Responding to the COVID-19 Pandemic in Ethiopia: The Private Sector Experience
ABOUT THE DOCUMENT

The World Health Organization (WHO), a specialized agency of the United Nations, has classified the Coronavirus disease (COVID-19) as a global pandemic. According to Johns Hopkins University Coronavirus Resource Center, as of May 13, 2020, more than 4.2 million cases have been confirmed globally and more than 290,000 people have lost their lives.¹ To date, Ethiopia has 261 confirmed cases and 4 deaths.² While the world is grappling with the health, economic, social, and political impact of COVID-19, the East African Regional Office of the Center for International Private Enterprise (CIPE) has examined the impact of the crisis on the Ethiopian private sector. This document provides a summary and analysis of the measures Ethiopian businesses have adopted in response to COVID-19.

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I. COVID-19 STATUS

As of May 13, 2020, the global number of confirmed Coronavirus cases has surpassed 4.2 million. The number of confirmed cases in Africa have also continued to increase. According to the Africa Centres for Disease Control (Africa CDC), the total number of confirmed cases on the continent stands at over 69,500 as of May 12, 2020.

Things are changing quickly, making any sort of reporting and analysis very difficult. As of reports on May 12, 2020, Ethiopia has 261 confirmed cases and 4 deaths. According to information from Ethiopian Health Data, most of those infected are people with recent travel history or records of direct contact with other confirmed cases. Although the rate of community transmission remains very low, it is difficult to draw conclusions at this point as testing remains minimal.

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II. THE ETHIOPIAN CONTEXT

COVID-19 is happening at a critical juncture in Ethiopia's history, as the country currently stands at an economic, political, and socio-cultural crossroads.

ECONOMY

The Ethiopian economy has grown rapidly over the past 15 years, but in the last four years, the country has experienced an overall stagnation in annual GDP growth rates, with 2018 marking its lowest growth rate since 2003. This shift is in large part due to the political instability and conflicts across the country, especially in Oromia, Amhara, Somali, and Southern Nations, Nationalities and Peoples regions.

In addition to inconsistent GDP growth rates, the gross capital formation by the private sector remains low. According to the World Bank, the Gross Capital Formation (GCF) by the private sector as a percentage of GDP in 2018 came in at just over 22%, the lowest it has been since 2014.

![Gross Fixed Capital Formation by the Private Sector in Ethiopia (% of GDP)](chart.png)

*Source – The World Bank*

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A large part of the Ethiopian labor force operates in the informal sector, making official unemployment figures incomplete in Ethiopia. Although official data does not capture it well, latest projections by the Prime Minister’s Office indicate that a total of 11 million people were unemployed as of 2019 and that an estimated 2 million more will be added to this figure each year. These figures have made unemployment one of the most pressing challenges to the Ethiopian economy, further underlining the strong rationale for promoting private sector growth.

**Ethiopia – Unemployment Rate**

*Source – Ethiopian Central Statistical Agency*
HEALTH
Since the early 2000s, Ethiopia has seen a rapid improvement in access to primary health care services and a subsequent reduction in key health indicators, such as infant and maternal mortality.8

Ethiopia: Infant Mortality Rate from 2008 to 2018 (in deaths per 1,000 live births)

An overall increase in healthcare expenditure has been a major driver in these improvements. Ethiopia has been investing a significant part of its budget to building health facilities, procuring equipment, and training professionals.

Ethiopia - Current Expenditure on Health

Even then, the country still has a very low doctor to population ratio. According to World Bank’s World Development Indicator, the number stands at 1:10,000 as of 2017.⁹

**POLITICS**
Ethiopia planned to hold national elections on August 29, 2020, but the timeline has shifted due to COVID-19. The elections will have significant impact on the federal and regional political landscape. The political party or coalition that takes control of the national House of Peoples Representatives (HoPR) following the elections will form the national government. At the same time, the political parties or coalitions taking a majority of the regional congresses will form regional governments.

**Timeline of Ethiopian Elections**

The 2020 elections come during a period of high expectations for Ethiopia to seize this historic opportunity. Following three years of public protest and an inside-out overhaul of the ruling party, Ethiopia saw renewed interest in enhanced democratization. Therefore, this election is critical for the future of Ethiopia.

