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United States-based non-governmental organisation Freedom House ranks Ethiopia as “not free” in its 2019 Freedom in the World report, despite prime minister Abiy Ahmed’s (2018-present) reforms during the year. The finance ministry communications director, Haji Ebsa, states that state-owned telecommunications company Ethio Telecom will be the first of four state companies to be privatised. Mines and petroleum minister Samuel Urkato announces at the Investing in African Mining Indaba in Cape Town (South Africa) that Ethiopia will finalise reforms for its mining and oil sectors within two months.

Freedom House says Ethiopia “not free” despite Abiy’s reforms

United States (US)-based non-governmental organisation **Freedom House** has ranked **Ethiopia** as “not free” in its 2019 **Freedom in the World** report, despite prime minister **Abiy Ahmed’s** (2018-present) reforms during the past year.¹ The ranking is by no means a criticism of Abiy’s reforms, but indicative of a wariness of leaders who have started reforming and instead veered to autocracy. Despite Freedom House rating it as not free, Ethiopia’s grade did improve slightly from 2018 due to Abiy’s reforms.² These ratings are likely to improve in the future as long as Abiy continues his reform practices. Freedom House rated the country as not free in 2019 largely due to the fact that many of the current legislative representatives were elected in a 2015 election that was not held in accordance with democratic standards. Freedom House increased Ethiopia’s scores for political rights and civil liberties a fraction while waiting to see if the reforms continue, particularly after the 2020 elections which Abiy has stated will be free and not delayed by the reforms.³

Transparency International has also kept Ethiopia’s score almost the same in its **2018 Corruption Perceptions Index (CPI)** as in its 2017 CPI, despite Abiy’s reforms. Ethiopia scored 34 points out of 100 and ranked 114th out of 180 countries, a seven-point drop from its 2017 ranking. TI is likely looking to see if Abiy is able to continue this momentum up to and past the elections.

TI 2018 CPI Rankings for Ethiopia ⁴					
	2018	2017	2016	2015	2014
Ranking	114/180	107/180	108/176	102/168	110/175
Score (out of 100)	34	35	34	33	33

Recent history is replete with leaders who swept into office heralding reform but eventually fell prey to the trappings of political power and turned towards autocracy – **Zimbabwe’s** President **Robert Mugabe** (1980-2017), **Tanzania’s** president **John Magufuli** (2015-present) and **Rwanda’s** President **Paul Kagame** (2000-present), to name but a few. According to an **Addis Ababa**-based senior government employee,

¹ www.freedomhouse.org

² www.freedomhouse.org

³ Reuters, 25 Aug 2018

⁴ www.transparency.org

*"We are hoping that Abiy is able to stay on this road of reforms. The fear is that the attention and adoration change his mindset from 'reform, reform, reform' to 'power, power, power.'"*⁵

A recent **Financial Times** interview with Abiy offered a look into his plans for Ethiopia, which gave the impression of a visionary leader with a hint of arrogance "[that] has led many a leader in the past to cultivate a cult of personality".⁶ Abiy claimed that he has

*"...done so many great things compared to many leaders. But I [haven't done] 1% of what I am dreaming."*⁷

While many of his past reforms, such as peace with **Eritrea**, unbanning political opposition parties and releasing political prisoners, are a necessary step towards political democracy, other ideas – such as a mini-Ethiopian theme park with a zoo – sound more like some past white elephant projects envisaged by **African** leaders. According to women's right activist **Blen Sahilu**,

*"Abiy has been a shock to the system. I'm still waiting to see whether the country can sustain that much change in such a short period of time and if these actions have a thoughtful follow-up strategy."*⁸

Ultimately, much of the follow-up strategy can only occur after the 2020 elections. Abiy has hinted that, if elected, he would like to change the 1994 constitution, which intensifies ethnic rivalries, and move to a presidential system from the current indirect election process.⁹ While this could remove power from the ruling **Ethiopian People's Revolutionary Democratic Front (EPRDF)** coalition, which dominates the parliament, it may also result in the EPRDF winning elections in two branches of government, legitimising a 'reform at all costs' type of government akin to that in Rwanda under Kagame and the **Rwandan Patriotic Front (RPF)**. It is still too early to put Abiy on a pedestal along with African leaders such as **South Africa's** former late president, **Nelson Mandela** (1994-1999), and **Ghana's** first president, **Kwame Nkrumah** (1957-1966). Abiy may yet shift his focus away from reforms and towards remaining in power as opposition from Ethiopia's ethnically fractured population increases.

