

AFRICA RISK CONSULTING

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Ethiopia Summary 25 June 2019

Armed attackers shoot dead Ethiopia's army chief of staff, Seare Mekonnen, and four other senior officials in what the prime minister's office describes as an "orchestrated coup attempt". There are no signs that the attackers aimed to topple the national government, but it is an apparent attack on the political and security leadership of the Amhara Region. Questions arise over whether the national government should postpone the 2020 federal election to avoid ethnic violence. Parliament approves a law to liberalise the telecommunications market, and government plans to issue licences by the end of the year. State minister of finance Eyob Tekalegn Tolina says the government needs \$2.2 billion to modernise the sector. Finance minister Ahmed Shide's draft budget forecasts economic growth of 9% between July 2019 and July 2020, and increases government spending by 1.6% (\$13.48 billion).

Five senior security officials killed in an alleged coup

Ethiopia's army chief of staff **Seare Mekonnen** and four other senior officials of **Amhara Region** were killed by armed attackers, allegedly including Amhara's regional security chief, **Asaminew Tsigie**, on 23 June in what the prime minister's office described as an "orchestrated coup attempt".¹ The attack on Amhara Region's political and security leadership shows the high level of ethnic tension in Ethiopia and the depth of the country's political crisis. This raises serious concerns over civil unrest around next year's national election – particularly considering parliament postponed a federal census for the second time on 11 June over security concerns.² However, political parties fear that delaying the May 2020 national elections could amplify ethnic tensions and trigger political unrest.³ A delay could also damage reformist Abiy's democratic credentials.

While the government has described the incident as an attempted coup, there were no signs of an attempt to seize national power and the overall motives remain unclear.⁴ The governor of Amhara Region, **Ambachew Mekonnen**, was killed at a meeting in his office in Amhara's capital, **Bahir Dar**, along with his senior adviser, **Ezez Wasie**. The region's attorney general, **Migbaru Kebede**, was wounded in the attack and has since died. A few hours later, Ethiopia's army chief of staff, Seare, was killed in the federal capital, **Addis Ababa**, by his bodyguard, who killed himself immediately afterwards. General **Gezai Abera** was also killed in the attack. The government has said it believes the attacks in Bahir Dar and Addis Ababa were linked. Seare and Ambachew were close allies of prime minister **Abiy Ahmed** (2018-present).

Abiy's administration accused Amhara's regional security chief, Asaminew, of being behind the coup attempt, and government security forces shot him dead in **Bahir Dar** on 24 June.⁵ The federal government has deployed a heavy contingent of pro-government forces in Bahir Dar and Addis Ababa. The Internet has been shut across the country, days after services resumed on 18 June following an unexplained blackout of more than a week. Abiy declared a day of mourning on 24 June and urged the country to unite against "evil" forces set on dividing the country. The prime minister's press office said:

¹ FT, 23 Jun 2019

² Source, analyst, London

³ africanews, 21 Jun 2019

⁴ Source, analyst, London

⁵ BBC, 25 Jun 2019

*"The coup attempt in Amhara regional state is against the constitution and is intended to scupper the hard-won peace of the region... This illegal attempt should be condemned by all Ethiopians and the federal government has full capacity to overpower this armed group."*⁶

Ethiopia expert **Gerard Prunier** has dismissed the idea of a coup:

*"There was no attempt at a coup d'état, because a coup d'état implies significant movement of troops or the seizing of control of strategic points like airports or media."*⁷

Asaminew was among a group of high-ranking military officers released from prison early last year when the previous government moved to free political detainees in response to public pressure.⁸ Asaminew had been in custody for nine years for allegedly plotting a coup. According to **Reuters**, Amhara's top officials had convened a meeting on 22 June to discuss attempts by Asaminew to recruit ethnic militias.⁹ Asaminew openly advised the Amhara people this month to arm themselves, in a video spread on social media platform **Facebook** and seen by a Reuters reporter. The prime minister's office reports that many of those involved in the coup attempt are under arrest and operations are in progress to detain others.

