

## **A Week in the Horn of Africa**

### **14<sup>th</sup> June 2013**

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#### **Prime Minister Hailemariam on an official visit to China**

Ethiopian Prime Minister Hailemariam Desalegn arrived in Beijing on Wednesday afternoon [June 12], starting a five-day official visit to China during which he has been holding discussions with President Xi Jinping, with the Chairman of the Standing Committee of the National People's Congress of China and with Prime Minister, Li Keqiang, and other officials. Talks have covered issues of mutual, regional and global significance, and the Prime Minister as Chairman of the African Union has also briefed the Chinese government on the recent AU Summit in Addis Ababa and other African issues.

Prime Minister Hailemariam who is meeting Chinese President Xi Jinping today, (June 14<sup>th</sup>) met Premier Li Keqiang on Thursday. Premier Keqiang reviewed the smooth growth of China-Ethiopia relations since the two countries forged diplomatic relations in 1970. Both countries, he said, were committed to developing their economies and improving people's livelihoods. This year marks the 10<sup>th</sup> anniversary of the China-Ethiopia all-round cooperative partnership and China would like to take its bilateral cooperation to a new high. He urged Ethiopia to formulate preferential policies and improve the environment for investment, and called for stronger bilateral cooperation in culture, education, tourism and more communication on international and regional issues of importance, including reform of the United Nations Security Council, Somali and the Sudan-South Sudan issue. He also called on African countries to protect the legitimate interests of Chinese firms and citizens. Prime Minister Hailemariam underscored Ethiopia's commitment to deepening cooperation with China in all fields,

welcoming the investment of Chinese firms and pledging to protect Chinese interests. He also hailed China's important role in boosting African peace, stability and development. He said Ethiopia was a long-term and reliable partner for China, and it much appreciated the efforts that China had made in various issues including assistance in training quantitative talents.

On Friday, Prime Minister Hailemariam also spoke at the Beijing Foreign Studies University on the theme of China-Africa: New Strategic Partnership and Friendship for Development and Transformation. Noting that he was speaking both as the Chair of the African Union and as the leader of a country that attached great significance to its strategic partnership with China, he underlined the remarkable economic growth achieved by Africa amidst the global economic crisis, with six of the ten fastest growing economies in the world from Africa, pointing out that current economic projections indicate this trend will continue. It was this growth that had helped lift millions out of poverty. He emphasized the potential: Africa now had nearly one billion people with a growing middle class. It was a huge market in its own right. Over 60 per cent of the world's **uncultivated arable land** was to be found in Africa. It had an abundant wealth of natural resources. With its abundant, young and easily trainable labor force it represented a wide array of opportunities for international investors. Overall, as the youngest continent, Prime Minister Hailemariam said, Africa has a great deal to offer and the prospects for success were substantial.

Africa's traditional growth was mainly characterized by rising prices for primary commodities. This was neither sustainable nor inclusive and effectively turned the African state into a virtual predatory institution. What is different today is that there is more and more economic diversification, with many small- and micro-enterprises engaged in productive sectors, contributing to equitable growth. There is every reason to believe that Africa is indeed the next "growth pole".

Today, the Prime Minister said, Africa and China have a new type of strategic partnership, based on mutual respect and benefit; focused primarily on the structural transformation of African economies, from agrarian to industrial, and from fragmented to integrated markets. He said that Chinese support to Africa had brought about significant changes in the economies of individual African countries. Many had undertaken major infrastructural projects thanks to China's strategic partnership. He also noted that China's own economic growth had fuelled commodity price rises for Africa.

The Prime Minister pointed out that there was more to Africa-China's strategic partnership than the traditional relations of many other countries with Africa. It was rather about China's place in Africa's new found growth narrative and the contribution China has made and continues to make in ensuring it was a mutually beneficial partnership. It was also justified by the traditional friendship between China and Africa. China had always been on the side of Africa during the anti-colonial struggle. It was a source of satisfaction to see China working so closely with Africa in its struggle against poverty and underdevelopment. FOCAC is, he said, an exemplary and unique framework of partnership.

Prime Minister Hailemariam said that over the last few decades, Africa had had relations with other countries largely based on exploitation of natural resources and provision of hand-outs of humanitarian aid and development support attached to political strings and conditionalities based on double standards. Africa's relations with western financial institutions were largely characterized by overtly politicized dictation of terms in the name of policies meant to promote orthodoxies of market fundamentalism. This, if anything, had contributed to the de-industrialization of African economies. Relations were based on inequality.

In this context, the Africa-China strategic partnership takes on exceptional significance, he said, changing the nature of the relationship from one of dictation of terms to one that is based on mutual respect and the promotion of common interest. It was in fact producing a change in the mind-set that had for a long time treated Africa as a terminal aid recipient and beneficiary of external charity.

The Prime Minister said Africa-China's strategic partnership had also gone a long way in stimulating a continent-wide expansion of infrastructure that had begun to narrow the competitiveness gap. He noted could only compete globally only if it managed to carry out massive infrastructural expansion in sectors such as telecommunication, energy generation and in transport. China's commitments in the provision of development finance in these areas was commendable, especially since they were areas which created a multiplier effect for African economies boost their competitiveness even further.

He stressed it was no coincidence that most of the huge infrastructural projects in Africa were being undertaken by Chinese companies. This was not because most of the finance came from China, but because no other nation had ever undertaken such massive infrastructural projects in such short periods of time as China had. Africa, he said, cannot afford to grow piecemeal. It must not become a net exporter of primary commodities and net importer of capital goods whether from China or elsewhere. Our engagement with all our partners should lead to more, not less, industrialization.

He also underlined Africa's need for capacity building, and said Chinese higher learning institutions and technical support were of great significance in addressing this shortfall in a manner that ensured Africa's ownership of its growth.

