

## **A WEEK IN THE HORN OF AFRICA**

### **9<sup>th</sup> October 2015**

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#### **News in Brief**

##### **Africa and the African Union**

The AU Commission Chairperson, Dr Dlamini-Zuma, announced on Wednesday (October 7) that Ambassador Francisco Madeira, of Mozambique, had been appointed to replace Ambassador Amman Sidikou of Niger as the Special Representative of the AU Chairperson for Somalia and Head of the AU Mission in Somalia (AMISOM).

The Joint Sudan and South Sudan Boundary Commission met in Addis Ababa on Wednesday (October 7) for talks with under the auspices of African Union Border Program. The Co-Chairs of the Joint Commission also met the AU Commissioner for Peace and Security, Commissioner Smail Chergu. The meeting is expected to “pave the way for the implementation of the planned activities of the Commission in accordance with the Agreement on Border Issues signed in September 2012”.

The commander of the U.S. Africa Command, General David Rodriguez, finished a weeklong trip with U.S. Deputy Assistant Secretary of Defense for African Affairs, Amanda Dory, visiting Djibouti, Somalia, Ethiopia, Kenya and Uganda at the end of last week.

##### **Ethiopia**

President Dr Mulatu Teshome addressed a joint session of the two chambers of Parliament, the House of Peoples' Representatives (HPR) and the House of Federation (HoF), to open the new parliamentary session on Monday (October 5). (See article)

Ethiopia's Prime Minister Hailemariam Desalegn, who was re-elected Prime Minister on Monday (October 5) announced his new government on Tuesday morning. The House of People's Representatives endorsed the appointment of 23 ministers and four other senior appointments with ministerial rank. (See article)

The 9<sup>th</sup> round of the Tripartite National Committee of Egypt, Ethiopia, Sudan, scheduled for October 5 in Cairo, has been postponed to the fourth week of October as Ethiopia is currently conducting a government reshuffle.

Dr Tedros Adhanom met with Ms Sarah Macintosh, Director General of Defense and Intelligence in the UK Foreign and Commonwealth Affairs Office on Wednesday (October 7). Discussions covered bilateral issues of security, migration, terrorism and the Ethiopia-UK partnership on regional and global issues. Ms Macintosh also met with State Minister of Foreign Affairs, Ambassador Berhane Gebre-Christos.

Minister of Industry, Ahmed Abteu, and Tanzania's Permanent Secretary of the Ministry of Industry and Trade, Uledi Mussa, agreed this week that they should look to strengthen ties in trade, manufacturing and industry.

Ethiopian Airlines won the CAPA Airline of the Year Award, at the 2015 CAPA World Aviation Summit in Helsinki on Wednesday (October 7). It was selected for its ability to establish pan-African operations, thrive in an increasingly important emerging market, and for emerging as the leader in Africa with a pioneering strategy and providing a benchmark for others to follow.

The Federal Micro and Small Enterprises Development Agency met on Wednesday (October 8) to evaluate the performance of the Growth and Transformation Plan I, and set directions for the GTP II. It announced that more than 10 million unemployed Ethiopians found jobs during GTP I, and 8 million had been given skills development and business management training.

Egypt's Assistant Foreign Minister for African Affairs, Mohamed Edriss, said on Monday (October 5) that the Arab Contractors Company would soon be inaugurating one of two major road projects in Ethiopia, funded by the African Development Bank at a cost of some US\$ 110 million. It is part of the road linking Addis Ababa with Nairobi.

A four-day workshop, jointly organized by the Ministry's Policy Research and Analysis Department (PORAD) and the UK's Open University, under the theme "Thinking about and understanding policy" opened in the Ministry of Foreign Affairs on Tuesday (October 6).

An exhibition of Czech-Ethiopian relations in the 20<sup>th</sup> Century opened on Monday (October 5) at Addis Ababa University, to highlight the Czech Republic's unique mutual relations with Ethiopia. The exhibition will travel around Ethiopia before being installed in Prague.

### **Djibouti**

Professor Nabil Mohamed Ahmed, Minister of Higher Education, led a delegation to Sudan on Monday (October 5) at the invitation of Sudan's Minister of Higher Education and Scientific Research, Dr Somia Abu Kashawa. The visit aims to promote the exchange of teachers and lecturers and to increase opportunities for Djibouti students to attend Sudan education institutions. The delegation will visit a number of the higher education institutions to inspect Sudanese experience, and sign a number of bilateral agreements.

### **Somalia**

President Mohamud received the credentials of the newly-appointed Ambassador of Denmark, Ambassador Mette Knudsen on Monday (October 5), and discussed the prospects of strengthening bilateral relations as well as the 2016 electoral process.

The United Kingdom's Ambassador to Somalia, Ms Harriet Mathews, has expressed concern over the anti-President motion that some MPs have been trying to debate in Parliament. She said the motion would be an obstacle to efforts to hold free and fair elections as scheduled for 2016. Ambassador Mathews said that while Parliament has to play its oversight role and hold the administration to account, it was also imperative to safeguard good governance and cohesion.

Deputy Prime Minister Mohamed Omar Arte said he was hopeful about the resumption of bilateral talks between the Government and Somaliland adding “the talks will be kicked off soon.”

