, too expensive for many prospective investors.¹³

Despite these issues, the overall outlook for Ethiopia's economy appears positive. On 7 November, the **International Monetary Fund (IMF)** predicted that Ethiopia's economy will grow by 8.5% over 2018 and 2019, well above the global average.¹⁴ This, alongside the liberalisation of the economy and advancement of relations with the World Bank¹⁵ under prime minister Abiy, indicate an improving investment climate in Ethiopia.

Gambella Regional State president resigns

Gambella Regional State president **Gatlauk Tut** and his deputy resigned on 25 October after popular protests and a meeting of the ruling **Gambella People's Unity Democratic Movement (GPUDM)**. **United Kingdom (UK)**-based news agency **Ethiopia Insight** considers opposition to Gatlauk Tut's rule to be an ethnic **Anuak** protest against ethnic **Nuer** rule,¹⁶ but also suggests that members of the **Tigrayan People's Liberation Front (TPLF)** instigated the protest. The TPLF was the party that had a tight grip on political and military power across Ethiopia until prime minister Abiy and his **Oromo Democratic Party (ODP)** toppled it from primacy.¹⁷

States governed by non-**Ethiopian People's Revolutionary Democratic Front (EPRDF)** members have on several occasions been embroiled in violence resulting from their difficult political arrangement with the EPRDF and from rivalry among the EPRDF's members. The EPRDF is made up of the ODP, the **Amhara Democratic Party (ADP)**, the TPLF and the **Southern Ethiopian People's Democratic Movement (SEPDM)**. Within the EPRDF, the populous **Amhara** and **Oromia** regional states – represented respectively by the ADP and the ODP – resent the TPLF and the SEPDM for their equal share of power within the EPRDF, despite representing significantly smaller populations within the country.¹⁸ Moreover, the recently toppled TPLF is now battling to regain its political primacy.

Violence in September and October between **Gamuz** residents and ethnic Oromo and Amhara settled in the **Benishangul-Gamuz Regional State**, displaced a reported 70,000 people (see *ARC Briefing Ethiopia October 2018*).¹⁹ This conflict is largely borne out of Oromo and Amhara resentment at the creation of the Benishangul-Gamuz Regional State in 1991 at the expense of their territory by a piece of legislation that the TPLF championed.²⁰ Similarly, the unconstitutional deployment of federal troops to **Somali Regional State** on 3 August that forced then president **Abdi Mohamoud Omar** (a.k.a **Abdi Illey**) to resign from his post, was an expression of intra-EPRDF rivalry (see *ARC Briefing Ethiopia August 2018*). Abdi Illey, a known ally of the TPLF, reportedly orchestrated the violence against prime minister Abiy's fellow Oromo.²¹

Complicating matters further, at the ruling EPRDF Congress held in **Hawassa** between 3 and 5 October, a significant issue on the agenda was the status of the EPRDF's allied parties, which asked for more political power.²² The four parties that make up the EPRDF – the ODP, the ADP, the TPLF and the

¹² Source, business leader, London

¹³ Source, business leader, London

¹⁴ Ezega, 7 Nov 2018.

¹⁵ New Indian Express, 31 Oct 2018.

¹⁶ Ethiopia Insight, 19 Oct 2018.

¹⁷ Ethiopia Observer, 13 Oct 2018.

¹⁸ Ethiopia Insight, 19 Oct 2018.

¹⁹ Ethiopia Insight, 4 Oct 2018.

²⁰ Ethiopia Insight, 19 Oct 2018.

²¹ The Africa Report, 3 Jul 2018.

²² Ethiopia Insight, 19 Oct 2018.

SEPDM – dictate federal government policy throughout all of Ethiopia’s nine regions.²³ Parties such as the **Ethiopian Somali People’s Democratic Party (ESPDP)** and the **Harari National League**, currently unrepresented at the federal level, seek to join the EPRDF as members.²⁴ As a minor concession, the EPRDF Congress decided in October that the leaders of allied parties could attend executive committee meetings, but were unable vote on policy decisions.²⁵ Abiy’s recent cabinet reshuffle on 16 October does offer regional representation, with key ministries such as defence and finance respectively headed by **Aisha Mohammed** from the peripheral **Afar Regional State** and **Ahmed Shide** from the troubled Somali Regional State.²⁶

Despite these measures, regional equity in government remains but a distant prospect. The uneven distribution of political power in Ethiopia is even starker when considering the divergent populations each party represents. The Harari National League, alongside the ODP, governs a regional state of only 220,000 people, whereas the ESPDP, vying for the same status within the EPRDF, governs a regional state with the third largest population in Ethiopia, behind only Oromia and Amhara regional states.²⁷

The complicated and uneven distribution of political power in Ethiopia has a long and continuing history, which results in often violent skirmishes. At this time of rapid political liberalisation and emboldened regional identities, this violence is set to continue.

Mixed results for Abiy’s dealings with ethnonationalist groups

Prime minister Abiy Ahmed signed a peace deal on 21 October with the **Ogaden National Liberation Front (ONLF)**, a rebel group launched in 1984 seeking the secession of Ethiopia’s Somali region from Ethiopia.²⁸ This follows the government’s removal of the ONLF from a list of banned political groups and the ONLF’s commitment to a ceasefire earlier this year.²⁹ This development follows a trend of democratisation under prime minister Abiy which, while garnering the support of the international community, has emboldened some of Abiy’s political opponents.

