

## AFRICA RISK CONSULTING

### Ethiopia Monthly Briefing January 2023

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#### Ethiopia Summary 26 January 2023

*Petroleum and mines minister Takele Uma Banti announces on 18 January that an oil exploration study conducted in Warra Iluu, in the Abay basin discovered over 2 billion barrels of crude oil. Ethiopia currently relies heavily on oil imports from the wider African region and the Middle East. The African Union launches the African Union Monitoring, Verification and Compliance Mission (AU-MVCM) as the government and the Tigray People's Liberation Front continue to make progress on their November peace agreement. The United Nations also notes an improvement in the flow of humanitarian aid into the Tigray region, whilst the government restores vital services including electricity and telecommunications services. The full withdrawal of Eritrean troops from the region, however, remains uncertain. Flare-ups of violence continue in other parts of the country, particularly between armed groups in Amhara and Oromia. France and the United Kingdom pledge to support the country's rehabilitation while China forgives \$4m in debt owed to it by Ethiopia. Prime Minister Abiy Ahmed (2018-present) carries out a cabinet reshuffle in an attempt to consolidate his position over his Prosperity Party amid criticism for the Tigray war which has significantly dented the country's economic prospects.*

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#### Ethiopia strikes oil

Petroleum and mines minister **Takele Uma Banti** announced on 18 January that an oil exploration study conducted in **Warra Iluu**, in the **Abay basin**, discovered over 2 billion barrels of crude oil.<sup>1</sup> Ethiopia currently relies heavily on oil imports from the wider African region and the **Middle East**, but Banti believes, that the development of the oil reserves could help the country to reduce its reliance on imports and create employment opportunities for locals.<sup>2</sup> The discovery has placed Ethiopia in the realm of potentially being one of the largest oil-producing countries in **East Africa**.

Ethiopia began producing its first crude oil at **Kalub** and **Hilala** fields in 2018, in the eastern region of the country, which was found to have 6-8 trillion cubic metres of crude oil. The government partnered with a **Chinese** firm **Poly-GCL Petroleum Investment Limited (Poly-GCL)** for the extraction of the oil.<sup>3</sup> Following the discovery, the government planned to earn annual revenues of \$8 billion from its natural gas exports and in August 2022 a study by the **United States**-based petroleum consulting firm, **Netherland, Swell & Associates** verified around 7 trillion cubic feet of natural gas in the **Ogaden Basin** in the **Somali** region.<sup>4</sup> Despite these developments, progress towards developing the country's mineral reserves has been slow and mired with challenges.

Former petroleum minister **Koang Tutlam** announced in January 2021 that the ministry would end an agreement with US-based firm called **GreenComm Technologies**, which was set to manage the construction of a \$3.6 billion oil refinery in the Somali region, after discovering that the firm had no prior experience in the area of natural gas extraction.<sup>5</sup> More recently, in September 2022, the government cancelled the oil and gas exploration contract with Poly-GCL citing the latter's "financial

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<sup>1</sup> Ethiopian Monitor, 18 Jan 2023

<sup>2</sup> Garowe Online, 19 Jan 2023

<sup>3</sup> Anadolu Africa, 28 Jun 2018

<sup>4</sup> Pumps Africa, 22 Aug 2022

<sup>5</sup> Quartz, 4 Jan 2021

and organisational inability” to fulfil its duties under the contract.<sup>6</sup> However, the government appears to be looking to revitalise plans to develop the sector, announcing on 13 January that it is in talks with international majors seeking to engage in the natural gas sector, particularly through investment in developing natural gas reserves located in the Somali region.<sup>7</sup>

### Parties remain committed to the Pretoria Peace Deal

The **African Union’s (AU)** high representative for the **Horn of Africa** and former president of **Nigeria, Olusegun Obasanjo** (1999-2007) led the launch of the **AU Monitoring, Verification and Compliance Mission (AU-MVCM)** in the capital of **Mekelle (Tigray)** on 29 December. This mechanism satisfies a condition of the peace agreement signed on 2 November between the federal government of **Ethiopia** and the rebel group **Tigray People’s Liberation Front (TPLF)** for the cessation of hostilities between the two in the Tigray region (*see ARC Briefing Ethiopia Nov 2022*).<sup>8</sup> US secretary of state **Antony Blinken** hailed the signing of and launch of the AU-MVCM, stating it was “another important step toward securing lasting peace for the people of northern Ethiopia.”<sup>9</sup>

