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The Oromia Regional State becomes increasingly politically assertive under its president, Lemma Megersa. Lemma makes a series of nationalist speeches, and looks to extend his government's influence over Addis Ababa. Lemma plans to incorporate a new state-led private oil company, Oromia Petroleum Share Co (OPSC), to address regional economic grievances. Dangote Cement Plc threatens to withdraw from Oromia and from Ethiopia over concerns about increased local participation requirements. The Ethiopian Airports Enterprise says the expansion of Addis Ababa Bole International Airport will be completed by January 2018.

Oromia president Lemma increasingly assertive

The **Oromia Regional State** government has emerged from the anti-government protests between November 2015 and October 2016 in a stronger political position. The **Oromo Peoples' Democratic Organization (OPDO)** has typically been one of the weaker constituent parties of the ruling **Ethiopian People's Revolutionary Democratic Front (EPRDF)** and the Oromia historically marginalised.¹ The Oromia Regional State was at the centre of the anti-government protests that **Ethiopia**-based and international non-governmental organisations (NGOs) allege resulted in over 700 deaths.² The Oromia is also home to the proscribed **Oromo Liberation Front (OLF)** armed group, which the government claims is trying to overthrow it through force with the backing of **Eritrea** (see *ARC Briefing Ethiopia April 2017*). However, the government has placed the Oromia at the centre of its political response to the anti-government protests. This is largely because the Oromia government has become increasingly assertive under regional president **Lemma Megersa**.³ The **Council of the State of Oromia** elected Lemma regional president in October 2016.⁴ Lemma is described as,

"... a media savvy populist supportive of advancing the Oromo cause. Lemma has been on national television more often than not these days making strong nationalist statements to the liking of many disgruntled people in the region. In fact, some are feeling that they at last have got an outspoken leader who could propagate their historical grievances."⁵

Since assuming office, Lemma has placed supporters in key positions within the OPDO, including facilitating the OPDO executive committee's election of former finance minister **Abdulaziz Mohammed** as OPDO chairman in April.⁶ Lemma has used his political platform to make a series of nationalistic speeches about political and economic grievances that encouraged the anti-government protests. Lemma has notably promised to end youth unemployment and punish investors that do not contribute to the local economy (see below). Public speeches along these lines have made him particularly popular in Oromia. A source in Oromia regional capital **Amama** said,

"He is knowledgeable about what is going around. Plus he has got the education and charisma he deserves. After all, it is time for Ethiopia to have an Oromo prime minister."⁷

¹ Source, journalist, Addis Ababa

² www.hrw.org

³ Source, journalist, Addis Ababa

⁴ www.ena.gov.et

⁵ Source, journalist, Addis Ababa

⁶ Addis Fortune, 22 Apr 2017.

⁷ Source, ARC interviewee, Amama

Under Lemma, the Oromia government has also looked to extend the boundaries of its political influence over capital **Addis Ababa** which lies within the Oromia Regional State.

“The [1995] Ethiopia Constitution makes clear that Oromia has ‘special interests’ over Addis Ababa and Lemma is testing what this means. Lemma has made it his duty to bring up these long forgotten ‘interests’ so lawmakers are now discussing how to make the Oromia region beneficiary of those interests – an idea unthinkable in the past.”⁸

Prior to becoming regional president, Lemma was regional council speaker. Before this, he was security chief for the Oromia.⁹ This security background has encouraged conspiracy theories in the Oromia that the EPRDF has made Lemma president to manage ethno-nationalistic grievances in the regional state. This has contributed to unease within the region about how the public will respond if Lemma is unable to deliver on his promises, or how the EPRDF will respond if he continues to gather support and momentum in the Oromia.

“First, there are some who believe that Lemma was intentionally installed by some in the federal government to speak the way he’s speaking now in public. And second, if he is speaking it from the gut, he will not stay in power for too long. They do not want to see someone who’s doing things at a pace faster than those in the federal government. They do not want to see someone who’s too likeable in the regions.”¹⁰

The EPRDF government may appreciate Lemma channeling popular frustrations through formal political channels rather than through violent protests. However, addressing the systemic causes of the protests will require the EPRDF embarking on meaningful political reform and compromise. The election of Lemma may, in fact, prove an obstacle if the EPRDF does not want to offer concessions to an ethno-nationalist leader for fear of encouraging other regional state leaders to become more assertive.

