

AFRICA RISK CONSULTING

Ethiopia Monthly Briefing November 2019

Ethiopia Summary 21 November 2019

Two days of largely ethnic- and religious-based violence erupt during anti-government demonstrations in the Oromia region following the accusation by high-profile social media activist Jawar Mohammed that security forces tried to orchestrate an attack against him. Jawar, who helped prime minister Abiy Ahmed Ali's (2018-present) ascent to power last year, is now one of Abiy's greatest political threats. Sidama people in the Southern Nations, Nationalities, and People's Region (SNNPR) region vote in a referendum on whether to create a new semi-autonomous regional state within Ethiopia's federal system. The vote is a litmus test on whether Abiy can control the forces of ethnic nationalism and hold a peaceful vote before national elections planned for May 2020. The World Bank ranks Ethiopia 159th out of 190 countries worldwide in its Doing Business report for 2020, and 29th out of 48 countries in sub-Saharan Africa.

Jawar Mohammed – Abiy's most influential opponent

Two days of largely ethnic- and religious-based violence erupted during anti-government demonstrations in the capital, **Addis Ababa**, and other parts of the **Oromia** region from 24 October after high-profile social media activist **Jawar Mohammed** accused **Ethiopia's** security forces of trying to orchestrate an attack against him at his home, which police officials denied.¹ The recent spate of violence illustrates prime minister **Abiy Ahmed Ali's** (2018-present) waning popularity in his home region, **Oromia**, and the dangers of ethno-nationalism.²

Government officials on 4 November said the death toll stood at 86 and called on citizens to resist forces threatening to impede progress in the country.³ Jawar, who spearheaded protests that propelled Abiy to power last year, is now one of Abiy's greatest political threats. Abiy rose to power on the strength of ethnic nationalism, and now he looks to be coming apart because of it.

Since coming to power in April 2018, Abiy has been praised for his wide-ranging liberalising reforms. Before Abiy's political and economic reforms, Ethiopia was a tightly controlled security state. However, his enabling of greater freedoms has lifted a lid on underlying tensions, causing a rise in ethnic tensions and violence. Clashes in different parts of the country have forced an estimated three million people from their homes in the past 20 months. As the country approaches elections in May 2020, the sweeping freedoms Abiy has overseen have empowered ethnic strongmen building powerbases by challenging the government. Jawar is one such example.

Jawar, founder of independent television channel **Oromia Media Network**, said on 16 November that he would contest in the May 2020 presidential election.⁴ In a social media platform **Facebook** post on 11 November Jawar said that he is leaving Ethiopia to engage the diaspora on how to chart a political future.⁵ Jawar had returned to Ethiopia in May 2015 following years of self-imposed exile in the **United States**.

¹ Al Jazeera, 31 Oct 2019

² ARC's Ethiopia analyst

³ Reuters, 4 Nov 2019

⁴ AFP, 16 Nov 2019

⁵ 'Jawar Mohammed', Facebook, 11 Nov 2019

Jawar is a polarising figure. While many in Oromia hold him in high regard for pushing for change in Ethiopia, others call him an opportunist who is waiting for the right time to assume power. His critics claim he is using ethnic divisions to mobilise support and weaken the government.

Jawar and Abiy's feud is likely to be the centrepiece of next year's election given that they are both members of Ethiopia's largest ethnic group, the **Oromo**. This means that they are fighting for the same political base, given the centrality of ethnic politics in the country. Their feud highlights divisions within the Oromo support base that could complicate Abiy's bid for a five-year term. Ethnic politics is also damaging the ruling **Ethiopian People's Revolutionary Democratic Front (EPRDF)** coalition, which is made up of four parties that represented the country's major ethnic groups: Oromo, **Amhara**, **Tigrayan** and southern groups.

Sidama people vote on independence

Sidama people in the **Southern Nations, Nationalities, and People's Region (SNNPR)** voted on 20 November in a referendum on whether to create a new semi-autonomous regional state within Ethiopia's federal system.⁶ A vote for semi-autonomy would mean the Sidama people would have their own federal state in which they would be in control of their own policies, budget and regional police force. It would also give them greater linguistic and cultural recognition. The results, which are expected in the last week of November, are likely to see the Sidama zone become the tenth Ethiopian regional state. The outcome will have a significant effect on the general election scheduled for May 2020 and Ethiopia's multinational federalism.

There are major security concerns surrounding the vote, especially if Sidama independence activists do not get their way. Deadly violence broke out in July when Sidama protesters clashed with security forces over a perceived reluctance to organise the referendum (see *ARC Briefing Ethiopia July 2019*). Sidama activists claim around 170 people were killed during the protests, which led to the referendum being postponed. As yet, there have been no reports of violence leading up to and during the referendum.

