

*A Week in the Horn (22.12.2017)*

*News in Brief*

*South Sudan: IGAD's Council of Ministers' 59<sup>th</sup> Extraordinary Session ....*

*...and the High-level Revitalization Forum scores its first triumph*

*IMF Managing Director in Ethiopia...*

*...and in Djibouti*

*Ethio-China Economic, Trade and Culture Cooperation Forum in Hangzhou*

*Somalia concerned by US suspension of food and fuel to its army*

*President Kenyatta hosts President Museveni for an official visit*

*News in Brief*

### **Africa and the African Union**

IGAD High-level Revitalization Forum of the Agreement for the Resolution of the Conflict in South Sudan took place this week, Monday to Friday (December 18-22) at the AU Headquarters in Addis Ababa. Opened by Ethiopia's Prime Minister Hailemariam, the Chair of IGAD, and by African Union Commission Chairperson, Moussa Faki Mahamat, it successfully concluded its deliberations with the signing of an Agreement of Cessation of Hostilities, Protection of Civilians and Humanitarian Access on Thursday (December 21). (**See article**)

IGAD held its 59th Extra-Ordinary Session of its Council of Ministers in Addis Ababa on Sunday (December 17) in advance of the High-level Revitalization Forum on South Sudan. The meeting was officially launched by Ethiopia's Foreign Minister and Chair of the IGAD Council of Ministers, Dr. Workneh Gebeyehu. (**See article**)

### **Ethiopia**

President Dr. Mulatu Teshome on Tuesday received the credentials of the newly appointed Ambassadors of China, Guinea-Bissau, Israel, Italy and Gambia to Ethiopia. The President told the ambassadors that Ethiopia wanted to open a new chapter in relations with their respective countries, to center relations more on business and economy, in addition to the usual political diplomacy. The Ambassadors underlined the wish of their countries to cement ties with Ethiopia, particularly in the areas of trade, agriculture, tourism and investment. They pledged to provide support for Ethiopia's development activities.

President Dr. Mulatu held talks with Ms. Christine Lagarde, Managing Director of the International Monetary Fund (IMF), at the end of last week. It was the first visit by a Head of the IMF to Ethiopia. During her visit, Ms. Lagarde also held talks with Prime Minister Hailemariam and other officials on the economy. Ms. Lagarde also held talks at the African Union Commission. (**See article**)

Prime Minister Hailemariam in a statement on Sunday (December 17) expressed his deepest condolences to families of victims who had died in recent conflicts, particularly in the border areas of the Oromia and

Somali Regional States. These had resulted in loss of lives, displacement of people and damage to public and private property. He said these conflicts, including those in higher learning institutions, could affect the peace and stability of the country. The Prime Minister said the government was investigating the cause of the conflicts and deaths at Chelenko. It would make public the results and take the necessary measures against those responsible. He emphasized the government would do everything possible to ensure the safety of its citizens and guarantee peace and security across the country.

Prime Minister Hailemariam Dessalegn in a message on Tuesday (December 19) congratulated Cyril Ramaphosa on his election as the incoming president of South Africa's ruling party African National Congress. He said he hoped the ties between Ethiopia's ruling party EPRDF and South Africa's ANC "would elevate into a new high during Mr. Ramaphosa's term."

An Ethiopian delegation led by Minister of Agriculture and Natural Resources, Eyasu Abreha, in Brazil this week met with Brazil's Vice-Minister of Agriculture, Livestock and Supply, Eumar Roberto Novack, to discuss cooperation in the areas of productivity, the management of acid soils and research and development in coffee production in Ethiopia. The delegation is making field visits to coffee plantations and related institutions this week. The visit has been organized by UNIDO, in cooperation with the Italian coffee roasting company, illycaffè, and the Ernesto Illy Foundation, under the program for "Improving the Sustainability and Inclusiveness of the Ethiopian Coffee Value Chain through Private and Public Partnership", sponsored by the Italian Agency for Development Cooperation.

State Minister for Foreign Affairs, *Dr. Aklilu Hailemichael*, led the delegation to the Ethio-China Economic, Trade and Culture Cooperation Forum that opened on Wednesday (December 20), in Hangzhou. The delegation included the State Ministers of Industry, and Culture and Tourism, as well as Ethiopia's Ambassador to the People's Republic of China, and the Consul General of Ethiopia in Shanghai. (**See article**)

State Minister for Foreign Affairs, Dr. Aklilu met with the Chairman of the Board of Directors for Turkish Industry Holding A.S. Mehmet Coskun on Thursday last week (December 14). Mr. Mehmet expressed his keenness to be part of the "considerably growing" construction industry in Ethiopia, noting the competitive incentive packages, fast growing economy, affordable labour and improved infrastructure. Dr. Aklilu welcomed the company's interest.

State Minister for Finance and Economic Cooperation, Admasu Nebebe, and Dr. Abdul Kamara, the African Development Bank's Country Manager in Ethiopia, signed a financing agreement amounting \$102 million for a power upgrading project in Addis Ababa on Wednesday (December 20). Of this \$15 million is aid; the balance is a loan. It will be used to replace existing old electric lines to improve power supply to the city and Addis Ababa's light railway.

The Ambassador of Ethiopia to Russia, Ambassador Grum Abay, held discussions with Vladimir Padalko, Vice President of the Chamber of Commerce and Industry of the Russian Federation at the weekend. Ambassador Grum briefed Mr. Padalko on the current state of the Ethiopian economy and Ethiopian commercial interests. The two sides agreed to promote cooperation in trade, investment and transfer of technology.

