Fonte:

Economist Intelligence Unit | The Economist

Country Report Ethiopia July 2005

Estratto punti essenziali.

Economic structure: Annual indicators

	2000[a]	2001[a]	2002[a]	2003[a]	2004[b]
GDP at current market prices (Birr bn)[c]	51.9	54.2	51.8	57.0	69.7
Real GDP growth (%)[c]	5.4	7.7	1.2	-3.8[d]	11.6[d]
Consumer price inflation (av; %)	0.0	-8.1	1.5	17.8	3.2 [a]
Population (m)	65.6	67.2	68.9	70.7	72.4
Exports fob (US$ m)	486	456	480	504	656
Imports fob (US$ m)	1,131	1,626	1,455	1,922	2,720
Current-account balance (US$ m)	10	-401	-170	-199	-936
Reserves excl gold (year-end; US$ m)	306	433	882	956	1,496[a]
Total external debt (US$ bn)	5.5	5.7	6.5	7.2	6.0
External debt service, paid (% of exports)	12.9	18.0	7.6	6.8	8.0[d]
Coffee production (‘000 tonnes)[c]	117	96	110[b]	130[b]	160
Exchange rate Birr:US$ (av)	8.22	8.46	8.57	8.59	8.64[a]

[a] Actual. [b] Economist Intelligence Unit estimates. [c] Fiscal years ending July 7th; National Bank of Ethiopia (central bank) figures. [d] IMF-World Bank estimates.

-Origins of gross domestic product 2003/04[a]	% of total	Components of gross domestic product 2000/01[a]	% of total
Agriculture & allied activities	44.1	Private consumption	80.2
Industry	10.4	Government consumption	17.5
Services	45.5	Gross domestic fixed investment	18.0
		Exports of goods & services	15.4
		Imports of goods & services	–31.2
Principal exports fob 2003[b]	US$ m	Principal imports cif 2003[b]	US$ m
Coffee	184	Grains & cereals	378
Chat	116	Fuel products	320
Oilseeds	48	Cars & service vehicles	220
Pulses	11	Telecommunications & computer equipment	110
Main destinations of exports 2003[c]	% of total	Main origins of imports 2003[c]	% of total
Djibouti	13.5	Saudi Arabia	24.0
Germany	10.3	US	16.8
Japan	7.4	China	6.3
Saudi Arabia	7.0	India	4.0

[a] Fiscal years ending July 7th; National Bank of Ethiopia (central bank) figures. [b] International Trade Centre UNCTAD/WTO estimates. [c] Based on partners’ trade returns; subject to a wide margin of error.

Economic structure: Quarterly indicators

	2003				2004			
	1 Qtr	2 Qtr	3 Qtr	4 Qtr	1 Qtr	2 Qtr	3 Qtr	4 Qtr
Prices								
Consumer prices, Addis Ababa (2000=100)	104.8	109.6	114.5	110.7	n/a	n/a	n/a	n/a
Consumer prices, Addis Ababa (% change, year on year)	18.8	23.4	19.4	10.4	n/a	n/a	n/a	n/a
Financial indicators								
Exchange rate Birr:US$ (av)	8.58	8.59	8.61	8.62	8.62	8.63	8.64	8.65
Exchange rate Birr:US$ (end-period)	8.59	8.60	8.61	8.62	8.63	8.64	8.64	8.65
Deposit rate (av; %)	3.31	3.34	3.37	3.37	3.38	3.40	3.37	3.37
Lending rate (av; %)	8.06	8.06	7.00	7.00	7.00	7.00	7.00	7.00
Treasury bill rate (av; %)	1.20	1.64	1.52	1.09	0.99	0.47	0.69	0.11
M1 (end-period; Birr m)	17,300	17,538	17,235	18,595	20,293	21,336	21,384	n/a
M1 (% change, year on year)	14.4	11.9	8.1	12.3	17.3	21.7	24.1	n/a
M2 (end-period; Birr m)	30,521	31,260	31,482	33,208	35,321	36,957	38,006	n/a
M1 (% change, year on year)	13.5	12.0	9.8	12.4	15.7	18.2	20.7	n/a
Sectoral trends (annual totals; ‘000 tonnes)								
Coffee production[a]	(		220	)	(		220	)
Balance of payments (US$ m)								
Exports fob	124.9	129.4	129.4	120.5	155.1	154.9	n/a	n/a
Imports fob	-424.7	-432.6	-477.9	-586.7	-694.0	-624.0	n/a	n/a
Merchandise trade balance fob-fob	-299.8	-303.2	-348.6	-466.2	-539.0	-469.1	n/a	n/a
Services balance	9.1	-1.1	4.5	34.0	15.6	23.0	n/a	n/a
Income balance	-3.6	-5.5	-12.8	-2.3	-4.8	-12.7	n/a	n/a
Net transfer payments	276.6	300.1	308.9	310.7	781.8	277.0	n/a	n/a
Current-account balance	-17.6	-9.7	-47.8	-123.8	253.6	-181.7	n/a	n/a
Reserves excl gold (end-period)	903.4	905.6	913.4	955.6	1,155.8	1,169.7	1,196.1	1,496.4

[a] Estimate for 2004.

Sources: UN Food and Agriculture Organisation; IMF, International Financial Statistics.

Outlook for 2005-06: Domestic politics

Ethiopia’s political landscape was transformed on May 15th when 25m voters (a 90% turnout) gave their verdict on the Ethiopian People's Revolutionary Democratic Front (EPRDF) government in the country’s most democratic election in its history. According to provisional results, the government retains a solid but much reduced majority, down from 481 to 302 seats in the 547-seat parliament, while the two new opposition coalitions, the Coalition for Unity and Democracy (CUD) and the United Ethiopian Democratic Front (UEDF) performed far better than expected, winning around 176 seats between them. But although the election itself was largely free and fair (according to international monitors), serious concerns have emerged about the subsequent vote-counting process, which may have been hijacked by the EPRDF in a desperate attempt to cling on to power. The opposition alleges fraud, and a series of student-led demonstrations in early June provoked a harsh crackdown by the authorities, leading to 36 deaths and a wave of arrests. The violence has subsided following the negotiation of a peace deal between the government and opposition, mediated by the EU, but tensions persist, and the situation will remain in limbo until the final election results are announced on July 8th—a month later than originally planned. This will give the National

Election Board (NEB) time to investigate irregularities in 136 constituencies (less than one-half of the 299 constituencies in which the opposition demanded investigations, but still a significant number).

