

AFRICA RISK CONSULTING

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Ethiopia Summary 23 September 2022

Conflict breaks out again in the Tigray region between Tigray rebels and Ethiopian government forces, breaking a humanitarian truce in place since 24 March. A United Nations report claims that violations committed during the Tigray conflict amount to war crimes and crimes against humanity. United States president Joseph Biden (2021-present) extends a September 2021 executive order sanctioning individuals linked to the warring factions in the Tigray conflict. Meanwhile, conflict between armed groups in Amhara and Oromia continues to take lives and displace the population. Ethiopia's Council of Ministers approves the opening of the country's banking sector to foreign investors as the government reports foreign direct investment of \$3.3 billion for the 2021/2022 ended on 7 July. However, hyper-inflationary pressures continue to place pressure on Ethiopian consumers, despite the country's inflation rate easing slightly for the third consecutive month. Ethiopia also continues to face an acute drought as seen across the Horn of Africa, placing millions at risk of hunger.

Tigray rebels and Ethiopian government forces break humanitarian truce...

Conflict broke out again on 24 August in the **Tigray** region between Tigray rebels, led by the **Tigray People's Liberation Front (TPLF)**, and **Ethiopian** government forces.¹ The resumption of hostilities has broken a humanitarian truce, in place since 24 March, agreed to by both parties to enable the delivery of humanitarian assistance and a return of basic services in Tigray in anticipation of negotiations to achieve an eventual ceasefire between the warring parties.²

A TPLF spokesperson accused the federal Ethiopian forces on 24 August of launching a "large-scale offensive" in the south-eastern parts of the region, while the Ethiopian government countered that it was the Tigray rebels who "broke the truce" by launching an attack on them at 05:00 "disregarding the numerous peace offers" made by the government.³ On the same day, the Ethiopian army confirmed that it had shot down an aircraft which it alleged was carrying weapons intended for the rebel fighters in Tigray. **Ethiopian National Defense Force** head **General Tesfaye Ayalew** stated:

*"The plane that violated our airspace from **Sudan**... and which aimed to supply weapons to the terrorist group was shot down by our air force."⁴*

The Ethiopian government's downing of the aircraft has ratcheted up tensions with neighbouring Sudan, whose government summoned Ethiopian ambassador **Yibeltal Aemero Alemu** to account for the Ethiopian army's shooting down of the plane from Sudanese airspace.⁵ Reacting to the renewed conflict, **United Nations (UN)** secretary-general **Antonio Guterres** stated:

*"I am deeply shocked and saddened by the news of the resumption of hostilities in Ethiopia. Ethiopians, Tigrayans, **Amharas**, **Oromos**, **Afars** have already suffered too much."⁶*

The TPLF accused the **Eritrean** government on 20 September of deploying its forces to bolster the Ethiopian armed forces offensive in Tigray. **United States (US)** special envoy for the **Horn of Africa**,

¹ Africa News, 24 Aug 2022

² United States Department of State, 24 Aug 2022

³ Africa News, 24 Aug 2022

⁴ Africa News, 24 Aug 2022

⁵ Africa News, 31 Aug 2022

⁶ Africa News, 24 Aug 2022

Mike Hammer, noted that the US was aware of and condemned the Eritrean forces crossing over into Tigray.⁷ US government⁸ and **European Union (EU)**⁹ intelligence has found that the government of Eritrea has periodically supported the Ethiopian forces in Tigray since the start of the conflict at the end of 2020, claims it initially denied.¹⁰ Hammer stated:

“All external foreign actors should respect Ethiopia’s territorial integrity and avoid fuelling the conflict.”¹¹

The Ethiopian government has also employed air raids during this renewed conflict, with dire consequences for the Tigrayan population. Tigrayan authority-controlled **Tigray Television** reported on 26 August that eyewitnesses, including **Ayder Hospital** chief executive **Kibrom Gebreselassie**, claimed that an air raid conducted by Ethiopian government forces had killed four people, including two children in **Mekelle** in northern Tigray. The bombing reportedly took place on a children’s playground. However, the Ethiopian government denied the claims and instead accused the TPLF of “staging civilian deaths”.¹² Gebreselassie confirmed on 13 September to **Qatar-based Al Jazeera** that two drone attacks on a residential area in Mekelle had killed 10 people.¹³

