

AFRICA RISK CONSULTING

Ethiopia Monthly Briefing March 2020

Ethiopia Summary 24 March 2020

The Ethiopian government begins locking the country down following health minister Liya Kebede's report of the first covid-19 case on 13 March. Notwithstanding the relatively swift government response, the population and the economy are highly vulnerable to a virus outbreak, which would have significant long-lasting effects. Africa's most profitable and expansive airline, Ethiopian Airlines, reports losses of over \$190m from the impact of covid-19 on international travel. Prime minister Abiy Ahmed Ali (2018-present) cautions citizens against taking any form of attacks targeting foreigners follow reports of anti-European sentiment across the country in the wake of the global covid-19 outbreak.

Coronavirus reaches Ethiopia

Health minister **Liya Kebede** reported the first **covid-19** case in **Ethiopia** on 13 March, a **Japanese** man coming from **Burkina Faso**, making it the first case of cross-continental transmission in **Africa**. Ethiopia's total number of confirmed cases stood at 11 at the time of writing.¹ Government has been relatively swift to suspend schools, sporting events and social gatherings, and has announced 5 billion Ethiopian birr (ETB) (\$154m) to improve preparedness. Notwithstanding the government's planning, the virus is likely to have significant, long-lasting economic and social effects. The **World Health Organisation (WHO)** lists Ethiopia in its list of 13 African countries of top priority for covid-19 readiness due to direct links or a high volume of travel to **China**. Without rapid and well-executed government response, the number of covid-19 cases will rise exponentially, which the health system is ill-equipped to deal with.

The month or so delay in the virus reaching Africa from **Europe** enabled African governments to learn from the mistakes of their European counterparts – particularly in regards to spread prevention – and to implement much swifter response plans. This allowed Ethiopia to take some steps relatively early to prevent the spread of the virus. As well as implementing various social distancing protocols, government has closed its land borders – which does not apply to the movement of essential goods – and deployed security forces to “*undertake internal preparations and preventive tasks nationally*”.² Government has also shut down public transport, including **Addis Ababa's** rail network.

The government has called for international support. The **World Bank** executive board is expected to announce plans shortly on the first fast-track funds to help Ethiopia and **Afghanistan** respond to the pandemic. The first planeload of protective and medical equipment donated to Africa by Chinese billionaire and **Alibaba** co-founder **Jack Ma** to help it fight covid-19 arrived in Addis Ababa on 22 March.³ Ma's foundation said the flight carried 5.4 million face masks, kits for 1.08 million detection tests, 40,000 sets of protective clothing and 60,000 sets of protective face shields. Prime minister **Abiy Ahmed Ali** (2018-present) tweeted that distribution would start on 23 March.

That said, there are also areas where government's response was slow. State-owned **Ethiopian Airlines** maintained a decision to stick to its China route at the beginning of the outbreak – when most African airlines were suspending operations – for which it received heavy criticism (see *ARC Briefing Ethiopia February 2020*). Ethiopian Airlines CEO **Tewolde Gebremariam** on 13 February

¹ 'Covid-19 in Africa', WHO (last accessed 23 Mar 2020)

² Bloomberg, 23 Mar 2020

³ Borkena, 22 Mar 2020

resisted pressure to cancel flights to China, saying there was no proof that cancelling flights would help contain the virus. Later, on 20 March, the airline suspended flights from 30 of the worst affected countries, and, on 23 March, the government enforced a 14-day mandatory quarantine period for all travellers to the country. Government also received criticism over its decision to not suspend a 15,000-person run in Addis Ababa on 15 March.

As Ethiopia now moves toward an inevitable lockdown, the planned 29 August parliamentary election seems likely to be postponed given that the pandemic will significantly disrupt election campaigning. Parliament is yet to make an official announcement, but it is highly likely that the country will elude finding an election date once again.

The lockdown will also affect the **Grand Ethiopian Renaissance Dam (GERD)** negotiations with **Egypt** and **Sudan**. Talks have stalled and Ethiopia recently recalled its ambassadors in **Cairo** and **Khartoum**. Governments will be downsized and focusing on home affairs in the next few months.

Events are changing day by day. Foreigners should check their airline carriers and refer to their local embassy websites for updates. All passengers arriving in Ethiopia are subject to a mandatory 14-day quarantine at government-designated centres, at their own cost.

High social and economic costs

Africa's most profitable and expansive airline, Ethiopian Airlines, has already lost over \$190m from the impact of covid-19 on international travel.⁴ This is an indication of things to come for Ethiopian businesses. A large population with a high number of people living in poverty makes Ethiopia highly vulnerable to covid-19, the implications of which could stop the country's impressive growth rates over the past decade in its tracks. Government needs to institute a tailored stimulus package to support the private sector, with particular focus on relieving the pressure that health care service providers feel.

