

## AFRICA RISK CONSULTING

### Ethiopia Monthly Briefing January 2025

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#### Ethiopia Summary 24 January 2025

*The International Monetary Fund (IMF) executive board approves the immediate disbursement of SDR 191.7m (\$248m) to Ethiopia under the Extended Credit Facility (ECF) arrangement, expressing general satisfaction with Ethiopia's progress in implementing its governance and economic reforms. In a sign of Ethiopia's efforts to modernise its economy, the Ethiopian Securities Exchange (ESX) officially begins trading but shares in the major state-owned firms which are planning to list on the bourse are not yet available. A powerful faction within the Tigray People's Liberation Front (TPLF), led by party chairperson Debretsion Gebremichael, calls for the Tigray Interim Administration to be disbanded accusing it of being influenced by 'external forces'. Nearly 100,000 people across the Afar, Amhara, and Oromia regions are evacuated due to seismic activity*

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#### IMF approves tranche payment

The **International Monetary Fund (IMF)** executive board on 17 January approved a tranche payment of SDR 191.7m (\$248m) to **Ethiopia** under its **Extended Credit Facility (ECF)** arrangement.<sup>1</sup> This brings the total amount disbursed to Ethiopia under the three-year \$3.4 billion ECF agreement to approximately \$1.61 billion.

In its review, the board expressed satisfaction with Ethiopia's progress under the ECF reform programme, noting that Ethiopia successfully met all quantitative criteria for the review period. In particular, the board praised Ethiopia for its continued efforts to restore debt sustainability, especially its progress in the ongoing debt restructuring negotiations with the **Official Creditor Committee** under the **G20 Common Framework**. The IMF board added that it was happy with the financing assurances received by the Ethiopian government.

The IMF also commended the **National Bank of Ethiopia (NBE)** (central bank) for maintaining tight monetary and financial conditions during the review period in addition to advancing the modernisation of its monetary policy framework. Notably, the NBE has adhered to its commitment to restrict its foreign exchange interventions. This follows the NBE's important step of floating the national currency, the birr, in late July.<sup>2</sup> Although this resulted in a steep devaluation, it narrowed the gap between the currency's official and black-market rate and made it more practical for foreign operators to do business in Ethiopia and use the birr when trading.

Among the most important reforms the IMF wants the government to focus on going forward is working towards reaching a positive real monetary policy rate which is considered a key step to building the credibility of the new monetary policy framework and changing market expectations for inflation and the exchange rate. The state further needs to improve its revenue mobilisation and continue to pursue the implementation of value-added tax (VAT) and excise tax reforms.

The IMF board's generally positive assessment of Ethiopia's progress is promising and will increase expectations that the country will continue to meet its reform benchmarks. Initially, the government was opposed to the reforms the IMF demanded in return for the ECF bailout funding. However, prime minister **Abiy Ahmed** (2018-present) appears to have successfully convinced his cabinet and the ruling **Prosperity Party** of the necessity and benefits of these reforms. If Ethiopia continues to

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<sup>1</sup> IMF, 17 Jan 2025

<sup>2</sup> Reuters, 29 Jul 2024

implement these reforms successfully it will help modernise the country's governance and economic structures. This, in turn, could drive improved economic growth over the medium term.

In the short term, the immediate disbursement of the \$248m will help Ethiopia fund its operations as well as finance further reforms. This funding will help ensure that the state remains fiscally stable as it continues to navigate its numerous challenges such as the debt restructuring negotiations and the ongoing reconstruction efforts following the **Tigray War**.

### **Ethiopian Securities Exchange begins operating.**

Among the most significant steps that Ethiopia has taken to modernise its financial sector and economy was the creation of the **Ethiopian Securities Exchange (ESX)**, which officially began trading on 10 January.<sup>3</sup> This is the country's first stock exchange in over fifty years - after Ethiopia's former emperor **Haile Selassie** (1930-1974) was ousted in 1974, share trading was banned.

