

AFRICA RISK CONSULTING

Ethiopia Monthly Briefing May 2018

Ethiopia Summary 18 May 2018

Protests continue in several of Ethiopia's regional states despite the relative calm imbued by new the prime minister, Abiy Ahmed (2018-present). Ethiopia moves to buy into several Horn of Africa ports to facilitate trade, but the state vows to maintain a firm grip on the country's economy. Unidentified attackers kill the manager of Nigeria-based Dangote Cement's Ethiopia operations and two other Dangote Cement staff.

Protests continue in regional states despite relative calm instilled by Abiy Ahmed

Protests and violent confrontations between youths and security forces have calmed down across **Ethiopia** since **Abiy Ahmed** (2018-present) became prime minister on 2 April. The relative calm has taken some observers by surprise, as Abiy is a core member of the ruling **Ethiopian Peoples' Revolutionary Democratic Front (EPRDF)** government with experience in the military and an internet surveillance programme.¹ Public attitudes to government appear to have changed quickly since Abiy came to power. The majority of protestors in the restive **Oromo Region** seem satisfied with Abiy as the country's prime minister, as Abiy is also an Oromo.² This political change fulfils their demand to end the political marginalisation of the Oromo (the largest ethnic group in Ethiopia).³ Abiy's speeches and pledges since coming to power have won him the hearts and minds of many, giving him yet wider acceptance among the Oromo.⁴

Despite this, some protests have continued in parts of Oromia, **Gambella**, and **Somali** regional states, as well as the **Benishangul Gumuz** region. Confrontation began in the Oromia region on 30 April⁵ when the government renewed a permit for the **Mohammed International Development and Research Organization Companies) MIDROC Group**-operated **Lega Dembi** gold mine around **Shakiso**.⁶ There had been reports earlier that the company was dumping toxic materials to the surrounding area. The MIDROC Group, owned by Ethiopia-born **Saudi Arabian** billionaire **Sheikh Mohammed Al-Moudi**, is a controversial company in the country. Al-Moudi's generous support to the EPRDF has pitted him against the majority of Ethiopians on many occasions.⁷ From 30 April, newly empowered and emboldened local youths took matters into their hands and began blocking roads, attacking

¹ VOA, 27 Mar 2018.

² Al Jazeera, 15 Apr 2018.

³ Source, journalist, Addis Ababa

⁴ Source, journalist, Addis Ababa

⁵ Mining.com, 7 May 2018.

⁶ Bloomberg, 8 May 2018.

⁷ Source, journalist, Addis Ababa

gold-mine workers and burning property.⁸ This protest ultimately led the government to revoke the gold mine licence on 9 May.⁹

Saudi authorities arrested Al-Amoudi on 6 November as part of a politically motivated anti-corruption purge (see *ARC Briefing Ethiopia December 2017*). Al-Amoudi's detention was politically sensitive in Ethiopia. He was involved in campaigning for the EPRDF during the 2007 election in the aftermath of which more than 200 people were killed. Al-Amoudi's public support for the EPRDF damaged his standing with the opposition, but this was short-lived due to the economic impact of his investments.

Abiy has so far responded effectively to political protests, establishing a political dialogue with opposition figures and disgruntled members of society by securing the release of several thousands of political prisoners.¹⁰ He has also begun open talks with exiled opposition parties such as the **Oromo Democratic Movement**, which has recently announced that it will no longer operate in exile from Ethiopia.¹¹ To further appease a disgruntled public, Abiy has removed several high-ranking political figures from their posts in May.¹² One of these is **Sehbat Nega**, one of the founders and ideologues of the **Tigray People's Liberation Front (TPLF)**.¹³ The TPLF is one of the four parties that make up the ruling EPRDF and is considered by many non-**Tigrayan** Ethiopians as their oppressor.¹⁴

These developments show that Abiy Ahmed's maneuvers since taking power have improved Ethiopia's chances of political harmony. As a result, one may expect fewer protests to take place in Ethiopia in the near future, making it an easier place to do business than before.

