

## AFRICA RISK CONSULTING

### Ethiopia Monthly Briefing August 2024

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#### Ethiopia Summary 22 August 2024

*The Tigray People's Liberation Front (TPLF) holds a contentious party congress on 13 August highlighting the growing divisions within the party. Ethiopia's tenuous security environment is once again underscored by yet another multiple-fatality militant attack in the Oromia region. The International Monetary Fund (IMF) on 29 July approves a four-year \$3.4 billion Extended Credit Facility (ECF) arrangement with Ethiopia. However, to secure this, Ethiopia did agree to float its currency leading to a sharp devaluation in the birr.*

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#### TPLF holds contentious party conference amid c

The **Tigray People's Liberation Front (TPLF)** held its 14<sup>th</sup> party congress in the capital of the Tigray region, **Mekelle**, on 13 August.<sup>1</sup> The congress was held over seven days and took place amid heightened internal tensions within the party which threatened to drive schisms within the TPLF. Indicative of this was the fact that the conference was boycotted by several members of the TPLF's **Central Committee** including by party vice chairperson and Tigray's interim president **Getachew Reda**. Getachew had opposed holding the congress due to concerns that it had been hastily organised without first securing consensus within the Central Committee. Getachew further claimed that the conference was being held to drive a factional agenda and oust certain leaders within the party.

These claims appear to have been substantiated as Getachew was voted out as vice chairperson and replaced by **Amanuel Assefa**, the former head of Tigray's justice bureau and chief of the interim administration president's office.<sup>2</sup> Furthermore, the congress elected to suspend Getachew as a member of the Central Committee effectively sidelining the interim leader. Congress delegates re-elected **Debretsion Gebremichael** as party chairperson re-affirming his control over the party.

Even though the conference was disputed by a senior faction within the TPLF, the fact that hundreds of delegates attended the congress will confer legitimacy on the event in the eyes of the majority of TPLF members.

Getachew's suspension from the TPLF's senior committee and his removal as vice chairperson has raised questions about his future as the region's interim leader. It is evident that he has lost the support of the majority of the party's senior and most influential figures, and as such is unlikely to retain support among a plurality of members.

Getachew is being punished for appearing to cooperate with the federal government. However, he was appointed as the president of the interim administration of the Tigray region as part of the compromise underpinning the **2022 Pretoria Peace Accords** which ended the **Tigray War**. As vice chairperson of the TPLF, he was a palatable option to both sides, especially given the federal government's opposition to Debretsion being appointed interim leader.

The **National Election Board of Ethiopia (NEBE)** has also refused to recognise the TPLF congress, a position it made clear before the congress began.<sup>3</sup> As such, the federal government is unlikely to recognise the TPLF's new leadership nor accept Getachew's likely impending removal as interim regional president.

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<sup>1</sup> Addis Standard, 13 Aug 2024

<sup>2</sup> Addis Standard, 19 Aug 2024

<sup>3</sup> Borkena, 12 Aug 2024

NEBE's refusal to recognise the party's conference will aggravate the tense relationship between the electoral authority and the TPLF. These tensions are rooted in the NEBE's refusal to officially reinstate the TPLF as a recognised political party. The NEBE announced on 9 August that it would allow the TPLF to register as a new party per the recently passed **Party Registration and Ethics Reform Bill**.<sup>4</sup> However, the TPLF and Debretsion have disputed this and demanded that the NEBE fully restore the TPLF's pre-war legal standing. This dispute is expected to intensify as Ethiopia is set to hold its next general election in 2026.

A potential division within the TPLF is a serious security concern given that the party controls a considerable armed force. A political split also threatens to politicise and divide these armed forces which could lead to clashes between forces loyal to the separate factions. Tigray remains highly unstable following the Tigray War and the possibility of factional battles within the party fuelling armed clashes cannot be discounted.

The recent congress has affirmed Debretsion as the dominant political force within the party and made clear Debretsion's ambition to rebuild and restore the TPLF as a political and security force. The party will now likely push to install the chairperson as the region's interim president, which will fuel the tense relationship between the federal government and the TPLF.

The ongoing dispute between the TPLF and the NEBE will also become a central political and security issue in the coming two years. Any effort to prevent the TPLF from contesting the general election and retaining control of Tigray has the potential to trigger a resumption of armed conflict in the region – especially now that the more combative Debretsion has asserted his control over the party.

### Deadly attack in Oromia region

The fact that a renewed conflict in Ethiopia's Tigray region is not Ethiopia's most pressing current concern is illustrative of the country's tenuous security environment. Ethiopia continues to be impacted by low-level nationalist conflicts in the **Oromia** and **Amhara** regions. Indicative of this, at least 15 people were killed in a militant attack in the Abe Dongoro district of the Horo Guduru **Wollega Zone** in Oromia on 7 August.<sup>5</sup>

No group has yet claimed responsibility for the attack, and it is unclear whether Oromo or Amhara nationalist militants carried out the attack. The **Oromo Liberation Army (OLA)** is the dominant anti-government militant force in Oromia and frequently carries out attacks in the region. However, Amhara nationalist 'fano' militia groups are known to carry out attacks across the regional border in Oromia. The Wollega Zone is well within the operating area of these militia groups.

