COVID-19's Economic Impact on Ethiopia
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Rising Up to a Bigger Challenge
David Phiri (PhD), Sub-Regional Coordinator, FAO

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Protect the Consumer Now!

Ethiopians are very familiar with unfair trade practices. For consumers, facing anti-trade competition practices from gouging to unfair pricing is very common practice in Ethiopia. In a day light, irresponsible retailers and wholesalers employ unfair pricing strategies. Whether during a period of surplus or at a time of shortage, hoarding items and creating artificial shortage to make bigger profits in a short period of time is the measure of smartness among retailers and wholesalers. Enjoying the cover of corrupt officials, a large number of traders pursue their extortionist schemes on the consumer with little, if any, concern about the law. Ethiopia, a country where over 25 million people live in poverty and another 15 million are in need of urgent assistance, is home to consumers that barely make ends meet. Quite a sizeable group of people could skip meals, if asked to pay more than they can afford.

The story is no different for informal workers who contribute over 40Pct of the country's GDP but are leading a miserable life because of the ballooning cost of living, including the ever-rising rent and food expenses. In a country where the production value chain is unpredictable and pricing is erratic, the consumer remains a prey. In Ethiopia, a business is not doing well unless it fetches 100pct profit at once. As a result, almost all business in the country is a form of piracy than a genuine, long term establishment. Entrepreneurship, invention and industrialization are repressed in an economy where piracy is upheld high.

It is undeniable that there is a huge supply side problem in Ethiopia, but this cannot be an excuse for the unfair pricing strategy regularly employed by irresponsible traders. Sales persons set the price of their goods depending on their perceived purchasing capacity of the customer. When pricing gets as exploitative as that, the call for protecting customers is too delayed. With the authority of setting price left to traders with no conscience, current trends would definitely lead to social unrest. The country cannot afford to entertain such unlawful acts at a time when inflation hit almost eight years high. Of course, in terms of laws and regulations, Ethiopia is not new to consumer protection and anti unfair competition laws. Before the government enacted the first integrated consumer protection law on June 8, 2010, the issue of consumer protection was addressed under different legislations. Later, in 2014, a new "Trade Competition and Consumer Protection Proclamation was enacted. However, the problem has exacerbated despite the introduction of these legal packages.

First, there is lack of cooperation and coordination amongst authorities that are tasked to protect the consumer from various unlawful practices. The lack of coordination and mandate overlap between authorities leaves some matters unattended by neither. It also leaves an authority toothless while another becomes overburdened with various cases.

The mandate and power clash between consumer protection authority, attorney general and anti-corruption needs legal clarity. Basically, consumer protection encompasses maintaining standards, pricing, competition, business mergers, patent, monopoly and contract administration, among other dimensions. Such complicated but interrelated tasks get more complicated, when there is no comprehensive authority and interfacing with the judiciary system and stakeholders. The legislative body and the council of Ministers also need to have a clean eye prior to formulating laws and crafting institutions. Of course, the establishment of the consumer protection authority would be critical, only if the legislative body could follow up and check up on the implementation of its very establishment proclamation.

The wellbeing of consumers and value for money in a changing production and marketing era can be ensured only through a strong consumer protection regime. The consumer needs information about distortions created in the process of digitization, liberalizations and the influx of fake products and services. Consumer protection regimes in developing countries like Ethiopia are usually compromised since the primary interest of the government is boosting production than maintaining standards. It should be noted similar regimes in other countries go as far as protecting citizens from nonorganic and second hand products. Protecting the consumer from unfair pricing and other unlawful acts is the least the government is expected to do.**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.

Ethiopia Exports More Coffee despite Global Trade Disruptions

Ethiopia's export earnings from coffee keep portraying unanticipated growth despite the impact of COVID-19 on global trade activities. The country exported USD96.5 million worth of coffee last month. This is 5Pct high compared to the same period last year. In terms of volume, close to 27,000 tons of coffee was exported during the same month, a 4.5Pct rise on exports during the same period the previous year. This is attributed to an increase in household consumption of coffee in Europe, coupled with the growth in demand for raw coffee in fear of future impacts of the coronavirus. Future contracts are also on the rise, which will allow the country export more coffee in the months ahead.

IMF Approves USD411 million Funding to Ethiopia

The International Monetary Fund approved USD411 million for Ethiopia, under the Rapid Financing Instrument, in order to help the country meet its 'urgent balance of payment needs stemming from the COVID-19 pandemic.' The Fund's Board approved Ethiopia's request for relief on debt service until October 13, 2020 of about USD12 million. This relief could be extended up to April 13, 2022, and will be subjected to the availability of resources. If the pandemic is not contained, warned the Fund, a fall in demand for exports combined with domestic containment measures will slow growth and weaken external and fiscal accounts.

