

# A Week in the Horn

## 11<sup>th</sup> July 2014

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### News in Brief

#### African Union

AU Commission Chairperson, Dr Zuma, expressed readiness to work together with the new members of the AU Panel of the Wise appointed at the Malabo Summit: Dr Lakhdar Brahimi (Algeria); Mr Edem Kodjo (Togo); Dr Albina Faria de Assis Pereira Africano (Angola); Dr Luisa Diogo (Mozambique) and Dr Specioza Naigaga Wandira Kazibwe (Uganda). The Chairperson paid tribute to the outgoing Panel, chaired by the late President Ahmed Ben Bella, whose members, former President Kenneth Kaunda, Dr Salim Ahmed Salim, Madame Marie Madeleine Kalala-Ngoy, and Dr Mary Chinery Hesse, become Friends of the Panel.

The World Food Program (WFP) and the UN Refugee Agency (UNHCR) have launched an urgent appeal to address a funding shortfall that has already resulted in reduced monthly food allocations for nearly 800,000 refugees in 22 African countries. WFP is appealing for US\$186 million to maintain its food assistance through the end of the year; UNHCR is asking for \$39 million to fund nutritional support and food security activities. Worst affected are refugees in Chad, Central African Republic and South Sudan.

Dr Nkosazana Dlamini Zuma, on Thursday (July 10) appointed Dr Maman S. Sidikou, as the new African Union Special Representative for Somalia and Head of AMISOM. Dr Sidikou replaces Ambassador Mahamat Saleh Annadif, who was AU Special Representative November 2012 to June 2014. Dr Sidikou has been Niger's Ambassador to the US since October 2011 and previously served in Niger's Government in various senior capacities as well as working for a number of international organizations.

#### Ethiopia

President Mulatu Teshome on Tuesday (July 8) met the Prime Minister of the People's Republic of China, Li Keqiang, in Beijing. Discussions centered on the importance of strengthening mutual benefits and expediting cooperation as well as advancing common development. President Mulatu noted that Ethiopia-China bilateral relations were guided by mutual trust, mutual understanding and win-win results, and that China was an important partner in Ethiopia's march to national renewal and development.

Prime Minister Hailemariam told Parliament on Monday (July 7) that Egypt has shown a major shift of stance toward the GERD and he welcomed "the recent shift in stance demonstrated by the new Egyptian leadership." The Prime Minister and Egyptian President al-Sisi agreed at the Malabo Summit to resume tripartite talks on the Dam.

Foreign Minister Dr Tedros Adhanom on Monday (July 8) met with Mr Aeneas C. Chuma, Assistant Director-General and Regional Director for Africa of the International Labor Office (ILO) who noted that the ILO was prepared to promote entrepreneurship, broaden access to affordable capital and provide social financing to youth in Ethiopia.

The House of People's Representatives (HPR) received an award from the World Health Organization. The House, which ratified the WHO Framework Convention on Tobacco Control (FCTC) in January, set up a smoke-free work environment to protect non-smoking employees from secondary smoking. It has also been taking other steps to oversee the efforts to control tobacco use in society.

The Ministry of Health, in cooperation with key stakeholders, launched on Monday (July 7) a two-day national conference in Addis Ababa under the theme "Ending Fistula and Transforming Lives", and announced that it has prepared a national action plan to eliminate obstetric fistula from Ethiopia over the next six years.

The caucus of **Ethiopian women parliamentarians**, past and present, held a consultative meeting with representatives of the Embassies of China, Egypt, South Sudan, Brazil, France and Mexico this week on ways to work together with the diplomatic community to improve the decision-making role of women.

## **Djibouti**

The government has cancelled DP World's concession to run the Doraleh Container Terminal after finding evidence of corruption. DP World was given a 30-year concession to operate the container terminal in 2006. Talks aimed at resolving the issue have broken down and the government is seeking damages through arbitration. DP World rejected the accusations and said it would defend its position. It will manage the container terminal pending arbitration.

## **Kenya**

Former Prime Minister Raila Odinga, who heads the opposition Coalition for Reform and Democracy (CORD) returned to Kenya last month after three months abroad. On Monday (July 7) he led a demonstration in Nairobi as part of his demands for a "national dialogue" with President Kenyatta who heads the Jubilee Coalition which won the 2013 election.

## **Somalia**

The Al-Shabaab terrorist attack on the Presidential Palace in Mogadishu on Tuesday (July 8) has been strongly condemned by IGAD which applauded the Somali Armed forces and AMISOM peacekeepers for their efficiency and commitment in effectively defending the Palace. (See article)

Abdullahi Mohamed Ali, Somali Ambassador to the UK, has been appointed Director of National Security. His appointment is one of several changes to the government's security after several high profile Al-Shabaab attacks. (See article)

The UN's Food Security and Nutrition Analysis Unit (FSNAU) said on Monday (July 7) that Somalia was sliding back into an acute hunger crisis with parts of the capital facing emergency levels just short of famine. The food security crisis is expected to worsen over the next several months following poor performance of the main rainy season, shrinking humanitarian assistance and access, increasing malnutrition, conflict and surging food prices.

