

AFRICA RISK CONSULTING

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Ethiopia Summary 27 May 2019

Several opposition party coalitions have formed in the lead-up to the 2020 national election following prime minister Abiy Ahmed's (2018-present) call for Ethiopia's 107 official political parties to merge in order to receive funding. Abiy signs a \$1.8 billion investment agreement with the State Grid Corporation of China to provide electric power transmission and distribution lines at the Belt and Road Summit in Beijing (China). China promises to write off debt for all interest-free loans owed by Ethiopia through to the end of 2018. Abiy's reformist agenda continues to attract international capital, with FDI of \$1.83 billion in the past nine months. Ethiopia's avocado market is set to expand substantially in the coming years.

Opposition party coalitions form in lead-up to 2020 election

A large number of opposition parties have formed coalitions in recent weeks following reformist prime minister **Abiy Ahmed's** (2018-present) calls for Ethiopia's 107 official political parties to merge so that the government can finance them adequately. Significant figures from seven opposition parties announced the establishment of a new coalition, the **Ethiopian Citizens for Social Justice Party**, on 9 May.¹ Similarly, five other opposition parties officially merged to form the **Hibir Ethiopia Democratic Party** on 16 May.² These are encouraging signs ahead of Abiy's promised free, fair and transparent national election in May 2020. The political landscape taking shape in the newly established democracy looks likely to be a vibrant one.

The seven parties that established the Ethiopian Citizens for Social Justice Party are **Patriotic Genbot 7, Ethiopian Democratic Party, All Ethiopian Democratic Party, Semayawi Party, New Generation Party, Gambella Regional Movement, and Unity for Democracy and Justice (UDJ)**.³ The new party claims to promote citizen-centred politics and social justice.⁴ Members elected former Patriotic Genbot 7 leader **Berhanu Nega** as the party leader, former UDJ leader **Andualem Arage** as deputy leader, and **Yeshiwas Assefa** and **Chane Kebede** as party chairperson and deputy chairperson respectively on 10 May.⁵ Berhanu received 912 votes from 1,200 party members who were gathered from over 300 districts across the country.⁶ Berhanu stated that his priority would be working with the government to ensure democracy, restore peace and order, and lay the foundations of the new party at the grassroots level to make it long-lasting and sustainable.⁷ Berhanu's former party, Patriotic Genbot 7, was an exiled pro-democracy party that the Ethiopian government labelled a terrorist group in 2011 under a vague and widely condemned proclamation.⁸ Ethiopia's house of people's representatives unanimously voted on a motion to delist Patriotic Genbot 7, as well as the

¹ New Business Ethiopia, 9 May 2019

² New Business Ethiopia, 14 May 2019

³ New Business Ethiopia, 9 May 2019

⁴ New Business Ethiopia, 10 May 2019

⁵ New Business Ethiopia, 10 May 2019

⁶ New Business Ethiopia, 10 May 2019

⁷ New Business Ethiopia, 10 May 2019

⁸ The New Yorker, 18 Nov 2016

Oromo Liberation Front (OLF) and **Ogaden National Liberation Front (ONLF)**, as terrorist groups in July 2018.⁹

The newly formed Hibir Ethiopia Democratic Party is made up of the **Ethiopian National Transition Council**, **Ethiopian Public Movement**, **Tusa Ethiopian Renaissance Democratic Organization**, **Omo People's Democratic Union** and **South Ethiopia Green Stars Coalition**.¹⁰ The party is yet to decide on a leader. The opposition parties, the **Oromo Federalist Congress** and the OLF, formed a coalition in September 2018.¹¹

The ruling four-party coalition, the **Ethiopian People's Revolutionary Democratic Front (EPRDF)**, has also been working on galvanising its constituent parties to build a larger party.¹² The coalition parties are the **Tigrayan People's Liberation Front (TPLF)**, the **Amhara Democratic Party (ADP)**, the **Oromo Democratic Party (ODP)**, and the **Southern Ethiopian People's Democratic Movement (SEPDM)**. The ODP merged with the **Oromo Democratic Front** in November 2018.¹³ The move was seen as a forerunner to a bigger merger within the ruling coalition before the coming election.¹⁴ The EPRDF coalition has ruled Ethiopia since 1991.