Port acquisitions reduce Ethiopia's dependence on Djibouti

Abiy has facilitated several port acquisitions in his first month as Ethiopia's prime minister, increasing the landlocked country's possibility to participate in international trade. The national government has acquired equity in several regional ports, **Djibouti**, **Lamu (Kenya)** and **Port Sudan (Sudan)**, giving Ethiopia more autonomy to trade internationally. Ethiopia has been landlocked since **Eritrea** gained independence from Ethiopia in 1993 and as a result, Ethiopia is highly dependent on its neighbours to facilitate international trade (see map of Ethiopia below). It relies overwhelmingly on Djibouti for trading purposes.¹⁵ The **Port of Djibouti** currently handles roughly 95% of Ethiopia's imports and exports.¹⁶ Ethiopia's dependence on Djibouti has created a challenging situation:

"Access to a diversified range of ports is a strategic imperative for the government of Ethiopia. That is perhaps one of its most important priorities in terms of trade and development."¹⁷

In a bid to shift Ethiopia's dependence from Djibouti, previous leaders sought to interest partners to invest in the development of ports in the **Horn of Africa** region other than the

⁸ Bloomberg, 8 May 2018.

⁹ Mining.com, 11 May 2018.

¹⁰ Borkena, 14 May 2018.

¹¹ Borkena, 14 May 2018.

¹² Borkena, 15 May 2018.

¹³ Borkena, 14 May 2018.

¹⁴ VOA, 25 Apr 2018.

¹⁵ Quartz Africa, 8 May 2018.

¹⁶ Quartz Africa, 8 May 2018.

¹⁷ **Teneo** global advisory firm vice-president **Ahmed Salim** quoted in Reuters, 3 May 2018.

Port of Djibouti, such as Port Sudan, **Berbera in Somaliland (Somalia)** and **Mombasa and Lamu in Kenya**.¹⁸ In May 2016, **United Arab Emirates (UAE)**-based port services and logistics giant **DP World** agreed to manage the **Port of Berbera** for 30 years, providing the alternative to the Port of Djibouti that Ethiopia wanted.¹⁹ On 1 March, after what Ethiopian transport minister **Ahmed Shide** described as “*a year of serious negotiations*”, Ethiopia acquired a 19% share in the Port of Berbera, joining DP World’s 51% stake and Somaliland’s 30% stake.²⁰

Ethiopia reached a deal with Djibouti at the end of April to take a stake in the Port of Djibouti.²¹ Djibouti had been looking for investors for its port after it ended DP World’s concession to run the port on 23 February, citing a failure to resolve a six-year contractual dispute.²² Abiy offered Djibouti the choice to invest in state-owned Ethiopian companies in return for Ethiopia’s share in the Port of Djibouti.²³ Ethiopia also agreed to aid in the development of the port.²⁴ A joint committee of ministers will finalise the details. Two companies in which Djibouti may invest in terms of the bilateral agreement include **Ethiopian Electric Power** and **Ethio Telecom**.²⁵

Ethiopia and Sudan agreed a deal on 3 May to allow Ethiopia to buy a stake in Port Sudan.²⁶ No financial details of the agreement were disclosed, so it remains unclear whether Ethiopia extended Sudan similar terms of investment in Ethiopian state-owned companies.²⁷ **Meles Alem**, spokesman for Ethiopia’s foreign ministry said, “*the leaders of both countries agreed to develop Port Sudan together*”.²⁸

Abiy held talks with Kenyan President **Uhuru Kenyatta** (2013 - present) on 7 May in **Nairobi** during which Abiy negotiated for Ethiopia to build an office close to Lamu Port “*for logistics facilitation*”.²⁹ Ethiopia’s acquisition correlates strongly with the stated commitment from both Kenyatta and Ahmed to the development of the **Lamu Port, South Sudan, Ethiopia Transport (LAPSSET) Corridor**, a large infrastructure plan which includes an oil pipeline and transport links via road and rail between Ethiopia and Lamu Port.³⁰ In a joint communiqué on 7 May, the Kenyan government said it would “*facilitate the formal acquisition of land in Lamu Port given to the Ethiopian government*” whilst “*the Ethiopian side reiterated its commitment to develop the land for logistical facilitation*”.³¹

Despite Abiy’s apparent enthusiasm for trade, Ethiopian businesses were left disappointed after he addressed a banquet and signalled that sectors such as infrastructure, banking and telecoms will stay firmly under government control.³² Using the phrase “*developmental state*”

¹⁸ Quartz Africa, 8 May 2018.