He welcomed Chinese foreign direct investment which could and should, he said, play a vital role in the development of the manufacturing sector in Africa. It was his hope and expectation that there would soon be a significant expansion of value-adding sectors which create more jobs and provide for the transfer of skills and technology. The Government of China, he said, could play a significant role in encouraging Chinese companies to pay more attention to value-adding, job-creating and technology transfer. He noted that Chinese investors had yet to set sights on investing in Africa's agricultural sector. With the increasing food prices throughout the world, he thought this was an area to which Chinese investors should pay attention.

Prime Minister Hailemariam said the China-Africa strategic partnership was not however merely about mutually beneficial relationship geared towards economic development. This indeed could not be fully achieved in a world where injustice is still

rampant not only within nations but also within the international order itself. Many countries continued to find themselves at the receiving end of an unjust economic and political global order. The governance of international financial institutions and supra-national institutions such as the UN should also be a factor in our relations with China. Africa and China should harmonize their efforts in areas of UN reform, climate change and peace and security issues throughout Africa and beyond. As a global power of increasing influence, the Prime Minister said, China must not shy away from playing a more pro-active role in issues that affect humanity. It was in Africa's interest that China should use its influence in a responsible way to tip the balance of global power in favor of justice, whether economic or political. This would go a long way in ensuring the rule of law and democratization in international relations.

In conclusion, Prime Minister Hailemariam noted that as the current chair of the AU Assembly, he had concentrated on the development of Africa and the distinguishing characteristics of the strategic partnership between China and Africa. He noted that Ethiopia in this context was part of Africa, "Africa is on the move, so is Ethiopia", adding that Ethiopia had enjoyed double digit growth for about a decade. China, he said, had been with us every inch of the way in this success story and Ethiopia greatly treasured this partnership.

### **The International Panel of Experts' report on the Grand Ethiopian Renaissance Dam..**

The International Panel of Experts commissioned to report on the impact of the Grand Ethiopian Renaissance Dam (GERD) has handed its findings to the governments of Ethiopia, Sudan and Egypt. It has produced a lengthy, detailed and technical report after seeing all the documentation for the design, construction and related studies, holding six meetings and making four visits to the Dam site. It submitted one single final report with full consensus, signed by all ten members of the Panel.

It was at the initiative of the Government of Ethiopia that the two downstream countries, Egypt and Sudan, were invited to form the Tripartite International Panel of Experts, to investigate in good faith and in a transparent manner, and share all available information and documentation on the construction of the on-going GERD project. The initiative also was intended to address some of the concerns of the two downstream countries. It was an unprecedented step by Ethiopia aimed at fostering cooperation and at building confidence among the three Eastern Nile Basin Countries. It was also intended to ensure that Sudan and Egypt could understand the potential **shared benefits and impact of the GERD**. The final report of the Panel indeed put on record the Panel's appreciation of the initiative taken by the Government of Ethiopia.

The tripartite committee was composed of 10 experts; two each from Ethiopia, Sudan and Egypt. The addition of a further four international experts was also suggested by Ethiopia and accepted by Egypt and Sudan.

The mandate of the International Panel of Experts set the objectives of reviewing the design documents of the Grand Ethiopian Renaissance Dam Project; providing transparent information sharing; soliciting understanding of the benefits and costs

accruing to each of the three countries; scrutinizing the impacts, if any, of the GERD on the two downstream countries; and building confidence between Ethiopia as an upstream country and the two downstream neighbors. The Panel was also tasked with proposing recommendations to the Governments of the three countries on issues of concern that might be considered in the future.

The final report of the Panel in general made it clear that the on-going GERD project was being undertaken in line with international design criteria and standards. It also specified that the Dam would have significant benefits which would accrue to all the three basin countries as the project would not result in any significant adverse impact on the two downstream countries. Indeed, the report makes no mention of any adverse effects on any of the three countries. It noted that **the construction of the GERD not only benefitted Ethiopia in terms of access to energy and jobs, but would also solve the shortage of power in the region and make it available at significantly less cost. It would solve the problem of siltation in the dams in Sudan and Egypt, a problem that costs millions of dollars in rectification annually, and produce a more constant water flow. The experts were also unanimous in saying that the GERD would solve the problem of the frequent flooding to which the Sudan has been prone. It would reduce evaporation loss, improve water management and enhance rural development in Sudan; and for Egypt it would improve flood control and the flow to the Aswan Dam, reduce evaporation losses by as much as 12%, and by sharply cutting sediment reaching the Aswan Dam, increase its life by up to a hundred years. In general, GERD was identified as producing major benefits overall to the three countries, not least the provision of clean energy for the Nile Basin and the region as a whole. The storage of the GERD will actually bring a new source of water into the system with the effect of its regulation saving significant quantities of water from overbank flow and floodplain loss. All these benefits are detailed in the Panel's final report.**

The Panel also made a number of recommendations. It is now up to the three governments to decide how to carry out these recommendations which are divided into two parts. One set of recommendations are directed to the Government of Ethiopia; the other to the three governments of Egypt, Ethiopia and Sudan jointly.

Ethiopia has accepted all the recommendations and suggestions directed to it, and indeed it has already begun to update some of the project documents, and the environmental and social assessment studies. It will continue to update other studies to increase the efficiency and cost effectiveness of the project as suggested. It has already begun to respond to the recommendations of the Panel and deal with the engineering aspects of the Dam, concerned with construction detail. Construction will, of course, continue as it is independent of the activities of the Panel.