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III. SIGNS OF A DOWNTURN\textsuperscript{10}

Although it is too early to understand the full impact that the COVID-19 pandemic will have on Ethiopia, current signs indicate a number of challenges on the horizon that the government, private sector, and civil society will have to navigate. These include:

**ECONOMIC SIGNS**

**DECLINE IN ETHIOPIAN ECONOMIC GROWTH**

According to a study by the National Planning Commission (NPC), the Ethiopian economy is projected to see a reduction in growth rate of 2.8% to 3.8% due to COVID-19. The IMF, on the other hand, now projects that the economy will grow by 3.2% in 2020 and 4.3% in 2021, a reduction by half from its previous projection.\textsuperscript{11}

**LOSS OF REVENUE FOR ETHIOPIAN AIRLINES**

*Ethiopian Airlines*, the largest airline in Africa, has announced that it has lost $550 million (USD) in revenue since February 2020 due to COVID-19.\textsuperscript{12} This figure alone accounts for a loss of 19.6% of the country’s export revenue, which will further constrain the rather thin foreign exchange position of the country. The national flag carrier has reduced flight destinations to a mere 19, from its usual 110 destinations.

**STAGNATION IN HORTICULTURE SECTOR**

The floriculture and horticulture sector, two of the fastest growing sectors in the Ethiopian economy, have come to a total halt. These sectors, which saw $11 million (USD) in revenue between February and March of last year, saw an 87% decline in prices and 63% increase in cancellation of orders in the last two months. The crisis has put the livelihoods of 150,000 employees in danger.

**CRISIS FOR HOTEL AND TOURISM SECTORS**

According to a study conducted by the Ethiopian Hotel Owners Association, the Ethiopian travel and tourism sectors will see a reduction in growth of 30% in 2019/20 fiscal year. The study indicates that 88% of the hotels in Addis Ababa are either partially or fully closed, with overall national hotel occupancy rate currently averaging at just 2%. Monthly loss of revenue is estimated to be $35 million (USD), while 15,000 employees are at risk.

\textsuperscript{10} Data collected by CIPE Ethiopia team.

\textsuperscript{11} The International Monetary Fund, “IMF DataMapper: Real GDP Growth – annual percentage change,” The International Monetary Fund, accessed May 12, 2020, https://www.imf.org/external/datamapper/NGDP_RPCH@WEO/ISR/ETH.

SURGE IN INFLATION
According to the Central Statistical Agency (CSA), monthly aggregate inflation has reached 18.3% as of March 2020. Food inflation, the major component in the index, has increased by 22.3%.

POLITICAL SIGNS

POSTPONEMENT OF ELECTIONS
On March 31, 2020, the National Electoral Board of Ethiopia (NEBE) announced that it had cancelled the previously issued electoral calendar, which set August 29, 2020 as the voting day. NEBE also suspended all non-essential electoral operations. While no new calendar has been issued, NEBE has tabled two options for consideration by the parliament – holding the elections on either January 3 or March 7, 2021, depending on when the threat of the pandemic eases.

SOCIAL SIGNS

SURGE OF PEOPLE IN NEED OF EMERGENCY FOOD ASSISTANCE
According to estimates by the Ethiopian government, the number of people in need of emergency food assistance has surged by 50% to 30 million. Furthermore, the study indicates that a total of between 700,000 and 2.4 million jobs in the formal sector are at risk because of the pandemic.
IV. POLICY RESPONSES

Following the identification of several early cases, the Ethiopian government has taken a variety of measures to stop the spread of the virus. The measures provide the government with the additional power needed to consolidate its preventive measures, enhance its testing and isolation capacity, and fight the spread of the pandemic. While the government response is constantly evolving, the following policy responses are indicative of the government’s current political, economic, and social actions.

POLITICAL RESPONSES

STATE OF EMERGENCY
Following the increasing number of confirmed cases, the Ethiopian government announced a state of emergency (SOE) on April 8th, 2020. This provides the federal government sweeping powers to limit individual rights for the sake of public health and security. The SOE transfers the ultimate government decision making power to the Cabinet.

WORK FROM HOME ORDER FOR PUBLIC EMPLOYEES
As of March 24, 2020, the majority of the public sector employees of the federal government (except essential ones) were ordered to work from home.

BORDER CLOSURES
On March 23, 2020, the Ethiopian government closed all its terrestrial borders and deployed the military to strictly guard the borders, only making exceptions for trade and logistical activities deemed essential.

SCHOOL CLOSURES
Starting March 8, 2020, Ethiopia closed primary and secondary schools. The order was expanded to include higher education institutions on March 27, 2020.