### **South Sudan**

The EU and the Troika released statements on Tuesday (October 6) criticizing the unilateral decree, issued by President Salva Kiir on Friday last week, to increase the number of states in South Sudan from 10 to 28.

### **Sudan**

President Omer Hassan al-Bashir is due to visit Algeria this weekend at the invitation of Algeria’s President Abdel-Aziz Bouteflika to discuss ways to strengthen bilateral ties and activate joint cooperation agreements. The discussions are expected to focus on economic and regional issues, including the resumption of flights between Khartoum and Algiers.

The leaders of the National Umma Party, al-Sadiq al-Mahdi, and of the Democratic Unionist Party, Mohamed Osman al-Mirghani, have said they will not participate in the opening session of the National Dialogue conference, scheduled for Saturday in Khartoum. The NUP said a pre-dialogue meeting must be held in Addis Ababa, as agreed by the African Union, before a full blown national dialogue conference takes place.

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### **The opening of Ethiopia’s Parliamentary session....**

The opening of the new Parliamentary session, following the national elections in May, is a central element in the structure of the current political system of Ethiopia’s Federal Democratic Republic. Parliament then elects the Prime Minister, as the leader of the largest party in the House of Representatives, and provides the legislative authority for the executive. Parliament, as defined by the 1995 constitution, is made up of the two chambers; the House of Federation (the Upper Chamber) and the House of Peoples’ Representatives (the Lower Chamber). The House of Federation has the task of interpreting the constitution, working for peoples’ unity on the basis of their mutual consent and equality, and dealing with the budget subsidies for the regional states. The House of Representatives is the legislative chamber.

The new parliament met on Monday (October 5) with the two houses holding separate sessions in the first instance to elect their respective speakers. Ato Yalew Abate and Ato Mohammed Reshid were elected Speaker and Deputy Speaker respectively for the House of Federation, which also elected the Permanent Committee of the House and the Committee of the Inquiry Commission. The House of Federation has two other committees, for Regional and Constitutional Affairs and Budget Subsidy and Revenue Affairs. The House of Peoples’ Representative, before naming the next Prime Minister, re-elected Ato Abadula Gameda and Mrs Shitaye Menale as Speaker and Deputy Speaker.

The House of Representatives then elected the Prime Minister. According to Article 73 of the Constitution of the Federal Democratic Republic of Ethiopia, the Government shall be assumed by the political party or a coalition of political parties that constitute a majority in the House of People’s Representatives, and this party or coalition then proposes a candidate for the post of Prime Minister. Dr Debretsion Gebremichael, deputy chairman of the Tigray People’s Liberation Front and Minister for Communications and Information Technology, on

behalf of the majority Ethiopian People's Revolutionary Democratic Front (EPRDF) proposed the party's chairman, Ato Hailemariam Desalegn, as Prime minister. He was elected unanimously. He had, of course been Prime Minister since September 2012 when an emergency session of the Parliament elected him as Prime Minister to take over after the unexpected death of the late Prime Minister Meles.

President Dr Mulatu Teshome also addressed a joint session of the House of Peoples' Representatives and the House of Federation on the occasion of the new Parliamentary session. He noted that it was an historic moment as the session was "being held as we successfully complete the implementation of the First Growth and Transformation Plan, and we launch the Second Growth and Transformation Plan. It is a decisive point in our efforts to reach the lower level of middle-income countries by 2025." He said the success of the First Growth and Transformation Plan could be traced in the reports of different global, regional and national organizations and institutions. The United Nations, in its reports on the Millennium Development Goals, has consistently welcomed Ethiopia's commendable progress towards reaching most of the MDGs. The impressive overall decline in poverty, primary education enrolment, improving health and in reducing the prevalence of HIV/AIDS have been largely because of the Government's efforts. The President stressed that "in this fiscal year, the main direction of the macro-economy will be maintained and will continue to deliver the sustainable, rapid, double digit economic growth, which was registered during the First Growth and Transformation Plan." The President said the prudent and appropriately pro-poor fiscal policy of Ethiopia will further be strengthened in the coming years. The budget deficit will be kept down to no more than 3% of GDP.

The President also referred to Ethiopia's constructive role in working for African peace and development and in upholding African interests at international fora. This came a few days after UN Secretary-General Ban Ki-Moon had told a high-level meeting on peacekeeping at the 70<sup>th</sup> UN General Assembly that "the demand for peacekeeping has never been greater".

The meeting noted that Ethiopia was the second largest troop contributor to UN peacekeeping operations in the world, and a key player in the stability of the region and the continent. The President also pointed out efforts to ensure the prevalence of peace in the region included measures taken to neutralize "the malicious acts of the regime in Asmara". He said Eritrea remained bent on destabilizing our country and countries in the neighborhood and the Government would intensify efforts to expose Eritrea's negative role in supporting terrorism, training and deploying terrorists, to help the international community understand Eritrea's destructive policies and actions. The President said if such activities did not stop, Ethiopia would have no choice but to take measures as necessary in self-defense.

The President emphasized that economic diplomacy would remain the centre-piece of diplomatic endeavors and there would be continued focus on attracting quality foreign direct investment, increasing the flow of tourists, forging strong trade ties and further promoting technology transfer. He said the Government would intensify positive efforts for regional economic integration as development was inseparably linked to peace and development in neighboring countries. He said it was necessary to implement step-by-step bilateral agreements as well as multilateral agreements pertaining to free market areas in a manner promoting collective development and Ethiopia's national interest.