As regards the recommendations to the three governments, these include the suggestion of **further detailed studies of the water resources and hydrology modeling of the whole Eastern Nile system**, taking into account that it is proposed to take 5 to 7 years to fill the Dam in order to ensure minimum effects on the flow of the river. Other recommendations are for the three governments to carry out joint further studies on the environment and social impact and a full trans-boundary environmental

impact assessments. Ethiopia has made it quite clear that it is prepared to consider these recommendations but they do need Sudanese and Egyptian co-operation.

Ethiopia has consistently assured the Sudan and Egypt that they have everything to gain and nothing to lose from the construction of the Grand Ethiopian Renaissance Dam. The position of the Ethiopian government has been clearly confirmed by the final report of the International Panel of Experts. It underlined that the construction of the Dam as well as Ethiopia's initiative to invite the two downstream countries to jointly consult and deliberate on the GERD project deserved to be welcomed. The final report of the Panel clearly shows the GERD project is being undertaken with professional competence and with due regard to internationally recognized standards and criteria as well as the concerns of the downstream countries. The necessary studies and designs of the project are being conducted as required at different stages. They are going to be updated to address some of the concerns raised in the Panel's report as necessary.

Ethiopia's position is very clear. It has the report and it accepts all the recommendations made by the Panel in good faith. It hopes Egypt will now come and discuss the next stage with Ethiopia and Sudan, to implement the recommendations made by the Panel for the three governments. In the meantime, the construction of the project within the required international standards as the Panel has confirmed, will continue.

#### **.....Egypt's scare tactics: futile and unhelpful**

In the past few days, Egyptian media has been flooded with fiery rhetoric some of which gives the impression that war between Egypt and Ethiopia is inevitable because of the recent news about the Grand Ethiopian Renaissance Dam (GERD) and the release of the final report of the International Panel of Experts, set up to study the impact of the Dam and its benefits as well as the harm, if any, on the two downstream countries, Sudan and Egypt.

In fact, the frenzy over the GERD appeared to start when news of the "diversion" of the river was publicized. "Diversion" in this context, of course, is a normal and natural element in the construction of dams. However, to the surprise of viewers, in a live televised national security talk, allegedly televised inadvertently, heavy-weight Egyptian opposition politicians urged the Government of President Morsi, to opt for some violent responses, calling for intelligence and military action, making suggestions of air strikes, of organizing and assisting Ethiopian rebels and even of starting an all-out war. In the long history of the relations between Egypt and Ethiopia, there have been other occasions when Egyptian governments have wilfully engaged in war-mongering rhetoric, support for Ethiopia's enemies and attempts to destabilize Ethiopia. President Morsi did not endorse these comments at the time, but at the beginning of this week in a televised speech he said he would keep "all options" open to defend Egypt's water supplies from being affected by the GERD, adding "we are not advocates of war, but we will never permit our water security to be threatened." Prime Minister Qandil told the Shura Council that the issue of access to the Nile water was one of "national security" and "a matter of life and death".

The outburst of old fashioned war rhetoric and the reaction of the Egyptian government came as a shock to Ethiopia which has been calling for years for cooperation and joint

development of the Nile Basin, based on the strong belief, expressed by the late Prime Minister Meles Zenawi, that the Nile is the umbilical cord connecting two great nations. The statements of Egyptian officials and politicians are hardly an acceptable response from any self-respecting government and leadership of a great nation. The attempt to use scare-mongering tactics and intimidation are also misplaced.

What makes the apparently provocative statements from Egypt even more irrelevant was the fact that they were in fact entirely unjustified. Indeed, the absence of a real cause for protest is very apparent to anyone who looks at the situation with any care.

To begin with, as already mentioned, the news of the “diversion” of the Nile was given an entirely false ‘spin’ by the media, civic society leaders and politicians. The panic over the news of the “diversion” was however no more than a hoax. The truth is that on May 28<sup>th</sup>, some days before it was publicized, the flow of the river was diverted by some 500 meters aside from its original bed in order to allow construction of the Dam across the original bed. There was no interruption of any kind to the flow of the river at any point. In other words, what took place on was no more than a mere re-routing of the water, a normal procedure in building a dam and no different from the established norms of the science of dam engineering.

It might be added that this was not a surprise. The three countries which had set up the International Panel of Experts had agreed that the conduct of the Panel’s study would be carried out while the construction of the dam continued. Nor was there any binding obligation on Ethiopia to notify Egypt or any other country of the slight detour in the flow of water which would never have any effect of the amount of water flowing downstream. This sort of brief shifting to allow for construction is something that can occur at any appropriate time during the construction of any dam. The panic that followed the publicity was quite irrational and the outcry that this would mean a reduction in the volume of water reaching Egypt was no more than a complete fiction. The flow of water returns to the old water course after its short detour with the flow unchanged.

Nor did Egypt have any reason to beat war drums over the report of the International Panel of Experts which came out two days after the news of the “diversion”. As any glance at the Panel’s final report makes clear, Egypt should have warmly welcomed the report **which finally dispels all concern over potential harm to the downstream countries**. As Ethiopia has repeatedly underlined, the establishment of the International Panel of Experts was set up at the initiative of Ethiopia in order to build trust and further consolidate a sense of solidarity among the three countries. As an initiative of the late Prime Minister Meles, the idea behind establishing the Panel was to demonstrate to Egypt and the Sudan the reality of Ethiopia’s **commitment to transparency over the GERD**. In that sense, the fact that the Panel’s assessment that the Dam will not cause any appreciable harm for downstream countries is a testimony to this commitment. It is also verification of Ethiopia’s repeated assessments showing the GERD’s benefit to all three countries.