| Ethiopia's major ethnic groups ¹⁰ | |
|--|-------|
| Oromo | 34% |
| Amhara | 27% |
| Other | 16.3% |
| Somali | 6.2% |
| Tigrayan | 6% |
| Sidama | 4% |
| Gurage | 2.5% |
| Wolayta | 2.3% |
| Hadiya | 1.7% |

Ethnic violence has hit Amhara and other parts of Ethiopia hard in recent years, and 2.4 million people have been displaced due to insecurity.¹¹ Ethiopia is divided into nine ethnically based provinces, each with strong identities. Abiy has loosened the state's grip on the security apparatus during his time in office. He has removed bans on opposition political parties, released political prisoners to end political repression, overseen the prosecution of officials accused of human rights abuses and also restored diplomatic relations with Ethiopia's long-time adversary, **Eritrea**. Despite their popularity, the changes have resulted in increased regional nationalism, particularly in Amhara, which has led to an increased level of civil unrest. Prime minister Abiy's reforms and ethnic tension were believed to be behind a failed assassination attempt against him in June 2018, in which two people died and more than 100 were injured.¹²

Telecommunications sector to be privatised by the end of the year

Ethiopia's parliament approved a law on 7 June outlining the liberalisation of **Africa's** second most populous nation and one of its last remaining state-controlled telecommunication markets.¹³ The opening up of the telecoms market to foreign investors is a significant success in prime minister Abiy's push to liberalise the economy. The government plans to award telecoms licences to multinational companies by the end of the year, ending the state monopoly in the sector.¹⁴

The legislation establishes an independent communications regulator, accountable to the prime minister, that will be responsible for promoting competition. State minister of finance **Eyob Tekalegn Tolina** said on 13 June that the government now needs \$2.2 billion to modernise the telecoms sector.¹⁵ In regards to Ethiopia's liberalisation, finance minister **Ahmed Shide** said

⁶ BBC, 24 Jun 2019

⁷ Africanews, 25 Jun 2019

⁸ BBC, 25 Jun 2019

⁹ Reuters, 23 Jun 2019

¹⁰ BBC, 24 Jun 2019

¹¹ Al Jazeera, 24 Jun 2019

¹² BBC, 28 Sep 2018

¹³ Reuters, 13 Jun 2019

¹⁴ Yahoo, 12 Jun 2019

¹⁵ Business Day 13 Jun 2019

*"In the past, we have been actively involved in economic affairs, but now we are rebalancing. We need to facilitate the sustainability of growth. We will first privatise four sectors: the telecom, aviation, energy and logistics, as well...The most important incentive is the market potential. There is growing market potential in all areas, but we are also revising a lot of laws and procedures and customs as a way of ease of doing business."*¹⁶

Some foreign companies have already shown interest in Ethiopia's telecoms market. Leading France-based telecoms company **Orange SA** has expressed interest in bidding for a minority stake in Ethiopia's state-owned telephone monopoly, **Ethio Telecom**.¹⁷ Ethio Telecom has a customer base of 65 million people.

United States-based **Coca-Cola** announced on 22 June its intention to invest \$300m in its operations in Ethiopia over the next five years – indicating that the beverages giant also hopes to benefit from Ethiopia's opening up.¹⁸ The managing director of Coca Cola subsidiary **East African Bottling Share Company**, **Daryl Wilson** said,

*"I think the opening up of the economy will bring up a whole lot of benefits. One of the biggest challenges at the moment is access to foreign exchange and dollars. I think when it opens up – if it opens up, and how it opens up – it will be beneficial to all the players that operate within Ethiopia."*¹⁹

However, the plan to sell off parts of the country's once-guarded state assets is getting mixed reaction. Addis-based investments and development consultant **Getachew Alemu** says that privatisation will not solve the country's economic problems and there needs to be a regulatory framework in place to ensure that shares of the state-owned enterprises are not sold for less than they are worth.

