

A Week in the Horn

28th June 2013

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The Foreign Minister and a business delegation in South Korea

The nearly 200-strong Ethiopian business delegation led by Foreign Minister, Dr Tedros Adhanom, concluded its official visit to the Republic of Korea this week. Dr Tedros and the delegation held a series of meetings and discussions and signed a number of agreements with their Korean counterparts. Memoranda of Understanding for cooperation were signed between the Ethiopian Ministry of Technology and Samsung; between the Ethiopian and Korean Ministries of Education; and between the Ethiopian Chamber of Commerce and Sectoral Associations and the Federation of Korean Industries. Other agreements and MoUs were signed between private companies of both countries for business partnerships including one for expanding Ethiopian coffee trade to Korea.

These were some of the results of the visit and the discussions Dr Tedros and other senior officials of the Ethiopian Government and private sector institutions held with senior officials of the Korean government and business leaders. Dr Tedros' meetings included discussions with Mr JK Shin, the President and CEO of Samsung IT and Mobile Communications at which Dr Tedros noted Ethiopia's impressive double digit growth over the last decade and Africa's development into a strong growth pole. Both were suitable, he suggested, for Samsung investment. He pointed out the improvement in Ethiopia's current mobile phone penetration, now 20% and said the Government's planned to double this figure over the next three years. Underlining the potential of the market in Ethiopia and in neighboring countries, Dr Tedros suggested Samsung should consider installing a mobile assembly plant in Ethiopia and a subsequent move to build a local manufacturing plant for mobile and IT solutions. President Shin assured Dr Tedros that he and his

company would consider the proposal very seriously. Appreciating Ethiopia's efforts at social, human and infrastructural development, Mr Shin announced Samsung's plans to introduce 4G smart phone technologies that could be adapted to African markets, expressing a desire to reach Ethiopian markets.

Dr Tedros also met with the President of the Korean International Cooperation Agency (KOICA), Mr Young-Mok Kim, for discussions on ways of strengthening cooperation on economic, technical and technology issues as well as human resource development. The KOICA President welcomed the resumption of direct flights by Ethiopian Airlines to Seoul, the first African country to do so, and remembered that Ethiopia was also the first country to send troops to help the Korean cause at a difficult time. Dr Tedros, pointing out that Ethiopia had a lot of profitable investment opportunities to offer Korean businesses, said he hoped KOICA would encourage Koreans to invest more in Ethiopia. The size of the delegation underlined the Ethiopian Government's desire to strengthen economic relations. He said Ethiopia was trying to benchmark Korea's best practices, based on the management concepts that had achieved a growth of 740-fold in less than five decades through broad public involvement. Ethiopia, he said, had started to mobilize its public and to build a strong development army in all segments of society. Dr Tedros also noted Ethiopia's focus on education and its introduction of a new approach which will lead to 70% of university students graduating in Science and Technology. He said Ethiopia would like broader cooperation in the supply of trained University teachers and for training in science and technology. He also requested KOICA to encourage private companies and individual Korean investors to do business in Ethiopia, mentioning the proposal for Samsung to open an assembly plant in Ethiopia and the possibility of KOICA's support. Mr Kim assured Dr Tedros of the Korean government's readiness to speed up and support projects, and indicated KOICA's readiness to encourage more Korean investors to do business in Ethiopia through facilitation and loan support packages. He also expressed readiness to work with Ethiopia in searching for financial sources for clean energy and infrastructure projects. He said KOICA would broaden its existing development projects in Ethiopia and plans for new ones and emphasized its determination to be involved in expanded cooperation in the education sector as suggested by the Foreign Minister.

On Sunday (June 23rd) Dr Tedros had a working lunch with officials of the LG Group to discuss ways of broadening cooperation on technology and technical knowledge transfer as well as solutions for rural and urban community development including the use of solar technology. The LG Group already has considerable market penetration in Ethiopia especially in Tele equipment, TV sets and other home appliances. It also runs a US\$5million community support program called "Hope Village Ethiopia", focusing on sustainable agricultural village development with a self-sustaining model farm with communal wells and roads, as well as fostering engineering training, capacity building for the descendants of the Korean war veterans, and community health, education, development, technical and vocational training. Dr Tedros welcomed the fact that the LG Group had already started to build an engineering and vocational training college in Addis Ababa. LG officials on their part expressed LG's readiness to expand overall cooperation in the future.

The same day, the Minister met with Ethiopia's Honorary Consul in Seoul, Mr Sung Woan-Jong, a member of the Korean National Assembly, who pointed out the importance of Ethiopia continuing its engagement with international financiers for developing geo-thermal power and other clean energy generation and expansion projects. This, he said, would help to attract Korean

manufacturers. He pointed out a number of funding sources for geo-thermal power projects were available in Korea and said he could work closely with Korea's Ministry of Finance and Planning and other relevant stakeholders to raise funds. He also said he would work for the efforts for timely disbursement of funds from the Korean EXIM Bank for the Mojo-Hawassa express way. Dr Tedros said the areas of focus the Honorary Consul identified were an important part of the Ethiopian Growth and Transformation Plan and would reinforce continued and effective implementation of the plan and achievement of the targets. He assured the Honorary Consul of support from the Embassy in Seoul and the Ministry in Addis Ababa.

