

## ETHIOPIA

*By Wondemagegnehu Gebre-Selassie  
Addis Ababa, Ethiopia*

**A**lthough the government does not seem to agree, economic activity in Ethiopia has slowed down for the past two to three years. However, this year seems to be worse. The problem began with the border war with Eritrea. This was followed by an internal power struggle within the ruling party and then came the incident of September 11, 2001 incident and the global economic slowdown. The detention by the government of a large number of business people and officials of Commercial Bank, plus the pending border dispute hearing at the International Court of Arbitration also had a negative impact.

The International Court of Arbitration finally gave its ruling on April 13, 2002, and both governments claimed that the ruling was in their favour. The ruling, which was delivered in 125 pages including various maps, does not clearly show where the small town of Badime is located. This has raised much controversy as the Ethiopian Government claimed that the Badime, Zalambessa, Bada and Bure areas, which were at the forefront of the dispute, were adjudged to remain within Ethiopian territory. The Badime area is a relatively wide plain and the two countries each seems to have secured a portion. As to the famous Badime village, we may have to wait and see until demarcation on the ground is completed.

Earlier, an opposition party organised and submitted a petition to the United Nations with a signature of some 135,000 people protesting that international arbitration should include the issue of a seaport for Ethiopia. The government, however, took an outright dismissive stance to the issue. It seems that it was for this reason that the majority of the general public took the decision of the arbitration commission quietly, whereas the government was jubilant.

In the 2000/01 financial year, the value of agricultural produce fell and it had been

predicted that by 2001/02 the economy might face negative inflation of some 2-3%. However, in March 2002, the National Bank of Ethiopia declared that the negative inflation was in fact 7.3%. Considering this, together with poor economic activity and excess reserves, the Bank lowered the interest rate to 3%. It had been 6% for much of the previous decade and the drastic 50% slash shocked many.

Falling coffee prices have hit the country heavily. During the 2000-2001 financial year coffee revenues fell by almost a fifth, from US\$253 million in the preceding 12 months to US\$204 million, although coffee exports fell only slightly, decreasing from 115,739 t to 113,031 t.

Among the more significant developments last year was the announcement by the Nile Basin countries that they have formed a partnership on the use of the Nile waters. The new partnership, which includes Burundi, Democratic Republic of Congo, Egypt, Ethiopia, Kenya, Rwanda, Sudan, Tanzania and Uganda (with Eritrea as an observer), is known as Nile Basin Initiative. The plan is to work towards using the Nile waters for the benefit of all the riparian countries and to co-ordinate and implement joint projects that could benefit all parties.

Seven common projects, to be known as shared vision programmes (SVP), have been devised. The programmes include areas such as environment, power trading, efficient water use for agriculture, water resource planning and management. The projects are estimated to cost US\$211 million and an appeal for international funding was launched in June 2001, in Geneva. The total project costs for the Nile Basin Initiative is estimated at US\$30 billion.

Within the context of the initiative the Eastern Nile Subsidiary Action Programme (ENSAP), a

regional, integrated multi-purpose programme in the sub region comprising Ethiopia, Sudan and Egypt is also being promoted. As part of this programme, 13 hydroelectric schemes and irrigation projects covering 590,000 ha of land would be carried out in Ethiopia. These projects alone are estimated to cost US\$400 million. The Ethiopian authorities believe that this co-operation of riparian countries is a good beginning but point out that the arrangement is not an institutionalised system for equitable distribution of the Nile waters, and that there are a number of issues that have yet to be resolved.

In February 2002, the government reported that it had privatised 201 state-owned enterprises with a total sale value of Bi3.3 billion (about US\$388 million at the prevailing exchange rate). The privatisation process began in 1995. Among the privatisations, the Lege-Dembi gold mine fetched US\$72 million, making it the single most valuable asset of the 201 enterprises privatised so far. Lege-Dembi was sold to Midroc Ethiopia which is upgrading the mine to increase capacity by around one third to about 4 t/y. The mine possesses reserves of some 83 t and in addition to efforts to add to open-pit reserves, Midroc has now embarked on underground development. The company produced 3,365.1 kg of gold during the financial year.

At the Kenticha open-pit columbo-tantalite mine near Shakiso, production of concentrate is running at about 20 t/y. The average grade of tantalum pentoxide is 0.015%. The mine is currently operated by state-owned Ethiopian Mineral Resources Development Enterprise but is scheduled for privatisation.

There have been few fresh developments in Ethiopia's minerals sector over the past year. The only exception is that the Ministry of Mines issued an exploration licence to the South African company, Cortel Proprietor Ltd, at the beginning of January, 2002, covering an area of 44.8 km<sup>2</sup> to the east of the Lege-Dembi mine. The company will spend US\$1.0 million over the next three years on exploration for gold, base metals and associated minerals.

In early December 2001, the Mines Ministry issued a placer gold mining licence to a joint venture between a Norwegian and Ethiopian companies in an area where the partners had already been exploring. The licence enables the joint venture to mine placer gold for the next 20 years. The licence is located in the southwestern part of the country bordering the Gambela and Maji regions, and the joint venture has an operating capital of just over US\$1.0 million. Artisanal gold production in Ethiopia is estimated to exceed 3 t/y.

The Geological Survey of Ethiopia (GSE) has now mapped some 30% of the country, or more than 1.1 million km<sup>2</sup>, at a scale of 1:250,000. The maps include basic geological and economic information, and are supported with reports. The GSE is confident that mapping of the whole country will be completed within 15 years, provided that the necessary funding is available and the work is helicopter-assisted.

The first phase of the project launched in co-operation with the Ethiopian and Norwegian geological surveys (Ethionor) is now approaching its final stage. In accordance with a project report, the project has completed geological mapping of Abu Ramla sheets (NC 36-4) and the report will soon be available. Also, an integrated report, including airborne geophysics, geological mapping and landsat imagery has been completed on the Benishangul Gumuz area in western Ethiopia. The project also conducted evaluation of the Melka Arba phosphate deposit. Some years ago, iron ore was discovered in the same area by an Ethiopian - Korean joint venture.

Work in the Beles-Dinder area, including reconnaissance exploration (1:100,000 scale) over an area of 1,075 km<sup>2</sup> to identify and delineate anomalous areas of gold and base metals, is now complete. Follow up work has included 1:25,000 scale mapping covering 85 km<sup>2</sup> and a detailed integrated survey over an area covering 2.91 km<sup>2</sup>, including three exploration drillholes on two targets with a total length of 504 m. Ethionor expects to release a final project report in the near future.

The project also conducted an inventory of dimension stones in Ethiopia and a report entitled 'Natural Stone in Ethiopia' is now available. The report also included

documentation of the use of dimension stone at the historical sites of Lalibela, Gonder and Axum. These have been designated world heritage sites by UNESCO.