

AFRICA RISK CONSULTING

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The Tigray conflict has expanded to new regions in Ethiopia following federal government withdrawals, with the Tigray People's Liberation Front (TPLF) advancing into Afar and Amhara. The humanitarian situation has deteriorated and both sides have accused each other of atrocities and disruption of aid. The TPLF has attracted support from a radical Oromo political movement, while international pressure has grown on both sides to find a solution. The conflict has prompted a noticeable drop in external confidence in Ethiopia's economy, including a retraction in interest in the retendering of the second telecommunications operating licence and requests for debt restructuring. Against this backdrop, Covid-19 case rates have increased as Ethiopia enters a third wave of the virus.

Tigray conflict spreads to Afar amid TPLF gains and contradictory narratives

There has been a significant escalation in the **Tigray** conflict over the past month, with fighting spreading to neighbouring regions, including **Afar** and **Amhara**.¹ Following substantial territorial gains in Tigray, the **Tigray People's Liberation Front (TPLF)** has claimed its advance is an attempt to repel regional security forces affiliated to the federal government. Despite these claims, the move has increased the risk of a shift into a more explicit inter-communal conflict and worsening of the dire humanitarian situation. The spread of the conflict into Afar has already increased displacement within Afar region, with claims of 100,000 internally displaced persons (IDPs).²

The conflict remains characterised by many competing narratives. This makes it difficult to discern which side has the upper hand – a notable change from key phases in the conflict in 2020.³ The TPLF claims it has the capability to take **Addis Ababa** and **Asmara**, while the federal government claims it has the capacity to put down TPLF advances outside of Tigray. In reality, the TPLF has shown itself as a capable military force in its advances against Ethiopian forces and security forces from **Eritrea**.

The TPLF's advance has also called into question the capability of the **Ethiopian National Defense Forces (ENDF)**, especially given calls by prime minister **Abiy Ahmed** (2018-present) for all Ethiopians to mobilise against the TPLF.⁴ It is a reasonable possibility that the government's ceasefire efforts on 28 June may not have been motivated by a desire for a political solution, but rather out of military necessity to stem the spread of the TPLF. However, it is clear that the TPLF has not accepted the unilateral ceasefire. The **United States (US)** has subsequently requested that the TPLF withdraw forces from Afar and Amhara.⁵

Although the TPLF is now on the offensive, it has escaped significant external scrutiny despite allegations of breaching a ceasefire it agreed in principle, allegations of human rights abuses and reported picture evidence of the TPLF allegedly using child soldiers.⁶ There has been no international condemnation of the reported killing of 240 civilians in Afar region, including 107 children, and

¹ ENA, 2 Aug 2021

² IOM, 13 Aug 2021

³ Borkena, 12 Aug 2021

⁴ FT, 10 Aug 2021

⁵ FT, 10 Aug 2021

⁶ Borkena, 28 Jul 2021

attributed to the TPLF.⁷ The TPLF is also accused of blocking aid, including 170 humanitarian vehicles in Afar region.⁸ Both sides need to be wary of losing control of the strategic narrative, especially if the TPLF, through its operations in Afar and Amhara, is perceived as the aggressor, or perceived to shift the dynamic of the conflict from a political question to an explicitly inter-ethnic one. However, the lack of international opposition to TPLF actions over the past month has been noticeable given the level of violence attributed to the group and its alleged role in atrocities and aid disruption.

There is a clear flow of disinformation from both sides. Pro-government media sources have claimed that the TPLF was faking images of dead children in **Mekelle** to attribute blame to ENDF elements.⁹ In contrast, the federal government unsurprisingly dismissed **United Kingdom**-based non-governmental organisation **Amnesty International**'s claims of the strategic use of sexual violence as a smear campaign.¹⁰

Thus far, the TPLF has remained relatively isolated, with anti-federalist political groups failing to side with it. However, a radical **Oromo** faction formally announced an alliance with the TPLF on 11 August. The **Oromo Liberation Army (OLA)**, the militant wing of the **Oromo Liberation Front (OLF)**, announced a military alliance although no cooperation has yet taken place.¹¹ The current relationship is likely equivalent to a memorandum of understanding and amounts only to information sharing at this stage.¹²

The allegiance of another group to the TPLF heightens the risk of a spread in the conflict to fronts beyond Tigray's frontiers. The OLA has grown in popularity through the OLF's boycott of June's election and marks a clear juncture in anti-government sentiments within Abiy's ethnic Oromo group. In reality, a close relationship with the OLA, which the federal government designates as a terrorist organisation, could have a detrimental effect on international perceptions of the TPLF as a competent political platform given the OLA's role in targeting civilians in ethnically motivated attacks over the last few years. The OLA and TPLF remain vastly different allies.