## **South Sudan**

The third anniversary of independence was commemorated on Wednesday (July 9) in Juba. Speaking at the anniversary, President Salva Kiir said former political detainees were free to return and participate in efforts to end the conflict in the country. He said "We want solutions. We don't want problems to continue." (See article)

## Sudan

President Omer al-Bashir told members of Sudan's National Election Commission on Monday (July 7) that the government wouldn't intervene in the upcoming 2015 elections saying the process must be fair and transparent. He also said Sudan would welcome world powers monitoring the electoral process.

A group of Sudanese journalists have been visiting major development works in Ethiopia this week, including the Grand Ethiopian Renaissance Dam (GERD) on which they were briefed by the project manager, Engineer Simegnew Bekele. They concluded GERD will not cause any appreciable harm to downstream countries and said it offered useful developments for fishery, tourism and research purposes as well as power generation.

The Minister of Mining, Ahmed Mohamed Sadiq al-Karuri, predicted on Monday (July 7) that Sudan will be Africa's largest gold producer by the year 2018. It currently ranks third after Ghana and South Africa in gold production.

Sudan's Central Statistics Office said this week that the annual inflation rate jumped to 45.3% in June, reflecting a 10 percent rise in prices of consumer goods.

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## Parliament adopts budget for the Ethiopian fiscal year 2007 (2014-15)

The House of People's Representatives adopted the draft budget submitted by the Council of Ministers on Monday (July 7) after detailed discussions and deliberation. At 178.6 billion birr (\$9.2 billion) the budget for this fiscal year (July 8 to July 7 2015) is 15.1% up on last year. Of this, 37.5 % (66 billion birr) is allocated for capital expenditure, 28.9 % (51.5 billion birr) as federal budgetary support to regional states, 25.1% (45 billion birr) for the recurrent budget and 8.4 % (15 billion birr) for programs aimed at meeting the Millennium Development Goals (MDGs). The budget boosts spending on education, health and road building and a considerable amount goes to ensure completion of major projects under the five year Growth and Transformation Plan which ends next year.

The budget is based on forecasts for a good harvest expected later in the year to boost economic growth. It is largely devoted to expansion of basic services, employment expansion, and infrastructure development while maintaining a macroeconomic balance. The share provided to the MDG's also underlines the emphasis on pro-poor provision and human capital development. This is best exemplified in the allocation of a 12% increase in the budget to be spent on infrastructure, with 29 billion birr earmarked for upgrading and rehabilitation of roads alone. In general 64% of the budget will be spent on development activities. Of this education gets 24.55 billion birr up from 22.48 billion the previous year; health spending will rise by 12% to 5.15 billion birr; and 29 billion birr will be spent on road building; defense spending rises by 0.5 billion birr to 8 billion (4%). Earlier, the Minister of Finance, Sofian Ahmed, explained that the government planned to collect 43 billion birr from domestic revenue and 12.1 billion birr from foreign loans and aid. The remainder would be covered by the Treasury, and the Government also expects \$500 million from development partners to help finance the budget. An opposition motion rejecting the proposal that the budget deficit could be filled by local loans was rejected.

During the session, Prime Minister Hailemariam responded to questions from MPs on inflation and export performance as well as on next year's election and on relations with Egypt. He told MPs that the Government had substantial plans to further boost domestic revenue and the performance of the export sector. Numerous activities were being undertaken to strengthen exports, and increase export revenue earnings which he stressed remained a major element of the national budget. He said a strong focus was being given to improvement of agricultural exports with a focus on such items as coffee and sesame. The Prime Minister noted that although 50% of land was suitable for the production of these items, much remained under-utilized. The Government, he said, was working on expanding the area of production as well as increasing production in existing areas producing these products.

Questions were raised in relation to the Government's recent announcement of a salary increase to civil servants, and MP's asked about measures taken by the Government to prevent inflation and to stop hoarding in anticipation of obtaining bigger profit margins. The Prime Minister underlined that the recent salary

increment had been made after taking into consideration numerous factors to avoid any hike in inflation. In fact, the Prime Minister said, the salary increment had been intended to take place last fiscal year. It had been postponed until this year in order to ensure that the fall in the rate of inflation to single figures remained throughout the year, as it had done in 2006. After seeing this was the case, the Government, observing that inflation had remained in single figures the whole year, decided it was time to give the increment, which also applies to pensioners. The Prime Minister stressed that the increment was made after a thorough study of the possible consequences. He underlined that the **consumers' unions** established in the cities would play a significant role in fighting any myopic and self-centered trade practices, and help discredit any unlawful business practices, including price hikes by some unscrupulous and illegal traders. He also mentioned that the establishment of a government-owned wholesaler, "Alle", would help to address the problem as it would be able to deal with artificial price rises created by any oligopoly of business community members or problems arising from the value chain of wholesale trade.