AHA
ADDIS ABABA HOTEL OWNERS
TRADE SECTORAL ASSOCIATION

Occupancy of Hotels Dips Down to Just 2Pct

According to a survey by Addis Ababa Hotel Owners Association, hotel occupancy rates in Addis Ababa are now as low as two percent as coronavirus casts shadow over the hospitality industry. 88 members of the association decided to partially or fully stop operations. During the last fiscal year, the occupancy rate of hotels was around 64Pct. About 12Pct of hotels in the capital are currently being used as quarantine centers. As the rest face a huge decline in customers, the hotel industry in the capital lost USD35 million in revenues due to the virus. Unable to cope up with the loss they have been registering lately, some hotels have already started laying off their employees.

Ethiopian
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Ethiopian Turns to Cargo Services to Offset Revenue Losses

Ethiopian Airlines extended its cargo destinations from 56 to 75 globally since the COVID-19 crisis. The move comes as the aviation giant attempts to offset its loss in revenue from passengers. During March 2020 alone, Ethiopian transported a total uplift of over 45,848 tons of cargo to different parts of the world, deploying both its freighters and passenger fleet. The shipments include pharmaceuticals, medical supplies and healthcare products carried with 86 charter flights using B777 freighters, each with a capacity of 100 tons, in response to the COVID-19 pandemic.

The Ethiopian government is mobilizing USD2.2 billion from international and bilateral lenders to implement policy measures aimed at reducing the macroeconomic impacts of COVID19.

USD 2.2 billion

Businesses Given One Month Grace Period to Pay VAT

The Council of Ministers approved a decision to give one month grace period for businesses to report and settle VAT payments. Pension contributions payment period is also extended to July 8, 2020, although this is supposed to be settled every month. Businesses that made financial support to COVID-19 relief efforts of the government would enjoy a 20Pct tax relief during this fiscal year. Businesses unable to pay salary to their employees are allowed to use four months' income tax contributions of their staff..

Tax Revenues Grow amidst Pandemic Crisis

Ethiopia's federal government collected taxes worth ETB183 billion in the last nine months, achieving 96Pct of its target, despite fears it would fall because of the COVID-19 induced economic crisis. It is also 25.6Pct higher than that of the amount registered during the same period last year. The announcement comes at a time when the government expected a huge decline in its revenues due to business slowdown caused by the Coronavirus. The last quarter of the existing fiscal year is expected to witness a drop in government revenues due to tax relief supports given to businesses. It is predicted that the government would likely lose over ETB70 billion as a result.

Manufacturers to Get USD100 million to Import Raw materials

Ministry of Trade and Industry announced that USD100 million will be availed to manufacturers that are currently producing way below their production capacity due to raw material shortage. The move comes at a time when the government is rushing to buy food stocks as Coronavirus disrupts local and global supply chains. Numerous manufacturers partially stopped production due to raw material shortage. As global trade activities came to standstill because of the pandemic, importing inputs from abroad has become very difficult. Ethiopia imported USD15 billion worth of goods last fiscal year while export stood at USD2.6 billion.

Ethiopia Expects to Harvest 880,000 Quintals of Wheat in Lowland Areas

The government plans to harvest 880,000 quintals of wheat in lowland areas during the coming Meher Season. The expected yield is almost six times the amount harvested during the same period last year. The irrigation project, which is being implemented with the help of the Ethiopia Institute of Agricultural Research in lowland areas, including Awash, Shebelle and Omo, aspires to fully substitute imports of wheat within two years. This is expected to help the country save the USD710 million spent to import wheat annually and increase annual yield by 17 million quintals.

USD
2.09
billion

Ethiopia exported 2.09 billion worth of goods during the last nine months. The amount is 10Pct high compared to the same period last year.

Top 10

Fastest Growing Sub-Saharan Economies in 2020 after COVID-19

Rank	Sector	Growth Rate (in percent)
1	Uganda	3.5
2	Ethiopia	3.2
3	Senegal	3
4	Cote D'ivoire	2.7
5	Tanzania	2.0
6	Ghana	1.5
7	Mali	1.5
8	Kenya	1
9	Madagascar	0.4
10	Chad	-0.2

Source: International Monetary Fund

Economic growth in sub-Saharan region is projected to contract by 1.6Pct in 2020, according to the World Economic Outlook report published by the International Monetary Fund (IMF). The Fund, which earlier forecasted that the region's economy would grow by 3.1Pct, changed its previous estimates due to the economic disruption from the spread of the Coronavirus.