Although the **Addis Ababa**-based **Wegagen Bank** was the only company listed on the exchange when it launched on 10 January, officials expect at least 90 companies to be listed within the next decade.<sup>4</sup> In fact, state-owned telecommunications firm, **Ethio Telecom**, is currently preparing to launch an initial public offering (IPO) on the ESX.<sup>5</sup> Ethio Telecom is one of the largest telecommunications firms in Africa with approximately 78.3 million customers and its eventual presence on the ESX should drive significant interest in the bourse. This is despite the fact that the state-owned sovereign wealth fund, **Ethiopian Investment Holdings (EIH)**, which officially owns EthioTelecom, will only sell a 10% stake on the exchange from which it is hoping to secure \$255m.<sup>6</sup>

However, if this is successful, EIH has indicated that it will list minority stakes in at least ten more of the companies it controls including major firms such as the **Ethiopian Insurance Corporation**, and the **Ethiopian Shipping and Logistics Services Enterprise (ESLSE)**.<sup>7</sup>

The listing of these major state-owned enterprises could potentially raise substantial capital for the government. This both bolsters the EIH's own coffers with which it can expand its portfolio as well as providing the government with much-needed capital with which to pay down some of its debt and fund the country's ongoing reconstruction efforts.

Ethiopia's large monopolistic state-owned firms have long held an attraction for external investors. Although it remains to be seen to what extent the state will allow foreign participation in these companies, their potential listing on the ESX will definitely drive increased investor interest in Ethiopia, especially in the country's financial sector.

### **Tensions within the TPLF threaten the stability of the Tigray Region**

Although Ethiopia's economic recovery appears to be underway, the country's political environment remains deeply complicated. Indicative of this, a powerful faction within the **Tigray People's Liberation Front (TPLF)** issued a statement on 23 January calling for the **Tigray Interim Administration** to be disbanded.<sup>8</sup> This faction, led by TPLF chairperson **Debretsion Gebremichael**, accused the interim administration and interim **Tigray Region** president **Getachew Reda** of being influenced by external powers. Importantly, Debretsion's faction is backed by most of the TPLF's senior leaders and former military commanders.

This is the latest development in the factional battle within the TPLF itself, which was highlighted during the party's contentious conference in **Mekelle** on 13 August, 2023<sup>9</sup> The Mekelle conference was boycotted by several members of the TPLF's **Central Committee**, including Getachew who had

<sup>3</sup> VOA, 10 Jan 2025

<sup>4</sup> Reuters, 10 Jan 2025

<sup>5</sup> Financial Times, 2 Jan 2025

<sup>6</sup> Daily Maverick, 16 Oct 2024

<sup>7</sup> African Business, 5 Sep 2024

<sup>8</sup> BBC, 23 Jan 2025

<sup>9</sup> Addis Standard, 13 Aug 2024

alleged that the conference was being held to drive a factional agenda. These concerns were justified, as Getachew was voted out as party vice chairperson and replaced by **Amanuel Assefa**, the former head of Tigray's justice bureau and chief of the interim administration's president's office.<sup>10</sup> Furthermore, the congress elected to suspend Getachew as a member of the Central Committee effectively sidelining him within the party. Congress delegates re-elected Debretsion as party chairperson re-affirming his control over the party. Getachew subsequently refused to step down as Tigray's interim leader which has led to Debretsion's faction to become more vocal in its efforts to oust him. Getachew's term only ends in 2026 when Ethiopia will hold its general election.

Although the incumbent interim leader has refused to resign, his power within Tigray has been substantively reduced. Debretsion retains the loyalty of the majority of TPLF members and has begun portraying Getachew as a pawn of the federal government. This will deepen antipathy towards the interim government.

This internal battle within the TPLF could lead to clashes between the various factions or other acts of political violence. The TPLF has not fully disarmed following the 2020-2022 Tigray War and there is still division within the party over its decision to participate in the **2022 Pretoria Peace Agreement**.