The Prime Minister also took the opportunity to reply to questions related to the upcoming national election in May 2015. He said the Government was working to ensure a huge turnout of voters in the pre-election and post-election processes of the 2015 national election. It was determined to make it free, fair and transparent. He emphasized that competing political parties should observe the rules provided by the election Code of Conduct to make it successful and allow the parties to live up to the expectation of the public at large. He said the Political Parties' Forum was working to ensure a successful election, and underlined the importance of any parties which were not members of the Forum abiding by the election laws and the Code of Conduct. He cautioned any parties which intended to try and turn the election into violence and chaos and said the Governments would discharge its duty of maintaining law and order and take any necessary measures against those who violate the law.

Prime Minister Hailemariam also responded to a question on the relationship between Ethiopia and Egypt. He noted that Ethiopia's position regarding the Renaissance Dam remains the same. Ethiopia was always ready to narrow any differences with Egypt on the issue of the Dam on the basis of accepted norms of international law. Ethiopia, he said, is ready to talk with Egypt as long as a similar attitude prevailed on the part of Egypt to foster good relations with Ethiopia.

### **Third anniversary of South Sudan's independence: new calls for peace**

The Republic of South Sudan commemorated on Wednesday (9 July) the third anniversary of its independence from Sudan. Speaking at the anniversary, South Sudan President, Salva Kiir, said former political detainees were free to return and participate in efforts to end the conflict in the country. He said: "We want solutions. We don't want problems to continue." He also urged the leader of SPLM/A-in-Opposition, Riek Machar, to reconsider his position on the use of force and walk the path of peace. "I am still renewing that call for Riek Machar to reconsider his position even if he thinks that he is militarily very strong and that he can defeat the government forces." He should consider the cost to the country and the effects on so many people. President Kiir called on the mediators from the regional bloc (IGAD) to deploy the monitoring and deterrent forces in the country as soon as possible. Speaking on the occasion, Uganda's President Yoweri Museveni called on President Kiir and Dr Riek Machar to abide by the agreement they made in Addis Ababa in May to end the conflict in the country. President Museveni said "The peace which you agreed to in Addis Ababa is very important and I am sure if all the parties respect what is in that peace agreement, South Sudan will reach total peace throughout the whole country and you will continue on your journey of construction and development."

Prior to the Independence Day celebration, South Sudan Foreign Minister, Barnaba Marial Benjamin, said the South Sudanese people had a lot to celebrate because they had freedom. He said the country would emerge from its conflict just like most other countries that have had similar problems. "There is no country on the continent that has not had crises. Everywhere there are problems, but you don't forget the essence of your dignity and freedom. And that's why we celebrate," Mr Benjamin said.

A spokesperson for the UN Secretary-General Ban Ki-Moon, in a statement recalled the hopes and expectations of the people of South Sudan when the country was established on 9<sup>th</sup> July 2011. The conflict that erupted in December last year had dashed the people's hope. Mr Ban Ki-Moon added: "thousands of South Sudanese have been killed, and atrocities have been committed against civilians." The statement went on: "The South Sudanese people are bearing the brunt of the failure to stop the fighting. They are living in squalor, their livelihoods have been lost and they are plagued by hunger, disease and insecurity." More than

1.3 million people have been driven from their homes by the violence and, the statement added, the people of South Sudan could expect more of the same “unless... the parties cooperate.” Reminding the leaders of South Sudan that the crisis was man-made, the Secretary-General urged the warring factions to live up to the expectations of their people, lay down their arms and “return immediately to the negotiation table.”

The head of the African Union team investigating atrocities in South Sudan, Olusegun Obasanjo, in his report presented to the African Union Summit held in Malabo, Equatorial Guinea, two weeks ago also stressed that South Sudan's warring leaders must resume stalled peace talks in earnest otherwise the bloody conflict would be written off as an international lost cause. Mr Obasanjo said the warring parties “have to realize that the world is watching them, and the world will not wait for them indefinitely.” He said “the alternative to talking is for them to go into violence again: we must encourage them to keep talking.” He urged the South Sudan leaders to focus on political reform, arguing that justice is a crucial first step towards ending the conflict.

US Secretary of State, John Kerry, noted that “three years ago I witnessed the people of South Sudan vote to forge a new nation, founded on the promise of a more peaceful and prosperous future for all of South Sudan’s people.” Now, he said, the current conflict “threatened that promise for which the people of South Sudan suffered and sacrificed so much.” In a statement, Mr Kerry said: “Too much blood has been spilled, and too many lives have been lost, to allow South Sudan’s moment of hope and opportunity to slip from its grasp.” He noted that “it is high time to honor fully the Cessation of Hostilities Agreement of January 23 to end the violence, especially the violence being targeted against civilians.” Mr Kerry also urged the two parties to use the Intergovernmental Authority on Development peace process to end the conflict and establish a transitional government that could ensure stability, prosperity, and peace for all. “Now is the time for South Sudan’s leaders to show courage and leadership, and to reaffirm their commitment to unity, reconciliation and accountability, and to a better future for the people of South Sudan,” his statement said. Mr Kerry reiterated the United States’ commitment to supporting the people of South Sudan during this time of difficulty, and to continue to lead the international response to the looming humanitarian and refugee crisis.

