

AFRICA RISK CONSULTING

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Prime minister Abiy Ahmed (2018-present) wins the 2019 Nobel Peace Prize for his political and social reforms in Ethiopia and ending a 20-year conflict with neighbouring Eritrea. State-owned Ethio Telecom appoints international consulting firm KPMG to provide a valuation of the company and a transaction advisor is expected to be appointed next month for its privatisation ambitions. State-owned Ethiopian Airlines former chief engineer Yonas Yeshanew cites corruption, document fabrication and the signing off on shoddy repairs in a whistleblower complaint filed with international airline regulators after an Ethiopian Airlines Boeing 737 Max jet makes an emergency landing in Senegal.

Abiy wins Nobel Peace Prize

Prime minister **Abiy Ahmed** (2018-present) won the 2019 **Nobel Peace Prize** on 11 October for his political and social reforms in **Ethiopia** and ending a 20-year conflict with neighbouring **Eritrea**.¹ The award is a vote of confidence and a signal of encouragement. The Nobel Prize will provide foreign investors with further confidence in Abiy's intention and ability to deliver on his reform promises and will give him more leverage as a peacemaker at home and in the wider region.

There is a trend – particularly in **Africa** – for highly praised reformist leaders to shift towards authoritarianism in office. Abiy's **Tanzanian** counterpart, President **John Magufuli** (2015-present), is a case in point (see *ARC Briefing Tanzania October 2019*). So far, this has not been the case with Abiy. With Ethiopia's reformist leader looking likely to solidify his position after national elections that the ruling **Ethiopian Peoples' Revolutionary Democratic Front (EPRDF)** coalition have promised to hold in 2020, the country's path to political, economic and social liberalisation will only strengthen.

Abiy began his time in office in a much different Ethiopia. The country had been under the control of an authoritarian government for a decade and a half and the level of discontent was at boiling point. Abiy simmered tension within his first six months by releasing contentiously arrested prisoners, repatriating exiled dissidents, and appointing opponents to key political positions. He also promised sweeping political and social reforms, and delivered.

His greatest achievement to date has been ending conflict with Eritrea. The **Norwegian Nobel Committee** noted Abiy's "*decisive initiative*" to resolve an entrenched border conflict with Eritrea and his peacebuilding efforts across the **Horn of Africa**. Abiy resolved a conflict with Eritrea in June 2018, shortly after taking office, that had been waging for two decades and reopened borders and restored diplomatic ties. Ethiopian professor of human rights at **Keele University (Newcastle, United Kingdom (UK))**, **Awol Allo** said:

*"What has been achieved in terms of normalising relations between the two countries is enormous. I can't really think of anything more important for families that were splintered as a result of that senseless war to suddenly have that hope, that opportunity."*²

Abiy is also seen as a peacemaker in the wider region. **United Nations (UN)** secretary-general **Antonio Guterres** said peace efforts between Ethiopia and Eritrea had inspired hopes of regional

¹ BBC, 11 Oct 2019

² Awol Allo quoted in FT, 11 Oct 2019

"security and stability" and that the prime minister's leadership had "set a wonderful example for others in and beyond Africa looking to overcome resistance from the past and put people first."³ Abiy intervened in **Sudan** following the ousting of former president **Omar al Bashir** (1989-2019) in April, and he mediated disputes between Eritrea and **Djibouti**. He also helped mediate a maritime territory dispute between **Kenya** and **Somalia** and has been a crucial part of efforts to bring together the leaders of Sudan and **South Sudan** for talks.

However, not everyone in the country is singing Abiy's praise. Nobel committee chair **Berit Reiss-Anderson** noted this before announcing Abiy the award, saying "no doubt some people will think this year's prize is being awarded too early."⁴ Abiy's reforms have seen a rise in ethnic violence across the country, which has resulted in the displacement of an estimated 2.9 million people since December 2018.

And the trend is getting worse. The government confirmed on 25 September that over 1,000 people have died due to inter-ethnic violence in the country in the past year.⁵ A political official in **Amhara** region said on 3 October said that military forces had killed at least 22 people in ethnic clashes in the previous five days.⁶ Police tear-gassed hundreds of protesters outside a court on 8 October following public tensions over high-profile violence that left dozens dead in the region in June.⁷ Armed attackers killed at least 16 people and injured two dozen others on 15 October in one of the deadliest attacks in the **Afambo** district (**Afar Region**).⁸

Abiy's achievements in foreign affairs have also come under pressure. The peace deal with Eritrea has stagnated, and the grievances held by many Eritreans remain (see *ARC Briefing Ethiopia July 2019*). UN special rapporteur on Eritrea **Daniela Kravetz** said in July that the human rights situation in Eritrea shows no signs of improvement since it signed its peace agreement with Ethiopia and that there has been no progress on bilateral relations since the agreement was signed. Part of the problem is a lack of political will on the part of Eritrean president **Isaias Afwerki** (1993-present) – border tensions are often used to qualify unpopular policy choices – and part of the problem is the fractured ruling coalition in Ethiopia.