If the NEB acts fairly and transparently in this matter, the opposition will probably accept the result. However, the Economist Intelligence Unit thinks that although some polls may be re-run as a result of irregularities, the final results will not be significantly different from the provisional ones, giving the EPRDF a majority and the right to form the next government. Under this scenario, Meles Zenawi will be re-elected for a third term as prime minister by his peers when the new parliament convenes in September. But even judging from the provisional results, the scale of the backlash against the EPRDF (especially in the capital, Addis Ababa, where the opposition won all seats) is a blow to Mr Meles’s credibility and reputation. Mr Meles is already seeking to exploit latent divisions within the opposition between the CUD (dominated by the Amhara) and the UEDF (dominated by Oromo and southern nationalities who are fearful of perceived Amhara chauvinism). Mr Meles has offered to return the Oromo regional capital to Addis Ababa (it was moved to Nazareth in 2003, to the anger of many Oromos), which would help to counter the CUD's domination of the capital.

Whether or not the opposition will accept an EPRDF victory is impossible to say (a parliamentary boycott is a real threat), although there will be pressure from donors for the opposition to accept the result and engage in the new parliament. What is clear is that the government and opposition will have to learn to get along with each other and that some form of consensus building regarding the wider development agenda must take place. However, this will take time, as the recent killings and clampdown on the opposition have soured the political atmosphere. Provided that the next few months can be navigated calmly, Ethiopia’s political environment will become far livelier, with genuine debates taking place in parliament. The EPRDF will no longer be able to act with virtual impunity and it seems unlikely that the party and its allies will have the two-thirds majority (364 seats) needed to push through constitutional legislation.

The opposition also face challenges. Apart from deciding on how to deal with the EPRDF, it must also work out the relationship between its different factions and deal with latent divisions. There are splits between the CUD and UEDF (partly because of ethnic factors) but also within the two groups, which is not surprising given that both are coalitions of several parties. They are clearly united against Mr Meles, but must find more common ground than this if they are to act as an effective opposition front.

Outlook for 2005-06: International relations

Relations with Eritrea will continue to dominate foreign policy in 2005 and 2006. Border demarcation is likely to remain deadlocked and there is little prospect that the Ethiopian government will normalise relations while the regime of Eritrea’s president, Isaias Afewerki, retains power. The UN will continue to criticise both parties: Ethiopia for refusing to implement the ruling of the Eritrea-Ethiopia Boundary Commission (EEBC)—which decreed the handover of some sensitive territory—and Eritrea for refusing to meet Lloyd Axworthy, the special representative of the UN secretary-general, Kofi Annan. Despite the impasse, we do not expect that any formal sanctions will be applied to either party. Meanwhile, the UN Mission in Ethiopia and Eritrea (UNMEE) has had its mandate extended for another six months, to mid-September, but its force strength has been reduced to around 3,200 in order to save costs. UN peacekeepers cannot stay indefinitely, and it is hoped that the scaling down of UNMEE's operation will act as an incentive for the two countries to begin settling their differences.

Large Ethiopian troop movements near the border earlier in 2005 have increased tensions. The presence of extra troops near the border increases the risk of a small incident escalating out of control, and the US State Department recently warned of war by miscalculation. Conflict does not appear to be imminent, but the Ethiopian election result is not a good omen, as the newly empowered opposition has consistently criticised the limited peace overtures made by Mr Meles to Eritrea (such as the half-hearted five-point peace plan that was unveiled in November 2004) and rejected the secession of Eritrea from Ethiopia that took place in the early 1990s. The opposition's more hardline approach and its strong election performance will make Mr Meles's government even more reluctant than before to find a solution to the border crisis. At best, it seems that another long stalemate is in prospect.

Outlook for 2005-06: Policy trends

Ethiopia's completion of a poverty reduction and growth facility (PRGF) was endorsed by the IMF at the final review of the programme in September 2004. Before a new programme is agreed, donors will review the government's second annual report on Ethiopia's sustainable development and poverty reduction programme (SDPRP). This was presented to a joint conference with donors in February, but has not yet been published, although it appears that anti-poverty measures were more effective in the programme's second year than in the drought-affected first year. Negotiations are currently under way for a new IMF agreement, and it is likely that Ethiopia will seek a "low-access" PRGF: Ethiopia does not require significant IMF funding, as the amounts involved are small compared with overall needs, but it will continue to seek formal IMF endorsement of its policies in order to meet the requirements of other multilateral and bilateral lending agencies. We expect a new IMF agreement to be in place before the end of the year, although post-election unrest and uncertainty may delay this.

Support from donors such as the World Bank should remain solid during the forecast period in areas such as road building, information and communication technology, public-sector capacity building and private-sector development. However, the government will continue to resist some IMF policy recommendations, in particular the opening of the banking system to foreign capital and the end of government control over the National Bank of Ethiopia (the central bank). The government believes that the banking system is not yet strong enough to cope with foreign competition and that full central bank independence is not warranted at this stage. The government will also move extremely carefully on the privatisation of the large state enterprises, although it appears to be committed to creating a more favourable environment for private business, through both the reform of business regulations and investment in the transport, communications and power infrastructure.

Domestically, another contentious area is that of land-tenure reform. The EPRDF continues to oppose private ownership of land—therefore making it difficult for businesses and individuals to provide collateral for loans—although a new certification system for agricultural land (which appears to grant long-term lease rights), scheduled for roll-out during the forecast period, will help to some extent. The opposition, by contrast, are in favour of full land privatisation, believing that it will boost investment, and although they will not drive the policy agenda, their strong showing at the election supports their case.

Outlook for 2005-06: Economic growth

We have made a downward revision to our growth forecast for 2004/05 (year ending July 7th) to 5.5%, because of indications that earlier predictions of a bumper harvest in the current 2004/05 season were overly optimistic. In particular, food prices have remained unseasonably high in the first half of the year. However, the food harvest is still likely to have been above average, while the production of the key cash crops, coffee and chat, has been satisfactory because of adequate rainfall: this should also ensure that there are no cuts in hydroelectric output. Moreover, economic activity in all sectors will benefit from ongoing structural reform and substantial external support, particularly donor-funded projects in transport infrastructure, which should bring down transaction costs and open up new markets (both domestic and foreign). On the downside, the strength of world oil prices will have a detrimental impact on growth during the forecast period, especially as Ethiopia imports 100% of its fuel requirements. Post-election unrest and political uncertainty will also deter investment until the situation stabilises. Real GDP growth is forecast to ease slightly in 2005/06, to 5.2%, assuming an average harvest, but the figure could be substantially different depending on precise rainfall patterns.