Nigeria, whose economy is forecasted to contract by 3.4Pct, is the biggest loser amongst SSA countries while Uganda is the least affected by the outbreak. The fund also adjusted its prediction for Ethiopia from 6.2Pct to 3.2Pct due to the impact of the virus on the economy of the East African country. This is also a huge decline from nine percent growth rate it registered last year. **EBR**

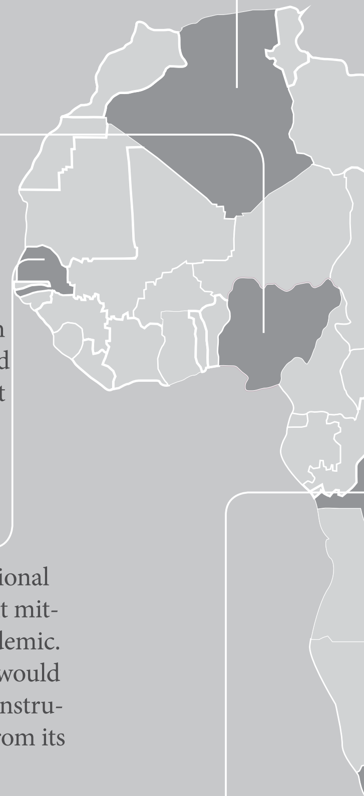
The following are a few of the biggest news stories that took place in Africa in the past month. The stories are sourced from the Bloomberg and Reuters.

IMF projects recession for Sub-Saharan Africa in 2020

Sub-Saharan Africa's gross domestic product is expected to contract 1.6Pct this year, compared to 3.1Pct growth last year, as the Coronavirus pandemic wrecks the region's economies, the International Monetary Fund said. Various African governments have imposed lockdowns and curfews to curb the spread of the Coronavirus but the restrictions are putting pressure on most economies — some of which were already in recession. The IMF also projected significant economic contractions in oil-exporting countries, with Nigeria's GDP forecast to fall 3.4Pct this year after growing 2.2Pct in 2019. Angola's economy was expected to remain in recession, contracting 1.4Pct in 2020. The IMF and the World Bank, with the latter also projecting a recession for sub-Saharan Africa in 2020 - are racing to provide emergency funds to African countries and others to combat the Coronavirus and mitigate the impact of sweeping shutdowns aiming at curbing its spread.

Algeria

Algeria has temporarily scrapped customs duties and value added tax (VAT) on imports of pharmaceutical products and medical equipment to help cope with a growing number of infections with the Coronavirus. Algeria has been importing most of its medical products from China since the outbreak of the virus, and the government said it would spend USD100 million on purchases of those products.



Nigeria

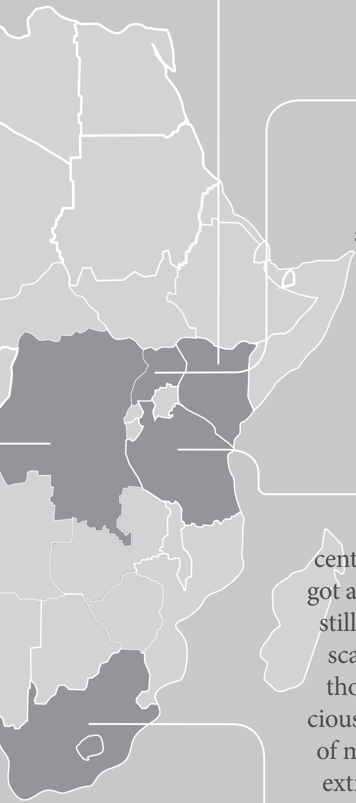
Nigeria's oil and gas exports are expected to decline by at least USD26.5 billion as the novel Coronavirus batters international prices and cuts fuel demand. Nigeria, Africa's largest oil exporter, told the IMF in a letter requesting emergency financial assistance that the drop in oil prices, which provide more than half of government revenue, and the economic shocks related to the pandemic left it with an external financing gap of USD14 billion.

Senegal

Senegal has wrapped up talks with the International Monetary Fund to secure USD221 million to help it mitigate the economic impact of the Coronavirus pandemic. Around USD147 million of the requested funding would be disbursed from the Fund's the Rapid Financing Instrument, with the remaining USD74 million coming from its Rapid Credit Facility.

Democratic Republic of Congo

A new state company set up by the Democratic Republic of Congo to manage the country's artisanally mined cobalt could seek a private partner if the state does not have the funds to purchase all production. DRC produces about 60Pct of the world's cobalt. Most of that is extracted by industrial operators like Glencore and China Molybdenum, with artisanal miners accounting for about a quarter of output.



Kenya

Kenya plans a 1.5Pct digital tax on the value of online transactions, according to proposals in the Finance Bill 2020, cashing in on a nascent industry taking off amid the Coronavirus pandemic. The government in East Africa's biggest economy will also start levying a minimum gross sales tax of 1Pct and proposes a minimum tax for all companies.

