

AFRICA RISK CONSULTING

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Ethiopia Summary 24 May 2023

The Ethiopian government moves ahead with its efforts to liberalise key economic sectors. The National Bank of Ethiopia (central bank) announces on 22 May it will make three to five banking licenses available for investors. The Ethiopian Communications Authority announces on 22 May it will launch a tender for Ethiopia's second telecoms licence in June. The International Monetary Fund (IMF) confirms on 11 May that talks are underway with Ethiopia but does not mention progress on a deal. Eritrea continues to present a challenge to the Tigray Peace Accord by maintaining a presence in the region, but the government and Tigray Peoples Liberation Front (TPLF) remain committed to the accord denoting low risks of a full return to war. This comes as conflict continues to escalate in Oromia and Amhara regions. Prime Minister Abiy Ahmed (2018-present) attempts to mediate in the Sudan conflict while limiting its impact on Ethiopia. The tourism and aviation sectors provide a much-needed boost to the economy as the government's expansion plans take root.

New developments in liberalisation drive

The **Ethiopian** government is moving ahead with its efforts to liberalise key economic sectors in a bid to boost foreign investment and the country's overall long-term economic growth. The government has long held control over sectors including financial services, telecommunications, and logistics. However, under the economic reform minded prime minister **Abiy Ahmed** (2018-present), the government has committed to liberalise and partially privatise these sectors.¹ The onset of the **Tigray** conflict caused delays to the gradual liberalisation and placed a dampener on investor sentiment, but as the peace deal continues to hold (see below), the government is once again seeking to attract foreign investment.

Solomon Desta, the vice governor of the **National Bank of Ethiopia** (central bank) announced on 3 May that the government will make between three and five banking licences available for investors within five years.² The inclusion of foreign banking institutions will aid the country as it pursues its industrial development drive, improving financial inclusion and opening up additional sources of funding for enterprises.

In a further boost for the telecommunications sector, the **Ethiopian Communications Authority** announced on 22 May that it will launch a tender for the country's second international telecoms licence in June.³ This will enable the third market entry behind the state-owned **Ethio Telecom** and **Safaricom Ethiopia**, part-owned by **Kenya's Safaricom**. **France's** leading mobile network operator **Orange** and **Netherlands-based** mobile network operator **VEON** have both declared interest in entering the market.⁴

The global digital watch observatory **Groupe Speciale Mobile Association (GSMA)** reports that only 53% of the Ethiopian population own a mobile phone.⁵ This has largely been due to a lack of motivation from **Ethio Telecom** to innovate and expand its network across the country, however,

¹ Brookings institute, 6 Dec 2022

² Reuters, 3 May 2023

³ Developing Telecoms, 23 May 2023

⁴ Ethiopian Monitor, 16 May 2023

⁵ Data Reportal, 13 Feb 2023

new competition in the market bodes well for the development of the sector and the country's adoption of more digital-centric solutions.

IMF deal is crucial as economic woes persist

The **Ethiopia Statistics Service (ESS)** reported on 15 May that Ethiopia's general inflation rate had declined by 0.2% to reach 33.5% in April.⁶ Despite this slight deceleration the persisting elevated inflationary environment continues to place pressure on real household incomes. Factors including the sustained depreciation of the birr, foreign currency shortages, and rising food and fuel prices will pose a risk to social stability in the near term, underscoring the need for the government to agree on a new programme with the **International Monetary Fund (IMF)**.

Several media outlets reported during the annual meetings of the IMF and **World Bank**, that Ethiopia is looking to borrow at least \$2 billion from the IMF under a reform programme.⁷ Reports indicate that Ethiopia is seeking to fill a financing gap of \$6 billion it is facing until 2026, but that the IMF still needs to assess the country's debt sustainability among other factors.⁸ In light of the country's low forex reserves, it also cannot be ruled out that the central bank will be required to devalue the local currency as a condition of any IMF package, despite repeated denials in this regard by the country's finance ministry.⁹

IMF spokesperson **Julie Kozack** confirmed on 11 May that the institution is in discussions with the government but that any programme would be contingent on the country acquiring financial assurances from its creditors.¹⁰ Despite this, Kozak positively noted "*strong progress towards lasting peace*" in the country and highlighted the government's economic reform agenda:

*"It's an ambitious reform program that aims to address Ethiopia's key macroeconomic vulnerabilities, and to unlock Ethiopia's considerable economic potential."*¹¹

Eritrea threatens Tigray Peace Accord

Getachew Reda, the newly-appointed interim leader of the Tigray region accused **Eritrean** forces on 19 May of preventing the **African Union-appointed Monitoring, Verification and Compliance Mission (AU-MVCM)** from carrying out its mandate in Tigray.¹² This is a blow to the Tigray peace treaty, signed in November 2022, which had been proceeding relatively well, with the attainment of crucial milestones such as disarmament as well as the appointment of a 27-member cabinet for Tigray (see *ARC Briefing Ethiopia Mar 2023*). This latest accusation exposes a key challenge facing the government - how to dial back the involvement of Eritrean forces, which it long denied was taking place in the conflict in Tigray. The peace treaty calls for the withdrawal of "*foreign*" forces from Tigray, however, there was no commitment from Eritrea, which did not participate in the negotiations, to do so.