Outlook for 2005-06: Inflation

Inflation fell sharply to 3.2% in 2004, from nearly 18% in 2003, owing to the recovery in agriculture after the 2003 drought. However, food prices have been unseasonably high in the first half of 2005, partly because the harvest was not as good as expected, while oil prices have remained above US$50/b since March and recently neared US$60/b. As a result, we expect that inflation will climb to 7.5% in 2005. On the plus side, the smaller belg harvest in July/August is expected to be satisfactory, and the outlook for the main rains in the third quarter is currently favourable, according to meteorologists. But food prices are unlikely to start declining until the fourth quarter. The outlook for 2006 is far less certain and will depend on rainfall levels and world oil prices. Assuming normal rainfall and lower international oil prices, we expect inflation to decline slightly, to 4.8%, in 2006.

Outlook for 2005-06: Exchange rates

The birr continues to depreciate gently, declining by 0.4% to Birr8.66:US$1 in the first quarter of 2005 compared to a year earlier. The currency will continue to be underpinned by strong foreign-exchange inflows from international donors and remittances from Ethiopians living abroad, which should prevent any sharp depreciation over the forecast period. Foreign reserves slipped from a peak of US$1.5bn at the end of 2004 to US$1.3bn in February 2005, because of rising oil costs, but levels are still healthy, and will remain so while donor funding is forthcoming, giving the central bank adequate resources to defend the birr if necessary. We expect the currency to weaken to an average of Birr8.72:US$1 in 2005 and Birr8.87:US$1 in 2006.

Outlook for 2005-06: External sector

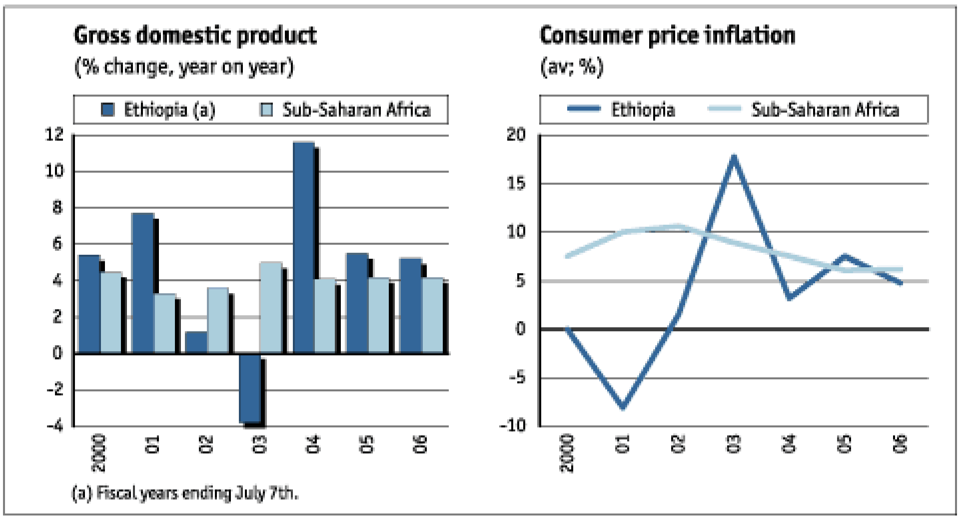
Ethiopian export receipts will be strongly influenced by the price of coffee, which remains the country's single largest earner. Coffee prices are expected to rise in 2005 as a result of investor speculation, before global overproduction pushes them back down in 2006. Total exports are forecast to rise steadily, from US$656m in 2005 to US$696m in 2006, as coffee earnings increase as production continues to rise and non-traditional commodities such as chat, garments and floriculture continue to perform well. However, the trade deficit will widen over the forecast period, as high international oil prices and large donor projects boost the total import bill to US$2.7bn in 2005 and US$2.9bn in 2006. The services account will remain broadly in balance, although rising imports could push it into a small deficit. The income account deficit is expected to narrow sharply as a result of debt relief being offered under the IMF-World Bank's heavily indebted poor countries (HIPC) initiative (which includes write-offs from the Paris Club). Inflows of donor aid and private remittances will continue to ensure a healthy surplus on the current transfers account: although official transfers will drop in 2005 after the drought-related peak of 2003/04, they will pick up again in 2006 as donors boost their support for large infrastructure programmes. Overall, the current-account deficit is expected to widen to 11% of GDP in 2005, before narrowing slightly to 10% of GDP in 2006, owing to lower international oil prices and rising current transfers.

Outlook for 2005-06: Forecast summary

Forecast summary
(% unless otherwise indicated)

	2003[a]	2004[b]	2005[c]	2006[c]
Real GDP growth[d]	–3.8[e]	11.6 [e]	5.5	5.2
Consumer price inflation (%; av)	17.8	3.2[a]	7.5	4.8
Government balance (% of GDP)	–7.3	–7.3	–4.3	–6.1
Exports fob (US$ m)	504	601	656	696
Imports fob (US$ m)	1,922	2,605	2,720	2,853
Current-account balance (US$ m)	-199	-623	-936	-916
Current-account balance (% of GDP)	-3.0[e]	-8.1	-11.1	-10.0
Exchange rate (av; Birr:US$)	8.59	8.64	8.72	8.87
Exchange rate Birr:€ (av)	9.74	10.74	10.66	11.18

[a] Actual. [b] Economist Intelligence Unit estimates. [c] Economist Intelligence Unit forecasts. [d] Fiscal years ending July 7th. [e] IMF-World Bank estimate.



The political scene: Provisional results award victory to the ruling party

Ethiopia's political landscape changed profoundly on May 15th 2005 when voters delivered an unexpected verdict in what could be classified as the country's first-ever truly democratic election—the previous two in 1995 and 2000 were marked by opposition boycotts and widespread fraud. The provisional (and disputed) election results, announced by the National Election Board (NEB) in early June, show the ruling Ethiopian People's Revolutionary Democratic Front (EPRDF) to have retained a majority, with 302 seats out of the 524 contested (the election for the 23 seats in the remote Somali region is not scheduled to take place until late August). Parties allied to the EPRDF have won a further 19 seats so far. However, the two new opposition groupings, the Coalition for Unity and Democracy (CUD) and the United Ethiopian Democratic Front (UEDF), staged a remarkable performance, winning 121 and 55 seats respectively, compared with their combined representation of just 12 in the outgoing parliament.

Legislative election results
(seats)

	May 2005 (provisional)	2000
Ethiopian People's Revolutionary Democratic Front (EPRDF)	302	481
Coalition for Unity and Democracy (CUD)	121	3 [a]
United Ethiopian Democratic Front (UEDF)	55	9 [a]
Others	36	54
Total	514[b]	547

[a] These alliances did not exist in 2000, but some of their constituent parties won seats. [b] Ten results have still to be announced, while a further 23 seats in the Somali region will not be contested until August.
Sources: National Election Board of Ethiopia, press reports, and www.electionworld.org.