The AU-MVCM’s first duty was to observe the carrying out of a condition of the agreement, namely the disarmament of Tigrayan forces.<sup>10</sup> TPLF spokesperson, **Getachew Reda** stated on 11 January that the group had “handed over its heavy weapons as part of its commitment to implementing the **Pretoria [South Africa] agreement**” in the presence of AU observers, monitoring teams from both sides and the **Intergovernmental Authority on Development**. Reda continued:

*“We hope & expect this will go a long way in expediting the full implementation of the agreement. We hope and expect.”<sup>11</sup>*

The peace accord also outlined that the disarmament process was to take place alongside “foreign and other forces, excluding the Ethiopian army” withdrawing from Tigray. The **Ethiopian National Defence Forces (ENDF)** announced on 12 January that troops from the special forces from the neighbouring **Amhara** region, who have had a presence in the town of **Shire**, around 140km northwest of Mekelle, had withdrawn from the area.<sup>12</sup> However, the withdrawal of **Eritrean** troops remains uncertain and contentious. Neither the signatories to the peace deal nor the AU-MVCM has yet confirmed the full withdrawal of Eritrean troops, but progress seems to be underway.

**French-headquartered Agence France-Presse (AFP)** reported on 23 January that Eritrean forces were retreating from Tigrayan towns but that while residents witnessed some troops exiting Shire towards the northeast, they “don’t know if they’re making a full retreat.”. Another witness stated to AFP that they had seen some Eritrean soldiers still “walking the streets and around the markets”.<sup>14</sup> The US and human rights groups have accused Eritrean troops of committing some of the worst abuses in the conflict, and the **Tigray Emergency Coordination Centre**, comprising **United Nations (UN)** agencies and government officials, has previously reported that Eritrean troops killed at least 2,708 people and abducted 645 others between 2 November and 30 December. Further investigations are also being conducted by the **UN Human Rights Council** into claims of Eritrean forces carrying out detentions and looting in the towns of **Axum** and **Adwa** in November.<sup>15</sup>

Despite the agreement stipulating that the parties must allow unfettered access for aid to enter the Tigray region, access is still tightly monitored and media restrictions remain in place. This hampers efforts to independently verify the situation on the ground. However **United Kingdom**-based

<sup>6</sup>Anadolu Africa, 21 Sep 2022

<sup>7</sup>Ethiopian monitor, 13 Jan 2023

<sup>8</sup>African Union, 29 Dec 2022

<sup>9</sup>Al Jazeera, 30 Dec 2022

<sup>10</sup>Associated Press, 1 Dec 2022

<sup>11</sup>Sudan Tribune, 11 Jan 2023

<sup>12</sup>Addis Standard, 13 Jan 2023

<sup>14</sup>AFP, 23 Jan 2023

<sup>15</sup>Wall Street Journal, 21 Jan 2023

**Amnesty International** has called the conflict "*one of the deadliest in the world*" stating it has displaced over two million people and left millions more in need of humanitarian aid.<sup>16</sup>

The issues of the restoration of services and humanitarian aid to Tigray were also included in the agreement, which has made more positive progress. The federal government restored electricity to **Berahle** town in **Afar** on 5 January which had been without power for over two years.<sup>17</sup> State-owned **Ethiopian Airlines** also resumed flights to Mekelle on 27 December, the first time in 18 months.<sup>18</sup> The state's telecom provider **Ethio Telecom** also reconnected its services to Mekelle and 27 other towns a day later.<sup>19</sup> The **United Nations Office for the Coordination of Humanitarian Affairs** noted on 6 January that there was an increase in humanitarian aid flowing into the Tigray region following the signing of the peace accord, stating:

*"More than 3,000 trucks carrying food, as well as health, shelter, water and other supplies, have been brought into the region through four road corridors"*<sup>20</sup>

However, the region remains under strain - **Welday Maryam**, the head of the social affairs office of **Abiy Addi** town (Tigray) lamented on 24 January that over 54,000 internally displaced civilians sheltered in a camp were suffering due to a shortage of food and medicine supplies.<sup>21</sup>