The Ethiopian Ambassador to the United States, Ambassador Kassa Teklebirhan, has presented copies of his credentials to Sean P. Lawler, Chief of Protocol of the United States at the beginning of this week. The World Bank approved an International Development Association credit of US\$170 million to boost the contribution of the livestock and fisheries sectors to Ethiopia's economy. The project will be principally implemented in 58 *woredas* Amhara, Benishangul-Gumuz, Gambella, Oromia, SNNPR, and Tigray Regional States. The Bank said the project will help 1.2 million farm households who largely

depend on livestock-keeping and fishing, with the skills and tools they need to increase the volume and quality of their produce.

Ethiopia and the World Bank signed a financing agreement amounting US\$470 million on Thursday (December 21). The agreement was signed by Dr Abraham Tekeste, Ethiopian Minister of Finance and Economic Cooperation and Carolyn Turk, World Bank Country Director for Ethiopia. US\$300 will be used to support efforts to improve the provision of quality education nationwide; the remaining US\$170 million US dollars will be used to boost the contribution of the livestock and fisheries sectors to the economy.

Ethiopia and Denmark signed program support agreements amounting 580 million birr (\$21.4 million) on Friday last week (December 15). US\$13.5 million will be utilized to support the Comprehensive Refugee Response Framework Ethiopia project; the remaining US\$7.9 million will be used to support Ethiopia's Productive Safety Net Program.

The Ethiopia Investment Commission said this week that private Chinese investment to Ethiopia worth US\$269.4 million had been commissioned since the start of 2017. 68 Chinese projects had become operational and 41 entered final implementation phase in the first 11 months of the year. The largest number of these were in the manufacturing sector, followed by construction, real estate, and consultancies. This made up the single largest foreign direct investment source in 2017 with investment from Indian and Dutch firms following in second and third positions.

Ethiopian Electric Power and the Government of Ethiopia signed agreements for geothermal power on Tuesday (December 19); a 520 MW Power Purchase Agreement and Implementation Agreement with Tulu Moyo Geothermal, and similar 520 MW agreement with Corbetti Geothermal. The projects will be developed in phases, and each has a total budgeted cost of approximately \$2.2 Billion. When fully developed, each project individually will be the largest independent power project investments in Africa.

Amhara Regional State created jobs for more than 74,000 unemployed youth in the first four months of this Ethiopian fiscal year (2017/18). The State's technical and vocational enterprises development bureau plans to create jobs for a total of 873,000 youth in 2017/18. It created employment opportunities for 822,000 unemployed youth the previous year and distributed \$26 million in loans. Under the Federal Government's Youth Revolving Fund Scheme, the Federal Government allocated 2.6 billion birr (\$96 million) for the state in the last fiscal year.

## **Djibouti**

IMF Managing Director, Ms. Lagarde visited Djibouti at the end of last week for a three-day visit. She held talks with President Ismail Omar Guelleh and other officials, as well as speaking at a "Vision Djibouti 2035" Conference, on Sunday (December 17). (**See article**)

Mumin Hassan Barre, Minister of Culture and Religion opened a forum to consider the state of Somalis around the world in Djibouti on Wednesday (December 20). Attended by over 100 prominent Somali opinion makers from around the world, the three-day forum organized by the Heritage Institute for Policy Studies deliberated on issues facing Somalis everywhere.

## **Eritrea**

Members of the Dutch Parliament expressed anger and frustration in a debate on Wednesday (December 20) that the Eritrean Embassy was continuing to pressure and intimidate Eritrean asylum seekers in Holland to pay the so-called Diaspora 2% tax, despite Dutch government calls for the embassy to cease its

demands. MPs demanded the Embassy should be closed and for investigation to see if the tax could be made illegal.

Eritrean Airlines has announced it has launched new routes to Cairo and Milan starting from December 9, and will start new flights to Juba on December 22. The airline said it was already providing regular services to Khartoum, Jeddah and Dubai.

## **Kenya**

President Uhuru Kenyatta hosted Ugandan President Yoweri Museveni for a three-day official visit on Wednesday this week (December 20). At their talks, they hailed their strong bilateral relations and agreed to strengthen ties further. They also discussed regional issues, including progress on the Standard Gauge Railway, Economic Partnership Agreements with the EU, the running of the East African Community Secretariat, troops in Somalia, and peace initiatives in South Sudan. **(See article)**

Kenya has filed its response to Somalia at the International Court of Justice in their Indian Ocean border dispute case. A statement from the Office of the Attorney-General said Kenya's position is that the maritime border remains as it is and the dispute should be solved through negotiations. The Court is expected to give direction on the matter in early 2018. Somalia's petition calling for the maritime border redrawn to extend diagonally to the south at Kiunga into the sea, and not eastwards as currently, was filed in 2015. The area in dispute is about 100,000 square kilometres and includes six oil blocks, where Kenya has awarded contracts to foreign prospecting firms.

