

AFRICA RISK CONSULTING

Ethiopia Monthly Briefing October 2020

Ethiopia Summary 16 October 2020

Parliament orders federal government to cease all interactions with Tigray Region leadership, namely the Tigray People's Liberation Front (TPLF), which retaliates by saying it will not recognise any new federal proclamations, directives or regulations post-10 October. State-owned airline Ethiopian Airlines' CEO, Tewolde Gebremariam, says the national flag carrier rode out the worst of the coronavirus pandemic and now seeks to boost its presence in Africa. Prime minister Abiy Ahmed (2018-present) announces a 46% increase in the national health budget during the 2020/21 financial year due to the coronavirus pandemic exposing deficiencies in equipment, facilities and personnel.

Parliament votes to cut ties with Tigray Region

Ethiopia's House of Federation (upper house) on 6 October ordered the federal government to cease all interactions with **Tigray Region** leaders, namely the **Tigray People's Liberation Front (TPLF)**. Prime minister **Abiy Ahmed's** (2018-present) administration has deemed the TPLF unconstitutional due to an "*illegitimate regional election*".¹ The parliamentary order said federal fiscal transfers to the region would be suspended and that federal government would deal directly with district leaders to ensure the continued provision of basic public services. The move has escalated tension between the federal government and the regional state.

Events over the past month suggest it is highly likely that the division will widen in the months ahead, with separation, rather than a negotiated settlement, looking increasingly like the only solution. A power struggle between federal government, controlled by Abiy's newly formed ruling **Prosperity Party (PP)**, and the TPLF has been brewing since November 2019, when Abiy unified the **Ethiopian People's Revolutionary Democratic Front (EPRDF)** coalition into the PP. The TPLF, formerly a dominant party in the coalition, claimed the unification of the EPRDF into the PP was illegal and subsequently withdrew from the newly formed party. Relations worsened considerably when federal government indefinitely delayed general elections originally slated for August 2020 due to the **coronavirus** pandemic.

The TPLF retaliated against parliament's order by saying it would not recognise any new federal proclamations, directives or regulations after 10 October. TPLF vice president **Abraham Tekeste** has warned that the federal government's decision to cut budget subsidies to the Tigray regional government is a "*dangerous*" move that could escalate tensions in the country.² The TPLF claims the federal government's mandate expired on 5 October and states that it will not participate in postponed federal and regional elections, scheduled for some time next year.

Political analysts and commentators broadly agree that Tigray secession seems unlikely in the short term.³ Instead, the TPLF is likely to further isolate the region and wait for Abiy's government to weaken under rising political polarisation, and then push for more power and autonomy. The TPLF and other opposition parties want a national dialogue to map a path forward that involves all political stakeholders, and, crucially, that a caretaker government chair the negotiations on the basis that the

¹ Borkena, 6 Oct 2020

² BBC, 8 Oct 2020

³ Multiple sources in political, academic and media circles

incumbent government's term expired on 5 October. Abiy's administration will almost certainly refuse these conditions.

In pursuing a strategy of self-isolation, the TPLF risks losing voter support and facing other obstacles. A senior TPLF source told reputable newsletter **Africa Confidential** that hostile neighbouring regions have caused trade and transport issues in Tigray.⁴ Tigray suppliers have been travelling via its eastern **Afar Region** due to frequent roadblocks targeting Tigrayan vehicles over the last two years by groups in **Amhara Region**, whose political elite also has hostile relations with the TPLF. However, Africa Confidential's source said the Afar region trade route is also coming under pressure from informal militia and security forces. These business disruptions will be compounded by federal government's move to squeeze the Tigray economy.

Abiy's administration accuses the TPLF of supporting civil unrest and anti-government sentiment in Tigray. However, although the federal government does not recognise Tigray's government, the upper house of parliament is prepared to accept that Tigray will have what it deems an "unconstitutional" government for an undetermined period. Abiy has ruled out federal military intervention, calculating that an intervention could be catastrophic, as it would risk fanning already high civil unrest in the region and further damaging Abiy's democratic credentials, which are already in serious doubt (see *ARC Briefing Ethiopia August 2020*).

Ethiopian Airlines rides out turbulence ...