The political scene: The opposition triumphs in Addis Ababa

The CUD won all 23 seats in the capital, Addis Ababa, defeating three ministers in the process: Genet Zewdie (education) Getachew Belay (revenue) and Tefera Waliwa (capacity building), as well as the parliamentary speaker, Dawit Yohannes. Big losers outside the capital were the vice-president, Addisu Legesse, and information minister, Simeon Bereket, who lost to the CUD in his Bugna constituency in Amhara by a 56:46 margin. Mr Bereket played a key role in the EPRDF's re-election bid as a representative of the Amhara community, and his defeat was both unexpected and a clear sign of the opposition's advance. However, other key ministers did retain their seats, including the prime minister, Meles Zenawi; the foreign minister, Seyoum Mesfin; and the trade minister, Girma Birru. The main leaders of the CUD were all elected, including Hailu Shawel, Lidetu Ayalew, Admasu Melaku and Berhanu Nega, as were the key leaders of the UEDF, Merera Gudina and Beyene Petros.

The political scene: Voters turn against the government

That the EPRDF retained a majority, albeit a much smaller one than before, might suggest that the election was not that ground-breaking at all, but even according to the provisional (disputed) results, the swing to the opposition was startling. There was a clear backlash against the EPRDF and prime minister, Mr Zenawi, leader of the Tigray People's Liberation Front (TPLF)—the dominant although smallest party in the ruling coalition—by the Amharas (who increasingly resent being dominated by a Tigrayan) and the Oromos (who resent the movement of their regional capital from Addis Ababa to Nazareth, which took place in 2003—May 2004, The political scene). The EPRDF has long relied on building an ethnic-based coalition, its components being the main representatives of their respective ethnic groups. But the system has started to unravel as key communities no longer feel that their interests are being properly served. There was also a backlash from nationalists opposed to any accommodation with Eritrea over their disputed frontier, and from urban dwellers in general, who have yet to see much benefit from the government's anti-poverty reform programme. Economic activity is certainly on the rise in Addis Ababa, but the benefits are not widely spread and unemployment remains very high.

Even if the provisional results are confirmed, which would result in Mr Meles being renamed prime minister (as leader of the winning coalition), the election represents a serious blow to his credibility, although he is nothing if not a shrewd political operator and is already trying to build new alliances. It remains to be seen how much damage his reputation has suffered. But while the EPRDF may be distressed, the opposition CUD and EUDF are incensed. Despite their strong provisional showing, they allege that the authorities have manipulated the results during the vote-counting process and that the opposition are the true winners of the election.

The political scene: Student-led protests provoke a harsh crackdown

Rising frustration over the lack of an election result and concern over the possibility of vote-rigging led to mounting tension in the last two weeks of May as provisional results trickled out from the NEB. Tension increased when the EPRDF was declared the winner, having passed the 274-seat threshold. The dispute turned nasty in the week beginning June 6th, when three days of student-led protests in Addis Ababa—in defiance of an official ban on post-election demonstrations—provoked a harsh military response, including the use of live ammunition on civilian crowds. About 36 people were killed, including one opposition MP-elect, Tesfaye Adane. The killings were the worst to have occurred in Addis Ababa since April 2001, when 41 people died during riots that followed a wave of student protests.

As part of the crackdown, restrictions were also placed on the movement of opposition leaders, while thousands of opposition supporters were rounded up throughout the country. The government defended its response on the grounds of maintaining public order, and blamed the opposition for inciting the violence. Indirectly, this may have been the case, as some of their rhetoric was inflammatory, but the authority's response was heavy-handed and typical of what can happen when soldiers are used for policing measures in urban areas, especially when they do not have proper training in crowd control and riot situations. The problem was compounded because the mainly Tigrayan troops did not speak the Amharic language of the locals. Donors and the opposition have called for a full inquiry and for those responsible for the killings to be held accountable.

The political scene: The EU mediates a peace deal between political parties

Further conflict was averted as the EPRDF, the CUD and the UEDF started negotiating a truce, mediated by the EU ambassador, Tim Clarke. An agreement emerged on June 10th, but fell apart almost immediately as the CUD's Hailu Shawel accused the government of being untrustworthy. However, it is believed that other CUD leaders forced Mr Hailu to back down, and all sides signed a fresh agreement a few days later. Under the terms of the deal, both sides reaffirmed their commitment to a peaceful and constitutional outcome, and recognised the authority of the NEB. They also agreed to utilise the new "political parties forum" set up a week earlier to handle disputes.

In the talks the opposition also won a major concession, in that the NEB agreed to investigate allegations of irregularities in almost 300 constituencies, although it was announced in late June that 164 of these cases were to be dropped. Additionally, it is not entirely clear whether opposition observers will be allowed to monitor the recounts. If they are not, they are unlikely to endorse the final result. Moreover, the government refused to allow any recounts in Tigray, where the TPLF has provisionally won all 38 seats. Both sides appealed for EU observers to oversee the recounts (a core of monitors remain in the country) but the EU is reluctant to take a leading role in what is a very sensitive exercise, saying that it has neither the mandate nor the resources to join any investigations into complaints.

The announcement of a final election result, which was due on June 8th, has been postponed until July 8th, with the agreement of all parties, to enable the NEB to complete its investigations. The situation has calmed since the agreement, as all sides await developments, and those arrested are being released in phases. However, the killings and crackdown have soured the political atmosphere, causing tension between the government and donors, and damaging the move towards democratisation that had earlier appeared to be making rapid progress. The situation will remain in limbo until the final election tally is announced. The ban on demonstrations will remain in place until then. If there is still disagreement over the final results, the only avenue left would be an appeal to the Constitutional Court.

The political scene: The election itself was largely free and fair

The post-election turmoil and accusations of fraud are in stark contrast to the period leading up to the poll and the ballot itself. The opposition was, for the most part, allowed to present its case: several genuine debates between the government and opposition candidates were staged in the official media, while the CUD attracted 1m people to a peaceful rally in the capital in early May. Moreover, independent foreign monitors were allowed into the country for the first time. The final tally numbered 330, including 160 from the EU, 50 from the Carter Centre, 31 from the AU and several teams from the US embassy.

On polling day, some 90% of Ethiopia’s 25m registered voters queued patiently for hours to cast their ballot in a process that has largely been described as free and fair. The EU monitoring team, led by Ana Gomes, described the polls as "the most genuinely competitive elections the country has experienced", after visiting over 1,000 of the 30,000 polling stations, but said that there were some shortcomings, including cases of public officials intimidating and harassing opposition supporters and activists, particularly in the last week of the campaign. Moreover, there was a high level of contact between EPRDF officials and supposedly impartial constituency authorities, especially in rural areas. There were also scattered examples of pre-marked ballot papers and voting by children. The US State Department described the election as “very impressive”, especially because of the absence of violence, and said that despite some problems, there was no evidence of systematic fraud. In addition, the former US president, Jimmy Carter, whose 50-strong team monitored the ballots, was quick to declare them a success.