The President concluded by saying that he had no doubt that these policies would allow Ethiopia's constructive role in working for African peace and development and upholding African interests at international fora to prevail.

### **...and the House of Representatives endorses the new government**

On Tuesday (October 6), the Prime Minister presented his new government to the House of Representatives for endorsement. In introducing the ministerial appointments, Prime Minister Hailemariam said he was reshuffling the executive structure to strengthen the Government's performance, deal with drawbacks and be able to successfully attain the goals of the Second Growth and Transformation Plan. He stressed that implementation of the main principals of a democratic developmental state were the main reason behind the reshuffle, which was also aimed at benefitting the country in the present globalized world. This was the reason for dividing the responsibilities of several ministries and creating some new ones.

He told the House of Representatives that it had become necessary to divide the wide-ranging sub-sectors of the Ministry of Agriculture into two, creating a new Ministry of Livestock and Fisheries, together with the Ministry of Agriculture and Natural Resources. Given the booming construction sector and its importance at all levels of the country's development, the Ministry of Urban Development and Construction was being divided into two separate ministries, a Ministry of Construction and the Ministry of Urban Development and Housing. The current demographic pattern of the population with 70% women and youth, meant that two separate bodies, the Ministry of Sport and Youth, and the Ministry of Women and Children would be created.

### **Some other ministries have had their titles changed to clarify their mission and their goals:**

The Ministry of Environment and Forestry is to be renamed The Ministry of Environment, Forest and Climate Change and will concentrate on national and international issues related to climate change in addition to environmental protection and development. The Ministry of Federal Affairs is to be named the Ministry of Federal Affairs and Pastoralist Development Affairs and includes the development of pastoral areas of the country in addition to its former duties. The Ministry of Finance and Economic Development is to be renamed as the Ministry of Finance and Economic Cooperation. The Ministry of Water, Irrigation and Energy has been renamed the Ministry of Water, Irrigation and Electricity, and the Ministry of Mines as the Ministry of Mining, Petroleum and Natural Gas. The Ministry of Civil Service is renamed as the Ministry of Public Service and Human Resource Development, and is to work on strengthening human resource capacity in the public sector and various strategies of capacity building. A Ministry of Public Enterprises is to be set up to enable these enterprises to play a role in stabilizing the market and successfully filling the private sector gaps.

### **Following the presentation of the names of the members of the new Government, the House of Representatives endorsed the Prime Minister's ministerial candidates, approving the appointment of 23 Ministers, four of whom are women:**

Demeke Mekonnen, Deputy Prime Minister of Ethiopia and responsible for the Social Affairs Cluster;

Dr Debretsion Gebremichael, responsible for the Finance and Economic Cluster, and Minister of Communication and Information Technology with the rank of Deputy Prime Minister

Aster Mamo, responsible for the Good Governance and Reform Cluster, Minister of Public Service and Human Resource Development with the rank of Deputy Prime Minister;

Siraj Fegesa, Defense Minister

Dr Tedros Adhanom, Minister of Foreign Affairs

Kassa Tekleberhan, Minister of Federal Affairs and Pastoralist Development Affairs

Getachew Ambaye, Minister of Justice

Abdulaziz Mohammed – Minister of Finance and Economic Cooperation

Tefera Deribew - Minister of Agriculture and Natural Resources

Sileshi Getahun - Minister of Livestock and Fisheries

Ahmed Abitew - Minister of Industry

Yacob Yala - Minister of Trade

Abiy Ahmed - Minister of Science and Technology

Workneh Gebeyehu – Minister of Transport

Mekuria Haile - Minister of Urban Development and Housing

Dr Ambachew Mekonnen - Minister of Construction

Motuma Mekasa - Minister of Water, Irrigation and Electricity

Shiferaw Shigute - Minister of Education

Tolosa Shagi - Minister of Mines, Petroleum and Natural Gas

Dr Keseteberhan Admasu - Minister of Health

Abdufetaah Abdulahi - Minister of Labor and Social Affairs

Engineer Aisha Mohammed - Minister of Culture and Tourism

Zenebu Tadesse - Minister of Women and Children

Dr Shiferaw Teklemariam – Minister of Environment, Forests and Climate Change

Redwan Hussein - Minister of Youth and Sport

Demitu Hambisa - Minister of Public Enterprises

**In addition to ministers, the House also endorsed appointments for other senior positions with ministerial portfolios:**

Beker Shale, Director General of the Ethiopian Revenues and Revenues Authority

Getachew Reda, head of Government Communications Affairs Office

Asmelash Woldesilase, Chief Government Whip

Dr Yineger Dessie, Commissioner of National Planning

**The next day the Prime Minister announced the names of seven senior government officials appointed as Advisors to the Prime Minister with the rank of Minister:**

Kebede Chane, Public Relations Affairs Advisor

Bezu Waqbeke, Popular Organization Affairs Advisor

Muferiat Kemal, Social Affairs Advisor

Sufian Ahmed, Fiscal Policy Affairs Advisor

Mekonen Manyazewal, International Trade Negotiations Affairs Advisor

Belete Tafere, Basins and Climate Change Affairs Advisor

Alemayehu Tegenu, Cabinet Affairs Minister

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## **The importance of speeding up the electoral mechanisms in Somalia**

Last week, two high-level meetings on Somalia took place in New York; these recognized the positive changes that have taken place in Somalia in both political and military areas. They also underlined the importance of holding the election in 2016 on time. Similar remarks were made at the inaugural ceremony for President Ahmed Mohammed Islam “Madobe” in Kismayo in September and at a meeting of the Federal President and Prime Minister and the Federal State leaders.