The international community has also continued its calls for Eritrean troops' full withdrawal from Tigray, calls which could lead to more stringent measures on the government over time.¹³ The government now finds itself caught between the Eritrean government, the Tigrayan government as well as the international community. Despite this, both parties to the peace accord appear committed to maintaining the peace deal, denoting low risks of a full return to war. The AU-MVCM announced an 85% disarmament of heavy weapons held by **Tigray Defence Forces** on 20 May, further noting:

⁶ Ethiopia Statistics Service, 15 May 2023

⁷ Reuters, 14 Apr 2023; Central Banking Newsdesk, 17 Apr 2023

⁸ Reuters, 14 Apr 2023

⁹ Al Jazeera, 19 Jan 2023

¹⁰ Reuters, 11 May 2023

¹¹ International Monetary Fund, 11 May 2023

¹² Addis Standard, 20 May 2023

¹³ Addis Standard, 2 May 2023

“Sustained positive gains in Tigray, driven by the overall goodwill of the parties and the population embracing peace and working assiduously to rebuild their region.”¹⁴

... as other peace talks begin

Peace talks began between the government and **Oromo Liberation Army (OLA)** began in **Zanzibar (Tanzania)** on 25 April mediated by **Kenya** and **Norway**. The talks ended on 3 May without a deal and both parties committed to renewed talks.¹⁵ Although both parties made this commitment, fighting has continued in the region. OLA spokesman **Odaa Tarbii** accused the government on 17 May of carrying out an *“all-out offensive”* in the **Oromia** region even after the conclusion of the peace talks. While noting that the OLA remained open to another round of negotiations, Odaa stated that despite a *“mutual understanding that de-escalation must be a priority”*, the federal government *“chose a different path”*, continuing:

“We [OLA] perceive this as an attempt to gain leverage and force us into accepting their terms, but they should not mistake our commitment to peace as a sign of weakness.”¹⁶

Periodic conflicts between the government and OLA have taken place in previous decades, however, this intensified in 2022 when the government accused the OLA of carrying out ethnic massacres, a claim which the OLA has denied. Such conflicts remain emblematic of Ethiopia’s challenges with managing over 80 ethnolinguistic communities and competing political interests from different quarters in the country.

In **Amhara**, tensions also remain. Amhara region’s communications office announced on 28 April that **Girma Yeshitla**, the leader of Amhara’s ruling **Prosperity Party**, was shot and killed in an attack on his vehicle convoy carrying himself, his security personnel and family members en route to the town of **Debre Birhan**.¹⁷ His death comes as the Amhara region has faced weeks of protests and violence in response to the federal government’s decision to dissolve regional special forces across the country, a move which **Africa Risk Consulting Briefing** cautioned could pose a threat to stability in the country (see *ARC Briefing Ethiopia Apr 2023*).

Girma was aligned with the federal government which led to him often being labelled as a *“traitor”*, on social media, owing to his relationship with Abiy.¹⁸ Abiy labelled the attack a *“shameful and horrible act”*:

“Those who couldn’t win with ideas have taken away the soul of our brother Girma Yoshitaka,”¹⁹

Ethiopia’s **Joint Security and Intelligence Task Force** announced the arrests of 47 people suspected of involvement in Girma’s murder on 30 April, adding that *“extremist forces”* carried out the killing:

“The suspects worked together locally and in foreign countries with the aim of taking control of the regional government in order to overthrow the federal government by assassinating senior Amhara officials”²⁰

The government is also placing its hopes for national peace in the upcoming national dialogue agenda. Abiy introduced the initiative in late 2021 as a means of establishing a national consensus on key issues causing conflict across various segments of society. The process is being led by the **Ethiopian National Dialogue Commission**, which was established in November 2021, and is set to run for three years. The commission began its last phase of preparation on 21 May by inviting public input for the development of the agenda for the national dialogue.²¹

