

## AFRICA RISK CONSULTING

### Ethiopia Monthly Briefing April 2024

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#### Ethiopia Summary 25 April 2024

*Ethiopia's creditors agree to extend their deadline for the country to secure a funding agreement with the International Monetary Fund (IMF) until June. This comes as Ethiopia's talks with the IMF are faltering amid difficulties in reaching a consensus. Unknown assailants kill prominent Oromo opposition leader Bate Urgessa on 9 April. His death leads to protests after his party, the Oromo Liberation Front (OLF), alleges that the government was behind his murder. Security forces from the Tigray region clash with those from Amhara over control of the disputed Raya Alamata district, displacing over 50,000 people. Amhara nationalist militias (known as Fano) continue to present a growing security concern as illustrated by the shootout between Fano militia fighters and security forces in Addis Ababa on 12 April.*

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#### Creditors extend deadline as IMF talks falter

It was revealed on 3 April that the **Paris Club** of creditor countries granted **Ethiopia** an extension until the end of June to conclude its ongoing discussions with the **International Monetary Fund (IMF)** on a potential bailout agreement.<sup>1</sup> This decision was made after talks between Ethiopia and the IMF appeared to falter after the latest round of negotiations ended on 2 April without an agreement. The Paris Club had previously stated that its November agreement with Ethiopia to suspend the country's debt repayments through 2025 would be voided if Ethiopia failed to secure an IMF loan by 31 March. Accordingly, the extension of this deadline will come as a relief to the Ethiopian government, albeit a temporary one.

Neither the IMF nor Ethiopia has confirmed the size of the loan under discussion, but well-sourced reports claim that it is approximately \$3.5 billion. Such a financial bailout would help capitalise the government and restore some creditor confidence in the state.

Talks with the IMF are continuing but appear to be making limited progress. Ethiopia's finance minister **Ahmed Shide** and **National Bank of Ethiopia (NBE)** (central bank) governor **Mamo Esmelealem Mihretu** met with IMF officials in **Washington D.C. (United States) (US)** during the **World Bank Group's** annual spring meetings between 15 and 20 April but again did not secure an agreement.<sup>2</sup>

The IMF's mission chief for Ethiopia, **Alvaro Piris Chavarri**, confirmed to reporters on the sidelines of the World Bank Group's meetings that there were still differences between the IMF and Ethiopian government's positions. Chavarri declined to specify what these differences were, but they are widely believed to relate to structural reforms the IMF is insisting upon, including Ethiopia agreeing to devalue its currency, the birr. The birr is currently trading around 50% weaker on the black market than its official rate against the US dollar indicating that the NBE is keeping the currency's value artificially high. Ethiopian officials are concerned that allowing a sharp currency devaluation will aggravate inflation in the country and rapidly undercut the wealth and savings of Ethiopians. That being said, the artificially high official exchange rate will, in itself, fuel inflation and lead to the increased growth of parallel markets in Ethiopia's economy.

Ethiopia has limited options in this matter and will likely need to capitulate to most of the IMF's requests in this regard. If the Paris Club follows through on their threat to void the November

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<sup>1</sup> Reuters, 3 Apr 2024

<sup>2</sup> Reuters, 19 Apr 2024

agreement it could result in an economic crisis. Such a development would be akin to another debt default and would also likely derail Ethiopia's debt restructuring negotiations with its private creditors and **Eurobond** holders. The country would likely face further credit rating downgrades leading to reduced investment and being excluded from global capital markets.

Conversely, if Ethiopia secures an agreement with the IMF it will not only retain its debt suspension agreement with the Paris Club creditors but could also help unlock other concessional financing from other sources such as the World Bank and the **African Development Bank (AfDB)**.<sup>3</sup> An agreement would certainly bolster the country's position in its ongoing talks with the World Bank for \$3.5 billion in financial support. The World Bank and the IMF are often aligned on what structural reforms a country needs and the World Bank frequently relies on IMF findings when making its decisions.

Until Ethiopia and the IMF reach an agreement the uncertain state of Ethiopia's debt relief will remain a major concern. This uncertainty will further undermine the true value of the birr and contribute to wider economic instability.

### Unrest in Oromia after opposition leader is murdered

Ethiopia's ongoing economic uncertainty is further compounded by the persistent political and security instability in the country, highlighted by the murder – and likely assassination – of **Bate Urgessa** who was a senior figure in the **Oromo Liberation Front (OLF)** opposition party.<sup>4</sup> Urgessa was abducted and murdered in **Meki (Oromia region)** on 9 April and his body was discarded by the roadside outside the town. His family members alleged that he was taken away by figures who "*looked like government security forces*" while the OLF released a statement openly accusing state forces of being behind his killing.<sup>5</sup> This prompted the Oromia regional government to issue a statement on 10 April denying any involvement in his death. However, this statement has been dismissed by many of Urgessa's supporters who were already suspicious of the regional and federal government.