During his visit, Dr Tedros Adhanom and his delegation attended a memorial celebration for Ethiopian war veterans and for the 50th anniversary of establishment of Ethiopia-Korea diplomatic relations in Chuncheon city on Saturday (June 22nd), and a similar celebration the previous day in Seoul. During the celebration, Dr Tedros visited the Ethiopian Historical Centre/Museum, the Ethiopian Veterans Monument and the Ethiopian Bet [church] in Chuncheon. The Ethiopian Cultural Centre and the Memorial Monument in Chuncheon were established in 1968, and the road around the memorial is named after Ethiopia. Chuncheon city is also twinned with Addis Ababa. Dr Tedros saluted the Ethiopian veterans' memorial statue and placed a wreath in honor of the dead, planting a tree in the compound in tribute to their sacrifice. Accompanying Dr Tedros were the President of the Korean Freedom Federation, Gangwon-do Chapter, Park Hyun-Kyu, the Mayor of the City of Chuncheon, Kwang-Jun, the Gangwon Provincial Governor, Choi Moon-Soon and other senior government officials. The colorful ceremony which was televised live was attended by about a thousand guests.

Speaking at the ceremony, Dr Tedros said he was greatly moved by the way Ethiopia's solidarity with Korea lived inside the heart of Koreans. He thanked the Korean people and their government for dedicating the living monument and museum, decorated with Ethiopian cultural materials in natural settings. He underlined how proud the memorial area made him of the bravery of the Ethiopian veterans and of the dedication of the Korean people and the Government. He said the place Koreans had in their heart for Ethiopia and the historic ties of blood were a strong basis for the renewal and revitalization of the relationship between the two countries. Dr Tedros said he was greatly encouraged by the results of the discussions he had with high level officials. He expressed Ethiopia's determination to redouble its efforts and do everything possible for more cooperation in all areas. He said Ethiopia was adopting a similar approach for public campaigns towards development as former Korean leaders had done with their motto of "creativity, cooperation and prosperity". These were already yielding successful results as seen from the fact that Ethiopia's growth had been over 10% for the last 10 years. Continuation of such efforts, he said, reinforced by establishment of stronger diplomatic relation, could deliver miracles in the next 10 years. The Mayor and other invited guests also delivered speeches paying tribute to the Ethiopian veterans who fought during the Korean War at Hwacheon, Yanggu and Cheolwon near Chuncheon. Later in the day, the Foreign Minister of the Republic of Korea, Yun Byung-se, participated in a memorial dinner and at the 50th anniversary ceremony, delivering a speech in which he applauded Ethiopia's solidarity with Korea, quoting Emperor Haile Selassie's speeches in support of Korea during the difficult time of the war. Mr Byung-se said the Korean people and government would never forget the sacrifices of Ethiopians for the cause of Korea, now or in generations to come; and this, he added, would be manifested in a continued and broader economic partnership.

Dr Tedros also met Ethiopians residing in Seoul and its surroundings. He briefed them on the economic, political and social situation in Ethiopia and on the status of major development projects, including the Grand Ethiopian Renaissance Dam. Answering questions, Dr Tedros said the Government had renewed its determination to fight corruption and ensure growth would not be deterred by rent-seeking practices. He detailed the current situation between Ethiopia and Egypt, noting that the International Panel of Experts' report concluded that the Renaissance Dam would not significantly affect downstream countries. The Minister said there had been no land grabbing, pointing out that Government's priority was to help small-holder farmers improve their productivity to bring about significant improvement in the country's total production and food security. Medium- and large-scale agriculture was supplementing efforts towards food self-sufficiency. He also noted the Government's determination to encourage small and micro-scale enterprises as the basis for Ethiopia's renaissance and for broad public and Diaspora participation. He called on participants at the meeting to support development efforts through active involvement in technology, knowledge and technical transfer and in investment. There were, he said, highly profitable opportunities for investment for the Diaspora.

The Nile Council of Ministers (Nile-COM)'s 21st ordinary meeting in Juba

The 21st session of Nile-COM took place on Friday (June 21st) with South Sudan taking the chair for the first time. The meeting, which congratulated the Republic of Sudan for its resumption of payment of contributions and full participation in Nile Basin Initiative activities, appealed to the Arab Republic of Egypt to follow this example and return to cooperation on Nile issues. Stressing the need for cooperation, the Nile COM chairman, South Sudan's Minister for Water Resources, Paul Mayom Akec, noted that the only way to achieve the shared vision of the NBI was by sustainable socio-economic development through the equitable utilization of, and benefit from, the common Nile Basin water resources. The meeting urged the member countries of the Nile Basin to continue to work together to enhance cooperation in line with the legal and institutional framework created by the Cooperative Framework Agreement (CFA). This would enable the Nile Basin states to reduce poverty and to gain economic prosperity using their common assets in a sustainable way, moving forward to accelerate and ensure the equitable utilization of the Nile waters for the mutual benefit of all riparian countries through applying the principles of integrated water resources management.

Ethiopia's Minister for Water and Energy, Alemayehu Tegen, told the meeting that Ethiopia's House of People's Representatives had recently taken the historic step and unanimously ratified the Cooperative Framework Agreement. He called on the other Nile Basin countries to ratify the agreement which was signed by six upstream countries two years ago. The other signatories to the Agreement, Burundi, Kenya, Rwanda, Tanzania and Uganda, indicated that they have already embarked on the process of ratification. The Democratic Republic of Congo and South Sudan have also indicated they will sign the Agreement in due course. The Nile-COM session, of course, followed a recent meeting between Dr Tedros Adhanom, Ethiopia's Minister of Foreign Affairs and Mohamed Kamel Amr, Egypt's Foreign Minister, at which they agreed to immediately initiate political and technical consultations between Egypt, Ethiopia and Sudan and on how to move forward with the implementation of the International Panel of Experts report and its recommendations.

Nile-COM expressed its appreciation to the Nile Basin Initiative for providing members with a platform for dialogue. The Ministers noted that the Shared Vision Program and the Subsidiary Action Programs of the NBI, in the three sub-regional Centers, were now functioning well. It requested development partners to maintain their support to Nile cooperation, and to assist in the implementation of programs for the benefit of over 200 million people living in the Nile Basin. The Nile-COM noted that the Nile Basin Initiative intended to maintain the Strategic Dialogue as the primary annual forum for engagement and discussion of strategic issues and program priorities with Development Partners.