The **Ethiopian National Defence Force (ENDF)** has not fully recovered from the Tigray war and is struggling to contain the various ethno-nationalist movements in the country. The state's failure to ensure the safety of residents outside of major urban areas is a serious concern. Underpinning, the federal government's and the ENDF's struggle is the fact that authorities were unable to immediately identify who was behind this attack that killed over a dozen people.

### IMF approves bailout

In a more promising development, the **International Monetary Fund (IMF)** executive board approved a four-year \$3.4 billion **Extended Credit Facility (ECF)** arrangement with Ethiopia on 29 July.<sup>6</sup> This is a much-needed bailout for the government which has struggled to capitalise its budget and meet its debt repayment obligations. Under this agreement, the IMF board has approved the immediate disbursement of \$1 billion from the ECF which is intended to help Ethiopia meet its balance of payments needs and finance the country's budget.

<sup>4</sup> Addis Standard, 10 Aug 2024

<sup>5</sup> Addis Standard, 15 Aug 2024

<sup>6</sup> IMF, 29 Jul 2024

The IMF approved the ECF arrangement following protracted negotiations with the government. Key to the IMF's decision was Ethiopia agreeing to implement important reforms and securing debt restructuring agreements. Notably, the IMF board approved the funding shortly after Ethiopia's **Official Creditor Committee (OCC)** granted financing assurances to the country on 18 July, which were granted with the express intention of fast-tracking the ECF negotiations (*See ARC Briefing Ethiopia Jul 2024*).

The approval of the ECF arrangement is expected to help catalyse additional external financing from Ethiopia's other development partners and advance the country's external debt restructuring negotiations. Indicative of this, the **World Bank** on 30 July approved a \$1.5 billion budget support package for Ethiopia.<sup>7</sup> This was expected as the World Bank was clear that it was waiting for Ethiopia's negotiations with the IMF to conclude before it authorised this funding.

Prime minister Abiy Ahmed (2018-present) has previously claimed that his government is hoping to unlock as much as \$10.5 billion in funding from partners such as the IMF and World Bank as well as from debt restructuring agreements.<sup>8</sup> The \$4.9 billion secured thus far marks significant progress towards this goal.

However, the government had to make substantial concessions to the IMF to secure this assistance. According to the IMF, Ethiopia has agreed to implement an economic reform programme that will "*stimulate private sector activity and increase economic openness to promote higher and more inclusive growth*".<sup>9</sup> Key policies included in this programme are:

- Moving to a market-determined exchange rate to help address external imbalances and relieve foreign exchange shortages;
- Combating inflation through modernising the monetary policy framework, eliminating monetary financing of the budget, and reducing financial repression;
- Creating space for priority public spending through mobilising domestic revenues;
- Restoring debt sustainability, including through securing timely debt restructuring agreements with external creditors; and
- Strengthening the financial position of state-owned enterprises to tackle critical macro-financial vulnerabilities.<sup>10</sup>

Ethiopia has typically had a highly concentrated economy dominated by industries and firms controlled by the state. The country's economic challenges appear to have finally forced the government to implement liberal economic policies at the behest of the IMF. The most notable of which was the government being forced to float Ethiopia's currency (see below).

### Central bank floats the birr

The **National Bank of Ethiopia (NBE)** (central bank) officially floated the birr (ETB) on 29 July – the same day the IMF approved the ECF arrangement.<sup>11</sup> As expected, the ETB rapidly depreciated losing 30% of its value against the **United States (US)** dollar (\$), falling to ETB74.73/\$1 by the end of 29 July. This depreciation has continued and as of 22 August, the ETB was trading at ETB108.80/\$1.<sup>12</sup>

Such a rapid depreciation was expected as the ETB was widely considered to be overvalued. This was evidenced by the fact that the currency was trading at around a 50% discount to the US dollar on Ethiopia's currency black market before being floated.

In the short term, this rapid depreciation will weaken Ethiopia's purchasing power and increase the cost of imported goods and services. This has also caused a loss of face for Abiy's administration which has sought to portray Ethiopia as a strong rising economic power. However, in the long term,

<sup>7</sup> Reuters, 31 Jul

<sup>8</sup> Bloomberg, 4 Jul 2024

<sup>9</sup> IMF, 29 Jul 2024

<sup>10</sup> IMF, 29 Jul 2024

<sup>11</sup> Reuters, 29 Jul 2024

<sup>12</sup> XE, 22 Aug 2024

the floating of the ETB will be to Ethiopia's economic benefit. International operators are more likely to invest in and trade with Ethiopia as these transactions will be conducted at a fair market exchange rate. Previously, these actors had to accept a real terms loss whenever they conducted transactions in ETB.