Ethiopia's government has asked **G20** countries to release an **Africa Global COVID-19 Emergency Financing Package** worth \$150 billion for supplementary budgetary support, cancellation of all interest payment to government loans, and converting remaining debts into long-term low-interest loans with 10 years' grace period before payment. The prime minister's office stated:

"Africa's ability to take even modest measures to inject liquidity and cushion its companies and workers from the impact of this calamity are further constrained by the heavy debt burden, the servicing of which alone costs many of them significantly more than their annual health budgets."⁵

While risk assets around the world have begun repricing with a vengeance over the past few weeks, uncertainty over the effectiveness of government responses could mean further downgrades of sovereign credit. **South Africa-based NKC African Economics'** terms-of-trade shock vulnerability index lists Ethiopia in its countries most prone to debt distress in the event of a prolonged shock, as looks likely to unfold in the case of the covid-19 pandemic. NKC also scored Ethiopia poorly in terms of access to healthcare, and it noted the country's population burden with over 100 million people.

The latest assessment of the **United Nations (UN) Economic Commission for Africa (UNECA)** shows that covid-19 will hit African economies severely through disruption of the global supply chain and the dramatic drop in the price of crude oil. During a meeting on 19 March, UNECA noted that even before the pandemic, Africa was already experiencing a huge financing gap in funding measures and programmes aimed at realising UN **Social Development Goals** and **Agenda 2063** targets. Original forecasts in most economies are on average being downgraded by 2-3% points for 2020 due to the pandemic.

⁴ Bloomberg, 21 Mar 2020

⁵ Office of the prime minister quoted in New Business Ethiopia, 24 Mar 2020

Although Ethiopia's macro-economy has been witnessing world-leading growth over the past decade, averaging around 10.1%, it remains to shoulder a debt burden of 58% of GDP, a budget deficit of 3.7% of GDP, a trade deficit of 12.4% of GDP and a current account deficit of 4.5% of GDP. The cost of the fight against the pandemic will have a direct impact on the fiscal space. Government's initial \$300m to fight the pandemic is likely to need topping up, which will require further tightening in government expenditure.

As an import-dependent and supply-constrained economy, one major channel through which the pandemic will be affecting the economy is imports. As of now, China, the manufacturing hub of the world and the number one import sourcing country for Ethiopia, is stuck. **Middle Eastern** and **North American** countries and the **European Union** have imposed their own flight restrictions. This means that importers cannot travel to make orders, freight forwarders cannot effectively facilitate trade, and transitors cannot do the facilitation as they normally would. Travel bans will also affect shipping lines and it will take more time for cargo to be transported due to new protocols around certification.

The supply chain will experience new pain points. These will include lower agricultural marketable, higher farm gate price, sluggish supply due to longer collection time, longer transport time, higher loading and unloading mark-up, higher distribution cost and longer retail filling. These pressures on the supply chain will express themselves in the form of shortage of commodities in the market as well as higher prices.

UNECA has advised African countries to mobilise their domestic resources and expand their investment in social security to rescue the poor. Ethiopia has about 26 million people in absolute poverty and 8.4 million people needing emergency food assistance, while an additional 8 million people live under the **Productive Safety Net Programme**.

The disruption will also create opportunity for the economy and businesses. UNECA director **Stephen Karingi** said the shock created by covid-19 is an opportunity to expand intra-Africa trading (currently at 17%) – which is significantly lower than intra-trade within Europe (69%), **Asia** (59%) and North Africa (31%) – and boost local production of food and develop the pharmaceutical sector.

Rising anti-European sentiment

Prime minister Abiy Ahmed cautioned citizens on 19 March against taking any form of attacks targeting foreigners following reports of anti-European sentiment across the country in the wake of the covid-19 outbreak.⁶ Journalists have warned ARC about rising animosity against Europeans in Ethiopia, as well as in **Senegal, Uganda, Democratic Republic of the Congo** and **Cameroon**, as initial covid-19 cases in Africa are overwhelmingly coming from the continent's closest neighbour, Europe. Travelers are advised to regularly check advice from their embassies and to exercise increased precaution.