Member States' made clear their commitment of continued support to the Nile Basin Initiative as the only practical machinery for effective collaboration to ensure equitable utilization and benefit from the common Nile Basin water resources. The accumulated achievements and experience of the NBI enables Member States to build on new institutional arrangements for addressing both current and future water resources issues in the basin. The COM chair, urged the NBI Member States "to deepen the cooperation on the Nile to enable more tangible benefits for the inhabitants of the Nile Basin." He said the conference had underlined the importance of cooperation of "equal member states" with equal right to the use of Nile's water resources for sustainable socioeconomic development. At a subsequent press conference he said there had been six resolutions at the conference. One was the need for cooperation between member states to achieve the shared vision of sustainable socioeconomic development through the equitable utilization of, and benefit from, the common Nile Basin water resources, the minister said. Other issues deliberated upon included the institutional strength of the Nile Basin Initiative as a strong regional institution offering its member states a platform for dialogue, leadership and technical capacity for basin knowledge and planning, and the leadership and technical capacity for the identification and preparation for cooperative water resources management and development.

In its session, Nile-COM addressed strategic issues to advance Nile cooperation as well as operational business issues. In particular, the meeting reviewed progress made by Nile Basin Initiatives in the previous fiscal year and provide strategic guidance for improving its efficiency and effectiveness. The meeting revealed that the riparian countries were in agreement to seek the win-win solutions needed by all the Nile Basin peoples, and on the need to support their rapidly growing and youthful populations by focusing on urbanization, industrialization and job creation. The ministers agreed this would require rapid development of sustainable energy resources and acceptance of the reality that water is an economic resource that they cannot afford to waste. Nile-COM agreed to stand together to integrate and strengthen economic cooperation among its members and accepted that the Grand Renaissance of Ethiopian Dam (GERD) will make an important contribution to all the Nile basin states, and ultimately, to regional economic cooperation and integration, peace, security and sustainable development. They concluded that the idea of cooperation and the equitable utilization of Nile water and collaboration on fighting poverty and backwardness was the only way forward. Construction of dams for hydropower generation/electrification has significant positive impacts.

During the conference, South Sudan announced that it has chosen more than a dozen potential sites along the White Nile for hydro-electric power dams, and a few days later it said it was planning to build a dam in the Fulla-Nimule area of Eastern Equatoria state. Minister Paul Mayom Akec said it was important to produce green hydroelectricity to reduce reliance on generators. He

described the country's generators as environmental hazards, adding that "hydro power is the most advanced and economically viable resource of renewable energy for South Sudan". The Minister said the government hoped to finance the dam project through foreign investment. He noted that it was the right of any country which depended on the Nile's Water to use it for development projects provided that it did not affect the rights of other users. The Egyptian government meanwhile said it had no objection to proposed hydroelectric dams in South Sudan; and Egyptian Ambassador to Juba, Ambassador Ayman Elgammal, on Tuesday (June 25th) categorically denied media reports that Egypt objected to the Fulla-Nimule dam. Uganda has also announced that it has signed a contract with China's Sinohydro Group Ltd to build the Karuma hydropower dam on the White Nile. Construction is expected to start soon.

Nile-COM rotates the position of chairperson among Member States on an annual basis and in alphabetical order, Burundi, DR Congo, Egypt, Ethiopia, Kenya, Rwanda, South Sudan, Sudan, Tanzania, and Uganda. South Sudan took over the chairmanship of the Nile-COM from Rwanda and will pass on the chair to the Republic of Sudan which has agreed to host the next Nile-COM meeting in Khartoum in mid-2014.

Nile-COM and the Nile Basin Initiative are guided by a shared vision: "To achieve sustainable socio-economic development through equitable utilization of and benefit from, the common Nile Basin Water resources". It is a belief that the countries of the Basin can achieve a better outcome for all their peoples through cooperation rather than competition. At the heart of this challenge is the imperative to eradicate poverty and provide rapid promotion of regional economic cooperation and integration. The council is the highest decision making body of the NBI and provides policy guidance. With the coming to an end of the projects of the Shared Vision Program in December 2008 and the subsequent four year (2008-2012) Institutional Strengthening Project, the NBI and its elements have been working for the transition to the intended Nile River Basin Commission under the Comprehensive Framework Agreement.

Sheikh Aweys captured as he takes flight from Al-Shabaab

The Himan and Heeb administration in central Somalia has been holding discussions this week with Somali Federal Government and other stakeholders on the future of Sheikh Hassan Dahir Aweys, a senior Al-Shabaab leader who apparently fell into their hands this week. Sheikh Aweys fled from the port of Barawe a few days earlier after violent fighting broke out in the town last week between Al-Shabaab factions; he was reportedly accompanied by a number of other senior Al-Shabaab leaders who were being targeted by supporters of Al-Shabaab leader, Ahmed Abdi Godane.

President Hassan Sheikh Mohamud has now said he thinks Sheikh Aweys should be transferred to Mogadishu where he should stand trial. Others however have an interest in Sheikh Aweys, and there have been reports that the United States has requested he should be handed over to the US for trial as he has been on the US most wanted terrorist list since November 2001. Detailed negotiations will now take place over Sheikh Aweys' future. He comes from an important Hawiye sub-clan with considerable economic and political interests in Mogadishu and these will need to be considered. There is also the possibility that he might assist in encouraging others in Al-Shabaab to surrender to the government.