¹⁴ The Reporter Ethiopia, 20 May 2023

¹⁵ Voice of America, 27 Apr 2023

¹⁶ France24, 17 May 2023

¹⁷ Africa News, 1 May 2023

¹⁸ BBC Monitor, 8 May 2023

¹⁹ The Africa Report, 1 May 2023

²⁰ Africa News, 1 May 2023

²¹ Ethiopian Monitor, 21 May 2023

Ethiopia seeks to support a ceasefire in Sudan

The conflict in **Sudan** which erupted on 15 April has placed additional stress on the Ethiopian government, with many fleeing Sudan to seek safety in Ethiopia. It was immediately clear that Ethiopia would be impacted by the conflict and concerned to prevent an escalation of fighting in the wider region (*see ARC Briefing Ethiopia Apr 2023*). The **United Nations (UN)** announced that as of 9 May, the conflict had killed at least 604 people and displaced more than 700,000 others.²² The UN stated on 29 April that over 23,000 Ethiopian migrants as well as third-party nationals had arrived at the **Metema** border crossing into Amhara (Ethiopia) while 800 arrivals were recorded at the **Kurmuk** border in the **Benishangul Gumuz** region (Ethiopia). The **International Organization for Migration (IOM)** currently estimates that over 100,000 Ethiopians and third-country nationals may return to Ethiopia from Sudan “*in the coming months*”.²³

The fighting has gained widespread attention at an international level, and the Ethiopian government has sought to aid in resolving the matter, based on the country’s position in the Horn of Africa, proximity to Sudan, as well as improved diplomatic relations between the two (*see ARC Ethiopia briefing Dec 2022*). Abiy has sought to play the role of mediator and on 23 April he called on the two warring factions to “*take lessons from the peace process in Ethiopia*” adding that the government was preparing to dispatch 50,000 quintals of wheat and medicines to aid Sudan.²⁴ Abiy held a phone discussion with both leaders of the warring factions on 28 April, prevailing upon them to “*settle differences amicably*” and for a return to stability for Sudan.²⁵

Turkey’s foreign minister **Mevlüt Çavuşoğlu** also stated on 28 April that Turkey and Ethiopia would work together to mediate and try to find a solution to the conflict in Sudan.²⁶ A seven-day ceasefire was reached on 20 May following talks in **Jeddah (Saudi Arabia)**, sponsored by the **United States** and Saudi Arabia.²⁷ However, there have since been reports of fighting in the country, dimming the prospects of the deal.²⁸

Aviation and tourism sector a bright spot

Alemayheu Getachew, the tourism ministry’s head of communications, reported on 22 May that the country gained \$3.06 billion from the tourism sector in nine months, attracting over 774,000 foreign visitors and providing a much-needed boost to the country’s economy. The ministry cited the opening of new tourist sites in the country including the **Gebeta LeHager** projects (in **Gorgora**, **Wonchi**, **Halala Kela**, and **Koisha**), the **Jimma Aba Jifar Palace**, and **Sinquele Korkes’ Village**, which are now being fully operationalised.²⁹

The state-owned airline **Ethiopian Airlines** is also pushing ahead with an aggressive expansion plan as it looks to boost Ethiopia’s position as Africa’s aviation hub. Ethiopian Airlines resumed flights between **Pakistan** and Ethiopia on 10 May, followed by a 19 May launch of a new route to **Atlanta (United States)**. The carrier also launched flights between Addis Ababa and **Copenhagen (Denmark)** on 21 May, making this its 21st **European** destination. These developments are in line with the carrier’s Vision 2035 strategy. Under the strategy, the carrier aims to boost its current 131 destinations to 207, while also doubling its fleet from 140 planes to 271.³⁰ The airline also aims to carry 65 million passengers, and 3 million tonnes of cargo, and generate \$25 billion in revenue annually. The airline will also focus on partnership and management arrangements with African airlines to drive up profitability.³¹

²² Associated Press, 9 May 2023

²³ International organization or Migration, 19 May 2023

²⁴ Fan ABC, 23 Apr 2023

²⁵ Addis Standard, 28 Apr 2023

²⁶ Daily Sabah, 28 Apr 2023

²⁷ Al Jazeera, 21 May 2023

²⁸ Al Arabiya, 24 May 2023

²⁹ 2merkato, 22 May 2023

³⁰ Simple Flying, 27 Nov 2023

³¹ Aerotime Hub, 2 December 2022

Planner

5 Jun 2023 – 6 Jun 2023 **Addis Ababa (Ethiopia)** East Africa Transport and Infrastructure

Chronology

23 May 2023 **Addis Ababa (Ethiopia)** *Borkena*. The **United States Embassy** officially reopens the **Col. John C. Robinson American Corner** on **St. Mary's University** campus in Addis Ababa, which had been closed for in-person programmes and services since the 2020 **Covid-19** lockdown;