Ethio Telecom: first state-owned entity to be partially privatised

The finance ministry communications director, **Haji Ebsa**, stated on 6 February that state-owned telecommunications company **Ethio Telecom** will be the first of four state companies to be privatised.¹⁰ The privatisation run will help to further stimulate Ethiopia's economy and economic growth, as well as attract more foreign direct investment. The other state-owned companies to be privatised are **Ethiopian Airlines**, **Ethiopian Shipping & Logistics Services Enterprise**, and **Ethiopian Electric Power**.¹¹ Ethio Telecom will be partially privatised initially, with a 49% stake made available,¹² but the company could then be fully privatised in the future.¹³

An ARC research visit in Addis Ababa in November revealed that major telecommunications companies, such as South Africa-based **MTN Group**, had already set up satellite offices in Ethiopia on the rumours that Abiy was planning on privatising Ethio Telecom and liberalising the telecommunications sector.¹⁴ Other telecommunication companies looking to enter Ethiopia include **France-based Orange** and South Africa-based **Vodacom**.¹⁵ There is still a large untapped market in

⁵ Source, senior government employee, Addis Ababa

⁶ FT, 21 Feb 2019

⁷ FT, 21 Feb 2019

⁸ FT, 21 Feb 2019

⁹ FT, 21 Feb 2019

¹⁰ Africanews, 7 Feb 2019

¹¹ Africanews, 7 Feb 2019

¹² FT, 24 Feb 2019

¹³ New Business Ethiopia, 6 Feb 2019

¹⁴ Source, ARC research visit, Addis Ababa

¹⁵ IT News Africa, 12 Feb 2019

Ethiopia, with just 43% telecom coverage and around 40 million mobile users out of a population of over 105 million people.

In anticipation of the liberalised telecommunications sector, the council of ministers approved a draft law on 4 February that established a telecommunications regulatory authority.¹⁶ The new **Ethiopian Communications Regulatory Authority** will regulate competition among the different operators and will be directly accountable to the prime minister.¹⁷ Ethio Telecom's privatisation should be finalised by the end of 2019 and should raise several billion dollars for the asset.¹⁸ In the first six months of 2018, Ethio Telecom earned \$593m in revenue,¹⁹ though some bankers think that the company's opaque debt structure and low earnings per customer may result in lower bids than the government expects.²⁰

The privatisation of Ethio Telecom, which was reportedly previously used for state surveillance and to silence dissent,²¹ makes economic and political sense. It is currently the only telecommunications service in Ethiopia and its privatisation will earn the government extra revenue while also decreasing mobile costs and opening up the advantages of mobile technology around the country. Politically, it would be another feather in Abiy's cap as it would increase foreign direct investment and signal that the autocratic leanings of past governments are coming to an end.

Ethiopia plans to open up oil and gas sector

Mines and petroleum minister **Samuel Urkato** announced at the **Investing in African Mining Indaba in Cape Town** (South Africa) on 6 February that Ethiopia will finalise reforms for its mining and oil sectors within two months.²² The reforms will encourage more foreign investors in the underdeveloped sectors as part of prime minister Abiy Ahmed's grand plans to open up the economy and ease a dollar shortage.

Urkato stated that the mining sector in particular has become a priority and that foreign investors can expect tax incentives along with other investor friendly reforms.²³ Mining currently only contributes 1% of gross domestic product and mining products include gold, limestone, gemstones and tantalum.²⁴ Currently, the mining corporate income tax rate is 25% (down from 35% in 2017) and the precious metals royalty rate is 7% (down from 8% in 2017).²⁵ The current law also guarantees the government a 5% minimum equity stake in projects, which is much lower relative to other African countries.²⁶ The reduced tax rates and mining code have enticed companies such as US-based mining company, **Newmont Mining** and Norway-based fertilizer maker, **Yara International**, to invest in Ethiopia. Since 2013, the mining sector has brought in \$3.5 billion in foreign direct investment.²⁷ In addition to the favourable tax rates, the government's recent extensive reforms and development have made Ethiopia a positive investment market. Urkato did state that the mining and oil sector reforms are to test the market, and that in the future the government "*will gradually improve the size of royalties*".²⁸

Previously, companies such as **Australia-based BHP** and **Israel-based Israel Chemicals** have stayed away from Ethiopia due to a lack of infrastructure, skilled professionals and transparency in licensing

¹⁶ New Business Ethiopia, 4 Feb 2019

¹⁷ Addis Standard, 4 Feb 2019

¹⁸ Borkena, 25 Feb 2019

¹⁹ New Business Ethiopia, 4 Feb 2019

²⁰ FT, 24 Feb 2019

²¹ Human Rights Watch, 25 Mar 2014

²² Business Day, 6 Feb 2019

²³ Reuters, 5 Feb 2019

²⁴ www.ezega.com

²⁵ Business Day, 6 Feb 2019

²⁶ Business Day, 6 Feb 2019

²⁷ Reuters, 5 Feb 2019

²⁸ Reuters, 5 Feb 2019

under the previous regime.²⁹ Urkato stated that issues such as infrastructure will be under the purview of the government and companies that invest in Ethiopia will not be expected to construct roads or work on railroads, for example.³⁰