ECONOMIC POLICY RESPONSES

ADDITION OF LIQUIDITY INTO BANKING SECTOR
In order to help businesses struggling to repay their loans, the National Bank of Ethiopia (NBE) injected 15 billion Br in liquidity into the banking sector.13 The liquidity extended to the banks on March 27, 2020 is meant to provide debt relief to businesses, help reschedule debt repayment, and reduce interest rates.

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ENHANCEMENT OF DIGITALIZATION MEASURES
To reduce cash transactions, the National Bank of Ethiopia has ordered banks to expand their digital operations. As such, commercial banks have increased their transaction thresholds for their digital wallet accounts and ATM card holders to 30,000 Br and 10,000 Br per withdrawal, respectively.

EXPEDITED FOREX FOR IMPORTERS
The Council of ministers, during its extraordinary meeting on March 27, 2020, decided for banks to expedite the letters of credit (LC) process for importers of essential items, such as medicine, medical equipment, sanitation materials, and food.

FAST-TRACK VAT REFUND
In line with the governmental direction to help businesses survive, the Ministry of Revenue has deployed a fast-track approach to Value Added Tax (VAT) refunds. This shortens the time to receive refunds, thereby increasing the total amount of working capital available to businesses.

PRICE CONTROL
Following the surge in price of some essential commodities, the Ministry of Trade has started strictly monitoring prices, closing the shops of businesses engaged in price gouging (charging artificially high prices), and suspending the licenses of traders hoarding goods.

REDUCTION IN PUBLIC TRANSPORT CAPACITY
All public transport is ordered to operate at 50% of normal capacity. Private cars are scheduled to run on the streets based on a pre-defined schedule, which uses the last digit of the car’s license plate number.

SOCIAL POLICY RESPONSES

SOCIAL DISTANCING
Under the State of Emergency, the Ethiopian Government is enforcing social distancing, encouraging people to stay 2 meters away from each other in all of their essential activities, from shopping and public transportation to banking and walking.
V. WHAT IS THE ETHIOPIAN PRIVATE SECTOR DOING?14

As the health, economic, political, and social crises related to COVID-19 take hold in the country, the Ethiopian private sector remains adaptive in its response to the crisis. Private sector responses are as diverse as the sectors and regions of the country, varying in form, scope, and reach. The following section outlines the major modalities of the private sector response to the crisis.

A. Contributing to the National Response Fund

Cognizant of the thin financial buffer that the country has for responding to the crisis, the Federal government called for citizens and enterprises to contribute to the National COVID Response Fund. The goal of the fund is to finance the various activities that the government undertakes to prevent the spread of the virus, including increasing testing capability, creating and developing isolation centers, and equipping health professionals with protective supplies. The Ethiopian private sector quickly responded to this call, which was issued nationally as well as at a city-level in Addis Ababa. A variety of businesses have provided in kind and cash support. The following table is a snapshot of private companies that have contributed to the fund.

<table>
<thead>
<tr>
<th>No.</th>
<th>Name of Business</th>
<th>Contribution</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>MIDROC Technology Group</td>
<td>10.8 million Br</td>
</tr>
<tr>
<td>2</td>
<td>Dashen Bank</td>
<td>10 million Br</td>
</tr>
<tr>
<td>3</td>
<td>Awash Bank</td>
<td>10 million Br</td>
</tr>
<tr>
<td>4</td>
<td>Oromia Int’l Bank</td>
<td>5 million Br</td>
</tr>
<tr>
<td>5</td>
<td>Awash Insurance</td>
<td>3 million Br</td>
</tr>
<tr>
<td>6</td>
<td>Abay Bank</td>
<td>3 million Br</td>
</tr>
<tr>
<td>7</td>
<td>Heinkien Ethiopia</td>
<td>3 million Br</td>
</tr>
<tr>
<td>8</td>
<td>Debub Global Bank</td>
<td>2 million Br</td>
</tr>
<tr>
<td>9</td>
<td>Hora Trading</td>
<td>1 million Br</td>
</tr>
<tr>
<td>10</td>
<td>Tracon Trading</td>
<td>1 million Br</td>
</tr>
<tr>
<td>11</td>
<td>Santamaria Trading</td>
<td>1 million Br</td>
</tr>
<tr>
<td>12</td>
<td>Afro Tzion Construction</td>
<td>1 million Br</td>
</tr>
<tr>
<td>13</td>
<td>Steely RMI Plc</td>
<td>1 million Br</td>
</tr>
<tr>
<td>14</td>
<td>Century Mall</td>
<td>1 million Br</td>
</tr>
<tr>
<td>15</td>
<td>Mekab Plc</td>
<td>1 million Br</td>
</tr>
<tr>
<td>16</td>
<td>Nile Sources Plc</td>
<td>1 million Br</td>
</tr>
<tr>
<td>17</td>
<td>Amaga Plc</td>
<td>1 million Br</td>
</tr>
<tr>
<td>18</td>
<td>Romina Plc</td>
<td>600,000 Br</td>
</tr>
<tr>
<td>19</td>
<td>Belay Ab Motors</td>
<td>500,000 Br</td>
</tr>
<tr>
<td>20</td>
<td>Family Modern Trading</td>
<td>500,000 Br</td>
</tr>
<tr>
<td>21</td>
<td>Markos Plc</td>
<td>500,000 Br</td>
</tr>
<tr>
<td>22</td>
<td>Central Printing Press</td>
<td>330,000 Br</td>
</tr>
</tbody>
</table>

