What Might COVID-19's Legacy be?
Bethelehem Mengistu, A Development Expert

Internationalizing the Crisis
Joseph E. Stiglitz (PhD), A Nobel Laureate in Economics

ETHIOPIAN BUSINESS REVIEW

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CORONOMICS

The Fatal Blow to Business


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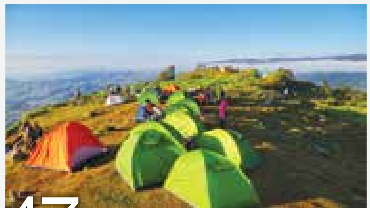

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Human kind Needs Radical and Long Lasting Changes

With the spread of the coronavirus across the globe, no one seems to be certain about the future. While the scope of the virus is widening alarmingly every second, the number of infected people and the death toll is skyrocketing with no end in sight. Countries with better health infrastructure, like the US and Europe, have been stretched beyond capacity.

Facing the worst shock since World War II, the aviation sector is among the worst hit. The same is true for the hospitality sector, which is literally registering no revenues with the closure of airports, the obliteration of the tourism sector and cancellation of events.

As workers stay at home and physical distance becomes the new normal, factories are forced to shut down their plants. Global supply chains have also been disrupted since the outbreak of COVID-19. It is no different in Ethiopia, where possibly 2 million people could lose their jobs as per estimates by the Jobs Commission. The economic impacts are vast and multi-layered.

Ethiopia could experience decline in forex flow due to a decline in exports of major commodities, including flower and textile products, as well as a fall in foreign direct investment and remittance flow.

The devastating impact of the pandemic is set to be felt by every sector of the economy. Steadily driving the productive endeavor of companies to a grinding halt for possibly months and still managing to keep the work force on the roster is the puzzling reality companies have to solve. With little or no income for months, it is going to be a life and death situation for most businesses to stay afloat as expenses like salary and rent are going to be there to stay.

Companies with relatively big capital can suck in the financial pressures of the pandemic and maintain their existence while small companies such as SMEs are set to be hit hard by the incoming gigantic waves. Although all businesses, regardless of size, are going to suffer from the pandemic, bigger ones have thus far shown more steel in them. Reports indicate that over a billion people worldwide and 2 million people in Ethiopia are going to lose their jobs as a result.

In a societal system where everything depends on money, whether virtual or paper, activities that curtail transactions and the flow of currency have a devastating effect on life. As a result, the hard time businesses are facing nowadays is going to reflect badly on the lives of their employees and the families they support. Sudden acute shortage of the medium of social and economic transaction would definitely go a long way to disrupt life as we know it.

For the second time in a dozen years and completely righting off neoliberal claims, governments have to come to the rescue of private businesses. A number of governments have already done so across the world. The Ethiopian government has also availed a stimulus package. Whether the amount allotted is enough or not remains to be seen but the most important issue remains to be the efficient distribution of the financial resources. Identifying the right amount of financial stimulus needed by a sector and seeing to it that the resource is shared equitably among businesses in the sector is crucial to bolster its efficacy.

Going ahead, the dire situation created by the pandemic shows the vulnerabilities of the monetary system both nationally and internationally. It also shows that job creation schemes are precarious and don't stand up well against weather changes. As the Ethiopian Finance Minister, Eyob Tekalign, pointed out the pandemic is a short term problem with long term impacts. Therefore, EBR calls for more lasting changes to the monetary and job creation systems as they definitely could use reinforcements to match their crucial roles in society. These changes might lead to considerable shifts in the way society is administered. **EBR**

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The following are some of the news stories in Ethiopia last month. They were sourced from Addis Maleda, a weekly Amharic Newspaper and sister publication of EBR.

Bagir Closes Manufacturing Plant in Ethiopia as COVID-19 Persists

Bagir Textile, an Israel-based manufacturer and marketer of men's and women's tailored fashion, closed its manufacturing plant in Ethiopia as fear of coronavirus spread looms. The move comes just a day after the company put the majority of its tailored garment orders on hold following widespread retail store closures in the US and the UK. The company said it had closed manufacturing sites in Egypt and Ethiopia with employees still retained so production can re-commence once 'the acute phase of this pandemic passes'. Having a capacity of producing 3,000 trousers and 200 jackets a day, the company has been exporting its product to the US, the UK and other European countries.

Ethiopian Loses USD550 million Revenues Due to Coronavirus

Ethiopian Airlines reported USD550 million losses in revenue since the outbreak of the coronavirus, which has infected millions across the world. The Airliner is currently working below 10Pct of its flight capacity due to the virus that has led to the suspension of its flights to over 80 destinations. This is a major setback for the company that has registered a gross profit of USD261 million and a total revenue of USD2.1 billion in the first half of the current Ethiopian fiscal year. Earlier on March 2020, the International Air Transport Association said coronavirus could cost African airlines USD4.4 billion in revenue as of March 11, 2020.

TOYOTA

Toyota to Manufacture Spare Parts in Ethiopia

Toyota finalized a study to construct a plant that manufactures spare parts in Ethiopia, according to Metal Industries Development Institute. While the company is under preparation to begin the construction of the plant, its operation in the Ethiopia is expected to save the East African country hundred million in forex. Accounting for over 90Pct used cars sales, Toyota is the most popular brand amongst Ethiopians. Its feasibility study includes a plan to set up an assembly plant in the East African county subsequent to the completion of the spare part manufacturing plant.

North Star Airlines Only Sells ETB40 million Shares within a Year

North Star Airlines, which is under establishment to provide air transport services in Tigray, only sold ETB40 million worth of shares of ETB3.1 billion paid up capital it needs to begin operations. While this is blamed on under performance of promoters, the remaining amount of paid up capital is expected to be mobilized this year. The company began selling shares last year with the aim of providing air transport services from Tigray to other parts of Ethiopia and abroad.

Jobs Creation Commission ETHIOPIA

2 million

The number of people that are at risk of losing their jobs in the coming three months in Ethiopia because of the coronavirus pandemic, according to Jobs Creation Commission.

Ministry Drafts Strategy to Boost Gold Exports

Ministry of Mines is drafting a new strategy to boost gold exports, which have been declining drastically over the last three years. The strategy is also expected to improve the gold trading regulation across the country and serve as a guideline for the next decade. The strategy is also expected to help authorities control contraband trade activities in border areas and areas with gold resources. In the first half of the current fiscal year, exports of gold amounted to USD17 million, which is two million dollars lower than the figure for the same period last year.

Commission to Subsidize Investors Affected by Political Unrest

Investment Commission decided to subsidize investors whose properties were damaged during the political unrest in the last two years. The Commission estimated that ETB2.5 billion Birr has been damaged during the period and a direct monetary support is not going to be provided to businesses that have lost their properties due to the instability in the country. Rather the subsidy will be given in the form of tax holiday, duty free packages and loans. It is to be recalled that direct monetary support has been given by the Development Bank of Ethiopia two years ago to investors whose properties were looted and burnt by protestors in 2016 and 2017.

Abyssinia Makes Drastic Salary Adjustment

Bank of Abyssinia adjusted the salary of its employees at an unprecedented rate in the banking industry. The increment is higher than that of the recent salary increase made by the Commercial Bank of Ethiopia and makes Abyssinia one of the highest payers in the industry. Abyssinia raised the salary of a level one branch manager from ETB20,800 to ETB36,000, while level two managers witnessed a ETB6000 increase in their salary to ETB47,500. Moreover, the salary of junior bankers with zero year of experience increased to ETB8,300 and this will be increased to ETB11,500 if they stay longer than three months in the bank.

New School Worth 'ETB700 million' Opens

Led Star Management School announced that it has completed the construction of a school (KG-Grade 12) with an investment capital of ETB700 million. The 200 classrooms Cambridge Academy will be operational as of the coming academic year. Owned by Gemechis Desta, major shareholder of LTV and Elshady TV stations, the school has gymnasium and TV as well as music studios. Sprawled on 25,000Sqm of land, the school is located around Summit, Bole Sub city. It also has a language center that teaches students Afan Oromo, Amharic, French, Arabic and English.

ETB 42.5 million

The amount of fee collected from betting companies by National Lottery Administration in the first half of the current fiscal year. But this is expected to fall drastically in the second half because of the closure of betting companies since March 2020 because of the corona virus.

Top 10

Countries Hit Hard by China's Slowdown Due to COVID-19

Rank	Countries	Trade Impact of COVID-19 (in USD billion)
1	United states	5.7
2	Japan	5.1
3	Republic of Korea	3.8
4	Vietnam	2.2
5	Singapore	2.1
6	United Kingdom	1.9
7	Mexico	1.3
8	Switzerland	1.05
9	Malaysia	1.07
10	Thailand	0.73

Source: UNCTAD, March 2020

The slowdown of manufacturing in China due to the corona virus (COVID-19) outbreak is disrupting world trade and could result in a USDUS50 billion decrease in exports across global value chains, according to a report published by UNCTAD on March 4, 2020. The most affected is the manufacturing sector, especially producers of precision instruments, machinery, automotive and communication equipments.

The most affected economies are the European Union (USD15.6 billion), the United States (USD5.8 billion), Japan (USD5.2 billion), The Republic of Korea (USD3.8 billion), Taiwan Province of China (USD2.6 billion) and Vietnam (USD2.3 billion). The estimated global effects of COVID-19 are subject to change depending on the containment of the virus and changes in the sources of supply.**EBR**

CORONOM

The Fatal Blow to Business

When news of a new strain of Coronavirus came out of China three months ago, the world seems unimpressed with the potential danger it posed. It has, however, taken the invisible microbe less than three months to literally make the whole world its empire. Its social, economic and political impacts have poured water on other burning issues of the world and left them on the backburner. Especially the world economy has been hard hit by the pandemic. The fates of businesses and potentially billions of employees hangs by the balance. Different sectors of the Ethiopian economy have also faced the wrath of the invisible microbe. EBR's Samson Berhane and Ashenafi Endale delve into the global, regional and national economic impacts and emergency measures.

When Hyatt Regency Hotel opened in Addis Ababa in January 2019, its eye-catching architecture and the distinct services it provides helped it win the hearts of customers in a very short period of time. Situated at Mesqel Square, the 188-room hotel was even able to get a five star rating in the middle of last year.

However, despite being one of the seven five-star hotels in Ethiopia, Hyatt has been forced to suspend its services only a year and half into its Addis ordeal.

With the coronavirus disrupting the movement of people and

business activities across the world, there has been a sharp decline in occupancy rate and demand for hotel services. As the whole situation risks the wellbeing of individuals on top of everything else, Hyatt had no choice but to close its doors for almost 55 days until June 1, 2020.

As the tourism sector is held at gun point by the pandemic, no hotel is immune to the problem. Except for those serving as quarantine centers to passengers coming from abroad, a majority of the 175 star-rated hotels in Addis Ababa with over 10,500 rooms are now reporting zero occupancy rate. “The numbers are scary,” says Biniam Bisrat, Chairperson of Addis Ababa Hotel Owners’ Association.

With the Coronavirus still making landfall in Ethiopia, cancellation of reservations, events and trips is expected to linger through the steep rise, peaking and flattening of the curve. Standing at the onset, one can expect the problem to be around for quite a while.

“It is the biggest crisis Ethiopia’s hospitality sector experienced in its history,” says Biniam. He also noted that it is not just Ethiopia’s hospitality sector but that of the whole World that is suffering.

As the International Air Transport Association (IATA) urges governments to provide financial relief to airlines, potential revenue loss by carriers in Africa is predicted to reach four billion dollars this year.

Home to Africa’s most profitable African carrier, Ethiopia is likely to witness a 1.6 million fall in passengers as per IATA estimates. While this could risk over 327,062 jobs in the country, it is likely to lead to a USD 1.2 billion reduction in contribution to Ethiopia’s economy, whose size was just USD60 billion last year.

Hotels, aviation companies, agents and tour operators are just a few of the hardest hit travel businesses that are facing the repercussion of COVID-19, which is changing the way people move, shop and do businesses as it gets worse every second across the globe.

Global Economic Crisis in Full Gear

Global economic crises, unfortunately, are not new and often end with an indelible mark on the economies of both developed and underdeveloped countries. The Great Depression, the Latin American Debt Crisis and the Great Recession are the most devastating economic crises of modern times.

While wreaking havoc in financial markets across the globe, the 2008 Great Recession was the worst economic crisis the world has faced since the beginning of the new millennium. Home loans granted to borrowers with poor credit histories in the U.S led to plummeting housing prices there; it even resulted in the crashing of the US stock market, the collapse of top investment banks, devastation of the international financial system and deterioration of global economic performance.

During the Great Recession, the world saw the biggest slump in GDP since the Great Depression in 1930. While the United States experienced a four percent fall in GDP, global annual economic growth fell from five percent to just two percent at the time.

The after effects of the great recession were expected to linger with countries across the globe projected to shrug off their illness and get back to normal after a decade. During that abnormality though, millions lost their jobs and billions of dollars vanished into the obscure. Moody’s Analytics indicates that the global economy lost more than two trillion dollars in value, a drop of nearly 4% from where it was before the Great Recession.

Now in 2020, the world is once again amidst a crisis that could even have wider scope and more serious impact. The International Monetary Fund has already announced that the economic fallout from Coronavirus is “way worse than the global financial crisis of 2008.”

“Never in the history of the IMF have we witnessed the world economy come to a standstill,” said Director of the International Monetary Fund (IMF), Kristalina Georgieva in a press briefing held on April 3, 2020. She went as far as saying ‘the dive in business activity has created an economic crisis like no other with over half the globe—roughly four billion people—currently on lockdown or under some form of stay-at-home orders due to the coronavirus pandemic.’

UNCTAD, in its analysis published last month, predicted that the slowdown in the global economy would cost up to two trillion dollars with USD220 billion of that amount taken up by developing countries.

"The economic fallout from the shock is ongoing and increasingly difficult to predict, but there are clear indicators that things will get much worse for developing economies before they get better," UNCTAD Secretary-General, Mukhisa Kituyi said.

The trade sector was the first to be hit amid supply chain disruptions on a global as well as regional level. Regional trade efforts are hampered. Countries that rely heavily on tourism receipts are expected to be greatly impacted by the imposed travel restrictions as well. The service sector is likely to experience the biggest losses in tandem with weaker revenue gains stemming from the transportation sector.

Never in the history of the IMF have we witnessed the world economy come to a standstill,"

Kristalina Georgieva
Director of the International Monetary Fund (IMF),

Most affected countries will be those that don't have sufficient economic buffers, in the form of import coverage above the IMF suggested three-month threshold to provide essentials in a market hard hit by the pandemic, according to Alisa Strobel, Senior Economist at IHS Market. "The capacity to absorb the desperate demand for essentials following mitigating measures such as lockdowns in a paralyzed supply chain determines how hard countries are hit," Strobel tells EBR. The long history of weak capacity to absorb shock, expressed through meagre national emergency reserves, indicates that Ethiopia could be highly impacted by the pandemic.

LDCs that are large commodity exporters may have benefited from favourable commodity prices in 2018/19 providing short term buffers, while the majority of LDCs struggle with low import coverage. Keeping this in mind, Strobel concludes that LDCs don't have the sufficient reserves to provide the essential fiscal stimulus packages necessary.

"Injecting liquidity to support economic growth and providing essential safety nets and support for businesses and workers without further accumulation of debt, given the current already existing constraints, such as very high debt burdens as well as high servicing cost, is not possible," Strobel told EBR.

She noted that declining Chinese demand for commodity imports, depressed commodity prices and disruptions at ports during 2020 will slow economic growth in and worsen the balance of payments of LDCs with a relatively high dependency on trade with China.

All in all, analysts expect a large drop in foreign direct investment in 2020 stretching to 2021 amid the global uncertainty surrounding COVID-19, especially in the oil and gas industry. "Oil demand is collapsing because of the closure of a large share of the global economy due to COVID-19," Strobel says. "This ultimately has severe negative economic implications for countries that are high crude-dependent net exporters; they will face substantial economic challenges with dwindling demand and crude prices in free fall."

Cross Sectoral Impacts on Africa, Ethiopia

Africa, which makes up a lion's share of the developing countries, would also be hit by economic shockwaves from the pandemic at a dramatic speed higher than that of the 2008 global financial crisis.

The earlier projections of 3.4Pct continental economic growth have been scaled back to 1.1Pct in the April 6, 2020 report published by the African Union.

Exports and imports of African countries are also projected to plummet by at least 35Pct from 2019, according to the AU. This is equal to USD270 billion, over four times higher than Ethiopia's GDP. "Having already strongly hit Africa's major trading partner, China, the outbreak was inevitably impacting Africa's trade," said Vera Songwe, Executive Secretary of the UN Economic Commission for Africa (ECA).

Africa is also likely to experience a delayed or reduced FDI as patterns from continents redirect capital supply, McKinsey & Company warned. Although foreign direct investment was also predicted to grow by USD46 billion in 2020, AU estimated that the continent would lose up to 15Pct of FDI as COVID-19 persists.

Ethiopia is no different. Citing USD7.2 billion losses registered during the 2008 financial crisis and 2014 commodity price shock, AU put Ethiopia amongst top six African countries with a tourism sector severely impacted by the virus.

In fact, as COVID-19 catches every economy off guard, emerging economies like Ethiopia, whose capacity to uphold the strains is limited, are almost bare-handed in the fight. The East African country, under the leadership of Prime Minister Abiy Ahmed, is also in a frantic effort to maintain economic productivity with minimal human mobility, although complete lockdown has been ruled out until EBR's edition went to print.

Industries are operating under two shifts with half of the manpower on either shift. Numerous factories have already been unable to resist the effects of the pandemic. A case in point is the situation of metal manufacturers, a majority of whom partially suspended operations as shortage of raw materials persisted.

"Accessing raw materials is becoming more difficult while the 500 employees of our company are forced to work on a shift basis to apply physical distancing. All these are adversely impacting our performance," said Mathewos Asele, CEO of Kaliti Metals and Corrugated Iron Factory.