Oromia establishes own oil company

The Oromia Regional State government under Lemma announced on 21 June plans to incorporate a new state-led private oil company, **Oromia Petroleum Share Co (OPSC)**.¹¹ The government is looking to create 4.7 million jobs nationally to address social and political unrest through economic means. In Oromia, these policies have focused on increasing youth employment, a major factor in the social unrest that resulted in the violent anti-government protests that targeted state-owned and foreign-owned businesses in the region. **Tekela Uma**, head of the **Oromia Transport Authority**, announced the planned incorporation of the OPSC, saying it could directly and indirectly employ up to 50,000 people.¹² The OPSC will be a subsidiary of the state-owned **ODAA Integrated Transport Share Co** and will be funded by state-owned enterprises linked to the Oromia state, **Oromia International Bank** and **Awash International Bank**.¹³ The OPSC will import crude oil from the **Middle East** via **Djibouti**, process it at a planned large-scale refinery, and distribute the petroleum to petrol stations owned and operated by local youths.¹⁴ The OPSC has the ambitious target of securing 21% market share of Ethiopia’s fuel market within five years of beginning operations.¹⁵ Currently, **National Oil Ethiopia Plc** has a 35% market share, **France**-based **Total SA** subsidiary **Total Ethiopia SC** 23.1%, and **Libya**-based **Libya Oil Holdings Ltd** subsidiary **Libya Oil Ethiopia Ltd** 22%.¹⁶ It is unclear what the consequences will be for Lemma and investors alike if the OPSC fails to meet its ambitious commercial targets.

⁸ Source, journalist, Addis Ababa

⁹ www.africanarguments.org

¹⁰ Source, political analyst, Oromia

¹¹ Bloomberg, 21 Jun 2017.

¹² Bloomberg, 21 Jun 2017.

¹³ Bloomberg, 21 Jun 2017.

¹⁴ Bloomberg, 21 Jun 2017.

¹⁵ Bloomberg, 21 Jun 2017.

¹⁶ Ethiopian News Agency, 8 Apr 2014.

The Oromia Regional State has announced other large-scale state-led enterprises including a transport network benefiting both agricultural producers and manufacturers from Oromia who send their products to Addis Ababa and other cities, and a car assembly facility, both undertaken by the state-owned ODAA.¹⁷ These dramatic policies demonstrate a shift towards a more stringently regulated and publicly managed economy in Oromia, which has important implications for the foreign investment climate in Oromia and Ethiopia alike. One such implication is seen in the order for privately owned cement companies to hand over control of some parts of their businesses to local youths.¹⁸ In March, the **North Shewa Zone** administration in Oromia ordered **Nigeria-based Dangote Cement Plc** to outsource its pumice, sand and clay mines to youth groups or be responsible for “*any problems that arise*”.¹⁹ This was likely to have been an implicit threat that target protests could cause significant operational disruption. In November 2016, Dangote Cement reported that anti-government protesters had damaged its vehicles and machinery at its Oromia plant (see *ARC Briefing Ethiopia November 2016*). Dangote Cement responded by halting advance payments on a project to double the output capacity of its 2.5 million metric-tonnes per year cement plant amid concerns over the outsourcing demand.²⁰ Dangote Cement subsequently said in June that it may cease operations in Ethiopia entirely if the local administration does not drop its demands.²¹ The implications of this may prove significant for both the Oromo and Ethiopian economies. Dangote Cement has spent \$700m in Ethiopia and directly employed 1,500 people in the country, with an estimated 15,000 more people earning a living indirectly through Dangote’s mining and cement-making enterprises.²²

The threat against Dangote Cement is part of a broader nationalist streak in Oromo politics (see above) that may impact other investors. Lemma recently said,

*“Some investors who took lands for investment and enclosed them for as long as 10 years will be confiscated and the lands given to investors that can develop them. Only 46% of the over 10,000 big investors licensed in the region have become operational. As a result, we will start taking measures against them.”*²³

With regard to investors, a local source says Lemma will,

*“... shake up things in the region like never before. Actions like this may pit him against the federal government but he’s so keen to accomplish it.”*²⁴