## **Somalia**

President Mohamed Abdullahi addressed military commanders and senior officials at the Ministry of Defense headquarters, on Monday (December 18). Praising the army for their braveness and efforts in fighting Al-Shabaab, he emphasized the government would do everything possible to cover the US suspension of food and fuel aid for Somalia's armed forces over corruption concerns last week. **(See article)**

A national political conference for Somali youths concluded on Tuesday in Mogadishu after 2 days of deliberation on youth participation in politics, the constitution, the economy, education, and other issues. The conference agreed on implementation of the national youth policy, with the interim National Constituent Assembly creating a forum to establish them as leaders, learn good leadership and advocate the interests of Somali youth. Other areas of agreement were how to create job opportunities for young people, conduct regular meetings to strengthen youth awareness and receive basic services as well as acquire knowledge to avoid committing past mistakes or entertain radical ideologies.

Canada announced on Friday last week (December 15) that it will provide \$10.4 million for humanitarian assistance to vulnerable communities in Somalia struggling to cope with consecutive seasons of poor rainfall and water shortages. The funding will be allocated to the World Food Programme (\$5.25 million), UNICEF (\$2.5 million), the United Nations Development Programme (\$1.7 million) and the American Refugee Committee (\$950,000). Since 2015, Canada has allocated \$89.3 million to address drought- and conflict-related humanitarian needs in Somalia.

Former Minister of Planning and critic of the government, Abdirahman Abdishakur, who spent two days in jail this week after being arrested for alleged treason, was released in Wednesday (December 20). The release of the former presidential candidate was welcomed by the Inter-State Cooperation Council, which sent condolences to the families of the security guards killed when Mr. Abdishakur was arrested.

## South Sudan

This week, South Sudanese stakeholders, representatives of armed and unarmed political parties as well as civic and religious organizations, youth and women's associations and civil society groups, have been attending the four-day IGAD High-level Revitalization Forum. They reached an agreement on Thursday. (See [article](#))

## Sudan

President Kagame of Rwanda arrived in Khartoum on Wednesday (December 20) for a two-day official visit to Sudan and talks with President Omer Al-Bashir. He was accompanied by Foreign Minister, Louise Mushikiwabo, Defence Minister, James Kabarebe, Trade Minister, Vincent Munyeshyaka, and other officials. The two Presidents discussed bilateral relations as well as regional and international issues of common concern, and held bilateral talks on the political and economic relations and prospects for trade exchange between the two countries. They also signed an agreement to establish a joint political consultation committee between the two countries. President Kagame visited the National Archaeological Museum in Khartoum and addressed university students of the International University of Africa.

The government has expressed readiness to resume peace talks with the Sudan People's Liberation Movement/North (SPLM-N) on the Two Areas. The Spokesperson of the government's negotiating team Hussein Hamdi said they were in constant contact with the African Union and the international community to try to resume the talks. He said it had been the rift within the SPLM-N and its division into the two factions: one led by Abdel Aziz al-Hilu and the other by Malik Agar, that had caused the delay in the talks. The split emerged earlier this year over the right of self-determination and other organisational issues.

### ***South Sudan: IGAD's Council of Ministers' 59<sup>th</sup> Extraordinary Session ....***

This week saw the hosting of the IGAD High-level Revitalization Forum of the Agreement for the Resolution of the Conflict in South Sudan. After a long process of inclusive and transparent consultations and discussions involving all the parties and stakeholders in South Sudan, the Forum opened in Addis Ababa on Monday (December 18). This, however, was preceded by a preliminary stage: the 59th Extra-Ordinary Session of the IGAD Council of Ministers, held on the eve of the Forum, on Sunday (December 17) under the chairmanship of Ethiopia's Foreign Minister and Chair of the IGAD Council of Ministers, Dr. Workneh Gebeyehu. The session was attended by the Foreign Ministers of IGAD Member States; Festus Mogae, Chairperson of the Joint Monitoring and Evaluation Commission (JMEC); Ismail Wais, IGAD Special Envoy for South Sudan. Representatives of the African Union, the United Nations, the European Union the Troika, the IGAD Partners Forum (IPF), China and other delegates from the international community were also present.

There was a lengthy process in preparation for the High-level Forum and IGAD Executive Secretary, Ambassador Engineer Mahboub Maalim opened the first session thanking the Ministers of Foreign Affairs of IGAD Member States and other participants for their time and commitment to the peace process in South Sudan. Ambassador Maalim recalled that it had been six months since the 31st Extraordinary Summit of IGAD Assembly of Heads of State and Government on South Sudan had called for a High-level Revitalization Forum of the parties to the Agreement for the Resolution of the Conflict in South Sudan (ARCSS). It had issued directions to the IGAD Council of Ministers “to urgently convene including estranged groups to discuss concrete measures, to restore permanent ceasefire, to full implementation of the Peace Agreement and to develop a revised and realistic timeline and implementation schedule towards a democratic election at the end of the transition period”. It also mandated “the IGAD Council of Ministers to urgently convene and facilitate this forum in collaboration with relevant stakeholders”. Ambassador Maalim gave the floor to representatives of various stakeholders involved in or providing support to the peace process in South Sudan.

The Head of the Joint Monitoring and Evaluation Commission, Dr. Mogae, was the first to make his statement, followed by the Minister of Foreign Affairs of the Republic of South Sudan, IGAD Special Envoy to South Sudan, and other representatives from each stakeholder. The Chairperson of the JMEC, Dr. Mogae, strongly urged all parties to the High-level Revitalization Forum to renounce violence and fully embrace the process in order to be able to witness lasting peace in their country as well as fast track free and unhindered delivery of humanitarian aid. Martin Lomuro, Minister of Cabinet Affairs of South Sudan, commended the IGAD Council of Ministers for its uninterrupted support in ensuring peace and stability in his country, and expressed the commitment of his Government to constructively engage in the Forum. Ismail Wais, the IGAD Special Envoy for South Sudan, noting South Sudanese enthusiasm to re-engage with each other to find lasting solution to the current crisis, added, “We should therefore build on this expressed common aspiration and assist the world’s news nation realize this dream.”.