*"There are serious concerns about the decision itself and the process by which it is being implemented, the pace of implementing the policy, as well as other related issues like accountability and transparency, and the future of these sectors."*²⁰

Government forecasts 9% growth for 2019/2020

Finance minister Ahmed Shide proposed his draft budget to parliament on 11 June, in which he forecasts the economy to grow 9% in the financial year from July 2019 to July 2020.²¹ The government will raise spending by 1.6% (\$13.48 billion) to fund development projects, if approved by parliament.²² The government's projection is significantly higher than the **International Monetary Fund's (IMF)** 2019 growth forecast of 7.7%. The government hopes that the increased foreign investments from its economic liberalisation will compensate its reduced spending on infrastructure projects, which has been a significant contributor to growth indices over recent years.²³

The most serious threat to Ethiopia's growth projects is scheduled power cuts because of insufficient water in hydropower dams and the possibility of further political instability.²⁴ Abiy's administration also faces the challenge of foreign currency shortages. Ahmed's draft budget plans for the government to get 40 billion Ethiopian birr (Br) (\$1.4 billion) in loans and 37 billion Br (\$1.29 billion) in grants. Ethiopia's total outstanding foreign debt is currently \$27 billion, comprised of \$15.8 billion in government debt and the remainder owned by state-owned enterprises.

¹⁶ Voanews, 17 Jun 2019

¹⁷ Bloomberg, 21 Jun 2019

¹⁸ The Reporter, 22 Jun 2019

¹⁹ All Africa, 22 Jun 2019

²⁰ The Observer, 18 Jun 2019

²¹ Reuters, 11 Jun 2019

²² Reuters, 11 Jun 2019

²³ Source, analyst, London

²⁴ Source, analyst, London

Planner

2020 **(Ethiopia)** Parliamentary elections;

Chronology

24 Jun 2019 **Bahir Dar (Ethiopia)** *Al Jazeera*. Security forces kill **Asaminew Tsige**, the reported leader of a failed coup;

23 Jun 2019 **Addis Ababa (Ethiopia)** *BBC*. An alleged coup in Amhara Region leaves the army chief of staff, **Seare Mekonnen**, and several others dead, though the government says the coup failed;

22 Jun 2019 **Addis Ababa (Ethiopia)** *The Reporter*. **United States**-based **Coca-Cola** announces intention to invest \$300m in its operations in Ethiopia over the next five years;

15 Jun 2019 **Addis Ababa (Ethiopia)** *The Reporter*. **China**-based **Shenzhen Lemi Technology** unveils solar technologies that it plans to supply to the Ethiopian market;

13 Jun 2019 **Addis Ababa (Ethiopia)** *Business Day*. State minister of finance **Eyob Tekalign Tolina** says the government needs \$2.2 billion to modernise Ethiopia's telecommunications sector;

13 Jun 2019 **Addis Ababa (Ethiopia)** *Addis Standard*. Parliament approves four new board members of the **National Electoral Board of Ethiopia**;

12 Jun 2019 **Addis Ababa (Ethiopia)** *Yahoo!* The government plans to award telecommunications licences to multinational companies by the end of 2019, ending the state monopoly in the sector;

11 Jun 2019 **Addis Ababa (Ethiopia)** *africanews*. Parliament postpones a national census for the second time over security concerns;

11 Jun 2019 **Addis Ababa (Ethiopia)** *Reuters*. Finance minister **Ahmed Shide** says the economy will grow 9% in 2019/2020 and will raise spending by 12% year-on-year if approved by parliament;

7 Jun 2019 **Addis Ababa (Ethiopia)** *Reuters*. Parliament approves a law liberalising the telecommunications sector;

7 Jun 2019 **Addis Ababa (Ethiopia)** *Al Jazeera*. Prime minister **Abiy Ahmed** begins mediation talks with **Sudan** opposition parties and the interim government in an attempt to resolve the conflict;

6 Jun 2019 **Addis Ababa (Ethiopia)** *New Business Ethiopia*. **France's** state-run **Agence Française de Développement** plans to provide \$113m loan to **Ethiopia**;

27 May 2019 **Addis Ababa (Ethiopia)** *africanews*. The **National Electoral Board of Ethiopia** requests \$129m from the government to conduct the 2020 elections;

About Africa Risk Consulting:

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