The formation of a significant militarised coalition against Abiy remains unlikely in the short term. At this stage in the conflict, understanding the impact of the TPLF's advance and alliance with a radical, disruptive armed opposition group can be understood under two possible trajectories. One is that the spread in the conflict will exacerbate inter-communal tensions across Ethiopia. The other is that Tigrayan actions will strengthen an inter-communal stance behind Abiy against the TPLF. Movements into Amhara in particular are likely to galvanise ethno-specific support for the federal government. The potential political impact of the conflict depends on Abiy's ability to manage the political expectations of his coalition of political parties, the cohesion of the armed forces and any international responses to the rapidly deteriorating conflict.

Worsening Tigray crisis dampens investor appetite

Concerns over the Tigray conflict threaten Ethiopia's greatest economic success story in 2021, notably privatisation efforts within the telecommunications industry and banking sector liberalisation. A consortium led by **South Africa**-based telecommunications company **MTN** confirmed on 12 August that it would not be making a second bid for one of Ethiopia's two new telecommunications operating licences, citing concern over investment risk stemming from both the Tigray crisis and the **Grand Ethiopian Renaissance Dam (GERD)**.¹³ In May, state-owned telecommunications giant **Ethio Telecom** rejected the MTN-led group's \$600m bid for one licence, while accepting the \$850m offer of a consortium led by **Kenya's Safaricom** (see *ARC Briefing Ethiopia June 2021*) for the other.¹⁴ Ethio

⁷ ENA, 9 Aug 2021

⁸ Borkena, 27 Jul 2021

⁹ ENA, 31 July 2021

¹⁰ Borkena, 11 Aug 2021

¹¹ Borkena, 11 Aug 2021

¹² The East African, 13 Aug 2021

¹³ The East African, 14 Aug 2021

¹⁴ Bloomberg, 21 May 2021

Telecom relisted the second licence for bidding on 2 August to attract a higher price.¹⁵ In announcing its decision not to re-bid for the second licence, MTN voiced concerns that the Tigray conflict could damage telecommunications infrastructure, highlighting the need for 8,000 additional mobile towers in Ethiopia to expand coverage.¹⁶

MTN's U-turn on interest in Ethiopia's telecommunications industry is a damning indictment. Until now, Addis Ababa's privatisation efforts have remained relatively isolated from the Tigray crisis. It is unlikely that the federal government will attract a higher offer than MTN's initial \$600m proposal in the short run given the preliminary low level of interest – only two bids were submitted for the operating licences (see *ARC Briefing Ethiopia May 2021*).¹⁷ Further delays in issuing the second licence are likely without efforts for a political resolution to the Tigray crisis.

Global finance entities have also reflected falling confidence in Ethiopia's economic situation. Global ratings agency **Fitch Ratings** released a report on 12 July re-evaluating Ethiopia's economy in light of the deteriorating situation in Tigray. Fitch notes that the level of political uncertainty is likely to stifle tax collection and foreign direct investment (FDI), while the Tigray situation could harm bilateral finance relationships and prompt suspensions in donor flows.¹⁸ Fitch Ratings highlighted in July that:

*"The ongoing insecurity in the Tigray region will remain a key source of instability, while rising tensions with **Sudan** and **Egypt** [over the Grand Ethiopian Renaissance Dam] pose additional risks."*¹⁹

Concerns over Ethiopia's national debt have also returned to the forefront. In the latest report by the **International Development Association (IDA)** – an instrument of the **World Bank** – Ethiopia was deemed sixth in the world for current debt risk exposure – worth \$11.7 billion.²⁰ Subsequently, the **Paris Club** issued calls on 16 July for the formation of a creditor committee to restructure Ethiopia's debt ahead of the expiration of the current **International Monetary Fund (IMF)** programme in September.²¹

The spread in fighting has also had more immediate tangible economic repercussions. Ethiopia is landlocked and dependent on main supply routes north to access port facilities. The **Ethio-Djibouti** line was closed on 24 July following conflict in Afar, with roads blocked and the Addis Ababa-Djibouti rail line blocked by public disorder.²² Ethiopia is dependent on the route for up to 95% of its maritime trade.²³ If the route remains blocked, it will greatly impede Ethiopia's import and export capacity and increase transit costs.