The Panel’s final report, as expected, affirmed that the project design met all international standards and offered significant benefits in terms of clean energy, an increase in volume of water from a fall in evaporation, reduced sedimentation reaching

the dams of the lower riparian countries and less flooding. More importantly, the report makes it clear that there will be no appreciable harm on the two downstream countries. In these circumstances, it might be expected that the report would have been warmly embraced rather than met with constant attack from Egyptian officials. While Sudan, it might be noted, has fully accepted the report, Egypt has neither made its position clear nor shown any interest in sitting down with the governments of Ethiopia and Sudan to discuss the report as the Panel suggests, in order to conduct further studies in a few areas related to water resources and hydrologic modeling, and otherwise implement its recommendations.

In the final analysis, the only reasonable assessment of the apparent panic in Cairo is that it must be linked to internal domestic political problems. The Egyptian Government has been under fire from a significant part of the population and is apparently trying to use scare tactics to encourage its supporters and keep the growing call for elections at bay. This, however, has the effect of critically undermining its Government's commitment to equitable utilization of the Nile waters.

Ethiopia has made it very clear that under no circumstances will construction of the GERD be delayed or suspended. If anything, continued efforts at intimidation will only fortify the commitment of the Ethiopian people to the flagship project that they have so warmly embraced.

Indeed, on Wednesday this week [June 12], the Ministry of Foreign Affairs issued a statement underlining the Government's continued commitment to the construction of the GERD. Referring to previous statements on the unhelpful and unnecessary propaganda campaign being carried out by some Egyptian politicians, civil society leaders and political parties about the Grand Ethiopian Renaissance Dam (GERD), the Ministry statement noted that "Ethiopia had twice called the Egyptian Ambassador in Addis Ababa to the Foreign Ministry in order to explain the position of his government over these comments, and had indeed requested formal clarification from the Government of Egypt itself. Ethiopia, in turn, made clear its own unshakable belief in friendship, cooperation and mutual benefit as the underlying principles of its relations with all friendly states, including Egypt.

The statement went on "That being said, Ethiopia was deeply frustrated to see further unconstructive propaganda aired about the GERD in the presence of the President, Mohamed Morsi, the Prime Minister, Hisham Qandil, and other high ranking Egyptian officials at the Popular Conference on Egypt's Rights to Nile Water. Among the baseless allegations aired at the Conference were comments that claimed the Dam posed a danger to the survival of the people of Egypt and malicious suggestions on ways to initiate activities aimed at putting pressure on Ethiopia to halt construction of the GERD. There were, in general, a series of provocative statements attacking both the national interest of Ethiopia and the will of its people to escape poverty. Indeed, a barrage of inaccurate and ill-advised comments, aimed at undermining the report of the International Panel of Experts, were also aired during the Forum. The proposed suggestions of any resort to war or other forms of sabotage are unacceptable and have no place in the 21<sup>st</sup> century. In this context, Ethiopia would like to make it clear that it expects the Government of Egypt to refrain from all such unacceptable forms of



behavior or engagement and work towards greater cooperation between the two countries.”

The statement continued: “Ethiopia affirms that it will not be discouraged by this violent rhetoric. It reiterates in the strongest possible terms that it will not accept any proposal, from Egypt, to halt or delay the construction of the GERD. This apparent attempt to use alleged protests against the GERD as an element of internal domestic politics is against the interests of the people of Egypt. Ethiopia would like to take this opportunity to extend its warmest appreciation to the Government of Sudan for the positive statements it has made about the benefits of the GERD as detailed in the report of the International Panel of Experts. It would hope that others could learn much from the strong stance taken by Sudan in this regard. Ethiopia would like to remind the Government of Egypt that as the report of the International Panel of Experts made very clear; the GERD offers major benefits to Egypt. Ethiopia remains firm in its genuine desire to cooperate with Egypt and foster greater friendship between the two countries.”

As Ethiopia has said again and again, scare tactics are futile. Ethiopia will not bow to such pressure and it will not halt or delay the construction of the GERD. **The only way to peace and development for the peoples of the Nile Basin is cooperation;** and Ethiopia has repeatedly affirmed its commitment to greater cooperation and dialogue in all matters connected with the Nile Basin, including the GERD.

It is worth noting that the three riparian nations of the Nile account for a gross domestic product (GDP) of 721.3 billion dollars. A large portion (537.8 billion dollars) is contributed by Egypt, while Sudan and Ethiopia run economies with 80.4 billion dollars and 103.1 billion dollars, respectively, but structurally, their economies are largely complementary. The Egyptian economy is driven by a service sector, with a share of GDP ratio of 47.9%, followed by industry (37.4%) and agriculture (14.7%). Ethiopia’s GDP is based on agriculture (46.6%), with services (38.8%) and industry (14.6%). Sudan services provide 43% of GDP, with agriculture (32%) and industry (25%). The Egyptian economy recorded only 2% growth 2011/12 and Sudan saw a fall, while the Ethiopian economy has been at an average of over 10% over the last nine years. There is enough in these economies to create a functional regional economic block and the Nile could serve as a natural link for economic cooperation, based on their respective comparative economic advantages.

### **New AUHIP’s proposals to get talks going again between Sudan and South Sudan**

In the past week, Sudan ordered South’s Sudan’s oil companies to stop sending oil through the Sudan on the ground that South Sudan has not respected the September 27, 2012 Addis Ababa Agreements or the Implementation Matrix signed in March. The decision was announced by President Al-Bashir at the weekend when he told a public rally in Khartoum that the move was in response to South Sudan’s support for Sudan Revolutionary Front rebels fighting Khartoum on multiple fronts, a claim that South Sudan consistently denies. Sudan’s Minister of Oil, Awad Ahmed Al-jaz, handed over official letters to the oil companies that move South Sudan’s oil through Sudan territory, ordering them to stop transfer and export operations of southern oil within 60 days, starting from June 9<sup>th</sup>. The letter said that: "Due to the breaches of the Republic of South Sudan to the Cooperation Agreements signed between the two countries, the

Government of Sudan has decided to suspend, effective 9<sup>th</sup> June, 2013, the said agreements and to shut down the processing and transportation operations for oil received from South Sudan." This should be carried out over the next sixty days. The oil companies were told to submit their shut down plans and schedules for Government approval within a week.