¹⁹ The Wall Street Journal, 30 May 2016.

²⁰ Khaleej Times, 1 Mar 2018.

²¹ Africa News, 2 May 2018.

²² Africa News, 2 May 2018.

²³ Port Strategy, 8 May 2018.

²⁴ Reuters, 3 May 2018.

²⁵ Reuters, 3 May 2018.

²⁶ Reuters, 3 May 2018.

²⁷ Reuters, 3 May 2018.

²⁸ Reuters, 3 May 2018.

²⁹ Business Daily, 8 May 2018.

³⁰ Daily Nation, 8 May 2018.

³¹ Business Daily, 7 May 2018.

³² Reuters, 23 Apr 2018.

to set out his vision for Ethiopia's economy, Abiy implied that the state will remain heavily involved in the Ethiopian economy. In an economic sense, Abiy is set to carry on in the tradition of his predecessors **Hailemariam Desalegn** (2012-2018) and **Meles Zanawi** (1995-2012), champions of the "developmental state" model.³³

That such a number of important port deals have been struck so quickly after Ahmed's taking office indicates to potential investors that international trade is a top priority for Ethiopia's new prime minister. Ahmed's commitment to infrastructure and international trade suggests that the freight and infrastructure industries in Ethiopia will continue to develop.

Protests against Dangote Cement factory

Unidentified attackers killed the general manager of **Nigeria-based Dangote Cement** along with his secretary and driver, on 16 May while they were driving from the factory in **Mugher** (Oromia) to the capital, **Addis Ababa**.³⁴ Youths in the Mugher area of the Oromia region have long been protesting against Dangote Cement, owned by Nigerian billionaire **Aliko Dangote**, for exploiting resources from the area without offering well-paid work to local people.³⁵ The cement plant was established in 2014 and is the largest in Ethiopia.³⁶

Dangote Cement has spent \$700m in Ethiopia and directly employed 1,500 people in the country, with an estimated 15,000 more people earning a living indirectly through Dangote's mining and cement-making enterprises.³⁷ However, since 2015 several dozens of the company's vehicles were burned down and roads that lead to its factory blocked.³⁸ In November 2016, Dangote Cement reported that anti-government protesters had damaged its vehicles and machinery at its Oromia plant (see *ARC Briefing Ethiopia November 2016*). In March 2017, the **North Shewa Zone** administration in Oromia ordered Dangote to outsource its pumice, sand and clay mines to youth groups or be responsible for "any problems that arise" (see *ARC Briefing Ethiopia July 2017*).³⁹ Dangote Cement responded by halting advance payments on a project to double the output capacity of its 2.5 million metric-tonnes per year cement plant amid concerns over the outsourcing demand.⁴⁰ In June Dangote Cement threatened to cease operations in Ethiopia entirely if the local administration did not drop its demands.⁴¹ The company later officially agreed to provide more job opportunities and reconciled with the disgruntled youths.⁴²

The threat against Dangote Cement appears to be part of a broader nationalist streak in Oromo politics that may impact other investors (see *ARC Briefing Ethiopia July 2017*). It is unclear if the government will attempt to mitigate economic grievances by replicating more stringent local ownership or local content requirements or employment quotas on foreign companies at a national level. The threats against Dangote Cement may also be a strategy by Oromia local administrations to pressure the government to accelerate the imposition of

³³ Reuters, 23 Apr 2018.

³⁴ Vanguard News, 17 May 2018.

³⁵ Source, journalist, Addis Ababa

³⁶ EWN, 17 May 2018

³⁷ Bloomberg, 21 Jun 2017.

³⁸ Source, journalist, Addis Ababa

³⁹ Bloomberg, 21 Jun 2017.

⁴⁰ Bloomberg, 21 Jun 2017.

⁴¹ Bloomberg, 21 Jun 2017.

⁴² Source, journalist, Addis Ababa

these requirements to assuage economic grievances. However, the national government is likely to push back against measures that it fears will scare away foreign investment.