Earlier, in order to give impetus to the IGAD peace process, the Chair of the IGAD Special Envoys on the Conflict in South Sudan, Ambassador Seyoum Mesfin, held an interactive dialogue (June 27) with the UN Security Council. Ambassador Seyoum stressed that “Inclusivity must remain the principle that guides the peace process, and this entails participation of stakeholders without discrimination.” This, he said, could not be negotiable. Ambassador Seyoum informed the Security Council that regrettably the parties to the conflict were not offering full cooperation, and the people of South Sudan were unfortunately paying the price for this intransigence. He sought the Council's collective resolve to demonstrate to the parties that the conflict, and their unwillingness to engage in the peace process in good faith, was unacceptable. He urged the international community to demonstrate a unified voice, not to stand idly by while the tragedy in South Sudan continued to unfold.

The Special Envoy explained to the Security Council the various efforts being made by the leaders of the regional grouping and what had been achieved. He noted the convening of the recent Summit of the Heads of State and Government, the appointment of special envoys to lead the IGAD mediation, the call for an immediate cessation of hostilities and the start of talks inclusive of representatives of broad sectors of South Sudan society. Ambassador Seyoum pointed out that “returning to the *status quo ante* by bringing the two sides into a power-sharing agreement would not resolve the crisis, but merely postpone it.” He said South Sudan had to deal with the underlying causes of the crisis and had to guarantee a peaceful future by ushering in a new political dispensation. This, he emphasized, also had to enjoy broad endorsement of the people of South Sudan.

Ambassador Seyoum also cautioned that making a mockery of the peace process and the agreements reached should not be allowed. The consequences were too grave. He said the United Nations should be committed to a peace that contributes to the stability of the entire region, as the region already demonstrated its commitment to this. He therefore said the Council should remain united, continue to provide political and other necessary support to IGAD mediation efforts and that it should demand the implementation of the Cessation of Hostilities Agreement. He also emphasized that the strengthening of the UNMISS protection mandate must be visible and shown on the ground, particularly in the three States affected by the conflict. “If the parties continue to make a mockery of the agreement they have signed, there must be consequences, and here again we must act together to demonstrate our collective resolve.” IGAD’s

Heads of States have called on all parties to refrain from any behavior that would obstruct an inclusive peace process, and have made it clear they would take further collective action, including imposition of punitive measures, to pressurize any party which fails to honor its commitments. The communiqué issued by the African Union on June 12 also affirms its readiness to enact similar measures, he noted.

Ambassador Seyoum repeated that inclusivity must remain the principle that guides the peace process and this entailed participation of stakeholders without discrimination. Noting the importance for the Parties to implement what they agreed upon, he said "calibrated pressure must be applied from all sides." He proposed that the work of the AU Commission of Inquiry should be assisted and expedited, cautioning that reports on human rights must be heeded and impunities should not be condoned, to allow the process to contribute to national reconciliation and healing. Urging humanitarian assistance be redoubled, Ambassador Seyoum also called for the commitments made in Washington and in Norway to materialize. In conclusion, he invited members of the Security Council, in their planned visit to the region, to consider holding their session in Addis Ababa, where the parties could be available for engagement with the Council.

### **Ethiopia's economic growth to be higher than previously estimated says IMF**

The International Monetary Fund's annual Article IV Consultation with the Ethiopian government was conducted in June of this year. These Article IV Consultations – so named after the enabling article in the IMF's Articles of Agreement - provide a mechanism for the IMF to exchange views with governments and central banks and assess whether there are risks to domestic and global stability that require for adjustments in economic or financial policies. The Mission that came for the IMF Consultation held discussions with Prime Minister Hailemariam, Teklewold Atnafu (Governor of the National Bank), Dr Abraham Tekeste (State Minister of Finance and Economic Development), the Prime Minister's Chief Economic Advisor Ato Neway Gebre-ab and other senior government officials.

At the end of the Consultation, the IMF's delegation issued a statement saying that the mission predicted a higher growth for the Ethiopian economy for the coming year than the Fund had earlier estimated. In a press release, it confirmed that the Ethiopian economy was still going forward at full strength and that the main structural elements remained healthy. It said "the Ethiopian economy continues to experience robust growth and single-digit inflation .... The expansion in economic activity has contributed to poverty reduction and progress toward achieving the Millennium Development Goals".

Even though there is slight difference on the exact figure of the growth rate among international institutions and the Ethiopian government, the basic assumptions of the major institutions on the fundamentals of the Ethiopian economy are similar to that of the government's. The IMF Mission's press release echoed the same line when it said "Ethiopia's public sector-led development strategy has delivered robust growth and rising living standards." The Mission's statement also recommended stronger participation of the private sector saying "in terms of the next Growth and Transformation Plan, consideration should be given to mitigating constraints to private sector development and improving export competitiveness". As noted in the recent National Business Conference (see following story), the Government would agree.

The Ethiopian Government has made poverty reduction and the provision of basic services to all, the central elements of its vision to transform the economy from the current agrarian base to an economy driven by the manufacturing sector. To achieve these goals, Ethiopia has been implementing a number of policies and strategies designed to bring a sustained and fast economic growth rate over a long period, to bring stability to the macro-economic environment of the country and to create millions of jobs for the country's booming young population. **The fast rate of economic growth, now sustained for over a decade, has underscored the viability of Ethiopia's economic development model.** The Government has been actively working to provide the basic infrastructure needed to transform the economy and bring about a manufacturing boom. Production of energy is set to increase five-fold from current levels in just the next year; railways are expected to create an inter-country network and link the country with its neighbors; industrial parks are being set up across the country to provide efficient services to manufacturers; and legislative reforms are being carried out to streamline economic governance and the Government's regulatory regime.