14 Data collected by CIPE Ethiopia team.
B. Adjusting to the Emerging Needs

As the demand for certain products, such as hand sanitizers, face masks, personal protective equipment (PPE), and other goods suddenly surged, some enterprises have adjusted their production lines accordingly and responded to the demand by producing these highly sought products. The following are some of the enterprises that have adjusted their production lines to the emerging national needs.

<table>
<thead>
<tr>
<th>No.</th>
<th>Enterprise</th>
<th>Product</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Calzedonia Textile Factory</td>
<td>Face Masks</td>
</tr>
<tr>
<td>2</td>
<td>Julphar Pharmaceutical Plc</td>
<td>Hand Sanitizer</td>
</tr>
<tr>
<td>3</td>
<td>Shints ETP Garment Plc</td>
<td>Face Masks</td>
</tr>
<tr>
<td>4</td>
<td>Sansheng Pharmaceuticals Plc</td>
<td>Hand Sanitizer</td>
</tr>
<tr>
<td>5</td>
<td>NASA Garment Plc</td>
<td>Face Masks</td>
</tr>
<tr>
<td>6</td>
<td>Ethio Asian Plc</td>
<td>Hand Sanitizer</td>
</tr>
<tr>
<td>7</td>
<td>EPHARM</td>
<td>Hand Sanitizer</td>
</tr>
<tr>
<td>8</td>
<td>Sheba Pharmaceuticals</td>
<td>Hand Sanitizer</td>
</tr>
<tr>
<td>9</td>
<td>Hujian Group</td>
<td>Face Masks</td>
</tr>
<tr>
<td>10</td>
<td>Mafi Fashion</td>
<td>Face Masks</td>
</tr>
<tr>
<td>11</td>
<td>Next Design</td>
<td>Face Masks</td>
</tr>
</tbody>
</table>

C. Implementing Preventive Measures

Following the Ministry of Health’s direction that all business establishments have to prepare handwashing stations, make hand sanitizers available, implement social distancing, and reduce gatherings at service points, service-providing enterprises such as banks, hotels, supermarkets, shopping malls, factories, and transporters have all responded accordingly.
D. Going Digital

Cognizant of the social distancing, work from home order, and other measures that require reducing physical contact between individuals, a number of enterprises have increased online service provision. From delivery service enterprises to hotels and banks, going digital is one of the response strategies that enterprises are leveraging so as to respond to COVID-19. The following table includes some of the enterprises that have made large strides towards increasing digital service delivery options.

<table>
<thead>
<tr>
<th>No.</th>
<th>Enterprise</th>
<th>Service</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Awash International Bank</td>
<td>Mobile Banking</td>
</tr>
<tr>
<td>2</td>
<td>Jupiter International Hotel</td>
<td>Food Delivery</td>
</tr>
<tr>
<td>3</td>
<td>Zay Ride</td>
<td>Taxi Hailing</td>
</tr>
<tr>
<td>4</td>
<td>Addis Merkato</td>
<td>Delivery Service</td>
</tr>
<tr>
<td>5</td>
<td>Efoi Pizza</td>
<td>Food Delivery</td>
</tr>
<tr>
<td>6</td>
<td>Fresh Corner</td>
<td>Food Items</td>
</tr>
<tr>
<td>7</td>
<td>Amolle</td>
<td>Payment Service</td>
</tr>
<tr>
<td>8</td>
<td>i-Tutor Ethiopia</td>
<td>Tutor services</td>
</tr>
<tr>
<td>9</td>
<td>e-fanos</td>
<td>Education services</td>
</tr>
</tbody>
</table>
E. Operational Adjustment

Reducing the vulnerability of their staff and hence the spread of the virus has been one area that private businesses have been prioritizing as a response to COVID-19.

