ETHIOPIA

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The Ethiopian Economic Policy Research Institute, an organisation under the umbrella of the Ethiopian Economic Association, disclosed that the inflation rate in the country is low as a result of growth of Gross Domestic Product and tight monetary policy. According to the institute, GDP for the years 1998-99 and 1999-00 grew by an average of 5.8%. The population is growing by 3% per annum. The government has reported GDP growth of 5-10% for the past several years, and the IMF estimates GDP growth of 5% for the year 2001-02.

The rate of inflation has been reducing for some time and, according to a recent National Bank report, the rate at the end of January 2003, was 3.8%, the highest bank lending rate was 9.5% and the highest interest rate for deposit accounts remained at 4.2%. The exchange rate of the local currency, the Bi, to the US dollar has shown a slight depreciation; at the end of the 2001-02 financial year it was US$1=Bi8.52 and it is now nearer US$1=Bi8.57.

During the second quarter of 2003, the governor of the National Bank said that the financial sector is stable, but the high liquidity of banks continues to be of serious concern, excess reserves held by banks having reached Bi2.2 billion by the end of January 2003. One of the apparent reasons for the reluctance of investors to borrow is the foreclosure law, which gives power to the banks to take over the business or property of a defaulting borrower and sell it without the need to go to court. Also, banks do not seem to attract enough buyers for the properties they take over and offer for tender.

Export earnings for the first half of the budget year, 2001-02, reached US$218 million, 8.7% higher than in the comparable period of the preceding year, but the trade balance was 17% lower. The addition of sugar, fruits, vegetables and cut flowers to regular export products, helped in part to compensate for the plummeting price of coffee on the world market and lesser falls in the prices for hides, skins and leather products. According to a report by the Coffee and Tea Authority, foreign currency earnings from coffee have fallen from 66% of total earnings a few years ago, to 41% at present as a result of a collapse in international coffee prices. According to an independent study by the Economics Department of Addis Ababa University, the country lost US$300 million in export revenue over the past two years. A minor consolation is that Ethiopians consume close to 50% of domestic output. Export earnings were showing some sign of recovery during the first half of the 2002-03 financial year.

As well as having to contend with low prices for agricultural products, Ethiopia is facing severe food shortages as a result of prolonged drought, and it is estimated that this year about 11 million people of the country’s total population of 67 million are suffering severe food shortages, an unprecedented figure in the history of Ethiopia, despite the country becoming accustomed to periodic drought and food shortages. There is widespread frustration, particularly among the urban population, as to why this chronic problem of food shortage is happening more frequently than ever. People are blaming the government for its weakness for not substantially minimising the problem after being in office for 12 years.

A number of reasons are cited - lack of a favourable land policy, inadequate support for large-scale commercial farming, inadequate forestry policy and inadequate measures to curb population growth, to mention just a few.

The International Food Policy Research Institute disclosed that the agricultural production of Ethiopia would decline from 8% to 15% during the 2002-03 seasons. In July 2002, the UNECA reported that “land tenure and governance are among the most pressing areas requiring institutional reform in Ethiopia”, and that “..agriculture-led industrialisation may largely depend on addressing rural land tenure insecurity. Land is owned by the state in Ethiopia and farmers have the right to use land but do not own it”.

In a related issue, some activities have been launched as part of the implementation of the Shared Vision Programme of the Nile Basin Initiative (NBI), and the Eastern Nile Subsidiary Action Programme (ENSAP), designed to utilise the Nile water for the benefit of all the countries that share the river. According to Ethiopia’s Ministry of Water Resources, the fund for the execution of the programmes has been obtained from donor countries. Ethiopia has designed and presented irrigation development and hydroelectric power generation, as well as watershed management projects for ENSAP. According to an announcement made last year the NBI could cost US$30 billion.

Mineral activity showed little change during 2002 and there was no new major investment. Lega Dembi Midroc and its sister company, National Mining Co. (NMC), conducted the only noticeable exploration activity. Recently, the general manager of NMC, Ato Melaku Beza, disclosed that exploration in Tigray is bearing fruit, with the identification of a number of targets for gold and base metals. The company has spent in excess of Bi40 million on mineral exploration over the past ten years.

