

## AFRICA RISK CONSULTING

### Ethiopia Monthly Briefing July 2018

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#### Ethiopia Summary 27 July 2018

***Ethiopia and Eritrea rekindle diplomatic ties, ending a decades-long conflict. The suspicious death of Grand Ethiopian Renaissance Dam project manager Simegnw Bekele highlights security concerns in Ethiopia. Kenya-based telecoms firm Safaricom is in “advanced talks” with the Ethiopian government to introduce its mobile payment service M-Pesa to Ethiopia as Kenyan companies eye a liberalising marketplace.***

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#### Ethiopia and Eritrea rekindle diplomatic ties

The **Ethiopian** prime minister, **Abiy Ahmed** (2018-present), and **Eritrea’s** President **Isaias Afwerki** (1993-present), have declared their longstanding “*state of war*” over. The two heads of state signed a peace deal on 8 July that will see the two neighbouring countries re-establish trade and diplomatic relations.<sup>1</sup> The two states fought a border war between 1998 and 2000 during which more 80,000 people died.

Ethiopia and Eritrea signed a peace deal, the **Algiers Agreement**, in 2000.<sup>2</sup> However, neither country accepted the findings of the border commission that brokered the Algiers Agreement.<sup>3</sup> From 2000, the countries were in a state of “*no war, no peace*”. On 5 June, following an executive committee meeting of Ethiopia’s ruling **Ethiopian People’s Revolutionary Democratic Front (EPRDF)**, the Ethiopian government announced that it would fully accept the border demarcation proposed in the Algiers Agreement.<sup>4</sup> The government ceded the town of **Badme**, a flashpoint during the conflict for ongoing violence between the two national armies, to Eritrea (see *ARC Briefing Ethiopia June 2018*).<sup>5</sup>

The Ethiopian government’s interactions with Eritrea since diplomatic relations have thawed have followed a well-established pattern, with the aim of extending Ethiopia’s trade opportunities. Ethiopia has gained access to Eritrea’s **Massawa** and **Assab** ports.<sup>6</sup> This provides further means to import and export goods after Abiy’s visits to **Sudan**, **Kenya** and **Somaliland (Somalia)** to acquire equity in and access to ports in those countries (see *ARC Briefing Ethiopia May 2018*). Flights have resumed between **Addis Ababa** and **Asmara**, the respective capitals of Ethiopia and Eritrea<sup>7</sup>, and Ethiopia’s state-owned airline, **Ethiopian Airlines**, has acquired a 20% stake in Eritrea’s state-owned **Eritrean Airlines**.<sup>8</sup>

Abiy’s rapprochement with Eritrea is a diplomatic masterstroke. The development has not only backed his move to liberalise Ethiopia’s economy, but has also enabled Abiy to further his political agenda domestically and abroad.

Despite these diplomatic gains, Abiy has faced stern opposition from the **Tigrayan People’s Liberation Front (TPLF)**, the oldest party in the ruling EPRDF coalition and the group with the lion’s

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<sup>1</sup> BBC, 9 Jul 2018.

<sup>2</sup> Addis Standard, 5 June 2018.

<sup>3</sup> BBC, 9 Jul 2018.

<sup>4</sup> Addis Standard, 5 June 2018.

<sup>5</sup> Addis Standard, 5 June 2018.

<sup>6</sup> Financial Times, 9 Jul 2018.

<sup>7</sup> The East African, 11 Jul 2018.

<sup>8</sup> CNBC, 18 Jul 2018.

share of political and military power preceding Abiy's rise to power.<sup>9</sup> The TPLF on 13 June condemned the EPRDF's decisions to accept the border proposed during the Algiers Agreement and to end the country's state of emergency, stating that those policies had "*fundamental flaws*".<sup>10</sup> In a similar vein, the TPLF issued a statement on 7 July alleging that to accept the conditions of the Algiers Agreement would violate Ethiopian's right to self-determination.<sup>11</sup> Abiy's triumphant and highly-publicised rapprochement with Eritrea has, however, worked to strengthen his already soaring popular support. The TPLF has been forced to fall in line, stating their commitment on 13 July to restoring "*brotherhood*" between Ethiopians and Eritreans.<sup>12</sup> The TPLF's concession is a particularly important triumph for Abiy, who is said to have pursued his agenda with vigour "*in order to get to the EPRDF Congress (in August) with a fait accompli situation to discuss*", denying rival EPRDF factions the chance to influence his agenda.<sup>13</sup>