But, Abiy's accomplishments should be analysed by comparing how the country looked months and years ago, not how it ought to look in a decade from now. The country's pathway from authoritarianism to liberalism is guaranteed to have bumps, but there are very few countries on the continent that can boast the same level of opportunity and optimism that Abiy has created in Ethiopia.

Ethio Telecom sale advisor wanted

Finance minister **Eyob Tekalign Tolina** said on 26 September that state-owned **Ethio Telecom** had appointed international consulting firm **KPMG** to provide a valuation of the company, and a transaction advisor is expected to be named next month for the share sale, who will determine a minimum value and select an appropriate partner.⁹ The privatisation process of the world's largest telecommunications monopoly is moving swiftly and has caught the eye of numerous telecom majors. Ethiopia plans to announce the winning bidders of the Ethio Telecom share sale and the separate but synchronised licensing process in March 2020.

Ethiopian Communications Authority director general **Balcha Reba** said on 9 October that Ethiopia may give up majority control of Ethio Telecom once it has sold 49% of the company.¹⁰ However, Reba added the market would have to become more competitive and mature before an

³ Reuters, 11 Oct 2019

⁴ Reuters, 11 Oct 2019

⁵ Africanews, 25 Sep 2019

⁶ Reuters, 3 Oct 2019

⁷ Reuters, 8 Oct 2019

⁸ Reuters, 15 Oct 2019

⁹ FT, 10 Oct 2019

¹⁰ Bloomberg, 9 Oct 2019

additional sale could be considered. Eyob had previously said that government would only sell a minority stake of up to 49%. Balcha said the government could also issue more mobile-phone licences over the long term beyond the two already planned.

Ethio Telecom is the largest and most highly sought-after government enterprise being sold off to domestic and foreign investors in Abiy's extensive privatisation programme. Balcha's announcement will be welcome news for several global telecom companies that have already expressed interest, including UK-headquartered **Vodafone**, South Africa-headquartered **MTN**, France-headquartered **Orange**, United Arab Emirates-headquartered **Etisalat** and Kuwait-headquartered **Zain**. An ARC research visit in **Addis Ababa** in November 2018 revealed that several of these significant telecommunications companies had already set up satellite offices in Ethiopia on the rumours that Abiy was planning on privatising Ethio Telecom and liberalising the telecommunications sector (see *ARC Briefing Ethiopia February 2019*).

Government plans to synchronise the Ethio Telecom share sale with the issue of two new telecoms licences to other operators. President **Sahle-Work Zewde** said on 7 October that two private firms would be given telecommunication licences by the end of July 2020.¹¹ Eyob says the government is also looking for a transaction advisor for the licensing process. The government in June passed legislation to set up a telecoms regulator, a move that was praised by international investors. Government has said it plans to make the new market attractive to foreign investors by ensuring transparency.

Ethio Telecom is the only telecom service in Ethiopia; it serves 100 million people and has 44 million subscribers, making it the most extensive single-country base of any operator in Africa. The company generated revenues of Ethiopian birr 36 billion (ETB) (\$1.2 billion) in the fiscal year ending July 2019.¹² Privatisation of the sector will boost growth in other parts of the economy while also decreasing mobile costs and opening up the advantages of mobile technology around the country. Politically, it would be another feather in Abiy's cap, as it would increase foreign direct investment and further distance his regime from the autocratic leanings of past governments.

No smoke without fire

Ethiopian Airlines former chief engineer **Yonas Yeshanew** on 9 October cited corruption, document fabrication and signing off on shoddy repairs in a whistleblower complaint filed with international airline regulators after an Ethiopian Airlines **Boeing 737 Max** jet made an emergency landing at **Blaise Diagne International Airport** in **Senegal** on 8 October after an engine caught fire after takeoff.¹³ Yonas' claims, which are mostly substantiated, have damaged Africa's most successful airline carrier significantly, and have raised other vital concerns regarding the country's less prized human rights record. More allegations are likely to follow – if Ethiopian Airlines doesn't address the issue with better transparency, its revenues will take a hit, which would come at a bad time for the company as regional competition is rapidly growing.

Yonas said the government-owned airline went into its maintenance records after the 8 October crash for unknown reasons, which would be highly suspicious. He said the government has few boundaries and plenty to hide. In his report to the **United States (US) Federal Aviation Administration (FAA)** and other international air safety agencies, he said:

"The brutal fact shall be exposed ... Ethiopian Airlines is pursuing the vision of expansion, growth and profitability by compromising safety."¹⁴

Yonas resigned in August and is seeking asylum in the US. His criticism of Ethiopia Airlines' maintenance practices is supported by three other former employees, as well as by email

¹¹ BBC, 7 Oct 2019

¹² New Business Ethiopia, 12 Oct 2019

¹³ AP News, 9 Oct 2019

¹⁴ AP News, 9 Oct 2019

conversations with the company's senior management and an FAA audit from 2016 that found that nearly all of the 82 mechanics, inspectors and supervisors at Ethiopian Airlines whose files were reviewed lacked the minimum requirements for doing their jobs.