Though this appears to be positive, these discussions and the statements of leaders, or of the members of the international community, are not enough to ensure that Vision 2016 and the process of the elections remain on course. There are a lot of issues that still need to be addressed as a matter of real urgency. The statement by the Puntland administration on September 22 and other issues raised by both Jubaland and South West States, as well as matters by other interested parties that are relevant to the holding of successful elections in 2016, are numerous. They underline the challenges ahead. The holding of the elections in 2016 require the rules of engagement to be put in place to ensure that Somalia’s state-building efforts have continuity. The members of parliament elected in 2016, the Speaker and Deputy Speaker, and, above all, the President, who will be elected in 2016, have to be politicians that are ready to take up the challenges Somalia is facing and be able to live up to the expectations of the Somali people and of the international community stakeholders.

The primary responsibility, of course, lies with the people of Somalia and its leaders at various levels. Among the most prominent challenges will be the possibility of elements of extremist groups apparently changing their coat to find a way to resurface in the political life of Somalia using the democratic space that will hopefully prevail in the conduct of the elections. In other words, meticulous preparation and strict guidelines must be put in place to ensure candidates to all elected offices in the democratic process will be genuine supporters of the process and the authorities will be able to deal with any attempt to reverse or infiltrate the process by Al-Shabaab or its affiliates. Equally, the international community must place cooperation with Somalis and Somalia at the head of the agenda.

The success of 2016 elections will provide the basis for a fundamental political generation of confidence, offering the people of Somalia the opportunity to abandon Al-Shabaab. But for this to happen, a transparent election is absolutely necessity. This is not just the responsibility of the politicians. The business community, the media and civil society, together with the regional administrations, also bear very considerable accountability. AMISOM and the Somali National Army’s military successes in driving Al-Shabaab out of the major towns can only take root through popular participation at grassroots level, in restoring the functions of local administration and restoring normal life. Al-Shabaab cannot be defeated on the battlefield alone.

Al-Shabaab will obviously follow developments over the next 10 months as the Federal and Regional Governments prepare for elections. It is likely to do everything it can, using brute force, corruption or other methods to try to dispute the process. Every precaution needs to be put in place to provide coordination among the Federal Government and the Federal member states, and the security organs in all these areas, as well as with AMISOM and the international community.

Another major challenge for the election is the financial considerations that have emerged in the last four elections since 2004. There have been repeated allegations of corruption and the elections were far from being open and transparent. The elections in 2016 need to demonstrate a change and show clearly that this aspect of the election process has been rejected. Unless the issue is dealt with, the elections cannot be either free or fair, nor will they produce the desired acceptable result. The challenges of corrupt practices can only be mitigated through the institutional mechanisms that will be set up to conduct the election. It is important that these will be properly organized and effective enough to ensure that corruption, at all levels, can be avoided.

This question of organization of the election processes remains of real concern for both the Somali Federal Government and other stake-holders. This raises the issue of the parliamentary and electoral committees tasked with the elections. Some committees have been put in place but others have yet to be established. The leaders' forum is now in place and it is to be hoped that this will avoid raising unnecessary complications and will rapidly agree on the mandates and scope of activities of the committees being set up. These include important dispute resolution mechanisms related to the electoral processes.

The major challenge at this time is, indeed, the resolution of the election mechanism, which will be based either on clans or Federal member states. There are differences between the Federal Government and the States on the advantages or disadvantages associated with an election mechanism based on the 4.5 clan formula basis. The same is true over the possibility of elections to National Assembly being held at Federal member state level, and thus being the responsibility of the regional administration. It is important that proper and adequate debate takes place on this. Time is running very short and it is important the leaders' forum meets at the required level of frequency.

Given the delays over the organizational processes of the election, and other problems, there is the possibility that some elements might call for the elections themselves to be postponed. As the international community, and indeed the Government, has repeatedly affirmed, this would not be acceptable. All those involved need to ensure that the August 2016 elections do take place on schedule.

### **Ethiopia has sound macroeconomic policies and robust GDP growth says IMF**

The Executive Board of the International Monetary Fund issued a press release on the Article IV consultation with Ethiopia on Wednesday last week (September 30). This followed the conclusion of their consultations ten days earlier. Under Article IV of the IMF's Articles of Agreement, the IMF holds bilateral discussions with members, usually every year. A staff team visits the country, collects economic and financial information, and discusses the country's economic developments and policies with officials. Their report provides the basis for discussion by the Executive Board and a summary of this is sent to the authorities of the country concerned.

The Board said the outlook for Ethiopia remained broadly favourable, but domestic and external vulnerabilities had increased. It, therefore, encouraged the authorities to persevere with policies that safeguard macroeconomic stability, strengthen buffers, and foster private-sector participation in the economy. It praised Ethiopia on a number of levels, as well as making recommendations to sustain Ethiopia's booming growth and economic development.

