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Security officials stop opposition Blue Party (Semayawi Party) chairman Yilikal Getnet leaving Ethiopia ahead of 24 May general elections. Electioneering means that senior Ethiopian People's Revolutionary Democratic Front (EPRDF) figures including prime minister Hailemariam Desalegn (2012-present) face weak candidates. National Oil Ethiopia Plc announces plans for an oil refinery but the state-owned Ethiopian Petroleum Supply Enterprise moves to control the downstream sector. Telecoms operator Ethio Telecom launches its 4G mobile service in Addis Ababa.

EPRDF cements hold on power before elections

The 24 May general election is increasingly unlikely to meet the electoral benchmarks of free and fair. With Ethiopia effectively a one-party state, the election will not change the dominance of the ruling **Ethiopian People's Revolutionary Democratic Front (EPRDF)**. However, as the party bottles up political pressures, it increases the risk of an eventual tumultuous transfer of power. Though the opposition may improve on its 2010 showing when it won only a single seat in the lower chamber, the EPRDF will maintain its parliamentary majority due to its control over state functions. Notably, state security officials seized the passport of **Yilikal Getnet**, chairman of the opposition **Blue Party (Semayawi Party)** at **Addis Ababa Bole International Airport** on 1 April. The seizure stopped Yilikal from travelling to the **United States (US)** and to the **United Kingdom (UK)** where he planned to raise funds for the Blue Party's election campaign.

*"Yilikal called me early on 4 April to tell me about what he called 'intimidation and harassment'. He wanted the story on the international news. He said it was the second time in a year that authorities had stopped him travelling to the US."*¹

Yilikal told an ARC researcher,

*"They took my passport and then informed me that I couldn't travel to the US. They haven't yet told me the reasons for this and I haven't got my passport back up until now. This is part of the government's routine intimidation tactics against us. The government is trying to disrupt the Blue Party's increasing support and acceptance both inside and outside of the country."*²

Getachew Reda, special adviser to prime minister **Hailemariam Desalegn** (2012-present) denied the claims to an ARC researcher.

*"Yilikal has claimed in the past the government has torn away his passport. That was a lie. And I don't think this is a different case from that one."*³

The Blue Party is one of the leading opposition parties that will contest the May general election. However, it claims that the **National Electoral Board of Ethiopia (NEBE)** has blocked the nominations of approximately 200 potential candidates.⁴ This has left EPRDF candidates with no serious electoral challenges. According to the NEBE schedule, Hailemariam, for instance, will face in his **Boloso Sore II**

1 Source, journalist, Addis Ababa

2 Source, journalist, Addis Ababa

3 Source, journalist, Addis Ababa

4 Source, journalist, Addis Ababa

constituency in the **Wolayta Zone** of the **Southern Nations, Nationalities and Peoples' (SNNP) Regional State**:

- **Desta Da'a** (a little known artist, representing the **Addis Tewled Party**, the youngest of all the parties standing in the election);
- **Kegnu Seba** (student, representing the Blue Party);
- **Tesfaye Haile** (farmer, representing the **Ethiopian Federal Democratic Unity Forum, Medrek**).

Defence minister **Siraj Fegesa** and **National Bank of Ethiopia** governor **Teklewold Atnafu** are both standing against similarly inexperienced fields in the SNNP.⁵ The head of government communications **Redwan Hussein** is standing against a single Medrek candidate in the SNNP while deputy whip **Muferiat Kamil** runs totally unopposed. The SNNP is one of Ethiopia's core regions, in which the EPRDF enjoys total control of the state bureaucracy; its network extends from the federal to the regional, from the regional to the woreda, and from the woreda to the kebele and sub-kebele levels. Nevertheless, a number of senior opposition figures including Medrek officials **Beyene Petros** and **Tilahun Endeshaw** are standing in the SNNP.

Ethiopia to get oil refinery

Oil products distribution company **National Oil Ethiopia Plc** has announced that it may construct a \$5 billion refinery within ten years. The oil marketer's announcement is indicative of the growing demand for refined products in Ethiopia. The refinery would reduce Ethiopia's dependence on imported fuel from the **Gulf**. Government statistics show that approximately 75% of Ethiopia's export earnings go towards the import of oil, which lowers its current account and foreign currency reserves.⁶ State-owned **Ethiopian Petroleum Supply Enterprise (EPSE)** figures show that the government spent \$3 billion on petroleum imports in 2014.⁷ Ethiopia's limited hard currency earnings undermine its capacity to build foreign reserves, which currently only cover 2.2 months of imports, half the 4.3 months it had in 2010-2011.⁸

National Oil Ethiopia estimates that domestic demand is increasing 10% in Ethiopia on the back of state driven construction and infrastructure growth.⁹ In 2014, the EPSE imported 2.6m tonnes of fuel. It is budgeted to import 2.9m this year. Out of Ethiopia's distributors, National Oil Ethiopia holds the largest market share, distributing 35% of Ethiopia's fuel requirements.¹⁰ **Total** has 23.1% and **Oil Libya** 22%.

National Oil Ethiopia CEO **Tadesse Tilahun** did not give a timeline for a final investment decision on the 200,000 – 300,000 barrels per day refinery. National Oil Ethiopia did not provide details on whether it would seek private or state financing for the proposed refinery. National Oil Ethiopia is close to the Ethiopian state. It supplies fuel to, and has acquired bonds for, the **Grand Ethiopian Renaissance Dam (GERD)**.¹¹

The government has responded to recent fuel shortages by intervening in the downstream market. The current shortage is the result of low international oil prices (though this has eased pressure on the import bill) and the diversion of fuel to state infrastructure projects. The EPSE has adjusted prices twice since December 2014.¹² Under the current tariff system, the EPSE makes price adjustments every month. Distributors have closed fuel stations to avoid losing out on prices declining further after they purchase fuel from the EPSE. Distributors also claim that it is more profitable to divert their supplies to Ethiopia's major state-backed infrastructure and industrial projects including the GERD.¹³

⁵ Source, journalist, Addis Ababa

⁶ FT, 24 Feb 2015.

