

**AFRICA RISK CONSULTING****Ethiopia Monthly Briefing August 2020**

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**Ethiopia Summary 10 August 2020**

*Prime minister Abiy Ahmed Ali (2018-present) announces a month-long coronavirus testing campaign and blames a spike in cases on violent anti-government protests in June sparked by the assassination of prominent musician Hachalu Hundessa. Civil society organisations and observers accuse government of using lockdown measures to tighten its grip on the country. Ethiopian and Egyptian irrigation ministries send mixed messages following the latest round of stalled tripartite negotiations over Ethiopia's construction of a hydroelectric dam on the Blue Nile, with no indication that they are reaching a comprehensive agreement. State monopoly Ethio Telecom announces a 31.4% rise in revenues, to 47.7 billion birr (\$1.37 billion), in the 12 months to end-June versus a year earlier and government awards global consultancy and auditor Deloitte a 14-month contract to oversee the partial privatisation of the booming telecom company.*

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**Covid-19 as a political tool?**

Prime minister **Abiy Ahmed Ali** (2018-present) on 2 August announced a month-long **coronavirus** testing campaign. Abiy claimed that protests in June following the assassination of prominent musician **Hachalu Hundessa**, which led to the death of about 200 people, thousands of arrests and the temporary closure of many businesses, caused a spike in **Covid-19** cases.<sup>1</sup> Civil society organisations and observers have raised concerns that Abiy's administration is using the epidemic to increase political control.

The **House of Federation (HoF)** (upper chamber) on 10 June approved a decision to extend the term limit of all current administrations, which were due to expire on 5 October (see *ARC Briefing Ethiopia June 2020*). The HoF decided to prolong the ruling **Prosperity Party (PP)** and **Tigray People's Liberation Front (TPLF)** government until the Covid-19 pandemic is declared to be no longer a threat to public safety. The government will then have nine to 12 months to hold elections. This means that the authority that determines whether coronavirus is a threat to Ethiopia now has considerable political power. It also means that Abiy's administration can effectively stay in power for the unforeseeable future. Given the incumbent government's rising authoritarian tendencies, the HoF decision represents a major threat to Ethiopia's path to democracy (see *ARC Briefing Ethiopia July 2020*).

Opposition parties have said that the HoF decision disregarded their recommendations, ranging from the formation of a transitional government to constitutional amendment. As noted by **Ethiopia Insight** journalist **Semahagn Abebe**:

*"The failure of the HoF to consider the proposals and concerns of opposition groups is an authoritarian approach that undermines democratization and reconciliation."*<sup>2</sup>

Political disagreement is expected to intensify in the coming months as the incumbent government stays in office past the previously scheduled August elections and its previously scheduled mandate deadline of October. This raises the likelihood of civil unrest and violence, and threatens to weaken the country's efforts to combat the virus.

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<sup>1</sup> Ethiopian Broadcasting Corporation, 2 Aug 2020

<sup>2</sup> Ethiopia Insight, 24 Jul 2020

Government plans to carry out 400,000 tests for coronavirus in August. Ethiopia has performed 430,000 tests since the first case was reported in the country in mid-March. The health ministry is recording about 1,000 new coronavirus cases a day, with over 11,000 active cases and 380 deaths as at 8 August. There is a trend of increasing cases at **Bole Lemi Industrial Park**, a major industrial park, and in the banking sector in capital **Addis Ababa** – the centre of the epidemic in Ethiopia.<sup>3</sup>

Abiy on 2 August said that the August test campaign “*will be the basis for decisions we make in the upcoming year*” – presumably referring to health policy planning for Ethiopia’s calendar year that starts on 11 September.<sup>4</sup> Abiy hinted at considerable relaxations of lockdown measures if the test campaign indicates that the curve is flattening. Abiy said that he expects locally produced testing kits to be available in October.

**Africa Centres for Disease Control and Prevention (Africa CDC)** said on 6 August that Africa has surpassed one million coronavirus infections, accounting for about 5% of global cases.<sup>5</sup> Low levels of testing in many countries means Africa’s infection rates are likely to be higher than reported. Africa CDC said 10 countries account for 80% of the new coronavirus testing on the continent, these are (in order): **South Africa, Egypt, Nigeria, Ghana, Morocco, Kenya, Ethiopia, Rwanda, Uganda and Mauritius.**

On a more positive note, Ethiopia’s recently liberalised business environment has the potential to attract many new businesses, particularly based in the **United States (US)**, that are now looking to adapt their supply chains on the back of major disruption caused by the covid-19 pandemic and the **US-China** war. A recent report by US-based consultancy **McKinsey & Co** found that man-made and natural disasters are getting more severe, frequent and costly.<sup>6</sup> McKinsey advises companies with supply chains spanning the globe to adapt to reduce exposure to such external threats to business survival, which, for labour-intensive industries like textiles, apparel and furniture, may mean moving production from China to countries such as Ethiopia.