Tilahun Abay, Planning and Communications Director of Metals Industry Development Institute, agrees. "The metal and metal products sector had already been weak for the three years before COVID 19. Absence of raw materials caused by shortage of forex had severely affected the industries, a situation set to get worse due to the outbreak of the virus," he says.

Businesses dependent on global sourcing are facing challenges with the disruption of the supply chain. Especially textile exporters that mushroomed in the country over the last half a decade are experiencing a downfall in revenues as they face suspension of orders from big US, European and Chinese companies. With no end to the misery in sight, industries inside Hawassa Industrial park furloughed over 14,000 employees.

Cepheus Capital, in its preliminary assessment of macroeconomic impacts of the Coronavirus, predicted that the textile factories that export items could lose USD50 million per quarter because of COVID-19. Not only textile factories but also flower exporters as well are likely to register zero revenue for several quarters if the Coronavirus crisis stays around for a long while.

During the first half of the current fiscal year, USD225 million worth of flowers were exported. Keeping this in mind, the country is likely to lose at least USD150 million in export revenues from the same item between March and June 2020, leaving the fate of around 150,000 employees in the balance. "We are losing ETB800,000 per day and changing over 100,000 flowers to compost every day," says Isayas Kebede, CEO of Ethio-AgriCEFT, which has two large flower farms in Bahir Dar and Holeta.

Insiders claim that NBE's decision to lift the minimum price set for flowers cannot solve the problem as the cause is zero demand from Europe.

As an industry closely linked with the hospitality sector, breweries are another group bearing the brunt of the pandemic. The governmental precautionary measure to have bars and night clubs shut significantly affects beers sales. One of the biggest beer makers in the country, BGI informed EBR that the industry as a whole is experiencing a significant drop in transaction.

BGI has already felt the impact of the pandemic as it has shut down four factories out of five, sending a significant number of their employees on annual leave. Gebreselassie Sifer, the company's commercial public relations manager, stated: 'we haven't laid off any permanent employees thus far and it's our plan to keep it that way for as long as we can.' Gebreselassie further explained that BGI is a adjusting itself to the new reality, although they believe that 'the worst is yet to come.' He remarked that they have devised innovative solutions to keep the business afloat and maintain their connection with customers by partnering with home delivery companies, for instance.

to help them out with access to bank loans.

Be that as it may, Cepheus Capital predicted that over 20,000 businesses will be affected by the Coronavirus. This includes small businesses that have very low capital with fewer employees.

"My sales dropped drastically while I witnessed no change in fixed costs, including rent and wage," said Amanuel Mengistu, a retailer of shoes. "On average, I used to sell over 24 shoes every day. For the last three weeks, my average daily sales was just one. I don't know how long I can survive the crisis," he noted.

The dramatic and sudden fall in demand for non-food items, especially those considered as non-essential, since the outbreak is affecting the ability of businesses and small and medium enterprises (SMEs) to function. Given the limited resources that SMEs have, they have less resilience to deal with the economic shocks caused by the outbreak. "Surely, many of us will be out of business very soon as we won't be able to cover our fixed cost and no one seems to be in a position to bail us out," says Amanuel.

Exports and imports of African countries are also projected to plummet by at least 35Pct from 2019, according to the AU.

Yet another one of the businesses that have suffered from the pandemic is the media. With business slowing down, the media are increasingly finding it difficult to draw advertisers that make a vital source of their funds.

The problem has especially been acute in print media as newspapers and magazines shared by people are perceived as potentially hazardous to social health under the current dire conditions. The reduced movement of people and a possible lockdown also make it hard for publishers to sale their newspapers and magazines. The print media is, therefore, bracing for a complete shutdown as the pandemic claims more of our socio-economic ordeals by the day.

The Press Council made up of broadcast and print media notified Berhanena Selam Printing, the leading printer in the country, of the desperate situation the print media is facing. The council stated that the print media are facing difficulties collecting receivables from advertisers, stating that the printer needs to consider printing newspapers and magazines on credit. The council also notified the Prime Minister's Office of the troubles both broadcast and print media are facing to pay for office rental and employees' salaries and asked the head of government

The agriculture sector has also not escaped from the COVID-19 economic crisis. As regional states and city administrations impose restriction on movement of people to curb the spread of the virus, farmers are amongst the vulnerable groups affected. While this is largely due to the disruption of market chains and trade, the impact is severe on those whose livelihood is dependent on trade of agricultural items.

"As we already don't have a direct contact with farmers because of the involvement of intermediaries, the problem is more severe as the whole supply chain has been disrupted subsequent to the outbreak," says Mohammed Yusuf, Executive Director of Addis Modjo edible oil.

Meanwhile, banks, which were already in a liquidity crisis, are struggling with a jump in non-performing loans largely because of the pandemic. Although the government has injected ETB15 billion to boost liquidity in the banks, this was found to be inadequate by many bankers.

"We were already in a tight liquidity condition, thus expecting support from the government. The latest injection is not even enough to recover from the already existing liquidity crisis, let alone serving as a panacea to the economic woes caused by COVID-19," said a Senior Banker working at Bunna Bank.

> **We are losing ETB800,000 per day and changing over 100,000 flowers to compost every day,"**
>
> Isayas Kebede
> CEO of Ethio-AgriCEFT

Analysts also say that the liquidity injection may be less than the headline figure may suggest. The ETB15 billion has been offered against the stock of NBE bill repayments that banks were to receive from NBE by June 2021, according to report by Cepheus Capital.

"Moreover, as banks already had outstanding short-term loans due to NBE from recent borrowings, most of the fresh funds made available to respond to the Coronavirus may effectively be absorbed, leaving banks with much fewer net resources," the report underscores.

Informal Sector in Danger, Hunger & Poverty Likely to Rise

Alemu Simegn came to Addis Ababa from the town of Mer'awi in the State of Amhara. He has been working as daily labourer at Merkato, the largest open market in Addis Ababa, for the last five years. Earning at least ETB100 a day, he has difficulty making ends meet. With the threat of the Coronavirus though, he has found it hard to daily make even a quarter of that amount over the past three weeks.

"My job is usually to carry clothes and other items for wholesalers but all of them have stopped operation lately because of the virus," he says. "I, thus, have no choice but to beg food from cafés and restaurants to survive while I can't raise the money to pay my ETB800 rent."

Alemu's predicament is just a glimpse into the hardship informal workers in Addis Ababa and other urban areas are enduring. Numerous Ethiopians in the informal sector, which accounts for over a third of the economy, are in an uphill battle for survival now that their sources of daily income have gradually stopped functioning. With no savings and remittance to cover their expenses, these workers are basically left with no income to support themselves.

The grim reality is shared around the world as about two billion people, accounting for 61Pct of the global working population, are vulnerable to economic shocks caused by the Coronavirus as majority of them don't have nothing or little to survive, if they are forced to stay at home.

The problem is severe in Africa where 86Pct of employment is informal. Ethiopia, where daily labourers and other informal workers are becoming unemployed as economic activities come to standstill, is no different. If left unaddressed, the situation will pose huge economic risks to informal workers, according to analysts. "I fear that hunger could kill many before corona does," Alemayehu Geda, Professor of Economics, warns. "The economic consequence of the virus is very scary and will worsen poverty in Ethiopia, where over 70Pct of the population earns below ETB100 a day." Taking into account that 7.5 million people are employed in urban areas, the virus could result in job losses of as much as 1.5 million workers, according to Cepheus Capital.

The World Bank also warned that poverty is likely to get worse across the world, including in Ethiopia, which makes up one of the five countries that cumulatively stack up half of the World's poor along with Nigeria, India, Democratic Republic of Congo and Bangladesh. This has troubling implications for developing economies, including tighter credit conditions, weaker growth and the diversion of government resources to fight the outbreak, according to Ceyla Pazarbasioglu, Vice President of the World Bank. "This would reduce funds available for key development priorities and setback the fight against extreme poverty," she warned.

African Union, in its latest report, pointed out the potential losses in tax revenues and external financing due to the disruption of economic activities, which will restrain the capacities of African countries to finance their development. This means lesser tax revenues and wider budget deficit for Ethiopia, which has been struggling to boost its domestic revenues over the last three years.

Furthermore, as the country is experiencing a decline in exports of services and major commodities, including flower, textile and Khat due to the pandemic, forex flow is also likely to decline this year. That is expected to put a huge strain on the country's balance of payments and the ability to repay its external loans. Remittance is also expected to fall as Ethiopians living abroad are in a difficult financial situation. However, Cepheus Capital predicted that a fall in oil prices and a decline in imports because of the spread of the virus will help Ethiopia save some forex, possibly above one billion dollar.

How is Ethiopia responding?

It was just few weeks after the spread of Coronavirus throughout the World that Ethiopia's Prime Minister Abiy Ahmed (PhD) proposed a new package as a response to the impacts of the outbreak on African economies. He proposed for a section of the debt of low-income countries to be written off as part of efforts to reduce the economic impact of the pandemic.

Underscoring the substantial threat COVID-19 poses on the economy of African countries, he explained that such challenges cannot be adequately addressed by policies and measures taken individually by countries. He then urged G20 leaders to assist Africa with USD150 billion funding in a bid to cope up with the Coronavirus crisis.

Locally, PM Abiy's administration introduced a stimulus package that aims at reducing the impact of the pandemic on the economy. Boosting liquidity of commercial banks, extending the loan repayment period of businesses, raising transaction limit on mobile money transfer, allowing exporters to sell their products locally and waiving tariff put on imported products are amongst the series of measures taken by the administration.

Girum Kassa, an Economist, considers the measures taken by the government encouraging. "I see the PM's appeal to G20 to advance Africa USD150 billion in emergency funds and the liquidity injection as right measures as they will provide debt relief (for SMEs) and additional loans to their customers in need," Girum says. "But above all, the plea for a moratorium on debt repayment (debt freeze) to official creditors, including China, is the most important one. I see this as an important lifeline, as either new money debt write-offs couldn't come fast. This can only give us a breathing space."

But not everyone approves of the move by the government. "The government is taking ad-hoc measures, instead of responding systematically. And the package did not take the labour profile of the population into consideration, which would have been important to come up with a better economic model," says Alemayehu.

For Zerihun Gudeta, an Economist, the focus so far has been more on administrative measures to contain the spread of the virus and less on economic policy interventions. "This is understandable. The country does not have sufficient policy buffers to deploy to mitigate the impacts," he argued. "The priority of the stimulus should be to ensure not only that the direct effects of the pandemic on production, distribution and consumption are minimized but also that they do not translate into significant losses in employment, income and consumption," Zerihun adds. "The intended beneficiaries of such an economic stimulus package must be businesses and vulnerable households."

Analysts argue that the package introduced by the government lacks depth and coverage compared to measures other countries with similar macroeconomic fundamentals and exposure to the pandemic have taken. Citing the case of India, Ayele Gelan (PhD) argues that Ethiopia's stabilization measure is completely devoid of any element of preparedness for disaster relief. "It also inclined towards rich businesses, such as importers and exporters, while there was no mention of relief to poor households and small businesses or the farming sector," he says.

As the Coronavirus throttles the world, several countries are implementing various measures to contain the crisis. Based on announcements by governments, analysts say over USD10 trillion is needed to respond to the crisis globally although it is dependent on the depth and duration of the outbreak across the globe. China, for instance, reduced reserve requirements for banks, allowing them provide USD80 billion loan to struggling businesses. Germany also allocated Euro35 billion to prop up its economy. Fast processing of company tax refunds, settlement of pending bills and credit facilities to households are amongst measures taken by African governments as response to COVID-19 crisis.

International organizations are also availing funds to save countries from economic crisis. IMF announced its readiness to mobilize one trillion dollar lending capacity to fight the virus. It also availed about USD50 billion through its rapid-disbursing emergency financing facilities for low income and emerging economies. So far, 85 countries approached the Fund seeking financial assistance. "Never in the 75 years history of our institution have so many countries found themselves in need of emergency financing," said Georgieva.

The World Bank, for its part, approved a set of emergency support for developing countries. While approving close to two billion dollars to assist 25 developing countries, it has prepared to deploy up to USD160 billion over the coming 15 months to support measures to fight COVID-19. Ethiopia is amongst the first recipients of the financial assistance, receiving USD82 million to raise preparedness and response to the outbreak. But this is just a safety net measure, not something that could address the economic crisis in a prompt manner, experts say.

Zerihun argues that while waiting for financial inflows from the international community, which may take time, Ethiopia should initiate negotiation with lenders to delay some of the agreed reform actions as they may not be attained (anyway) if the current situation persists. "In the meantime, it could embark on a fiscal expenditure audit to identify underutilized funds lying around that could be diverted to the fiscal stimulus package," he suggested.

BGI has already felt the impact of the pandemic as it has shut down four factories out of five.

Zerihun also pointed out that the search for fiscal space could also take advantage of the plunge in the international price of crude oil, which fell from USD60 a barrel three months ago to about USD20 these days. As oil imports cost Ethiopia USD2.6 billion last year, the current price reduction avails an opportunity to buy the same amount for half the price. "Ethiopia should not allow a 100Pct pass-through of this windfall gain to the consumer. It should rather see to it that a significant percentage of the gain finds its way to boost government revenue so that it could be accessed, if need be, to support the economic stimulus package," he says.

On the other hand, Ayele Gelan (PhD) argues that the government should be provide relief assistance to people. He contends that the amount of funds that the government would avail per household should be enough to cover their subsistence and other obligations. "The intervention would be a combination of fiscal relief (cash or in-kind hand-outs) and leveraging outstanding loans, including delays in debt payments," he concludes. **EBR**

Chocking the Life Out of Plastics

Using plastic bags is a common practice in Ethiopia, a country that aspires to build a carbon free economy by 2025. Although Ethiopia declared producing plastic bags of below 0.03mm illegal long ago, the proclamation has not been put into practice. Retailers openly trade bags below the recommended amount throughout Ethiopia. With that precedent in mind, the government has drafted a new law that totally bans plastic bags. While this is expected to be legislated in the next three months, producers complain such a measure would put them in a precarious situation. EBR's Ashenafi Endale explores.

In January 2020, Solomon Oqubay received a plastic bag manufacturing machine worth a quarter of a million birr from the Development Bank of Ethiopia (DBE) under a lease financing scheme after paying 20Pct of the cost and agreeing to pay the remaining within two years. The refrigerator sized 'punch machine' is used to produce single use bags, locally known as festal. "Working with a friend of mine, I learned producing plastic bags is very simple and has a lucrative demand. So I decided to start production with my own machine," he says.

Little did Solomon know that the Environment, Forest and Climate Change Commission submitted a draft proclamation of Solid Waste Management that seeks to totally ban the production, sales and use of single use plastic products to the parliament in the same month. "If the new proclamation is put into place, I will be unemployed and forced to close my business, even before repaying the loan," says Solomon.

The bill puts a hefty ETB2,500 penalty on people who use festal, as well as on wholesalers, distributors and producers. The penalty would also apply for international and local passengers who touchdown at Bole international airport with the plastic bags. Single use plastic bottles, cups and straws are immune under the new proclamation. If ratified in three to six months as per the governmental timeline, Ethiopia will become the latest African country to totally ban plastic bags after Rwanda, Kenya, Uganda, Tunisia, South Sudan and the latest, Tanzania.

However, turning the plan into a reality is not as easy as it may seem. Ethiopia's existing proclamation, introduced in 2007, allows the production and use of plastics above 0.03milimeter thickness

as well as decomposable products. This is based on an assertion that plastic bags with a higher thickness can easily be identified while thin plastic bags, which take over a century to be decomposed, are difficult to identify and pollute the environment. However, this proved to be unsuccessful.

A decade ago, single use plastic products used to constitute only three percent to five percent of the total solid waste in the country. The figure has now jumped to almost 14Pct, according to a recent assessment by the Environment Commission. Out of the 3,200 tons of solid waste generated daily in Addis Ababa, close to 165 tons is plastic waste.

Most of the waste is dumped to the koshe landfill while the rest is disposed to the environment, increasing loss of animal life. Carcinogenic, neurotoxin and hormone-disruptive chemicals are also found in plastic products, which find their way back to human consumption.

"Both licensed and unlicensed producers manufacture banned plastic products that are hazardous to the environment. The only difference the two have is the former produce it at night while the latter do it in day light," says Girma Gemechu, Director of Solid and Hazardous Waste at the Commission. In his opinion, banning it is not optional; it is compulsory.

The number of industries engaged in the production of plastic products in Ethiopia is between 340 and 400, of which close to 100 produce single use plastic bags. The figure includes illegal producers that operate in the underground market and have a well-established network with wholesalers. Despite the concealed operation of illegal producers, it is the licensed manufacturers that produce the banned plastic bags. "Out of the 40 tips we received over the last six months, 36 of them were licensed manufacturers," Girma says.

The absence of cooperation between DBE, the loan provider to enterprises that import machines which produce plastic bags below the recommended amount, and other implementing bodies has created loopholes.

Girma argues that the existing proclamation could not be implemented because it focuses only on producers. "No law is in place to stop wholesalers, distributors and consumers. The draft proclamation, however, gives power to the executive body to penalize them. Absence of coordination between implementing institutions is also expected to be solved after the draft bill comes into effect," he explained.

Some fear implementing the new law would exacerbate the demise of plastic bag producers that have already been struggling for several reasons. Mulugeta Oqubay, General Manager of WAG General Trading, has been producing plastic bags for the last seven years. However, he stopped production and reduced staff size by half to 20 three months ago due to the absence of raw materials and power supply.

It is the low demand for thick plastic bags that pushed him to cut production and subsequently close the production line. "We never bypassed the law. Yet the demand for thick plastic bags that we produced [which is above 0.8mm] is very insignificant. Meanwhile, wholesalers and retailers openly trade the thin bags banned by the government and buy from illegal producers," explained Mulugeta labeling the practice as unfair competition.