Abiy's insistence on ending hostile relations with Eritrea has also applied pressure on Eritrean President Afwerki to his repeal his government's militaristic agenda. Eritrea had used the continued conflict with Ethiopia to justify its imposition of indefinite military service on its people<sup>14</sup> and enforce a repressive dictatorship, forcing many to flee the country.<sup>15</sup> Afwerki has lost the justification for his government's repression:

*"Everyone is now expecting Eritrea to change; for national service to end, prisoners to be released and the constitution to be implemented."*<sup>16</sup>

In the lead up to their meeting, Abiy addressed Afwerki through the media, publicising an approach he knew to be popular.<sup>17</sup> The pair "*preached love and unity*" at a concert in Ethiopia's capital, **Addis Ababa**, on 5 July to celebrate the rapprochement, demonstrating both cordial relations and an image of a president who is in touch with his people.<sup>18</sup> Demonstrating the extent of political power behind his policy, Abiy and Afwerki visited the **United Arab Emirates (UAE)** on 24 July to receive the **Order of Zayed**, the highest civil honour in the UAE, for their efforts towards peace.<sup>19</sup>

For investors, Ethiopia's rapprochement with Eritrea is positive. It demonstrates a continuation of President Abiy's liberalising political and economic agenda and a consolidation of his power in the domestic sphere. The EPRDF Congress in August will prove whether Abiy is, indeed, impervious to opposition from within his own party.<sup>20</sup>

### Death of GERD project manager highlights security concerns

State-affiliated broadcaster **Fana Broadcasting Corporate** announced on 26 July that **Simegnaw Bekele**, the project manager of Ethiopia's contentious **Grand Ethiopian Renaissance Dam (GERD)**, was found dead in his car in Addis Ababa.<sup>21</sup> **Federal Police Commission** head **Zeinu Jamal** announced that Simegnaw had died of a gunshot wound behind his ear and a **Colt** pistol was found in the car beside him.<sup>22</sup> Simegnaw's death has highlighted security concerns around the construction of the half-completed dam, which has been a source of diplomatic controversy. **Egypt** has protested that if the dam is filled too quickly, it could limit its access to the **Nile River's** water and adversely affect

<sup>9</sup> Al Jazeera, 24 Jun 2018.

<sup>10</sup> Addis Standard, 13 Jun 2018.

<sup>11</sup> Africa Confidential, 13 Jul 2018.

<sup>12</sup> Africa Confidential, 13 July 2018.

<sup>13</sup> Source, diplomat, Addis Ababa

<sup>14</sup> Financial Times, 11 Jun 2018.

<sup>15</sup> Human Rights Watch

<sup>16</sup> Human rights activist, Sweden, in Al Jazeera, 26 Jul 2018.

<sup>17</sup> Africa Confidential, 13 Jul 2018.

<sup>18</sup> Reuters, 15 Jul 2018.

<sup>19</sup> The National, 24 Jul 2018.

<sup>20</sup> Africa Confidential, 13 Jul 2018.

<sup>21</sup> The East African, 26 Jul 2018.

<sup>22</sup> Al Jazeera, 26 Jul 2018.

crop yields.<sup>23</sup> Simegnew was the public face of the dam. Controversy over the dam had led many to suspect that he was murdered. Hundreds of protesters gathered in front of state-owned television station **ETV** on 26 July and called for justice.<sup>24</sup> However, impunity could reign supreme in Simegnew's case, as CCTV cameras installed around **Meksel Square**, where Simegnew's body was found, were removed long ago due to road construction and will limit the Ethiopian security services' efforts to find out how he died.<sup>25</sup>