Ethiopian Airlines denies Yonas's allegations of a history of tampering and poor maintenance and described Yonas as a resentful former employee:

"... a disgruntled ex-employee who fabricated a false story about Ethiopian Airlines, partly as revenge for his demotion while working in Ethiopia Airlines, and partly to probably develop a case to secure asylum in the US."

Yonas also alleges that Ethiopia Airlines maintains a detention centre in Addis Ababa that is used to interrogate, intimidate and beat up critical employees. Yonas said he was held in the detention centre for 10 hours in July on suspicion he was talking to news organisations. He says he was told he would be thrown into jail "like all the other persons before" him if he didn't keep quiet.¹⁵

Planner

17-19 Oct 2019 **Addis Ababa (Ethiopia)** African Livestock Exhibition and Congress;
 23-25 Oct 2019 **Addis Ababa (Ethiopia)** Social Enterprise World Forum;
 31 Oct-4 Nov 2019 **Addis Ababa (Ethiopia)** Matex Ethiopia Expo;
 1-5 Nov 2019 **Addis Ababa (Ethiopia)** Ethiopia International Trade Expo;
 13 Nov 2019 **Sidama Zone (Ethiopia)** Referendum on self-determination;
 15-17 Nov 2019 **Addis Ababa (Ethiopia)** Agritech Ethiopia;
 25-26 Nov 2019 **Addis Ababa (Ethiopia)** Ethiopia International Mining Conference & Exhibition;
 2020 **(Ethiopia)** Parliamentary elections.

Chronology

15 Oct 2019 **Addis Ababa (Ethiopia)** *Bloomberg*. The **National Bank of Ethiopia** (central bank) says it is confident it will receive a \$1 billion package from the **World Bank** to help to liberalise the economy;

15 Oct 2019 **Afambo District (Ethiopia)** *Reuters*. Armed attackers kill at least 16 people and injure two dozen others in one of the deadliest attacks in the **Afambo** region;

15 Oct 2019 **Addis Ababa (Ethiopia)** *Fana*. The government postpones the referendum on self-determination for the **Sidama** community from 13 November to 20 November;

13 Oct 2019 **Cairo (Egypt)** *Reuters*. President **Abdel Fattah al-Sisi** says he will meet with **Ethiopian** prime minister **Abiy Ahmed** to discuss the dispute over the **Grand Ethiopian Renaissance Dam (GERD)** project;

11 Oct 2019 **Addis Ababa (Ethiopia)** *BBC*. Prime minister **Abiy Ahmed** wins the 2019 **Nobel Peace Prize** for his peace deal with **Eritrea** and reforms in **Ethiopia**;

9 Oct 2019 **Addis Ababa (Ethiopia)** *Bloomberg*. **Balcha Reba**, the **Ethiopian Communications Authority** director-general, says that **Ethiopia** may give up majority control of its telecommunications monopoly once it has sold 49% of the company;

¹⁵ AP News, 9 Oct 2019

9 Oct 2019 **Dakar (Senegal)** *AP News*. **Ethiopian Airlines** former chief engineer **Yonas Yeshanew** cites corruption, document fabrication and signing off on shoddy repairs in a whistleblower complaint filed with regulators after a **Boeing 737 Max** jet made an emergency landing the day before;

8 Oct 2019 **Dakar (Senegal)** *AP News*. An **Ethiopian Airlines** plane makes an emergency landing at **Blaise Diagne International Airport** in **Senegal** after an engine caught fire after takeoff;

8 Oct 2019 **Bahir Dar (Ethiopia)** *Reuters*. Police teargas hundreds of protesters outside a court following public tensions over high profile violence that left dozens dead in the region in June;

7 Oct 2019 **Cairo (Egypt)** *France24*. The irrigation ministry calls for the **United States'** active involvement in negotiations with **Ethiopia** over the **Grand Ethiopia Renaissance Dam (GERD)**;

7 Oct 2019 **Addis Ababa (Ethiopia)** *BBC*. President **Sahle-Work Zewde** says that two private firms will be given telecommunication licences by the end of July 2020;

5 Oct 2019 **Cairo (Egypt)** *Egypt Today*. A water resources ministry spokesman says that negotiations with Ethiopia over the **Grand Ethiopian Renaissance Dam** have reached a deadlock;

3 Oct 2019 **Amhara Region (Ethiopia)** *Reuters*. A local political official says that military forces have killed at least 22 people in ethnic clashes in the past five days;

3 Oct 2019 **Addis Ababa (Ethiopia)** *Borkena*. **Ethiopian Airlines** CEO **Tewolde Gebramariam** says the state-owned airline will purchase 20 more airplanes in the 2019 fiscal year;

25 Sep 2019 **Addis Ababa (Ethiopia)** *africanews*. The government confirms that over 1,000 people have died due to inter-ethnic violence in the past year;

About Africa Risk Consulting:

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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.

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