Annual per capita plastic consumption in Addis Ababa stands at 12 kilogram. In contrast, it is 20 kg in India and 100kg in west Europe and USA while the global average is 45kg. Currently, annual total plastic consumption in Ethiopia is between 280,000tons to 300,000 tons, of which single use plastic constitutes 70Pct.

Wholesalers of plastic bags, majority of them based in Merkato, usually prefer to buy the thin plastic bags. As they get a profit of ETB300 from a kilogram of such items, the consumer is technically pushed to use this material.

Although manufacturers prefer producing thick plastic bags as their profit margin is relatively higher, manufacturing the thin ones is not easy either. The machine, usually imported from China, can process 200 Kgs of thin plastic bags in 24 hours with enough power and raw material. Up to 1,000 thin plastic bags can also be produced from a kilogram of raw material imported from the Middle East and made from the waste of fuel refineries.

As wholesalers get a profit of ETB300 from a kilogram of thin plastic bags, they push consumers that way.

A piece of single use thin plastic bag (festal) is made of a raw material the size of chicken pea. However, most of the plastic producers in Ethiopia use old jerry cans, barrels and other plastics to produce the bags. Products made of such recycled waste should not be used to carry consumable products.

Thin plastic bags make it difficult for manufacturers to keep air out of the machines while it is also difficult to cut the plastics into thin pieces. All in all, Mulugeta explains, thin plastic bags are advantageous for traders while large size bags are favored by manufacturers.

"Large portion of the raw materials we import for plastic bags is waste and packing food with it is not recommended. Especially black plastic bags are produced only to carry treelings, although they are used to even carry foods in Ethiopia," added Mulugeta.

Although such wrongdoing could have been avoided through self-regulation, the absence of an association that represents legal producers has become an obstacle to end the problem. "As most producers try to solve problems by bribing officials, a platform to bring us together is still non-existent," says Mulugeta. He further pointed out that he plans to change his manufacturing line to plastic cables, if the new law will be approved.

Manufacturers of single use plastics also argue that they have been complying with the 0.03mm threshold, demanding governmental support to shift to another business since the machines cannot be used for another purpose. They also complain that the government did not consult them before introducing the banning proclamation. "We did not hear anything about the new law. Sudden banning is difficult as it gives us little time to shift towards other alternatives," a Manager at Damene Shewane Plastics Plc says.

Globally, over 50pct of plastic use is controlled by law and regulation rather than by technology and recycling. As a result, many countries are shifting towards total ban. Out of the 8.3 billion tons of plastics produced between 1950 and 2015, only nine percent was recycled, according to reports. According to the world wide fund for nature (WWF), 570,000 tons of plastic waste ends up in the Mediterranean alone, each year, affecting sea life.

Legal action against non-biodegradable single use plastic products is increasing with the European Union banning their use as of 2021. Canada has followed suit along with numerous countries in Asia

African countries have also taken concrete measures against the use of single use plastic products. Tanzania recently introduced up to two years imprisonment or USD40,000 fining, for manufacturing or selling single use plastics and milder fines for users. In 2017, Kenya banned the use of the products with USD40,000 fines and up to four years imprisonment. Africa imported 172 metric tons of polymers and plastic estimated at USD285 billion between 1990 and 2017. Out of the 230 metric tons of its products imported during the time, Egypt constituted 18.7pct, Nigeria 17pct, South Africa 11.7pct, Algeria 11.3pct, morocco 9.6pct and Tunisia seven percent.

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The Uphill Battle of Channeling Remittance Formally

The reliance on remittance has scaled up globally from household level to national economies following the massive workforce flow in the contemporary global economy. Ethiopia, a country that just woke up to this reality, has countless reasons to regard remittance as its biggest source of foreign currency. Especially in the last decade, remittance flows increased significantly surpassing export revenue. The annual remittance flow currently stands at USD5.3 billion. However, the annual remittance sent via official channels doesn't match the huge number of Ethiopians residing abroad. EBR's Ashenafi Endale investigates the reasons behind.

Solomon Tesfasellasie, a government official, was at tea break in the middle of a meeting at Ethiopian Skylight Hotel when he received a call from the Commercial Bank of Ethiopia (CBE) asking him why he didn't use the bank as a channel to receive remittance from abroad in the last few months. Solomon's response was simple: "Nobody sent me money from abroad in the last four months."

This seemingly regular phone conversation shows how far banks are willing to go when it comes to securing hard currency. Although the state bank is the top generator of foreign currency in Ethiopia, its demand for forex is far from satisfied. Not only commercial banks but the entire country is in need of foreign currency. After registering double digit economic growth throughout the last decade, Ethiopia's economy is now slowing down largely due to the scarcity of foreign currency in the country.

The landlocked country of more than 100 million people is heavily dependent on imports. Its annual import bill currently stands at USD15 billion. However, the annual export earnings have stagnated around USD3 billion for the last eight years. As a result, the account deficit widened to USD12.44 billion by the end of the 2018/19 fiscal year.

To reverse the situation, the country is turning its attention to remittance. Ever since the mid 1980s, the onset of migration of Ethiopians to the Middle East and the Gulf region in search of jobs and better pay, remittance flows grew marginally from USD4 million in 1977 to USD172 million in 2007. After 2008, however, the annual remittance flows increased sharply from USD790.3 million to USD2.7 billion in 2015. In consecutive years, remittance became the major source of foreign currency replacing export earnings. The annual remittance sent to Ethiopia reached USD5.3 billion by the end of the 2018/19 fiscal year. The current fiscal year is definitely on track to eclipse that figure as remittance flow in the first six months stood at USD4.6 billion.

Although this is a great achievement, the flow of remittance to Ethiopia is still way below its potential. Government estimates indicate over three million Ethiopians reside abroad. The annual remittance sent via official channels doesn't, however, match this huge migrant stock.

Of course, as per National Bank of Ethiopia (NBE) estimates, the annual global remittance flow through formal channels constitutes only half of the total amount. The other half is sent via informal channels without passing through officially regulated businesses at both the sending and receiving ends of a transaction. A World Bank survey, on the other hand, raises the amount of remittance that flows through informal channels to Ethiopia as high as 78Pct. Some estimates reveal the amount of remittance sent to Ethiopia through formal channels of money transfer, such as commercial banks and money transfer operators, is only one-sixth of its potential.

The mechanics of formal remittance channels

In order to figure out why a significant portion of remittance flows is being captured by the informal market and identify the reasons for the continuously rising volume of informal remittance, it is important to understand how both formal and informal markets work.

There are two ways of transferring money to Ethiopia using formal channels. The first is via SWIFT (Society for Worldwide Inter-bank Financial Telecommunication), which is becoming the most popular means of transferring money worldwide. SWIFT membership has steadily increased since its introduction in 1974, with it becoming the leading network currently in use by most financial institutions such as banks to send and receive information, such as money transfer instructions quickly, accurately, and securely. According to the World Bank, close to 10,000 SWIFT member institutions send approximately 24 million transactions through the network each day.

This fast and effective network has been a key toot for the diaspora community to transfer money. Michael Girma, who just returned from the USA and used the network in the past at numerous occasions, knows how important the system is for Ethiopians living abroad. Members of the Diaspora community send money via SWIFT.

Data obtained from NBE also reveal the importance of SWIFT for remittance flow to Ethiopia. Around 60Pct (USD3.18 billion) of the total remittance that reaches Ethiopia annually is sent via SWIFT.

However, the system has a few flaws. The first is that SWIFT is only suited to transfer large amounts of money. That is because delving into a lot of small volume transactions comes at high operational cost. Yet, most of the Ethiopian Diaspora, use the network to send small amount of money for family and friends.

Although the majority of Ethiopians who live abroad send cash back home, the average remittance each of them send per year (USD962) is much lower than the amount sent by nationals of other sub-Saharan African countries. Per capita remittance from the United Arab Emirates (UAE) is the highest with USD1, 700 sent on average annually. Saudi Arabia, Italy and USA come next with USD1,300, USD1,200, and USA USD1,100 sent respectively, according to data from the NBE.

The second flaw emanates not from SWIFT itself but the backward nature of Ethiopia's banking industry. Ethiopian banks have very little correspondent banking relationships and bilateral key exchange arrangements with banks operating in different parts of the globe. This means Ethiopians living abroad who wish to send small amount of money back home are forced to use other money options as they cannot access correspondent banks easily.

The other available means for send-

ing money to Ethiopia is through money transfer operators. In Ethiopia, there are 69 money transfer operators licensed by the NBE. These operators work with Ethiopian commercial banks. Only one, Bole Atlantic, of these operators are based in Ethiopia while the rest are foreign based.

The majority of transactions made through operators are, however, monopolized by four foreign companies: Western Union, Dahabshil, Xpress and Money Gram. Out of the annual remittance channeled through operators, 90Pct is transferred via these four giants. Western Union accounts for 49Pct (close to USD1 billion) of the total remittance channeled through operators while the share of Dahabhsil, Xpress and Money Gram stands at 22Pct, eight percent and seven percent, respectively. Ethiopian based Bole Atlantic, on the other hand, handles four percent of the transaction.

The dominance of foreign based operators such as Western Union is not a surprising phenomenon. Their large coverage gives them leverage to be key players and dominate the global remittance industry for decades. For instance, the industry leader Western Union has presence in 500,000 locations through its agents in 200 countries worldwide.

The monopolization of the remittance industry by few operators is reflected in the amount of service fee they charge. "Transferring cost to Ethiopia is high because the oligopolistic nature of the business has given leverage for the top operators to determine price," says Habtamu Workneh, Director of External Economic Analysis and International Relations at the NBE.

According to the NBE, sending USD200 from the United Kingdom to Ethiopia costs 9.43Pct of the amount sent while it is 8Pct from Italy, 5.75Pct from USA and 5.1Pct from Saudi Arabia. "Ethiopians in Diaspora pay additional USD10.5 on average, in order to send USD200 to their loved ones back home. This is too much for the Ethiopian Diaspora who are mostly students and paid employees that send small amount of money," argues Habtamu.

The World Bank indicates that transaction cost (the fee to be paid by the sender) plays a significant role in determining the channel chosen to send remittance home by the migrant. "The Diaspora can simply send money using operators' online platform from their credit cards or digital accounts. However, the fee is high. In addition, not all Diaspora are aware of these platforms or have accounts because many migrated illegally," explains Michael.

Pushing and pulling factors towards informal channels

The high service fee paved the way for the emergence of a large informal sector. There are, however, other factors which contributed to the expansion of illegal channels. A considerable section of the Ethiopian Diaspora live illegally in their host countries and, therefore, have no bank accounts. These undocumented migrants have no choice but to turn to informal money transferring channels. "Since the majority of migrants from Ethiopia live illegally in host countries, they can't access and use formal channels to send money back home. This means, all the money sent by this portion of the diaspora community is channeled illegally," explains Habtamu.

Many Ethiopian migrants living in the Middle East and South Africa do not have legal status. Some estimates put the percentage of undocumented migrants at 65Pct of the total Ethiopian population living abroad. Estimating informal flows into Ethiopia is extremely difficult.

Insiders say anybody who has the connection can transfer remittance to Ethiopia illegally. As a result, the number of illegal remittance channels exceeds the legal operators with license. "Illegal money transferring channels have wide coverage and are more innovative than legal operators," notes Michael.

Not only illegal migrants are, however, drawn into illegal channels. Legal residents are also attracted by the high exchange rate the parallel market offers. "The higher exchange rate offered in the black market attracts both senders and recipients to transfer through the illegal agent," says Michael. "Nobody gives you an additional eight birr to the dollar, except for the parallel market."

According to insiders, informal channels offer more benefits both to the senders and receivers. Illegal agents save the sender the high service fee charged by legal operators. The receiver also gains additional money from the higher exchange rate offered by illegal agents.

Boosting Remittance Thru' Formal Channels

There is a significant range between the parallel and the official exchange rates. Although the parallel premium came down from its 35Pct range with the official in November 2019, the exchange rate it offers is still 27Pct higher.

Ahmed Hassen, Vice President for Corporate Banking at Cooperative Bank of Oromia (CBO), stressed that the government can encourage remittance flow through legal channels by narrowing the exchange rate difference in the formal and parallel markets. Ahmed went on to say: "People who channel remittance illegally are likely to join the formal sector, if the official exchange rate can offer better profit than the parallel market."

Tekei Alemu (PhD), Senior Economics Lecturer at Addis Ababa University (AAU), agrees. He pointed out that reforms taken at macro level are essential to solve the problem. He stated: "Ethiopia must liberalize the exchange rate regime and legalize black market operators in order to divert the remittance going through informal channels into the offical one."

NBE has been taking various measures to bridge the exchange rate difference between the official and parallel markets. Reducing the parallel premium through massive and successive devaluation of the birr and the introduction of auction exchange rate systems constitute the main measures taken in this regard. On the other hand, police has been raiding black market operators.

USD 10.5 billion

The average cost of sending USD200 from England to Ethiopia.

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Aarti Steel PLC

AARTI STEEL PLC

COLD ROLLED BLACK STEEL COILS

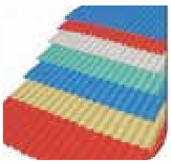
Value Addition

GALVANIZED STEEL COILS

Value Addition

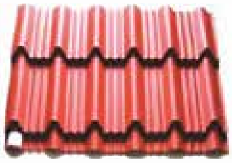
GALVANIZED CORRUGATED SHEETS

Value Addition



COLOR CORRUGATED SHEETS

COLOR EGA

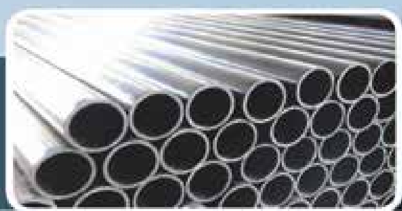


AARTI VERSA

COLOR ROOF TILES

AARTI ELEGAN

Square steel hollow sections



Circular steel hollow sections

Rectangular steel hollow sections

Square steel hollow sections

12x12mm(0.5, 0.6, 0.8, 1.0mm)	40x40mm(0.8-4.5mm)
15x15mm(0.5, 0.6, 0.8, 1.0mm)	50x50mm(1.2-4.5mm)
20x20mm(0.5, 0.6, 0.8, 1.0mm)	60x60mm(1.2-4.5mm)
25x25mm(0.5, 0.6, 0.8, 1.0mm)	80x80mm(1.2-4.5mm)
30x30mm(0.5, 0.6, 0.8, 1.0mm)	100x100mm(1.5-4.5mm)

Circular steel hollow sections

Ø16(0.5-1.5mm)	Ø38(0.6-4.0mm)
Ø20(0.5-1.5mm)	Ø50(0.8-4.0mm)
Ø22(0.5-1.5mm)	Ø63(1.2-4.0mm)
Ø25(0.5-1.5mm)	Ø76(1.2-4.0mm)
Ø32(0.5-1.5mm)	Ø102(1.2-4.0mm)
	Ø127x0.5mm(1.5-4.0mm)

Rectangular steel hollow sections

20x10mm (0.5-1.2mm)	60x40mm (1.2-4.0mm)
30x20mm (0.5-1.2mm)	70x50mm (1.2 4.0mm)
40x20mm (0.5-1.2mm)	80x40mm (1.2-4.0mm)
50x30mm (0.8-4.0mm)	120x80mm (1.5-4.0mm)

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FAST FORWARDING
THE CASE OF MICRO FINANCE

The transformation of humanitarian organizations into financial institutions in 1997 was the beginning of operation of Micro Finance Institutions (MFIs) in Ethiopia. From then on, MFIs have showed remarkable progress in number, outreach, coverage and performance. Currently, 40 MFIs operating in the country serve close to 10 million clients nationwide while 15 more are in the making. Breaking the trend in the rest of the world, Ethiopia's microfinance industry is born and raised in rural parts of the country. However, MFIs are currently conquering urban Ethiopia and providing credit especially for business establishments. Urbanites now make up close to 10Pct of the clientele of MFIs. The four pioneer MFIs, whose capital is way larger than most small and mid sized banks, are planning to mold themselves into conventional banks. On the other hand, the rest are pushing up their credit limits in order to capture the attention of the large segment of the unbanked population. Although most MFIs in Ethiopia have reached maturity and success, they are not immune from problems. EBR's Ashenafi Endale reports.

Micro Finance Institutions (MFIs) are a relatively recent phenomenon in Ethiopia. Over the last decade, however, their operations have reached urban areas going beyond their traditional rural vicinities. Although the rural part of the country still remains the stronghold of MFIs, the mushrooming urban based micro and small businesses that generally have difficulty accessing startup as well as working capital from the conventional banking industry, have increasingly made up their urban clientele.

In fact, the operation of MFIs is currently firmly situated in urban areas marking a notable drift from earlier confinements in rural areas. Nowadays, 10Pct of the clients of MFIs are urbanites engaged in cottage industries, animal rearing and fattening as well as other micro and small business establishments.

Specialized Commercial Microfinance is one of the MFIs operating in the capital. One of its branches located on a nearly

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completed building at Shola Gebeya, in Yeka District, serves at least five new individual credit seekers and up to 10 group collateral requests per day, according to Wosene Girafie, branch manager. The institution, which started operation two years ago, provides credit only for businesses that have been in operation for at least six months and are in need of working capital. "The total credit disbursed by the institution has doubled to ETB10 million in 2018/19 from the previous year," explains Wosene. "Most of our clients are traders in active business and groups."

Currently, close to one million businesses operating in urban areas are clients of MFIs. Considering micro financing emerged in Ethiopia in the late 1990s, over a couple of decades after Muhammad Yunus first institutionalized it in Bangladesh in the 1970s, and the absence of MFIs in urban Ethiopia until 2010, the pro-poor business and development strategy of micro-banking is growing throughout Ethiopia.

It was as a result of the economic liberalisation introduced in 1994 that the Ethiopian government adopted micro finance as the main component of the economic growth policy. So, the government introduced a legal framework in 1996 that governs the activities of MFIs and helps them supply financial services to the poor in a sustainable manner.

