

# Weekly Update: Global Supply Chain Disruptions - The Tigray Conflict: A Humanitarian Crisis in Ethiopia



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## Introduction

**The Tigray conflict is one of the most prominent and long-lasting conflicts in Ethiopia. It began in November 2020 when the Ethiopian Government launched a military offensive against the Tigray People's Liberation Front (TPLF) in the Tigray region. TPLF is a left-wing, ethnic nationalist, paramilitary group and the former ruling party of Ethiopia.**

Civilian structures in towns in Tigray, including hospitals, schools, factories, and businesses, were shelled, looted, and destroyed by Ethiopian federal forces and regional militias, and by Eritrean armed forces. **The Tigray Region, officially the Tigray National Regional State, is the northernmost regional state in Ethiopia.** The Eritrean forces are the military forces of Eritrea, a country located in the Horn of Africa. Eritrean forces have been accused of fighting alongside Ethiopian federal forces against the TPLF.

**Ethiopia, officially the Federal Democratic Republic of Ethiopia, is a landlocked country in East Africa.** The country is the second most populous country in Africa. **Top companies such as Google, Amazon, Microsoft, Deloitte, Tata Consultancy Services, Huawei Technologies, and EY have offices in Ethiopia.** Major industries in the country include food processing, beverages, textiles, leather, cement, and chemicals. The major export of Ethiopia includes coffee, gold, leather products, and oilseeds. The major imports of Ethiopia are machinery, metal products, electrical materials, motor vehicles, and fertilizer. The country is a member of ESAAMLG (Eastern and Southern Africa Anti-Money Laundering Group).

**Addis Ababa is located in East Africa and is the largest and the capital city of Ethiopia.** The city is the cultural, artistic, financial, and administrative center of Ethiopia. Addis Ababa is the major manufacturer of textiles, shoes, food, beverages, wood products, plastics, and chemical products. **Top-tier companies such as Google, Amazon, Unilever, McDonald's, Walmart, Deloitte, and EY have offices in Addis Ababa.**

## Supply Wisdom's Recommendations and Guidance

- Staff and visitors in the region are advised to remain vigilant, maintain a low profile in crowded places, and pay close attention to travel warnings and advisories issued by the local authorities
- Ensure appropriate Business Continuity Plans and Programs are activated
- Communicate to all staff the importance of avoiding protest areas
- Firms with operations in the region should review their measures to mitigate the risk posed by such incidents
- Determine if current Business Continuity Plans of third parties/captive units have a plan for sudden shortage or unavailability of resources in the event several team members are unable to commute to the workplace due to social unrest
- Ensure that current Business Continuity Plans and Disaster Recovery Plans are updated and activated as required as per the changing risk environment to ensure no or minimal disruptions
- Evaluate options to migrate critical processes to nearby unaffected regions, if necessary
- Determine if procedures for protecting infrastructure and evacuating employees to safe locations are in place if required

## Tigray Conflict

- After years of increased tensions and hostilities between the TPLF and the Government of Ethiopia, **the Ethiopian Government declared war in 2020 and accused Tigrayan forces of attacking the Ethiopian defense force's northern command base**
- **The war, initially limited to the Tigray region, was expanded to the neighboring regions of Afar and Amhara**, affecting more than 20 million people, of which nearly three-quarters were women and children, and 5.5 million have been forced to flee their homes and take refuge in other regions within Ethiopia
- Ethiopia is a diverse country with many ethnic groups, and historical ethnic tensions have played a significant role in the conflict. Ethnic-based politics and regional power struggles have further exacerbated these divisions
- The new government came to power in 2018 with a promise of political and economic reforms. These reforms further contributed to increased political competition and fragmentation
- Furthermore, the involvement of Eritrean forces in the Tigray conflict, supporting the Ethiopian Government added an external dimension to the conflict
- **The conflict has resulted in a severe humanitarian crisis, with millions of people in need of humanitarian assistance, including food, shelter, and medical care. The conflict has also disrupted vital services and caused widespread suffering**
- The conflict in Ethiopia has the potential to destabilize the Horn of Africa region. Neighboring countries, such as Sudan, became involved due to the influx of refugees and the potential for cross-border spillover

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**Source: The British Broadcasting Corporation (BBC)**