Uganda

The Eastern and Southern African Trade and Development Bank arranged a 300 million Euro (USD328 million) loan for the Ugandan government to help support its economy during the Coronavirus pandemic. The seven-year syndicated facility will help finance the development and infrastructure needs of Africa's top coffee exporter.

Tanzania

A new network of government-controlled trading centers was meant to ensure Tanzania's small-scale miners got a bigger share of the country's mineral wealth. But most still can't get a foot in the door. Entry to the 28 exchanges scattered around the East African nation is restricted to those who can afford the licenses needed to sell the precious metals, which at around USD44, is beyond the means of most small-scale miners who often run up debts just to extract gold and other precious metals from rented land.

South Africa

Anglo American Plc plans to exit its biggest thermal coal business within the next three years by spinning off its South African operations as the miner accelerates its retreat from the dirtiest fuel. Anglo has been increasingly vocal on its plans to stop mining thermal coal in the past year, but has so far given few details. In South Africa, Anglo owns four export mines, including a joint venture with Exxaro Resources Ltd., and has a 21Pct stake in Richards Bay Coal Terminal, the biggest export facility for the fuel on the continent.

Enel Seeks 50Pct Financial Partner for Africa Renewable Unit

Enel SpA is looking for a financial partner to buy as much as 50Pct of its African renewable business as the Italian energy giant looks to extend wind and solar power projects across the continent. The search for a company to form a joint venture started before the Coronavirus pandemic the regional economy and will continue regardless, a spokesman for the Rome-based utility said in an emailed response to questions. Enel Green Power currently has sites in South Africa, Morocco and Zambia as part of an international expansion that also includes investments in Asia. The Italian company is building its future around green energy, with plans to increase its renewable capacity to 60Pct by 2022. Enel is adding as much as 3.6 gigawatts of new capacity in recently accessed and new markets within the next two years, mainly in Africa and Asia, the spokesman said.

Skyrocketing Imports

Is it Coming to an End?

It has repeatedly been demonstrated that major international events have the ability to shift paradigms. The post-cold war period identified by the emergence of the United States as the sole super power with other regional hegemons roaming their localities pushed neoliberal policies to the forefront of intra and inter-state relations. With considerable external pressure to adhere to these neoliberal approaches along with the theory's revamped academic acceptance worldwide, states jumped on board. Accordingly, opening up markets and export promotion became widely accepted approaches. The Coronavirus pandemic has, however, shown that the hectic international trade practices centered on import and export in a highly globalized world have left states, both developed and underdeveloped, a long way from self-sufficiency. EBR's Ashenafi Endale looks into the impending rise of import substitution in a post-COVID-19 Ethiopia.

For Daniel Lemu, who runs men's boutique on Tito Street around the Kazanchis area in Addis Ababa, holidays are not just a source of joy and happiness but also of huge sales that make a significant section of his profit. However, the last Easter broke that tradition. "We used to make our biggest sales during Easter. Our latest experience, however, indicates that this is no longer the reality," says Daniel.

"Fears of an impending lockdown due to the Coronavirus pandemic weighed down on demand for clothes as consumers shifted their priority to food items. There was also no supply for almost a month and there is no alternative to substitute these items as local producers are banned from selling their products domestically," Import dependent businesses could not get supply because containers stranded at Djibouti port could not reach the central market in Ethiopia as the government imposed strict regulations at custom stations in fear of the spread of the virus.

Industries, Wholesalers and retailers dependent on imported inputs have been left between a rock and a hard place as COVID-19 brought international trade to a standstill. Many factories that import raw materials from abroad have stopped production. Orders for Ethiopian products, particularly from the European market, have been cut sharply after many countries imposed lockdown.

The severity of the circumstances has left Ethiopia with no option but to allow manufacturers sell their products locally. "We have allowed fully-export oriented domestic industries to sell their products in the domestic market since they are not exporting. Even if we exported using cargos, most of our client countries were under lockdown," said Abebe Abebayehu (PhD), Commissioner of Ethiopian Investment Commission. These

former exporters include textile, garment and leather industries located inside and outside industrial parks. Despite the attractive domestic market, these businesses have been showered with numerous export promotion incentives so they can export 80Pct to 100pct of their outputs.

The World Bank identified international trade as the most affected economic segment by COVID-19. The pandemic has slowed global trade by reducing international travels and disrupting global value chains. 'Sub-Saharan African countries are more vulnerable to the trade channel of transmission of COVID-19 on economic activity because of the region's linkages with the global economy through exports of commodities and connectivity with China (including commodities and GVCs).' The Bank urged developed countries to provide USD100 billion for SSA.

Especially Ethiopia, due to its policy of emphasizing export promotion over import substitution, has been heavily leaning on international trade for its daily economic activities ranging from consumption to mega projects and industries. Meanwhile, import substitution remained a missed opportunity in Ethiopia until Covid-19 came along. The pandemic has prompted countries to look inward and take a second look at the interconnected global economy.