The **United States (US) State Department** on 18 March issued a security warning to foreigners in Ethiopia over rising anti-foreigner sentiment and violent attacks since the country documented its first case of covid-19.⁷ The embassy said it is receiving reports of foreigners being harassed and assaulted in Addis Ababa. Some foreigners have been attacked with stones and denied transportation while being accused of being infected with covid-19. The US embassy urged foreigners in Ethiopia to avoid walking alone and to lock the doors of their cars. The US embassy in **Yaounde** (Cameroon) has also issued a travel warning to its citizens.⁸

Journalists in Ethiopia have reported that some residents have begun calling foreigners "*corona*" while others are attacking foreigners on social media by publishing photos of them and linking them to the coronavirus. The **Foreign Correspondents Association of Ethiopia** warned that "*dangerous*

⁶ Borkena, 19 Mar 2020

⁷ The Hill, 18 Mar 2020

⁸ DW, 20 Mar 2020

rumours" and *"vicious posts"* are being spread on the internet about foreign journalists, while other foreigners have been physically attacked. It advised journalists to be cautious.

Ethiopia's government imposed a communications shutdown across much of western **Oromia** region in January, leading to an information blackout for more than 3 million people. The government-enforced internet shutdown has hampered people's abilities to prepare and respond to the pandemic. US-based non-governmental organisation **Human Rights Watch** senior researcher **Laetitia Bader** said:

*"Even before Ethiopia confirmed its first coronavirus case on March 13, people in the western Oromia region, where the military has conducted operations against a rebel force, faced significant challenges. Access to health care is severely limited, especially for those in rural areas. We recently spoke to a man who in July spent days calling hospitals in **West Wellega** in search of a ventilator for his sister who was dying of pneumonia; she didn't survive. Because of the government restrictions, international and local aid groups are unable to monitor disease outbreaks or provide adequate assistance."*⁹

Access to timely and accurate information is essential in a time of crisis, especially as Ethiopia simply does not have the infrastructure to cope with an outbreak. Access to safe water and sanitation is low in Ethiopia. Cholera and measles outbreaks remain persistent public health threats, and high patient-to-physician ratios mean doctors are unable to tend to everybody. The new virus risks adding significant pressure to already strained health systems.

Planner

1 Jul 2020 **(Africa) African Continental Free Trade Area** deadline for 90% tariff liberalisation;

16 Aug 2020 **(Ethiopia)** Tentative general election date;

Chronology

22 Mar 2020 **Addis Ababa (Ethiopia) Borkena**. The first batch of protective and medical equipment donated by **Chinese** billionaire and **Alibaba** co-founder **Jack Ma** arrives in **Addis Ababa**;

19 Mar 2020 **Addis Ababa (Ethiopia) Borkena**. Prime minister **Abiy Ahmed** cautions citizens against taking any form of attacks targeting foreigners in the wake of the **covid-19** outbreak;

18 Mar 2020 **Addis Ababa (Ethiopia) The Hill**. **United States State Department** issues a warning to foreigners in **Ethiopia** over rising anti-foreigner sentiment and violent attacks since the country documented its first case of **Covid-19**;

18 Mar 2020 **Addis Ababa (Ethiopia) Borkena**. Government closes federal courts, except for *"urgent"* matters, for the next two weeks in an effort to contain the **Covid-19** spread;

17 Mar 2020 **Addis Ababa (Ethiopia) AfricaNews**. Prime minister **Abiy Ahmed** announces that he has secured a donation from **Chinese** businessman **Jack Ma** for continent-wide support in **Africa**, as health ministry confirms a 59-year-old **British** diplomat as the sixth case of **Covid-19** in **Ethiopia**;

16 Mar 2020 **Addis Ababa (Ethiopia) Borkena**. Prime minister **Abiy Ahmed** closes schools and bans all public gatherings for 15 days following four new **Covid-19** cases, bringing the total to five;

16 Mar 2020 **Addis Ababa (Ethiopia) MEMO**. Chief of Staff lieutenant general **Adam Mohamed** says the army is ready to resist any attack on the **Grand Ethiopian Renaissance Dam** and carry out counterattacks against the aggressors, as mediation talks with **Egypt** stall;

⁹ Human Rights Watch, 20 Mar 2020

15 Mar 2020 **Addis Ababa (Ethiopia)** *Daily Nations*. Government halts train transport but receives criticism for holding a 15,000-person run in **Addis Ababa**;

15 Mar 2020 **Addis Ababa (Ethiopia)** *CGTN*. **International Organization for Migration** launches a \$77.6m appeal to provide humanitarian assistance to more than 1.2 million internally displaced persons, migrants and returnees, and host communities in **Ethiopia**;

12 Mar 2020 **Addis Ababa (Ethiopia)** *New Business Ethiopia*. Parliament approves five new appointments: health minister, revenue minister, minister of women, attorney general and commissioner for the federal ethics and anti-corruption commission;

11 Mar 2020 **Addis Ababa (Ethiopia)** *Borkena*. Public health institute director **Abate Eba** reports five new suspected **Covid-19** cases in **Ethiopia**;