All these have contributed to a strong Foreign Direct Investment (FDI) inflow over the past few years. In fact, according to UNCTAD, Ethiopia is one of the top FDI destinations in Africa. The UN Agency's World Investment Report for the year 2014 said that Ethiopia had become a steadily increasing recipient of foreign capital and described it as the most attractive destination for international investors in the region. The

report also credited the policies and strategies of the Ethiopian Government, particularly its industrial and investment policies, for the increased FDI flows into the country.

Equally, the IMF Mission statement also emphasizes that the increase in FDI inflow has been beneficial in stabilizing the country's international reserves, affected by the increased import of capital goods supporting the massive infrastructure projects of the Growth and Transformation Plan. The Mission said "deterioration in the trade balance this year was partly offset by higher net inflows from services and transfers. Strong external loan and higher foreign direct investment, however, allowed for a modest increase in gross international reserves".

The official report of this year's Article IV Consultation is due to be released in September. From the Mission statement it will represent another confirmation regarding the correct path of Ethiopia's development policies. This is an approach, as the Ethiopian government has repeatedly asserted, designed to ensure its **economic policies will always be directed to lifting millions of Ethiopians out of poverty and providing at least the basic necessities of living that people deserve**. The past decade has demonstrated that it is, in fact, managing to achieve this.

## **Second National Business Conference held in Addis Ababa**

The Second National Business Conference (NBC) was held last week at the Millennium Hall, in Addis Ababa, with the aim of addressing potential policy and regulatory challenges facing the business community and providing solutions, as well as encouraging ways for sustainable and close engagement of the private sector in the development of Ethiopia's economy. The conference on Wednesday July 2 was preceded by two days of training centered on the Government's "Industry Strategy and Policy" with a view to making the private sector the central player in the industrial development of the country. Organized by the Ethiopian Chamber of Commerce and Sectoral Associations in collaboration with the Ethiopian Renaissance Business Community Association and the Ministry of Trade, the training focused on detailing the strategies and incentives of the manufacturing sector. The Conference itself was organized under the Private Public Dialogue Forum, and chaired by Prime Minister Hailemariam. Attended by all cabinet ministers, it offered representatives of both the business community and high-level government officials the opportunity to exchange views and deliberate on key policy and regulatory challenges and assess the difficulties facing the private sector in the country's overall business and investment landscape.

Following the deliberations and questions raised by the business community, the Prime Minister reiterated on Wednesday (July 2) that the role of a determined private sector would provide the blueprint for the future economic trajectory of Ethiopia. He emphasized that the private sector should explore ways to strengthen Ethiopia's future economic development and sustain the momentum of the present economic growth. He also underscored that the private sector could contribute a lot to the development of the manufacturing sector as well as for service delivery in the bid to build the structural economic transformation of the country. He pledged that the Government was ready to provide loans for those who were determined to work in the manufacturing sector. He also stressed that the country's future economic growth and development would be determined by the advancement of the private sector. He said that the constructive discussion and sustained dialogue manifested in the conference was testimony to the healthy engagement of an effective public-private partnership that could push forward the development of a dynamic private sector.

The Prime Minister recognized that the manufacturing sector presented enormous challenges to the private sector, but he emphasized that the Government was always prepared to stand behind the private sector to deal with the problems and make the manufacturing sector a source of escape from poverty. Recognizing the considerable significance and enormous benefits of the manufacturing sector to the country and its citizens, he added that the path towards industrialization was not free from stumbling blocks, noting that advanced economies had made the transition to industrialization by overcoming various impediments. He said the issues of concern that had been raised during the First National Business Conference (NBC) were being addressed. The potential challenges hindering progress and the involvement of the private sector in manufacturing sector would also be solved through time.

Responding to questions over tax, the Prime Minister indicated that the Government was making efforts to reform taxation, but he said the 50% cash deposit requirement in disputed tax cases was appropriate and would continue. He reaffirmed the necessity to strengthen the tax appeal tribunal, adding that interest and

penalties would no longer be included in the calculation of the 50% deposit. He assured the business community that the Government was prepared to improve the tax audit system.

On the issue of access to finance, the Prime Minister pointed out that the Government was ready to give support to the establishment of equity and joint ventures with the aim of increasing and expanding access to finance. He said preparations were being undertaken with the aim of institutionalizing a secondary market for corporate bonds which could later grow into a fully-developed capital market. Nevertheless, he underlined, due emphasis must be given to banks as they regularly covered the lion's share of loans. Both the Government and the private sector must forge ties to mobilize savings. The Prime Minister stated strongly that his Government regarded the private sector as a motor for the country's economic development and transformation. He agreed development of the private sector strategy could be explicitly stated in the next Growth and Transformation Plan if necessary.