The report covered the areas of macroeconomic performance, manufacturing and construction, as well as private sector contributions to the economic growth, and looks generally at the economic outlook and fiscal policy performance of Ethiopia over the fiscal year 2014/2015. The report commended the macroeconomic management and fiscal policies which, it stated, had realized robust GDP growth, reduced poverty and enhanced economic development. It stated that macroeconomic management had delivered robust GDP growth and poverty reduction. It concluded that “the economic outlook remains favorable, reflecting the country’s significant potential, generally sound macroeconomic policies, and the government’s efforts to improve infrastructure and attract foreign direct investment.”

The Board described the previous year’s fiscal management and macroeconomic performance as “prudent and appropriately pro-poor”, adding “Ethiopia’s recent macroeconomic performance has continued to be strong overall”. Among the sectors that the Board identified as contributing specifically to Ethiopia’s sustained and wide ranging growth and development were manufacturing and construction.

The Executive Board welcomed plans to establish an agency to supervise state-owned enterprises which, it said, would ‘strengthen the transparency of the public sector.’ It noted “the National Bank of Ethiopia’s tight monetary stance” describing this as instrumental against inflationary pressures. However, the report also noted that inflation had been on the rise, with domestic food prices pushing it above 10%. External vulnerabilities have also increased as exports of goods and services slowed significantly, while imports continued growing fast. The widening of the current account deficit had, however, been largely offset by robust capital inflows, with a 50 percent increase in foreign direct investment and much higher public borrowing from abroad, which the IMF would like to see reduced. The general government deficit had expanded only marginally, by 0.2%, to an estimated 2.8% of GDP.

Equally, public enterprises continued to borrow heavily to finance accelerated investment plans and their financing needs had increased to 7.4% of GDP. Public and publicly-guaranteed debt reached an estimated 50% of GDP in June 2015. Public investment is expected to moderate, though private investment is projected to increase only gradually, reflecting constraints on access to credit and foreign exchange, the exchange rate and other competitiveness challenges. The medium-term budget targets a general government deficit of less than 3% of GDP and maintains a strong pro-poor focus. Monetary policy is geared toward maintaining inflation in single digits. The public debt-to-GDP ratio is expected to increase, reflecting large financing needs associated with implementation of the second Growth and Transformation Plan.

The Executive Board also noted that the country had further potential for tax revenue and suggested developments in the tax administration. It recommended “broadening the tax base and improving revenue administration to mobilize more resources for development spending.” It expressed concern over the acceleration of public sector borrowing and advised careful selection and implementation of public projects. They also suggested careful use of non-concessional external financing and greater use of public-private partnerships.

Another recommendation was to modernize the monetary policy framework and strengthen liquidity management. It encouraged the authorities to allow greater exchange rate flexibility to facilitate external adjustment. It agreed on the need to bolster domestic savings and investment. To increase credit to the private sector, the Board supported phasing out the requirement for banks to channel resources to the National Development Bank, and stressed

the importance of maintaining an adequate regulatory and supervisory framework to support financial development.

The Board underlined its belief in “the importance of maintaining an adequate regulatory and supervisory framework to support financial development.” It suggested further improvements in comprehensive national data management and in building the capacity of Ethiopia’s statistical agency, which it said “emphasizes the importance of timely and comprehensive data for effective policy design and evaluation”.

Given the softening of export activity, the Board also recommended “more decisive action to strengthen the business climate and enhance external competitiveness.” Greater exchange rate flexibility, less burdensome regulation, and easier private sector access to credit and foreign exchange would be steps in the right direction, they suggested. It felt that opening some strategic sectors to foreign investment could also improve the provision of critical services.

### **An Ethiopian Investment Promotion Forum in Addis Ababa**

An Investment Promotion Forum was held in Addis Ababa last week, drawing interested participants from Europe, America, Africa, Asia and Australia. The discussions were organized by the Ministry of Foreign Affairs Business Diplomacy and European Affairs Directorate Generals on Friday (October 2, 2015) and coincided with the wedding of Sterken Littorin, Swedish Honorary Consul to Ethiopia, which many of the participants attended.

The Forum was addressed by Foreign Affairs State Minister, Dewano Kedir; the Director-General of the Business Diplomacy Directorate of the Ministry of Foreign Affairs, Mrs Hirut Zemene; the CEO of the Ethiopian Tourism Organization, Solomon Tadesse; and the Director-General of the Ministry of Trade’s Export Trade Promotion Directorate, Assefa Mulugeta. They provided briefings on Ethiopian investment opportunities and tourism sector potential.

State Minister, Dewano Kedir, noted the long history of Ethio-Swedish relations dating back to the mid-nineteenth century, when the first Swedish missionaries came to Ethiopia. Sweden had offered tireless support during the war against Fascist occupation and in the more recent struggle to reduce illiteracy and to alleviate poverty. The State Minister noted that Ethiopia had embarked on an ambitious transformation plan to reach lower middle income status by the year 2025. To achieve this, he said, elevated foreign direct investment flows and balanced external trade would play a great role. State Minister Dewano added that Ethiopia had terrific investment and tourism potential. It was pursuing pragmatic and conducive policies, had monetary and political stability, a strong domestic market with more than 90 million people, and economic labor and power resources to support and encourage foreign direct investment and external trade. The State minister thanked Mr Littorin for holding his wedding banquet in Addis Ababa, for helping with the organization of the business forum that was held in Finland in June and for assisting in that week’s Investment Promotion Forum.