However, the internal fighting is also undermining the regional government's ability to respond to the numerous practical governance and security challenges that it faces. Over 1 million Tigrayans remain displaced by the war and need state assistance to be returned and supported. Tigray was decimated during the war and the rebuilding efforts require the undivided attention of the interim government and regional ruling party.

The growing tensions within the TPLF also reveal a growing antagonism within the party and a disillusionment with the post-war settlement. This sentiment was further illustrated on 18 January when Debretsion rejected the **National Election Board of Ethiopia's (NEBE)** order that the TPLF must organise a general assembly before 10 February.<sup>11</sup> The NEBE required such an assembly after it reinstated the TPLF as a recognised political party – the TPLF had been banned following the onset of the Tigray War. Failure to hold such an assembly could endanger the TPLF's presence on the 2026 general election ballot. If that were to occur it would lead to a further breakdown in relations between the TPLF and the federal government.

### Thousands evacuated from three regions due to seismic activity

Nearly 100,000 people across the **Afar**, **Amhara**, and **Oromia** regions have been displaced due to seismic activity.<sup>12</sup> The worst of this activity was centred in the **Awash Fantale** area which borders Afar and Oromia. This area was impacted by a series of at least ten earthquakes and aftershocks between 29 December and 4 January, some of which measured as high as 5.8 on the **Richter Scale**.<sup>13</sup> In addition to these earthquakes, authorities measured increasing volcanic activity at the Dofen volcano, also located on the border of Oromia and Afar. In response to concerns about this seismic activity, on 4 January, officials ordered the evacuation of 80,000 people from the area surrounding Awash Fantale, which includes areas in the Afar, Amhara, and Oromia.<sup>14</sup>

Further seismic activity in the following days led to additional evacuations including ordering 10,000 residents to vacate Amhara's **North Shewa** zone. As of 23 January, around 100,000 people have been evacuated in response to these concerns.

Ethiopia is located in a seismically active geological zone primarily due to the fact that the **East African Rift** runs through the country. Accordingly, the country frequently experiences earthquakes and is home to several active volcanoes, meaning such seismic events are part of the operating risk in Ethiopia.

<sup>10</sup> Addis Standard, 19 Aug 2024

<sup>11</sup> The Reporter, 18 Jan 2025

<sup>12</sup> Addis Standard, 23 Jan 2025

<sup>13</sup> VOA, 4 Jan 2025

<sup>14</sup> Borkena, 5 Jan 2025

## Planner

TBC 2025 **Tigray (Ethiopia) Tigray People's Liberation Front (TPLF)** general assembly  
2026 **(Ethiopia)** general election;

## Chronology

24 Jan 2025 **Addis Ababa (Ethiopia)** *BBC*. Reports claim that government forces killed at least 20 people in the **Central Gondar** and **West Gojjam** zones of the **Amhara Region**;

23 Jan 2025 **Addis Ababa (Ethiopia)** *Borkena*. Three **Fano** militia groups based in the **Wollo** area of the **Amhara Region** announce that have merged to form a single entity called the **Fano Amhara Unity** in **Gondar**;

23 Jan 2025 **Assis Ababa (Ethiopia)** *ENA*. Ethiopia and **Pakistan** sign a memorandum of understanding (MoU) to enhance bilateral relations between the two countries;

23 Jan 2025 **Addis Ababa (Ethiopia)** *FANABC*. Finance minister **Ahmed Shide** meets with **China's** deputy foreign affairs minister **Chen Xiaodong** and discusses the implementation of bilateral agreements between the two countries;

21 Jan 2025 **Mekelle (Ethiopia)** *Addis Standard*. Thousands of demonstrators protest in Mekelle against hijab bans at schools in **Tigray Region**;