The Annual Statistical Abstract for 2001 issued by the government in March 2002, show a drastic fall in private-sector investment in mineral exploration, from Bi77 million in 1995-96, to Bi10.5 million in 1999-00.

Gold production from Lega Dembi realised about US$34 million in foreign currency for the finance year 2001-02. Meanwhile, the Ministry of Mines reported that gold smuggling is costing about US$21 million annually in lost revenue. Between 10% and 20% of total gold production is used in the making of traditional ornaments. The country has diverse and beautiful traditional designs for ornaments and the work of highly-skilled artisans in this regard has imparted considerable added value to ornamental gold.

Unfortunately, imported and mass-produced gold ornaments are flooding the country, and pushing out the artisans and undermining Ethiopia's cultural heritage.

Elsewhere, however, there have been some new investments in non-metallic minerals such as salt, mineral water and dimension stone. Thus far, the Ministry of Mines and Energy has issued four licences for salt production at Lake Afdera in Afar Regional State, in northeast Ethiopia. One of the licensees, Afar Salt Production-sharing Co. has committed Bi60 million to produce salt from the brine of Lake Afdera. The company intends to produce 500,000 t/y of edible salt initially, building eventually to 3.0 Mt/y, when the total investment could approach Bi100 million. Another company, Afdera plc plans to produce 100,000 t/y. Similarly, two other companies, Ertale plc and Bashanfer Trading plc are also licensed to engage in salt production in the area. There is also a report that a fifth company is expecting to receive a licence for the same purpose. It is hoped that within the coming two years the country will be able to produce enough salt to satisfy local demand and to export the surplus.

The Geological Survey hast continued working on 12 projects, including regional mapping, mineral exploration, hydrogeological mapping, geophysical surveying and geothermal development.

The regional mapping included the Bedessa sedimentary basin in the northern part of Ogaden Basin in eastern Ethiopia, and the Wachile and Yabelo map sheets in southern Ethiopia. About 10,750 km^2 area of the Bedessa sedimentary basin was mapped, and much of the Wachile area and Yabelo map sheet was covered by field mapping. Compilation into a single 1:250,000 scale map is under way. Data collection at Yabelo was completed during the last financial year. The total coverage of geological mapping has increased to 33% of the country and data for a further 5% is being complied and awaits finalisation.

Mineral exploration activity took place in the Beles-Dinder area and at Jinka for gold and base metals. The Beles-Dinder activity is a follow-up of the Ethio-Norwegian project in the northwest part of the country, while the Jinka project is in the southwest. Three holes drilled at Beles-Dinder in 2001-02 identified a mineralised zone and geological mapping over an area of 400 km^2 has been completed at a scale of 1:100,000. Reconnaissance geochemical sampling was carried out at a density of one sample per km^2 in selected areas. Following this reconnaissance work, a target area of 2.15 km^2 was identified in the vicinity of Kota, and integrated geological investigations were conducted. The results to date show the presence of gold mineralisation. In the same region, some 60 km to the west of Kota, a molybdenum-bearing zone was identified and preliminary results from four samples have yielded 2,000-6,000 ppm Mo.

At Jinka, three target areas were selected and detailed geological mapping at 1:4,000 scale was conducted in some areas. The survey has shown anomalies indicating possible zones of mineralisation.

A third exploration activity concerned the search for tantalum in the areas surrounding a known tantalum deposit. Geological mapping was undertaken plus geochemical sampling covering an area of 677 km^2. The survey shows, among other things oxide minerals in heavy mineral concentrate, chromate in ultramafic rocks and sulphide mineralisation in graphite schist.

Phosphate exploration by the Geological Survey has been under way in Ethiopia for some years and is now being finalised. Previous studies in the Bikilal area in western Ethiopia have indicated that there is a mineable reserve of 182 Mt of ore at an average grade of 3.5% P_2O_5, and prefeasibility and additional studies show that the ore is technically mineable. There is another phosphate exploration project at Melka Arba in southeastern Ethiopia where detailed geological mapping has been conducted over an area of 5.6 km^2. To date, trial studies study to concentrate apatite and ilmenite have resulted in a maximum recovery of 96% apatite and 82% ilmenite. Two boreholes to depths of 100 m were drilled and results are awaited.

The Geological Survey has now organised about 75% of its existing data, and all new data, into digital format.