Over the last five years, Ethiopia imported an average of USD20.5 billion worth of goods and services annually while its export was USD7.7 billion during the same period. Capital goods constitute 33.3Pct of the total USD15.1 billion imports of goods during 2018/19, of which industrial equipment constitute 70Pct. The National Bank of Ethiopia indicated that 25.9pct of the total import is from China while it is followed by the USA that makes up nine percent.

Ethiopia also imported consumer

goods worth USD4.3 billion, 24.4Pct of which is pharmaceuticals while the share of food items is 18.6Pct. This is excluding the contraband import that is not registered at customs. In the meantime, output from domestic industries is far from matching the rising demands. Industries have been utilizing below 50Pct of their capacity across sectors over the last couple of years due to the absence of raw material, shortage of foreign currency, power interruptions, bureaucracy, lack of operational capital and political instability.

Currently, for instance, 17 of 89 industries in the metal, engineering, and electronic sector are closed while the rest are operating under shift with low output due to COVID-19, according to Fite Bekele, Communications Director of Metal Industry Development Institute (MIDI). "This is devastating," he says. All the economic pockets Ethiopia has been relying on such as import, export, FDI, remittance and tourism drifted away when the pandemic made a landfall in the country.

The second most populous country in Africa with over 100 million people doesn't have sufficient production domestically, despite robust potential to change things around. The declining international trade during the pandemic has hit hard developing countries like Ethiopia that have been pursuing export promotion strategy, sidelining the need for import substitution. "Ethiopia would be devastated, if Djibouti declared total lockdown let alone the rest of the world," said Birhanu Gizaw (PhD), Senior Industrial Engineer at Addis Ababa Institute of Technology.

Import Substitution In the Face of Coronavirus

States took lessons from the Great Depression, Second World War, and the 2008 economic crises, all of which pushed them to adopt inward looking economic policies including import substitution industrialization (ISI). Import substitution starts from producing consumer goods locally and finalizes by establishing heavy industries. State protection of local industries against flooding of imported cheap products is also another requirement to pursue ISI.

Import substitution is largely a post second world war phenomenon that is also related with the end of colonialism in Africa in the 1960s. Colonial powers refrained from installing industries in Africa as they viewed it as a source of raw material and market for their manufactured products. The legacy has been kept alive by neoliberals under globalization. Some countries like Tanzania, Zambia and Nigeria explicitly introduced import substitution policies in the 1960s. However, their failure to replicate the success of Latin American and Asian countries is still up for debate and research. Many developing countries, at their early stage of development, adopted import substitution policies in order to improve standards of living and enhance output growth.

Globally, however, most of the countries that started import substitution industrialization in the 1960s gradually became competitive globally after addressing their domestic market, championing the strategy as a nationalist capitalist model of development. For instance, China still provides protection for domestic businesses even after joining the WTO. Other developing countries in Asia also adopted the same strategy in order to free themselves from the influence of industrialized countries and pave the way for efficiency gains based on local technological development.

Shortage of forex is also another pushing factor for countries to adopt import substitution, which is seen as a strategy to narrow trade gap by encouraging domestic production. Although doing so had not been simple because of technological constraints and limited supply of strategic resources, it remained as a tool to reduce reliance on global trade and protect the domestic economy.

With the Coronavirus disrupting global economic activities, import substitution is once again becoming a hot button issue amongst scholars, politicians and policy makers. In fact, experts argue that the outbreak is likely to have a lasting impact on global trade activities.

Coupled with other trends that were already undermining globalization, the pandemic has led to the fragmentation of international supply chains while limiting the mobility of global business travelers. While this is a big win for nationalists who favor more protectionist policies, it also exposed the risk of dependency by underscoring the pitfalls of China as the dominant global manufacturer.

Import substitution, hence, is believed to be instrumental in reducing dependence on markets abroad through local production of goods, especially basic necessities. For instance, India's government tightened its policy on foreign direct investment (FDI) in order to prevent "opportunistic takeovers" of local companies and protect the domestic economy from foreign competition in the face of Coronavirus driven economic crisis.

The pandemic has prompted countries to look inward and take a second look at the interconnected global economy.

"We will see a further retreat from hyper globalization, as citizens look to national governments to protect them and as states and firms seek to reduce future vulnerabilities," said Stephen M. Walt, an American professor of international affairs at Harvard University.

Nonetheless, even though looking inward may seem as the best tool to conserve foreign exchange, it does not always yield positive out-come. Countries that practice import substitution may end up adopting trade protection policies and overvalued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currency, which would result in a surge in domestic prices and a decline in export.

Where is Ethiopia?