### Dam talks stall again

Ethiopia and Egypt’s irrigation ministries on 4 August came away from the latest round of tripartite negotiations with **Sudan** over Ethiopia’s construction of a hydroelectric dam on the **Blue Nile** with very different messages. The Ethiopian irrigation ministry stated Ethiopia’s continuing plan to start filling the dam as soon as possible, while the Egyptian counterpart stated Egypt’s intention to withdraw from the latest talks.<sup>7</sup> Observers have grown accustomed to the rigid dichotomy between Ethiopia and Egypt over the **Great Ethiopian Renaissance Dam (GERD)**, which has pulled in a number of regional and intergovernmental bodies as negotiators/peacebuilders – all with little effect. An Addis Ababa-based government advisor with first-hand knowledge on the talks said that the dispute is expected to continue in the coming months, with no comprehensive agreement in sight.<sup>8</sup>

Egyptian irrigation minister **Mohamed Abdel-Ati** claimed that Ethiopia’s proposal for filling the dam lacked regulations on dam operations and any legal mechanism for settling disputes.<sup>9</sup> Sudan, the third party to the talks, also expressed concern. Sudan’s irrigation ministry noted the risks that the dam represents for Sudan and the need for a comprehensive agreement. However, Ethiopia’s irrigation minister, **Seleshi Bekele**, came away from the talks more optimistic, proclaiming that Ethiopia wants to continue negotiations and aims to sign the first filling agreement “*at the soonest*”.<sup>10</sup> Ethiopia’s

<sup>3</sup> Addis Fortune, 1 Aug 2020

<sup>4</sup> Ethiopian Broadcasting Corporation, 2 Aug 2020

<sup>5</sup> Africa CDC, 6 Aug 2020

<sup>6</sup> ‘Risk, resilience, and rebalancing in global value chains’, McKinsey Global Institute, 6 Aug 2020

<sup>7</sup> Reuters, 4 Aug 2020

<sup>8</sup> Source, government advisor, Ethiopia

<sup>9</sup> Reuters, 4 Aug 2020

<sup>10</sup> Reuters, 4 Aug 2020

foreign affairs ministry spokesman, ambassador **Dina Mufti**, said on 9 August that negotiations would resume on 10 August.<sup>11</sup>

However, there is no indication that the sides are closer to resolving their dispute than they were during previous attempts. The **African Union (AU)**-brokered talks, the latest mediator in the long-running feud, ended in mid-July without an agreed time-line for the filling of the dam. South Africa, as current chair of the AU, released a statement on 4 August saying negotiations were at a "*critical phase*" and it "*encourages the parties to remain engaged*".<sup>12</sup>

The US, which previously failed to mediate the tripartite negotiations,<sup>13</sup> stated on 3 August that time may be running out for Ethiopia to reach an agreement. The US state department said "*time is short*" and "*the window to achieving an agreement may be rapidly closing*."<sup>14</sup> However, many observers view **Washington** as too much in Egypt's corner, so the US state department's recent comments will be seen as a move to pressure Ethiopia into compromising with Egypt. Six US officials and congressional aides familiar with the negotiations said the Trump administration is weighing withholding some aid to Ethiopia over its dispute with Egypt.<sup>15</sup>

The GERD has been a source of tension in the Nile River basin ever since Ethiopia broke ground on it in 2011. Ethiopia sees the project as crucial for its development and growing energy demand, while Egypt and Sudan view the dam as a threat to their water supplies. The GERD will be the largest hydroelectric dam in Africa when fully completed. While the dam is a flash point for tensions in the **Horn of Africa** region, both sides have repeatedly and recently denounced military action.

### State telecom revenue jumps ahead of partial privatisation

State monopoly **Ethio Telecom** CEO **Frehiwot Tamiru** said on 30 July that the telecom company's revenues rose 31.4% to 47.7 billion birr (\$1.37 billion) in the 12 months to end-June versus a year earlier.<sup>16</sup> Frehiwot attributed the increased revenue to network expansion and a 5.8% increase in subscriber numbers. The state monopoly now has 46.2 million subscribers, almost half of the country's 107 million population.

Government has said it plans to sell 40% of shares in Ethio Telecom while retaining a majority stake. Ethiopia received twelve bids in June from telecom firms for two telecom licences it plans to award to multinational mobile operators. State telecom regulator **Ethiopian Communications Authority** has said that bids have been received from nine telecom operators (five of which are based in Africa): **United Arab Emirates**-based **Etisalat**, **Madagascar**-based **Axian**, **South Africa**-based **MTN**, **France**-based **Orange**, **Saudi Telecom Company**, **Telkom South Africa**, **South Africa**-based **Liquid Telecom**, **China**-based **Snail Mobile**; and the **Global Partnership for Ethiopia**, a consortium of **United Kingdom**-based **Vodafone**, **South Africa**-based **Vodacom** and **Kenya**-based **Safaricom**. The deal has been described as the "*most anticipated corporate restructuring on the continent*".<sup>17</sup>

Ethiopia's finance ministry on 10 July awarded global consultancy and auditor **Deloitte** a 14-month contract to oversee the partial privatisation of Ethio Telecom.<sup>18</sup> Ecofin reported that Deloitte will look after the sale of 40% of the state-owned company and the flotation of 5%, while the government keeps a controlling 55%.