The referendum is a litmus test on whether Abiy can control the forces of ethnic nationalism and hold a peaceful vote before national elections planned for May 2020. If the Sidama people's pursuit for ethnic separatism can be resolved peacefully through democratic means, it will dramatically increase confidence in Abiy's administration as well as the likelihood of next year's elections going ahead. On the other hand, increased political violence over the referendum could force Abiy to scrap the 2020 vote altogether. Postponing the national vote could cause an adverse social reaction, further fuel regional conflicts and damage Abiy's democratic credentials.

The referendum is also a major risk to Ethiopia's system of governance: multinational federalism. **Abebe Aynete**, a senior researcher at local think-tank **Ethiopian Foreign Relations Strategic Studies**, said:

*"The Sidama referendum will be a big test for Ethiopia's multinational federalism, on how it can accommodate various self-determination rights and crucially what comes after the referendum."*⁷

The fear is that the referendum could open Pandora's box in encouraging other ethnic groups to push for semi-autonomy – especially in the SNNRP. More drives for semi-autonomy would further inflate ethnic tensions as well as weaken central government. Ethiopia's 1995 constitution says ethnic groups have the right to demand their own regional state. However, the constitution created nine regional states, mostly based on ethnicity; Tigray is dominated by Tigrayans, Amhara by Amharans. However, the SNNPR is home to over 50 ethnicities. These groups may wish to follow the Sidama people's lead if they are granted semi-autonomy. There are already signs of this happening. Within the SNNPR some among the **Wolayta** and the **Hadiya** peoples are also agitating for their own regional

⁶ Borkena, 20 Nov 2019

⁷ Al Jazeera, 20 Nov 2019

states. Abiy will need to deal fairly with all these demands without encouraging further tension or risking further divisions within the country.

Ethiopia’s rank unchanged in World Bank’s Doing Business index

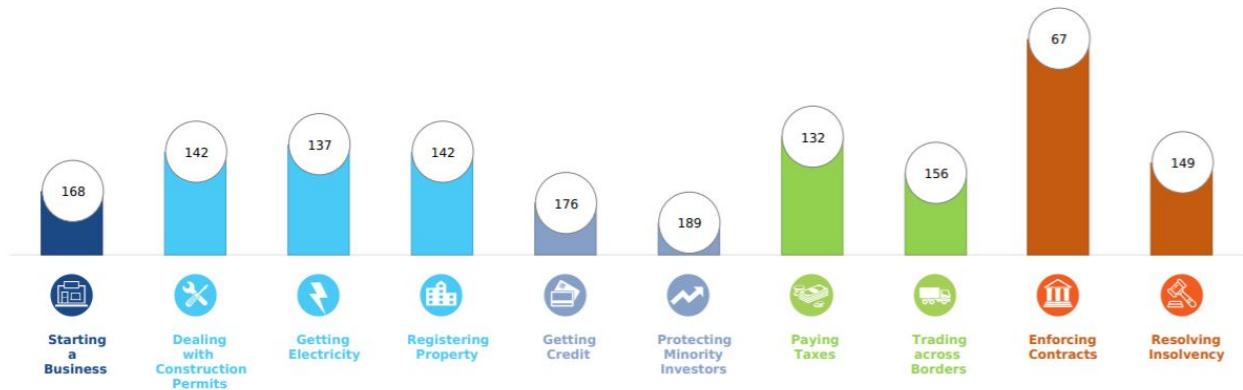
The **World Bank** has ranked Ethiopia 159th out of 190 countries worldwide in its **Doing Business** report for 2020, and 29th out of 48 countries in **sub-Saharan Africa**.⁸ This is the same place the country ranked in the 2019 and 2018 reports.⁹ Prime minister Abiy Ahmed came into office 18 months ago and vowed to open the economy to private investment, raising hopes of laxer business regulations and easier access to funds. However, despite the government’s progress towards liberalisation, progress on business regulatory reform has been prolonged.

The Doing Business rankings are an annual barometer that uses a variety of indicators to assess the business environments of World Bank member states. These indicators include starting a business, dealing with construction permits, getting electricity, registering property, getting credit, protecting minority investors, paying taxes, trading across borders, enforcing contracts and resolving insolvency.

Ethiopia’s score improved 0.9% since last year, from 47.1 to 48, which is the same as the average score increase for sub-Saharan Africa. Ethiopia performed best in ‘enforcing contracts’, where it ranked 67th; the area it did worst in was ‘protecting minority investors’, where it ranked 189th. The country’s biggest improvement was in ‘dealing with construction permits’, where its score improved by 6.9%; the only topic where it performed worse than last year was in ‘resolving insolvency’, where it dropped 0.2%.