Import substitution is not new to Ethiopia. As the forex crisis that the nation has been facing stems from its high import bills, there have been many half-hearted attempts to make the country self-reliant. The country still imports from toothpicks to wheat and refined petroleum products. Familiarization of customers with these products generates more demand, in turn creating a huge demand for forex and depreciating the birr. Mustering one of the lowest forex reserves that do not even cover a month of imports, the country's heavy utilization of imported products has resulted in a dearth in external reserves.

Excessive import also killed the country's manufacturing industry by flushing the market with cheap imports that could have been produced locally. A better performing manufacturing sector with growing contribution to GDP would also pave the way for more people to get employment. By embracing export promotion before a significant import substitution scheme came to maturity, Ethiopia abandoned its domestic businesses with barely any nurture and protection. Especially, Horn of African countries, as many new emerging economies of the post 1980s, gave little attention to import substitution due to the dominating 'Washington consensus' prescription.

Ethiopia's intensive export promotion policy put manufacturers in a precarious position as the primary fell on generating forex than raising productivity internally. Mohamad Yusuf, CEO of Addis-Modjo Edible oil Factory, attests. "Raw materials like sesame are exported for higher prices. If we were to buy at that price and produce edible oil, the overhead cost and end price would double, rendering the product unaffordable for the average population," says Mohammed. "Government also subsidized the import of substandard palm oil for cheap; this has given monopoly for few handpicked companies. The whole situation killed the domestic industries."

Isaysas Kebede, CEO of Ethio-Agriceft, says Ethiopia must first focus on self-sufficiency through agricultural modernization to address food security. He pointed out: "Especially at a time when the world is under pressure from COVID-19, it is nearly impossible to receive aid and support from the international community. We must create systems and technologies that make us self-sufficient at any time." Agriculture has not been modernized to produce surplus so that it can address consumption and feed industries. The industries established under the two Growth and Transformation Plans (GTPs) are, therefore, heavily reliant on imported raw materials. The paradox here is that Ethiopia does not have industries for surplus commodities like sesame and coffee while there are industries for scarce commodities like cotton. For years, Ethiopia has been exporting raw oilseeds and importing unhealthy palm oil.

Industries, especially industrial parks, are idle either due to lack of inputs or the foreign currency to import them. This grave failure is a result of resource and capital misallocation. Four agro-industry parks have already been established with more in the pipeline. A number of edible oil companies have joined the parks with plans to import the crude and refine it here. A local edible oil company owned by the renowned businessman, Belayneh Kinde, is also expected to start producing edible oil this year using domestic raw materials. The federal government has also started a scheme to produce wheat in lowland parts of the country. This is expected to save the half a billion dollars spent to procure wheat from abroad every year.

For Birhanu, Ethiopia remains net importer mainly due to lack of basic survival insights. Sharing his experience with Jima and Addis Ababa universities, he explained about the methods he used to locally manufacture medical equipment such as portable X-ray, sterilizer, thermometer, ventilators, those for blood test and many types of equipment essential for every clinic and hospital to treat COVID-19. "It is really simple to locally produce these equipment imported by the government for huge sums of foreign currency. I also proposed to make many types of equipment needed to fight COVID-19," he says. Birhanu sadly explained that the ETB30 million loan the Development Bank of Ethiopia promised him after impressing the universities has been revoked as the bank claimed to have not found sufficient grounds for profit making. He further noted that the problem is similar in large and heavy industries that make up the second tier in import substitution industrialization, next to agriculture.

Mathewos Asele, CEO of Kaliti Metal Factory, notes that the absence of focus on import substitution has been felt long before COVID-19. Kalitit Metal Factors produces spare parts and assembles trucks besides producing construction and agricultural materials. "We can import billet and process it here but the imported products are cheaper. We tried to export locally made metal products to neighboring markets but our prices could not be competitive because we import the raw material and process it here, which escalates our cost of production," he says.

Tilahun Abay, Planning Director of the Metal Industry Development Institute

The declining international trade hit hard developing countries like Ethiopia that have been pursuing export promotion strategy, sidelining the need for import substitution.

(MIDI), says the metal and metal products sector is the most affected sector due to absence of import substitution policy. "We imported basic metals, engineering products, electronics and machineries worth USD50 billion over the last decade alone. Without metal and chemical industries that make up its backbone, an economy cannot be broad based and sustainable," he says.

Experts in the sector indicate that the two main methods of iron use in Ethiopia call for local iron ore extraction and processing imported iron ore locally. The latter is considered more viable to build capacity before going to local extraction. Tilahun suggested the government consider both in the ten years Homegrown Economic Strategy. Currently, a South Korean company is undertaking feasibility study for importing and processing iron ore in addition to assessment for extraction, which involved AAU and other governmental institutions.