State-owned airline **Ethiopian Airlines'** CEO **Tewolde Gebremariam** said on 29 September that the national flag carrier rode out the worst of the coronavirus pandemic on the strength of the cargo boom.⁵ Much of the airline's success this year during the global pandemic has been attributed to Tewolde, whose fast and flexible response to major business disruption helped Ethiopian become one of the few airlines that not only avoided bailout or collapse this year, but even reported a profit. Ethiopian is now looking to increase its market share across **Africa**.

Finance minister **Ahmed Shide** on 12 October announced the temporary suspension of the planned partial privatisation of Ethiopian Airlines, saying "*we do not believe that this is the time to privatise the company while it appears robust.*"⁶ The planned privatisation was part of a larger set of economic reforms that will see the country's telecoms, logistics and other critical sectors privatised. It is unlikely that government will consider the move again before next year's elections.

The travel sector has been one of the worst casualties of the coronavirus pandemic. Ethiopian Airlines estimates it lost earnings of \$1 billion following a 90% drop in international passenger traffic during the pandemic.⁷ However, despite this, Tewolde said that Ethiopian reported a profit of \$44m for the first half of the year, although the company declined to give details because the figures are unaudited.⁸

Tewolde has received much acclaim from the business community and in news media over his actions at Ethiopian Airlines. At the start of the global pandemic in March, he decided to pivot operations to meet surging demand for airfreight, repurposing 45 passenger jets to build out Ethiopian's cargo fleet. Ethiopian was further aided by the **United Nations'** decision to open a humanitarian transport hub in **Addis Ababa** in April. Tewolde said Ethiopian has operated 360 cargo charters of personal protective equipment to more than 80 countries. Tewolde said that as a result of these decisions, Ethiopian avoided seeking a bailout, laying off any full-time employees or requesting deferrals on debt payments – unlike many regional competitors.⁹

⁴ Africa Confidential, 8 Oct 2020

⁵ AFP, 29 Sep 2020

⁶ The Ethiopian Herald, 14 Oct 2020

⁷ Bloomberg, 4 Oct 2020

⁸ AFP, 29 Sep 2020

⁹ AFP, 29 Sep 2020

Tewelde is now looking to deepen ties with other African carriers, notably insolvent state-owned **South African Airways (SAA)**. A study prepared by **African Aviation Services** for South Africa's ruling party, the **African National Congress**, seen by news outlet **Bloomberg**, urges South Africa to partner SAA with Ethiopian.¹⁰ Tewelde said Ethiopian is willing to provide planes, pilots and maintenance services to SAA, but will not support SAA's debt issues or meet the costs of its workforce.¹¹

Ethiopian already partners with **Malawian Airlines**, as well as **West Africa's ASKY Airlines** out of ASKY's hub in **Lomé (Togo)**. It also holds a 45% stake in **Zambia Airways** and agreed to contribute a \$30m capital injection to re-launch the airline.¹² Tewelde said African carriers currently only meet about 20% of the continental market's needs and that Ethiopian is aiming to boost this to 50%.

Ethiopian Airlines is Africa's largest airline in terms of passengers carried, destinations served, fleet size, and revenue. Ethiopian is also the world's fourth-largest airline by the number of countries served.¹³ Ethiopian was the fifth-largest company on the continent in 2010 behind SAA, **Egyptair**, **Royal Air Maroc** and **Kenya Airways**. Ethiopian has tripled its fleet to 120 aircraft, from around 40 in 2010, as well as its turnover, to \$3.9 billion over the period 2019-2020 from \$1.3 billion in 2010, and has increased its destinations from Addis Ababa to almost 130 from 80.¹⁴

Health budget doubles

Prime minister Abiy Ahmed on 12 October announced a 46% increase in the national health budget during the 2020/21 financial year, up to 18.7 billion Ethiopian birr (\$505m) from 12.64 birr (\$340m) in 2019/20, due to the coronavirus pandemic exposing deficiencies in equipment, facilities and personnel.¹⁵ Abiy said during the **Financial Times Africa Summit** virtual conference:

*"In many African countries, healthcare is a neglected sector. This pandemic has exposed our dark underbelly."*¹⁶

Economic analyst **Samuel Getachew** noted that, while the increase is substantial, it is *"still a small amount"* of money given the state of the public healthcare system and the fact that Ethiopia has a large and fast-growing population of over 115 million people (at the last count in 2007).¹⁷

Abiy said government was shifting priorities, putting more government money into improving the healthcare system. Abiy said the extra spending has made the health sector the fourth largest in terms of budgetary allocations. The finance ministry usually spends twice its annual health budget servicing its external debt.

