Reform and investment opportunities in Sudan and Ethiopia **Haile Menkerios**

Ethiopia and Sudan are implementing economic reforms that will open the two countries to new opportunities for international investment. After decades of relative isolation, both economies are now making a concerted effort to engage with the international community and global economy. This is not to say that Sudan and Ethiopia are risk-free environments. Both countries will likely continue to see political tension, sporadic unrest and low-level insurgencies. However, all things considered, the trajectory of these two East African countries is promising for business.

In Ethiopia, the leading EPRDF party had established a highly centralized economic development path à la China. However, the current Government led by the reformist Prime Minister Abiy Ahmed, has adopted a new initiative that seeks to unlock the country's development potential, known as the Homegrown Economic Reform package. This package aims to open up previously centrally controlled sectors of the economy to both domestic and international private investment. Telecommunications (such as Ethio-telecom), transport (such as Ethiopian Airlines), and the banking sector are relevant examples here. These key sectors are expected to pave the way for privatization in other areas of the economy, such as land ownership. In turn, the ability to privately own land will make investment more attractive in sectors such as mining, agriculture and light manufacturing.

Aside from privatization initiatives, Ethiopia shows economic promise in other areas. Ethiopia's economy already boasts average growth rates over the last decade of approximately 10%. Despite the impact of COVID19, the IMF still projects that Ethiopia will grow by 3.2% this year. If this comes to pass, Ethiopia will be one of the few economies to avoid recession. The Addis Ababa-Djibouti railway – completed in 2018 – now provides landlocked Ethiopia with easier port access. The announcement of a peace deal in 2018 with neighboring Eritrea will in time also likely allow Ethiopia to regain access to the ports of Assab and Massawa. The completion of the Grand Ethiopian Renaissance Dam (GERD), will nearly quadruple the country's electricity capacity. Ethiopia's demographics are highly favorable – with the second largest population in Africa and one of the world's youngest, with a median age below 20. Ethiopia's economic reform efforts are strongly supported by the US, which has flagged its intention to invest US $5 billion in the country through its newly minted International Development Finance Corporation (DFC). China has been an extensive investor in Ethiopia and has created several industrial parks with the aim of transforming the country into a manufacturing hub. If managed by shrewd diplomacy, Ethiopia may be able to benefit from Sino-US geopolitical and geo-economic competition.

The new civilian-led government in Sudan has announced an economic plan of its own that will also open the country to international investment. The country's economy, besides having been fully controlled by the state and its military, has suffered international sanctions which are currently being lifted stage by stage. Sudan is engaging closely with the US to remove its designation on the US State Sponsors of Terrorism list. Mining in Sudan has significant potential, with the country possessing huge reserves of gold, oil and gas. The GERD will boost Sudanese agriculture and industry by stopping devastating seasonal flooding and providing cheaper electricity. Sudan – often dubbed the potential granary of Africa and the Middle East – has abundant irrigable land and a conducive climate. Increased agricultural production can also attract investment in the agricultural and food processing industries, for which vast markets exist in the neighboring Middle East – easily reachable via Sudan's ports. For their part, Gulf countries have already invested billions in Sudanese agriculture. Like Ethiopia, Sudan has highly favorable demographics, with Africa's 10th largest population and a median age under 20.

Sudan and Ethiopia are not without their problems. Both are in the midst of complex political transitions. The virus has delayed what promised to be Ethiopia's most competitive ever election, originally scheduled for August this year. Ethiopia's political liberalization has allowed ethno-nationalist tensions to resurface and sporadic outbreaks of violence have occurred. Sudan too has unresolved issues – namely the conflict in Darfur and in the southern states of South Kordofan and Blue Nile, besides continuing tensions between the military and civilian wings of the country's political transition bodies.

Geopolitical tensions between Saudi Arabia, the UAE and Egypt on the one hand, and Qatar and Turkey on the other, have also to some extent been exported to the region. However, with an informed and prudent strategy, these risks are manageable for foreign investors.

Barring the unforeseen global, regional and local consequences of the coronavirus, overall, Sudan and Ethiopia promise to be lucrative opportunities. An early start in these two countries can provide potential investors a competitive advantage in the future.

Haile Menkerios

Haile Menkerios is an Eritrean-born South African diplomat specialising in conflict resolution, who is currently working as a Senior Advisor to the Centre for Humanitarian Dialogue on Africa, focusing on the Horn in particular. Haile is a career diplomat, and his most recent positions include Special Representative of the United Nations Secretary-General and head of the United Nations Office to the African Union. Haile's previous roles included serving as Special Envoy of the United Nations Secretary-General for Sudan and South Sudan, as well as head of the United Nations Mission in Sudan, United Nations Assistant Secretary-General for Political Affairs in New York, and several senior posts in United Nations Headquarters and missions in the field dealing with peace and security issues.