After presenting a number of key policy and regulatory challenges including issues of tax administration, accessing finance, obtaining land and construction permits, Solomon Afework, President of the Ethiopian Chamber of Commerce and Sectoral Associations, applauded the contributions and the constructive role of the Government in the blossoming of the private sector. He also appreciated the signing of a Memorandum of Understanding implementing the electronic single window system, aimed at easing regulations for import, export and transit clearance. He welcomed the Ministry of Trade's elevation of the online trade registration and licensing system to a new level, and said the system created enabling conditions for traders to access efficient electronic trade licensing. Ato Solomon emphasized that poor accessibility to finance was the major impediment that prevented the development and growth of businesses, and stressed the need to provide special credit lines for small and medium scale enterprises. He called urgently for an institution to be set up to monitor and enhance the investment and business landscape of the country. This, he said, would advance the development of investment in manufacturing and other sectors.

With the manufacturing sector seen as the centre of the nation's transformation agenda, the Forum is a testimony of the importance the Government gives to the Public-Private Dialogue in order to inject a new impetus for collective action into the area of industrial development, to fast-track Ethiopia's socio-economic development; hasten human capital development, science and technology and innovation; diversify sources of growth; sustain the momentum of the current economic development and extricate millions out of poverty as well as create a powerful middle class. The annual Public-Private Dialogue between representatives of government and the private sector is seen as a means to foster unity of purpose and deepen ties to jointly define the transformation of the economy and develop industrialization. As part of its efforts to develop future potential for the manufacturing sector, the Government has taken various measures to devise transparent laws and regulations as well as build effective and accountable governance and institutions that can expedite the transformation and provide inclusive growth and industrialization. The Government believes that the participation of the private sector in development of nascent industries will consolidate the notable economic and social progress made so far; create and diversify employment opportunities; increase investment in skills, science, technology, research and innovation; improve agricultural production and food security, as well as create a structural transformation of the economy. One example of this is the Government's commitment to investment in developing industrial zones with the aim of elevating the engagement of the private sector to a higher level and addressing bottlenecks in the business community's participation in industrial development.

### **An attack on Somalia's Presidential Palace**

On Tuesday (July 8), Al-Shabaab launched an attack on Villa Somalia, the Presidential Palace in Mogadishu. The attack was quickly dealt with by security forces. At a subsequent press conference, Minister of Information Mustafa Duhulow provided details of the attack. "The attackers approached in a Noha people carrier vehicle, but were stopped at a checkpoint by Somali National Army personnel. At this point the attackers left their vehicle, and detonated a bomb in the car before attempting to penetrate an office complex that houses the offices of various Ministries. The prompt actions of the Somali National Army, assisted by AMISOM forces, quickly halted the attack. Of the four attackers, three were killed in the car park, and one was captured. Bomb disposal personnel rendered safe a number of devices, including a suicide vest that one attacker was wearing that failed to detonate." The Minister said the terrorists attacked just before Maghrib, the time of Iftar, the meal to break the Ramadan fast after sunset, and described these unholy actions by Al-Shabaab in the month of Ramadan as "shameful", adding they "despise peace and wish to destroy everything that the government and the people working for."



President Mohamud also addressed the press conference: "Villa Somalia is safe and secure, and I am safe and secure." He said the Somalia National Army, with the assistance of AMISOM forces, had quickly dealt with the attackers and secured Villa Somalia. "The attack failed," he said, adding "the Federal Government of Somalia is here to stay. And I am here to stay, with Allah's will. The terrorists cannot affect the good work we have done together because we are long past the stage where we can be halted. The momentum is with us, and against Al-Shabaab."

The attack on the Presidential Palace was widely condemned. The Special Representative of the UN Secretary-General for Somalia, Nicholas Kay, said after meeting with President Mohamud "Political progress in this country is only possible through the unity of its political institutions, which is why they are being attacked by those determined to plunge Somalia back into turmoil. The United Nations will continue to assist the people and institutions of Somalia as they make progress towards stability and peace." Mr Kay also commended the "prompt action taken by the Somali and African Union security forces, who successfully dealt with the attack. They need the active support and cooperation of the people of Mogadishu." He added that he also commended "the Government's swift action to learn lessons from the recent attacks and to take steps to improve the delivery of security services."

The European Union Special Envoy, Michele Cervone d'Urso, also condemned the terrorist attack on Villa Somalia and expressed his sympathy with the victims and their families. He said he was "appalled by this hideous attack which took place in the month of peace, the Holy Ramadan. I pay respect to those who lost their lives in protecting the Federal leadership and call for a thorough investigation of this attack." He said the EU continued "its unstinting support to the people of Somalia in their efforts to recover from years of conflict and suffering. Such cowardly acts will not be tolerated and those responsible should be brought to justice."