Ethiopia has one of the highest daily coronavirus infection rates on average in Africa.¹⁸ Health authorities had confirmed around 87,200 **Covid-19** cases, 40,100 recoveries and 1,325 deaths in Ethiopia, as at 25 September.¹⁹

¹⁰ Bloomberg, 4 Oct 2020

¹¹ Bloomberg, 4 Oct 2020

¹² The Southern Times, 21 Mar 2020

¹³ The Africa Logistics, 22 Jun 2020

¹⁴ Jeune Afrique, 9 Oct 2020

¹⁵ 'Africa Summit', Financial Times, 12 Oct 2020

¹⁶ 'Africa Summit', Financial Times, 12 Oct 2020

¹⁷ Samuel Getachew quoted in CNBC Africa, 14 Oct 2020

¹⁸ World Health Organisation (last accessed 25 Sep 2020)

¹⁹ Ministry of Health (last accessed 16 Oct 2020)

Planner

Apr 2021 **(Ethiopia)** Earliest date that Ethiopia's electoral board expects postponed elections to be held.

Chronology

15 Oct 2020 **Addis Ababa (Ethiopia)** *Addis Standard*. **United States** government-owned **International Development Finance Corporation** commits \$1.55m in technical development for the **Tulu Moyo Geothermal Power Plant Project in Ethiopia**;

14 Oct 2020 **Addis Ababa (Ethiopia)** *The Ethiopian Herald*. Finance minister **Ahmed Shide** confirms the temporary suspension of the planned partial privatisation of national airline **Ethiopian Airlines**, saying "we do not believe that this is the time to privatise the company while it appears robust";

12 Oct 2020 **Addis Ababa (Ethiopia)** *MEO*. Prime minister **Abiy Ahmed** says the health budget has been allocated 18.7 billion Ethiopian birr (\$505m) during the 2020/21 financial year, a 46% increase, after the **coronavirus** crisis exposed the need for more equipment, facilities and personnel;

12 Oct 2020 **Addis Ababa (Ethiopia)** *AA*. **Eritrea's** President **Isaias Afewerki** arrives in **Ethiopia** for a three-day official visit;

8 Oct 2020 **Addis Ababa (Ethiopia)** *BBC*. **Tigray Region** vice president **Abraham Tekeste** warns that the decision by the federal government's upper house to cut budget subsidies to the Tigray regional government was a "dangerous" move that could escalate tensions in the country;

6 Oct 2020 **Addis Ababa (Ethiopia)** *Borkena*. Parliament votes that federal officials should cut ties with **Tigray** regional leaders, who defied prime minister **Abiy Ahmed** last month by holding elections his government deemed "illegal";

5 Oct 2020 **Addis Ababa (Ethiopia)** *Reuters*. President **Sahle-Work Zewde** says **Ethiopia's** dam on the **Blue Nile**, the **Grand Ethiopian Renaissance Dam**, will produce electricity within the next 12 months;

5 Oct 2020 **Johannesburg (South Africa)** *Bloomberg*. A study by **ANC** lawmakers urges **South Africa** to preserve its insolvent national airline, **South African Airways**, and seek to partner the carrier with **Ethiopian Airlines**;

4 Oct 2020 **Benishangul-Gumuz (Ethiopia)** *Reporter*. Government reportedly bans flights in its airspace over the **Grand Ethiopian Renaissance Dam** on the **Blue Nile** in **Benishangul-Gumuz Regional State** for security reasons;

1 Oct 2020 **Oromia (Ethiopia)** *Borkena*. Regional authorities say they have arrested more than 500 people in **Oromia** region who they allege were working to cause disturbances during the annual **Irreecha** thanksgiving festival;

29 Sep 2020 **Addis Ababa (Ethiopia)** *AFP*. State-owned airline **Ethiopian Airlines'** CEO **Tewolde Gebremariam** says the national flag carrier rode out the worst of the pandemic on the strength of the cargo boom;

25 Sep 2020 **Cairo (Egypt)** *Al Monitor*. Egypt's President **Abdel Fattah al-Sisi** says he received a letter from **Democratic Republic of the Congo** president **Felix Tshisekedi** expressing his support for the Egyptian terms of the **Grand Ethiopian Renaissance Dam**.

About Africa Risk Consulting:

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