Besides transforming from humanitarian-oriented organisations to financial institutions, MFIs showed remarkable progress in number, outreach, coverage and performance in the last two decades. Currently, some of the MFIs operating in Ethiopia are considered to be among the strongest self-sufficient MFIs in Africa with significant outreach in rural areas.

MFIs status

In September 2019, the number of MFIs operating in Ethiopia reached 40 while 15 more are in the pipeline. With 500 branches and 1,500 satellite offices, these MFIs serve close to 10 million people. Overall, the performance of MFIs operating in the country is encouraging as their total capital and total asset reached ETB16.6 billion and ETB83.5 billion respectively by the end 2018/19. Compared with the previous year, both total capital and assets of MFIs showed a staggering 20Pct increment.

In the same manner, the deposit mobilization and credit provision of MFIs is expanding remarkably. Compared to 2017/18, the deposit of MFIs surged by 26.1Pct and reached ETB41.9 billion while outstanding credit climbed by 30.5Pct to ETB58.7 billion, according to the National Bank of Ethiopia (NBE).

Amhara Credit and Saving Association (ACSI), one of the first five MFIs established in 1997, currently has capital and assets of ETB8 billion and ETB24 billion, respectively. Its deposits also stood at ETB19 billion while its has 1.4 million clients.

USD 16.6 billion — The total capital of MFIs

The biggest five micro finance institutions, namely: ACSI, Dedebit, Oromia, Omo and Addis micro finance institutions, dominate the sector by accounting 83.4Pct of the total capital and 88.1Pct of the total assets held by all MFIs as well as 87.7Pct of the credit disbursed by MFIs operating in Ethiopia until the end of the 2018/19 fiscal year.

"Our deposits and loan amount is increasing annually," says Mekonen Yelewwosen, general manager of ACSI and board chairperson of Association of the Ethiopian Micro Finance Institutions (AEMFIs).

ETB 83.5 billion — The total assets held by MFIs

The success of ACSI and other big MFIs is attributed partially to considerable government support. In addition to direct government subsidies, public owned MFIs do not pay dividend. So, their profit is added up to capital. As a result, the big MFIs managed to provide demand-driven financial services and become sustainable institutions that can cater to the huge unmet demand of small farmers and poor households as well as micro and small entrepreneurs. However, the proactive role of the government has its own disadvantage by severely distorting the market and crowding out small, young and privately owned MFIs.

Yemisrach Microfinance Institution is one of the private MFIs operating mainly in urban areas like Addis Ababa. It was established last year. "The business is not attractive nowadays," Teshome Yiheyes, general manager of Yemisrach told EBR. , "Credit repayment rate is slower due to economic slowdown and political unrest. But the demand for credit is very high especially in urban areas, where there is acute shortage of working capital."

Mekonen of ACSI also observed that there is liquidity problem and signs of stagnation in the industry. "This is mainly due to the absence of peace and stability, which deterred the flow of money and people in the country as well as economic slowdown, and absence of loanable cash in banks."

The disproportionate deposits and credit ratio is one of the major factors challenging especially young and small MFIs in Ethiopia. The source of two thirds of the credit disbursed by MFIs is mobilized from clients mostly micro, small and medium enterprises who deposit 20Pct of the loan they request. The rest of the credit is financed by concessional loans from commercial banks, program loans from NGOs and through government subsidies.

"Although the credit demand is high, we cannot provide more than ETB700, 000 per person, due to shortage of loanable money," says Wosene. Due to the scarcity of loanable fund, MFIs are forced to charge high interest rates. Currently, loan interest rates charged by the big MFIs, including ACSI, is between 10Pct and 15Pct while that of new, small and medium MFIs ranges between 24Pct and 36Pct.

"The interest rate at Specialized Microfinance Institution is between 20Pct and 30Pct," says Wosene. "This is because of shortage of loanable money."

The high interest rate is also pushing entrepreneurs from accessing finance from MFIs. After completing his engineering studies five years ago, the 26 year old Birhanu Neway had been unemployed until four months ago when he established a small business comprising of five youngsters. The business is engaged in finishing buildings, undertaking maintenance works and executing small constructions. After completing all the necessary paper work at his kebele in Sebeta town and depositing 20Pct of the total investment, he went to Oromia Credit and Saving Institution for a loan of ETB300, 000. However, he backed out of the deal after the money was approved.

"It is difficult to pay the credit with 15Pct interest starting from the first month. The interest is way higher than that of the 8Pct charged by the Youth Revolving Fund I approached primarily," said Birhanu.

The lending interest rate of MFIs is calculated using two methods. In flat rates, the interest is calculated on the principal amount of the loan. MFIs also calculate interest using reducing balance rate method on the outstanding loan amount on monthly basis. Since flat rate method can be complex especially during early and late payments, the NBE is currently finalizing a new directive that puts an end to calculating interest using the flat rate method.

On top of high transaction costs for clients, micro finance services for the low-income population are characterised by deposits mobilization strategy mainly based on compulsory savings. However, the range of products offered by MFIs has expanded slowly over time. For many years, group lending was the only financial product provided by MFIs. However, individual lending has been introduced recently. Some MFIs also started to engage in microinsurance and pension fund administration.

Teshome says raising deposits is critical to sustain lending. “Especially the small and medium institutions have been hit hard because they had nowhere to access finance.”

Mekonen agrees.“Saving is highly critical. We are going into an economic slowdown. If the poor saving culture continues, there will be no investment,” argues Mekonen.

Until four months ago, MFIs accessed loan fund from private banks due to the requirement that forces private banks buy 27Pct of bonds for every loan DBE disburses. This is no more the case since the government put an end to this practice. Director of Association of Ethiopian Micro Finance Institutions (AEMFI), Teshome Kebede, contends that the government needs to devise another policy tool to fill the gap. “The government could make it mandatory for banks to allocate 20Pct to 30Pct of their loan portfolio for micro and small enterprises (SMEs) as it is done in some countries. Then the banks can channel the amount through MFIs to borrowers.”

> **Especially the small and medium MFIs has been hit hard because they had nowhere to access finance.”**
>
> Teshome Yiheyes
> General Manager of Yemisrach Microfinance Institution

Unless enough loanable fund is available for MFIs, industry players warn their profitability and sustainability will be compromised. In terms of profit, Ethiopia’s MFIs are categorized into three. The first group is made up of small MFIs that have been operational for a few years with profits of only less than 5Pct of thier total asset, mainly due to narrow base and higher operating cost. The second group comprises of medium MFIs with profits of between 10Pct to 20Pct. The last group consists of old MFIs, which were established 20 years ago, whose profit stands between 20Pct and 40Pct. The five big MFIs, for instance, made profits of over half a billion birr each, last year.

Teshome argues profitability is determined by minimizing overhead cost. “When an MFI grows, its overhead cost automatically minimizes, due to the economics of scale. When the client base widens, the cost per branch or client gets smaller.”

Tekei Alemu (PhD), AEMFI advisor and economics lecturer at Addis Ababa University who specialized in micro-insurance, says MFIs still need policy instruments to access more loanable fund for them to stay profitable and address the chronic finance shortage. “Until MFIs came into being, small scale farmers and entrepreneurs in urban areas, mostly the youth, could not access loan from banks. This should not be the case again.”

The big leap

Despite the major problems facing MFIs, some of them are preparing to transform themselves into a bank by the end of the current fiscal year. ACSI is one of such MFIs. “When ACSI becomes a bank, it will have a mandatory MFI wing that serves its existing clients. Currently, ACSI’s equity level is comparable only with big commercial banks,” explains Mekonen.

Tekei, on the other hand, is against the transformation of MFIs into banks. “I am not sure if the rural modality can be widely successful in an urban setting. Urban clients need huge financing than farmers. Urban people are mobile, unlike the rural. So, MFIs will have to finance enterprises than people, if they choose to upgrade to banks.”

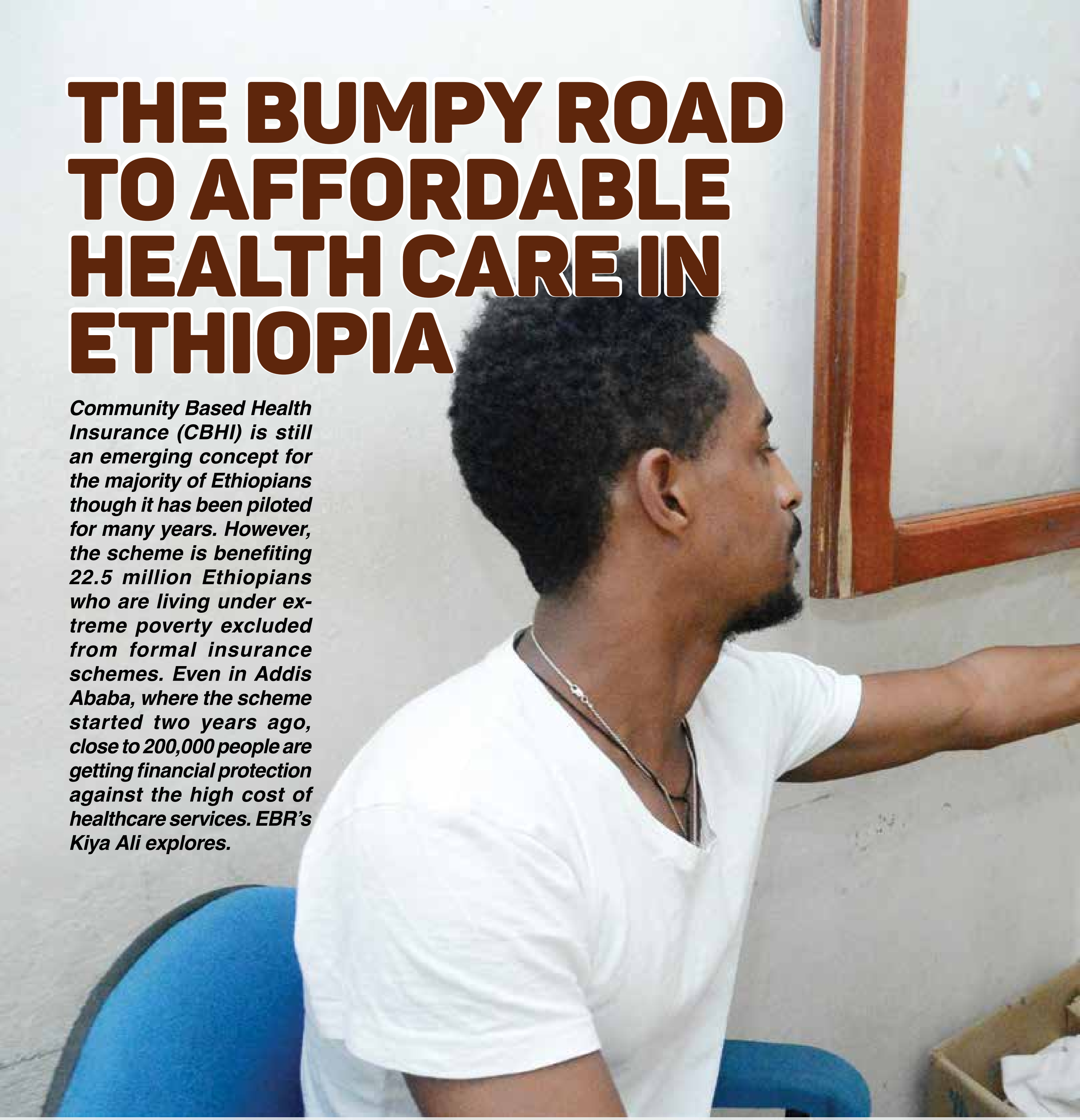
Tekei also thinks that the recent rush to transform MFIs to banks will affect the industry. “I believe the idea behind this move is to eradicate MFIs and leave the financial sector only for banks. MFIs are doing good in their current shape. The only difference with banks is that they cannot be involved in international trade. If MFIs were to be allowed to get involved in global trade, it would boost their performance and coverage without the need to transform them into banks.

The big MFIs are also currently investing in buildings and tangible properties, in addition to their efforts to transform to banks. “We are also finalizing a 34-storey building near the National Theatre to house our future bank,” said Mekonen.

Letenah Ejigu (PhD), finance lecturer at Bahir Dar University, does not agree with this ongoing trend. He thinks MFIs have to allocate more of their assets to productive uses such as disbursing loans rather than current assets or fixed assets. In his research entitled ‘Performance analysis of MFIs in Ethiopia’, Letenah argues that MFIs still have to work on outreach, particularly women. “Failure in outreach and shifting client base is a mistake and abandoning thier original mission. The midsized and small MFIs shall go for massive scaling up strategies as size has a clear impact on profitability and sustainability,” he noted.

To ensure the sustainability of their operation, MFIs are establishing a research and training center through AEMFI. The center conducts studies on challenges they are facing and modern financing as well as technology and digitalization. Core banking, which currently links 12 MFIs and can accommodate 25 when fully finalized, has already been kicked off. In addition, MFIs are expected to start agent and mobile banking in the near future.**EBR**

THE BUMPY ROAD TO AFFORDABLE HEALTH CARE IN ETHIOPIA



Community Based Health Insurance (CBHI) is still an emerging concept for the majority of Ethiopians though it has been piloted for many years. However, the scheme is benefiting 22.5 million Ethiopians who are living under extreme poverty excluded from formal insurance schemes. Even in Addis Ababa, where the scheme started two years ago, close to 200,000 people are getting financial protection against the high cost of healthcare services. EBR's Kiya Ali explores.

Aregash Amataw was born in Woldia town of Amhara regional state. Not attending formal education and leading a life of poverty have not been good enough reasons for Aregash to lose hope. To defeat poverty, she decided to come to Addis Ababa and started to work as a daily laborer five years ago. However, things didn't go as smoothly as she thought they would. In fact, there were days when Aregash did not have a proper meal as she could not afford it.

"In addition to poverty, I had to struggle with health problems," Aregash told EBR. She couldn't go to medical institutions because out-of-pocket health care spending remains unaffordable to a large majority of the population.

The worst was yet to come for Aregash. A year ago when she went to Woldia to visit her parents, she suddenly lost her consciousness and fell to the ground. "When I regained my consciousness, I decided to go to the nearby healthcare center," she remarked. "The doctor told me I had diabetes. That made regular medical checkup an obligation for me."

Initially when Aregash learned she needed to visit health centers regularly and take medicine for the rest of her life, she had no idea how she could afford it. Fortunately, it was during this moment that she heard about Community-Based Health Insurance (CBHI). "When I found out that I could get medical services at minimal cost, I didn't hesitate to register," she recalled.

CBHI was launched in Addis Ababa two years ago by the Ethiopian Health Insurance Agency (EHIA) after drawing the experience learned from the same service first introduced in 13 woredas in different parts of the country 10 years ago. In the 2018/19 fiscal year, CBHI service provision expanded into 657 woredas found in five regions and Addis Ababa. Currently, 22.5 million people are benefiting from this scheme nationwide.

It was in 2017 that CBHI started as a pilot project in 10 woredas found in each district of Addis Ababa. "Our main objective was to improve societal health care and increase social productivity; thereby supporting the economic growth of the country," general manager of Addis Ababa Health Insurance Agency, Birhanu Aika remarked.

Since the pilot project in 10 woredas proved to be feasible, the scheme was expanded into 40 additional woredas of Addis Ababa during the past fiscal year. Currently, 188,850 households in the capital are benefiting from the scheme.

The scheme is one of the major components of the health care financing reform started in Ethiopia since 1997 as part of the Health Sector Development Program with the aim of improving the country's health status. According to a research entitled 'Health Care Financing in Ethiopia: Implications on Access to Essential Medicines,' the health care system in Ethiopia is limited by overreliance on out-of-pocket payments and absence of health resources as well as inefficient and inequitable use of resources, which limit universal coverage of health care. Especially, ensuring access to affordable healthcare services has been a difficult task for the government.

In the last 10 years, Ethiopia's health sector has been dependent mainly on direct payment by households, which covers 40Pct of the national health expense. International donors cover 37Pct of the national health expenditure while the remaining is financed by the government. In addition, per capita health expenditure in Ethiopia climbed from USD16.1 in 2007 to close to USD30 in 2017 while the country's expenditure on drugs had been increasing annually by 28Pct on average in the past decade. These factors burden households with high out-of-pocket expenditures during the demand for medical treatment.

On top of these, less than one percent of the population has health insurance from both private and public insurance companies. Insurance companies do not sell health insurance separately. Rather, it is provided as a package with life insurance. The minimum amount that could be bought by an individual depends on the individual's age. For instance, for a 28 years old person, the minimum amount that insurance companies are paying as compensation in case of death is ETB100, 000. The individual should pay an average of ETB2, 000 per year. If the person wants to buy a life insurance that amounts more than ETB 100,000, the insurance companies will calculate the amount based on the rate set by NBE. This means, the majority of poor informal sector workers and rural self-employed residents in Ethiopia cannot access health related protection from insurance companies.

"For the last several years, unimproved healthcare services and financial burdens of healthcare have been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among the main issues for the people of Ethiopia, Mizan Kiros (MD), Director General of the Ethiopian Health Insurance Agency assessed.

To reverse this and protect citizens from high out-of-pocket expenditure for healthcare, the health insurance strategy was developed by the Ministry of Health (MoH) in May 2008 and the government embarked on health insurance schemes

Less than one percent of the population has health insurance.

such as CBHI for citizens engaged in the informal and agricultural sectors and Social Health Insurance (SHI) for people in the formal sector. SHI hasn't bear fruit as a result of low awareness among beneficiaries.

CBHI, which is health insurance that pools members' premium payments into a collective fund, is expanding. The beneficiaries of CBHI in the capital are broadly classified into two. The first group includes residents of the city who are found below the poverty line and used to get medical services for free at government hospitals and health posts. These people are currently included under CBHI without paying the premium amount. In the second group are included people in the informal sector that can pay the premium amount. The annual premium payment in Addis Ababa currently stands at ETB340 while in regions it is ETB240. In addition, beneficiaries pay ETB20 for registration.