Ethiopia enters third wave of Covid-19 amid vaccination plans

There has been a significant increase in the spread of **Covid-19** in Ethiopia over the last month following a historic low point in July. The seven-day average new case rate for Covid-19 was 740 on 15 August, compared to just 92 on 15 July.²⁴ This is the highest case rate recorded in Ethiopia since May after April's historic spike in the transmission of the virus. Based on the current rapid increase in transmission rates, Ethiopia is entering a third wave in the spread of the virus – potentially worse than May's peak.

Ethiopia's ministry of health claims a reduction in mask-wearing compliance is behind the increased spread of Covid-19, saying facemask use had fallen from 59% to 20%.²⁵ The latest spread is also

¹⁵ Borkena, 2 Aug 2021

¹⁶ The East African, 14 Aug 2021

¹⁷ Business Insider South Africa, 29 Apr 2021

¹⁸ Fitch Ratings, 22 Jul 2021

¹⁹ Fitch Ratings, 12 Jul 2021

²⁰ IDA, 30 Jun 2021

²¹ Reuters, 16 Jul 2021

²² The Reporter Ethiopia, 31 Jul 2021

²³ ISS, 3 May 2021

²⁴ Ministry of Health, 16 Aug 2021

²⁵ ENA, 12 Aug 2021

reportedly in the **Delta** variant.²⁶ The rise in the transmission rate has already increased pressure on Ethiopia's limited intensive care capacity. As of 12 August, 324 Ethiopians were in intensive care with Covid-19.²⁷

Only one in 50 Ethiopians has been vaccinated against Covid-19, with over two million having received a first vaccine dose.²⁸ The health ministry confirmed that the vaccine will be offered to those over the age of 35 in Addis Ababa and over the age of 55 in areas beyond the capital.²⁹

Ethiopia has stepped up efforts to acquire Covid-19 vaccines outside of the **COVAX** facility. The US donated over 1.2 million doses of the **Johnson & Johnson Janssen** vaccine and \$45m on 5 August.³⁰ Thus far, the US has provided nearly \$200m in health funding to Ethiopia's health ministry to develop Ethiopia's Covid-19 response.³¹ The Ethiopian government has also announced plans for building institutional resilience to Covid-19 through humanitarian funding.³²

The US' donation is a positive indicator that Ethiopia's current political situation has not had a negative impact on its ability to attract public health support. While other areas of bilateral support are likely to be threatened by perceptions of the Tigray crisis or possible sanctions, public health support is likely to be insulated from such a response.

Planner

6 Sep 2021 **(Ethiopia)** Remaining parliamentary constituency election (excluding **Tigray**)

Chronology

16 Aug 2021 **Amhara (Ethiopia)** *Addis Standard*. The regional government of **Amhara** releases a press briefing claiming to be engaged militarily with the **Tigray People's Liberation Front (TPLF)** on multiple fronts;

14 Aug 2021 **Addis Ababa (Ethiopia)** *The East African*. The telecommunications consortium led by **South Africa's MTN** formally withdraws from bidding again for Ethiopia's second telecommunications operating licence;

13 Aug 2021 **Addis Ababa (Ethiopia)** *Daily Sabah*. **France** suspends its military cooperation deal with Ethiopia in response to the deteriorating conflict in **Tigray** region;

13 Aug 2021 **Addis Ababa (Ethiopia)** *Borkena*. The **United States (US)** announces planned visit of special envoy to Ethiopia over the deteriorating nature of the conflict in the **Tigray** region;

11 Aug 2021 **Tigray (Ethiopia)** *Amnesty International*. International non-governmental organisation (NGO) **Amnesty International** accuses the Ethiopian military of conducting sexual violence against women in Tigray, including using violent sexual assault as a deliberate strategy;

11 Aug 2021 **Oromia (Ethiopia)** *Borkena*. A militant wing of the **Oromo Liberation Front (OLF)** announces an alliance with the **Tigray People's Liberation Front (TPLF)**;