The floating of the ETB was clearly a core demand of the IMF and the NBE following through has confirmed Ethiopia's willingness to pursue the IMF-approved economic reform agenda. However, the clear reluctance within the Ethiopian state to this programme does have the potential to undermine its successful implementation.

### Planner

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

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

### Chronology

20 Aug 2024 **Addis Ababa (Ethiopia) News24**. Foreign affairs ministry says foreign diplomatic missions are included in a ban on the importation of petrol and diesel vehicles;

19 Aug 2024 **Addis Ababa (Ethiopia) Addis Standard**. The **Secretariat of the Transitional Justice Institutional Coordination Mechanism** announces that it has completed Ethiopia's **Transitional Justice Implementation Roadmap**;

19 Aug 2024 **Addis Ababa (Ethiopia) Global Construction Review**. Finance minister **Ahmed Shide** signs an agreement with the **Dubai**-based renewables developer **AMEA** to develop a \$620m 300-megawatt (MW) wind power project in the town of **Aysha (Somali Region)**;

17 Aug 2024 **Addis Ababa (Ethiopia) Borkena**. The ruling **Prosperity Party's** headquarters is targeted in a grenade attack;

16 Aug 2024 **Nizhny Novgorod (Russia) Borkena**. **Ethiopia** participates in the **8th BRICS Industry Ministers Meeting**;

16 Aug 2024 **Bahir Dar (Ethiopia) Addis Standard**. A three-day strike commences in **Bahir Dar**, the capital of the **Amhara** region, following a call by an Amhara nationalist group calling itself **Gojjam Fano**;

15 Aug 2024 **Addis Ababa (Ethiopia) Addis Standard**. Ethiopia calls on the **African Union (AU)** and the **United Nations (UN)** to ensure that all stakeholders are consulted in the winding down of the **AU Transition Mission in Somalia (ATMIS)** to which Ethiopia is a contributing country;

14 Aug 2024 **Amhara (Ethiopia) VOA**. **United Nations Office for the Coordination of Humanitarian Affairs** confirms an unidentified criminal group operating in **Dawunt Woreda** (Amhara Region) kidnapped for ransom and later killed a humanitarian worker;

13 Aug 2024 **Addis Ababa (Ethiopia) Reuters**. **Turkey's** foreign minister, **Hakan Fidan**, says the second round of mediated talks between Ethiopia and **Somalia** in Turkey ended without a deal but that progress was made;

13 Aug 2024 **Addis Ababa (Ethiopia) Addis Standard**. A suspected **Oromo Liberation Army (OLA)** militant attack kills at least six people in the **Aseko** district of **Oromia's Arsi** zone;

13 Aug 2024 **Ankara (Turkey) Reuters**. The second round of Turkish-mediated talks between **Somalia** and **Ethiopia** over their ongoing diplomatic fallout concludes without achieving any measurable progress;

12 Aug 2024 **Addis Ababa (Ethiopia) Andalou Agency**. State-controlled media reveals that flooding displaced approximately 16,000 people in **Gambella** region;

9 Aug 2024 **Addis Ababa (Ethiopia)** *Reuters*. State-owned **Ethiopia Airlines** announces plans to develop a new \$6 billion four-runway airport in the town of **Bishoftu**, located 45 kilometres (km) outside of Addis Ababa;

8 Aug 2024 **Addis Ababa (Ethiopia)** *Business Insider Africa*. **Ethiopian Securities Exchange (ESX)** CEO **Tilahun Esmael Kassahun** confirms that the ESX is expected to begin trading before the end of October;

5 Aug 2024 **Addis Ababa (Ethiopia)** *Borkena*. A landslide kills at least 11 people in the **Kawo Koisha** district of **South Ethiopia Regional State's Wolaita** zone;

5 Aug 2024 **Addis Ababa (Ethiopia)** *Bloomberg*. State minister in the finance ministry **Eyob Tekalign Tolina** says government is planning to spend an additional 550 billion birr (\$6.84 billion) to cushion citizens against the impact of economic reforms;

3 Aug 2024 **Addis Ababa (Ethiopia)** *The Reporter*. The **African Development Bank (AfDB)** estimates that Ethiopia needs at least \$397 billion to finance its development projects through 2030;

1 Aug 2024 **Addis Ababa (Ethiopia)** *Reuters*. **Oromia** region local government and **Addis Ababa City Trade Bureau** shut down several businesses found hiking prices of basic commodities following the **National Bank of Ethiopia's** (central bank) decision to float the birr;

28 Jul 2024 **Addis Ababa (Ethiopia)** *Andalou Agency*. At least 19 people are killed when their boat capsized while en route between the **Sahala** and **Zquala** districts in the Amhara region;

24 Jul 2024 **Addis Ababa (Ethiopia)** *Andalou Agency*. **Fano** militants kill at least four people in **Amhara** region;

24 Jul 2024 **Addis Ababa (Ethiopia)** *Addis Standard*. At least three people are killed in a Fano militant attack in the **Darra** district of the **North Shoa** zone in the **Oromia** region.

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