The premium collected will be used to cover basic health care costs at local health centers when beneficiaries get sick. The insurance is even accepted at hospitals when beneficiaries are referred by lower level health facilities.

In Addis Ababa, the service is provided using 110 health institutions including 13 public hospitals operating in the capital. Although the government has no strategic plan regarding the number of people it should address per year as well as for the next five years, the number of beneficiaries is expected to increase in the future. However, there is no significant change on the number of new health infrastructure. So when more people become beneficiaries of community based health insurance, there will be a bit of pressure. To deal with this problem, noted Birhanu, the government is working on tracking the expected pressure by including it in the strategic plan they are designing.

After the implementation of CBHI, the number of people who are covering their medical expenses out-of-pocket is reducing," explained Abel Ayele, focal person

of CBHI at Zewditu memorial Hospital. Beneficiaries are allowed to get medical services such as outpatient treatment, palliative care, surgeries, diagnostic and maternity services coupled with the supply

ETB 340 **Premium payment of CBHI in Addis Ababa while in regions it is ETB240.**

of medicine in government hospitals. "In case beneficiaries don't get the medicine prescribed by the doctor at the pharmacy in the premises of the health institution, they can access it from the government owned Kenema pharmacies," Birhanu explained.

Although health care financing is still a challenge for Ethiopia, the implementation of CBHI gives hope for many people. "It will help bring equity among people in the country," remarked Sabit Ababor, Knowledge transfer director at the Ethiopian Public Health Institute. "It will also help switch from the major modes of financing, which are budget mobilized as tax revenue and from donors' assistance."

Although limited, studies conducted on willingness-to-pay reveal that significant amount of fund can be mobilized using the CBHI scheme. For instance, it is estimated that the amount of fund that can be mobilized using CBHI systems could be up to three times higher than the recurrent budget allocated by the government for the health sector.

Mizan recently announced to the media that CBHI beneficiaries were able to pay a total of ETB1.2 billion nationwide during the past fiscal year. Out of the total collected money from beneficiaries, ETB617 million has been paid to cover healthcare services cost for clients and their families. Government expenditure, in this regard, stood below ETB5 million. Similarly, ETB75 million has been collected in Addis Ababa from benificaries since the scheme was introduced two years ago.

According to Abel, however, there are also challenges faced by the hospitals providing the services. "At one time, the expense of Nifas Silk District reached ETB5 million. Since they didn't pay us the amount on time, we refrained from giving service to patients who come from Nifas Silk District. However, we have resolved this problem now," Abel says.

Tigist Mengiste, CBHI work process coordinator at Kirkos District, believes there might be a delay in payments. "If there is a delay on document submission from the hospitals and health centers, we can't settle the payment on time," she elaborates. Currently 9,552 people living in Kirkos District are registered. Out of this, 4,046 of them live under extreme poverty.

ETB 2,000 The minimum annual cost of health insurance in Ethiopia.

There are also complaints coming from the side of the beneficiaries such as being unable to get service in case of referrals. This can be corroborated by Aregash's experience. Although a health care center in Woldia wrote Aregash a referral to Menelik II Hospital last year, she was denied service. "Since I was very sick at that moment, I went to a private hospital despite having the privilege of accessing medical service under the CBHI scheme."

Seleshi Abayneh, head of Woreda 7 health office at Kirkos District, confirmed that they have received similar complaints regarding service provision from health care providers. "When we receive such complaints, we report the case to district officials and discuss the issue with them to curb the possibility of that happening again," he says.

On the other hand, Tigist argues that such problems exist in various private and government hospitals too. "So this is not necessarily related with the CBHI scheme. It is related with service provision efficiency of the hospitals operating in the country as a whole," she argued.


Mizan Kiros (MD)
Director General of the Ethiopian Health Insurance Agency

Solomon Yehualashet, deputy CEO of life and health insurance section at Ethio Life and General insurance company, suggests the involvement of private insurance companies as reinsurers in a bid to improve the efficiency of CBHI. "This will help expand the service provision by incorporating private hospitals," he notes.

Although Sabit worries about the sustainability of the scheme he agrees with Solomon. "Currently, the Ethiopian health care financing system depends on donation. If the donation is interrupted, there should be a way to ensure the sustainability of the CBHI scheme," Sabit concludes. **EBR**

ADDIS ABABA'S BABY STEPS TOWARDS URBAN AGRICULTURE

There are no options in sight for Addis Ababa's horizontal expansion now that border disputes with Oromia regional state have become one of the hottest political agenda in the country. This horizontally fixed landmass has, however, been receiving an unprecedented huge influx of rural urban migrants. With most of the city's farm lands used up for constructing residential areas, residents of Africa's capital are left to depend on regional states for the supply of agricultural products. EBR's Ashenafi Endale looks into the problem and the fresh efforts being taken to avert the situation.

Seven years ago, 40 years old Arega Mamo rented two hectares of land for ETB50,000 around the Hana Mariam area in Addis Ababa. Since then, he has been producing vegetables and fruits and supplying his produce to shops and supermarkets in the capital.

At first, many of Arega's friends were surprised when he started farming in Addis Ababa, where such practices are almost non-existent. However, the 40-year old farmer managed to double his yield within a few years managing higher productivity rates than his rural counterparts.

Arega remarked: "I managed to beat my competitors who have to travel hundreds of kilometers to sell their products in the capital." On average, Ethiopian farmers produce 36 to 40 quintals of tomato per hectare. However, Arega has managed to double that productivity rate by producing 80 quintals of tomato per hectare. "I produce three times per year, generating up to ETB400,000 annually," he stated.

Arega argues that the sector has received little attention despite its potential as a revenue generating business. He pointed out that some even work in fear and uncertainty of being closed by code enforcement officers.

A case in point is the experience of Solomon Aysa who produces 100 chicken and eggs in his three square metres room in Merkato, the largest open market in the capital. Solomon stated

that he has repeatedly been fined by the officers who threaten to close his business. He complained: "I get fined just because I produce chicken and eggs."

Addis Ababa has received a huge influx of rural migrants over the past decade. With the last population census conducted 13 years ago, population projections that put the figure at almost five million could prove to be wide off the mark. Residents of the city rely on external sources almost for everything. That has exposed them to inflationary pressure and even supply boycotts during the peak of political conflicts.

Small scale milk supply was the only internally fulfilled item until ten years ago. Since then, small scale dairy farmers have been pushed out of business as they succumbed to the enormous pressure of urbanization. Instead, milk has been supplied from surrounding towns. Meanwhile, the number of household farms slightly increased in Addis Ababa over the last five years. Urban agriculture in Addis Ababa includes not only vegetables and fruits but also animal fattening, poultry and dairy.

After plummeting significantly over the past decade, the number of small scale farmers in Addis Ababa now stands at 86,000. With the establishment of the Addis Ababa Urban Agriculture Commission seven months ago and subsequent efforts to promote urban agriculture, the decline in the number of small scale farmers might be abated. The absence of agricultural bureau at local government level in Addis Ababa left the city with no one to facilitate agricultural production, market space, finance, regulated input supply, trainings and tax breaks. As a result, there has been little interest to start urban agricultural business in the capital. The situation seems to have changed for the better since the Commission came into operation as production, market supply and training facilitation activities have started.

Urban plots can be 15 times more productive than rural holdings, yielding up to 20Kg food per square meter every year, according to FAO

A research conducted by Tsegaye Demissie et al reveals that the proportion of households that did not produce vegetables stood at 99.7Pct in Addis Ababa, while it is 94.9Pct in Afar and 94.2Pct in Dire Dawa.

In terms of the proportion of households that do not cultivate fruits, Addis Ababa again leads with 100Pct and it is followed by Dire Dawa with 95.3Pct and Afar with 92.9pct. As a result, Ethiopia is far from achieving the FAO/WHO recommendation of 400 gram of fruit and vegetables or five servings a day. This is mainly because Addis Ababa has been void of urban agriculture policy.

In fact, urban agriculture can be seen from the aspects of green city, balancing ecosystem, modern urbanization, job creation and food self-sufficiency. According to a 2019 study entitled 'Urban Agriculture: Another Way to Feed Cities,' by the Canadian Veolia Institute, over 70Pct of vegetables, 50pct of crop production and 24pct of the farmland in and surrounding Addis Ababa was lost in the short period between 2006 and 2011.

'Due to lack of appropriate government policy and strategy, the expansion of population is leading to loss of highly fertile farmland and green areas losing their valuable ecosystem services. As the population of Addis Ababa is expected to reach nine million by 2035 and horizontal increase is eminent, farmland areas will continue to decline due to the urbanization and expansion in industrial development,' states the study.

Meanwhile, ignored is vertical urban agriculture, a derivative of rural farming and urban complexities that end dependency on horizontal farming, which is not viable for urban areas economically and because of space constraints. Vertical farming is one of the fast expanding concepts in the human being's frantic efforts to reconnect modernization with organic nature. A part of urban agriculture, which also involves rearing animals, beekeeping, forestry, aquaculture and horticulture, such a practice maximizes space usage upward, just like buildings multiply space by building storey over storey.

Vertical farms can be implemented on building-based spaces, shipping containers, deep farming and even on spacecrafts. The types of plant varieties used also vary based on the consumption, yield, nutrition, weather resistance, energy use, environmental conservation, ecosystem balancing and other objectives.

Urban plots can be 15 times more productive than rural holdings, yielding up to 20Kg food per square meter every year, according to FAO, which supports cities to optimize policies and use urban land, catalyze urban economic activity, improve production, job creation and address food security.

Across the globe, cities are using vertical farming to ensure their food self-sufficiency and even earn some income from exports. Houston and Kigali along with cities in Turkey, Cuba, India, France, Korea, China and Singapore can be good examples. Korea produces even rice using hydroponic technology.

Addis Ababa, which even imports fruits and vegetables from some of these countries, is far behind the new trend. Rural urban migration and unemployment are very high in the capital. Almost no food is produced in Addis Ababa, despite the huge potential. Fresh and organic products of vegetables and fruits are needed by residents of Addis Ababa. For instance, Chinese leaf vegetables, strawberries and many more items that can simply be produced in Addis Ababa are in high demand.

However, Ethiopia has no policy on urban agriculture. Even Addis Ababa's master plan does not officially recognize agricultural plots except for a few green areas.

So far, Debrezeit, Holeta and Melkasa are the only research centers that have contributed significantly to urban agriculture. For instance, Bishoftu became a poultry hub following the '100 chicken program.' The town has become a leading example of urban agriculture both in crop and livestock, although the high rise building that are normally associated with urban agriculture are not visible yet.

"Addis Ababa totally relies on regional states for consumption. But there is potential for the capital to feed itself. Urban agriculture can also change the consumption culture towards organic and fresh products," noted Alemtsehay Paulos, Head of Addis Ababa Mayor's Office.

Beside the gaps in policy making and urban planning, comprehensive and commercialized technology supplies to boost urban agriculture in Addis Ababa are nonexistent. The authorities are also not providing proper incentives.

Melese Tola is an inventor and wood work instructor at Misrak Polytechnic. He has produced prototypes of a number of technologies that can be used in vertical farming, including one that accommodates over 50 plants on a movable, square meter area stacks. "It is not only lack of space or technology but also wrong attitude and lack of new ideas that make up the main challenges. Space is the main challenge in overpopulated cities like Addis Ababa. We are inventing technologies for all types of urban agriculture and making prototypes that can maximize the use

of space, water, soil and increase quality harvest," says Melese. He, however, noted that the absence of industries that can manufacture these prototypes in mass for the market is a major problem.

Yidnekachew Alem, founder and manager of Roter Beehive and Wood Work plc, agrees. "The demand for urban agricultural technologies is significantly increasing. Residents of the outskirts of Addis Ababa and regional states are becoming our clients. We produce various designs and technologies for urban bee hiving."

Waking up to the potential, the Addis Ababa city administration established the Farmers and Urban Agriculture Commission seven months ago. The Commission aims at reestablishing farmers affected by the expansion of Addis Ababa, in addition to its main objective of creating an agrarian Addis Ababa to end dependence on regions.

The commission has plans to establish urban agricultural parks for Addis Ababa that are similar to industrial parks. The urban agricultural parks aim at creating over 50,000 new jobs per year. The commission plans to use every green area, open corner, square, rooftop, restaurant, school, water pool, condominium, road, corridor, public space, institutional compound, road juncture, riverside buffer zone and every available space vertically and horizontally to produce vegetables and fruits.

A revolving fund is also put aside to start providing training and loan to those who want to join the sector. A new type of extension service for urban agriculture will also kick off soon.

"The rise in non-communicable diseases, like cancer and diabetes, are partly related with the rise in consumption of non-organic imported foods, which can be replaced by healthy ones through urban farming," remarked Fetiya Mohammed Commissioner of the Addis Ababa Farmers and Urban Agriculture Commission. She further stated: "From the existing situation, it is easy to understand that we cannot afford to own a capital city that is not self-reliant."

She passionately paints the picture of the Garden of Eden, heavenly town full of wine grapes and flowing with milk and honey when she talks of her commission's plan for Addis Ababa. "Addis has 27 rivers that will be cleaned under the Sheger Park Project. We can then use the segregated household waste for compost fertilizer and create urban agriculture value chains," she added.

Derese Teshome, Director of Technology Transfer and Researcher at the Ethiopian Institute of Agricultural Research (EIAR), also affirms the importance of urban agriculture in ensuring food security in Ethiopia's cities. "The dichotomization between rural and urban is ending. Ethiopia needs agricultural cities and modernized rural settings, not a clear cut urban and rural distinction. We are working with the Addis Ababa city government on urban agriculture and with the Oromia regional state on peri-urban agriculture for the surrounding towns of Addis Ababa," Derese noted.

Deresse pointed out that controlled urban agriculture has 180pct more yield than open farming in rural areas. Cognizant of this immense productivity, Deresse went on to explain, EIAR is planning to establish a budgeted huge agribusiness incubation center for Addis Ababa, where ideas are tested and financed. He stated that the center would incorporate testing laboratories, training facilities, business financing fund and loans, among others. Derese underscored the huge role of training centers when he remarked: "Without practical training centers, urban agriculture is just theory."

After recently helping the Ministry of Agriculture establish an urban agriculture department, EIAR is currently producing a number of policy documents for Addis Ababa's new Urban Agriculture Commission in collaboration with the Ministry of Urban Development. As an initial milestone, it is also assessing the potential of bole sub-city for urban agriculture. "It will be difficult to formulate policies, unless the potential of the whole of Addis Ababa is known. And unless urban agriculture is captured in policy, it will be an on-and-off initiative. Once the potential stocks are identified, urban agriculture will be changed to regulated business," Derese analyzed. He further explained that reorganizing existing urban farms and backing them up with technology, market chain, cooling systems and modern selling points will come after making it a regulated business.

Derese pointed out that Entoto mountain chain has a big potential in cultivating apple and other fruits. "The mountain chain extending from west Addis Ababa through ambo and down to the rift valley walls can be used to establish huge grape farms. There is also immense potential inside the capital as it can also create its own artificial lake," noted Derese.

Gedion Adenew, technical manager at Wossen Architects, agrees that urban agriculture is one of the lost potentials of Addis Ababa. He argues that the residential area that takes up a huge section of Addis Ababa's land is an ideal plot for urban agriculture. "Almost all of the rooftops of buildings in Addis Ababa are deserted. This is because Ethiopia, Addis Ababa city government in particular, does not have mandatory directives or incentives that make urban agriculture a component of urban architecture and construction," Gedion underscored. Speaking of his visit to China, Gedion pointed out that the rooftops in China feel like backyard gardens with a strong message to convey to Addis Ababa that urban agriculture does not need highly sophisticated technology. **EBR**

Financial Institutions Delving into the Surge in Trainings

In the current dynamic business environment where technology changes quickly and customer demand escalates, staff training plays a crucial role to increase productivity, improve efficiency and meet customer expectations. This is especially true for financial institutions operating in Ethiopia under dynamic and volatile business environment. To facilitate this, the National Bank of Ethiopia (NBE) in 2016 instructed banks and other financial institutions to spend two percent of their expenses, excluding capital expenditure, on human resource development. However, financial institutions failed to live up to expectations initially. In the 2017/18 fiscal year, seven banks failed to invest two percent of their expenditure that totally amounts close to ETB40 million on staff training. Through time, financial institutions began to realize the importance of training and started to give their employees frequent trainings. However, some still have doubts on the quality and efficiency of the training. EBR's Kiya Ali reports.

Rediet Melaku (name changed upon her request) is an employee of Enat Bank. She started working for the Bank three years ago. During that time, she has been able to participate in various technical, management and leadership related trainings. "I have benefited a lot from the trainings. The trainings have helped me adapt easily to the new working environment and the different technologies," Rediet noted. She also pointed out that the trainings have allowed her identify her strengths and weaknesses.

In the 2018/19 fiscal year alone, Enat Bank provided 35 trainings for its employees at a cost of six million birr. "Our bank is a service providing profit oriented organization. Therefore, we set a trend in the provision of excellent and inclusive banking services mainly by focusing on women's economic needs and taking advantage of state of the art technology, innovation and professional work force," Abeba Yohanes, division manager of Enat Bank, explained.

In today's dynamic and volatile business environment, staff training plays a significant role in increasing the efficiency and productivity of businesses. Studies indicate that staff training has a positive impact on the performance of businesses through increased productivity, reduced production costs, improved management skills, shared knowledge, curbing weak sides of employees' performance and increased motivation, among other benefits. In fact, the long run success of any organization depends on the quality of its employees. This is particularly true for service oriented industries operating in Ethiopia such as banks and insurance companies where the competition is mainly based on service quality which in turn depends on the quality of human resources.