The peace agreement also allows for Ethiopian federal police to deploy in Tigray to take full control of "*national airspace, aviation safety and security, and all federal facilities, installations, and major infrastructure such as airports and highways*" in the region.<sup>22</sup> Authorities announced that they had deployed members in Mekelle to protect federal institutions and installations, which will include guarding airports, electric and telecom service stations, banks and other federal institutions as well as carrying out works to stabilise areas and help people return to their homes in other parts of the region.<sup>23</sup>

### **... while conflicts continue in other parts of the country**

Long-standing tensions between armed groups in **Amhara** and **Oromia** and flare-ups of violence have failed to abate, with the **Oromo Liberation Army (OLA)**, classified as a terrorist group by the Ethiopian government since 2018, continuing to carry out raids on towns despite the government's reprisals and a crackdown on OLA fighters operating in the region.<sup>24</sup> This was reinforced on 3 January when the ENDF renewed military operations against the OLA. The government also claimed to have liberated seven villages which had long been under the OLA's control, but this has failed to quell the threat from the OLA, and on 11 January the latter managed to penetrate a state-run correctional facility in **West Guji Zone** in southern Oromia, freeing over 480 prisoners.<sup>25</sup>

The conflict also continues to cause civilian casualties and on 20 December two people were killed, and seven others were severely injured in the **Shilabo** district of **Korahe zone**, in the **Somali** regional state, after a dispute erupted between residents and local authorities attempting to commence water borehole drilling in the area. Local media outlet **Addis Standard** reported on 20 January that at least three civilians were killed and 12 more severely injured in clashes between armed militias from the Oromia region and residents of the neighbouring Somali region on the border area. Residents from the Somali region reported that the clashes started on 13 January when workers for the government of the Oromia region began the construction of a dam in the border area of **Marar Kebele**, which the

<sup>16</sup> Africa News, 23 Jan 2023

<sup>17</sup> Ethiopian Monitor, 5 Jan 2023

<sup>18</sup> Al Jazeera, 30 Dec 2022

<sup>19</sup> ENA, 26 Dec 2022

<sup>20</sup> Sudan Tribune, 6 Jan 2023

<sup>21</sup> Addis Standard, 24 Jan 2023

<sup>22</sup> Cessation of Hostilities Agreement Article 8 (3)

<sup>23</sup> Addis Standard, 29 Dec 2022

<sup>24</sup> BBC, 18 Dec 2022

<sup>25</sup> Addis Standard, 11 Jan 2023

Somali residents say is located within their regional bounds, and thus disputed the construction work.<sup>26</sup>

In a positive development, approaches to resolving conflicts between Ethiopians living in the **Western Gonder** region of **Quara** and inhabitants on the **Sudanese** side living in the **Ankurana** and **Kerchedi** villages have made progress. The Amhara regional state communications bureau reported that, on 1 January, both sides held discussions in the presence of security forces and community leaders aimed at addressing the causes of insecurities in the regions and creating lasting peace on their borders.<sup>28</sup> Border disputes between Ethiopia and Sudan have been frequent in recent months, exacerbated by the onset of the Tigray war in late 2020 (*see ARC Briefing Ethiopia Jul 2022.*)

### Economy gets international assistance

The state minister of finance, **Samarita Sewasiw** and France's foreign affairs minister **Catherine Colonna** signed two financial support agreements on 14 January, amounting to €42m (\$45.7m). The finance ministry stated that the first agreement worth €32m (\$34.8m) would go towards establishing food security through improving agricultural productivity in conflict-affected regions of Tigray, Amhara, Afar, Oromia and **Southern Nations, Nationalities and People's regional states**. The second agreement for €10m (\$10.9m) will allocate €6m (\$6.5m) in new financial support to the government while €4m (\$4.3m) will constitute an extension of an existing loan for the implementation of electric power transmission lines projects in conflict-affected areas with a maturity date set for December 2024.<sup>33</sup>

The **United Kingdom's** development minister, **Andrew Mitchell**, also announced on 21 January that the UK would disperse a £16.6m (\$20.5m) humanitarian aid package to support over 600,000 people living in "*regions of rising insecurity within Ethiopia.*" The **World Food Programme** for pregnant and lactating women facing malnutrition as well as for a school feeding programme targeting 42,000 pupils will receive £5m (\$6.2m) of this package.<sup>34</sup>