Hammer arrived in Ethiopia on 4 September to meet with government officials, politicians and civil society groups to discuss an end to the conflict,¹⁴ which the **UN Office for the Coordination of Humanitarian Affairs (OCHA)** on 8 September described as “affecting the lives and livelihoods of vulnerable people”. US President **Joseph Biden** (2021-present) informed US **House of Representatives** speaker **Nancy Pelosi** and US **Senate** president **Patrick Leahy** on 9 September that he had extended beyond 17 September a September 2021 executive order imposing sanctions on people deemed to be a political subdivision, agency, or instrumentality of the Ethiopian government, the Eritrean government or its ruling **People’s Front for Democracy and Justice**, the Tigray People’s Liberation Front, the Amhara regional government, or the Amhara regional or irregular forces.¹⁵ The sanctions include blocking all property interests of these individuals. Justifying the extension, Biden stated:

“The situation in and in relation to northern Ethiopia, has been marked by activities that threaten the peace, security, and stability of Ethiopia and the greater Horn of Africa region... [which] continues to pose an unusual and extraordinary threat to the national security and foreign policy of the United States.”¹⁶

TPLF leader **Debretsion Gebremichael** wrote to Guterres on 9 September calling for a conditional truce as well as the resumption of essential services in the region, “unhindered humanitarian access”, the retreat of Eritrean armed forces from the region under international supervision as well as for the **UN Security Council** to remove its forces from western Tigray.¹⁷ The Tigrayan government also expressed its willingness on 11 September to return to negotiations that were expected to be hosted by the **African Union**.¹⁸

The UN’s **International Commission of Human Rights Experts on Ethiopia**, established in December by a UN resolution, presented its initial findings on 20 September, following an investigation into the actions of both the Ethiopian federal armed forces and Tigrayan rebels since the start of the conflict. The report found “reasonable grounds” to believe that violations have occurred,

⁷ Reuters, 20 Sep 2022

⁸ France 24, 23 Aug 2021

⁹ Deutsche Welle

¹⁰ Barron’s, 5 Feb 2021

¹¹ Al Jazeera, 20 Sep 2022

¹² Al Jazeera, 26 Aug 2022

¹³ Al Jazeera, 13 Sep 2022

¹⁴ Voice of America, 5 Sep 2022

¹⁵ Addis Standard, 10 Sep 2022

¹⁶ Addis Standard, 10 Sep 2022

¹⁷ Africa News, 9 Sep 2022

¹⁸ Al Jazeera, 22 Sep 2022

including extrajudicial killings, rape, sexual violence and starvation of people since 3 November 2020. It also found that several instances of these violations amount to war crimes and crimes against humanity.¹⁹ However, the Ethiopian government has rejected these findings, calling the preliminary report “*self-contradictory and biased*”.²⁰ Ethiopia’s permanent representative to the UN in **Geneva (Switzerland)**, **Zenebe Kebede Korcho**, countered:

“There is not any single evidence that shows the government of Ethiopia used humanitarian aid as an instrument of war... therefore we have no other option but to reject this report.”²¹

... as conflict continues in Amhara and Oromia

Conflict between armed groups in neighbouring regions Amhara and Oromia continue to take lives and displace people. The two regions have had long-standing tensions that have often escalated into violence.²² In July, the government attributed a spate of massacres of Amhara civilians in Oromia state to the **Oromo Liberation Army (OLA)**, classified as a terrorist group by the Ethiopian federal government since 2018. The OLA denied the claims, instead placing the blame on a militia group it claims was established by the Ethiopian government (*see ARC Briefing Ethiopia July 2022*). The Ethiopian government went on to implement a crackdown on OLA fighters operating in the region; however, this does not appear to have quelled the fighting (*see ARC Briefing Ethiopia Aug 2022*).