The primary rationale behind providing staff training is filling the skill and knowledge gap of either fresh graduates or experienced employees. Graduates of accounting, economics or business administration make up the work force in banks and insurance companies. These disciplines provide only a glimpse of knowledge about the financial industry. On top of this, the quality of education provided by higher education institutions has been declining in recent years.

"The problem of education quality is very deep and critical; it involves almost the whole generation," Andualem Admasu, CEO of Higher Education Relevance and Quality Assurance Authority, noted. While underscoring the importance of trainings in augmenting problems of educational quality, Andualem pointed out "trainings would play a vital role as a quick remedial action to fill the huge knowledge gap."

"In addition, employees are human; so, most of them will have weaknesses or gaps in their professional skill," Abeba stated. She noted that staff trainings help to fill these gaps.

Addisu Haba, former President of Ethiopian Bankers' Association (EBA), stated that financial institutions operate in a dynamic and very competitive market environment in Ethiopia. He analyzed that skilled labor force is needed to survive in such a situation and meet the necessary standards. He noted that workforce training is an indispensable tool to reach to this optimal level.

This is why the National Bank of Ethiopia (NBE) instructed banks and other financial institutions in 2016 to spend two percent of their expenses, excluding capital expenditure, on human resource development. "NBE made training compulsory for financial institutions with the main objective of reducing lack of skilled manpower and staff turnover, which is a critical issue among banks," Addisu remarked.

Massive branch expansion, which is a primary mechanism used by existing banks to maintain and expand market share, is the other reason for the increased demand for skilled labor by banks. To staff the increasing number of branches with skilled labour, it is imperative that banks invest on staff training," Addisu stressed. He went on to say: "staff training will benefit the sector as a whole by helping to have capable and competent professionals. "

Despite the benefits, some banks failed to take NBE's instruction seriously and invest two percent of their expenses on human capital

development. In the 2017/18 fiscal year, seven banks failed to invest a combined sum of close to ETB40 million.

"After a serious discussion on the matter with our members, we decided to let the seven banks take the responsibility and invest the money on human resources development in their respective organizations," Addisu noted.

The National Bank of Ethiopia (NBE) instructed banks and other financial institutions in 2016 to spend two percent of their expenses, on human resource development.

"Subsequently, the NBE ordered the EBA to open and announce a bank account where the money will be deposited for later staff training by all, 18, members of the Association," Addisu recalled.

Andualem Hailu, a financial expert with almost two decades of experience, stated that even smaller banks have started to provide trainings in house and externally after NBE's measure. He conceded, however, that there are still areas that need improvement.

Deribie Asfaw, President of Cooperative Bank of Oromia (CBO), is adamant that the training they are providing their employees has brought tremendous benefits. "So far, we have observed and experienced the benefits of training. Among private banks, we stand tall in terms of our large number of customers," he said. CBO was crowned best interest free banking provider this year by the award committee of African Interest Free Banking and Finance Award. "The primary factor for our success is our human resources who have the required quality developed through trainings," Deribie added.

For Asseged Gebremedhin, deputy CEO of Global Insurance, the trainings are not efficient as financial institutions don't consider and evaluate the performance of their employees before organizing the trainings. He argued: "most of the trainings financial institutions provide to their employees didn't help them deal with emerging risks as they lack innovation and creativity." Asseged cited climate change, terrorism and political instability as some of the new risks for Ethiopia. However, he observed, they have not become the focus area of trainings for many insurance companies. He then concluded that the fact indicates that only a few organizations consider training as a strategic weapon and the impacts of many trainings remain insignificant.

Since banks and insurances sell intangible products, Asseged went on to argue, trainings should be well articulated towards selected products that a specific financial institution has competitive advantage over others. He believes that the usual trend would not make significant difference, further noting that trainings should be institutionalized.

Financial institutions operating in countries like Nigeria have E-learning portals that allow their employees take trainings based on self assessment of skill gap.

Frezer Ayalew, director of banks supervision directorate at NBE, agrees. Frezer stated that trainings to financial institutions would be institutionalized when the Ethiopian Institution of Financial Studies, which is now under the supervision of NBE, starts operation.

Addisu, former President of EBA, believes that banks and insurance companies could have minimized their cost without minimizing the number of trainings, had there been training centers that work on human capital development. He remarked that such a center would enable the companies conduct more trainings with same cost. "It is also very important to develop a curriculum after conducting a research. This will help address the right areas of knowledge and skill gaps of the workforce who are involved in the financial industry," Addisu added.

To increase the efficiency of human capital development endeavors, Asseged recommended their alignment with reward mechanisms like promotion and salary increment based on the performance of staff members after the training. Frezer, on the other hand, called for impact analysis of the trainings insisting financial institutions have to make sure that their training is result oriented.

For the trainings to meet their intended objectives and increase the efficiency of the organization, noted Andualem, every institution has to conduct performance analysis at department level and it should align with the vision, mission and growth strategy of the institutions. He also argued that the training should add value both to the individual and the organization. Andualem also believes that various training packages have to be prepared to make the training more efficient.

Learning from other successful countries will also help. Financial institutions operating in countries like Nigeria have E-learning portals that allow their employees take trainings voluntarily, on their own pace, and based on self assessment of skill gap. It is also correlated with key performance indicators of every employee. Taking two or more online courses is also used as a prerequisite for promotion. Andualem calls up on Ethiopian financial institutions to follow the same strategy by investing in technology and boosting the efficiency level of trainings provided for their employees.**EBR**

Livestock Insurance failure to take off

In developing countries like Ethiopia, where the majority of the population is small scale farmers and pastoralists, livestock and crop insurances play a vital role in minimizing the risk of climate shock and drought. However, livestock and crop insurance remains a luxury in Ethiopia. Even though livestock and crop insurance policies were introduced in Ethiopia 20 years ago by the state owned Ethiopian Insurance Corporation, the number of beneficiaries is insignificant. Currently, there are only three insurance companies that provide livestock and crop insurance in the country. The situation is getting worse when it comes to micro insurance since it still remains in pilot testing stage dependent on aid from foreign NGOs. EBR's Kiya Ali spoke with various stakeholders to shed light on the reasons behind.

46 years old Ereda Dobi, a father of nine, lives in Hamer woreda located in the South Western part of Ethiopia. The area is inhabited by pastoralists and agro-pastoralists that depend predominantly on livestock for their livelihood. The health of his cattle is one thing that consistently ticks Ereda's mind. However, things suddenly changed three years ago as he lost 120 of his cattle to climate shock.

"The incident has turned my life upside down. It has left me dependent on aid from a position of managing a household with 11 members," Ereda told EBR in frustration. Ereda is only one of numerous Ethiopians affected by climate change and drought. Climate shock that leads to drought is the most pervasive hazard encountered by many households in Ethiopia. Especially pastoralists like Ereda that live in different corners of the country are the most vulnerable for climate change.

Megerssa Miressa, director of Micro Insurance at Kifiya Financial Technology, pointed out that the damage of climate shock is not limited to individual farmers and pastoralists. "Its spillover effect will result in a big loss for the country because the majority of income and export earnings come from the agricultural sector," remarked Megerssa.

The agricultural sector is the foundation of the economic and social life of Ethiopians. It plays a significant role in the country's economy by constituting 33.3Pct of the country's gross domestic product (GDP) and generating employment opportunity for 80Pct of the population. Therefore, it is considered as a major priority area of the government for reducing poverty and achieving food security. Livestock is an integral part of the agricultural sector and Ethiopia has the largest livestock population in Africa with more than 100 million cattle, sheep and goat. Nevertheless, the contribution of the livestock sector for the economy remains low as it makes up only 19Pct of the country's GDP.

Despite its low contribution to GDP, rural inhabitants still continue to accumulate wealth in the form of livestock such as cattle. Since the livestock are not insured against disasters like climate change, drought or epidemics, however, farmers and pastoralists like Ereda are likely to lose everything they have. Death of livestock signifies a threat to the livelihood of pastoralists in lowland areas where there is limited access to finance to recover from the disaster.

To combat this problem, the Ethiopian Insurance Corporation (EIC) started providing livestock insurance 20 years ago. Currently, it has only 25 registered commercial farmers for livestock insurance.

In broader terms, agricultural insurance in Ethiopia is classified as crop and livestock insurance. Under crop insurance, there are three types of insurance

25 The number of commercial farmers who bought crop and livestock insurance from Ethiopian Insurance Corporation

schemes: multi period, index based and crop yield insurance. On the other hand, livestock insurance is categorized as traditional or common and shelf insurance. The beneficiaries of shelf insurance are mainly commercial farmers and those farmers with a minimum of 20 cattle in

Index based livestock insurance remains in pilot stage for more than 10 years.

the case of EIC and 10 cattle in the case of Nyala insurance. Yet, the number of clients is very small.

Teshome Deboch, senior agricultural surveyor at EIC, believes that people don't consider insurance as a risk management mechanism because they lack awareness. "Majority of the Ethiopians don't even have life insurance, let alone buying insurance for their cattle," he argues. "Even the insured dairy farmers have done so involuntarily. They buy insurance to fulfill the bank's prerequisite for loans and not with the understanding that it is a risk management mechanism."

Teshome believes that the lifestyle of the society and financial constraints lead people to consider insurance as a luxury rather than a risk minimization technique.

However, the reasons for low insurance subscription by large scale livestock owners are far from lack of awareness and financial constraints. "The price is affordable and we know the benefits of livestock insurance," says Tefera Hailu (PhD), general manager of Tefera Hailu Livestock and Meat Exporter. "Business slow down is the major factor that holds us back from buying livestock insurance."

Tefera stated that contraband accounts for 90Pct of the livestock export from Ethiopia. "This has greatly affected our business and decreased our income. Few years back, export earnings from livestock were more than ETB300 million. Currently, it is below ETB40 million. Thus, contraband is more risky for our business than other types of shock," Tefera explained.

The fact that livestock are not taken as collateral for loan is an additional factor that suppresses the interest of investors to buy livestock insurance. They prefer to shift the expenses for insurance to other efficiency and productivity related issues.

Solomon Zegeye, micro insurance business division manager at Nyala Insurance, believes lack of interest from insurance companies to invest more and expand livestock insurance is a major factor for the underdevelopment of the sector. "Insurance companies give priority for lucrative businesses and livestock insurance is not one of them. It requires dedication and effort to mobilize critical mass and the benefit will be seen after a long period of time," Solomon states.

Lack of availability of various packages is another factor raised by exporters and dairy farm owners for not buying insurance for their cattle. "Although livestock insurance has been in place for the last 20 years, the product is not still comprehensive. The situation is getting worse when it comes to micro insurance. It has been in pilot testing stage, sponsored by foreign NGOs, for the past 20 years," Fikru Tsegaye, Marketing and Strategic Team Leader of Ethiopian Re, stated.

In general, the Ethiopian insurance penetration rate is very low and its contribution to GDP is below one percent. According to Fikiru, the penetration rate of Ethiopian insurance companies as a whole (as an industry) is 0.43Pct. This is way below the world average of 8Pct.

Megerssa pointed out that the insurance sector is facing a number of challenges. "These include less/no customer centric product development skills, absence of linkage between micro insurance products and microfinance products beyond credit life insurance, capacity to pay of low-income people and absence of a distinct government body to oversight the sector."

However, the reason for the stagnation in index based insurance is different from the causes of poor performance of other types of livestock insurance. Index based livestock insurance requires the application of satellite to collect climate information and it is intended to protect pastoralists in remote areas. The satellites then assess the state of the grazing conditions in a certain region by measuring the color of the ground. Green indicates wet lands and is a sign of good condition while yellow is very dry and signals risk. If the data collected passes a certain threshold, the pastoralists would automatically receive a lump sum payment that would allow them provide feed, water, medicine and other essentials for their livestock. Such resilience mechanism has worked for different African countries. The Kenya Livestock Insurance Program (KLIP) is a case in point. KLIP was initially implemented in two areas of Kenya: at Wajir and Turkana. It quickly became successful. The scheme started as a pilot project in 2015 but now it has been scaled up across the whole country, benefiting many pastoralists. Furthermore, the scheme shifted from being fully donor dependent to be funded by the Kenyan government.

However, in the case of Ethiopia, livestock insurance in general and index based insurance in particular have failed to meet their intended objectives. Index based insurance has been in pilot stage for more than 10 years. “NGOs are making duplicative effort and it is performed in fragmented form,” Solomon assessed.

“Lack of precise forecasts and information delivery instruments is the major factor that makes index based insurance difficult,” explains Asefa Hailu, a climatologist and chief of party at Building Resilience and Adaptation to Climate and Disaster (BRACED), a program funded by the Department for International Development (DFID).

BRACED project was terminated last year after running for five years. While it was on operation, the project was implemented by Farm Africa and Mercy Corps and they were able to register 20,000 pastoralists and farmers in the state of Somali and 4,000 in the state of Afar under the subsidized livestock insurance program. The project provided ETB682, 661 for 1,250 pastoralists from six woredas in Afar following the drought that occurred in the area. Yet, after the termination of the project, no one was in place to take over the project and sustain it.

Similarly, Index Based Livestock Insurance has played a significant role particularly in Borena Zone of the state of Oromia where Oromia Insurance Company and International Livestock Research Institute (ILRI) launched the product since 2012. However, it is still donor dependent. Hence, Solomon concluded, lack of proper exit strategy by donors and absence of government involvement are additional reasons for the poor performance of index based insurance. “Moreover, absence of infrastructure, deficiency of smart subsidy approach, lack of proper market and distribution channels, poor saving habits of rural farmers, intensive farming approach and absence of medical history of livestock have forced the scheme to languish in pilot stage for years,” noted Robel Engida (MD), veterinary service coordinator at Hamer Woreda livestock and fishery resource office.

Health situation of livestock, types of feed and tag are among the major prerequisites requested by insurance companies to sell premium for livestock insurance. Compared to index based insurance scheme, which is suitable for small holder farmers, insurance for large scale farm is suitable and more convenient for insurance companies. Insurance companies are, however, having a hard time scaling up their accessibility for large scale farms rendering commercializing index based insurance even more unrealistic.

ETB
682,661

The amount of money provided to 1,250 pastoralists under the subsidized livestock insurance program

Among the type of insurance products incorporated in agricultural insurance, livestock insurance is the smallest amount and its contribution is below one percent,” Solomon confirms.

“Covering millions of pastoralists needs strong and long term collaboration between government, donor agencies and the private sector. Effective and efficient use of technology for awareness creation, underwrite, claim process and payouts need to be in place. It is also important to introduce livestock market structure so that the market system may subsidize premium payments and these needs blessings by the government body,” Megerssa suggested.

Stakeholders suggest effectively utilizing the opportunities presented by Micro Finance Institutions (MFIs) and cooperatives (direct potential customers for micro insurance products) to boost livestock insurance. Beyond these opportunities, Megerssa explained, further development of the industry will rely on establishment of new structure in the government body (apex body of Micro insurance). Solomon seconded Megerssa’s claim by stating: “government intervention and the establishment of a separate regulatory body independent from the National Bank of Ethiopia is needed to improve insurance accessibility.”

Due to low levels of liquidity in remote areas of the country where pastoralists live, pastoralists must often consider selling an animal in order to pay for the premium. As a result, industry insiders stress it is important to use smart subsidy approach. “Given the long-term nature of the required micro insurance infrastructure, it is critical to initiate the necessary processes as soon as possible,” Megerssa concludes.**EBR**

HIKING
RISING ABOVE THE CHALLENGES

There is a new found love for hiking in Addis Ababa. Suddenly, expats and Ethiopia's emerging middle class have started to gather themselves in groups and hike the mountains in and around Addis Ababa. The activity has picked up pace in the past few years and companies have now jumped in to tap into this growing business. EBR's Kiya Ali looks into the growth of the business and the challenges it is prevailing over.

For Rozina Fantu, a high school teacher, March 14, 2020 was like no other Saturday. She got up at 6 O'clock and walked the three kilometers from her home to a place in front of St. Estifanos Church, near Mesqel Square, to meet nine people she never met before.

Hiking has become popular among urbanites lately and Rozina is just another first timer who has caught the wave of the newly found enthusiasm in Ethiopia. Rozina paid ETB800 for Run Africa to travel and hike a mountain in Debrelibanos, 150km away from Addis Ababa. "It is a great experience. I have met new people and explored new areas that I was not familiar with," she remarked.

Touring is a luxury for Ethiopians as majority of the population lives in poverty and barely musters disposable income. Even in urban areas where the lion's shares of the country's middle income earning population lives, such an experience is uncom-

mon. Trips to churches and monasteries around the country are the only activities that come close to one day excursions or full-fledged domestic tours. The situation is, however, changing fast with hiking becoming a new form of local tourism for residents of Addis Ababa.

Rozina has embraced the trend. Although fond of travelling, hiking had never been under her to-do-list. With the number of tour operators offering hiking services increasing steadily, however, she now frequently travels in and outside of Addis for hiking. "It gave me an opportunity to discover new places in my hometown and explore small towns outside Addis," remarked Rozina.

Tourism makes a considerable section of the fast growing service sector in Ethiopia's economy. It contributes 9.4Pct of GDP and creates job opportunities for over 2.2 million people. However, the sector is still at its infancy. A lot needs to be done to promote local tourism and the latest craze, hiking, contributes positively in that regard.

Hiking has peculiar traits that make it stand out from other forms of tourism activities. The following account from Ed Steven, manager of Run Africa, is descriptive of the engaging nature of hiking. "Hiking is one of the most engaging methods of discovery. With both feet on the ground at walking pace, the hiker sees, feels, hears and smells all aspects of their surroundings - terrain, weather, flora, fauna, people and so on. The hiker is active, alert and stimulated, and the likelihood of interaction with local people is much greater than travelling by any other means. Hiking also brings an aspect of adventure and sports, which is a specific branch of tourism for a specific market segment."