Source – International Trade Center

In this regard, banks, for example, have reduced their frontline staff by increasing the number of shifts that employees get from 2 to 3. Hotels and eateries have reduced the number of tables in their establishments to fit into the 2 meters apart rule. Transport service providers, in line with the governmental directive, have implemented a 50% reduction in passenger numbers.

F. Partial Closure

With the disruption in the global value chain and slowdown in international trade, many companies have partially closed their facilities. These include textile and garment factories in industrial parks (such as Hawassa Industrial Park), flower farms, hotels, tour operators, event management companies, book shops, training facilities, and car rental services.

G. Closure

Some enterprises have taken the ultimate decision to close their doors, sending staff on paid leave for an indefinite amount of time. These include event facilities, such as the Hyatt Regency Hotel, various factories, including ones in industrial parks, and small eateries around major cities.
VI. RESPONSE FRAMEWORK

Based on the above data, the following framework was developed to summarize the responses of the Ethiopian private sector to the COVID-19 crisis. This framework will be expanded as more evidence becomes available, and can be used to examine responses on a specific-sector basis, such as to examine the responses of small & medium enterprises (SMEs), women-led enterprises, and so on, with more detailed research.
ETHIOPIAN PRIVATE SECTOR: COVID-19 RESPONSE FRAMEWORK

- Contributing to the National Response Fund
- Adjusting to Emerging Needs
- Implementing Preventive Measures
- Going Digital
- Operational Adjustment
- Partial Closure
- Closure
VII. THE ROLE OF BUSINESS MEMBERSHIP ORGANIZATIONS

As aggregators of private sector interests and key agencies of advocacy, BMOs play an important role in the fight against the COVID-19 pandemic. As of now, chambers and associations are taking on a variety of roles in this regard. Below are examples of initiatives undertaken by Ethiopian BMOs in response to the crisis.

**Ethiopian Chamber of Commerce and Sectoral Association (ECCSA)**
ECCSA has produced a video to raise awareness around the risk of COVID-19 and is planning to air the video on national media channels. Additionally, the organization has started to conduct a survey on the impact of COVID-19 on various businesses. The outcome of the survey and possible policy recommendations will be submitted to the government.

**Addis Ababa Chamber of Commerce & Sectoral Association (AACCSA)**
In addition to deploying its media airtime to raise public awareness around COVID-19, AACCSA has embarked on a study to evaluate the impact of the pandemic on businesses in the capital city. The study is anticipated to come up with sectoral policy recommendations to help mitigate the effect of the pandemic on the economy. The Chamber is also collaborating with the Addis Ababa City Administration to mobilize resources and coordinate efforts to contain the spread of the virus.

**Oromia Chamber of Commerce & Sectoral Association (OCCSA)**
OCCSA is working closely with the Oromia Regional Government to address the strain of the pandemic on regional businesses. It has contributed 50,000 Br to the Regional Resource Mobilization Committee (RRMC) for COVID-19 relief efforts and has organized its members to contribute up to 5 million Br to the committee.

**Amhara Women Entrepreneurs Association (AWEA)**
AWEA has contributed 102,000 Br to the RRMC. Additionally, AWEA has started discussion with its members to identify the challenges that they face as a result of COVID-19, consolidate the issues, and present them to regional policymakers.

**Sekota Chamber of Commerce & Sectoral Association (SCCSA)**
SCCSA has procured 20 infrared thermometers and provided them to the regional government. It is also raising awareness around the risk of COVID-19 among its members by distributing various publications from World Health Organization (WHO) and providing guidance to members on implementing social distancing measures in their workplaces.

**Bahir Dar Chamber of Commerce & Sectoral Association (BDCCSA)**
BDCCSA has contributed 100,000 Br to the RRMC. The Chamber is also collaborating with Bahir Dar City Administration to mobilize resources and coordinate efforts to contain the spread of the virus.
VIII. IMPORTANT LINKS

Please use the links below for updates about the Coronavirus disease (COVID-19) pandemic and private sector responses. This document may continue to be updated as more information and data becomes available.

FDRE Prime Minister’s Office: https://pmo.gov.et

Federal Ministry of Health: http://www.moh.gov.et

Ethiopia Public Health Institute: http://www.ephi.gov.et

Federal Ministry of Finance: http://www.mofed.gov.et

Ministry of Revenues: http://www.mor.gov.et

Addis Ababa City Administration: http://addisababa.gov.et