## Recent Observations

- Tigray experienced serious atrocities during the conflict between November 2020 and November 2022
- **The Tigray War resulted in an estimated 383,000 to 600,000 civilian deaths between November 2020 and August 2022**
- In August 2023, media reported that approximately 1,400 people had starved to death in Ethiopia's northern Tigray
- In April 2023, the United Nations' World Food Program (WFP) announced that it would temporarily suspend food aid in Tigray. The decision came amid reports of food misappropriation
- **Additionally, the country continues to witness war crimes, and sexual violence despite the Cessation of Hostilities Agreement signed in November 2022**
- **This agreement establishes a cessation of hostilities and prohibits all acts of violence. It also calls for the separation of forces of both parties to identify areas of demilitarized zones**
- Food shortages and the pause in humanitarian aid to the region put extra pressure on people in the region

## Impact of Conflict in Ethiopia on the Economy

The conflict in Ethiopia, particularly in the Tigray region, has had a significant impact on the country's economy and businesses. Some key impacts are mentioned below:

- **Economic Contraction:** The conflict has led to a contraction of Ethiopia's economy. Infrastructure damage, disruption of transportation networks, and the destruction of businesses have all contributed to this economic downturn

- **Inflation:** The conflict has contributed to rising inflation, which erodes the purchasing power of consumers and makes it more expensive for businesses to operate. High inflation can also reduce consumer spending and investment
- **Food Insecurity:** The conflict has disrupted agricultural activities in the Tigray region, affecting food production and distribution. This has led to food shortages and increased food prices, impacting food security not only in Tigray but also in neighboring regions
- **Humanitarian Crisis:** The conflict has led to a significant humanitarian crisis, with millions of people in need of assistance. This crisis has diverted resources and attention away from economic development and business growth
- **Investment Uncertainty:** The conflict has created a climate of uncertainty for domestic and foreign investors. Businesses are hesitant to invest in an environment with ongoing conflict, political instability, and security concerns
- **Supply Chain Disruptions:** Ethiopia is a regional economic hub, and disruptions in its supply chains have impacted businesses in neighboring countries that rely on Ethiopian infrastructure and transportation networks
- **Reduced Government Revenue:** The government's ability to collect taxes and generate revenue has been affected, reducing its capacity to invest in infrastructure and public services

### Impact on Banking and Other Related Public Services

- **Many businesses, including small and medium-sized enterprises, have been disrupted or destroyed due to the conflict. This has resulted in job losses and income instability for many Ethiopians**
- People in Irob, a northeastern district of Tigray and several other regions, have been facing the absence of banking services since the war broke out between the federal government and the TPLF
- Residents in Irob, a minority group in the Tigray region that shares a border with Eritrea, have been isolated from the rest of Tigray due to security concerns
- **Banks such as the Commercial Bank of Ethiopia, Lion International Bank, and Dedebit Microfinance Institution provide banking services but have been unable to reopen their services, even after the peace agreement**
- Additionally, the war in Tigray, Ethiopia, also disrupted the health care system of the region
- Disease outbreaks are on the rise, including malaria, measles, acute respiratory tract infections, and other vaccine-preventable diseases while the risk of other outbreaks, such as cholera, is high
- **Millions of people have been displaced and are living with limited access to food, nutrition, health, and water and sanitation infrastructure**
- The situation has led to the effective collapse of healthcare capacities in Tigray. The conflict has decimated maternal health services, with high maternal mortality rates across the region
- The deterioration of effective infection prevention and control capacities in healthcare centers is further increasing risks
- On the other hand, due to security issues and poor road infrastructure, people are unable to travel
- There is an urgent need for reopening banking services and other related public services, as the people of Ethiopia are suffering from unnecessary expenses

### Supply Wisdom Alerts

The below table presents a list of alerts published by Supply Wisdom in the recent past that showcase events related to the conflicts in Ethiopia:

Ethiopia	Amhara, Ethiopia - State of Emergency Extended by the US President Until September 17, 2023	Moderate	September 9, 2023
Ethiopia	Amhara, Ethiopia - Airstrike Amid Clashes Between Government Forces and Local Militia Group - 26 Deaths Reported and 50 Injured	Moderate	August 15, 2023
Ethiopia	Amhara, Ethiopia - State of Emergency Declared Due to Clashes Between the Military and Local Militiamen	High	August 5, 2023
Ethiopia	Amhara, Ethiopia - Military Clashes with Rebel Groups - Several People Injured	Moderate	August 3, 2023

**Conclusion**

The impact of the conflict on the economy and businesses may vary in different parts of Ethiopia, with some areas being more affected than others. The conflict has also added to the existing economic challenges faced by the country, including foreign exchange shortages and a growing public debt burden. Efforts to resolve the conflict and stabilize the security situation are crucial for restoring economic growth and business confidence in Ethiopia.

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