⁷ Addis Fortune, 2 Mar 2015.

⁸ FT, 24 Feb 2015.

⁹ www.ethiopianreview.com

¹⁰ Ethiopian News Agency, 8 Apr 2014.

¹¹ Ethiopian News Agency, 8 Apr 2014.

¹² Addis Fortune, 2 Mar 2015.

¹³ Capital, 3 Feb 2014.

The government has sought to tighten up regulation of the downstream sector. Parliament in April 2014 passed a new law on petroleum licensing and operations to provide greater regulation.¹⁴ The new law obliges all petroleum companies to hold a minimum of 500 cubic metres reserve stock to ensure a more reliable supply. The law also aims to regulate the issuing of certificates to unreliable companies. The law mandates the energy ministry to consider a petroleum company's financial, technical and legal capacity, not just their competence as under the current system. The **Ethiopian Revenues and Customs Authority** is also introducing electronic cargo tracking system devices on tankers to reduce transport costs.

In March the EPSE also submitted a proposal to the finance ministry to enter the fuel market as a distributor.¹⁵ The government formed the EPSE in 2012, amalgamating the **Ethiopian Petroleum Enterprise** and the **National Petroleum Depot Administration**. The EPSE has a monopoly on supplying fuel to Ethiopia's ten distributors, currently purchasing fuel from international suppliers including the **Sudan Petroleum Corp** and the **Kuwait Petroleum Corp**.¹⁶ The EPSE is reportedly already acquiring land from the **Addis Ababa** municipal administration for petrol stations¹⁷ and has plans to construct 160 oil depots.¹⁸ The EPSE, as both wholesaler and retailer, would enjoy a privileged position in the downstream market. National Oil Ethiopia has unsuccessfully lobbied the government to import its own fuel.¹⁹

Saudi Arabian businessman **Mohamed al Amoudi** is the majority shareholder of National Oil Ethiopia through holding company **MIDROC Ethiopia PLC**. National Oil Ethiopia in May 2013 expanded into **Djibouti** through subsidiary **National Oil Ethiopia (Djibouti-Branch)**. In March, Hailemariam confirmed plans for a \$4 billion export pipeline to Djibouti, with commercial production scheduled to begin in 2017.²⁰

Ethio Telecom launches 4G service

The state-owned telecoms operator **Ethio Telecom** launched its 4G mobile service in Addis Ababa on 21 March. While advanced telecoms in Addis Ababa is conducive to conducting business, the lack of infrastructure in the rest of Ethiopia remains a bottleneck. In December 2014, Ethio Telecom signed an infrastructure expansion and network vendor contract with **Sweden**-based **Telefonaktiebolaget L. M. Ericsson**.²¹ Ethio Telecom had originally signed the contract with **China**-based **ZTE Corp** in 2013 as part of a wider \$1.6 billion contract with both ZTE Corp and **China**-based **Huawei**. The government dissolved the contract due to a disagreement over the costs of upgrading the network. Ethio Telecom's launch of its 4G mobile service signals that the government's dissolution of a contract with ZTE Corp has not halted its telecom infrastructure programme.

Ethio Telecom's LTE service is relatively expensive, with packages ranging from \$21 a month to \$1,800. Ethio Telecom's monopolistic control over the sectors results in little incentive to decrease its prices or improve service delivery. Despite negotiations to join the **World Trade Organization** and **Common Market for Eastern and Southern Africa**, Hailemariam has specifically ruled out liberalising the country's telecom sector, saying it was too weak to withstand external competition.²² Ethio Telecom reports good profits: in November 2013 it revealed first quarter revenue of \$280.5m.²³ However, it lacks a long-term strategic plan to increase telecoms penetration. The government awarded a value added service licence to **South Africa**-based **MTN Group** in 2012, and the company is prepared to move quickly to secure first mover advantage should the government further liberalise the state dominated telecoms.

¹⁴ Fortune, 16 Apr 2014.

¹⁵ Addis Fortune, 23 Mar 2015.

¹⁶ Addis Fortune, 23 Mar 2015.

¹⁷ Addis Fortune, 23 Mar 2015.

¹⁸ Addis Fortune, 7 Apr 2015.

¹⁹ Addis Fortune, 23 Mar 2015.

²⁰ East African, 11 Apr 2015.

²¹ Reporter, 15 Dec 2014.

²² FT, 27 May 2013

²³ Ethiopian News Agency, 24 Nov 2014.

Implications

The EPRDF will dominate the May general election, retaining control over Ethiopia's executive and legislative branches. There is a risk of electoral violence should the opposition demonstrate against state harassment or allegations of electoral fraud. Continued EPRDF dominance is detrimental to Ethiopia's longer-term political risk profile. By continuing its policy of ethnic divide and rule, the EPRDF will increase tensions between the ruling coalition's constituent parts, increasing the risk of a fracture or defections to the opposition.

Whether National Oil Ethiopia completes its proposed oil refinery will largely depend on securing sufficient private and public financing. The dominant position of the EPSE may deter potential investors. If completed, domestic refining capacity will improve Ethiopia's current account and foreign currency reserves, and allow the private sector greater access to capital.

Ethiopia's telecommunications sector would benefit from increased competition. While Ethiopia's progress towards liberalisation remains haphazard and piecemeal, international telecommunication companies are ready to move quickly.

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