The **National Electoral Board of Ethiopia (NEBE)** announced on 27 May that it had requested \$129m from parliament to conduct the 2020 national elections.¹⁵ NEBE chairperson **Birtukan Mideksa** said the board is taking steps to make the parliamentary and regional assembly elections in 2020 free and fair, including amending legal provisions, institutional reforms and organising political parties' forums.¹⁶

The international community has praised Abiy's recent political reforms following decades of authoritarian rule in Ethiopia and alleged restrictions on opposition parties in the 2015 and 2010 elections.¹⁷ However, given the significant advantage the incumbent coalition enjoys in Ethiopia's political system, the possibility of an EPRDF defeat is low, even without the use of authoritarian tools that kept Abiy's predecessors ahead of the competition. History shows that Ethiopia's ruling parties rarely lose elections.

Business and trade agreements signed at China's Belt and Road Summit ...

Prime minister Abiy announced the signing of several deals with **China's President Xi Jinping** (2013-present) at the **Second Belt and Road Summit** in **Beijing** (China), which ended on 27 April.¹⁸ Abiy and Jinping signed a \$1.8 billion investment agreement between Ethiopia and the **State Grid Corporation of China** to provide electric power transmission and distribution lines.¹⁹ During the summit, China also promised to cancel all interest-free loans it had advanced to Ethiopia as at the end of 2018.²⁰ Analysts estimate that since 2000, Ethiopia has borrowed over \$12 billion from China, including funding for the **Addis Ababa-Djibouti** electric railway line linking Ethiopia with Djibouti, its main import/export route.²¹ Abiy said in March that Ethiopia's diplomacy in China, its leading donor, is focused on reducing its substantial commercial loan book into concessional loans and grants (see *ARC Briefing Ethiopia March 2019*).

⁹ The Reporter, 7 Jul 2018

¹⁰ New Business Ethiopia, 14 May 2019

¹¹ The Africa Report, 14 May 2019

¹² The Africa Report, 14 May 2019

¹³ The Africa Report, 14 May 2019

¹⁴ The Africa Report, 14 May 2019

¹⁵ Xinhua, 27 May 2019

¹⁶ Xinhua, 27 May 2019

¹⁷ Human Rights Watch, 7 Apr 2019

¹⁸ African Business, 29 Apr 2019

¹⁹ African Business, 29 Apr 2019

²⁰ African Business, 29 Apr 2019

²¹ Africa News, 25 Apr 2019

Leaders from 37 countries attended the three-day forum, including from Ethiopia, Djibouti, **Egypt**, **Kenya** and **Mozambique**.²² China's **Belt and Road Initiative** involves spending billions of dollars on overseas infrastructure projects to connect China with the world, including multiple **African** countries in east and north Africa.²³ **International Monetary Fund (IMF)** managing director **Christine Lagarde** urged the Chinese government to focus on sustainable development during her speech at the Belt and Road Summit.²⁴ Lagarde also said investors should not build up vast levels of debt that could prove problematic in future:

*"I have said before that, to be fully successful, the belt and road should only go where it is needed. I would add today that it should only go where it is sustainable, in all aspects."*²⁵

... as Ethiopia attracts \$1.83 billion in FDI

Foreign capital continues to flow into Ethiopia as prime minister Abiy's programme of economic liberalisation and democratisation continues. **Ethiopian Investment Commission (EIC)** head **Abebebe Abebayehu** told parliament on 8 May that the country has attracted foreign direct investment of \$1.83 billion since July 2018.²⁶ The EIC's target for the nine-month period was to attract \$2.6 billion.²⁷

The investments have come from a total of 152 new foreign companies based in various countries, including China, **Indonesia**, **Malaysia**, **Hong Kong**, **Saudi Arabia**, **Sri Lanka**, **Korea**, **Egypt**, **Sudan** and **Norway**. The investment areas range from sugarcane to rubber plantations and processing to manufacturing of mobile phones, cable, metal and real estates and liquefied petroleum gas (LPG), among others. The investors include:

- China-based **Shanghai Mofeng Import and Export Trade Co. Ltd**, registered to invest \$10m in electronics industrial parks;
- China-based **Zhen Zhen Obs Opto-Electronics Co Ltd**, registered to invest \$2.5m in the production of electronics;
- China-based **Zhonglong Integrated Textile and Wearing Manufacturing Plc**, registered to invest \$28m in the production of textiles
- Hong Kong-based **FIT Holdings**, registered to invest \$10m in manufacturing of mobile phones and other household materials;
- Sri Lanka-based **Suren Madayalee All Cable Plc**, registered to invest \$10m in metals and steel production;
- An Indonesian and Malaysian joint venture company between **Indo foods** and **Pinehilu Akabia Foods Limited**, registered to invest \$50m in rubber tree and sugar plantations;
- An Ethiopian and Saudi Arabian joint venture company, **Mohamed Nur**, registered to invest \$100m in real estate and LPG;
- Saudi Arabia-based **Pipe Systems Co**, registered to invest \$5m in the production of water pipe systems;
- Egypt-based **Lava**, registered to invest \$5m in the manufacturing of mobile phones;
- Sudan-based **Bash Pharma Co Ltd**, registered to invest \$5m in production of medicines;
- Norway-based **OTUN**, registered to invest \$3m in fabricated metals;
- Korea-based **HANSHIN Electric Wire And Cable Co Ltd**, registered to invest \$1m in manufacturing of cables;

²² African Business, 29 Apr 2019

²³ African Business, 29 Apr 2019

²⁴ The Guardian, 26 Apr 2019

²⁵ The Guardian, 26 Apr 2019

²⁶ New Business Ethiopia, 11 May 2019

²⁷ New Business Ethiopia, 11 May 2019

- A **Yemeni** and Ethiopian joint venture company, **Saba Confectionary**, registered to invest \$2.5m in manufacturing of sweets.²⁸

Abiy's plan to loosen the state's grip on the national economy has seen his government shun state-led business while courting foreign investors and the private sector. The government announced in August 2018 that it had terminated the involvement of state army-owned **Metals and Engineering Corporation (METEC)** in the **Grand Ethiopian Renaissance Dam (GERD)** in due to an investigative documentary by Ethiopian state broadcaster **Fana Broadcasting Corporate S.C.** that uncovered vast delays in works and widespread expropriation of funds by the company (see *ARC Briefing Ethiopia September 2018*).²⁹

Avocado market set to expand

An initiative to develop Ethiopia's **Hass** avocado industry is bearing fruit. A joint programme by the **United States Agency for International Development (USAID)**, **Israel's** agency for international development cooperation, **MASHAV**, and Ethiopia's agriculture ministry has helped over 2,000 farmers to produce Hass avocados over the past four years.³⁰ The deputy coordinator of the project, **Wale Getaneh**, recently told the Ethiopian parliament that the programme's results are encouraging, and the programme is worth developing.³¹

"The reason we focused on avocado over the last four years is because the international market for it is rapidly growing [and] Ethiopia has suitable weather for growing avocado."³²

The programme launched in 2005 and is active in the **Tigray, Amhara, South** and **Oromia** regions.³³ USAID is funding the project, while MASHAV is responsible for technical issues, and Ethiopia's agriculture ministry is the implementing agency.³⁴ The first year of the programme saw two tonnes of avocado exports, followed by eight tonnes and 14 tonnes in the following years, with the export price per kilogramme growing from \$3.6 to \$5.7.³⁵ There are currently 2,600 smallholder farmers growing avocados in Ethiopia.³⁶ The programme expects to export up to 100 tonnes of avocado by September this year.³⁷

Wale has called for more private sector investment in Ethiopia's avocado market and has suggested that the government should consider incentivising investors.³⁸ Wale claims that the crop can generate more export earnings per hectare than the country's much larger coffee market and generate a significant amount of hard currency. Wale also suggested that the market should focus on exports to China, claiming that a kilogram of avocado reaches \$2 in **California** (US) and \$17 in China.