South Sudan responded that any attempt to block the flow of oil to international markets would undermine implementation of the cooperation agreement signed by both leaders in September 2012. President Kiir criticized the African Union for failing to insist that, as previously agreed, both countries should resolve their differences according a designated time frame. He urged both regional and international governments to engage diplomatically with Sudan and encourage Sudan to engage in peaceful dialogue with its internal rebels. South Sudan's Deputy Foreign Minister, Grace Datio, said plans to shut down the oil flow to the international markets would have dire consequence for both economies. It would also, she said, undermine the cooperation agreement and the implementation matrix. She told a press conference that it was "a serious violation of the African Union roadmap and the United Nations Security Council resolution 2046," and called for immediate international intervention. "We believe it is time for the international community to take appropriate decision and action to resolve this simmering dispute."

On Wednesday (June 11), AU Peace and Security Commissioner, Ramtane Lamamra held talks with Sudanese Foreign Minister, Ali Karti, and South Sudan's chief negotiator, Pagan Amum. Discussions covered "the urgent proposals that the Chairperson of the AU High-level Implementation Panel (AUHIP), former President Thabo Mbeki, formally conveyed to the Heads of State of the two countries on June 9<sup>th</sup> with a view to decisively resolving some crucial implementation issues."

The AUHIP's four proposals were actually handed over to the two heads of states on June 9<sup>th</sup> in response to the growing tension, but before President Al-Bashir's announcement over the oil. Urging the two countries come to the table to finalize negotiations on the remaining post-independence issues, AUHIP submitted suggestions in connection with four major areas.

The first is related to the border dispute between the two countries. AUHIP's latest proposal is for the establishment of AU border committee to deal with territorial claims of the two countries. The two sides are in dispute in a number of claimed areas, including Mile 14 and other areas, among them the status of Kaka. The two sides continue to argue whether the name Kaka actually denotes a town or an area. The AU border committee would be tasked with dealing with such matters.

The AUHIP has made a similar suggestion regarding the contention of both sides that each are harboring and supporting rebels of the other. AUHIP now suggests a committee should be set up, comprised of at least two heads of states, to investigate the matter and come up with a final and binding decision on the issue.

The third proposal is with regard to the final status of Abyei. This is nothing new in substance, but it urges the two governments to give time to the proposals previously submitted by the AUHIP. The issue of defining the criteria of permanent residence and

the question of who should chair the Referendum Commission remains a major bone of contention between the two countries.

The fourth proposal is related to the cessation of hostile propaganda by the two sides, and the AUHIP has called strongly for the two sides to continue with dialogue in all these pending matters. It also wants Sudan and South Sudan to make a decision on these proposals as soon as possible.

While Sudan now says it is considering the proposals made by AUHIP, regional and international bodies have urged the two sides to commit themselves to the Cooperation Agreements signed on 27 September 2012 and the Implementation Matrix of March, and fully implement these. They have also asked Khartoum to not stop the flow of South Sudanese oil and urged the two sides to stop their support to rebel groups. The U.S. State Department, the EU and the UN have all expressed their concern. On Monday (June 10th), the American Charge d'Affaires in Khartoum, met with Foreign Minister, Ali Karti, urging Sudan to reverse the decision; Ambassador Susan Page, US Ambassador to South Sudan, has also held talks with a number of officials. Catherine Ashton, the High Representative of the European Union for Foreign Affairs and Security Policy, called on both Sudan and South Sudan to take "immediate" action to prevent any support to armed rebel movements in the other country and to fully implement the Safe Demilitarized Border Zones in accordance with the commitments they have already given. She said both parties should cooperate with the AUHIP.

### **The new Diaspora Policy and engagement of Ethiopians in the Diaspora**

The Government has long been aware of the importance of the knowledge, experience, skills, and financial resources of Ethiopians in the Diaspora as a vital contribution to national growth. Indeed, the potential role of the Ethiopian Diaspora in development efforts has been given unprecedented recognition by the government in recent years. And to activate maximum use of Diaspora resources the Government has been aware that the relationship must be institutionalized. It has therefore established formal mechanisms to encourage and facilitate Diaspora engagement, setting up specific departments within Ministry of Foreign Affairs, mandated to assist and cooperate with the Diaspora.

In addition to this, in recognition of the need to involve the regional states fully in Diaspora activities, the Government has also encouraged the replication of the federal level initiatives and systems at regional level. Each region has created an office specifically to deal with Diaspora activities and encourage the Diaspora to engage at regional as well as national development level. These efforts, accompanied by a range of policy reforms and other measures to facilitate Diaspora participation, have been widely welcomed.

The effort to provide privileges to members of the Diaspora and enhance engagement might have included the granting of dual citizenship rights. However this was considered problematic because of concerns over border populations and the Government preferred to issue identity cards for Persons of Ethiopian Origin (PEOIC), also known as a "Yellow Card". This has proved a useful and convenient way of granting Ethiopians that hold foreign citizenship almost all the same rights and privileges as an

Ethiopian citizen. It has greatly facilitated the participation of foreign citizens of Ethiopian origin in local activities. In fact, returning migrants, Ethiopian by birth, although of changed nationality, are considered as domestic investors and have the privilege of being engaged in all areas reserved for domestic investors. This has opened up the opportunities for Diaspora returnees to be privileged in a number of other areas, including exemptions from custom duties, as well as regulations allowing investors to import duty free vehicles, capital goods and the construction materials necessary for the establishment of new enterprises or for the expansion or upgrading of existing ones.