The Swedish Honorary Consul to Ethiopia, Mr Littorin, said that the lack of colonization, the presence of its own alphabet and calendar, as well as the oldest Christian culture and being the home of the origin of mankind, made Ethiopia unique. He added that holding the Forum would strengthen existing relations between Ethiopia and Sweden, as well as with investors from all over the globe. He underlined Swedish support to Ethiopia’s development efforts and its endeavors to lessen poverty.

The Director-General of Business Diplomacy of the Ministry of Foreign Affairs, Mrs Hirut, noted that the country's rapid economic growth, its abundant market potential, the favorable investment environment, the rapidly increasing infrastructure and the low production costs all helped to make Ethiopia an attractive investment hub. She expressed the readiness of the Ministry of Foreign Affairs to support investors in whatever area and sector they were interested in.

The Export Trade Promotion Director-General of the Ministry of Trade, Assefa Mulugeta, considering the strong and flexible monitoring and support system established by the Ethiopian government, recommended that investors take an interest in manufacturing and similar other sectors. He noted that by the end of the ambitious second Ethiopian Growth and Transformation Plan, launched this year, the country planned to have boosted export revenue to US\$12 billion. He called on all investors to invest in Ethiopia and make a contribution to help Ethiopia achieve its aim of reaching middle income status by 2025. The CEO of the Ethiopian Tourism Organization, Solomon Tadesse, also welcomed investors to the tremendous tourist attractions offered by Ethiopia. He noted the common tradition of all Ethiopian peoples, of showing hospitality to all newcomers or visitors. He called on international investors to invest their capital in the untapped and substantial tourism sector.

Investors and potential investors speaking at the Forum appreciated the fast economic growth and social development Ethiopia had registered for more than the last decade. They also welcomed the efforts the government had made to achieve the Millennium Development Goals. During the sessions, participants raised a series of questions including concerns that Somalia's instability might pose a threat to Ethiopian stability and to foreign investment. In response to questions on the impact of Somalia problems, State Minister, Dewano Kedir, noted that Ethiopia considered its neighbors' peace as essential for its own stability. Ethiopia was participating in AMISOM in Somalia, he said, to weaken the extremist Al-Shabaab and help achieve stability in Somalia. Ethiopia was assisting the African Union, the United Nations and the European Union, to resolve conditions in Somalia. Indeed, Somalia was becoming more stable and more manageable; and with this strong regional and global support, Somalia's stability would return, he said. The State Minister also reassured participants that in any case Ethiopia remained stable regardless of the condition of its neighbors.

### **International Coffee Day celebrated for the first time**

International Coffee Day was celebrated for the first time on Thursday, October 1. The International Coffee Organization decided on the date and on launching the occasion at the Milan World Exposition 2015, but it is an event that was celebrated across the world to promote coffee as a beverage. It also promoted the idea of fair trade coffee and of raising awareness of the problems and the plight of coffee growers. The 74 Member Governments of the International Coffee Organization and 12 coffee associations from around the world joined forces to celebrate the first official International Coffee Day, a celebration of the coffee sector's diversity, quality, and passion. It was an opportunity for coffee lovers to share their love for the beverage and support the millions of farmers whose livelihoods depend on the beverage. As part of the celebrations, the ICO signed an agreement with Oxfam to collaborate on a campaign focused on the idea of a 'caffè sospeso', an Italian tradition of paying for a second cup of coffee to be given to a person in need. The charity campaign entitled 'A Caffè Sospeso against Poverty', has given coffee lovers around the world an

opportunity to show solidarity with smallholder coffee farmers by donating the value of an additional cup of coffee to Oxfam's work with coffee farmers and others.

Ethiopia, the original home of coffee, of course, participated at the ceremony in Milan which included a session of the Council of the International Coffee Organization. International Coffee Day in Milan provided visitors and participants to the Ethiopian Pavilion with a chance to enjoy a traditional Ethiopian coffee ceremony and sample numerous locally grown varieties. There were opportunities for business-to-business meetings with coffee producers, farmers' unions and exporters. Coffee producing cooperative unions presented the story of Ethiopian coffee and discussed current production and the sustainability of Ethiopian coffee in the world market. Visitors and participants were also able to purchase traditional and fresh Ethiopian food and other beverages as well as coffee.

Ethiopia's State Minister of Trade, Yacob Yala, who congratulated the Government and people of Italy on a vibrant and colorful Expo and noted the celebration of Ethiopia Day at the Expo a week earlier, told the 115<sup>th</sup> session of the International Coffee Council that this was a special occasion because of the first observance of International Coffee Day. The Ethiopian delegation to the ICO, therefore, included Hussein Agrew, Chairperson of the Ethiopian Coffee Exporters Association and Abdela Bagersh, Chair of the African Fine Coffee Association. State Minister Yacob noted that Ethiopia was ready to host the 4<sup>th</sup> World Coffee Conference, from March 6-11, next year with the theme: "Coffee Culture, Diversity and Consumption." He said the occasion would provide quality time to celebrate coffee as a cultural value, transcending borders across the world. The participants at the Conference will be able to visit major coffee growing areas, as well as visit other UNESCO registered heritage sites in Ethiopia. A website will be launched soon to provide details of the conference and associated exhibitions and arrangements.