Tilahun further noted that the government must mobilize the resources at its disposal along with joint ventures with the private sector and FDI to establish a heavy industry. He is adamant that it is only then that Ethiopia can replace the huge foreign currency going to import. He also noted that domestic industries also need protection in order to substitute import, pointing out that mobile assemblers and roof sheet producers are almost leaving the industry due to cheap and substandard products that are being distributed by contrabandists.

Ethiopia's industrialization efforts in the contemporary economy can be seen from the perspectives of policy making, implementing institutional capacity and industry-market nexus. The Agricultural Development Led Industrialization strategy Ethiopia introduced in 1993 has been an overarching guide. It focused on modernizing and transforming the agriculture so it can provide surplus production. The first GTP was launched in 2010 to use agricultural surplus production as an input to the industrial sector. Accordingly, emphasis was given to textile, garment, apparel and leather. The GTP editions, which targeted achieving middle income status by 2025, primarily targeted boosting exports of these items. However, Ethiopia's average share of imports to GDP over the decade stood at 27.4pct while export lagged at 10.7Pct.

"Relying on global trade might be recommended when the importing country wants to dismantle and assemble in order to imitate and copy a new technology as a way of knowledge transfer by reverse engineering. But importing that product all the time shows lack of policy direction," remarked Birhanu. "For instance, none of the advisors around the PM and leaders of the country have technology background. Creativity cannot emerge where everything is politicized," added Birhanu.

The core assumptions of Ethiopia's 2002 Industrial Development Strategy (IDS) are upholding free market and limiting government support for domestic industry to help them become internationally competitive. ADLI, IDS and the GTPs focus on capitalizing on labor intensive industries with the aim of making Ethiopia competitive in the international market using cheap labor as comparative advantage.

The strategic directions of the manufacturing sub-sector during GTP two are 'laying the basis for structural change; building labor-intensive light manufacturing industries that are globally competitive in terms of productivity, quality and price; transforming the medium and large manufacturing industries so that they become a reliable source of foreign exchange; and building the industrial engineering and technological capacity of the country.' The objective was making Ethiopia the leading light industries manufacturing hub in Africa and among the leading countries on the globe by 2025. The share of manufacturing to GDP was planned to reach 18pct by 2025.

However, it overlooked the fact that the growing domestic demand indirectly flamed imports and stripped domestic industries off the protection they need. Even worse, the export primarily included raw agricultural commodities neglecting domestic value addition. In addition to the failure of domestic exporters to compete internationally, the strategy is also exposed to international price fluctuations, trade wars and unexpected scenarios like Covid-19.

Two fundamental industrial policy making flaws and why ADLI, IDS and the GTP editions failed

The first fact is that Ethiopia fulfils the criteria of 'import substitution strategy' rather than 'export promotion'. The large population, growing market size and emerging middle class consumer should be ideal for domestic industries. A bulging demand cannot always be addressed by imports. This approach depicts Ethiopia as a country suitable for import substitution with potential to gradually become exporter after addressing domestic demand. Secondly, embracing the notion of free market just to appease western political allies and donors has severely exposed domestic industries to cheap imports and contraband. Ethiopia is almost net importer as it has no industrial output to export in exchange. OECD countries only buy organic agricultural products and raw materials from Ethiopia.

The only advantage Ethiopia gains through the export promotion strategy is that it can benefit from cheap labor and FDI. Particularly light Chinese industries that seek to combine the two would be attracted through the approach. There is no

Excessive import killed the country's manufacturing industry by flushing the market with cheap imports that could have been produced locally.


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viable justification for Ethiopia to adopt export promotion approach except the need for foreign currency. As has been proven so far, the foreign currency contribution of the approach is insignificant. Every incentive to draw investment and boost exports, including developing state of the art industrial parks under heavy debt, is geared towards generating foreign currency. However, that is not a lasting solution for the country's demands. Foreign currency shortages can be addressed through the use of other sources like remittance and tools like adopting floating foreign currency regime. However, ignoring import substitution does little, if anything, to boost access to foreign currency as empirical evidence suggests.

Of course the 'Washington consensus institutions (IMF, WB) argue developing countries would have been better developed, had they fully adopted the neoliberal policy prescription rather than wrestling with it. However, evidence suggests that the policy misjudgment of these institutions was the reason behind the Asian currency crisis of 1997, the Argentine economic crisis of 1999 and Malawi's bad experience with agricultural subsidies, according to a research titled 'Does ISI hurt growth?: new evidence from Brazil and South Africa, by Aregbeshola R. Adewale published on 2012.

"Ethiopia learned much especially over the last 20 years. The dilemma of which one of the Asians or neoliberals to emulate comes now and then. What we need most is stop debating and take action on the ground. At least Ethiopia should not import cereals, edible oil and processed food," argues Demese Chaniyalew (PhD), a repeatedly published author on ISI who tried to correct government policy directions to no avail.