Non-resident Ethiopians (whether Ethiopian or foreign citizens) have been allowed since May 2004 to open foreign currency accounts in Ethiopia. These include fixed accounts, with varying maturity terms, as well current accounts that allow for withdrawals to be made at any time. By allowing non-resident Ethiopians to open foreign currency accounts, Ethiopia has been able to inject much needed hard currency into the economy. It is also assumed with reason that savings deposited in Ethiopia will lead to future Diaspora investment in the country, be it purchasing a house or setting up a business.

The Government has also introduced an attractive investment regime which provides numerous incentives to investors from the Ethiopian Diaspora to invest in the country either through 100% equity ownership or in joint ventures. Many members of the Ethiopian Diaspora are actively engaged in various investment activities, including the agriculture, agro-processing, manufacturing and service sectors. During the last decade some 2,353 Diaspora projects and investments, worth about 20 billion Ethiopian birr have been registered. In the year 2011/12 alone, another 249 investment projects worth 2.06 billion Birr were registered, creating significant employment opportunities.

The Government has been working hard to facilitate the smooth transfer of remittances from the Diaspora. It is now possible to open a foreign currency account in the country in which they live which can be used as collateral to obtain credit in local currency from domestic banks. One result of this has been a marked increase in the remittances received from the Ethiopian Diaspora. In 2011/12 for example, a total of US \$1.8 billion was transferred to Ethiopia.

While, the Government has also undertaken several other initiatives to enlist the Diaspora in capacity development, including a range of directives benefiting Ethiopians abroad, it has not previously drawn up a comprehensive national Diaspora policy. Now, this has been produced and endorsed by the government, aiming to encourage Ethiopians and foreign nationals of Ethiopian origin living abroad to establish strong links with their motherland, and it is set to become part and parcel of Ethiopia's development endeavors. The policy specifically seeks to ensure the rights and privileges of the Ethiopian Diaspora as well as harness their knowledge, experience, skills and financial resources to spur economic growth in the country.

The Policy document has been carefully prepared with the aim of responding efficiently to the need to ensure active Diaspora participation in political, economic and social activities of the country, so the Diaspora benefits and it also contributes to the well-being of the country. The policy is based on detailed research of previous directives and on the implementation of activities, using the best experience of other countries, as well

as academic research, experience sharing forums, and suggestions by members of the Diaspora themselves.

The Policy document is divided into three parts. Part one focuses on the definition, vision, mission, objectives and relevance of the policy and a review of the global status of Diaspora engagement. Part two deals with the basic principles and major goals of the policy. Part three presents the strategies and implementing bodies of the policy.

The document estimates that the Ethiopian Diaspora numbers no less than 2 million around the world; and its starting point is the belief, noted in the Foreign Affairs and National Security Policy and Strategy Document, that Ethiopians in the Diaspora could play an important role in carrying out research, investing at home, finding friends for Ethiopia and influencing their country of residence to cooperate with Ethiopia. In addition, fully aware of the key roles played by Ethiopians residing abroad, it emphasizes that the government should take the initiative to create the most conducive environment possible for them to play a constructive role. This indeed is why it is considered essential to adopt a national Diaspora policy to protect their rights of the Diaspora abroad and to resolve their domestic problems.

The policy is based on the principles of collaboration, effectiveness, resource utilization, complementarity with national development policies, participation, transparency and partnership. The major goals are specified as preserving the rights and interests of the Diaspora; improving Diaspora engagement in investment, trade and tourism; enhancing knowledge and technology transfer; encouraging foreign currency inflows and strengthening Diaspora participation; promoting cultural values and image building ; advancing Diaspora participation in good governance and democracy; encouraging philanthropy and development associations; and broadening Diaspora participation in image building.

The main elements of the strategy are identified as establishing reliable information collection and delivery systems and a permanent information exchange forum; providing recognition of Diaspora participation; encouraging organized participation; and giving special attention to organized youth Diaspora participation and support to volunteer youth Diaspora. The government is also going to put in place various mechanisms at federal and at regional level to ensure implementation of all these policies, and to monitor and evaluate their success.

Overall, the Government is committed to mobilizing the Ethiopian Diaspora for the implementation of the Growth and Transformation Plan which aims, inter alia, to double Ethiopia's gross domestic product over a five year period. The Diaspora is a vital element in this, and indeed without its aid, it cannot be achieved. The new Diaspora policy underlines the Government's acknowledgment of the importance and necessity of the Diaspora and its recognition of the value of its contributions to development.

The general basis of the policy is to build up a strong relationship between the Diaspora with their country of origin – Ethiopia, by encouraging and facilitating conducive environment for participation of Diaspora on the on-going processes of peace and democratization-building to benefit both Ethiopia and their own involvement, and to preserve their rights and interests abroad.

## Record Budget ushers in continued economic growth for Ethiopia

The Council of Ministers this week approved a record annual budget amounting to 154.9 billion birr (US\$8.3 billion) for the 2013/14 fiscal year. The budget proposals have now been referred to the House of Peoples' Representatives for endorsement. They were presented to the House by the Minister of Finance and Economic Development, Sufian Ahmed, in accordance with Article 77(3) of the Federal Constitution.

In his presentation, the Minister noted that the Ethiopian economy had continued to grow rapidly during the 2012/13 fiscal year while registering commendable results in a variety of sectors. He expressed his belief that with two years left of the country's Growth and Transformation Plan (GTP), the economy was on track to meet its targets. He did, however, underline the need for further improvement in some sectors.