Map of Ethiopia



Planner

August 2018 **(Ethiopia)** *Horn Affairs*. **Ethiopian People's Revolutionary Democratic Front (EPRDF)** to hold congress;

2018 **(Ethiopia)** *Addis Fortune*. Local elections.

Chronology

16 May 2018 **(Ethiopia)** *Vanguard News*. Unidentified attackers kill **Nigeria-based Dangote Cement** general manager **Deep Kamara** along with his secretary and driver en route from the cement plant in **Mugher** in **Oromia** back to **Addis Ababa**;

14 May 2018 **(Ethiopia)** *Borkena*. Opposition party **Oromo Democratic Movement** announces the end of its exile from Ethiopia;

15 May 2018 **(Ethiopia)** *Borkena*. Prime minister **Abiy Ahmed** removes high-ranking government officials, mainly from the **Tigray People's Liberation Front (TPLF)** party;

11 May 2018 **Shakiso (Ethiopia)** *Mining.com*. The government withdraws **Mohammed al-Amoudi's** mining permit following protests;

8 May 2018 **Shakiso (Ethiopia)** *Bloomberg*. Protesters in the **Oromia** region continue to block roads to demand the government's withdrawal of **Saudi Arabian Mohammed al-Amoudi's** gold mining permit amid alleged pollution;

30 Apr 2018 **(Ethiopia)** *BBC*. A fault at the **Gibe III** hydroelectric dam causes a nationwide powercut;

27 Apr 2018 **Addis Ababa (Ethiopia)** *BBC*. Prime minister **Abiy Ahmed** states that he is considering introducing a two-term limit for the post of prime minister, currently unlimited in terms of the constitution;

23 Apr 2018 **Addis Ababa (Ethiopia)** *Reuters*. Business leaders leave disappointed after the prime minister, **Abiy Ahmed**, tells them at a banquet that the Ethiopian state will continue to dominate the country's economy;

17 Apr 2018 **Moyale (Ethiopia)** *Daily Nation*. A hand grenade attack at Moyale bus station kills three and wounds a further 50;

16 Apr 2018 **Addis Ababa (Ethiopia)** *VOA*. The government appears to end a three-month blackout of mobile and broadband internet in many regions outside of the capital which experienced popular unrest and protests;

10 Apr 2018 **(Ethiopia)** *Tadias*. **United States' (US)** house of representatives passes resolution 128 condemning **Ethiopia's** human rights and governance record;

About Africa Risk Consulting:

Africa Risk Consulting (ARC) is a pan-African consulting company that provides timely, relevant information and advice that enables its clients to take informed investment decisions and to safeguard their reputations.

ARC's core consulting services include integrity due diligence and corporate investigations, political advisory and country assessments, opportunity monitoring and reputation risk management. Most relevant to private equity firms is ARC's integrity due diligence and corporate investigations capability. Specifically, ARC offers pre-deal integrity checks to highlight red flags before negotiations start; full detailed multi-jurisdictional reputation due diligence; and supplier and senior hire vetting and repeat due diligence for compliance programmes. ARC is unique in that it offers a 10-day delivery for a routine integrity due diligence. ARC also offers a suite of corporate investigations services from immediate investigation, evidence gathering, e-discovery, forensic accounting and whistleblower support on one end to crisis media management and regular monitoring on the other.

www.africariskconsulting.com

About ARC Briefing:

ARC Briefing is ARC's essential online business information service.

Companies at any stage in their Africa expansion, whether building or communicating an Africa strategy, investing directly, expanding current operations, financing other investors, doing the legal leg-work or researching the Africa growth trend, need ARC Briefing.

ARC Briefing is an online information service keeping you:

- Up to date with Country Chronologies of business-critical events
- In the know via Country Briefings on political, economic, business and operating trends. Written in-country, ARC experts analyse and comment
- Ahead with Country Planner which details future elections, budgets, regulatory changes etc.

www.africariskconsulting.com

Getting in touch

Please contact us by email info@africariskconsulting.com or call + 44 (0) 20 7078 4080

Follow us on Twitter: [@ARCBriefing](https://twitter.com/ARCBriefing)