Ethiopia is also expanding its oil and gas sector. The government signed a deal with **Djibouti** on 17 February to build a 767-kilometre pipeline from the **Ogaden Basin** to an export terminal in the **Red Sea**.³¹ All but 65 kilometres of the pipelines will be located in Ethiopia.³² **China**-based **POLY-GCL Petroleum Investments** (a joint venture between state-owned **China POLY Group Corporation** and **Hong Kong**-based **Golden Concord Group**) signed a production sharing deal in 2013 to develop the **Calub** and **Hilala** fields in Ogaden.³³ POLY-GCL holds an 85% stake while the government holds the remaining 15% stake.³⁴ POLY-GCL made a discovery in March 2018 of a basin with estimated reserves of between six and eight trillion cubic feet.³⁵ The pipeline is part of a \$4 billion deal POLY-GCL agreed with Djibouti in 2017, in which it will build the pipeline, a three metric tonnes per annum (mtpa) liquefaction plant (which could be extended to a 10 mtpa plant in the future³⁶) and an export terminal in **Damerjog**, near the **Somalian** border.³⁷ Construction and production of the pipeline was expected to begin last year, but now is estimated to be completed between 2020 and 2023.³⁸ The pipeline is in addition to a planned **United Arab Emirates**-built pipeline from **Assab** (Eritrea) to Addis Ababa.³⁹

Planner

2-4 May 2019 **Addis Ababa (Ethiopia) China Trade Week Ethiopia**;
2020 **(Ethiopia)** Parliamentary elections;

Chronology

25 Feb 2019 **Addis Ababa (Ethiopia) Standard Media**. **Kenyan** government-owned electricity company, **Kenya Electricity Generating Company (KenGen)**, wins a tender to drill geothermal wells for **Ethiopia Electric Power**;

21 Feb 2019 **Addis Ababa (Ethiopia) africanews**. **South Korea**-based automotive company **Hyundai** opens an assembly plant in **Ethiopia**;

17 Feb 2019 **Addis Ababa (Ethiopia) Reuters**. **Ethiopia** and **Djibouti** sign a deal to build a gas pipeline from the **Ogaden Basin** to a **Red Sea** port;

13 Feb 2019 **Addis Ababa (Ethiopia) ESI Africa**. The government plans to tender for four solar PV projects which would generate 500 megawatts of electricity;

11 Feb 2019 **Addis Ababa (Ethiopia) Daily Maverick**. **Egypt's** President **Abdel Fattah el-Sisi** becomes **African Union** chairman and **South Africa** will chair in 2020;

10 Feb 2019 **Addis Ababa (Ethiopia) Jeune Afrique**. **Ethiopia** formally reintegrates approximately 1,700 former **Ogaden National Liberation Front** rebels;

9 Feb 2019 **Addis Ababa (Ethiopia) The East African**. Finance ministry communications

²⁹ Reuters, 5 Feb 2019

³⁰ Reuters, 5 Feb 2019

³¹ Africanews, 17 Feb 2019

³² The News, 17 Feb 2019

³³ Sunday Times, 17 Feb 2019

³⁴ TesfaNews, 15 Feb 2019

³⁵ Pumps Africa, 25 Feb 2019

³⁶ Construction Review, 21 Feb 2019

³⁷ Sunday Times, 17 Feb 2019

³⁸ Multiple sources: Pumps Africa, 25 Feb 2019; Sunday Times, 17 Feb 2019

³⁹ Borkena, 10 Aug 2018

director **Haji Ebsa** states that **Ethio Telecom** will be the first state-owned entity to be privatised;

5 Feb 2019 **Addis Ababa (Ethiopia)** *Reuters*. Mines and petroleum minister **Samuel Urkato** plans to finalise mining and oil sector reforms by April to encourage foreign investment;

4 Feb 2019 **Addis Ababa (Ethiopia)** *New Business Ethiopia*. The council of ministers approves a draft law to establish a telecom regulatory authority;

2 Feb 2019 **Addis Ababa (Ethiopia)** *New Business Ethiopia*. The council of ministers approves the **African Continental Free Trade Agreement** bill and parliament is expected to approve the bill in the coming weeks;

31 Jan 2019 **Addis Ababa (Ethiopia)** *News24*. Prosecutors charge former **Somali Region** president **Abdi Mohamed Omar** with inciting violence;

30 Jan 2019 **Addis Ababa (Ethiopia)** *Reuters*. Prosecutors charge former president of the **Somali Region, Abdi Mohammed Omer**, and 46 others with instigating ethnic violence in 2018;

29 Jan 2019 **Addis Ababa (Ethiopia)** *Face2Face Africa*. **Ethiopia** opens its expanded terminal at **Bole International Airport** which can now host 22 million passengers per year, up from seven million;

28 Jan 2019 **Addis Ababa (Ethiopia)** *BBC*. **Germany**-based automobile manufacturer **Volkswagen** plans to assemble cars in **Ethiopia**.