Ethiopia produced 64.98 metric tonnes of avocados last year, which was up 256.9% from three years ago, but it still constituted only 1.2% of total world imports.³⁹ Ethiopia's avocado market totalled \$70,020 last year, up 242.3% from the previous year.⁴⁰ The **Netherlands** imports slightly over half of all Ethiopia's avocados.⁴¹ The rest of Ethiopia's avocados are exported to the **Middle East and North Africa** region.⁴²

²⁸ New Business Ethiopia, 11 May 2019

²⁹ Borkena, 6 Sep 2018

³⁰ New Business Ethiopia, 7 May 2019

³¹ New Business Ethiopia, 7 May 2019

³² New Business Ethiopia, 7 May 2019

³³ New Business Ethiopia, 7 May 2019

³⁴ New Business Ethiopia, 7 May 2019

³⁵ New Business Ethiopia, 7 May 2019

³⁶ New Business Ethiopia, 7 May 2019

³⁷ New Business Ethiopia, 7 May 2019

³⁸ New Business Ethiopia, 7 May 2019

³⁹ www.tridge.com

⁴⁰ www.tridge.com

⁴¹ www.tridge.com

⁴² www.tridge.com

Avocado

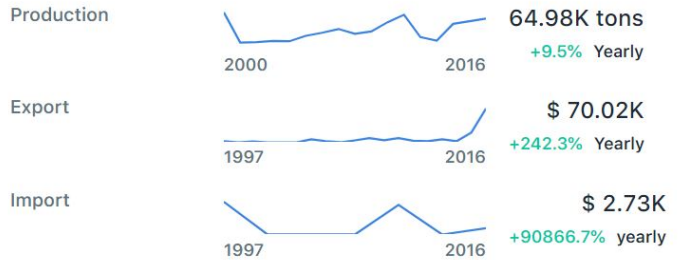
Ethiopia

Shares in this product's production: 1.2% Ranked 20th

Market Shares in global exports: 0.0% Ranked 66th



Market Shares in global imports: 0.0% Ranked 142nd

Revealed Comparative Advantage: 0.07



Source: www.tridge.com

Top Export Destinations from Ethiopia

Rank	Country	Export Value in 2016 USD	Shares in Export %	1-Year Growth in Value %	3-Year Growth in Value %
1	 Netherlands	\$36.15K	51.6%	+15551.1%	+0.0%
2	 Saudi Arabia	\$15.37K	22.0%	+0.0%	+0.0%
3	 Somalia	\$8.77K	12.5%	+0.0%	+120.6%
4	 Djibouti	\$6.56K	9.4%	+1178.8%	+1582.1%
5	 United Arab En	\$3.16K	4.5%	-67.1%	+5003.2%

Source: www.tridge.com

Planner

- 20 Jun 2019 **Addis Ababa (Ethiopia)** Addis Chamber International Manufacturing & Technology Trade Fair (Matex Ethiopia);
- 25 Jun 2019 **Addis Ababa (Ethiopia)** Global Illicit Trade Summit;
- 14-15 Aug 2019 **Addis Ababa (Ethiopia)** FineTech Addis Exhibition and Forum (Finacial technology Expo);
- 17-19 Oct 2019 **Addis Ababa (Ethiopia)** African Livestock Exhibition and Congress (ALEC);

22 Oct 2019 **Addis Ababa (Ethiopia)** Africa Future Summit;
 24-26 Feb 2020 **Addis Ababa (Ethiopia)** Solar Africa;
 2020 **(Ethiopia)** Parliamentary elections;

Chronology

24 May 2019 **Addis Ababa (Ethiopia)** *africanews*. **Ethiopian Investment Commission** head **Abebe Abebayehu** says the government needs a minimum wage to protect the interest of workers;

22 May 2019 **Addis Ababa (Ethiopia)** *Walta*. State minister of foreign affairs **Aklilu Hailemichael** invites **Chinese** technology firms to invest in the medical technology sector;

18 May 2019 **Addis Ababa (Ethiopia)** *Al Jazeera*. Water and electricity minister **Seleshi Bekele** says the government started to ration electricity after a drop in water levels affect hydroelectric dam production;

17 May 2019 **Addis Ababa (Ethiopia)** *New Business Ethiopia*. **Ethiopian Airlines Group** is set to launch local flight in **Ghana** after securing a 49% share in a newly formed unnamed flight service;