However, the process was not without problems. The NEB barred the participation of a 3,000-strong force of local observers, and although the Supreme Court overturned this, the verdict came too late for the observers to organise properly. Moreover, three US observers, from the National Democratic Institute, the International Republican Institute, and the International Foundation for Electoral Systems, were barred on the grounds that their applications were faulty. Even worse, the non-governmental organisation, Human Rights Watch, released a scathing report in May detailing repression of opposition activists in Oromo, although its contents were rejected by the government.

The political scene: There have been concerns over vote counting

The main problem is that although the actual ballot may have been sufficiently free and fair, there are serious concerns about the subsequent vote-counting process. A leaked, confidential EU report in late May said that the NEB had “lost control” of the vote counting, limiting itself to passively receiving reports from EPRDF-dominated constituency electoral committees. The NEB rejected the accusations, saying that it was in control. According to one perspective, the EPRDF was so shocked by the scale of its electoral reverse, that it took control of the counting process (especially in rural areas, where there was little monitoring) in a bid to cling on to power. Alternatively, the provisional results may provide a true reflection of how voters voted. It seems likely that there was some interference, but how much of it will be admitted to by the NEB, and indeed how much hard evidence the opposition will be able to come up with, is hard to say. The Economist Intelligence Unit does not expect the final tally to be significantly different from the provisional one, although there may be new polls in some areas (fresh voting has already taken place at six polling stations where the NEB concedes that irregularities took place).

The political scene: Opposition unity will face increasing strains

Because of the problems with the polls, the CUD and UEDF have largely been acting in concert since the ballot, although they are far from united. They have yet to fully work out the relationship between themselves, never mind with Mr Meles. Although both parties are opposed to the ethnic federalism enshrined in the 1994 constitution—which divides the country into nine states along ethnic and linguistic lines—they disagree on what should replace it. The CUD wants greater power for the central government, but the UEDF favours greater regional autonomy. Moreover, the CUD draws much of its support from the Amhara community, which has traditionally ruled Ethiopia, while the Oromos and southern nationalities are fearful of perceived Amhara chauvinism.

The parties also face internal divisions, which is not surprising, as they are coalitions, the CUD having four components and the UEDF 12. The divisions were apparent when other CUD leaders pressurised Mr Hailu to accept the EU-mediated peace deal with the government, and also when the UEDF’s Mr Beyene angered others in the party by saying that he was prepared to take his seat in parliament, in defiance of the official line. The squabbling is on hold for now, but is likely to resurface in the coming months, whatever the final outcome of the election.

The political scene: A new clampdown on the media

In contrast to the rise in media freedom in the run-up to the poll, the situation has since deteriorated. In a bid to control the flow of information and sideline the opposition, the government has clamped down hard on the independent press and the official press is no longer reporting opposition statements. Recent developments include the disaccreditation of five local journalists working for the Voice of America and Germany’s Deutsche Welle (two widely listened to and respected stations) for “unbalanced reporting” of the recent unrest. Despite several appeals, the government has refused to reverse its stance unless the journalists apologise. A few days earlier, eight journalists (the editors and their deputies from Abay, Menelik, Addis Zena and Netsanet) were detained and questioned for a day, for simply publishing opposition party statements, before being released without charge.

Although in March the Supreme Court overturned the government’s 17-month ban on the Ethiopia Free Press Journalists Association (EFPJA), optimism was soon eroded. Later in the month the government pushed through many of the provisions of the harsh draft press law by tagging them on to amendments of the penal code. Some legislators were apparently not even aware of the subterfuge. Strong opposition to the draft press law inside and outside of the country persuaded the government not to submit it to parliament last year.

The political scene: The border with Eritrea remains tense

The border with Eritrea remains tense, and the situation deadlocked, but the election result is not a good omen, as the newly empowered opposition has consistently rejected Ethiopia's peace overtures to Eritrea. That Ethiopia is not actually being very accommodating to its neighbouring foe, and has refused to hand over sensitive territory as demanded by the independent Boundary Commission, did not seem to help Mr Meles in the election. And although his five-point peace plan of last November, which accepted the Boundary Commission's ruling in principle, was rejected out of hand by Eritrea, the opposition seized on it as sign of weakness. The opposition seeks the return of Ethiopia's "Red Sea territories" and rejects Eritrea's secession under the 1994 constitution.

As such, an opposition victory in the election would have seriously raised the risk of fresh fighting, although when confronted with the reality of international disapproval, the opposition would have realised that such a course of action would incur donor wrath and possibly debilitating sanctions. But even if the provisional results are confirmed (which seems likely), the opposition's more hardline approach and strong election performance will make the Meles government even more reluctant than before to find a solution to the border crisis. Similarly, Eritrea will not back down and, at best, another long stalemate is in prospect. At worst, there will be a new war.

There is no firm evidence that war will erupt soon. The UN believes that large-scale Ethiopian troop movements earlier in the year were defensive as claimed (although Eritrea does not believe this) and regular face-to-face meetings of military commanders continue to take place in Nairobi under the auspices of the UN Mission in Ethiopia and Eritrea (UNMEE), a 3,200-strong peacekeeping force. During the latest meeting of the Military Co-ordination Committee in May, UNMEE commander Major-General Rajender Singh said that the two sides had agreed to improve co-ordination in order to resolve local incidents on a local basis, thereby preventing them from escalating. But while the two armies continue to confront each other, divided only by the 25-km wide temporary security zone (TSZ), the risk of new conflict will not diminish.

Donald Yamamoto, the US State Department's deputy assistant secretary for Africa, told Congress during recent hearings in May that war by "miscalculation" is always possible. He also talked of a "cold but increasingly tense peace" and said that "the prospects for renewed conflict are real and troubling". Certainly both sides are re-arming, largely buying from Russia, which has been selling weapons to both sides since the UN arms embargo was lifted in 2001. The two armies are traditional users of Russian hardware. Ethiopia reactivated a US$200m arms contract with Russia in 2002, and several SU-27 fighters and transport helicopters were delivered in 2003. Ethiopia held further talks in Moscow in January 2005 for the acquisition of additional SU-27s. Meanwhile, Eritrea secured a new arms deal from Russia in April 2005, for aircraft modernisation and anti-tank missiles.