18 Jan 2025 **Addis Ababa (Ethiopia)** *The Reporter*. The **National Election Board of Ethiopia (NEBE)** confirms it is working on proposed reforms to Ethiopia's electoral laws ahead of the upcoming 2026 general election;

18 Jan 2025 **Addis Ababa (Ethiopia)** *Borkena*. The **Oromo Liberation Army (OLA)** militant group launches a new offensive in **Oromia Region**;

18 Jan 2025 **Addis Ababa (Ethiopia)** *The Reporter*. The **World Food Programme (WFP)** announces that it will retrench over one-third of its staff at its Ethiopian operations due to funding shortfalls;

17 Jan 2025 **Addis Ababa (Ethiopia)** *VOA*. Local officials in the **North Wollo (Ahmara Region)** warn of worsening food security in the area;

14 Jan 2025 **Brussels (Belgium)** The **European Union (EU)** announces a EUR 40m (\$41m) aid package to support humanitarian efforts in Ethiopia;

11 Jan 2025 **Addis Ababa (Ethiopia)** *Hiiraan*. Prime minister **Abiy Ahmed** and **Somalia's** President **Hassan Sheikh Mohamud** agree to restore full diplomatic relations between their two countries;

9 Jan 2025 **Addis Ababa (Ethiopia)** *ENA*. The **House of People's Representatives** approves a new asset recovery bill that aims to bolster efforts to combat economic crime in Ethiopia;

3 Jan 2025 **Addis Ababa (Ethiopia)** *ENA*. Foreign affairs spokesperson **Nebiat Getachew** claims that Ethiopia and **Somalia** have reached a consensus to allow Ethiopia forces to participate in the **African Union (AU) Support and Stabilisation Mission in Somalia (AUSSOM)**;

1 Jan 2025 **Addis Ababa (Ethiopia)** *ENA*. Finance ministry signs a \$700m loan agreement with the **World Bank** to support the implementation of Ethiopia's **Financial Sector Strengthening Project**;

1 Jan 2025 **Addis Ababa (Ethiopia)** *Addis Standard*. The **Ethiopian Red Cross Society (ERCS)** condemns an armed attack on two of its ambulances in the **Sibu Sire** district in **East Wollega** zone (**Oromia Region**);

31 Dec 2024 **Addis Ababa (Ethiopia)** *Addis Standard*. The **National Bank of Ethiopia (NBE)** (central bank) announces that it has increased the annual credit growth ceiling from 14% to 18%, enabling the country's banks to increase lending;

29 Dec 2024 **Addis Ababa (Ethiopia)** *Business Day*. A traffic accident kills at least 71 people in the **Bona** district of the **Sidama Region**;

28 Dec 2024 **Addis Ababa (Ethiopia)** *The Reporter*. Officials report that militants originating from **Somaliland** killed as many as 83 people in the **Harshin Woreda** area of the **Somali Region** between 21 and 28 December;

27 Dec 2024 **London (United Kingdom)** *FCDO*. The **United Kingdom** government releases a report raising concerns about the continued presence of **Eritrean** forces in the **Tigray Region**;

23 Dec 2024 **Addis Ababa (Ethiopia)** *Al24News*. The **World Health Organisation (WHO)** reveals that over 8.4 million malaria cases were recorded in Ethiopia in 2024 and warns that the country is at risk of a malaria epidemic;

21 Dec 2024 **Addis Ababa (Ethiopia)** *Reuters*. **France's** President **Emmanuel Macron** arrives in Ethiopia during which he meets with prime minister **Abiy Ahmed** and expresses France's support for Ethiopia's debt restructuring efforts;

17 Dec 2024 **Addis Ababa (Ethiopia)** *ENA*. The **Ethio-Tanzania Joint Ministerial Commission** meets to sign a bilateral cooperation agreement on trade, industry, aviation, migration, and tourism;

16 Dec 2024 **Kigali (Rwanda)** *Taarifa*. b and Rwanda sign a police cooperation agreement.

### About Africa Risk Consulting:

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