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Anti-government protesters appear to have attacked two hotels in Amhara Regional State, having previously avoided civilian casualties. The government responds with additional security crackdowns. The government targets \$940m in coffee exports in 2017 after investing heavily in improving the coffee supply chain. The National Disaster Risk Management Commission (NDRMC) and donors warn of a food crisis amid concerns about East African drought on the same scale as 2010/2011.

Explosions hit hotels in Amhara

Anti-government protesters appear to be responsible for attacks on two hotels in **Amhara Regional State** in January.¹ The targeting of a public place represents a change in strategy for the protesters who had previously sought to avoid civilian casualties. On 4 January there was an explosion, likely caused by a small explosive device,² at the prominent **Grand Hotel and Resort** in regional capital **Bahir Dar**.³ The Grand Hotel, on **Lake Tana**, is popular with both government officials and foreign tourists. Bahir Dar is popular with visitors travelling to the monolithic churches at **Lalibela** or attending conferences in the city. At the time of the incident, government officials were reportedly meeting at the Grand Hotel.⁴ The Grand Hotel's owner reportedly has links to the **Amhara National Democratic Movement** and the **Tigray People's Liberation Front (TPLF)**, both member parties of the ruling **Ethiopian People's Revolutionary Democratic Front (EPRDF)**.⁵ However, an ARC Briefing investigator was unable to verify the hotel owner's political links.⁶ Despite the presence of government officials and the hotel owner's political links, there is no proof that the explosion was the result of anti-government protester actions.⁷ However, anti-government protesters had reportedly distributed leaflets claiming that a music concert at the hotel was disrespectful in the light of recent deaths.⁸ Government officials deny there were any casualties.

"Yes, it is true that a bomb exploded in front of the Grand Hotel and Resort, but no deaths or injuries were reported to us."⁹

In a second incident, there was a grenade attack on the **Entasol Hotel** in southern **Gondor** on 10 January, the Ethiopian Orthodox Tewahedo festival of Timket (Epiphany).¹⁰ The Entasol Hotel, in the **Kenele 18** district, is a hotel and sports bar that caters primarily for local Ethiopians and, at the time of the attack was full of supporters of the Gondor-based **Fasil Kenema Football Club**.¹¹ There is no evidence that the supporters were specifically targeted. The attack killed one person, reportedly a

¹ www.ethsat.com

² Source, investigator, Addis Ababa

³ www.ethsat.com

⁴ www.max-security.com

⁵ www.max-security.com

⁶ Source, investigator, Addis Ababa

⁷ www.ethsat.com

⁸ www.AbbayMedia.com

⁹ Source, government official, Amhara

¹⁰ www.ethsat.com

¹¹ Geeska Afrika Online, 12 Jan 2017.

state employee, and injured at least 11 others.¹² It is also unlikely that the government employee was an intended target.

"Most of the people who were inside the hotel during the incident were ordinary citizens and public servants. We don't know yet what motivated the bombing or who was behind it."¹³

No group has claimed responsibility for the two explosions and it is unclear who is behind them. The similarity in target and tactics suggest that either a single group was responsible, or two connected groups.¹⁴ There is speculation that individuals linked to the Gondor-based **Welkait Ahmara Identity Committee (WAIC)** may be responsible. The WAIC wants to be governed by the Amhara government, not the Tigrayan government, as is currently the case (see *ARC Briefing Ethiopia August 2016*). In July 2016, the **Ethiopian National Intelligence and Security Service and Federal Police Counter-Terrorism Joint Taskforce** detained WAIC leader colonel **Demeke Zewdu**.¹⁵ Members of the WAIC, including Demeke, violently resisted attempts to arrest them, resulting in gun battles with the military in Gondor and months of intermittent violent protest in the city.

*"Some people in the Amhara region have long felt marginalised by the EPRDF and have raised questions over an area called **Wolqayit** that was included in the powerful neighboring **Tigray** region when the country's federal system was structured in 1991 following the downfall of the **Derg** military regime."¹⁶*

The explosions were unprecedented in the recent anti-government violence:

"It is very rare to hear about bomb explosions in Ethiopia... Though the magnitude of the attacks was small, it has set off an alarm in the region that has continued to experience some sort of resistance against the ruling party."¹⁷

The government has responded to the explosions with additional security crackdowns. The military has deployed reinforcements to **Seraba** and **Chilga** in the **North Gondor Zone**.¹⁸ However, the government has not identified or detained those responsible for the explosions.

"These are anti-peace elements who don't want peace in the region. We will chase them and bring them to justice."¹⁹

Prime minister **Hailemariam Desalegn** (2012-present) on 9 January blamed **Eritrean**-based mercenaries for the incident, claiming that security forces recently detained 100 armed militants crossing the border into **Tigray Regional State**.²⁰ Hailemariam also indicated that the government will not lift the six-month state of emergency, imposed in response to the Amhara and **Oromia Regional States** anti-government protests, before it is due to expire in May.²¹ The state of emergency has curbed violent public demonstrations. However, it has encouraged militancy. The protests targeted government buildings, ethnic Tigrayan-owned businesses, and foreign-owned investments in the Amhara. These are likely to be the targets of the new campaign of militancy.