There have been a number of reports of internal disputes within Al-Shabaab in recent months, and recent claims that a number of senior figures, led by Sheikh Aweys, were planning to set up a breakaway faction. Last week the disputes turned violent with an outbreak of fighting in Barawe. One faction, in which Sheikh Aweys, former leader of the Islamic Courts Union, had a prominent role, has put out a number of press releases and comments in recent months criticizing Al-Shabaab's leader, Ahmed Abdi Godane and accusing him of "dictatorial behavior" and of ordering the killing of Muslims and of the Mujahedeen. Others associated with Sheikh Aweys include a number of other top Al-Shabaab leaders who have been at odds with Godane for some time. Reports on Somali websites suggest that among those associated with the group are Ibrahim Afghani, Sheikh Mukhtar Robow Abu Mansur, Zubery Al-Muhajiri and Abu Mansur Al-Amriki. Reports from Barawe have now claimed that several senior Al-Shabaab commanders were captured and executed there by Godane's forces last week.

In an interview on Somali Channel TV, Sheikh Aweys said that the Al Shabaab Shura Council had been disbanded, making Godane a dictator of the organization. Sheikh Aweys and his supporters accused Godane of exercising direct control over Al Shabaab's Court and of consistently threatening or ordering the killings of anyone with a different viewpoint. Sheikh Aweys publicly blamed Godane for "hunting down Mujahedeen fighters in Bay and Bakool regions" using his Amniyaat assassination squads and for "putting foreign fighters and other Mujahedeen in secret jails" operated by fighters loyal to Godane. At the same time Sheikh Aweys also called on the Somali people to continue to "fight the foreign invaders and the infidel so-called Somali Federal Government".

At the beginning of last week, a public statement, attributed to Al Shabaab senior leadership and Ahmed Abdi Godane, appeared on Al Qaeda websites. It accused the "new faction" of Al Shabaab of a series of crimes, including "dividing the Muslims", "spreading false information that damages the unity of Al Shabaab", "sharing Al Shabaab secrets with the enemies of Islam", "shedding the blood of Mujaahideen fighters", and "refusing to appear in front of the Al Shabaab Court".

It was after this that fighting broke out in Barawe apparently after Sheikh Aweys and his allies began discussions on forming a breakaway faction, reportedly planning to set up a new leadership and a new organization which would include a significant number of the Qiyadah, the body of Al-Shabaab's top commanders. This numbered up to about a hundred members at Al-Shabaab's greatest extent though it is somewhat smaller today after the many defeats Al-Shabaab has suffered. Al-Shabaab's decision making body is its much smaller Shura Council of up to ten members headed by Ahmed Abdi Godane, though if Sheikh Aweys is to be believed this has been dissolved.

Sheikh Aweys's relationship with Al-Shabaab has, of course, fluctuated significantly. He was a former commander of Al Itihaad Al Islamiya, of which Al-Shabaab was essentially a breakaway. After Al Itihaad's military strength had been largely destroyed by Ethiopian attacks on its bases in Gedo region in 1996/97, Sheikh Aweys went along, unwillingly, with his brother-in-law, Sheikh Ali Warsame, in his efforts to set up a political but non-armed Salafi organization for Somalia. A meeting was held at Las Anood in 2003 and it was there that Aden Hashi Ayro, Ahmed Abdi Godane and a number of other younger ex-Afghan fighters walked out to set up Harakat al-

Shabaab al-Mujaahideen. Sheikh Aweys sympathized with them and gave significant support to Ayro, the organization's first Emir, while he was leader of the Islamic Courts Union in 2006.

After the ICU was defeated and collapsed in December 2006, Sheikh Aweys fled to Eritrea, only returning some months later with planeloads of arms to set up Hizbul Islam as a coalition of Salafi organizations. He then moved into an alliance with Al-Shabaab, in opposition to the Transitional Federal Government headed by his former ally in the ICU, President Sheikh Sharif, ignoring efforts by Sudan to reconcile him with the President. In late 2009, however, Hizbul Islam and Al-Shabaab fought over control of Kismayo and Hizbul collapsed with Sheikh Aweys leading one faction into Al-Shabaab. Few of his supporters followed him. Sheikh Aweys subsequently seems to have found membership of Al-Shabaab difficult. He considers himself as the most experienced and leading figure of Somali Islamic activity, and has always found it difficult to accept the authority of others. Indeed, as a military officer under President Siad Barre prior to 1991 he found himself in difficulties on more than one occasion.

PM Hailemariam holds discussions with the business community

Prime Minister Hailemariam Desalegn held discussions with members of the business community in a forum jointly organized by the Ministries of Trade and Foreign Affairs and the Ethiopian Chamber of Commerce and Sectoral Association at the UNECA Conference Hall on Thursday (June 27th). He responded to questions, largely focusing on the major bottlenecks and challenges faced by businesses operating in various sectors of the economy. Some of the questions raised related to the limited supply of credit facilities for the private sector, the way government businesses were favored for public service provision, the increased role of the public sector crowding out the private sector in the economy and over the reasons for leaving private banks out of the government housing schemes. Other questions were raised over problems of tax, logistics and the shortage of skilled labor.

On the questions relating to the role of the state in the economy, the Prime Minister affirmed the consistency of government policy: the state will intervene in the areas where the private sector has no incentive to invest. He said the government will continue to play a role in the economy in carefully selected areas in which the private sector does not engage because of low returns or other factors. He noted that the government's primary focus was in engagement in infrastructure and human developments which he said were also the linchpin of growth for the private sector. He reiterated the importance of the government's policy for the development of free enterprise. The Prime Minister also affirmed the government's readiness to offer full support to investors interested in the manufacturing sector. Despite the various supports given to encourage investment by the private sector, its share remained no more than 15%, and he urged businesses to get into the sector. This, he said, was important to bring about structural change in the economy.