The Minister said that the annual progress report for the second year of the GTP had recently been published and submitted to Parliament. According to the report, the economy grew by 8.5% in 2012 with growth being registered in all sectors: namely 4.9% in agriculture, 13.6% in industry and 11.1% in the service sector. He noted that the 8.5% growth, although all-encompassing in nature, had failed to meet the GTP target of 11%. He attributed this to lower than expected growth in the agricultural and industrial sectors. Compared to the real average GDP growth of 5.3% in Sub-Saharan Africa, he stressed Ethiopia's economic growth was still above both these figures and the planned targets of 7% for the continent. However, the Minister emphasized that investments in the agricultural and industrial/manufacturing sectors had to increase if rapid economic development was to be realized.

Minister Sufian emphasized the government's position that the main focus of development was not purely to register economic growth, but also to achieve significant improvements in the livelihoods of the citizens that government is mandated to serve. He itemized some of the changes in this area as shown by family income and expenditure studies in 2005, 2011 and 2012. **In 2005, 38.7% of the population lived in extreme poverty. By 2011, this figure had fallen to 29.6% and in 2012 to 27.6%.** Taking into account the population growth registered in the country during the same period, these changes in livelihood were a direct result of improvements in the areas of education, health, access to potable water, transport and the development of infrastructure.

Another highlight of the Minister's presentation was the particular focus given to the modernization of the tax collection regime in an effort to build on the success registered in this area with the rise **from 59 billion birr, collected in 2011, by 45% to a record 86 billion birr in 2012.** He briefed Parliament on the steps taken by government to cultivate a savings culture in Ethiopian society, noting that this had proved successful due to education and awareness building campaigns, the growth of financial and insurance service providers, improved interest rates, private sector pension schemes, the strengthening of existing civil servant social welfare initiatives and the bonds and savings mechanisms associated with the construction of the Grand Ethiopian Renaissance Dam (GERD). He said that according to the Ministry's figures **savings grew**

**from 5.2% in 2010 to 12.8% in 2011 and to 16.5% in 2012.** He expressed his firm belief that the GTP target of 20% by 2015 could be achieved so long as improvements in this area were sustained over the remaining two years of the Plan.

Looking forward, Minister Sufian said that **by the end of the 2013/14 fiscal year overall economic growth was expected to rise to 11.3%; with 8.6% growth in agriculture, 21% in industry/manufacturing, and 10.5% in the service sectors.** He fully expected the economy to meet the targets in the remaining months in a majority of areas set for 2013.

Moving on to the proposed budget he told Parliament that “the 2013/14 budget was prepared on the basis of domestic income, with tax and non-tax sources as well as external loans and aid. Accordingly, 105.9 billion birr will be obtained from domestic sources while 22.8 billion will come from external sources including project loans and assistance. The budget has increased by 12.3% compared to that of the 2012/13 fiscal year.” He specified that in the proposed budget, the amount of estimated total income from domestic sources and external sources was only 138.3 billion birr, while the total budget is 154.9 billion birr. The 16 billion birr deficit would be covered through a domestic loan. He assured Parliament that this domestic loan would not lead to any economic instability as it would be in accordance with the National Bank’s monetary policy. The National bank has the mandate to regulate the macro-economy.

Mr. Sufian indicated that special attention would be given to sectors that supported continuing poverty alleviation which, he pointed out, played an important role in ensuring sustainable development, and thus the achievement of GTP goals. He explained that the thematic areas for the upcoming budget year would therefore include a focus on support for higher education, health, food security, potable water, road, irrigation, dam construction and rural electrification. The budget also showed that 15 billion birr would be earmarked to support activities and initiatives aimed at meeting the United Nations Millennium Development Goals (MDGs). In a recent report, Ethiopia was named as one of the top global performers in the achievement of the MDGs.

The proposed budget also has the government increasing its capital budget by nearly 10 billion birr over the previous year, raising this to 64.3 billion birr. Subsidies to regional states also rose by 7 billion birr and this will provide for states to receive just over 43 billion birr in subsidies in the coming budget year. The 32.5 billion birr set aside for recurrent government expenditure in the budget was also a 6 billion birr increase over the previous year. The proposed budget has now been referred to the Financial Affairs Standing Committee which will be expected to scrutinize and deliberate on its details before adoption in a month’s time.

## News in Brief: Ethiopia

Prime Minister Hailemariam is paying an official visit to the Peoples Republic of China this week (June 12<sup>th</sup> to June 15<sup>th</sup>) holding bilateral talks with President Xi Jinping, the Chairman of the Standing Committee of the National People's Congress, Prime Minister Li Keqiang and other officials on issues of mutual, regional and global significance. (See article)

Ethiopia together with the United States will host the 2013 U.S.-Sub-Saharan Africa Trade and Economic Cooperation Forum (the AGOA Forum); August 12<sup>th</sup>-13<sup>th</sup>, 2013 in Addis Ababa, with the theme of this year's ministerial level meeting as "Sustainable Transformation through Trade and Technology".

Dr Tedros held discussions with Thailand's Permanent Secretary, Mr. Sihasak Phuangketkeow on Wednesday (June 12<sup>th</sup>) on the Thai-Africa initiative and Thailand's plans to host the first ever Thai-Africa High-Level Forum in Bangkok as a platform for further global south-south cooperation, broader economic partnership and solidarity in the face of global challenges.

Prime Minister Hailemariam Desalegn, speaking at a public forum attended by over 4,000 people at the weekend, urged the National Movement against Human Trafficking to reinforce its efforts to end human trafficking.

Ethiopia and the United Nations Office to the African Union (UNOAU) signed a Host Country Agreement on Thursday, June 13<sup>th</sup>, providing for the legal framework within which the UNOAU is able to execute its mandate which covers, inter alia, support for peace and security.

Foreign Minister Dr. Tedros Adhanom met Mr. Olof Skoug, Permanent Chair of the EU Peace and Security Committee on Tuesday (June 11<sup>th</sup>). Dr. Tedros expressed his concern over Egyptian comments and stressed the GERD would cause no **appreciable harm** to Egypt as the final report of the International Panel of Experts has made quite clear.