Coffee, State Minister Yacob said, was now the most consumed beverage in the world. Ethiopia was not only among the top exporters of coffee, it was also known for its high-level of local consumption, and this, he added, was a valuable experience it was ready to share. As Mr Lavazza had recently pointed out: "if we talk about coffee genetic resources, Ethiopia is a continent in itself." Indeed, Ethiopia, the presenter of the gift of Arabica coffee to the world, has the greatest diversity of biological coffee resources. The Kaffa region of south west Ethiopia, from which the word coffee takes its name, is still the home of numerous different strains of wild coffee today. Today, Ethiopia also produces a number of named speciality coffees, including Sidama, Yergachefe and Harar brands. Identified by their distinct characteristic, flavor, aroma and taste, they are some of the finest coffees in the world.

Coffee remains the driving force of Ethiopia's economy and ecology and even of its socio-cultural and spiritual life. Coffee plays a pivotal role in the Ethiopian culture of hospitality, and the rituals of the coffee ceremony, including the roasting, grinding and brewing, are central to Ethiopian lifestyle. No one is turned away from an Ethiopian coffee ceremony. "It is all about bringing people together", a ceremony performed for friends and family, often several times a day; and a way to welcome newcomers, share news and bring people together to settle disputes. Coffee still accounts for more than 25% of national GDP. The chosen theme for Ethiopia's participation at International Coffee Day 2015, "Ethiopia - the Root of Coffee and Much More" reflected its importance.

## **Ethiopia's Development and the Growth and Transformation Plan II**

The report of the Overseas Development Institute (ODI) - "One Foot on The Ground, one Foot In The Air" - at which we looked last week emphasized that Ethiopia had made remarkable progress in the last few years. It underlined the developments achieved under Growth and Transformation Plan I (2010/11-2014/15) as well as at some of the problems that arose during this period. The ODI's conclusions were that Ethiopia, as an island of stability and peace, had registered double digit economic growth for over a decade, showing one of the largest declines in the number of those living in extreme poverty in sub-Saharan Africa and becoming one of the fastest growing economies in the world. It seemed set to be able to continue this over the next five years.

A significant element in this development has been the political reforms which provided for the democratic elections and the creation of elected federal and regional governments, within the devolved federal system set up under the new constitution of 1995. With this has been associated the Agricultural Development-Led Industrialization strategy (ADLI) to shift the country's economic basis from agriculture to industrial manufacturing. It is a strategy that also intends to improve the productivity of the agricultural sector as well as create a domestic mass market for industrial products, increasing the income of poorer members of society and the supply of goods and services. It is simultaneously a growth and employment program for development. Its priorities include accelerated growth in the agriculture sector, facilitation of small and medium industries and infrastructure to expand and diversify exports, and encourage private investment through a wide range of incentives.

Social sector policies, in health and education, have been designed to provide the basis for these developments as well as for the reduction of poverty. Planned health developments are expected to provide that by the end of 2020, Ethiopians will have an increased life expectancy of 69 years; the Maternal Mortality Ratio will decline from 420 to 199 per 100,000 live births. Under five-year, infant and neonatal mortality rates will be more than halved, from 64, 44 and 28 per 1,000 live births to 30, 20 and 10 per 1,000 live births. The figures for under-5-year-olds for childhood stunting, wasting and under-weight [will] decrease from 40%, 9% and 25% to 26%, 4.9% and 13%, respectively. HIV incidence will be brought down by at least 60% compared with 2010. There will be zero new HIV infections among children. TB deaths will come down by 35% and the incidence of TB will fall by 20% in comparison with the 2015 figures. The incidence of malaria and malaria deaths will fall by at least 40% in comparison with 2015, and premature mortality from NCDs will fall by 12.5% from the current level.

While the progress has been substantial, as the ODI report noted, there is still a long way to go, and developing the framework laid down under GTP I will be the task of GTP II. GTP II is designed to enable the economy to grow at an average of 11% a year, to enable structural transformation of the economy. It will involve stabilization of the macro-economy, keep inflation in single digits, and stabilize foreign exchange rates. The current fiscal policy, focusing on effective administration of tax policies, raising tax revenue, allocating public expenditure on capital investment and on [the] key poverty-reduction sector will continue. Efforts will be made to cover major investments by mobilizing internal savings, narrowing the gap between investment and savings. The aim is to provide appropriate fiscal policies to allow internal revenue to reach 29.6% of GDP and for investment to account for 41.3% of GDP by the end of the GTP period.

The export of manufactured products will play a large role in this, with special attention being given to scale up the production of value added exports, including textile and leather

garments, shoes and other leather products, agro-processing products and sugar. Mineral development will be another priority. One effect of this will, of course, be a real reduction in rate of unemployment in both rural and urban areas. The overall aim is to reduce poverty levels to 16% in the next five years and move almost all of the population out of the lowest levels [of poverty], well ahead of the international community intended eradication of poverty by 2030.