22 May 2023 **Addis Ababa (Ethiopia)** *2Merkato*. The **Ethiopian Horticulture Producer Exporters Association** states that Ethiopia earned \$550m from the export of horticultural products between July 2022 and March 2023;

22 May 2023 **Addis Ababa (Ethiopia)** *Ethiopian Monitor*. Foreign minister **Demeke Mekonnen** hosts **Canada's** international development minister **Harjit Sajjan** to discuss fostering cooperation between the two nations;

22 May 2023 **Gambella (Ethiopia)** *Addis Standard*. The **Gambella** regional government announces the death of 10 people which it claims was due to an attack carried out by militants from the **Murle** tribe from neighbouring **South Sudan**;

22 May 2023 **Oromia (Ethiopia)** *Addis Standard*. Media outlet **Addis Standard** reports that armed forces killed four people in an attack on two police stations in **Bekoji City**, in **Oromia's Arsi** zone;

21 May 2023 **Addis Ababa (Ethiopia)** *Addis Standard*. The **Ethiopian Media Authority** temporarily suspends the media licence of the local TV station **Mahibere Kidusan TV**, claiming the station aired content that “*may provoke conflict among religious followers and incite ongoing meetings by the Holy Synod*”;

19 May 2023 **Ethiopia** *Addis Standard*. **United Nations Office for the Coordination of Humanitarian Affairs** warns that almost 7 million people are at risk of being infected by cholera, citing 6,157 cholera cases reported and 94 associated deaths across Ethiopia;

19 May 2023 **South Sudan (Juba)** *Ethiopian Monitor*. Finance minister **Eyob Tekalign** and **South Sudan's** finance minister **Dier Tong Ngor** sign an agreement for the construction of a cross-border highway connecting western Ethiopia with **Juba** (South Sudan);

19 May 2023 **Jeddah (Saudi Arabia)** *Ahram Online*. **Arab** leaders attending the 32nd Arab Summit call on **Ethiopia** to “*refrain from the unilateral filling and operation of the Grand Ethiopian Renaissance Dam [GERD]*” citing harm it could cause to **Egypt** and **Sudan**. GERD remains a contentious issue, with the leaders calling on the **United Nations Security Council** to intervene;

17 May 2023 **Addis Ababa (Ethiopia)** *Relief Web*. **United Nations Office for the Coordination of Humanitarian Affairs (OCHA)** announces that famine has been “*prevented*” in the **Horn of Africa** but cites risk contributing to a challenging environment including conflict and insecurity in Ethiopia and Somalia, a high inflationary environment, rising food prices and shortage of commodities;

16 May 2023 **Addis Ababa (Ethiopia)** *CAJ News*. Floods in the **Afar, Oromia, Somali Southern Nations Nationalities and Peoples'** and **South West Ethiopia Peoples'** region destroy over 35,000 households, 23,000 livestock and around 99,000 hectares of farmland;

16 May 2023 **Addis Ababa (Ethiopia)** *Addis Standard*. **House of People's Representatives** sits for its 19th regular meeting where it approves bills for extradition and cooperation agreements in criminal matters with **Turkey** and the **United Arab Emirates**;

13 May 2023 **Addis Ababa (Ethiopia)** *Addis Standard*. The **National Election Board** opts not to reinstate the **Tigray People's Liberation Front's** registration as a political party, citing the electoral law would not support this;

10 May 2023 **Addis Ababa (Ethiopia)** *Ethiopian Monitor*. The **National Electoral Board** sets 19 June as the voting date for a referendum rerun in the **Wolaita** zone after the previous vote was cancelled in February owing to election misconduct;

4 May 2023 **Tigray (Ethiopia)** *United Nations News*. **World Food Programme (WFP)** announces a halt to its distribution of food aid in Tigray to allow an investigation into what it terms "reports of significant diversion of humanitarian food assistance" in the region;

27 Apr 2023 **Addis Ababa (Ethiopia)** *Borkena*. Ambassador **Tracey Jacobson**, Chargé d'Affaires of the **United States Embassy** in **Addis Ababa**, hands over ten vehicles, donated by the **US Bureau of International Narcotics and Law Enforcement (INL)**, to the **Afar Regional Police**.

About Africa Risk Consulting:

Africa Risk Consulting (ARC) is a pan-African consulting company that provides timely, relevant information and advice that enables its clients to take informed investment decisions and to safeguard their reputations.

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Getting in touch

Please contact us by email info@africariskconsulting.com or call + 44 (0) 20 7078 4080

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