Ato Teklewold Atnafu, the Governor of the National Bank, responded to questions regarding the provision of loans to the private sector and the public housing scheme in Addis Ababa. On loans, the Governor indicated that up to May, a total of 224 billion birr had been made available in loans to the private sector and to the public sector through state and private banks. 57% of these were taken out by the state, and 90% of this was allotted to long term government investment. As to

why private banks had been left out in the public housing scheme in Addis Ababa, currently handled by the Commercial Bank of Ethiopia, Ato Teklewold noted that the entire venture was not a profit-making operation. He said the government would consider the question of whether the banks would be providing low interest loans repayable over 17-20 years. He said, "private banks should know that the housing scheme which costs 70 to 80 billion birr is not for profit." He also noted that more than 85% of the loans taken out by the private sector were used in the service sector. He said the private sector should focus rather on utilization of loans for bigger investment to avoid skewed economic growth.

Business leaders also raised the problem of corruption, describing it as a major challenge for the private sector. Members of the business community asked the government to respond immediately to this problem taking into consideration the acuteness and consequences for the sector. Prime Minister Hailemariam emphasized that the government was now taking radical steps to combat corruption. He also said that the efforts of the government alone would not make the significant difference in the fight against corruption. It was necessary that members of the business community should join together to help deal with it.

The Prime Minister also referred to the opening up of the telecom sector, pointing out that requests for this tended to come from foreign rather than local investors. He said "the government's desire to control the telecom sector is due to its interest to finance the massive infrastructural works which are so vital to the growth of the private sector." He said "the 6 billion birr profit of Ethiotelecom is being used mainly to finance the railway projects", adding, "we can only build a globally competitive industry if we can build sufficient infrastructure to support it". The Prime Minister affirmed the government's interest in encouraging textile and information technology sector investment. The Minister of Finance and Economic Development, Ato Sofian Ahmed, responded to a question about government procurement, noting that the government made no preference for foreign products, "as long as the local goods are competitive". Mulu Solomon, President of Ethiopian Chamber of Commerce told reporters later that three more forums of this kind "would be organized in a bid to tackle the problems faced by the private sector".

World Bank: Ethiopia on the way to middle-income status

According to a recently released World Bank country report on Ethiopia's current economic trajectory, the country is on track to realize middle-income status by the year 2025. The prediction, which is in line with government targets, was outlined in the 'Second Ethiopia Economic Update', prepared in collaboration with the Government of Ethiopia, by the World Bank. The report, the second of its kind released this fiscal year, is a key element of the World Bank's programmatic knowledge services, prepared as part of its economic policy dialogue with the Ethiopian Government to complement its lending services to the country.

The three-chapter report released last week explores how Ethiopia can move forward to meet its economic targets while offering the Government clear policy guidance on the same. According to the World Bank, "such Economic Update reports for Ethiopia will be prepared every six to eight months along with other tailored knowledge products in close collaboration with the Ministry of Finance and Economic Development."

The first chapter of the report highlighted the high economic double-digit growth attained by Ethiopia over the last decade. With average growth of 10.7%, the report explained that Ethiopia had cemented its status as one of the fastest growing economies in the world, sitting at number 12 on the list in 2012. It went further, indicating that if the country “continues its historically impressive growth performance, it could achieve middle-income status by 2025.” The first chapter of the report outlined Ethiopia’s growth strategy which has emphasized a strong expansion of public investment. World Bank officials did, however, state the need for government to adjust economic policy in the coming years so as to proactively engage the private sector as an additional engine of growth. In this regard World Bank Country Director Ethiopia, GuangZhe Chen, said that “Ethiopia has been implementing a growth strategy, which emphasizes a strong expansion of public investment. So far, this has delivered positive results. However, the public investment rate of Ethiopia is the third highest in the world, while the private investment rate is the sixth lowest. In order to sustain high economic growth, the development of a strong and vibrant private sector is essential.” Prime Minister Hailemariam at his meeting with the business community on Thursday justified the government’s investment in the areas of infrastructure and human development as the foundations for the growth of the private sector.

The report also highlighted two policy challenges facing the Ethiopian government going forward including the need to raise domestic savings and improve the trade logistics system. According to the report Ethiopia’s domestic savings rate has been lower than expected given its stage of development and this will need to be increased in order to guarantee sustained growth. The domestic savings rate, an equally important agenda to the Government of Ethiopia, was recently addressed in the Minister of Finance and Economic Development’s annual presentation of the budget. According to the Minister, Ato Sufian Ahmed, the savings rate in 2012 reached 16.5% and is expected to surpass the GTP target of 20% by 2015. He said this gave the government a solid foundation to build on in its efforts to sustain high economic growth. In his briefing to Parliament he outlined plans to raise the domestic savings rate through 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). The report echoed these views as it recommended offering savers higher interest rates and expanding access to both private and public financial institutions while urging the government to take advantage of remittances from the Diaspora, estimated at 1 billion dollars. Lars Christian Moller, the Lead Economist and Sector Leader for Ethiopia at the World Bank, explained that “increasing the domestic savings rate in Ethiopia is desirable given the substantial investment proposals embedded in the Growth and Transformation Plan (GTP) and the limits and risks associated with external sources of saving. Ensuring that savers get a good return on their investment is a key element in a strategy to achieve this.”

Relating to its second recommendation, the report, in its third chapter, specifies that Ethiopia’s ranking in the World Bank’s Trade Logistics Index has slipped from 104th in 2007 to 141st in 2012. In an effort to rectify the inefficiency of the trade logistics system the report recommends the development of a national strategy for trade logistics, improvement in the selectivity of inspections to reduce cost, transit time, and corruption, and the provisions of warehouses with better technology. However, Country Economist for Ethiopia at the World Bank, Michael Geiger,

cautions that achieving this is no easy feat, saying “there is consensus that the trade logistics system in Ethiopia can improve considerably so that Ethiopia can reap the benefits of cheap and timely shipment of goods traded across borders. There is no panacea to achieving this, however, as this is a highly complex system with numerous actors and a plethora of interdependent factors.”