Economic policy: The election will not result in major economic policy shifts

Despite the political uncertainties surrounding the election, and the lack of a final result, it is clear that there will be little or no change in economic policy, as both the government and the opposition espouse economic liberalism. They do, however, differ on the key issue of land-tenure reform. The government remains opposed to the private ownership of land, which makes it impossible to secure loans using land as collateral. However, the authorities are rolling out a certification scheme for rural land, allowing for the transfer of leasehold rights, and have pledged to improve the system of awarding urban leaseholds in Addis Ababa (February 2005, Economic policy). By contrast, the two main opposition parties are in favour of full "land privatisation", believing that this would encourage investment. However, if the provisional election results are broadly upheld, which seems likely, the ruling Ethiopian People's Revolutionary Democratic Front (EPRDF) will retain a solid majority. This will mean that the opposition will have little direct impact on policy formulation, being unable either to initiate or block it. However, the unexpectedly strong showing of the opposition may have an indirect impact on government policy by showing the authorities that land reform may have more popular support than it hitherto believed. Apart from land-tenure reform, both sides differ little on economic policy and recognise the vital importance of continued donor support, which amounted to 7.8% of GDP in 2003/04 (year ending July 7th).

Economic policy: The UK suspends some funding following violence

In mid-June, the UK's international development minister, Hilary Benn, announced that additional planned support of £20m (US$37m) for Ethiopia's budget in 2005 had been suspended because of post-election unrest. However, other pledges for £60m in 2005 (including £30m for the budget) are not affected. The disbursement of the extra £20m will depend on "how the situation develops", according to Mr Benn during a short visit to Ethiopia. The UK is the only donor to take action, so far, but others could follow if the political scene remains unstable. The UK's action reflects the close relations between the two states—as highlighted by the prominent role played by the Ethiopian prime minister, Meles Zenawi, in the UK's Commission for Africa. The stalled movement towards democratisation in Ethiopia could hurt the Commission's credibility. At the same time, Ethiopia's hopes for an increase in already substantial donor flows clearly cannot be taken for granted.

Economic policy: HIV/AIDS indicators show situation is getting worse

Approximately 115,000 people in Ethiopia died from HIV/AIDS in 2003—about one-third of adult deaths during the year—according to a new government reported released in April 2005. This takes the total AIDS death toll so far to about 900,000. And it is not necessarily the old that are dying, but the youthful and productive. Some 4.4% of the adult population (aged 15-49) is currently infected, but although this is far lower than in southern Africa, for example, it still represents 1.4m people—the fourth highest number in Sub-Saharan Africa (SSA), because of Ethiopia's large population. An additional 100,000 children are also infected, while 1m have been orphaned. The HIV/AIDS prevalence rate in urban areas (where about 15-20% of the population live) is far higher than the national average, at 12.6%, while the rate for rural areas is just 2.6%. However, although the urban rate appears to have peaked, the rural rate continues to edge upwards, with potentially devastating consequences. This is partly linked to the demobilisation of soldiers after the 1998-2000 war with Eritrea and their return to their home areas. The infection rate among demobilised soldiers, of 9%, is higher than the 6% rate for frontline troops. Other spread factors are the same as in other SSA states: long distance transport drivers; commercial sex workers; displaced people; students and unemployed youth

HIV/AIDS prevalence in selected SSA countries, end-2003

	No. infected (m)	Adults infected (% of adult population)
South Africa	5.3	21.5
Nigeria	3.6	5.4
Zimbabwe	1.8	24.6
Tanzania	1.6	8.8
Ethiopia	**1.5**	**4.4**
Mozambique	1.3	12.2
Kenya	1.2	6.7
DRC	1.1	4.2
Total	25.4	7.4

Sources: UNAIDS, IMF.

The government has launched a number of initiatives to counter the damaging impact of HIV/AIDS. In January 2005, for the first time, Ethiopia started an official programme of free, anti-retroviral (ARV) drug treatment for infected persons (funded by the US). The programme will start small—involving 30,000 people—but may be widened to include more than 200,000 within three years. The government estimates that the drugs could prevent 78,000 deaths a year. The anti-HIV/AIDS programme is funded almost exclusively by donors, particularly under the US President's Emergency Plan for AIDS Relief (PEPFAR). Ethiopia is one of the 15 countries targeted under PEPFAR and funding is expected to total US$100m in 2005. However, although the Centre for Strategic and International Studies (CSIS) says that PEPFAR "is clearly a boon for Ethiopia", the institution said that the quick implementation of anti-AIDS programmes would be difficult owing to the country's poverty, weak healthcare system and the scale of the epidemic. The government's plan under the Health Sector Development Programme (HSDP) to expand formal health services to reach the entire population by 2008, from about 50% now, will help to increase the delivery of anti-HIV/AIDS assistance and will involve the opening of hundreds of new medical centres and the training and employment of thousands of new staff.

The domestic economy: Political uncertainty may dampen economic growth

There have been no official updates to GDP growth estimates for 2004/05, but earlier suspicions that the 2004/05 harvest was just slightly better than average, rather than "bumper", appear justified. But although the weather will continue to be the main determinant of GDP growth—the IMF estimates, for example, that a 1% change in rainfall produces a 0.3% change in real GDP—post-election turmoil will also dampen activity. On a basic level the economy virtually ceased on the day of the election as nearly 25m people queued to vote. In Addis Ababa, three days of student-inspired protests (leading to opportunistic looting), two days of taxi-strikes (in support of the students and opposition), and several hours of harsh military reprisals, severely disrupted trade and commerce. Growth will also be affected if other donors follow the UK's lead and suspend planned disbursements because of the political uncertainty. Investors too are very wary. Economic activity in 2005 is also being hurt by the persistence of very high world oil prices—Ethiopia imports 100% of its oil needs. Foreign-exchange reserves slumped from an all-time high of US$1.5bn at the end of 2004 to US$1.3bn in February 2005, but are still healthy and will remain so while donor funding is forthcoming.

The domestic economy: Inflation picks up in 2005

Annual average inflation fell to 3.2% in 2004, from 17.8% in 2003, according to the National Bank of Ethiopia (NBE, the central bank), as the country recovered from a serious drought. However, average annual inflation bottomed out in November 2004, at 3.1%, and has since risen to 5% in March 2005, owing to the persistence of high food and world oil prices. Both food and non-food inflation were on an upward trend between December 2004 and March 2005, but the food component showed the greatest increase. Year-on-year inflation exceeded 10% in the first three months of 2005, while white maize prices in Addis Ababa were 28% higher in April 2005 than a year earlier, at Birr160 per quintal. This points to higher inflation ahead. At best, food prices will start declining in the fourth quarter of the year, but there will be little relief until then.

Inflation
(% change, year on year)

	2004			2005		
	Oct	Nov	Dec	Jan	Feb	Mar
Annual average	3.4	3.1	3.2	3.9	4.4	5.0
Food	3.5	2.9	3.0	3.8	4.6	5.4
Non-food	3.4	3.7	3.9	4.0	4.2	4.5
Year-on-year	3.8	5.8	7.9	10.5	10.0	10.1

Source: National Bank of Ethiopia.