A foil to the prospect of peace with the ONLF is discontent at the Ethiopian government’s urging for **Oromo Liberation Front (OLF)** fighters to disarm and its threat of taking “*all necessary measures*” to disarm the OLF, issued on 10 October.³⁰ From 26 October onwards, protests in towns across Oromia at this news occurred despite Oromia Regional State president **Lemma Megersa** warning that the government will act to restore law and order if those fighting “*in the name of the OLF*” continue.³¹ Federal troops clashed with OLF fighters in **Wolega** in the west of Oromia, on 28 October.³² Abiy has been reluctant to suppress often violent Oromo nationalism (including the OLF), due to his Oromo ethnic status and his rise to power off the back of widespread Oromo protests (see *ARC Briefing Ethiopia September 2018*).³³

Abiy’s commitment to democratising Ethiopia’s political landscape is a double-edged sword for investors. While enticing investment and aid from the likes of the World Bank (see above), Abiy’s inability to limit violence perpetrated in particular by the OLF hampers Ethiopia’s bid to attract international capital. Rather than focusing merely on the economic viability of their investments, investors should beware the possibility of regional and local instability which could cause great damage to their assets.

²³ Ethiopia Insight, 19 Oct 2018.

²⁴ Ethiopia Insight, 19 Oct 2018.

²⁵ Ethiopia Insight, 19 Oct 2018.

²⁶ BBC, 16 Oct 2018 and Reuters, 16 Oct 2018.

²⁷ Ethiopia Insight, 19 Oct 2018 and The Reporter Ethiopia, 29 Oct 2018.

²⁸ Reuters, 21 Oct 2018.

²⁹ Reuters, 21 Oct 2018.

³⁰ The New Times, 11 Oct 2018.

³¹ Lemma Megersa quoted in Ethiopia Insight, 30 Oct 2018.

³² Borkena, 29 Oct 2018.

³³ Eurasia Future, 14 Sept 2018.

Planner

19-23 Nov 2018 **Addis Ababa (Ethiopia)** Africa Industrialisation Week 2018;
2020 **(Ethiopia)**. Parliamentary elections;

Chronology

7 Nov 2018 **Addis Ababa (Ethiopia)** *Xinhua*. Deputy chief of staff of the national defence force, General **Birhanu Jula**, states that **Ethiopia** will re-establish a naval force despite being landlocked;

7 Nov 2018 **Addis Ababa (Ethiopia)** *Ezega*. The **International Monetary Fund** forecasts Ethiopia's economic growth at 8.5% in 2018/2019;

5 Nov 2018 **Asmara (Eritrea)** *Reuters*. The **United Nations Security Council** considers lifting sanctions on **Eritrea** after its peace deal with **Ethiopia**;

2 Nov 2018 **Addis Ababa (Ethiopia)** *News24*. Parliament appoints **Meaza Ashenafi** to the supreme court, the first female appointment;

2 Nov 2018 **Addis Ababa (Ethiopia)** *Global Construction Review*. **Turkey**-based manufacturing company, **Turkish Industry Holdings**, plans to invest over \$3 billion to construct an industrial park in **Tigray Province**;

2 Nov 2018 **Addis Ababa (Ethiopia)** *The East African*. **Ethiopian Space Science and Technology Institute** director, Dr **Solomon Belay Tessema**, states that **Ethiopia** will launch its first satellite in September 2019 from **China**;

1 Nov 2018 **Addis Ababa (Ethiopia)** *La Tribune Afrique*. **France**-based telecommunications company **Orange** may invest in **Ethiopia** when the government liberalises the telecommunications sector;

31 Oct 2018 **Addis Ababa (Ethiopia)** *Reuters*. The **World Bank** approves \$600m in loans and \$600m in grants to **Ethiopia** for supporting reforms in the financial sector;

24 Oct 2018 **Addis Ababa (Ethiopia)** *africanews*. Parliament looks to appoint **Sahle-Work Zewede** as the first female president after **Mulatu Tsehome** resigned;

23 Oct 2018 **Addis Ababa (Ethiopia)** *africanews*. **United States (US)** congressman **Mike Coffman** requests sanctions applied to former intelligence chief **Getachew Assefa** for human rights violations;

22 Oct 2018 **Addis Ababa (Ethiopia)** *Andolu Agency*. Special forces kill seven protestors in **Tigray Region** during demonstrations calling for changes to provincial borders;

22 Oct 2018 **Addis Ababa (Ethiopia)** *Reuters*. Government signs a peace deal with rebel group, **Ogaden National Liberation Front**;

18 Oct 2018 **Addis Ababa (Ethiopia)** *BBC*. Prime minister **Abiy Ahmed** states that the soldiers who entered the grounds of his office in early October had wanted to kill him;

16 Oct 2018 **Addis Ababa (Ethiopia)** *Ezega*. State-owned airline **Ethiopian Airlines** will fly to **Mogadishu (Somalia)** from 2 November, its first flights to Somalia in 41 years;

16 Oct 2018 **Addis Ababa (Ethiopia)** *FT*. Prime minister **Abiy Ahmed** appoints **Ahmed Shide** as finance minister and **Aisha Mohammed** as defence minister, as well as several other cabinet changes which sees half of the cabinet posts filled by women;