Representatives from the African Union Commission, the UN, the *Troika* (Norway, the United Kingdom, and the United States) and the European Union, and the IPF welcomed the consultations and preparations for the High-level Revitalization Forum. All strongly called on the Government of South Sudan and all relevant stakeholders to negotiate in good faith and spare no efforts for a successful outcome to the Forum.

Dr. Workneh, Minister of Foreign Affairs of Ethiopia, congratulated the IGAD Special Envoy and Head of the JMEC Head for the preparation they had carried out under the guidance of the Council of Ministers. Welcoming all to what he dubbed this “historic venue” at AU Headquarters, Dr. Workneh noted that Member States of IGAD took pride in the fact that despite challenges they had always been resilient and been prepared to come together to solve problems and stand up for each other. The Minister pointed out that the South Sudan peace process had now reached a decisive point. The preparations for the High-level Revitalization Forum had involved a participatory mapping exercise and a series of broad consultations offering both inclusivity and transparency. The comprehensive report of the consultations had been distributed to all parties to the Agreement including South Sudanese stakeholders, estranged groups, the IGAD Council, the IPF and other relevant bodies. Dr Workneh underscored that the success of the Revitalization Forum would hugely depend upon the parties to the process, the South Sudan stakeholders, demonstrating a strong commitment, genuine political will and a real desire to heal the agonies and suffering of the people of South Sudan.

Ethiopia, along with other IGAD member states and the international community, has been continuously and vigorously working to ensure peace and tranquillity in South Sudan. The Government has made it clear from the onset that peace and development within South Sudan is necessary if not mandatory for a stable, peaceful and prosperous IGAD region. Ethiopia has always offered its strongest assurances to the

people of the South Sudan that it would give the highest priority to regional efforts to fast-track the peace process and stop the desperate humanitarian chaos in the country.

In a communique, issued after its meeting, the IGAD Council of Ministers called upon all South Sudanese stakeholders participating in the Forum to seize “this critical opportunity to take South Sudan out of the deep crisis it is currently facing.” It also urged all the parties to commit themselves to immediately silence the guns in South Sudan and cease any form of hostile propaganda, through a declaration and signing of a cessation of hostilities, and commit to this first step which will create the necessary conditions for addressing the dire political, humanitarian and economic conditions in South Sudan. The Council further urged the South Sudanese stakeholders participating in the Forum to deliberate in good faith in the spirit of compromise, putting the interest of their people and the nation first. The Council affirmed the unwavering support of IGAD member states to the South Sudanese as they seek ways to revitalize the Peace Agreement, and restore peace to in South Sudan. It also re-affirmed its readiness to take any necessary actions against individuals and groups that spoil or derail the revitalization process from making progressing.

### ***...and the High-level Revitalization Forum scores its first triumph***

The High-level Revitalization Forum on South Sudan, convened on Monday (December 18) in the presence of IGAD Chairperson, Ethiopia’s Prime Minister Hailemariam Dessalegn, and the Chair of the African Union Commission, Moussa Faki Mahamat. It successfully concluded its deliberations with the signing of an Agreement of Cessation of Hostilities, Protection of Civilians and Humanitarian Access on Thursday (December 21), ahead of schedule.

Opening the Forum, Prime Minister Hailemariam Dessalegn, Chairperson of the IGAD Heads of State and Government called on all parties to the process, including estranged groups, not to squander this “final opportunity” to bring about a viable peace to South Sudan. Voicing strong criticism of the warring sides, he said: “More than half of the people of South Sudan are either refugees in neighbouring countries, internally displaced within South Sudan or suffering from food insecurity in their own villages, adding, “It is equally clear that all this suffering is taking place because you, the leaders of South Sudan, have repeatedly failed to talk to each other, to negotiate, to be tolerant, to make compromises”. He said: “Today, I appeal to you to stop this intransigence,” and fully embrace revitalization of the 2015 agreement. This, he noted was “still a practical ground” to fast track the nation-building process. He called on all parties to the High-level Revitalization Forum to forge a Cessation of Hostilities Agreement that would in turn lead to a permanent ceasefire and get rid of all impediments working against the delivery of humanitarian aid.

AU Commission Chairperson Mahamat said the week could mark the beginning of a genuine reconciliation and the end of the nightmare that the people of South Sudan had been living through for four years. There was, he said, a heavy responsibility on the shoulders of all the delegates present. Peace required the involvement of one and all. He stressed that the people of South Sudan would not forgive the delegates if they squandered the unique opportunity offered by the IGAD Revitalization Forum. Mr. Mahamat referred to the atrocities committed in South Sudan and the shambles of its economy as a “betrayal”. The opportunities to put an end to this tragedy were not taken, he said, because “the political will was not there,” because unscrupulous politicians and unethical warlords had made “identity, ethnicity, division, rejection of the other a tool of choice to fulfil their personal ambitions.” Now there was an opportunity to put an end to the tragedy. It must be promptly and fully seized. He appealed to all AU Member States and the larger international community to leave no stone unturned to support the efforts of IGAD. He added that the African Union, together with the other concerned members of the

international community, was committed to supporting the efforts for a sincere quest for peace.