Following the attack, Prime Minister Abdiweli Sheikh Ahmed announced several changes in the Government's security services. These included the announcement that General Khalif Ahmed Ereg, previously head of Benadir regional security as Minister for National Security. He replaced Abdikarim Hussein Guled who resigned in May after the Al-Shabaab attack on the Parliament building. Other changes announced on Wednesday (July 9) included the replacement of Police Commander Abdihakim Dahir Sa'ed by General Mohamed Sheikh Hassan Ismael, and of Security Agency Director Bashir Mohamed Jama by Abdullahi Mohamed Ali, previously Somali Ambassador to the UK, and a former Minister of National Security under President Sheikh Sharif. It has also been announced that Mogadishu's regional police and security commanders will now operate under the auspices of the Benadir Regional Governor to cover Mogadishu and surrounding areas.

### **Failure to understand AU and IGAD aims in Somalia**

A recent article written for Al Jazeera asked whether the current strategy of the Somali government and the international community would bring peace to Somalia. It was written by Professor Abdi Ismail Samatar, a prominent Somali intellectual and a failed candidate in the last Somali presidential election, who questioned whether the current "military and political strategy of the international community and the African Union to stabilize Somalia will advance the cause of peace". Certainly, conflict persists and Al-Shabaab has shown it still retains the capacity to make violent attacks both in Somalia and in Kenya, but despite these there is no doubt the Somali Government, with support from the international community, the AU and IGAD states in particular, is making considerable progress. The forces of the AU Mission in Somalia (AMISOM), operating with the Somali National Army being built up with international training, have been pushing Al-Shabaab back, forcing it to rely on suicide attacks. They drove it out of Mogadishu; and earlier this year liberated a number of towns and large swathes of territory in central and southern areas. The political process is also making progress although not as fast as might be hoped. It bears no resemblance to Professor Samatar's simplistic and inaccurate description. He claims "the international community went into cahoots with sectarian Somali politicians and organized a corrupt and divisive selection process - akin to apartheid - to appoint a new government," describing the choice of "a tribal-based federal system in this most culturally homogenous country in Africa" as intended to "permanently dismember Somalia".

Federalism is not, of course, incompatible with cultural homogeneity in the slightest; indeed, quite the reverse. Equally, to argue that the core political project is "deeply fractured" because it was based on the creation of regions "based on unrealistic and non-existent boundaries" when these have not in fact been

decided let alone defined, is nonsense. It is equally absurd to blame federalism for “political fissures within communities” that are generations old. One only has to remember the last free elections in 1969 when 69 political parties, all clan-based, took part. Any projects to resolve the future of Somalia must take account of the realities on the ground not just the academic theories of intellectuals. The government has yet to finalize the details of the federal system, but there have been promising developments: the Addis Ababa Agreement over the Interim Juba Administration in August last year, and the agreement reached in Baidoa over a three-state region for South West Somalia in May. The creation of regions is not an arbitrary process and it cannot be said to have generated new conflicts.

Equally misleading is the claim that Kenya and Ethiopia are involved in “the fracturing of the country.” Certainly both want to see border areas controlled, and Kenya would like the over 420,000 Somali refugees it hosts to be able to return to their own country. Both would like to see an end to Al-Shabaab activities. They therefore co-operate fully with Somali Government efforts to establish functional and effective local administrations. This is not “carving up areas to set up client provinces” or using “these newly minted client regions as spheres of influences to enfeeble the central government.” One only has to look at the way Ethiopia, Kenya and Uganda, as well as the EU and other international partners, have been trying to train the Somali armed forces, to see this. Ethiopia and Kenya troops did originally deploy independently but both are now in AMISOM. Kenyan forces have concentrated their efforts in AMISOM’s Sector 2 around Kismayo but this is less a matter of support for Professor Samatar’s “sectarian Somali clients to gerrymander the country’s future,” than practical logistics. AMISOM, in any case, is a demonstration of unprecedented joint AU action with participating troops from Uganda (6,223), Burundi (5,432), Djibouti (960), Kenya (3,664), Ethiopia (4,395) and Sierra Leone (850) as well as police units from Nigeria (200) and Ghana (56).

Professor Samatar is equally inaccurate and misleading in his interpretation of Ethiopia’s intervention in support of the then government of Somalia in 2006 and the events of that year, omitting a great deal of relevant information. He suggests the origins of Al-Shabaab lie in “the failure of secular politics to deliver peace and common belonging for the Somali people since 1991,” and that the legacy of Siad Barre’s rule left Islam as the only fixed source of stability. The “Somali Islamic political project culminated in the rise of the Islamic Courts Union (ICU), which liberated Mogadishu and several regions of the country from the tyranny of the warlords in 2006.” Ignoring the role played by clan manipulation in the growth of the (clan-based) Islamic Courts and their gradual takeover by extremist elements, he claims “the ICU’s military success and its popularity among most Somalis immediately attracted the attention of the West, particularly the US, and their Ethiopian allies”. Incidentally to suggest that the rise of Al-Shabaab’s “Islamic political project” met with massive support from Somalis seriously underestimates the degree of violence and terrorism in 2006 and earlier, when literally hundreds of moderates, especially within the Hawiye clan, were assassinated and murdered in Mogadishu, including many professionals, civilians, former soldiers and police.