Donald Yamamoto calls Ethiopia "an important partner"

Donald Yamamoto, the Acting Assistant Secretary of State for African affairs and a former U.S. ambassador to Ethiopia, told a U.S. House of Representatives Foreign Affairs Subcommittee on Thursday last week (June 20th) that Ethiopia was "an important partner" of the United States in the East Africa region and one of the fastest-growing economies in the world. He said Ethiopia's economy had been growing by double-digit percentages over the last five years, though he cautioned that Ethiopia-U.S. business relationships had been limited by investment climate challenges. Mr Yamamoto indicated that the Ethio-US partnership focused on democracy, governance, and human rights; economic growth and development; and regional peace and security. He also noted that many of the more than one million people of Ethiopian origin who reside in the United States were returning to their homeland in growing numbers to expand political and economic ties between the two countries and provide humanitarian support.

Ethiopia, he said, was a major beneficiary of U.S. aid, primarily for development in the health, agriculture and education sectors. It was also one of the U.S. Peace Corps' largest host countries.

In his testimony, Mr Yamamoto said Ethiopia ranked among the ten fastest-growing economies in the world, averaging 10 per cent GDP growth over the last five years. There were "clearly opportunities there and U.S. business is taking advantage of them," he said. Currently about 100 U.S. companies were represented in Ethiopia and total U.S. exports to Ethiopia in 2012 were \$1.29 billion, while imports from Ethiopia totaled \$183 million. Ethiopian Airlines, he noted, was an important customer for Boeing, with over one billion dollars in recent purchases, supported in part by the Export-Import Bank. "Ethiopian Airlines was the third airline to purchase the Boeing 787 Dreamliner and the first to get it back into service following the Federal Aviation Administration's temporary grounding". Ethiopia will also host the Africa Growth and Opportunity Act Forum on August 12-13 this year, as the US begins dialogue on the renewal of AGOA in 2015. The U.S.-Sub-Saharan Africa Trade and Economic Cooperation Forum will also be hosted in Ethiopia in partnership with the United States, from August 12-13, 2013 under the theme "Sustainable Transformation through Trade and Technology."

Ethiopia, said Mr Yamamoto, "has emerged as a leader on the push to end preventable maternal and child death." As part of this, it co-hosted the global Child Survival Call to Action last year with India, the U.S. Agency for International Development (USAID) and the United Nations children's agency UNICEF. The meeting was held in Washington.

Mr Yamamoto stressed that the United States wants to increase cooperation with Ethiopia in key areas, including security, counterterrorism and bilateral trade and investment. He said that as Chair of the African Union, Ethiopia "will play a key role in determining AU priorities on peace and

security and development and governance." Though not a troop contributing country for the African Union Mission in Somalia (AMISOM), it expends significant resources to support the AMISOM-led campaign against Al-Shabaab including deployment of its own forces to fight alongside the Somali National Army and AMISOM. He also noted Ethiopia's strong relations with both Sudan and South Sudan, pointing out it was "the sole troop-contributor (4,200 increasing to over 5,000 shortly) to the UN Interim Stabilization Force in Abyei (UNISFA)." The Government of Ethiopia has also contributed more than 2,000 personnel to the United Nations-African Union Mission in Darfur (UNAMID). Ethiopia continues to receive and welcome a stream of refugees from Eritrea, Somalia, Sudan, and South Sudan. Appreciating Ethiopia's role in ensuring regional peace and security, Mr Yamamoto stated that the US would continue to work closely with Ethiopia to coordinate cooperation in Somalia, in the Sudans, and throughout the region.

Yamamoto said the United States would continue to "encourage Ethiopia to work toward greater market liberalization, including progress toward World Trade Organization accession." He said recent successes on the economic front included a May trade mission to Ethiopia sponsored by the state of Illinois and a November 2012 agricultural investment conference in Ethiopia sponsored by the Corporate Council on Africa. He further noted that the United States was working with a major U.S. company to secure multimillion-dollar deals aimed at improving Ethiopia's infrastructure and indicated that "American companies have signed letters of intent and committed to investments in support of Ethiopia's country Cooperation Framework under the G8 New Alliance." The alliance, introduced in May 2012, aims to form partnerships between investors and local companies in Africa to accelerate progress in mobilizing private capital and managing risk.

Problems for remittances to the Horn of Africa

Barclays Bank, a major UK bank, has recently announced that it will be withdrawing banking services from some 250 money service businesses and closing all its business accounts with these bodies. Some indeed have already been closed and the rest will be closed as of July 10th. The unexpected decision, without any satisfactory or comprehensive explanation and the short timeframe involved means that the businesses will find it extremely difficult to find new partners to work with. This is important as these businesses provide the main channel for fast, reliable and trusted transmission of funds from the various Diasporas to their relatives at home. One of the most affected communities will be the population of Somalia where an estimated 40% of the population rely on this essential support from the Somali Diaspora, but almost equally affected will be those who rely on support from other Diaspora groups originating in the Horn of Africa, including Ethiopia, Kenya and South Sudan which use these companies to send remittances to their family members.