This distrust was highlighted by the anti-government protests which occurred in several Oromia towns following Urgessa's death which resulted in the imposition of temporary curfews and travel restrictions in several areas including Meki.<sup>6</sup> Notably, by 15 April normal operations appeared to have resumed.

Urgessa's death has aggravated the ongoing political and security tensions in Oromia. The region is currently in the midst of a low-level conflict between government security forces and the **Oromo Liberation Army (OLA)**. The OLA is an Oromo separatist group which split from the OLF in 2018 when the latter agreed to accept Prime Minister **Abiy Ahmed's** (2018-present) offer of amnesty and become a normal political party in Ethiopia. This split created hostility between the OLF and OLA but also made senior OLF leaders like Urgessa particularly important - Urgessa and his fellow OLF leaders continue to desire an independent Oromia and resent the central government in **Addis Ababa**; however, they are participating in the formal political and democratic processes. Suspected state-sponsored assassinations of OLF leaders will undermine this peaceful route and bolster support for the OLA or even compel the OLF to abandon formal politics for exile and insurgency.

This fear of a deterioration in the political and security environment in Oromia has led to widespread calls for an independent investigation into the matter; including by the **Ethiopian Human Rights Commission (EHRC)** and US legislators.<sup>7</sup>

### Amhara forces clash with Tigray and Ethiopian security forces

<sup>3</sup> Bloomberg, 2 Apr 2024

<sup>4</sup> BBC, 10 Apr 2024

<sup>5</sup> Addis Standard, 10 Apr 2024

<sup>6</sup> Borkena, 15 Apr 2024

<sup>7</sup> Addis Standard, 11 Apr 2024

Ethiopia's federal government can ill-afford the security situation in Oromia to deteriorate further given its multiple other serious challenges including the 13 April clashes between forces from the country's **Tigray** and **Amhara** regions over control of the disputed **Raya Alamata** district. These clashes remained ongoing as of 24 April causing the displacement of at least 50,000 people and an unconfirmed number of casualties.<sup>8</sup> It has not been independently verified which side initiated the battle, but the Amhara state government released a statement on 19 April accusing Tigrayan forces of launching an attack on the district.<sup>9</sup>

The Raya Alamata district has long been disputed between the Tigray and Amhara regions but has been controlled by Tigray for much of Ethiopia's modern history. However, Amhara forces took control of the district during the **Tigray War** (2020-2022) and did not return it following the conflict's formal conclusion.

This violent battle not only illustrated the threat posed by Ethiopia's deeply entrenched ethnic and territorial disputes but also highlighted the dangers presented by the existence of regional security forces. Notably, it confirmed that Tigray retains the capacity to engage in a conflict despite the ongoing **Disarmament, Demobilization and Reintegration (DDR) Process**.

The large number of displacements resulting from the battle for Raya Alamata will place further strain on humanitarian organisations in the area and will worsen the ongoing food security crisis. In addition, it has threatened the stability of the ongoing peace process as this conflict has the capacity to escalate unless it is mediated in the very near future. The battle between Tigray and Amhara regional forces for control of Raya Alamata will further destabilise the security situation in the Amhara region.

This region has been marked by a deteriorating security environment due to the presence of Amhara nationalist militias (known as **Fano**). These militia groups desire greater Amhara autonomy and have been growing in strength in recent years and are emerging as the most serious security threat facing Ethiopia.

This was underscored by the shootout between Ethiopian security forces and Fano militia fighters in Addis Ababa on 12 April in which three people were killed.<sup>10</sup> According to officials, the firefight occurred when the Fano militia resisted arrest after police tried to apprehend them. Authorities claim the fighters were planning on committing a terrorist attack in the city. The gunfight occurred near the capital city's **Millennium Hall** conference centre which is located near Addis Ababa's **Bole International Airport**. If these allegations are true such an attack could have been a high-impact one.

Regardless, this incident did confirm that armed Fano militia fighters are active in Addis Ababa itself which represents an escalation in the threat posed by these fighters. Ethiopia's federal security services appeared to recognise this and embarked on a security crackdown in the city targeting predominantly ethnic Amhara neighbourhoods.<sup>11</sup> Officials claim to have made several arrests during this operation.

Such a heavy-handed response, while understandable, was likely counterproductive. The perceived targeting of ethnic Amhara citizens will fuel resentment toward the federal government and state security forces and potentially increase support for the Fano militia groups.