17 May 2019 **Washington DC (US)** *New Business Ethiopia*. The **United States** hosts the **Ethiopia Partnership Forum** to discuss investment opportunities;

16 May 2019 **Addis Ababa (Ethiopia)** *Borkena*. Parliament approves **Tassew Gebre** and **Ustaz Abubeker** as commissioner and deputy chairperson of the **Identity and Boundary Commission**, which is tasked with resolving boundary disputes;

14 May 2019 **Addis Ababa (Ethiopia)** *New Business Ethiopia*. Five opposition parties merge to form a new political party, the **Hibir Ethiopia Democratic Party**, to contest the May 2020 national election;

12 May 2019 **Addis Ababa (Ethiopia)** *New Business Ethiopia*. The ministry of revenue reports it collected \$612m in tax in April;

11 May 2019 **Addis Ababa (Ethiopia)** *New Business Ethiopia*. Ethiopia attracted foreign direct investment of \$1.83 billion during the first nine months of the Ethiopian calendar beginning July 2018;

9 May 2019 **Addis Ababa (Ethiopia)** *New Business Ethiopia*. Opposition parties, **Unity for Democracy and Justice**, **G7 Patriots** and five other parties merge to form a new political party, **Ethiopian Citizens Party for Social Justice**, to contest the May 2020 national election;

7 May 2019 **Addis Ababa (Ethiopia)** *africanews*. The attorney-general formally charges former intelligence chief, **Getachew Assefa**, in absentia for rights abuses;

6 May 2019 **Addis Ababa (Ethiopia)** *Star Tribune*. **The New York University Stern Center for Business and Human Rights** publishes a report stating that Ethiopian factory workers are, on average, the lowest paid garment producers in the world;

4 May 2019 **Addis Ababa (Ethiopia)** *The Reporter*. **United Kingdom**-based **NewAge (African Global Energy Ltd)** discovers 1.6 trillion cubic feet of natural gas reserve in the **Ogaden** basin;

3 May 2019 **Addis Ababa (Ethiopia)** *Africa Intelligence*. **United Kingdom** foreign secretary **Jeremy Hunt** announces \$19.7m in aid for Ethiopia at the opening ceremony of the 26th **World Press Freedom Day**;

3 May 2019 **Addis Ababa (Ethiopia)** *New Business Ethiopia*. **Ethiopian Investment**

Commission head **Abebe Abebayehu** considers opening the media industry for foreign investors at the **World Press Freedom Day** in Addis;

2 May 2019 **Addis Ababa (Ethiopia)** *New Business Ethiopia*. The **United Nations** awards a peace prize to prime minister **Abiy Ahmed**;

2 May 2019 **Addis Ababa (Ethiopia)** *New Business Ethiopia*. Ethiopian-**Turkish** joint venture **Euro Cable Private Limited Company** inaugurates a factory that triples its existing electric cable production capacity;

2 May 2019 **Addis Ababa (Ethiopia)** *New Business Ethiopia*. **Ethiopian Investment Commission** head **Abebe Abebayehu** says that industrial parks generated \$103m in income in the first nine months of the fiscal year;

1 May 2019 **Addis Ababa (Ethiopia)** *Africa Intelligence*. **World Bank** president **David Malpass** injects \$4m to improve Ethiopia's business climate;

1 May 2019 **Addis Ababa (Ethiopia)** *Ezega*. The **Ethiopian Reconciliation Commission** plans to complete its peace and reconciliation duties in three years;

30 Apr 2019 **Addis Ababa (Ethiopia)** *New Business Ethiopia*. **China**-based companies **Tyson Group** and **Green Diamond** agree to build a \$2 billion bamboo processing plant in Ethiopia;

24 Apr 2019 **Beijing (China)** *African Business*. **State Grid Corporation of China** signs a \$1.8 billion investment agreement with Ethiopia to provide electric power transmission and distribution lines;

24 Apr 2019 **Beijing (China)** *African Business*. **China** promises to write off debt for all interest-free loans owed by Ethiopia through to the end of 2018;

About Africa Risk Consulting:

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