In a letter to the UK Minister for Africa, Mark Simmonds, a group of over a hundred academics, researchers and aid practitioners who regularly engage with Somali and other African Diasporas note that these companies have been providing "essential services" to the global Somali community as well as making it possible for international humanitarian and development organizations to provide vital support to Somalis in a country that lacks a more formal public banking system and where war and famine are recurrent visitors. Indeed, most of the large relief and development organizations, including the United Nations Development Program, Oxfam,

CARE, and others, use Somali money service businesses to pay their staff, procure assistance, and in some cases facilitate distribution of cash payments to food-insecure households as part of cash-for-work schemes. During the famine of 2011, Diaspora organizations in the UK, as well as throughout Europe, North America and elsewhere raised millions of dollars in relief assistance, channeling it through these businesses to provide fast and effective life-saving support. The letter points out that all of these activities will now be imperiled if these money service businesses are forced to suspend their operations.

The letter acknowledges there has been in recent years some concern about funds going to support individuals and groups designated as terrorists. However, it points out the best way to avoid this is to promote responsible, transparent, and accountable systems in line with existing regulations and use of banking transactions, rather than by closing down the channels through which funds are sent. It suggests this action by Barclays will only encourage people to send funds through illegal, unsafe, and untraceable channels, and in fact make the problem of identifying support for terrorist organizations much harder to deal with.

The letter therefore calls on the UK Government to assist money service businesses to find alternative banking partners, request that Barclays extends its termination deadline for at least 6 months so the flow of remittances through licensed companies is not disrupted, and a more durable solution can be found, and convene a series of multi-stakeholder discussions, beyond Whitehall, that will work on developing the enhanced due diligence that banks now seem to require. The letter specifically deals with Somali money service businesses but it also applies to all those money service businesses that Barclays is withdrawing services from and its effects will of course be felt throughout Eastern Africa and the Horn of Africa. It will also have a serious impact on both trade and investment in these areas of the continent.

Indeed it has been estimated that the Horn of African communities face the prospect of losing millions in remittance finance. Barclays is the last UK bank that has been providing services to these businesses. While the impact will be regional the most immediate effect will be on the most vulnerable, Somalis, who depend on remittances for their livelihood. Barclays' action will indeed have the most serious consequences in Somalia where no alternatives to the money service businesses exist. Indeed, the bank's decision to close the accounts of licensed and regulated Somali money service businesses is likely to have a (presumably unintended) consequence that money transfers might be pushed underground into the hands of unlicensed, unregulated and illegal providers.

Barclay's itself issued a statement about its decision on Monday (June 24th): "It is recognised that some money service businesses don't have the proper checks in place to spot criminal activity and could therefore unwittingly be facilitating money laundering and terrorist financing. We want to be confident that our customers can filter out those transactions, because abuse of their services can have significant negative consequences for society and for us as their bank. We remain very happy to serve the many companies who do have strong anti-financial crime controls. For the others which we can no longer bank, we regret the inconvenience that moving to another bank will cause."

Somaliland government reshuffle

President Ahmed Mahamud carried out a major reshuffle of the Somaliland government on Tuesday this week (June 25th) with six ministers being dropped, seven being transferred and a total of 17 new appointments as ministers, deputy ministers and state ministers and two more as Presidential Advisors. Among the new appointments are Mohamed Bihi Yonis as Minister of Foreign Affairs and Ali Mohamed Waran'ade as Minister of Interior. Other new ministerial appointments are to Environment, Fisheries and Marine resources, Posts and Telecommunications, Rehabilitation, Parliament Coordination Research and Technology, and Water Development. There are three new state ministers and six new deputy ministers. Two more women have been appointed to the government: Ms Shukri Haji Ismail Bandare as Minister of Environment and Ms Shukri Harir Ismail as Deputy Minister of Labour and Social Services bringing the number of women in government to four. Education Minister, Ms Zamzam Abdi and deputy health minister, Ms Nimo Qawdan keep their positions. One deputy minister, Abdullahi Dahir Mohamed Ukase, is promoted to Minister of Information, Culture and National Guidance.

Seven ministers have been transferred, two to be Presidential Advisers. Dr Suleiman Isse Ahmed Hagaltosie moves from Resettlement and Rehabilitation to the Ministry of Health; Abdirizaq Khalif Ahmed goes from Commerce to the Ministry of Public Works and Housing, Dr Mohamed Abdilahi Omar shifts from Minister of Foreign Affairs to the Ministry of Commerce with International Investments added; and Ahmed Abdi Habsade moves from Public Works and Housing becomes the new Presidential Advisor on Elections and Political Parties. A total of four ministers, and two deputy ministers, were dropped including Mohamed Nur Arale 'Duur', previously Minister of Interior; Abdirizaq Ali Osman (Minister of Industry), Dr Hussein Muhumed Mohamed 'Hog' (Minister of Health) and Ali Elmi Gelle (Minister of Posts and Telecommunications).

The new Somaliland Minister of Foreign Affairs, Mohamed Bihi Yonis, was previously Deputy Joint Special Representative for Operations and Management in the African Union-United Nations Hybrid Operation in Darfur (UNAMID). He previously worked with other UN peacekeeping operations, including the United Nations Truce Supervision Organization, and as the Chief Administrative Officer of the Office of the United Nations Special Coordinator for the Middle East Peace Process. He also previously held a number of senior positions in the African Development Bank.

News in Brief:

Ethiopia

Minister of Foreign Affairs, Dr Tedros Adhanom, met with members of the Ethiopian community in Seoul, South Korea last weekend before attending a memorial celebration for Ethiopian war veterans and the commemoration of the 50th anniversary of the establishment of Ethiopia-Korea diplomatic relations in Chuncheon city. He also held meetings with executives from LG, Samsung and the Korean International Cooperation Agency before concluding his visit to the country. (see article)

The Standing Committee on Foreign Affairs, Defense and Security of the House of People's Representatives, this week, visited the Ministry of Foreign Affairs. The Standing Committee of fifteen members, chaired by the Honorable TesfayeDaba, spent a day meeting with officials at the Ministry, including Dr Tedros, in order to evaluate the institutions activities over the past year.