<sup>11</sup> Arab News, 9 Aug 2020

<sup>12</sup> 'Media Statements', Gov.za, 6 Aug 2020

<sup>13</sup> The Egyptian government requested US president **Donald Trump** (2017-present) in October 2019 to begin mediating talks to break the impasse over the use of the Nile. Ethiopia rejected the US-brokered agreement on the dam, claiming that the US is biased towards Egypt.

<sup>14</sup> Foreign Policy, 3 Aug 2020

<sup>15</sup> Foreign Policy, 22 Jul 2020

<sup>16</sup> Borkena, 30 Jul 2020

<sup>17</sup> The Africa Report, 4 Aug 2020

<sup>18</sup> Addis Fortune, 10 Jul 2020

Prime minister Abiy Ahmed has announced numerous economic reform plans, including plans to loosen the state's dominance in key sectors, in efforts to attract investor interest and boost growth. The telecom sector reforms will open up one of Africa's last remaining state-controlled telecoms markets. Ethiopia – Africa's second most populous country – is fast becoming an industrial hub on the continent.

### Planner

10 Oct 2020 **(Ethiopia)** Mandate of the current administration expires;

Apr 2021 **(Ethiopia)** Earliest date that Ethiopia's electoral board expects postponed elections to be held.

### Chronology

9 Aug 2020 **Addis Ababa (Ethiopia)** *Arab News*. Foreign affairs ministry spokesman ambassador **Dina Mufti** says tripartite negotiations about the **Grand Ethiopian Renaissance Dam** will resume on 10 August;

5 Aug 2020 **(East Africa)** *Africanews*. **Egypt** withdraws from the latest round of **Nile** dam talks with **Ethiopia** claiming that Ethiopia's proposal lacks regulations on dam operations and a legal mechanism for settling disputes;

3 Aug 2020 **(East Africa)** *Foreign Policy*. Irrigation ministers from **Ethiopia, Egypt** and **Sudan** resume talks aimed at resolving a simmering dispute over Ethiopia's \$4.6 billion **Grand Ethiopian Renaissance Dam** on the **Blue Nile**;

30 Jul 2020 **Addis Ababa (Ethiopia)** *Borkena*. State monopoly **Ethio Telecom** CEO **Frehiwot Tamiru** says revenues rose 31.4% in the 12 months to end-June versus a year earlier due to an expansion of the network and more customers;

28 Jul 2020 **Addis Ababa (Ethiopia)** *Bloomberg*. **National Bank of Ethiopia** (central bank) governor **Yinager Dessie** announces plans to start setting a central bank benchmark interest rate and to introduce a floating exchange rate;

27 Jul 2020 **Addis Ababa (Ethiopia)** *New Business Ethiopia*. Prime minister's office showcases **Ethiopia's** first locally assembled electric car by **Marathon Motors**, a **South Korea**-based **Hyundai** dealership, to push forward the country's "greening and climate resilient aspirations";

22 Jul 2020 **Addis Ababa (Ethiopia)** *AP*. Prime minister **Abiy Ahmed** hails the first filling the \$4.6 billion **Grand Ethiopian Renaissance Dam**, a day after **Ethiopia, Egypt** and **Sudan** made progress on negotiations, saying two turbines will begin generating power next year;

21 Jul 2020 **Addis Ababa (Ethiopia)** *Al Jazeera*. Prime minister **Abiy Ahmed** says **Ethiopia, Egypt** and **Sudan** have reached a "major common understanding which paves the way for a breakthrough agreement" on Ethiopia's hydroelectric dam project on the **Blue Nile**;

16 Jul 2020 **Cairo (Egypt)** *BBC*. **Egypt's** foreign ministry demands "urgent clarification" from **Ethiopia** after conflicting reports on whether it has started filling the reservoir of its giant dam on the **Blue Nile** river, and **Sudan's** foreign ministry blasts Ethiopia for its "unilateral" move;

15 Jul 2020 **Addis Ababa (Ethiopia)** *Financial Times*. Water minister **Seleshi Bekele** confirms satellite images showing Ethiopia has started filling its **Grand Ethiopian Renaissance Dam** on the **River Nile** before reaching a deal with **Egypt** and **Sudan**;

15 Jul 2020 **Addis Ababa (Ethiopia)** *New Business Ethiopia*. Government resumes internet service following the killing of popular singer **Hachallu Hundessa**;

14 Jul 2020 **Addis Ababa (Ethiopia)** *Washington Post*. A nationwide government-sanctioned internet shutdown enters its third week after days of violent protests, as government says it is

trying to prevent speech that could further inflame ethnic tensions;

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