5 Mar 2020 **Addis Ababa (Ethiopia)** *FT*. Finance minister **Ahmed Shide** says the **United States** is ready to invest \$5 billion in **Ethiopia** through its newly created **International Development Finance Corporation** in an effort to support private-sector reform;

5 Mar 2020 **Addis Ababa (Ethiopia)** *Addis Standard*. **Ethiopia** recalls eight ambassadors to **Addis Ababa**, including the ambassadors to **Cairo** and **Khartoum**, as well as those from **Brussels, London, Rabat, Algiers, Canberra** and **Havana**;

29 Feb 2020 **Addis Ababa (Ethiopia)** *Borkena*. Government expresses its disappointment at the **United States** for holding bilateral talks with **Egypt** and **Sudan**, as trilateral negotiations held in **Washington (US)** over the **Grand Ethiopian Renaissance Dam** stall;

28 Feb 2020 **Oromia Region (Ethiopia)** *Renewables Now*. State-owned power producer **Ethiopian Electric Power** signs a construction contract with **Toyota Tsusho Corp** for a 5 MW geothermal power facility in central **Ethiopia**;

26 Feb 2020 **Addis Ababa (Ethiopia)** *Al Jazeera*. Water ministry says **Ethiopia** will not attend this week's latest round of **United States**-brokered talks on the disputed **Grand Ethiopian Renaissance Dam** project with **Egypt** and **Sudan** "*because the country's delegation hasn't concluded its consultation with relevant stakeholders*";

25 Feb 2020 **Addis Ababa (Ethiopia)** *Borkena*. Prime minister **Abiy Ahmed**'s government drops charges against 63 suspects, including politicians, saying the measure could help the reform effort;

24 Feb 2020 **Kinshasa (DRC)** *UN*. **United Nations Food and Agriculture Organisation** says a desert-locust outbreak that has been ravaging **Kenya, Ethiopia** and **Somalia** has now reached the **Democratic Republic of the Congo**;

24 Feb 2020 **Cairo (Egypt)** *Asharq Alawsat*. Water resources and irrigation ministry spokesman **Mohamed al-Sebai** says **Egypt** is committed to the recent joint statement which set the end of February as the deadline for negotiations on the **Grand Ethiopian Renaissance Dam (GERD)**, however, doubts remain on the ability to overcome all issues;

24 Feb 2020 **Addis Ababa (Ethiopia)** *Bloomberg*. **Zimbabwean** billionaire **Strive Masiyiwa**'s **Econet Global** expresses interest in acquiring a telecommunications licence in **Ethiopia**;

19 Feb 2020 **Addis Ababa (Ethiopia)** *Yahoo*. **United States** secretary of state **Mike Pompeo** says in his speech at the **United Nations Economic Commission for Africa**, "*countries should be wary of authoritarian regimes and their empty promises...they breed corruption, dependency and instability, not prosperity, sovereignty and progress*" in a swipe at **China**'s rising influence in **Africa**;

19 Feb 2020 **Addis Ababa (Ethiopia)** *New Business Ethiopia*. **United States (US)** secretary of state **Mike Pompeo** remarks on **Ethiopian** prime minister **Abiy Ahmed**'s reforms and

promises to drive US investments in Ethiopia;

18 Feb 2020 **Addis Ababa (Ethiopia)** *Anadolu Agency*. **United States (US)** secretary of state **Michael Pompeo** says the US “won’t impose a solution” on **Ethiopia** in negotiations with **Egypt** and **Sudan** regarding the \$5 billion **Grand Ethiopian Renaissance Dam** project;

18 Feb 2020 **Nairobi (Kenya)** *Business Daily*. Telecommunications company **Safaricom** opens talks with undisclosed investors to form a consortium that will bid this year for one of two **Ethiopian** telecoms licences due to the high entry costs;

15 Feb 2020 **Washington (US)** *ABC News*. **United States (US)** secretary of state **Mike Pompeo** makes his first trip to **sub-Saharan Africa**, visiting **Senegal**, **Angola** and **Ethiopia** in a bid to reassert the US as the leading partner;

14 Feb 2020 **Addis Ababa (Ethiopia)** *Borkena*. **National Electoral Board of Ethiopia** confirms a parliamentary election will be held on 29 August;

13 Feb 2020 **Addis Ababa (Ethiopia)** *Borkena*. Parliament approves a controversial law aimed at curbing hate speech and disinformation, months ahead of a general election;

13 Feb 2020 **Addis Ababa (Ethiopia)** *The Reporter*. **Ethiopian Airlines** CEO **Tewolde Gebremariam** resists pressure to cancel flights to **China**, saying there is no proof that cancelling flights would help contain the virus;

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Getting in touch

Please contact us by email info@africariskconsulting.com or call + 44 (0) 20 7078 4080

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