China's foreign minister **Qin Gang** also visited Ethiopia on 10 January, announcing a cancellation of a 30m Yuan (\$4.4m) debt owed by Ethiopia to China.<sup>35</sup> The debt forgiveness comes at a time when Ethiopia is facing significant headwinds as several factors have converged to significantly weaken the country's economy. These include the ongoing drought in the Horn of Africa region as well as the Tigray war which the UN estimates to have drained the country of \$1 billion in funds.<sup>36</sup>

Acute foreign exchange shortages also continue to constrain the business environment as the government contends with the challenge posed by the parallel market for currency exchange.<sup>37</sup> **Qatar**-headquartered media house **Al Jazeera** reported on 19 January that the local unit was trading at 53.42 (\$1.0) birr to the dollar, but reportedly worth between 96 birr (\$1.79) to 97 birr (\$1.8) on the black market. **Eyob Tekalign** the state minister in the finance ministry has been forced to refute speculation that the country's currency would be devalued, stating:

*"This is just a rumour... A sensible macro reform is always our agenda but there should not be any concern about mere devaluation."*<sup>38</sup>

### Abiy reshuffles his cabinet

Prime Minister **Abiy Ahmed** (2018-present) shuffled his cabinet on 14 January removing the transport, mines and petroleum and agriculture ministers as well as the head of the office of the prime

<sup>26</sup> Addis Standard, 20 Jan 2023

<sup>28</sup> Addis Standard, 3 Jan 2023

<sup>33</sup> Addis Standard, 14 Jan 2023

<sup>34</sup> All Africa, 21 January 2023

<sup>35</sup> Addis Standard, 14 Jan 2023

<sup>36</sup> The Exchange, 1 Dec 2022

<sup>37</sup> Bloomberg, 21 Sep 2022

<sup>38</sup> Al Jazeera, 19 Jan 2023

minister and cabinet affairs.<sup>39</sup> The prime minister last reshuffled his cabinet in October 2021 shortly after his inauguration for a second term. Notable changes to his cabinet were the removal of the defence minister as well as his peace minister, as federal troops were reeling from the loss of Tigrayan regions, such as the capital Mekelle, to the TPLF in June 2021.<sup>40</sup>

In this latest reshuffle, the prime minister also appointed **Mamo Mihretu** as the new governor of the **National Bank of Ethiopia** (central bank) on 20 January.<sup>41</sup> Abiy is likely attempting to consolidate his position over his **Prosperity Party** and ensure he retains support for his political and economic agenda. This is particularly necessary as he has faced significant criticism for the Tigray war which has greatly dented the country's near-term economic prospects. Thus, the changes also indicate his shift in focus from the Tigray war to repairing the country's economy as the risks of further conflict in Tigray abate.

### Planner

15 Mar 2023 **Addis Ababa (Ethiopia)** Economic Commission for **Africa** Ministers of Finance, Planning and Economic Development (CoM2023).

### Chronology

25 Jan 2023 **Washington D.C. (United States)** *Reuters*. **United States National Transportation Safety Board** finds fault with Ethiopia's **Aircraft Investigation Bureau's** report into the fatal March 2019 **Boeing 737 MAX** jetliner crash, continuing that the country's investigators "did not adequately address the performance of the flight crew";

23 Jan 2023 **Benishangul Gumuz (Ethiopia)** *All Africa*. **Tigist Dibisa**, the deputy finance head of **Benishangul Gumuz** region announces he has allocated \$2.5m in funding received from the **World Bank** to rehabilitate internally displaced people and institutions destroyed during the security crisis in the region;

23 Jan 2023 *Fana Broadcasting Corporation*, **Lelise Neme** the head of the **Ethiopian Investment Commission** meets with **Halid Al Ali**, the regional manager of the **Dubai Chamber for the Middle East and Africa** where the parties agreed to establish a partnership aimed at promoting Ethiopian investment opportunities in Dubai;

23 Jan 2023 **(Ethiopia)** *BBC*. **Ethiopian Orthodox Church**, Ethiopia's largest religious group, faces a split as a group of three bishops announces the creation of a separate church decision-making body, appointing over 20 new bishops to replace some in the **Oromia** region and other parts of southern Ethiopia;