Specialized businesses such as adventure and sports tourism are, however, yet to receive the critical mass that spurs their survival and development in Ethiopia. Although no concrete bureaucratic and regulatory changes have been observed, the newly found fascination of To P. 56 »

The Broken Strings of Yared School of Music

Yared School of Music is one of the oldest educational institutions in the country. The School has achieved a lot over its 74 years of service. Institutions that operate for such a long time mostly transcend to a higher level of excellence and push themselves further to explore the possibilities that could shape the future. However, the situation in Yared does not seem to adhere with that. EBR's Kiya Ali explores.

The hallways are filled with the melody of different tunes. Music stars of the future have just embarked on some of their first steps while others are deeply immersed into their music, trying to perfect their masterpiece. Meanwhile, those standing in groups discuss new trends and conjure possibly the best art piece in town.

This is Yared School of Music - the only higher education institution dedicated to music.

Established half a century ago, Yared is currently part of Addis Ababa University. Renowned composers, including the late Elias Melka, Ashenafi Kebede and Dagmawi Ali, are the products of Yared. Yared Music School has contributed immensely to the modernization of music industry in Ethiopia.

However, keeping up the momentum and catching up with the standards of the global contemporary music industry have proved to be daunting for Ethiopia's only higher education institution for music.

A case in point is the experience of Biruk Ephrem (name changed upon request), a second year guitar major student at Yared. Enthusiastic about becoming part of Ethiopian music, Biruk joined the school two years ago. Although his dream came true when he scored the cut-off point required to join the school,

he insists that his stay so far has been below his expectations. "The lessons are not based on market demand," complained Biruk. He assessed that more emphasis is given to classical music, which he believes is not popular and accepted amongst Ethiopians. "Despite the low demand for such genres in the market, I still pursue my education hoping it would set me on a solid musical foundation," Biruk stated.

Named after Ethiopia's sixth century spiritual musical legend and creator of Ethiopian music, St. Yared, the school was founded in 1946 by the then Ministry of Education and Fine Arts under the directorship of a polish violinist Alexander Kontorowhich.

St. Yared's musical works to praise God are still being used by the Ethiopian Orthodox Church. The religious nature of his work explains the school's initial location inside the church's theological college. But it was later moved to Haile Selassie I university (Addis Ababa university Sidest Kilo campus). The school did not have regular students until a dozen years after its establishment. It was following Emperor Haile Selassie's trip to Bulgaria and his visit of musical schools there that Yared became a formal music school.

The transformation became possible with donation of one baby grand piano, one concert piano and other musical instruments by the Bulgarian government that also helped design the school's curriculum. During its early years of foundation, Yared only provided music education for students from grade eight to grade 12. Later, the minimum entry grade was raised to Grade 10, which was parallel with formal education. Two years after EPRDF took power, in 1993, its curriculum was amended. Since then, only those who have completed Grade 12 and meet the cut-off point to join University have been allowed to join Yared, which also started its own entrance exam.

Yared has three objectives. The first one is to produce qualified musicians by providing the best possible music education. The other one is producing competent graduates that transfer their knowledge and skills to anyone interested in music. Its last objective is to provide education that would enable students preserve the music tradition of Ethiopians and their diverse culture. Achieving these objectives have not, however, been easy.

"As most students don't have much exposure before joining the music school, they start from scratch and graduate hastily before understanding and properly practicing what they have studied, says Dawit Yifru, a Composer and Board Chairperson of Ethiopian Musicians Association. He remarked: "The government compromised quality of education when it enforced a new rule that made taking common course for one year and completing another four years in music education prerequisites to graduate."

The number of students joining the school is very few considering its age. While only 1200 graduated from Yared Music School since it turned into a higher education institution 21 years ago, its annual intake capacity stands at a meager 50 students. "Not everyone can join Yared Music School. The expectation is that graduates of the school will teach others or open their own educational centers, although both of the options don't seem to be happening," Alemnesh Awol, Assistant Professor at Yared Music School explained.

Yeshumnesh Taye, Associate Dean of Yared, also admits that the music school is lagging behind considering its age. She justifies this with the absence of enough number of musical instruments. "Music

education is expensive and requires a hefty budget. Bearing this in mind, it is not surprising to see Yared not having a high intake capacity," Yeshumnesh says.

Not just in Ethiopia, but globally as well, music education is one of the most expensive disciplines to pursue. Getting some type of training or coaching is unaffordable for many even in developed countries, including the US and Canada. Nonetheless, the situation is not as worse as it is in Ethiopia where there is only one higher education center and a handful of schools that teach music.

A year ago, the Czech Embassy in Addis Ababa found out that Yared School of Music has many damaged instruments and extended its helping hand. Jaroslav Kohout, a renowned violinmaker in the Czech, came to Addis Ababa for three weeks to repair the school's string instruments – violins, violas and cellos. Together with a local professional in Yared School, the expert fully restored and thus brought back to life 36 string instruments.

Meanwhile, buying a new musical instrument remains an expensive ordeal. "A grand piano alone costs ETB1.5 million. Yared does not have the budget to buy the required musical instruments. So what we can do is reduce our intake capacity," says Yeshumnesh.

Yared is providing musical education under six sections, namely: string, wood wing, braced, piano, jazz and traditional music. It also has two streams: Classical Music and Jazz stream, a department which was set up in 2012. Providing the two in a full-fledged basis had not been easy, largely because of space and shortage of professional teachers. "These problems have also dragged the school back from improving quality of education and increasing its capacity," Alemnesh ponders. She further articulated: "most teachers also want to be part timers and tend to miss class as they travel a lot, further affecting the quality of education."

Even worse, teaching traditional music has become impossible because of lack of professionals. "As Yared is under the administration of Addis Ababa University, the school is only allowed to hire people who have gained skills and knowledge through formal education. Finding such a scholar in traditional music is impossible as people who specialize in the stream gather knowledge through practice, Yeshumnesh said.

As a result, the school only teaches Masinqo, a traditional single-string instrument used by the Azmari, and Kirar, a five or six-stringed traditional equivalent of the guitar. It is during musical workshops that students may get the chance to take pointers about playing the Washint, an end-blown wooden flute. Yeshumnesh thinks another problem is also on the horizon. "Applying the new education roadmap, which obliges the school to dedicate one year for common courses, is a blindfolded measure that adversely affects quality of education," she concluded. **EBR**

from P. 21

Some analysts suggest paying refundable money to consumers upon returning plastics can also activate the poor recycling culture in Africa. Trends from Europe show that a 10pct deposit results in 90pct return of plastic.

Recycling proved to be unsatisfactory in Ethiopia. “Recycling used plastics remains difficult and insignificant because plastic waste collectors earn highly discouraging amount of money. This is better only in water bottling as that has a better return,” manager of Damene Shewane Plastics Plc says.

For Yalemsew Habtew, Researcher at Chemical and Construction Inputs Industry Development Institute (CCIDI), recycling should not be an option now as the damage of plastic products has gone beyond the point of tolerance. He stated that some countries that have not banned single use plastics mandatorily hold plastic manufacturers to post their name, address and production detail on the plastic products. “The information provided constitutes expiry date and composition portions of recycled and virgin materials used to make it. The manufacturer is also responsible for its product recycling while it bears the responsibility if the plastic bag explodes while in use. This is not the trend in Ethiopia,” he remarked.

Yalemsew pointed out that the raw material used by domestic producers is not a virgin material as it has been recycled many times. “This imposes various health issues in Ethiopia, where people use plastic bags to carry consumable items like bread and injera. Legal plastic producers also don’t fully open up their activity to the government and consumer. Certification is also not enough,” insists Yalemsew who agrees in totally banning single use plastic products as regulating them is almost impossible. He, however, has reservations on the implementation of the bill as he thinks the strong institutions required for effective implementation are not there.

Tadesse adela, Director of Environmental Pollution Management and Regulation at the Environment, Forest, and Climate Change Research Institute, also agrees raising corruption as a notable obstacle to implement the ban. “I believe incentivizing plastic producers to shift to other business is extra generosity. If it is banned, they must stop production without any further negotiation,” he firmly stated. He added: “for instance, no institution negotiates on GMO since Ethiopia totally banned GMO. It must be similar for plastics.”

In Tadesse’s opinion, the plastic manufacturing sector is not significant enough economically. “The job creation is minimal. Its biggest impact is polluting the soil, water and consuming higher than its end use. Factories can shift to production of standard and regulated packaging products in industrial parks,” he adds.

Furthermore, Tadesse hopes banning plastics can even open another big opportunity for Ethiopia. “Ethiopia has huge potential in bamboo, which can be used to make bags. There are a number of alternatives for single use plastic bags, cups, straws, packages and others. We can also use traditional kacha, madaberia, zenbil, textile and bamboo, since they can be used more than once, and are decomposable,” he underscored.

Girma from Environment Commission gives hope to innovators who seek to introduce products that can replace single use plastics, like paper bags. “So far, very few industries like ‘Mitik’ have embarked on the endeavor,” he says. The finance for such businesses also comes from the ‘polluters pay’ that would be introduced for those that trespass against the proclamation. “For instance, agro-industries prefer plastics because glass bottles are unavailable. Therefore, they would pay polluters fee to compensate for the impact of their plastics on the environment. The fund will be used to finance innovational businesses that are engaged in producing environmentally safe products like paper bags,” concludes Girma.**EBR**

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However, none of the measures have fruitfully bridged the gap.

At policy level, no concrete step has been taken so far, although the government announced months ago that it would liberalize the exchange rate regime as a condition to access three billion dollars in three years from the International Monetary Fund (IMF). Accordingly, the NBE has started conducting a study to determine how and when to liberalize the exchange rate regime. “The study would determine whether the exchange rate regime should be liberalized totally or in some extent,” explained Habtamu.

In line with the homegrown economic reform agenda of Prime Minister Abiy Ahmed’s (PhD) administration, the NBE is currently revising all of the legal frameworks that are related to the issue. “The reform is also expected to allow microfinance institutions undertake remittance services, because they have wide coverage,” adds Habtamu.

Experts, however, stress that it is not only macro level reforms that can be a cure. Rather, measures should be taken sectorwise. One of the measures is introducing various incentive packages to encourage remittance senders and receivers use legal channels. “The government can introduce incentive packages for the Diaspora community. For instance, the government can put aside a certain amout from every USD100 sent from the Diaspora in Saudi Arabia. The money can then be used to ease and facilitate the working conditions of migrants residing in Saudi Arabia,” argues Ahmed. Another instance he pointed out was that deductions from a significant amount of remittance sent to a specific area can be used by the government to build health centers, schools, water supply or any other infrastructure in the area. Such measures might encourage residents of such areas prefer formal channels.

Ahmed argues encouraging and incentivizing money transfer operators is also necessary. CBO recently awarded top remittance agents because substantial amount of remittance is channeled to Ethiopia through them. Although the service fee is high, Ahmed argued, they are doing a crucial job channeling foreign exchange into the country and they deserve encouragement for that effort.

The other measure that should be taken by commercial banks operating in Ethiopia is to create more correspondent banking relationships and bilateral key exchange arrangements with banks operating in different parts of the globe. Experts argue this can boost the remittance sent via SWIFT network. Local banks have few correspondent bank agreements with other financial institutions abroad. This should be improved in order to increase the amount of remittance sent using SWIFT.

Habtamu pointed out the government is also analysing the option of allowing Ethiopian banks open branches abroad. The state owned Commercial Bank of Ethiopia (CBE) is the only bank allowed thus far to open branches outside of the country. **EBR**

The Struggle to Keep Heads Above Water

COVID-19 has steadily expanded its empire around the world, claiming all national territories as its victims. Although some of these nations suspended their sporting activities at different times, they have almost entirely succumbed to the anti-social traits of the virus. It has been weeks since sports competitions were suspended in Ethiopia. EBR's Abiy Wendifraw looks into the struggle to stay afloat in the country's athletics and football federations.

COVID-19 has steadily expanded its empire around the world, claiming all national territories as its victims. Although some of these nations suspended their sporting activities at different times, they have almost entirely succumbed to the anti-social traits of the virus. It has been weeks since sports competitions were suspended in Ethiopia. EBR's Abiy Wendifraw looks into the struggle to stay afloat in the country's athletics and football federations.

A few weeks back, Ethiopian Athletics Federation (EAF) and Ethiopian Football Federation (EFF) were busier than usual as they ran tournaments on top of the domestic competitions. EFF was working with Sport Commission and other organized committees to host the 70th FIFA Congress which was scheduled to take place in Addis Ababa in May 2020. At the same time, the country's governing body for athletics was working hard to stay in line with its hectic Olympic preparation schedule for Tokyo 2020. Both events have been called off because of the coronavirus pandemic.

That, however, was not the end. Following the first confirmed case of COVID-19 in the country, the Ethiopian government suspended all domestic sporting events. Subsequently, EFF sent almost 90Pct of its staff home.

"A lot changed in the country's football. It almost altered the whole administrative plan of our calendar year," says Bahiru Tilahun, acting secretary general of EFF. "All league competitions are halted for indefinite time after only half a season. We do not know when we are going to go back to the regular schedule. As our winter is due in six weeks, it would be difficult to finish the league unless we find a different solution."

The federation believes voiding the leagues without identifying the champions, the promoted and relegated teams should not be the first option. The officials rather seem concerned about the clubs, which they think are not responding well to the challenge. "Teams in the two lower leagues (National League and First League) were not active in the winter players' transfer window. Some act like there is no more competition. There might be uncertainties. But we expect them (clubs) to cope with it," says Bahiru.

Most of the clubs are already struggling to pay salaries as the stadium match day revenue dried. To make matters worse, some club sponsors are suspending their agreements fearing the potential economic impact of COVID-19 on their businesses.

The federation won't be spared from the financial debacle. Following CAF's suspension of all competitions including AFCON 2021 qualifiers, the match between the Ethiopian national team and its Niger counterpart was postponed. This came with its own cost. Walia Beer, the National team's major sponsor and a product of Heineken Breweries, suspended the four years sponsorship deal of ETB56 million which extends to 2022. Considering the details in the agreement, like the minimum number of games the national team plays a year, the federation admits the sponsor's decision "is understandable".

Despite the dire financial conditions the add-on effects of these developments must have subjected the Federation into, it contributed ETB500,000 to the national effort to fight the pandemic and

encouraged clubs and players to take their part in the fight against covid-19. Joining the public sensitization campaign on coronavirus using national team coaches and captains, and alerting the country's footballers to stay fit with indoor exercises are among the tasks EFF wants to engage in. "The executive committee of the federation will have a meeting with club officials, may be by teleconferencing, to decide on the fate of the leagues."

Although the headaches of the athletics federation are not similar to those of the football administering body, the biggest international competitions in the field such as the Olympics, world championships and almost all road races have been canceled or postponed. "This is huge," says Kidist Tadesse, a senior athletics medical expert and anti-doping focal person in EAF. "It affects the athletes and the country as a nation of athletics. Athletes miss out on a lot of things for not competing at these stages. Their performance and income will be affected. Competitions would keep them fit and in form. We should not forget their potential income from prizes and bonuses in the competitions as well. And as a nation, it steals our moment of pride and victory at the international stage."

The disappointment that comes with skipping big competitions might not be the end of the damage. In stark contrast to the widely held belief, there are reports indicating that athletes may not be more resistant to COVID-19 than ordinary people. According to global sport science experts, athletes may develop weak immunity when they are on strong trainings and competitions.

Kidist also pointed to their vulnerability to respiratory diseases. "Our athletes are known for their great endurance, which pushes their respiratory system to its limits. This is one reason why they should understand how the new corona virus could hit them hard," she underscored.

The concern seems to be shared by some of the top athletes in the country. Prior to the EAF's decision to postpone some of the local races, the 5000m Ethiopian champion, Tilahun Haile urged the federation suspend national competitions through his Facebook page. "Trainings and races exhaust us dearly. Our body cannot fight such a disease. Obviously, if we do not train hard, having competitions gives no sense," he said.

To show unwavering support to the athletes and low paid coaching staff, EAF distributed a little over ETB 4 million in cash along with some training kits. 'All 211 national team athletes and 56 coaches will be paid ETB 15,000 each to encourage them stay fit and motivated' reads the press release from the federation.

Now the team of professionals, medial doctors, athletics coaches, psychologists, nutritionists and anti-doping experts are coming together to sensitize thousands of athletes nationwide. "Since gathering athletes is impossible this time around, we are targeting Tv channels, radio programs and social media to push forth with the outreach. We are also joined by legendary athletes who won Olympic medals. Considering the strong team we have, I believe we can challenge athletes, coaches, managers and even the whole public to join the fight against the pandemic," remarked Kidist. **EBR**

Internationalizing the Crisis

Joseph E. Stiglitz is a Nobel laureate in economics, is University Professor at Columbia University and Chief Economist at the Roosevelt Institute.

As it spread from one country to another, the novel coronavirus paid no attention to national frontiers or "big, beautiful" border walls. Nor were the ensuing economic effects contained. As has been obvious since the outset, the COVID-19 pandemic is a global problem that demands a global solution.

In the world's advanced economies, compassion should be sufficient motivation to support a multilateral response. But global action is also a matter of self-interest. As long as the pandemic is still raging anywhere, it will pose a threat – both epidemiological and economic – everywhere.

The impact of COVID-19 on developing and emerging economies has only begun to reveal itself. There are good reasons to believe that these countries will ravaged far more by the pandemic than the advanced economies have been. After all, people in lower-income countries tend to live in closer proximity to one another. A higher share of the population suffers from pre-existing health problems that render them more vulnerable to the disease. And these countries' health systems are even less prepared to manage an epidemic than those of the advanced economies (which have hardly functioned smoothly).

A March 30 report from the United Nations Conference on Trade and Development offers an early glimpse of what lies in store for emerging and developing economies. The most successful of them rely on export-led growth, which will now collapse as the global economy contracts. Not surprisingly, global investment flows are also plummeting, as are commodity prices, indicating a tough road ahead for natural-resource exporters.

These developments are already being reflected in the yield spreads on developing countries' sovereign debt. Many governments will find it exceedingly difficult to roll over the debts coming due this year on reasonable terms, if at all.