It is unclear if the government will look to mitigate economic grievances by replicating more stringent local-ownership or local-content requirements or employment quotas on foreign companies at a national level. The constitution codifies the principle of indigenous ownership of local resources. However, in practice, increasing minimum state equity participation in projects or revising revenue sharing arrangements would require amendments to the **Petroleum Operations Proclamation 1986** and **Mining Operations Proclamation 2013**. Regulatory uncertainty would further damage Ethiopia’s standing with investors after the deliberate targeting of foreign-owned businesses in Oromia and **Amhara Regional States**. Ethiopia has struggled for foreign investment since the 2016 protests, and is projected to fall \$300m short of its \$3.5 billion target for foreign investment in 2017.²⁵

Fiscal constraints will make it difficult for the national government to meet its employment creation target. This will encourage both the national and regional state level governments to turn to local-ownership requirements and quotas to assuage economic grievances. The threats against Dangote Cement are likely a strategy by Oromia local administrations to pressure the government to

¹⁷ Bloomberg, 21 Jun 2017.

¹⁸ Bloomberg, 21 Jun 2017.

¹⁹ Bloomberg, 21 Jun 2017.

²⁰ Bloomberg, 21 Jun 2017.

²¹ Bloomberg, 21 Jun 2017.

²² Bloomberg, 21 Jun 2017.

²³ Source, journalist, Addis Ababa

²⁴ Source, journalist, Addis Ababa

²⁵ Bloomberg, 21 Jun 2017.

accelerate this process. However, the national government will push back against measures that it fears will scare away foreign investment.

Addis Ababa International Airport on track to complete expansion in January 2018

Hailu Lemu, chief engineer of state-owned **Ethiopian Airports Enterprise**, stated on 28 June that the expansion of **Addis Ababa Bole International Airport** will be completed in time for the 30th **Ordinary Summit of the African Union** in January 2018.²⁶ The expansion project aims to facilitate the government's aspirations of becoming a regional air transport hub.²⁷ Addis Ababa International Airport currently has the capacity to serve 7 million passengers annually but handles 9 million.²⁸ The expansion of the airport will increase Addis Ababa International Airport's capacity to 22 million. Hailu said that this will make Addis Ababa International Airport "*one of the busiest, if not the busiest*"²⁹ airports in **Africa**.³⁰ **China** state-owned **China Communications Construction Co Ltd** is currently working on the \$345m project, which is fully funded by state-owned **Export-Import Bank of China (China Exim)**.³¹

As well as the airport's planned increase in passenger handling, the expansion of Addis Ababa International Airport into a major freight-handling hub is underway.³² On 10 July, state-owned **Ethiopian Airlines Enterprise** opened a new air cargo terminal at the airport, the largest facility of its kind in **East Africa**. Ethiopian Airlines plans to tranship 600,000 tonnes of cargo annually through the new terminal.³³ The existing cargo terminal had the capacity to handle 350,000 tonnes of cargo per year.³⁴ Furthermore, the new cargo terminal is equipped with facilities such as a perishable cargo terminal with cool chain storage and different climate chambers to hold temperature-sensitive goods such as fresh agricultural produce and pharmaceuticals.³⁵ The terminal was developed by **ACUNIS**, a joint venture between **Germany**-based air cargo logistics companies **AMOVA GmbH** and **Unitechnik Systems GmbH**.³⁶ Ethiopian Airlines financed the \$125m freight expansion project.³⁷ Plans to further increase the capacity of the terminal to 1.2 million tonnes per year are already drawn up, and are due to be implemented in the near future.³⁸

The airport investment shows Ethiopia's commitment to reducing logistical bottlenecks that risk curbing its continued growth.

²⁶ Xinhua, 28 Jun 2017.

²⁷ Xinhua, 28 Jun 2017.

²⁸ Xinhua, 28 Jun 2017.

²⁹ Xinhua, 28 Jun 2017.

³⁰ Xinhua, 28 Jun 2017.

³¹ Xinhua, 28 Jun 2017.

³² Arabian Supply Chain, 10 Jul 2017.

³³ Logistics Update Africa, 11 Jul 2017.

³⁴ Logistics Update Africa, 11 Jul 2017.

³⁵ Logistics Update Africa, 11 Jul 2017.

³⁶ Logistics Update Africa, 11 Jul 2017.

³⁷ Arabian Supply Chain, 10 Jul 2017.

³⁸ Arabian Supply Chain, 10 Jul 2017.

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