Following these encouragements to produce genuine progress in the peace process, the participants to the High-level Revitalization Forum, collectively referred to as “the Parties to the Process” held intense deliberations on procedural, operational and other matters for four days. They concluded, with one voice, that they were tired of the civil strife and were fully committed to fast-track the peace process. The deliberations were closely followed by all walks of life in South Sudan who were desperate to see a successful result. Ismail Wais, IGAD’s Special Envoy for South Sudan, described the four days discussions as “constructive discussions, characterized by seriousness of purpose, flexibility as well as accommodating each other’s concerns.” The Special Envoy seriously urged all the parties to the Agreement and the entire people of South Sudan to safeguard what has been achieved at this juncture; and continue to work closely together for the full realization of the Peace Process in South Sudan.

At the conclusion of the session, Dr. Workneh Gebeyehu, Foreign Minister of Ethiopia and Chairperson of the IGAD Council of Ministers noted that the Agreement was instrumental for bringing peace and stability to South Sudan. He stressed, however, “Signing an agreement is, of course, only the first stage. Now South Sudanese stakeholders face the task of implementing these agreements, the necessity of demonstrating the commitments they have agreed to, and the obligations which they have assumed.” The Minister also noted, “We, in IGAD, have consistently encouraged this Revitalization process, because, it is a process that is fully owned by South Sudanese stakeholders.” He underlined: “We will continue to follow up and single out spoilers to be named and shamed, and take action as necessary, to ensure your effort in reaching these decisions is not be wasted.”

At the end of the four-day, South Sudanese armed and unarmed political parties as well as civic, youth and women’s associations agreed to a ceasefire, to protect civilians and ensure humanitarian access throughout the country. This is now expected to pave the way for further agreements when the second phase of the High-level Revitalization Forum convenes in Addis Ababa on January 15, 2018. The agreement signals the intent of all parties to re-commit to the Revitalization agreement signed under the auspices of the IGAD and the International Community. The understanding and restraint that was demonstrated between and among the major parties during the week has given hope to all the other parties that were included to the inclusive process.

Ethiopia, as Chair and member of IGAD has made it clear it will continue its strong engagement to ensure the finalizing of the Revitalization Process, aiming for full revitalization of the 2015 agreement and a realistic timeline for its implementation. The International Community will also continue to play its part: indeed, from the very launch of the High-level Revitalization Forum, the AU, the UN, the Troika, the IGAD Partners Forum, China, Japan and other relevant stakeholders, have all played important roles in helping to ensure the successful outcome of the Forum. They will continue to do so.

### ***IMF Managing Director in Ethiopia...***

The Managing Director of the IMF, Ms. Christine Lagarde in the first stop on her Africa tour, to Benin, Ethiopia and Djibouti, addressed the Chamber of Commerce and Industry of Benin on Tuesday last week (December 12) in Cotonou. Her message to Africa underlined the importance of economic diversification and of harnessing technology. She stressed the need to diversify an economy and move away from reliance on a single sector. She emphasized that relying heavily on one sector, be it oil or an agricultural

commodity, meant a single shock could devastate an economy. She noted that economic diversification had allowed many countries to enjoy longer periods of uninterrupted growth, rather than episodes of boom and bust.

Following her visit to Benin, Ms. Lagarde visited Ethiopia and Djibouti, beginning her visit to Ethiopia on Thursday (December 14), meeting and holding discussions with Prime Minister Hailemariam Dessalegn, on various issues of mutual concerns. She described her talks with the Prime Minister Hailemariam and his economic team on their plans to transform Ethiopia's economy as very productive, and stressed the IMF's full support for Ethiopia's development agenda. In its assessment report of the 2017 Article IV released last September, the IMF commended Ethiopia's economy for maintaining strong resilience despite the back-to-back drought that caused serious problems in some parts the country and the continued weak global prices for Ethiopia's key export commodities.

Ms. Lagarde also held talks with President Dr. Mulatu Teshome at the National Palace, where they discussed ways to improve cooperation between IMF and Ethiopia, one of the founding members of the organization. They also discussed the pro-poor and inclusive development activities being implemented in the country. President Mulatu thanked the IMF for the support it had provided for the economic growth registered in Ethiopia.

Lagarde told journalists after her meeting with the President that: “we had a very productive discussion about Ethiopia’s economy, which is doing very well in terms of growth and which is clearly at the juncture where it is looking at alternative drivers of growth.” She underlined the importance of Foreign Direct Investment for Ethiopia's growth. The IMF chief also praised Ethiopia for hosting refugees and its efforts to maintain peace and stability in the neighboring countries. In a tweet after her meeting with the President, Ms. Lagarde commended the Government’s ambitions to make Ethiopia a lower middle-income country in the next decade; she also her commitment to enhance the policy dialogue and engagement between Ethiopia and the IMF.

During her visit, the IMF Managing Director visited the Eastern Industrial Zone in Dukem, 35 km south-east of Addis Ababa on Friday (December 15). After the visit, she said, “I saw the dynamism and enthusiasm of the people working there and the commitment of private investors to Ethiopia.” Ms. Lagarde said she had come to Ethiopia to witness the development of the industrial parks and the determination of Ethiopian government to support growth and make sure there is plenty to export. She said: “I am really pleased to have seen some international companies from China and the Netherlands, and manufacturing to international standards for export purposes”. She said the integrated training, employment, and value-added manufacturing activities would all help to produce sustainable exports.