Foreign Minister Dr. Tedros Adhanom told Mr. Jean Asselborn, Deputy Prime Minister and Foreign Minister of Luxembourg on Monday (June 10<sup>th</sup>) that Ethiopia would continue to use the Nile waters as long as this posed no significant harm to any other riparian states and was in line with "the principles of equitable and reasonable utilization."

Ethiopia's House of People's Representative unanimously ratified the Cooperative Framework Agreement of the Nile basin Initiative on Thursday (June 13<sup>th</sup>). Ethiopia is the first country to ratify the agreement to which Uganda, Kenya, Burundi, Tanzania and Rwanda are also signatories. The Nile Commission will be established once at least six riparian countries have ratified the CFA. (See article)

The Export-Import Bank of India has provided a \$300-million line of credit to the Ethiopian Government for a railway link to improve regional connectivity and boost economic growth in the East African nation.



## **Eritrea**

The UNHCR has opened a new refugee camp in northern Ethiopia to house the increasing numbers of Eritrean refugees flooding into Ethiopia. More than 4,000 more refugees have been registered this year; and Ethiopia is currently hosting a total of 71,833 registered refugees.

Sudanese President Omer Al-Bashir began a three-day visit to Eritrea on Thursday (June 13<sup>th</sup>). The Sudanese news agency said President Al-Bashir and President Isaias would be holding discussions on bilateral relations and ways to enhance joint cooperation.

## **Sudan**

Sudan's Foreign Minister this week asked Prime Minister Hailemariam and the Ethiopian government to play a leading role in settling the challenges facing the implementation of previous agreements covering outstanding security, oil and border issues between Sudan and South Sudan. Prime Minister Hailemariam underlined Ethiopia's continued support for a peaceful resolution to the continuing differences and misunderstandings between Sudan and South Sudan. (See article)

Sudanese Foreign Minister, Ali Ahmed Karti, told Prime Minister Hailemariam on Tuesday (June 11<sup>th</sup>) that his government fully accepted the final report of the International Panel of Experts and it agreed the Grand Ethiopian Renaissance Dam would be beneficial for the downstream countries.

Following the production of the final report of the ten-member International Panel of Experts on Grand Ethiopia Renaissance Dam, Sudan's Information Minister and government spokesperson, Ahmed Bilal Osman, told a press conference in Khartoum at the weekend that Sudan would benefit from the Dam.

Foreign Minister, Dr. Tedros, has affirmed Ethiopia's readiness to support the peace efforts launched by AUHIP to bring both sides together before the end of the sixty day ultimatum given by Sudan.

On Wednesday (June 11<sup>th</sup>), AU Peace and Security Commissioner, Ramtane Lamamra held talks with Sudanese Foreign Minister, Ali Karti, and South Sudan's chief negotiator, Pagan Amum and urged both sides to give "an urgent positive response", on the proposals that the AU High-level Implementation Panel (AUHIP), had given to the two Heads of State on June 9<sup>th</sup>. (See article)

## **South Sudan**

The construction of Ethiopia's dam on the Blue Nile River will benefit current and future generations of Egypt, Sudan, and Ethiopia, said Pagan Amum, Chief Negotiator of South Sudan on Thursday. He said the construction of the dam in Ethiopia would not affect adversely the interest of the other countries like Egypt or Sudan.

## Djibouti

Djibouti has launched a crackdown on the illegal employment of foreigners in private companies in the Red Sea country. The head of the country's labor inspectorate, Koina Omar Dahelo, on Thursday [13<sup>th</sup> June] said they will be searching for the number of employees in private firms, their salary scales, their work contracts or positions.

A Pakistani warship, carrying on board a crew of 300 sailors and 40 marines, has docked at the Djibouti Port for a three-day stop-over to boost the fight against maritime piracy.

A joint delegation from China and Djibouti arrived in Mogadishu Tuesday (June 11<sup>th</sup>) to help re-build Mogadishu's port, Kenya's Africa Review reported. The director of Djibouti's port and several Chinese officials with expertise in infrastructure re-building were part of the delegation.

## Somalia

Ambassador Mahiga, former Special Representative of the Secretary General and Head of UNPOS, on June 10<sup>th</sup> took formal farewell of President Hassan Sheikh Mohamud of Somalia, who he said "has set Somalia on a true course to recovery and we promise that we will continue the work that he has begun with the same belief and determination."

Somalia's Prime Minister Abdi Farah Shirdon welcomed the launch over the weekend of a Saudi-funded relief program worth \$72 million covering health, education and welfare in Somalia. Phase one will involve \$24 million health, education, water projects, social welfare and emergency relief.

Somali President Hassan Sheikh Mohamud called last weekend for an immediate end to the fighting in Kismayo. He said the time for fighting was over, that all Somalis should unite and seek to resolve their differences peacefully; the enemy was Al-Shabaab.

The European Union's Political and Security Committee made its first visit to Somalia on Wednesday (June 12<sup>th</sup>), holding meetings with President Mohamud and members of the Federal Government, and visiting the EU Training Mission which has recently moved some activity from Uganda to Somalia.

The new Special Representative of the United Nations Secretary-General, Nicholas Kay visited Hargeisa, the capital of Somaliland on Thursday this week [June 13] where he had meetings with President Ahmed Silanyo, Foreign Minister, Dr. Mohamed Omar, and other officials.

## Kenya

The government of Kenya is investing in several regional generation and transmission projects to tap power from Ethiopia and the Democratic Republic of Congo in order to reduce the country's energy costs.

Kenya plans to sell its first Eurobond by the end of September to help finance the budget deficit and invest in transport and energy infrastructure, Treasury Secretary Henry Rotich said.