Simegnew's death poses questions about broader security in Ethiopia. Despite Abiy's espousal of political tolerance and dialogue with organisations previously deemed as "terrorist" by the Ethiopian government, the country remains unsafe in certain areas.<sup>26</sup> Violence in the western regional state of **Benishangul-Gamuz** on 28 June killed 10 and injured a further 38.<sup>27</sup> On 15 July Abiy publicly condemned the violence in **Southern, Oromia** and **Somali Regional States** that has killed many people.<sup>28</sup> The **United States (US)** ambassador to Ethiopia, **Michael Raynor**, expressed public concern on 23 July about general security in the country and said that conflict in Ethiopia has displaced more than 2 million people.<sup>29</sup>

Along with Simegnew, other high-profile figures in Ethiopia have faced attempts on their lives in recent months. The country manager of **Nigeria-based Dangote Cement** was killed in the **Oromia** region with two of his staff on 16 May (see *ARC Briefing Ethiopia May 2018*).<sup>30</sup> On 23 June a grenade exploded at a mass rally in support of Abiy in a suspected assassination attempt, killing two and injuring over 150.<sup>31</sup>

Those travelling in Ethiopia's regions should remain aware of local conflict dynamics and avoid large-scale political gatherings to protect their safety.

### Safaricom in 'advanced talks' with government over M-Pesa in Ethiopia

**Kenya**-based telecommunications company **Safaricom** announced on 17 July that it is in "advanced talks" with the Ethiopian government to introduce its **M-Pesa** mobile payment service to the country.<sup>32</sup> M-Pesa is a service that allows its users to deposit, withdraw, transfer money and pay for goods and services with a mobile phone, with their account linked to their SIM card and services carried out via SMS messages.<sup>33</sup> A local journalist described Ethiopia's state-owned banking system as "decrepit" and "inefficient";<sup>34</sup> the introduction of M-Pesa to Ethiopia would allow Ethiopians to send money to each other electronically more easily.<sup>35</sup>

An industry source told **United Kingdom (UK)**-based news agency **Reuters** that UK-based **Vodafone**, Safaricom's parent company, plans to license the use of M-Pesa to an Ethiopia-based bank while Safaricom will host the servers to carry out the service in **Nairobi**, Kenya.<sup>36</sup> Ethiopia's state-owned telecommunications company, **Ethio Telecom**, also plans to carry the M-Pesa service.<sup>37</sup>

Safaricom CEO **Bob Collymore** said in an interview with UK-based newspaper **Financial Times** in September that Safaricom planned to expand across Africa within e-commerce and the mobile

<sup>23</sup> The East African, 26 Jul 2018.

<sup>24</sup> Al Jazeera, 26 Jul 2018.

<sup>25</sup> Africanews, 26 Jul 2018.

<sup>26</sup> The Guardian, 8 Jul 2018.

<sup>27</sup> Xinhua, 28 June 2018.

<sup>28</sup> Xinhua, 15 Jul 2018.

<sup>29</sup> U.S Embassy in Ethiopia, 23 Jul 2018.

<sup>30</sup> Vanguard News, 17 May 2018.

<sup>31</sup> Eyewitness News, 24 Jun 2018.

<sup>32</sup> Reuters, 17 Jul 2018.

<sup>33</sup> www.investopedia.com

<sup>34</sup> Reuters, 17 Jul 2018.

<sup>35</sup> Reuters, 17 Jul 2018.

<sup>36</sup> Reuters, 17 Jul 2018.

<sup>37</sup> Reuters, 17 Jul 2018.

payments service **M-Pesa**.<sup>38</sup> Analysts described Ethiopia, with a population of 100 million, as a “big prize” for Safaricom.<sup>39</sup> Safaricom’s swift entry into the Ethiopian market since Abiy announced his intention to open the country’s telecoms sector to foreign companies has given Safaricom a significant advantage over its competitors.<sup>40</sup>

Companies are poised to enter Ethiopia upon the enactment of the government’s economic liberalisation policies that will permit more foreign companies to operate there.<sup>41</sup> Investors can expect other Kenyan firms to take advantage of their proximity to the Ethiopian market.