9 Aug 2021 **Afar (Ethiopia)** *UNICEF*. The **United Nations International Children's Emergency Fund (UNICEF)** condemns the reported killing of 240 people, including 107 children in **Afar** region. Media sources have attributed the attacks to the **Tigray People's Liberation Front (TPLF)**;

8 Aug 2021 **Addis Ababa (Ethiopia)** *Al Jazeera*. **Sudan** recalls its ambassador to Ethiopia in

²⁶ Addis Standard, 13 Aug 2021

²⁷ ENA, 12 Aug 2021

²⁸ Ministry of Health, 16 Aug 2021

²⁹ ENA, 12 Aug 2021

³⁰ Borkena, 5 Aug 2021

³¹ ENA, 5 Aug 2021

³² ENA, 29 Jul 2021

protest at Ethiopia's refusal to accept Sudanese mediation over the **Tigray** conflict;

7 Aug 2021 **Afar (Ethiopia)** *ENA*. **Tigray People's Liberation Front (TPLF)** forces allegedly destroy a warehouse storing humanitarian resources in **Afar** region;

7 Aug 2021 **Addis Ababa (Ethiopia)** *The Reporter Ethiopia*. The discrepancy between the official **Birr to United States (US)** dollar exchange rate and the parallel market rate reaches 48%;

4 Aug 2021 **Tigray (Ethiopia)** *ENA*. The federal government suspends the licences of three humanitarian agencies operating in Ethiopia over violations of their mandates, including illegal equipment and using undocumented employees;

3 Aug 2021 **Tigray (Ethiopia)** *BBC*. **Sudanese** police forces recover 28 bodies washed up on a river in Sudan with gunshot wounds, allegedly from **Tigray**;

2 Aug 2021 **Addis Ababa (Ethiopia)** *Borkena*. Ethiopia reopens bidding for its second telecommunications licence;

1 Aug 2021 **Addis Ababa (Ethiopia)** *Daily Sabah*. **Turkey's** president, **Recep Tayyip Erdoğan**, discusses bilateral relations with Ethiopia's prime minister, **Abiy Ahmed**;

31 Jul 2021 **Addis Ababa (Ethiopia)** *The Reporter Ethiopia*. **The Balderas for True Democracy Party (Balderas)** releases a statement rejecting the election results in **Addis Ababa**, citing electoral irregularities. Balderas' results were poorer than anticipated in Addis Ababa;

31 Jul 2021 **Afar (Ethiopia)** *The Reporter Ethiopia*. Ethiopia's key transport route to **Djibouti** remains closed since 24 July due to disruption from the conflict, with reports of attacks on the **Ethio-Djibouti Railway**;

31 Jul 2021 **Afar (Ethiopia)** *Wazema*. According to humanitarian sources, the number of civilians displaced in **Afar** region by the expanding conflict is approaching 100,000, with 76,000 civilians moving to IDP sites in the last two weeks;

27 Jul 2021 **Somali (Ethiopia)** *Addis Standard*. The regional government in **Somali** region claims that armed elements from **Afar** region conducted an armed attack on Somalis, allegedly killing hundreds of civilians; **Afar's** regional government dismisses the claims as propaganda;

27 Jul 2021 **Tigray (Ethiopia)** *Borkena*. Ethiopia's deputy prime minister and foreign minister, **Demeke Mekonnen**, meets with the **United Nations (UN)** under-secretary general for political and peacebuilding affairs, **Rosemary DiCarlo**, to discuss the **Tigray** conflict and the stalemate over the **Grand Ethiopian Renaissance Dam (GERD)**;

25 Jul 2021 **Amhara (Ethiopia)** *Addis Standard*. **Amhara's** regional president, **Agegnehu Teshager**, calls on all eligible youths in Amhara to take up arms against **Tigrayan** forces in a "campaign of survival";

19 Jul 2021 **Benishangul-Gumuz (Ethiopia)** *ENA*. Ethiopia's water, irrigation and energy ministry confirms the completion of the second filling of the **Grand Ethiopian Renaissance Dam (GERD)**, worth 13.5 billion cubic metres of water;

16 Jul 2021 **Addis Ababa (Ethiopia)** *Reuters*. The **Paris Club** calls for formation of a creditor committee to restructure Ethiopia's debt;

15 Jul 2021 **Tigray (Ethiopia)** *The Defense Post*. Prime minister **Abiy Ahmed** releases a statement accusing **Tigrayan** armed opposition forces of conscripting and drugging child soldiers;

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