The domestic economy: Domestic food supplies may rise slightly in 2005

The UN Food and Agriculture Organisation (FAO) projects that domestic food availability—both of wheat and coarse grains—will rise by 11.9% to 11,700 tonnes in 2005. This compares favourably to an average of 8,653 tonnes a year over the last five years. Food import requirements of 230,000 tonnes in 2005 are little changed from 2004. This represents about one-half of estimated food aid needs for the year. The rest will come from domestic sources.

The domestic economy: Food insecurity is on the rise

However, although food availability is on the increase this year, the government and donor agencies have revised up their estimate of the number of emergency food recipients from 3.1m to 3.8m. The increase reflects an over-estimation of the main meher harvest (October-January) in 2004/05; erratic minor-season belg rains (February-May); and the delayed start to the new safety net programme (April 2005, Agriculture). As a result of the revision, emergency aid needs for 2005 jumped by 8% to US$320m, comprising US$185m in food aid (up from US$159m before) and US$135m in non-food aid. Food requirements are up 66,000 tonnes to 464,000 tonnes, although it is possible that one-half of this will be met internally. Despite the deterioration, the situation is manageable. Donor food deliveries picked up in May, with the US pre-positioning stocks before the start of the main June-September rains, which make many routes impassable (although non-food aid, which is often more vital, and includes seeds, for example, is typically short).

Overall, the belg rains were more or less adequate, comprising an early start, a dry middle, and a torrential end: the risk of flood damage and water-logging is proving greater than drought in several locations (more than 100 people were killed by savage floods in the Somalia region in April/May). A formal assessment of the belg harvest will take place in July, and production is expected to be fair.

Food supply, 2005 marketing year
(‘000 tonnes)

	Wheat	Rice	Coarse grains	Total
Domestic availability	2,781	0	8,919	11,700
Production 2004	2,781	0	8,919	11,700
Stock drawdown	0	0	0	0
Utilisation	2,981	15	8,934	11,930
Domestic consumption	2,881	15	8,334	11,230
Exports or re-exports	0	0	100	100
Build-up of stocks	100	0	500	600
Import requirement	200	15	15	230
Commercial	30	15	0	45
Aid	170	0	15	185
Five years’ average production	1,440	0	7,213	8,653
Five years’ average imports	971	14	85	1,070

Source: UN Food and Agriculture Organisation, Global Information and Early Warning System, Food Supply Situation and Crop Prospects in Sub-Saharan Africa.

The domestic economy: Expansion and privatisation take place in the sugar sector

There are currently four sugar refineries in Ethiopia, at Wonji, Shoa, Metahara and Fincha. The first three were opened in the 1950s and 1960s and produce about 190,000 tonnes a year. The latter, Fincha, is the largest and opened in 1999. It was built by a US firm, FC Shaffer, and produces 85,000 tonnes a year. This lifted national output to about 270,000 tonnes a year. Fincha sugar is also of better quality and is the one preferred by soft drinks bottlers such as Schweppes. With the opening of the plant Ethiopia had hoped for a steep rise in sugar exports, and sales indeed climbed from US$5.2m in 1999/00 to US$18m in 2002/03 (the most recent figure available), but local consumption has risen so rapidly that the country remains a net importer. Overall, the local industry meets about 85% of demand, although the government aims to expand production further and move towards self-sufficiency.

To help meet this goal, in early June 2005 the Metahara refinery issued a new call for tenders for consulting firms to carry out a feasibility study for a co-generation facility (for electricity production) and an ethanol plant. The closing date for bidding is July 1st. The new contract appears to be a follow-up to the US$395,000 feasibility study carried out by a South African consulting firm, PGBI, last year to assess the economic and technical viability of expansion at the plant, although further details are not known at this stage. The government is also moving towards privatisation in the sugar sector. A team from a Réunion firm, Sucrière de la Réunion (a subsidiary of the Réunion group, Quartier Français) toured Ethiopia in April 2005, looking for investment opportunities. The firm is thought to be particularly interested in the Wonji refinery.

The domestic economy: The central bank legalises gold trading

The central bank lifted a 28-year-old ban on gold trading in April, in an attempt to boost formal/small-scale production and curb smuggling and black-market trading. Under the new rules, the NBE will purchase gold from licensed traders and producers, at the world market rate, and re-sell it to retailers. The new rules will not affect large-scale gold mining at Lega Dembi, which was sold to a Saudi/Ethiopian businessman, Sheik Mohammed al-Moudi, and his MIDROC conglomerate in 1997 for US$175m. Lega Dembi produces about four tonnes a year and contributed US$42m to national exports in 2003/04, the same as the previous year. Rather, the new rules are designed to stem the illegal export or sale of about 1 tonne of gold a year (worth about US$10m) produced by small-scale miners, of which there are several thousand. The new regime will encourage small-scale gold mining (by making the product easier to sell) and benefit gold retailers and other users, such as jewellery makers, who until now have been obliged to use expensive, black-market supplies. The NBE will also offer loans and collateral to businessmen wishing to set up gold exporting ventures. Ethiopia has considerable untapped gold potential, and the government estimates that production could be over 20 tonnes a year given sufficient investment.

The domestic economy: Ethiopia launches a broadband Internet service

The Ethiopian government views information and communication technology (ICT) as a key weapon in the war against poverty. As part of this, a broadband Internet service was launched in April 2005, in a US$40m joint venture between the state telecommunications monopoly, the Ethiopia Telecommunications Corporation (ETC), and Cisco, Business Connection and Dimension Data. In what is the first phase of a three-year project, a broadband Internet service is now available in Addis Ababa and eight other towns, at speeds of up to eight megabytes per second. According to the International Telecommunications Union (ITU), Ethiopia had 75,000 Internet users in 2003, just one per thousand people (compared to nine per thousand in Africa as a whole), but this is set to increase sharply. The number of Internet lines is expected to jump from 30,000 to 500,000 during 2005 under the broadband project. The ETC and partners are also laying 10,000 km of fibre-optic cables to link up with the underwater cable outside Djibouti, thereby fully linking the telecoms system to the rest of the world. The ultimate aim is to have universal access to the Internet by 2008.

Broadband Internet access is a boon for business (although the service is expensive), allowing not only for vastly improved communications and networking, but also for the development of a retail Internet market and other related service activities. It will also help to attract FDI. However, the project is geared as much, if not more, to the social sector, including the "school-net" and "health-net" initiatives. The plans call for all schools and health centres to be connected to the web by 2008, which will significantly boost their effectiveness. In particular, the broadband Internet service is seen as a key tool for the training of health workers—and for dispensing tele-medicine—especially given the physical difficulty of travelling to and from many parts of the country due to the poor road network.