21 Jan 2023 **Addis Ababa (Ethiopia)** *The Reporter*. Local media outlet **The Reporter** newspaper reports viewing a draft document of the second **Homegrown Economic Reform** policy which plans to liberalise the country's aviation sector and allow for the participation of foreign investors;

21 Jan 2023 **Addis Ababa (Ethiopia)** *Ethiopian Monitor*. **National Bank of Ethiopia** (central bank) increases its minimum paid-up capital and capital adequacy requirement for microfinance institutions from 10m Birr (\$186,876) to 75m Birr (\$1.4m), effective from 16 January;

21 Jan 2023 **Awash Arba (Ethiopia)** *Borkena*. Prime minister **Abiy Ahmed** attends a military drill by the **Ethiopian Defence Force** and **Ethiopian Airforce** at a military training facility in **Awash Arba**;

<sup>39</sup> Addis Standard, 14 Jan 2023

<sup>40</sup> Channels TV, 6 Oct 2021

<sup>41</sup> Ethiopian Monitor, 20 Jan 2023

19 Jan 2023 Energyworld.com. Prime minister **Abiy Ahmed** announces that the government has entered into an agreement with the **United Arab Emirates**-based renewable energy firm, **Masdar**, for the joint development of two solar power projects in Ethiopia, with a total power production capacity of 500MW;

17 Jan 2023 **Addis Ababa (Ethiopia)** *Africa News*. **Meaza Ashenafi**, the head of the supreme court and her deputy, **Solomon Areda**, resign from their positions without citing a reason;

17 Jan 2023 **Djibouti City (Djibouti)** *Ethiopian Monitor*. State minister **Kassahun Gofe** and **Djibouti's** secretary general for the trade and tourism ministry, **Ali Daoud**, agree to readjust the prices of agricultural produce, primarily fruits and vegetables, traded between the two countries;

16 Jan 2023 **Khartoum (Sudan)** *Sudan Tribune*. **Sudan**-based media outlet **Sudan Tribune** reports having seen a video showing members of **Amhara's Fano** militia group admitting to committing crimes including gang rape and looting whilst fighting alongside the Ethiopian federal government in Tigray;

11 Jan 2023 **Addis Ababa (Ethiopia)** *Ministry of Foreign Affairs of People's Republic of China*. **African Union** and government launch the **Chinese-funded Africa Centre for Disease Control** as part of the China-Africa public health cooperation project;

14 Jan 2023 **Addis Ababa (Ethiopia)** *Addis Standard*. **Council of Ministers** approves a draft bill for bilateral agreements signed with **Turkey** and the **United Arab Emirates** for the extradition of individuals wanted for crimes in those countries, as well as mutual legal cooperation in criminal matters;

5 Jan 2023 **Southern Nations, Nationalities and Peoples' Region (Ethiopia)** *Addis Standard*. Clashes between regional security forces and residents leave two people, including a police officer, in **Ataya** village;

3 Jan 2023 **Southwest Ethiopia People's Regional State Region (Ethiopia)** *Addis Standard*. The newly established **Southwest Ethiopia People's Regional State** establishes a 70-member regional council representing 13 existing nations and nationalities of the region, which will also have four capital cities, each with equal status, the first regional state in Ethiopia to do so;

31 Dec 2023 **New York (United States)** *United Nations*. Government's draft resolution requesting the fifth committee of the **United Nations General Assembly** not to allocate resources for the **International Commission of Human Rights Experts** on Ethiopia is defeated by a vote of 71 member states against, 32 in favour and 50 abstaining from the vote;

28 Dec 2022 **(Turkey)** *Addis Standard*. **Berhanu Jula**, the chief of general staff of the **Ethiopian National Defense Force** leads a delegation to **Turkey** hosted by **Yaşar Güler** of the **Turkish Armed Forces**.

23 Dec 2022 **Oromia (Ethiopia)** *Addis Standard*. **Gobana Hola**, the Abbaa Gadaa (leader) of the **Tulama Oromo** people, and secretary of the **Oromo Gadaa Leaders' Council** accuses state security forces of breaking into his home, threatening his life, looting his properties, and detaining his son.

23 Dec 2023 **Addis Ababa (Ethiopia)** *Ethiopian Monitor*. Parliament amends its **National Payment System Proclamation**, to allow foreign operators to participate in the payment switch for their businesses operating in the country;

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