United Kingdom-headquartered news agency **Reuters** reported on 2 September that gunmen in Oromia’s **Amuru** district had killed at least 42 people on 30 August.²³ Eyewitnesses state that the attackers were from the **Fano** militia comprising ethnic Amhara fighters. The **Amhara Regional Police Commission** announced on 21 September the arrest of **Zemen Kassie**, a known leader of the Fano group, in regional capital **Bahir Da**. His detention is part of the Ethiopian government’s crackdown on violence in the Amhara and Oromia regions.²⁴

The **Ethiopian Human Rights Commission** announced on 7 September that over 60 people had been killed in Oromia from 29-31 August. The attacks targeted communities in the Amuru woreda in the **Horo-Gudru** administrative area, displacing 20,000 people. According to the commission, the attacks were conducted by armed groups from the Amhara region in retaliation for the killing of three members of the Amhara community in an operation led by the OLA.²⁵

Ethiopia battles hyperinflation

Hyper-inflationary pressures continue to place pressure on Ethiopian consumers, despite the country’s inflation rate easing slightly for the third consecutive month. Ethiopia registered an inflation rate of 32.5% in August, down from 33.5% in July and 34% in June. Food price inflation decreased to 33.2% in August from 35.5% in July while non-food price inflation increased once again to 31.5% in August, up from 30.4% in July.²⁶

The government has set the ambitious goal of bringing inflation down to 11.9% in the upcoming fiscal year.²⁷ To that end, its efforts to reign in the **Covid-19** pandemic and support a resumption of business activities has been beneficial. However, the country continues to face acute economic headwinds, driven by several factors including the global fallout from **Russia**’s special military operations in **Ukraine**, the continuing drought and the recent resumption of conflict in the Tigray region.²⁸

¹⁹ United Nations Human Rights Council, 20 Sep 2022

²⁰ Al Jazeera, 20 Sep 2022

²¹ Al Jazeera, 20 Sep 2022

²² Africa News, 7 Sep 2022

²³ Reuters, 2 Sep 2022

²⁴ All Africa, 21 Sep 2022

²⁵ Africa News, 7 Sep 2022

²⁶ Central Statistical Agency, 5 Aug 2022

²⁷ Quartz Africa, 5 Jul 2022

²⁸ Al Jazeera, 1 Jun 2022; Financial Times, 3 May 2022

Ethiopia was expected to receive some respite following progress towards agreeing a programme with the **International Monetary Fund (IMF)**. After conducting an IMF staff visit to the country in June, IMF representatives were expected to visit again at an unannounced date (see *ARC Briefing Ethiopia Aug 2022*). However, IMF spokesperson **Gerry Rice** divulged on 15 September that he could not provide an update on the progress of the negotiations nor a date for the representatives' impending visit to the country.²⁹ Rice stated that the IMF continued to advise Ethiopia's creditor committee and was "closely following the recent developments on the ground" in Tigray, hoping for "a quick return to peace".

In June, the IMF expected economic growth of only 3.8% for Ethiopia in 2021/2022, noting that a "sharp fall in donor financing" was a contributing factor. The breaking of the ceasefire agreement as well as the UN's finding of possible war crimes committed in the country will likely weigh on Ethiopia's ability to attract additional financial support and investment over the longer term.

Ethiopia continues to face an acute drought as seen across the Horn of Africa, the worst in 40 years.³⁰ The region's rainy season, from March to June, reported the lowest rainfall levels in 70 years, significantly impacting the region's agricultural output.³¹ The UN's OCHA warned on 21 September that 9.9 million people in Ethiopia are food insecure, amidst declining food and nutrition support.³² However, a ship chartered by the UN carrying 23,000 tonnes of grain from Ukraine, destined for Ethiopia, arrived in **Djibouti** on 30 August, promising some respite.³³ The grain will be transferred to Ethiopia as part of UN **World Food Programme** efforts to assist countries in the Horn of Africa facing famine spurred by the ongoing drought.³⁴ Although it has not divulged the amount of grain to be distributed in Ethiopia, the WFP has stated that it plans to reach 11.5 million affected Ethiopians by end-2022.³⁵