One central element of GTP II is the concentration on development of manufacturing, to ensure the necessary transformational change in the economy. At both federal and regional levels, the base for the manufacturing sector will be widened through increasing numbers of micro and small enterprises, as well as medium and larger industries. To bring about visible structural changes, asset addition in the manufacturing sector is expected to increase at an annual average of 24%, and allow the manufacturing industry to provide 8% of the national economy by 2020. The amount of jobs created by the sector for youth and women will be doubled. Specific efforts will be made to create a conducive environment for the enhancement of selected foreign direct investments, with special attention for local investors to work in collaboration with foreign manufacturing sector investors, and acquire knowledge and skill transfers to provide for import replacement.

Development of micro and small industries will continue to be the main focus of direction and provide for up to 6 million new jobs in the GTP II period with support and encouragement to produce competitive price and quality products. It is anticipated that up to 2% of micro and small enterprises will then be able to be promoted to the next industrial level. The private sector will be expanded to include increased public-private partnership. Attention will be given to make government services transparent, accountable, fair, efficient, effective and predictable, and remove bottlenecks in infrastructure, logistics, credit and finance, foreign currency provision, customs systems, and tax administration.

Manufacturing industries will be encouraged to build their technical, productive, and quality management capacities and enhance their competitiveness. The country's specialized institutes, science and technology universities, technology institutes and sectoral research institutes, as well as technical and vocational training institutes, will be encouraged and strengthened, to ensure these industries are sustainable. Priority will be given to indigenous companies. Strong partnerships will be created with experienced foreign institutions. The Kaizen quality and productive leadership philosophy, which Ethiopia is using, will be implemented in micro and small enterprises, medium and large industries, as well as in industry extension support services, providing for productivity, cost-effective quality, minimizing waste and an acceptable work environment.

Industry parks and clusters will be expanded as part of the effort to remove rent-seeking practices, observed in land management, and help avoid logistics and customs bottlenecks, as well as provide the necessary infrastructure. This will also allow for horizontal relationships between small and large industries and create opportunities for technological, production and skill transfers. It will also provide for effective use of local resources within the framework of creating a pollution-free green economy.

The GTP II also calls for agriculture to grow at 8% a year under a lower case scenario, or 11% in an upper case, with the doubling of food crop production. This will be accompanied by concerted efforts to ensure family-level food security, control inflation, provide agricultural inputs for the agro-processing industry and, by expanding exports, narrow the

trade imbalance as well as by expanded agricultural research and extension services, the strengthening cooperatives and incentivized agricultural investment.

Concentration will be on transformation in the area of strategic food crops, crops for export and industry, floriculture, horticulture, animal husbandry and fishery development sectors. Emphasis will be on the creation of development zones in which problems in the supply of agricultural technology, inputs, marketing, crop protection and post-harvest management can be removed.

Efforts will be made to enable a majority of farmers to reach the productivity level attained by 'model' farmers, increasing production of strategic food crops and agricultural inputs for industry and export. The targets at country level, on the lower case scenario, are: stock cereals -170 million quintals, cereals -185 million quintals, pulses - 40 million quintals, and oil crops - 11.5 million quintals. Attention will be given to scaling up the use of forest products with economic value, and produce wood for industrial purposes, substituting for imports. Bio-fuel plantations will be developed in places unsuitable for crop production and for production of animal feed.

Agricultural development plans and implementation strategies will be aligned with green economy development, with up to four million hectares developed through small-scale irrigation. **Smallholder and pastoralist agriculture will continue to be the major source of agricultural development, which in turn will ensure rapid economic growth.** GTP II will allow for extensive scaling-up of best practices through the use of the 'development army', centering around development zones. This will involve improving animal breeds, animal feed and animal health. The goal is to double the current 5% annual growth rate of animal husbandry. Areas will be designated for ranches and quarantine centers. These will serve as sources of inputs and technology, and coordinate market facilities. Jobs will be available for women and youths. Efforts will also be made to raise the current average annual production of fish from 15% to 25%.

The GTP II underlines the necessity of increasing exports in manufactured goods and scaling up tourism and air transport services as well as other infrastructure. It anticipates that exports should reach US\$12 billion by the end of GTP II so major export commodities will be scaled up in both volume and value added. To encourage this, attention will be given to expanding infrastructure and making services provided by the government transparent, accountable, fair, efficient, effective, and predictable. This will resolve bottlenecks in infrastructural provision, logistics, credit and finance, foreign currency provision, customs systems, and tax administration. Another area of emphasis is the removal of rent-seeking attitudes and practices, both to encourage the development of agricultural exports and more generally to deal with issues of corruption and inefficiency. The fiscal policy, already under implementation, will focus on effective administration of tax policies, efforts to raise tax revenue, allocation of public expenditure on capital investment and on sectors that fight poverty. In the finance industry, banks will double their number of branches; micro financial institutions will be strengthened to cover at least 50% of rural kebeles. A central element in all of this will be an emphasis on the role of women and young people and provision of employment.

The GTP II will allow Ethiopia to continue its impressive levels of development and lay down the basis for the development of a green industrial economy. It will also provide the

way forward for a continuing decline in extreme poverty, the central aim of Ethiopia's development and the core of its pro-poor policies over the last decade.