## Planner

Apr 2024 (**Ethiopia**) 11th Tana High-Level Forum on Security in Africa

Jun 2024 (**Ethiopia**) **Paris Club** deadline for Ethiopia's discussions with **International Monetary Fund (IMF)**

<sup>8</sup> AFP, 24 Apr 2024

<sup>9</sup> Borkena, 19 Apr 2024

<sup>10</sup> Addis Standard, 12 Apr 2023

<sup>11</sup> Borkena, 13 Apr 2024

2024 **Addis Ababa (Ethiopia) Africa Union (AU) – Canada Forum**

2024 **(Ethiopia) Horn of Africa** heads of state summit

2026 **(Ethiopia) General election**

## Chronology

23 Apr 2024 **Addis Ababa (Ethiopia) Borkena**. The **Tigray People’s Liberation Front (TPLF)** denies rumours that it has had talks about a possible merger with the ruling **Prosperity Party**;

21 Apr 2024 **Djibouti City (Djibouti) The Independent**. At least 21 **Ethiopian** nationals die when their vessel capsizes off the coast of Djibouti’s **Obock** region;

20 Apr 2024 **Addis Ababa (Ethiopia) Borkena**. Embassies of the **G7** member countries based in Addis Ababa – **Canada, France, Germany, Italy, Japan, United Kingdom** and **United States** – express concern over renewed violence in northern Ethiopia, calling for inclusive dialogue among all stakeholders;

19 Apr 2024 **Dire Dawa (Ethiopia) Addis Standard**. The federal high court sentences eight people convicted of involvement with the **Somalia-based al-Shabaab** militant group;

19 Apr 2024 **Addis Ababa (Ethiopia) Bloomberg**. The **Ethiopian Securities Exchange** reveals that it will begin trading shares of state-owned companies such as **Ethiopian Telecommunications** as early as September;

18 Apr 2024 **Addis Ababa (Ethiopia) Bloomberg**. Ethiopia revises regulations to allow foreign companies to purchase coffee directly from local farmers and processors;

17 Apr 2024 **Addis Ababa (Ethiopia) Addis Standard**. The **Council of Ministers** approves a draft of the government’s new **Transitional Justice Policy**;

16 Apr 2024 **Geneva (Switzerland) Reuters**. The **United Nations (UN)** announces that it secured nearly \$630m in financial support to fund its humanitarian relief projects in Ethiopia but did fall short of its \$1 billion target;

15 Apr 2024 **Addis Ababa (Ethiopia) Ethiopian Statistical Service**. Officials reveal that Ethiopia’s inflation rate slowed to 26.2% in April from 28.2% in March;

12 Apr 2024 **Asmara (Eritrea) Borkena**. The Eritrean government declares that its border with **Ethiopia** has been settled based on **Eritrea-Ethiopia Boundary Commission Decision** and that it no longer considers it disputed territory;

12 Apr 2024 **Addis Ababa (Ethiopia) Amnesty International**. **United Kingdom**-headquartered **Amnesty International** calls on African and global human rights bodies to “urgently” investigate killings of civilians by the **Ethiopian National Defense Forces (ENDF)** in **Merawi** town, in **Amhara** region;

11 Apr 2024 **Nairobi (Kenya) Reuters**. Kenya proposes a regional maritime treaty to ease the ongoing diplomatic and security tensions between **Ethiopia** and **Somalia** over Ethiopia’s January memorandum of understanding (MoU) with the breakaway state of **Somaliland**;

10 Apr 2024 **Addis Ababa (Ethiopia) ENA**. Ethiopia and **Japan** hold their inaugural political consultation to discuss diplomatic and economic relations;

9 Apr 2024 **Addis Ababa (Ethiopia) Addis Ababa**. The **Ethiopian Islamic Affairs Supreme Council** raises concerns over what it views as an increase in attacks on Muslims in the country;

8 Apr 2024 **Addis Ababa (Ethiopia) Bloomberg**. The **Nigerian Exchange Group** acquires a 5% shareholding in the **Ethiopian Securities Exchange**;

4 Apr 2024 **Mogadishu (Somalia)** *AFP*. Somalia expels **Ethiopia's** ambassador and orders the closure of Ethiopia's consulates in **Somaliland** and **Puntland** in the latest development in the escalating diplomatic fallout between the two countries;

4 Apr 2024 **New York (United States)** *Al Jazeera*. United States-based NGO **Human Rights Watch (HRW)** alleges that **Ethiopian** soldiers committed war crimes in **Merawi, Amhara** region, in January;

1 Apr 2024 **Addis Ababa (Ethiopia)** *Africa News*. Ethiopia announces plans to repatriate around 70,000 Ethiopian nationals living in **Saudi Arabia**;

1 Apr 2024 **Addis Ababa (Ethiopia)** *The East African*. Audit and consultancy firm **Deloitte** becomes the first foreign entity granted a securities investment adviser licence in Ethiopia;

27 Mar 2024 **Gambella (Ethiopia)** *Addis Standard*. Gunmen attack a bus in Gambella region killing three people;

26 Mar 2024 **Addis Ababa (Ethiopia)** *Africa News*. The **Commercial Bank of Ethiopia** claims it has recovered nearly 80% of the around \$14m in unauthorised withdrawals that occurred as a result of a banking glitch in March;

23 Mar 2024 **Addis Ababa (Ethiopia)** *News24*. Prime Minister **Abiy Ahmed** announces plans to end the ban on foreign nationals buying real estate in Ethiopia;

5 Apr 2024 **Addis Ababa (Ethiopia)** *Reuters*. The **World Bank** agrees to loan Ethiopia \$1.72 billion to finance electricity and water infrastructure development.

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