Government votes to liberalise banking sector

Ethiopia's **Council of Ministers** approved on 3 September the opening of the country's banking sector to foreign investors.³⁶ The policy is part of the government's commitment to reforms to open up sensitive sectors that have long been closed to private participation and foreign investment. These include the country's telecommunications, financial services and logistics sectors. This particular move is also expected to aid the country's foreign currency crunch, which has hindered the development of local industry. The forex shortage has also forced the **National Bank of Ethiopia (NBE)** (central bank) to introduce more stringent forex restrictions. An NBE directive became effective on 5 September, limiting the amount of foreign currency a person leaving Ethiopia may hold to a maximum of \$57, unless they are travelling to Djibouti, where this amount is \$190 per trip.³⁷ The decision to liberalise the banking sector now awaits approval from parliament and an issue on the **Negarit** gazette before it can come into effect.³⁸

Ethiopia is also exploring opportunities for cooperation with its regional peers to boost trade prospects. The government of **Somalia** announced on 9 September that it will develop a deep-water port on its coast in October. This will link the city of **Gara'ad** to land-locked Ethiopia's south-eastern region. The latter is expected to benefit from a new trade route and utilise the facilities of the port, which will include loading equipment, refrigerated storage facilities and feeding grounds for animals.³⁹

²⁹ Financial post, 15 Sep 2022

³⁰ Al Jazeera, 1 Jun 2022; Financial Times, 3 May 2022

³¹ Relief Web, 5 Aug 2022

³² Relief Web, 21 Sep 2022

³³ Radio Free Europe/Radio Liberty, 16 Aug 2022

³⁴ Radio Free Europe/Radio Liberty, 16 Aug 2022

³⁵ Reuters, 8 Sep 2022

³⁶ New Business Ethiopia, 3 Sep 2022

³⁷ Bitcoin.com, 13 Sep 2022

³⁸ New Business Ethiopia, 3 Sep 2022

³⁹ Bloomberg, 9 Sep 2022

Despite the current headwinds, Ethiopia proved to be an attractive investment destination in the previous fiscal year. The **Ethiopia Investment Commission (EIC)** announced on 20 September that Ethiopia had garnered around \$3.3 billion in foreign direct investment in the Ethiopian 2021/2022 fiscal year, which ended on 7 July. According to the EIC, 168 firms acquired investment licences during the year, with 100 of these in the manufacturing sector, 62 in the services sector, and six in the agriculture sector. The country's industrial parks initiative is also supporting economic growth, netting it \$202.5m during the period under review.⁴⁰

Despite the generally good news, one member of Ethiopia's business sector has faced a recent challenge. The Ethiopian government on 21 September cancelled a contract with **China**-headquartered firm **Poly-GCL**, which has had a contract to conduct oil and gas exploration in Ethiopia's **Ogaden Basin** since 2013. The government cited Poly-GCL's "*financial and organisational inability*" to carry out the activity in the country. The ministry of mines and petroleum has stated that it is searching for investors who can develop the confirmed reserves of 7 trillion cubic feet of natural gas in the Ogaden Basin.⁴¹

Planner

28-30 Nov 2022 **Bahir Dar (Ethiopia)** International Conference on ICT for Development for Africa

Chronology

23 Sep 2022 **Addis Ababa (Ethiopia)** *Worldometers*. The number of active **Covid-19** cases in Ethiopia continues to decline after a period of acceleration between April and June, with Ethiopia having recorded 493,490 Covid-19 infections and 7,572 Covid-19-related deaths as of 22 September, since the **World Health Organization** declared the pandemic on 11 March 2020;

21 Sep 2022 **Addis Ababa (Ethiopia)** *Sudan Tribune*. **South Sudan's** vice president, **Taban Deng Gai**, arrives in Addis Ababa on an official visit for bilateral discussions regarding matters including joint infrastructural development, trade and other bilateral and regional concerns;

21 Sep 2022 **Abu Dhabi (United Arab Emirates)** *Gulf News*. The governments of **Ethiopia** and the **United Arab Emirates** conclude agreements on the cooperation in extradition and mutual legal assistance regarding criminal matters between the two countries;

20 Sep **Tigray (Ethiopia)** *Al Jazeera*. The **Tigray People's Liberation Front (TPLF)** accuses the **Eritrean** government of deploying its forces to bolster the Ethiopian armed forces offensive in **Tigray**, with the **United States'** special envoy for the **Horn of Africa**, **Mike Hammer**, noting that the US is aware of and condemns this development;