### Planner

Aug 2018 **(Ethiopia)** *Horn Affairs*. **Ethiopian People’s Revolutionary Democratic Front (EPRDF)** congress;

Sept 2018 **(Ethiopia)** *Chatham House*. Local elections;

2020 **(Ethiopia)** Parliamentary elections;

### Chronology

26 Jul 2018 **Addis Ababa (Ethiopia)** *The East African*. **Federal Police Commission** head **Zeinu Jamal** announces the death of **Grand Ethiopian Renaissance Dam** project manager **Simegnew Bekele** from a gunshot wound;

24 Jul 2018 **Abu Dhabi (United Arab Emirates)** *The National*. **Ethiopian’s** prime minister, **Abiy Ahmed**, and **Eritrea’s** president, **Isaias Afwerki**, visit the UAE to receive the **Order of Zayed** for their efforts towards peace;

23 Jul 2018 **Addis Ababa (Ethiopia)** *U.S Embassy in Ethiopia*. **Michael Raynor**, the **United States’** ambassador to Ethiopia, publicly announces concern regarding security in Ethiopia;

19 Jul 2018 **Addis Ababa (Ethiopia)** *Business Day*. Information minister **Ahmed Shide** announces the government plans to sell off many state-owned firms, but will retain majority holdings in airlines, logistics, telecoms and energy companies;

18 Jul 2018 **Addis Ababa (Ethiopia)** *BBC*. **Ethiopia** appoints **Redwan Hussein** as its first ambassador to **Eritrea** in two decades;

18 Jul 2018 **Addis Ababa (Ethiopia)** *Al Jazeera*. **Ethiopian Airlines** launches its first direct passenger flight to **Asmara (Eritrea)**;

17 Jul 2018 **Nairobi (Kenya)** *Reuters*. **Kenya**-based telecommunications company **Safaricom** announces it is in ‘advanced talks’ with the **Ethiopian** government to introduce its **M-Pesa** service to the country;

17 Jul 2018 **(Ethiopia)** *The East African*. State-owned **Ethiopia Airlines** will purchase a 20% stake in **Eritrea’s** state-owned airline **Eritrean Airlines**;

15 Jul 2018 **Addis Ababa (Ethiopia)** *AP*. Ethiopia’s prime minister, **Abiy Ahmed**, and **Eritrea’s** President **Isaias Afwerki** greet crowds together at a concert celebrating the re-establishing of diplomatic relations between Eritrea and Ethiopia;

9 Jul 2018 **Addis Ababa (Ethiopia)** *AP*. Ethiopia’s prime minister, **Abiy Ahmed**,

<sup>38</sup> Financial Times, 6 Sept 2017.

<sup>39</sup> Financial Times, 6 Sept 2017.

<sup>40</sup> Reuters, 17 Jul 2018.

<sup>41</sup> Reuters, 17 Jul 2018.

meets **Eritrean** President **Isaias Afwerki** to open embassies in each other's capital cities and allow citizens from both countries to contact each other;

8 Jul 2018 **Addis Ababa (Ethiopia)** *BBC*. Ethiopia's prime minister, **Abiy Ahmed**, and **Eritrean** President **Isaias Afwerki** plan to re-establish diplomatic ties;

7 Jul 2018 **(Ethiopia)** *Africa Confidential*. The **Tigrayan People's Liberation Front (TPLF)** issues a statement alleging that the Ethiopian government's acceptance of the conditions of the **Algiers Agreement**, ceding the town of **Badme** to **Eritrea**, would violate Ethiopia's right to self-determination;

6 Jul 2018 **Addis Ababa (Ethiopia)** *EWN*. Prime minister **Abiy Ahmed** tells parliament that Ethiopia needs \$7.5 billion to finish its infrastructure projects;

30 Jun 2018 **Addis Ababa (Ethiopia)** *Al Jazeera*. Prime minister **Abiy Ahmed** plans to remove three rebel groups from a list of terrorist organisations;

25 Jun 2018 **Addis Ababa (Ethiopia)** *Reuters*. An **Eritrean** delegation plans to arrive in Addis Ababa to resolve military disputes after Ethiopian prime minister **Abiy Ahmed** honoured a peace agreement which ended the border conflict;