Moreover, developing countries have fewer and harder choices about how to confront the pandemic. When people are living hand to mouth in the absence of adequate social protections, a loss of income could mean starvation. Yet these countries cannot replicate the US response, which features (so far) a two trillion dollars economic package that will blow up the fiscal deficit by some 10Pct of GDP (on top of a pre-pandemic deficit of 5Pct).

Following a virtual emergency summit on March 26, G20 leaders issued a communique committing "to do whatever it takes and to use all available policy tools to minimize the economic and social damage from the pandemic, restore global growth, maintain market stability, and strengthen resilience." To that end, at least two things can be done about the dire state of affairs in emerging and developing economies.

First, full use must be made of the International Monetary Fund's Special Drawing Rights, a form of "global money" that the institution was authorized to create at its founding. The SDR is an essential ingredient in the international monetary order that John Maynard Keynes advocated during the Bretton Woods Conference of 1944. The idea is that, because all countries will obviously want to protect their own citizens and economies during crises, the international community should have a tool for assisting the neediest countries without requiring national budgets to take a hit.

A standard SDR issuance – with some 40Pct of the SDRs going to developing and emerging economies – would make an enormous difference. But it would be even better if advanced economies like the United States donated or lent (on concessionary terms) their SDRs to a trust fund dedicated to helping poorer countries. One might expect that the countries providing this assistance will attach conditions, in particular, that the money not go to bailing out creditors.

It's also crucial that creditor countries help by announcing a stay on developing and emerging economies' debt service. To understand why this is so important, consider the US economy. Last month, the US Department of Housing and Urban Development anounced that there would be no foreclosures on federally insured mortgages for 60 days. In essence, this policy is part of a broader "stay" on the entire US economy as a response to the COVID-19 crisis. To P. 58 » from P. 48

urbanites with hiking is drawing a number of investors to delve into the business.

Among those is Run Africa, an organization that offers running packages and hiking tours in and around Addis Ababa for both locally based and visiting outdoor enthusiasts. Run Africa's local clients are expatriates living in Addis Ababa, tourists, conference visitors and young Ethiopians that make up the country's emerging middle class as well as those who appreciate fitness, explore their surroundings and have the knack for adventure.

"Ethiopia's emerging middle class is willing to spend on leisure activities. Many of them outgoing and adventurous, they make the ideal Run Africa customer. The affordability of hiking, coupled with the growing demand, is helping us thrive," Ed Steven said.

Addis Hiking is an informal organization established seven years ago by a travel fanatic, Biniam Sheriff. Although he started it as a part time activity, many have joined his ranks since. Social media networks, including facebook and Telegram, helped him promote his business. "We used to offer hiking every month. But lately, with the increase in demand, we organize hiking events three times a month," noted Biniam.

Although the fee depends on the distance of the destination, the payment for trips in and around Addis ranges from ETB200 to ETB400 per person. One day hiking trips to destinations over 150km away from Addis cost between ETB600 and ETB800 per person. For weekend camping trips, it is between ETB1,800 to 2,000 per person. Considering the price, it is undeniable that the business is profitable. EBR observed that some make net profits that go as high as ETB80, 000 after arranging a trip for 250 people almost 150km away from Addis.

Touring is a luxury for Ethiopians as majority of the population lives in poverty and barely musters disposable income.

Hiking companies have also become a source of income for hotels, food retailers and local communities. "We buy food items and bottled water from local communities," says Loza Abera, a Team Leader at Run Africa. She also pointed out that they also take visitors to museums.

Globally, hiking has been identified by many economies as a strategically important segment of tourism that can contribute a lot to community development. Tourism routes and hiking trails developments are being proposed in many parts of the world as tools to tourism, economic and community development. In ideal conditions, the local community acts as a tourist-service-point and provides home stay facilities or camp ground, food and beverage.

What is more concerning is the lack of standards and rules to regulate hiking businesses.

The existing situation in Ethiopia is, however, far from the above stated ideal scenario. A cumbersome bureaucracy discourages a significant proportion of those who want to get involved in tourism. The burden is shared by people who want to venture into hiking. For instance, in order to register as a tour operator in Ethiopia, there are numerous requirements, including owning a modern 4x4 vehicle and tents. "To date, Run Africa has successfully demonstrated that unique experiences can be organized without all of these equipment, and that tourism should be permitted to operate in a more diversified, flexible way," Steven argues.

The political unrest in the country is another challenge that hinders the growth of hiking habits. Another problem is absence of convenient payment facilities. "Especially for customers engaging with Run Africa from outside Ethiopia, it is a challenge to offer a method of payment which is easy and does not incur them additional fees. Facilities including online credit card payment and PayPal are not available in Ethiopia. For customers within Ethiopia, payment collection also presents a challenge, although the situation is steadily improving thanks to digital payment platforms such as CBE-Birr, M-Birr, HelloCash and Amole, which are gaining traction," Steven added.

What is more concerning is the lack of standards and rules to regulate hiking businesses. Using the existing loopholes as an opportunity, a group of youngsters nowadays form hiking groups and earn income without being licensed. In addition to posing unfair competition for formal businesses, such a practice exposes visitors to accidents as such groups don't have proper guides and professionals specialized in such services.

Meanwhile, Tourism Ethiopia is working on the construction of information centers at selected places and plans to finalize the formulation of national standards for hiking within a year. It also identified 20 places suitable for hiking. "We also encourage private and foreign investors to get involved in the sector as hiking is an important activity that complements physical fitness, helps build a healthy society and creates job opportunities," Director of Tourism Ethiopia, Sileshi Girma emphasized.**EBR**

What Might COVID-19's Legacy be?

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COVID-19 could trigger a global shift and therefore alter our 'normal' in the following ways. It potentially presents a new cultural hegemony that could threaten the current world order and economy. It also challenges current social aspects such as lifestyle, values and perceptions. The management of the pandemic has also shifted the narrative on leadership and crisis management acumen.

A shift in the global political economy

The world economy is organised politically around a neoliberal world order that is enabled by globalisation. A key indicator of globalisation is the interconnectedness of countries, beyond borders, on economic undertakings (Storey, 1999). The aspect of free trade and related transboundary economic transactions are fundamental characteristics of the world economy. However, the underlying features that propel the world economy are the shared liberal values and the dominance hegemons hold on the world order. These shared values are the intangible aspects that sustain the liberal world order and further its globalisation. COVID-19 could potentially disrupt globalisation and its premise of shared liberal values, which, in the long term, can affect the political consensus on the world order.

China, in the lead: The pre-COVID nature of the partnership African countries had with China, including Ethiopia, has been framed within the concept of South-South solidarity. The narrative on solidarity is part of China's effort to utilise its soft power to gain the trust of potential allies. According to Friedrichs (2019), China is anchoring its narrative as a friendly partner that sympathises and identifies with countries affected by colonial legacies. This narrative is intentional as it positions China as a better fit, more beneficial and more of an equal partner than a partnership with the West. This alternative narrative could now permanently displace the neoliberal 'Washington consensus' in favour of the 'Beijing Consensus'. African states could favour the Beijing alternative because it promotes modernisation, it is not politically intrusive or pushing for a one size fits all solution and provides room for trial and error which is empowering (Huang and Ding, 2006). The other factor linked to the growing appeal of China amongst African states is that it can serve as bargaining power with Western partners like the United States (Friedrichs, 2019). While the partnership with China can serve as good leverage and support for African states, China's active interest in Africa is one that centres on mutual benefits to advance its national interests and needs. Although at face value, it may seem African states needed China, China also needs African states which makes the relationship interdependent and symbiotic rather than a dependent one. The most critical impact of COVID-19 is its equalising nature, whereby pre-existing hegemony is being displaced by uncertainty, shared humanity and global empathy. This element will continue to shape any emerging world order.

A more polarised and interdependent world (pun intended)

The rise of 'PopSovism' has been an emerging phenomenon for the past decade. It is essentially a hybrid of Populism and sovereignty that promotes the importance of protection of a nation's borders and its people from the influence of outsiders. This premise has inadvertently resulted in the gradual resurgence of the prominence of national interest over and above international consensus and cooperation. This sentiment of protectionism and exclusivity is contrary to the borderless and fluid features of the liberal world order. The global economy, as well as diplomacy, is based on a broad operating canvas where the West looks for resources in the South and the South also gains from the West with the implicit acknowledgement of shared values that sustain capital accumulation and production. The resurgence of Populism challenges the free flow of resources and other movements unless it is to advance the national interest. Therefore, it is indicative of an inward and insular ideology that emphasises on the state rather than the external environment.

A potential impact and legacy of a post-COVID world could be a further rise in Populism whereby state interest will override multilateralism. The COVID response lockdown efforts, control over one's borders, restricted movements could result in long-lasting structured changes. These measures could challenge the role and mandate of international institutions that convene political and economic cooperation but will now be seen distrustfully by populists as undermining national interest and the power of the people. The reduced faith in international institutions and values could invalidate liberal democratic values by marginalising the universality of human rights, for example, the rights of immigrants and minorities. However, a resulting aspect could be reduced international military efforts by the likes of the United States as it will be perceived as a wasteful investment that needs to be redirected towards national priorities and needs.

While the possibility of a more polarised world could come about post-COVID, it could also implicitly trigger a rise in the consciousness of global unity and interdependence. The pandemic has served as the ultimate global equaliser where human-made borders and perceived differences have taken a back seat to humanity coming together to overcome a common challenge. This consensus can result in a renewed narrative from art and culture about resilience in humanity, solidarity and empathy. Some of the powerful images from Italy and NYC, where people are in shared worship and gratitude through songs from balconies bring to light our innate selves which are closer to God. This grace places turf wars and geopolitics in the back burner and brings the fundamentals to the front. Humanity first, politics last!

Back to Basics;

Socially this could mean a reorientation of values which could further discredit the 'imperial mode of living' which is symbolic of acquiring material gain and accumulation of capital and is culturally celebrated as the ultimate living standard. Perhaps the new post-COVID-19 lifestyle that will gain acclaim is the redefinition of the concept of 'value' and 'time'—mostly going back to basics and our authentic Ethiopia ways, valuing health over riches, time with family and community rather than long hours in the office. Moreover, hopefully, for our Ethiopia, this could mean more unity and less polarity. The virus does not discriminate, and that could serve as a spiritual trigger for solidarity, inclusiveness, tolerance and empathy.

Key learning which should be underlined as imperative is the political prioritisation of essential service provisions such as universal access to health, water and sanitation above any other political or economic priority. The lack of investment in the basics provides opportunistic vulnerability to external shocks such as COVID-19. The absence of the basics makes essentials such as hand washing and access to running water a privilege rather than a basic need. Although we have come a long way in the provision of essential services, we can gain from making it of the highest priority going forward.

Authentic leadership: Embracing vulnerability

After having listened to various speeches made by world leaders, in reaction to the pandemic, it is sensible to observe leadership matters at a time of crisis. The leaders who presented their most authentic selves seem to have the highest possibility of reach and impact. Again, back to basics! Watching politicians engage people without political rhetoric and on a direct and straightforward human level is quite powerful. This quality is also magnified in women leaders as they can now just be themselves, perhaps the patriarchy has been muted. It is also the case that male leaders have embraced what is traditionally stereotyped as female traits. This shift in narrative has given us insight into what an authentic leader is, one that embraces vulnerability. During panic and uncertainty, the ability to 'focus on what can be controlled' presents the highest chance for normalcy, especially with the backdrop being fear of what is still unknown.

It is fair to expect that COVID-19 will permanently shift the world. However, it is also important to realise that this phenomenon has provided a mute button on current norms. Amongst which includes the normalised destructive interaction between nature and society which has positioned nature at the disposal of humans while ignoring the symbiotic and intrinsic value of the ecosystem for human existence. This extractive relationship is closely aligned and reinforced by a globally accepted consumer-oriented lifestyle which is reinforced by a capitalist world order. Perhaps the future presents an opportunity whereby nature and society interact spiritually and respectfully, allowing the current generation hand over a more abundant, harmonised, resource-rich earth to future generations.

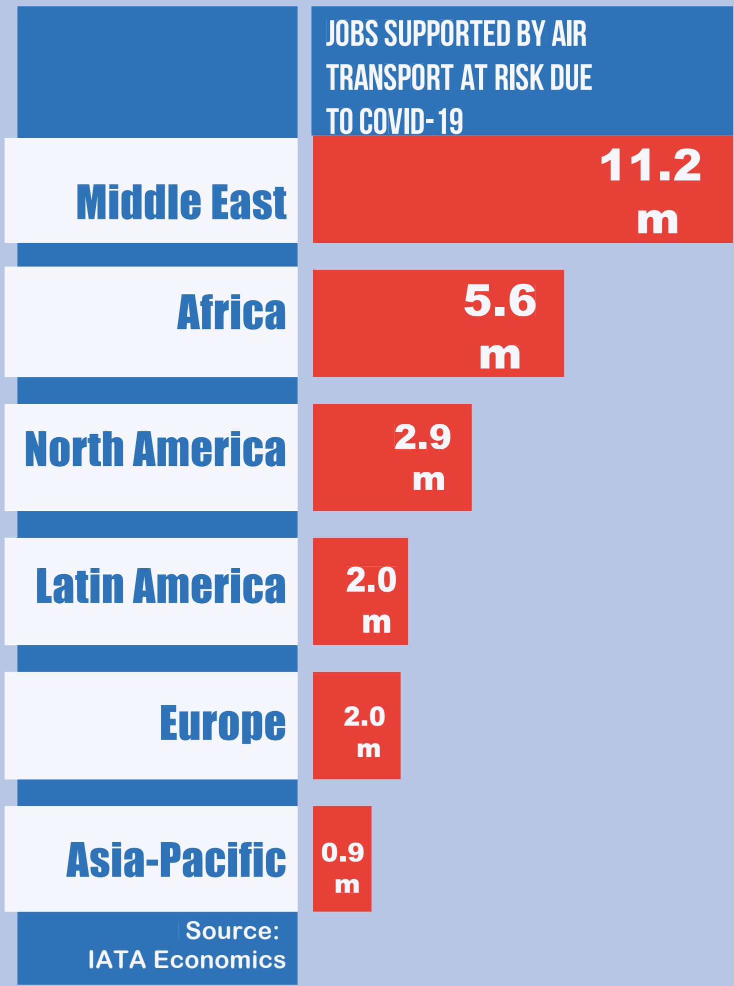
from P. 55

Workers are staying home, restaurants are staying closed, and airlines are all but shut down. Why should creditors be allowed to continue racking up returns, especially when the interest rates they charge should have already created a sufficient risk cushion? Unless creditors grant such a stay, many debtors will emerge from the crisis owing more than they can possibly repay.

Such stays are just as important internationally as they are domestically. Under current conditions, many countries simply cannot service their debts, which, in the absence of a global stay on repayment, could lead to massive, rolling defaults. In many developing and emerging economies, the government's only choice is either to funnel more income to foreign creditors or allow more of its citizens to die. Obviously, the latter will be unacceptable to most countries, so the real choice for the international community, then, is between an orderly or a disorderly stay, with the latter scenario inevitably resulting in severe turbulence and far-reaching costs to the global economy.

Of course, it would be even better if we had an institutionalized mechanism for restructuring sovereign debt. The international community tried to achieve that in 2015, when the United Nations General Assembly adopted a set of shared principles with overwhelming support. Unfortunately, that framework lacked the necessary buy-in from key creditor countries. It is probably too late to establish such a system now for use in the current crisis. But there will inevitably be more crises down the line, which means that sovereign-debt restructuring should be high on the agenda for the post-pandemic reckoning.

In John Donne's immortal words, "No man is an island …" Nor is any country – as the COVID-19 crisis has made abundantly clear. If only the international community would get its head out of the sand.



Note: these estimate are based on the full year 2020 impact assessment of a 38% decline in RPKs

The International Air Transport Association published a new analysis, which concluded that 25 million jobs are at risk because of the COVID-19 crisis. With the drastic fall in demand for air travel, airlines are reporting losses throughout the world. Ethiopian Airlines alone lost over USD550 million since the outbreak of the virus.

Some 65.5 million people are dependent on the aviation industry, including sectors such as travel and tourism. Of these, 2.7 million are airlines jobs.

IATA predicted that full-year demand for passenger air travel will decline by 38 percent globally, while passenger revenues would drop an estimated USD252 billion, 44Pct lower than that of 2019.**EBR**

Congratulations

EBR would like to congratulate its regular contributor, Fikru Tsegaye, Manager of Business Development and Corporate Affairs at Ethiopian Reinsurance Company for winning the “Emerging Personality in Takaful and Re-Takaful Award” from the Committee of African Interest Free Banking and Finance on February 18, 2020, at Skylight Hotel, Addis Ababa.

African Takaful and Re-takaful Awards Committee honors institutions and individuals whose research merits their consideration at the Global Takaful Awards. This year, the committee honored Fikru for the impacts he created and pivotal role he played in capacity building, attracting investors and most importantly developing a robust financial system fora vibrant economy at both national and continental levels.

Quote

"This is the defining global health crisis of our time. The days, weeks and months ahead will be a test of our resolve, a test of our trust in science, and a test of solidarity.

Tedros Adhanom (MD) (1965-Present)

He is Director-General of the World Health Organization.

From the Horse's Mouth

"Let's divert our energy from fear to collaboration."

Abiy Ahmed, Prime Minister of the Federal Democratic Republic of Ethiopia,

Tweeted this last month calling for collaboration to combat COVID-19.

"We are assuming this pandemic will be short-lived."

Eyob Tekalign, State Minister of Finance

Made this remark during a webinar on the economic impact of COVID-19 in Ethiopia. "According to the modelling we have done, the future impact of this crisis is worrisome."

The Number

USD 100 BILLION

The IMF has doubled its emergency lending capacity, raising it to $100bn to meet demand from countries needing financial aid as they grapple with the Coronavirus pandemic.