20 Sep 2022 **Addis Ababa (Ethiopia)** *Xinhua*. The **Ethiopia Investment Commission** announces that Ethiopia garnered around \$3.3 billion in foreign direct investment in the 2021/2022 fiscal year that ended on 7 July;

20 Sep 2022 *United Nations*. **United Nation (UN) International Commission of Human Rights Experts on Ethiopia** presents its initial findings on the actions of the **Ethiopian** federal armed forces and **Tigrayan** rebels, reporting "*reasonable grounds*" to believe that violations have occurred, including extrajudicial killings, rape, sexual violence, and starvation of people since 3 November 2020;

13 Sep 2022 **Addis Ababa (Ethiopia)** *Xinhua*. Ethiopia's inflation eases for the third consecutive month in August, decelerating to 32.5% from 33.5% in July and 34% in June;

⁴⁰ Xinhua, 21 Sep 2022

⁴¹ Anadolu Agency, 21 Sep 2022

9 Sep 2022 **Tigray (Ethiopia)** *Africa news*. **Tigray People's Liberation Front (TPLF)** leader **Debretsion Gebremichael** writes to United Nations secretary-general **Antonio Guterres** calling for a conditional truce to end conflict which resumed in the **Tigray** region on 24 August;

9 Sep 2022 **Washington D.C. (United States)** *Addis Standard*. **United States (US)** President **Joseph Biden** informs US **House of Representatives** speaker **Nancy Pelosi** and US **Senate** president **Patrick Leahy** that he has extended a September 2021 executive order imposing sanctions on individuals linked to any of the parties to the war in **Tigray**;

7 Sep 2022 **Addis Ababa (Ethiopia)** *Africa news*. The **Ethiopian Human Rights Commission** announces that attacks targeting communities in the **Amuru** woreda in the **Horo-Gudru** administrative area (**Oromia** region) from 29-31 August killed over 60 people were killed and displaced 20,000;

5 Sep 2022 **Addis Ababa (Ethiopia)** *Bitcoin.com*. **National Bank of Ethiopia** directive becomes effective, limiting the foreign currency a person entering or leaving Ethiopia may hold to a maximum of \$57, unless they are travelling to Djibouti, where this amount is \$190 per trip;

4 Sep 2022 **Addis Ababa (Ethiopia)** *United Nations Human Rights Council*. **United States** special envoy for the **Horn of Africa**, **Mike Hammer**, arrives in Ethiopia to meet with government officials, politicians and civil society groups to discuss the promotion of efforts to bring about lasting peace in the country;

3 Sep 2022 **Addis Ababa (Ethiopia)** *New Business Ethiopia*. **Council of Ministers** approves the opening of the country's banking sector to foreign investors, with the policy now awaiting approval from Parliament and an issue on the **Negarit** gazette before it can come into effect;

2 Sep 2022 **Oromia (Ethiopia)** *Reuters*. Gunmen in **Oromia's Amuru** district are reported to have killed at least 42 people on 30 August, with eyewitness stating that the attackers were from the **Fano** militia group comprising ethnic **Amhara** fighters;

31 Aug 2022 **Khartoum (Sudan)** *Africa News*. The Sudanese government summons Ethiopian ambassador **Yibeltal Aemero Alemu** to account for the Ethiopian army's shooting down of the plane from Sudanese airspace;

30 Aug 2022 **Addis Ababa (Ethiopia)** *BBC News*. A ship chartered by the **United Nations** carrying 23,000 tonnes of grain from **Ukraine**, destined for Ethiopia, arrives in **Djibouti**;

24 Aug 2022 **Tigray (Ethiopia)** *Al Jazeera*. Eyewitnesses report that an air raid killed four people, including two children, in **Mekelle**;

24 Aug 2022 **Tigray (Ethiopia)** *Africa news*. Conflict breaks out again in the Tigray region between Tigrayan rebel forces and Ethiopian government forces, ending a humanitarian truce agreed to by both parties that had been in place since 24 March;

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