"The bombings came amid other reports that jail-breaks and attacks against government institutions were rampant in the highly violence-hit areas. Though various reports suggest that the violence has calmed down in many areas following the introduction of the state of emergency, pockets of resistance are said to remain in some locations, especially in Amhara."²²

¹² Sudan Tribune, 12 Jan 2017.

¹³ Source, government officials, Gondor

¹⁴ www.max-security.com

¹⁵ www.hornaffairs.com

¹⁶ Source, journalist, Addis Ababa

¹⁷ Source, journalist, Addis Ababa

¹⁸ www.max-security.com

¹⁹ Source, journalist, Addis Ababa

²⁰ Sudan Tribune, 12 Jan 2017.

²¹ Sudan Tribune, 12 Jan 2017.

²² Source, journalist, Addis Ababa

There is a substantial risk of further intermittent grenade attacks on soft targets. It is, however, currently unclear if the increased anti-government insurgency in the Amhara is centered on a single group or leadership. The emergent militancy campaign is unlikely to specifically target tourists and expatriates. However, hotels linked to the government or foreign brands will particularly be at risk. Increased civilian casualties will increase the risk of heavy-handed security force responses and crackdowns, which will exacerbate the situation. Travellers to **Addis Ababa** should adopt standard security precautions and avoid political demonstrations. Travellers to urban centres in the Amhara region should adopt more stringent security protocols.

Government targets increased coffee exports

The government said on 15 January that it is targeting \$940m in coffee exports in 2017.²³ Improved supply chain efficiency will increase coffee exports, providing the government with valuable foreign exchange receipts required for major state-backed infrastructure projects. The **Ethiopian Coffee and Tea Development and Marketing Authority (ECTDMA)** director general **Sani Redi** projected that Ethiopia will export 241,000 tonnes of coffee in 2017, out of a total production of 702,000 tonnes.²⁴ This compares to official statistics of 212,000 tonnes exported in 2016, approximately half of total production, valued at approximately \$820m.²⁵ Though this was less than the 260,000 tonnes that the trade ministry had projected, this was not down to the 2015-2016 drought which had only a marginal impact on coffee production.²⁶ There were expected levels of rain in the eastern **Harari People's National Regional State**, while erratic rain had only a negligible impact on production in **Gimbi** in the Oromia Regional State, and the **Sidamo** region that overlaps the Oromia and **Southern Nations, Nationalities, and Peoples' Regional States**.²⁷ Production in eastern Ethiopia declined, but this was offset by production in the major coffee centres in southwestern Ethiopia.

	2010	2011	2012	2013	2014	2015
Exports (tonnes)	179,256	177,831	193,459	190,734	206,700	207,000
Value (\$)	\$879m	\$819m	\$695m	\$749m	\$812m	\$812m

Coffee has long been Ethiopia's largest export by value, accounting for one-third of total foreign exchange earnings.²⁸ However, this proportion is gradually in decline due to increased export sales of horticulture and mild stimulant khat, now the second largest source of foreign exchange receipts.²⁹ If the ECTDMA reaches its 2017 export target, Ethiopia will become the second largest coffee exporting country after **Brazil**.³⁰ The majority of Ethiopian exports are green coffee beans with only a small proportion of roasted beans, though the government is looking to encourage added value.³¹ The majority of both formal and informal market exports are to **Germany** (19% market share), **Saudi Arabia** (18%), **United States** (10%) and **Japan** (9%).³² In 2008, the Japanese government halted Ethiopian coffee imports for two years after detecting the presence of pesticides, illegal under Japanese law, on some beans.³³ Due to Ethiopia's inability to trace the contaminated beans (see below), Japan imposed a total ban on all Ethiopian beans that lasted from 2008 to 2010.

²³ Ethiopian Herald, 19 Jan 2017.

²⁴ Ethiopian Herald, 19 Jan 2017.

²⁵ www.usda.gov

²⁶ The Guardian, 18 Apr 2016.

²⁷ www.usda.gov

²⁸ www.usda.gov

²⁹ www.usda.gov

³⁰ Ethiopian Herald, 19 Jan 2017.

³¹ www.usda.gov

³² www.usda.gov

³³ www.Nazret.com

The government has invested heavily in improving the coffee supply chain, which employs more than 15 million people, the majority of them smallholder farmers, to improve exports.³⁴ Notably, the ECTDMA has employed a new computer system to improve the efficiency of its export control systems.³⁵ The government has also invested in the coffee sector's marketing channels to better manage supply and demand.³⁶ The three channels are village-level trading between growers, collectors and cooperatives; the **Ethiopian Commodity Exchange (ECX)** in Addis Ababa where exporters purchase coffee collected at village level; and large commercial farms that bypass the ECX and sell directly to the international market.³⁷ The government, donors and international coffee buyers have focused their efforts on developing the ECX to improve export marketability. The ECX developed and implemented a traceability programme in November 2015, with tagging allowing for commodity origin verification and therefore more accurate pricing.³⁸ The government is looking to take advantage of an international market that continues to place a premium on origin verification.³⁹ In 2016, approximately one-quarter of all exports were traceable to their region of origin.⁴⁰ The government, through the newly-formed **Ethiopia Agricultural Commodities Warehousing Service Enterprise (EACWSE)**, has also introduced storage limits to prevent traders from hoarding stocks, though large commercial farms are exempt.⁴¹