Doing Business 2020		Ethiopia		
Ease of Doing Business in Ethiopia 	Region	Sub-Saharan Africa	DB RANK 	DB SCORE
	Income Category	Low income		
	Population	109,224,559		
	City Covered	Addis Ababa		

Rankings on Doing Business topics - Ethiopia



Source: World Bank’s Doing Business Report 2020, 24 Oct 2019

Where Ethiopia has improved markedly has been in visa openness. The **Africa Visa Openness Index 2019** ranked Ethiopia 18th out of 54 countries, moving up 32 places from last year. The openness

⁸ World Bank’s Doing Business Report 2020, Oct 2019
⁹ World Bank’s Doing Business Report 2019, Oct 2018; World Bank’s Doing Business Report 2019, Oct 2017

index was presented by the **African Union Commission** and the **African Development Bank** at the **Africa Investment Forum** in **Johannesburg (South Africa)** on 6 November.¹⁰

Some of the constraints to business in Ethiopia include a 93-day wait for electricity supply, forcing most companies to run off generators at a massive additional cost; a 32-day delay to start a business; and a 300-hour delay to comply with tax regulations, compared with fewer than 24 hours in **Rwanda**. Businesses are also disrupted by corruption; internet penetration is one of the lowest in Africa; and overall connectivity is poor in spite of infrastructure investments.

Planner

25-30 Nov 2019 **Sidama Zone (Ethiopia)** Results of referendum on self-determination expected;

25-26 Nov 2019 **Addis Ababa (Ethiopia)** Ethiopia International Mining Conference & Exhibition;

May 2020 **(Ethiopia)** National elections.

Chronology

20 Nov 2019 **Sidama (Ethiopia)** *Borkena*. **Sidama** people vote in a referendum on whether to create a new semi-autonomous regional state along ethnic lines;

16 Nov 2019 **Addis Ababa (Ethiopia)** *AFP*. Prominent government critic **Jawar Mohammed** says he will contest for presidency in the 2020 election to ensure that it is free and fair;

15 Nov 2019 **Addis Ababa (Ethiopia)** *Xinhua*. **China Communications Construction Company** announces it is speeding up the passenger terminal upgrading project of the **Addis Ababa Bole International Airport**;

7 Nov 2019 **Addis Ababa (Ethiopia)** *Borkena*. The **House of Peoples' Representatives** lifts a ban on **Ethiopia**-born foreign nationals from engaging in the financial sector;

7 Nov 2019 **Washington (US)** *Aljazeera*. **Ethiopia, Egypt** and **Sudan** reach a consensus to finalise on-going trilateral technical discussions on the **Grand Ethiopian Renaissance Dam** by January 2020;

4 Nov 2019 **Washington (United States)** *Reuters*. **Egypt's** President **Abdel Fattah al-Sisi** meets **United States** President **Donald Trump** to discuss negotiations between **Egypt, Ethiopia** and **Sudan** over a giant hydroelectric dam on Ethiopia's **Blue Nile**;

4 Nov 2019 **Addis Ababa (Ethiopia)** *Reuters*. Prime minister **Abiy Ahmed** says protests' death toll last month stood at 86, calling on citizens to resist "*forces*" threatening to impede progress in the country;

1 Nov 2019 **Nairobi (Kenya)** *Reuters*. Kenya-based telecommunications operator **Safaricom** plans to bid jointly with **South Africa**-based **Vodacom** for one of two telecommunications licences in **Ethiopia**;

31 Oct 2019 **Addis Ababa (Ethiopia)** *Al Jazeera*. Government spokesperson **Billene Seyoum** says at least 78 people died and 409 people were arrested in protests last week;

28 Oct 2019 **Addis Ababa (Ethiopia)** *Power Engineering*. **Saudi Arabia**-based power generation firm **ACWA Power** plans to build two 125 megawatt solar PV projects in **Ethiopia** by 2020;

25 Oct 2019 **Addis Ababa (Ethiopia)** *IOL*. **Alexey Likhachev**, the director general

¹⁰ 'Visa Openness Ranking 2019' Visa Openness Index, Nov 2019

of **Russian** state-run nuclear energy company **Rosatom**, and innovation and technology minister **Getahun Mekuria Kuma**, sign an inter-governmental framework to cooperate on using atomic energy;

22 Oct 2019 **Addis Ababa (Ethiopia)** *Reuters*. Prime minister **Abiy Ahmed** says **Ethiopia** is ready to hold elections in May 2020;

22 Oct 2019 **Addis Ababa (Ethiopia)** *Reuters*. **Balcha Reba**, the director-general of the **Ethiopian Communications Authority**, says **Ethiopia** will award two telecoms licences to multinational companies by April 2020;

17 Oct 2019 **Addis Ababa (Ethiopia)** *Business Day*. **National Planning and Development Commission** head **Fitsum Assefa** says the government plans to use the proceeds from partially privatising state-owned enterprises to pay off government-guaranteed debts.

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.

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