In an interview with the newspaper Addis Fortune, Ms. Lagarde praised Ethiopia's economic performance as strong, with positive prospects. She noted: “Ethiopia has enjoyed sustained high growth coupled with improvements in living standards over the past 15 years”, adding, “Past investments in trade-enhancing infrastructure are starting to pay off.” Ms. Lagarde underlined that the challenge now was to manage a transition from public sector-led growth to private sector-led growth. According to her this strategy was rightly emphasized in the government’s Second Growth and Transformation Plan (GTP II). She said the IMF saw the private sector in Ethiopia as complementary to the state and not its competitor. She emphasized that it all had to come together. It couldn’t just be about public sector, it couldn’t just be about the private sector. ‘It takes a combination of both for growth to be sustainable and inclusive,’ said Ms. Lagarde.

The IMF Managing Director noted that the policies announced by the National Bank of Ethiopia at the time of the devaluation of the birr in October were a coherent and timely push in the right direction. She said increased export competitiveness, coupled with structural policies, such as the creation of export-

oriented industrial parks and increased provision of infrastructure, would attract additional foreign direct investment. This, she emphasized, would further alleviate foreign exchange shortages. Ms. Lagarde also noted Ethiopia's substantial investments in improving the productivity and resilience of agriculture. Better seeds, fertilizers, irrigation, and training of farmers, she said, had helped agricultural output increase and build up resilience to handle shocks such as drought.

In a speech delivered to the United Nations Economic Commission for Africa Ms. Lagarde stressed the impact of technology for the economies of Africa and the new opportunities being created for the next generation. Ms. Lagarde said that "technological innovations require strong foundations to flourish," and among these are financial integration. Mobile money, she noted, continues to bring about revolution in everything from better credit access and lower remittance costs, to improved gender parity and business opportunities; it can mean the difference between being empowered and being marginalized. For governments, she said, the shift to digital cash can mean reduced budget costs, as in the case of Nigeria. The IMF estimates that an Ethiopian government shift to digital payments could save about 1.7% of GDP, ranging between USD\$5 and 9 billion. She underscored the importance of diversification of economies and the harnessing of technology coupled with cooperation between public and private sectors. These, as cooperation between and with multilateral institutions such as the IMF and UNECA, were crucial to sustained growth. Noting that digital tools had the potential to help reduce corruption, increase revenue, and generate investment in health and education, she stressed that technology would be a decisive factor in meeting the 2030 Sustainable Development Goals.

She further underlined the importance of African governments giving priority to investments in human capital, especially investment in programs aimed at boosting healthcare and education.

At a joint press briefing with the Executive Secretary UNECA, Mrs. Vera Songwe, Ms. Lagarde highlighted the importance of identifying tools, finances, and infrastructures to benefit the African youth. The UNECA Executive Secretary in turn emphasized the importance of the work of the IMF and UNECA to ensure macroeconomic stability. She also noted that working on new models of growth to better harness benefits from innovation and demographic dividends was essential. The IMF and UNECA have agreed to join forces to alleviate the demographic challenges the continent is facing and in reaching the SDG goals.

### *...and in Djibouti*

Following her visit to Ethiopia, Ms. Lagarde went on to Djibouti at the end of the week for a three-day visit where she focused on harnessing trade and technology for inclusive growth. She held talks with President Ismail Omar Guelleh and other officials, as well as meeting representatives of SOS Children Villages.

Ms. Lagarde spoke at a "Vision Djibouti 2035" Conference, on Sunday (December 17), reviewing the socio-economic evolution of the country and its prospects for growth in the context of the government's strategy to make the country a regional hub. She underlined the path the country should take to put new technologies and international trade at the service of inclusive growth. The conference focused on the theme, "How to bring international trade and new technologies for inclusive growth", and Ms. Lagarde emphasized these were essential for all countries, but they were important above all for small states like Djibouti, where, combined, she said, trade and technologies could play a major role in an economic transformation. She welcomed the fact that international trade and new technologies had been placed at the heart of the country's development strategy. She said: "Djibouti can show the way. For this, the country must become a nerve center of trade and logistics for the entire region, drawing on the experience of other port economies and contributing to the economic growth of Horn of Africa, region of East Africa, and beyond." Ms. Lagarde said: "this strategy will also enable Djibouti to achieve its ambition of

becoming a prosperous middle-income country, in which all citizens can benefit from the benefits of growth."

According to Ms. Lagarde, the path to dynamic and inclusive growth involves taking into account certain factors, the first of which is for a country to take full advantage of international trade. She said: "Openness to international trade is helping to improve living standards in all countries," citing the opportunity offered to consumers and businesses who benefit from lower prices and greater variety of products. She said: "This is particularly important for consumers who, through trade, will have greater access to cheap, imported products." International trade, she said, can boost productivity by offering businesses the adoption of new technologies and new production processes. The good news for Djibouti, she said, was that trade should grow by 4% in 2018, thanks to the acceleration of overall growth. "This opens up huge prospects for Djibouti," the IMF Director said, adding that the country's new ports would capture a larger share of global and regional trade flows, contributing to improvements in productivity, thanks to the high level of automation. She also argued that the long-term goal should be to move towards higher value-added services to increase benefits from the growth of international trade. Trans-shipment activity, advanced logistics, and financial and legal services must all take off to make Djibouti a hub of regional trade. This, she said, needs a strong and vibrant private sector to create more jobs and reduce the very high unemployment rate, offering the next generation better prospects.