Professor Samatar claims that, as a result of the ICU and Al-Shabaab’s successes, plans were laid, using Ethiopia as a proxy, to crush the ICU, and essentially, the “West” then set up an external conspiratorial attack to destroy a resurgent Islamic Somali state by others frightened of the successes of the ICU. He is quite simply wrong over how Ethiopia, for example, became involved in Somalia. The reasons had nothing to do with the US or indeed over any concern for any “Islamic political project” as such. Far from acting as a US stalking horse in 2006, the US actually advised Ethiopia not to respond to the Somali Government’s requests for assistance. Ethiopian forces, of course, entered Somalia in July 2006 at the request of the then Transitional Federal Government of Abdullahi Yusuf, a Government recognized by IGAD and the international community, when it appeared the ICU was planning to move against the Government’s seat at Baidoa despite on-off talks in Khartoum between the two sides. Ethiopia dispatched troops to help defend the city and face the threat the ICU posed to the Government. Ethiopia, like other IGAD states, had strongly encouraged the Somali Government to open talks with the ICU in June, and continued to try to keep talks going for most of the year.

Ethiopia was also concerned for its own borders. Some extreme elements in the ICU, specifically Sheikh Hassan Dahir “Aweys” and Hassan Abdullah Hersi al-Turki, both previously leading figures in Al-Itihaad al-Islamiya’s cross-border terrorist operations into Ethiopia in the mid-1990s, strongly supported by more hard-line elements that were later to appear as the controlling elements in Al-Shabaab, declared a jihad against Ethiopia. While this in itself might not have appeared a very real threat, it did indicate the ICU, or some elements in it, had plans to reactivate old claims, abandoned twenty years earlier, to parts of Ethiopia, Kenya and Djibouti.

Of more concern to Ethiopia, in the context of Eritrea's refusal to talk about normalization of relations with Ethiopia after Ethiopia's acceptance of the Eritrea-Ethiopia Boundary Commission's Decisions of 2002, was **the ICU's alliance with Eritrea**. This was specifically aimed at Ethiopia. Eritrea dispatched assistance to the ICU in May/June 2006 after the ICU's seizure of power in Mogadishu and the defeat of the warlord alliance. Eritrean assistance included supplies, weapons and military officers to provide training and support. It also involved the dispatch of a significant number of fighters trained in Eritrea from two Ethiopian opposition movements, the Ogden National Liberation Front (ONLF) and the Oromo Liberation Front (OLF). Both were based in Eritrea and received considerable support, including arms and training from Eritrea. Over a thousand ONLF fighters were sent from Eritrea to Somalia in 2006, and another 800 from the OLF. The OLF fighters were eventually involved in the ICU's advance towards Baidoa and were caught up in the defeat and flight of the ICU forces. The ONLF group, however, was sent to central Somalia and then infiltrated across the border into the Somali Regional State. They were used for ONLF terrorist activities in 2007-8, including the murderous attack on a Chinese oil exploration camp in April 2007 when over 70 workers were slaughtered, many in their beds.

In fact, Ethiopia made strenuous efforts to avoid conflict with the ICU. As well as encouraging the Somali Government and the ICU to talk, and supporting the abortive talks in Sudan between them, it also held its own series of meetings with the ICU during the second half of 2006, to try and reach an accommodation. There were a total of eight high-level meetings. These efforts, however, were rendered ineffective by Sheikh Hassan Dahir 'Aweys' and other more extremist elements in the ICU, including the younger leaders coming to prominence in the movement, who remained obdurate in their claims. It was hardly a surprise that after the ICU was defeated in December 2006, Sheikh Hassan Dahir "Aweys" took refuge in Eritrea, which promptly set up the Alliance for the Re-liberation of Somalia in support of the more extreme elements of the ICU.

Professor Samatar also ignores the fact that immediately after its victories in late December 2006, Ethiopia repeatedly made it clear it would leave as soon as an IGAD force, or some other international response, replaced its troops. It tried hard to organize this. From early 2007 Ethiopia consistently worked to get an IGAD force into Mogadishu or encourage an international response to deal with the country's problems. Its own role was confined to security assistance and never came near any sort of "occupation". Nothing of the sort was ever contemplated. As soon as it was able to do so without abandoning the TNG, Ethiopia immediately withdrew. To suggest, as Professor Samatar does, that "Ethiopian forces were finally holed [up] in three small locations while Somali resistance controlled much of the country" and that "then the international community wooed the leaders of the ICU to jump ship and become the leaders of the TFG" is simply rubbish. Ethiopia and the international community, despite the efforts of Eritrea, consistently made every effort to encourage a political solution to the conflict between the various forces in Somalia. The result was the Djibouti Agreement which did provide for the political involvement of some of the former more moderate members of the ICU and the subsequent creation of the TFG.

Certainly, Somalia's political and social fabric still remains fragile, but to claim it is "rotting" as Professor Samatar does is contradicted by recent developments. The Government still needs to finalize details of the federal structure, to encourage and expand inclusivity, avoid "sterile" political debates and create inclusive structures in liberated areas. Blaming its problems on non-existent foreign domination and alleged involvement of external forces adds nothing to the debate. To go further and claim that "Al-Shabaab might no longer have the capacity to control large areas, but its defeat will likely produce a failed country with a failed state vulnerable to foreign domination" is simply bizarre.