Despite this, production and exports remain less than optimal. Ageing trees, small farms, and mismanagement in the form of poor use of fertiliser, and cultivation and harvesting methods continue to reduce yields and quality.⁴² The sector produces approximately 700 kilograms of exportable coffee per hectare, compared to 1,300 kilograms in competitor markets like Brazil.⁴³ The export sector also faces competition from higher domestic demand than in neighbouring **Kenya** and **Uganda**, and consumption is expected to increase further on the back of increased urbanisation.⁴⁴ Although poorer grades of coffee are currently reserved for the domestic market, this is likely to change with shifting consumer habits. Khat also offers higher and more stable returns for farmers, and has encouraged farmers to abandon coffee.

Global coffee prices are expected to increase through 2017 due to poor production prospects in Brazil, which will drive Ethiopian export growth. Rising disposable incomes and changing consumer habits will increase domestic consumption at the expense of exports.

Donors warn of acute famine

The government's **National Disaster Risk Management Commission (NDRMC)** on 19 January launched a \$948m humanitarian appeal to meet food requirements amid warnings of new drought.⁴⁵ Meeting Ethiopia's humanitarian requirements will increase pressure on the government and international donors alike. The government's appeal follows failed rains, and the continued impact of the **El Niño** climate event that resulted in the widespread failure of crops and loss of livestock in 2015 and 2016.⁴⁶ The **United Nations (UN) Office for the Coordination of Humanitarian Affairs (OCHA)** has said that the government and humanitarian agencies will aim to reach 5.6 million people who are in urgent need of assistance.⁴⁷ The majority of those in need of support are located in Oromia,

³⁴ www.IFC.org

³⁵ www.usda.gov

³⁶ www.usda.gov

³⁷ www.usda.gov

³⁸ The Guardian, 18 Apr 2016.

³⁹ The Guardian, 18 Apr 2016.

⁴⁰ The Guardian, 18 Apr 2016.

⁴¹ www.usda.gov

⁴² The Guardian, 18 Apr 2016.

⁴³ The Guardian, 18 Apr 2016.

⁴⁴ www.Euromonitor.com

⁴⁵ PRN Africa, 19 Jan 2017.

⁴⁶ FAO statement, 12 Aug 2016.

⁴⁷ PRN Africa, 19 Jan 2017.

Somali and Southern Nations, Nationalities and Peoples' Regional States in the southern and eastern parts of Ethiopia where recent rains have failed.⁴⁸ The humanitarian situation was worst in northern and western Ethiopia in 2016. The NDRMC and OCHA plan prioritises humanitarian assistance in water and sanitation, agriculture, relief food, nutrition, health, education, protection, and shelter and non-food items.⁴⁹ Of the total, the government and its partners will allocate \$598m for relief food, \$105m for nutritional support, and \$86m for water and sanitation projects.⁵⁰ The government has committed an initial \$47m.⁵¹ At the same time, the UN **Food and Agriculture Organization (FAO)** has warned that \$42m is required to respond to a new drought in southern Ethiopia which may jeopardise improvements in food security following the 2015 drought.⁵² The FAO praised the government's response to the drought, which reached 1.3 million farmers and pastoralists in 2016, but warned that vulnerable households in rural areas require additional protection.⁵³ In total, almost 18 million Ethiopians received \$1.7 billion in emergency aid in 2016.⁵⁴ The FAO wants to support crop production, implement emergency response in the livestock sector, and support livelihoods in areas that host refugee communities, especially **South Sudan** refugees in the **Gambella Regional State**. Aid efforts are also increasing in drought-affected areas of Kenya and **Somalia**.

*"The malnourishment indicators are terrifying, and I don't use that word lightly. I think we're looking at another regional drought on a similar scale or even worse to the 2010/2011 **East Africa** drought, with potential famine in Somalia."*⁵⁵

Another drought in Ethiopia threatens the recovery and gains of the past year. Rural Ethiopia will face substantial gaps in basic food needs, with drought resulting in depleted household assets and livestock deaths. Food insecurity will persist with both humanitarian and economic consequences. Lower output, higher prices and reduced water supplies will threaten the lives of rural communities, but also reduce labour and livestock income perpetuating poverty.

⁴⁸ PRN Africa, 19 Jan 2017.

⁴⁹ PRN Africa, 19 Jan 2017.

⁵⁰ PRN Africa, 19 Jan 2017.

⁵¹ www.ena.gov.et

⁵² PRN Africa, 19 Jan 2017.

⁵³ PRN Africa, 19 Jan 2017.

⁵⁴ Reuters, 21 Jan 2017.

⁵⁵ Source, senior INGO official, East Africa

About Africa Risk Consulting:

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