### ***Ethio-China Economic, Trade and Culture Cooperation Forum in Hangzhou***

The Ethio-China Economic, Trade and Culture Cooperation Forum opened on Wednesday (December 20), in Hangzhou, with State Minister for Foreign Affairs Dr. Aklilu Hailemichael leading a high-level Ethiopian delegation which included State Minister of Industry, Temesgen Bogale Feleke, and the State Minister of Culture and Tourism, Remadan Ashenafi, as well as Ethiopia's Ambassador to the People's Republic of China, Ambassador Berhane Gebre-Christos and Ambassador Mulie Tarakegn, Consul General of Ethiopia in Shanghai.

In his opening remarks at the Forum, State Minister Dr. Aklilu emphasized the long-standing and strong relations between the two countries and their shared insights on various socio-economic issues. The State Minister also extended his appreciation on behalf of the Government of Ethiopia to China for the close collaboration achieved in numerous areas. He noted their common aspirations on various areas of cooperation, and praised the Government and People of China for playing a prominent role in Ethiopia's economic boom. He underlined that Ethiopia attached a great deal of importance to the relationship between the two countries. He described the Forum as historic as "it further advances the ties between our two countries to a higher level." The State Minister took the opportunity to detail Ethiopia's significant potential for further investment, and briefed participants of the Forum on Ethiopia's untapped human and natural resources along with the Government's policies to encourage investment.

Dr. Aklilu also noted the bilateral partnership of the two countries had led to effective development cooperation. He expressed his hope that the strategic partnership between Ethiopia and China would continue to deliver meaningful socio-economic transformational benefits in the future. He said: "We should to promote South-South cooperation and maintain our excellent collaboration within the framework of the China-Africa Cooperation Forum, the G-77 and the Non-Aligned Movement among other multi-lateral fora". The State Minister emphasized that that the Forum would further enhance the multifaceted ties between the two countries.

Mr Chen Xinhua, Vice-Mayor of Hangzhou commended Ethiopia's rich historical background, and stressed ways to improve what had been achieved so far by the two countries and the importance of

further mapping out fields of cooperation in different fields. He noted that the two countries' bilateral relations would continue to encourage win-win benefits for both peoples. Similarly, Mr Chen An, Deputy Director of Department of Foreign and Overseas Chinese Affairs said Ethiopia and China had strong and longstanding bilateral relations, as demonstrated by various high-level engagements. He also emphasized that Ethiopia and China would continue to work together further in various ways.

Ethiopia and China have, indeed, enjoyed long-standing relations for many years. Since the establishment of diplomatic relations, they have steadily strengthened a relationship based on their common interests. They have been and continue to work closely together in regional and international fora.

### *Somalia concerned by US suspension of food and fuel to its army*

President Mohamed Abdullahi addressed military commanders and senior officials at the Ministry of Defense headquarters, on Monday (December 18). He said the government of Somalia would do all it can to pay salaries and buy equipment for its soldiers. Referring to reports last week that the US was suspending food and fuel aid for most of Somalia's armed forces over corruption concerns, he said: "I hereby certify that if a thing is halted, as a government we shall put effort five hundred percent so that the suspension does not affect anyone." He added: "Whether it is salary or equipment, the government will bring what it can." The President said Somalia thanked the foreigners who were supporting it, adding that if they raised criticisms, then it would need to rectify the problem. He did not mention any specific donor or issue, but said "If you have someone who is ready to lend you a hand, you have to avoid things that can bring suspicion."

The President also praised the army for their braveness and efforts in fighting Al-Shabaab and said that as a result of its efforts the country had moved forward in attaining peace. He told the commanders that they should not relax but rather increase their efforts in fighting all anti-peace agents. He said: "We have to increase our efforts up to five times and not be bored even for a single minute because this is the time we need to prove ourselves...You have the ability but if [the army] lacks morale and loyalty, it will be like a container with a hole at the bottom and that is something you need to teach your junior officers. With the will of Allah, we will succeed in these activities that we are preparing for and I will channel much of the government resources into the army so that we free this country from any insecurity".

Last week, there were reports that the United States was suspending some of its food and fuel aid to Somali National Army units because of concerns over corruption. The move apparently came after the Somali military had failed to meet the standards for accountability for U.S. assistance. The U.S. Secretary of Defense, Jim Mattis, said on Friday (December 15) that he was optimistic about improving Somali accountability concerning the distribution of American aid to Somali armed forces. He told reporters he was sure "we can get this thing under control, even if it's not for the whole, but for parts of it." A State Department official said the US was "adjusting U.S. assistance to SNA units, with the exception of units receiving some form of mentorship, to ensure that U.S. assistance is being used effectively and for its

intended purpose.” The spokesperson said the decision would affect the majority of U.S. logistical support and stipends assistance to the Somali armed forces "until additional transparency and accountability measures are in place." She added that the Somali government had agreed to develop new accountability criteria that met American standards.

The United States also suspended a programme paying soldiers \$100 monthly stipends in June after the federal government refused to share responsibility for receiving the payments with regional forces. The US has previously suspended the program over concerns that the money was not going to frontline soldiers fighting against Al-Shabaab. The State Department official said Washington would continue to support small, Somali special forces units mentored by U.S. personnel and would work with the Somali government to agree criteria that could restore support to other units.