Ambassador BerhaneGebre-Christos received the credentials of the newly appointed Ambassador of Romania, Gabriel Constantine at his offices. Ambassador Gabriel, who expressed his readiness to work to strengthen the bilateral relations of the two countries, said Romania wanted to expand its relations with Africa to a higher level.

Prime Minister Hailemariam Desalegn expressed his Government's determination to encourage both public and private sector investments while Speaking at a consultation forum with the private business sector, organized by the Ministry of Trade and the Ethiopian Chamber of Commerce and Sectoral Associations. (see article)

The Ministry of Mines has announced that Ethiopia earned US\$419 million from the export of minerals supplied by artisanal miners in the first 11 months of the budget year. The Ministry of Industry also announced that during the same period Ethiopia earned US\$254.7 million from the export of manufactured goods.

Ethiopia and the US have launched a US\$11 million third-round land administration program to improve agricultural productivity in Ethiopia. The third "Land Administration to Nurture Development (LAND)" program was launched in Addis Ababa at a two-day national conference on land this week.

Eritrea

Reporters Without Borders has urged the Government of Eritrea to respect the legitimate rights of the Eritrean people and release all journalists in Eritrea. It estimates that there are around 30 journalists including 4 arrested as long ago as 2001 detained in Eritrea without charge or trial. It says another 7 have committed suicide while in prison.

According to the African Economic Outlook 2013 report released this week, Eritrea's GDP growth declined to 5.5% in 2012 primarily because the country recorded no further mining projects in that year and because there was an unanticipated drop in production at the Bisha mine. The decline in GDP could also be attributed to the reduction in the remittances from Eritreans in the Diaspora and the drop in the price of gold in 2011-12, the report said.

Djibouti

Djibouti celebrated the 36th anniversary of its independence from France on Thursday this week (June 27th) with colorful celebrations and an impressive military parade.

The World Food program (WFP) has begun the construction of a humanitarian logistics hub for the Horn of Africa in Djibouti. When completed in 2015, the facility will allow for greater coordination of food assistance for food insecure areas in the region. WFP's Ethiopia operation is building and managing the hub.

Djibouti Electric (EDD) and Qatar Petroleum International have agreed to jointly evaluate the construction of a 60-megawatt wind farm in Djibouti. A memorandum of understanding was signed on Thursday last week (June 20th), and EDD Director-General Djama Ali Guelleh said it would open a new era of co-operation between Djibouti and the State of Qatar.

Kenya

The World Bank has rated Kenya as Africa's best country in terms of policies and institutional reforms that support growth and reduce poverty. In the World Bank's Country Policy and Institutional Assessment (CPIA) which rates the performance of poor countries, Kenya was ranked top together with Cape Verde in Sub-Saharan Africa.

At a meeting in Kampala this week President Uhuru Kenyatta of Kenya, President Yoweri Museveni of Uganda, and President Paul Kagame of Rwanda agreed to the construction of a railway line connecting the three countries and discussed construction of an oil pipeline that will run from Mombasa to Eldoret to Kampala and on to Rwanda. The leaders also agreed to the introduction of an East African Identity Card and to the fast tracking of political integration.

The Ethio-Kenya Joint Technical Boundary committee carried out a joint inspection and maintenance of fallen and damaged boundary pillars along part of the border from May 21st to June 15th this year. The Ethiopian technical team was led by Ato Wuhib Muluneh, geographer and international boundary expert, and consultant of the Ministry of Foreign Affairs, and the Kenyan side was led by Mr Henry Ngomo, chief surveyor of the international boundaries unit of the survey office of Kenya.

Somalia

The Himan and Heeb administration is currently holding discussions with Somali Federal Government and other stakeholders on the future of Sheikh Hassan Dahir Aweys, a senior Al-Shabaab leader captured this week. Sheikh Aweys apparently fled from the port of Barawe a few days ago after violent fighting broke out in the town last week between Al-Shabaab factions. (see article)

Jeffrey Feltman, UN Under-Secretary-General for Political Affairs, visited Somalia on Thursday (June 27th) to reaffirm the UN's resolve to keep up its support to the Somali government and people.

Norway and Somalia signed an agreement to restore bilateral relations. Somali President Hassan Sheikh Mohamud met with a Norwegian delegation headed by the Minister of International Development Cooperation, Heikki Homas on Thursday (June 27th).

Somali Prime Minister Abdi Farah Shirdon officially announced that the New Deal for Somalia Conference would take place in Brussels on September 16th. It will be co-hosted by the Somali Government and the European Union.

President Ahmed Mahmud Silanyo of Somaliland carried out a major reshuffle of the Somaliland government with six ministers being dropped, seven being transferred and a total of 19 new appointments as ministers and state ministers.

South Sudan

Members of the Nile Basin Initiative have been urged to deepen cooperation among themselves to enable inhabitants of the River Nile basin to enjoy its tangible benefits. The call came at the end of a one-day Nile Council of Ministers (Nile-COM) conference, held in Juba, South Sudan last week. The conference was chaired by Paul Mayom Akec, South Sudan's Minister for Water and Irrigation. (See article)

President SalvaKiir has said that South Sudan was not interested in returning to war with neighboring Sudan, underlining that the two countries needed peace.

Sudan

Diplomats from Sudan expressed their support for the GERD following visits to the construction site by a group of Ambassadors from member states of the Nile Basin Initiative last weekend. After the visit to the construction site, the Sudanese ambassador to Ethiopia reiterated his country's full support to the project, emphasizing that countries in the region will benefit from the electricity produced by the dam.

A commission formed by Sudan to investigate the killing of the Ngok Dinka paramount chief, Kuol Deng Kuol, in Abyei last month, has begun investigations.