The domestic economy: Ethiopia and the US sign an open skies agreement

The US and Ethiopia signed an "open skies" aviation agreement in mid-May that allows airlines from both countries full access to each other's markets, with no restrictions on flight frequencies, ticket prices or the type of aircraft used. The accord also allows all cargo planes to fly between the partner country and third countries, without any direct connection to the home country. This will further boost the significant role that Ethiopia plays as a key gateway for US travellers into and out of Africa, according to the US transport secretary, Norman Mineta. Addis Ababa’s Bole Airport already enjoys Category 1 status, allowing for direct flights to the US. Ethiopia Airlines is also a major buyer of Boeing aircraft (April 2005, The domestic economy).

Foreign trade and payments: Coffee production and exports climb in 2004/05

Local reports in April noted that coffee exports from the now-ended 2004/05 harvest are expected to hit a record 190,000 tonnes (3.2m bags), up 12% from the 170,000 tonnes submitted to auction in 2003/04. The final export data will not be known until July, when beans from more isolated producing areas reach the market. Export earnings from coffee in 2004/05 will also be higher than the US$224m earned in 2003/04 (about 37% of total exports) as world prices have also improved. The Economist Intelligence Unit expects arabica coffee prices to climb from US 80.5 cents/lb in 2004 to US 95 cents/lb in 2005, before falling back again in 2006, as global oversupply outweighs the speculative pressures of the previous year. Coffee production climbed even faster than exports in 2004/05, rising by 15% to 300,000 tonnes, according to the Ethiopia Coffee and Tea Authority (ECTA), owing to rising domestic consumption. The government recently overhauled the institutional framework for coffee, in an attempt to underpin the rebound in the sector. The production and marketing departments of the ECTA have been separated and renamed the Agriculture Development Department and the Coffee, Tea, Spices and Cotton Marketing Department, respectively.

Foreign trade and payments: Ethiopia signs a new agreement to use Berbera port

In May 2005 Ethiopia reached a new agreement with neighbouring Somaliland over the use of Berbera port. Landlocked Ethiopia has remained almost totally reliant on Djibouti for international trade since the 1998-2000 Eritrea war closed off Assab, the former main port, although small volumes have already been shipped via Berbera (and Port Sudan in Sudan). The new agreement will formalise this arrangement and lead to increased traffic. Somaliland is the relatively peaceful northern part of Somalia that has declared de facto independence, although this is not recognised by the international community. However, Ethiopia and Somaliland legalised bilateral trade in August 2003 and established customs posts. Berbera will be used for both goods and fuel—the port has an oil terminal—although the quantities involved are not known at this stage. Shipments are likely to remain small in the short term pending new investments at Berbera port and in the limited road network linking Somaliland with eastern Ethiopia. Although Djibouti is a reliable transit point, it is clearly in Ethiopia's interest to diversify its trade routes.

Foreign trade and payments: External debt rose strongly in 2003

Ethiopia's total external stock debt climbed by nearly 10% to US$7.15bn in 2003, according to the latest edition of the World Bank's Global Development Finance. The increase was almost entirely due to a rise in long-term public and publicly guaranteed debt (which accounts for 96% of the total) although short-term debt and the use of IMF credit also rose slightly. The World Bank remained Ethiopia's main creditor, with debt rising by 15% to US$3.2bn (45% of total external debt). The rise in overall debt in 2003 reflects donor support of the government's anti-poverty programme, and it pushed the ratio of debt to GDP up slightly to 108.4%. Debt-service payments edged up to US$90m, but the debt-service ratio declined from 7.6% to 6.8% because of improved export performance. However, these figures do not reflect the debt write-offs that have taken place since Ethiopia reached completion point under the heavily indebted poor countries (HIPC) initiative in April 2004. The Paris Club wrote off approximately US$934m of Ethiopia's debt (in net present value terms) in October 2004 (November 2004, Foreign trade and payments), while the G8 finance ministers announced a major debt write-off in June 2005 that will forgive all debt owed to the World Bank, the IMF and the African Development Bank.

External debt
(US$ m unless otherwise indicated; year-end)

	2001	2002	2003
External debt	5,727	6,515	7,151
Long-term debt[a]	5,561	6,307	6,906
World Bank	2,150	2,756	3,179
Short-term debt	60	64	87
Interest arrears on long-term debt	48	46	45
Use of IMF credit	106	143	157
Debt service (paid)	182	85	90
Principal	120	48	45
Interest	63	37	45
Ratios (%)			
Total external debt/gross national income	88.7	108.2	108.4
Debt-service ratio[b]	18	7.6	6.8
Multilateral/total external debt	54.1	59.4	61.4
Concessional debt/total external debt	88.3	89.2	88.2
Memorandum item			
Principal arrears on long-term debt	597	585	584

[a] Long-term debt is defined as having original maturity of more than one year. [b] Debt service as a percentage of earnings from goods and services.

Source: World Bank, Global Development Finance, 2005.

Foreign trade and payments: Ethiopia will benefit from new debt relief

Ethiopia is to be one of the beneficiaries of the new, US$40bn debt-relief package agreed by the G8 finance ministers, led by the UK's Gordon Brown, in London in early June. They propose an immediate write-off of all debts owed to the World Bank, the IMF and the African Development Bank for the 18 poor countries that have reached completion point under the HIPC initiative—Ethiopia reached this threshold in April 2004. The new G8 package, which is expected to be approved by the boards of the three institutions, is expected to go even further than this though, especially in the case of Ethiopia. The government estimates that the write-off will be worth US$4.4bn—about 60% of total foreign debt—including more than US$3.2bn owed to the World Bank. Russia has also announced a massive bilateral debt write-off. The combined impact may be to cut total foreign debt to just US$1.14bn, compared to US$7.15bn in 2003. Debt-service costs of about US$100m a year will fall accordingly, with the savings stemming from the G8 initiative being earmarked for poverty alleviation.

Foreign trade and payments: Russia writes off most remaining bilateral debt

Russia announced a massive new write-off of Ethiopian debt in April 2005 worth US$1.12bn. This reduces Ethiopia's debt to Russia from US$1.28bn to just US$163m, which will be paid off over 30 years on easy terms. The write-off is in accord with the relief announced by the Paris Club in October 2004 (Russia is a member) following Ethiopia's attainment of completion point under the HIPC initiative in April 2004. Russia's latest initiative follows the write-off of US$4.8bn of Ethiopian debt in 1999, much of it related to arms purchases by the Derg in the 1970s and 1980s.

Source:

Economist Intelligence Unit The Economist