Earlier in the year, a team of U.S. and Somali officials visited nine army bases to assess whether the men were receiving the food the United States provided for 5,000 soldiers. The US team said they did not find the expected amount of food nor were there the expected numbers of troops present. The "Operational Readiness Assessment", conducted by the government, the African Union and United Nations, also found that approximately 30% of the soldiers in the bases did not have weapons. The evaluators said some units also lacked medium and heavy weaponry, and some were "undermanned". The assessments drew attention to the fact that many soldiers lacked guns, uniforms, food, vehicles or tents; units didn't have radios, and lacked boots and medical equipment such as tourniquets and other basic equipment. Units on average were at only 62% of their authorised strength, and only 70% had weapons. Since September, Al-Shabaab has overrun four government military bases, killing more than 60 soldiers and seizing quantities of weapons. The reports said troops relied on support from AMISOM forces or local militias. The report concluded that the SNA was a fragile force with extremely weak command and control, and said it was "incapable of conducting effective operations or sustaining themselves." Officially, Somalia's army is 26,000 strong, but actual numbers are currently far less. The National Security Plan, agreed earlier this year, calls for a military of 18,000 soldiers, funded by the central government and operating country-wide and incorporating substantial numbers from the regional governments.

Somali Prime Minister Khayre said on Saturday that the government had asked the U.S. to suspend aid to much of the armed forces for a brief time as part of the government's effort to improve transparency and accountability following corruption concerns. He said the government stood for the need for Somalia to be governed on transparency principles, and to ensure this Somalia and the U.S. government had agreed to the aid suspension." The Prime Minister said: "We have done a study that made it possible to find out the challenges against rebuilding our national army, including diversion of soldiers' salaries, lying about the list of the active and alive military personnel, and as a result, we have jointly decided to suspend the U.S. aid to parts of Somalia's military for a few weeks until we improve and fix the errors."

Acknowledging the army's shortcomings, he said: "There are some who are not armed. We are working to complete their equipment but a majority of them have weapons." He also accepted that some units had been unmanned at the time of the assessment commissioned by Prime Minister Khayre and conducted between August and September and submitted to the government in November. When making the assessment, the Minister said, "we did not announce and say people have to report for this assessment, we only went there and assessed those ready in their bases, their training and equipment," adding, "there were gaps, there were brigades which were undermanned." The Minister said the number of soldiers on the army payroll was 26,000 but that number included retired and older soldiers, disabled and orphans. He noted the concerns that had been raised on how support was utilised and distributed. He said the federal government was working to address these, and noted the United Nations was creating a biometric

database and planned to help the Somali government make cash payments directly to soldiers via mobile phones. The government was also now setting up a separate system for widows, orphans, and the wounded so the payroll would adequately represent military strength.

### ***President Kenyatta hosts President Museveni for an official visit***

President Uhuru Kenyatta hosted Ugandan President Yoweri Museveni on Wednesday this week (December 20). At talks, also attended by Deputy President William Ruto, they hailed their strong bilateral relations and committed themselves to strengthen ties even further. They also discussed bilateral and regional issues, including progress on the Standard Gauge Railway, Economic Partnership Agreements with the EU, the running of the East African Community Secretariat, regional troops in Somalia, and peace initiatives in South Sudan.

President Kenyatta briefed President Museveni on investments at the Port of Mombasa, including the operation of a second container terminal, which has increased the port's overall capacity to 1.65 million containers. This is the first phase of a three-stage project, which, when complete, will bring the total capacity of the port to 2.7 million containers per year. The modernisation programme has already resulted in reducing the average time to import and export goods through the port of Mombasa from 11 days to under 3.5 days. President Kenyatta also noted the commissioning of the Inland Container Depot at Embakasi at the weekend. With the launch of the cargo rail freight on the Standard Gauge Railway, from January most goods will be transported from Mombasa by train. This will further shorten the time of transport of goods from Mombasa both within Kenya and to neighbouring countries as well as cut costs by a further 30%.

President Kenyatta also noted that Phase Two of the Standard Gauge Railway from Nairobi to Naivasha is on schedule and is due to be commissioned in 2019. The two Presidents agreed to work jointly to take enhanced actions on the SGR that would stretch from Naivasha to Kisumu and onwards to Malaba on the border with Uganda. The line to Kisumu will also serve Uganda through the Lake Victoria ports of Jinja, Masaka and Entebbe. President Museveni said Uganda was ready and committed to the Standard Gauge Railway project, and would work with Kenya to achieve it. The two leaders also discussed the status of Economic Partnership Agreements with the European Union. President Museveni will convene a meeting of East African Community Trade Ministers in Kampala in January to discuss the way forward as a follow-up to discussions held in Brussels earlier this year. Another subject of discussion was progress at the East African Community Secretariat and in the Community's other structures. They agreed to keep a close eye to ensure effectiveness and efficiency in the delivery of the ECA's programmes and mandate.

President Kenyatta and President Museveni also discussed the continued deployment of AMISOM troops in Somalia. They emphasised that it was necessary for the Somali government to continue building and strengthening its national army. President Museveni agreed to convene a meeting of the Chiefs of Defence Forces from the Troop-Contributing Countries to discuss AMISOM progress. He said he would also consider convening a summit of the Troop-Contributing Countries. They underlined their commitment to continue to work to ensure peace and stability in Somalia and in South Sudan.