Demese argues that there are two obstacles for experts to influence policy. "Experts who ask government to do the right thing are labeled political opposition but officials and advisors lack the expertise. Institutions established to promote industries also lack expertise and leadership quality," he says. Secondly, he argues, there are external and internal forces that are purposely working systematically and in an institutionalized manner to make Ethiopia a net importer. "They do not want us to substitute locally because the import business is their livelihood. The Ethiopian government is always confused by wrong policy advisors who work on behalf of western governments and multinational companies. They want Africa for its raw material and dump their items," he explains. He then underscored that COVID-19 is an alarming lesson for Ethiopia to shift towards import substitution after taking into consideration the failure of dependence on globalization.

The export primarily included raw agricultural commodities neglecting domestic value addition.

Birhanu says Ethiopia's Import substitution needs state protection because domestic industries invest millions, create jobs, add value and invest in infrastructure. On the Contrary, he argues, imports are not investments and they don't add value. He also noted that domestic industries have high overhead cost; thus, their price cannot be as competitive as imported items. However, Birhanu noted, protection must be accorded with the state enforcing quality and competition standards domestically until they become competitive internationally. He cited Ethiopia's bottled water sector as a good example.

Birhanu further pointed out that the government must prioritize strategic import substitution areas and direct its resources accordingly, learning from past mistakes. "The government invested a lot in sugar projects and many other mega projects at once. However, much of the projects are not even paying their debts yet, let alone augmenting productivity and replacing import. Import substitution could have been a success, had agriculture and basic industries like metal and chemicals been given the finance and attention provided to the indebted scheme of industrial parks," he argues. He also identified livestock and crop agriculture as Ethiopia's most competitive advantages. He pointed out that agriculture plays a pivotal role to maximize the benefit of light industries such as textile. As a sector the rest of the world including China is leaving for countries with cheap labor, analyzes Birhanu, surplus production in cotton can help Ethiopia capitalize on this global opportunity.

However, Endalkachew Sime, deputy Commissioner of the National Planning Commission (NPC) argues increasing the share of manufacturing to GDP, creating middle income population and improving the purchasing power of the people are critical to pursue import substitution. He noted that it is also equally important to stimulate the economy and accumulate capital through FDI.

However, Birhanu insists, pursuing IS post-COVID-19 is unlikely. In his opinion, Sub-Saharan Africa in general and Ethiopia in particular are further falling into the hands of the Washington consensus institutions through donations made by developed countries to fight the pandemic. His argument is that the current engagement might prove to be powerful enough to keep imposing neoliberalism on to developing countries, detaching them from ISI. Ethiopia's ongoing negotiation for WTO and CFTA accession is also another reason he raised that might make it difficult to pursue ISI. This is why Birhanu says import substitution is now or never.

If the country has to survive current and future global economic crises, notes Birhanu, the government must act on local self-sufficiency. "This needs government policy shift and working with the universities and the private sector. Otherwise, the country remains an importer, which is a non-stop firefighting mission," he concludes.**EBR**

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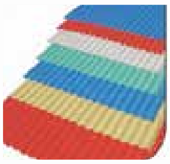

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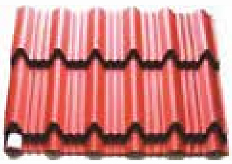

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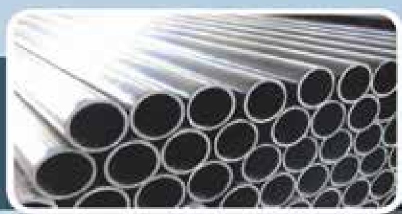
Square steel hollow sections



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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0930 078 944
0910 495 403

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Tsegaye Kemtsti

The Embodiment of Ethiopian Insurance

Tsegaye Kemtsti joined the insurance industry almost half a century ago. After joining the sector at his first employer, The Imperial Insurance, he spent five decades to culminate his career as Chief Executive Office of Awash Insurance, which he founded and led for a quarter of a century, until his departure earlier this year. Although he did not push his formal education further than the College Diploma he received from Addis Ababa Commercial College during the Imperial regime, Tsegaye has the entire history of the sector for an experience. He has also proven himself as one of the most successful CEOs in the insurance industry.

Awash Insurance, under his tenure, never registered a loss. The insurance company he founded has become one of the biggest private insurance companies in Ethiopia, where there are 16 private firms. During the last fiscal year, Awash netted ETB160 million profit - 25Pct higher than the performance of the preceding fiscal year. Likewise, its gross written premium exhibited an 18.3Pct rise to become ETB793 million.

Tsegaye, who now services as an advisor to the management of Awash Insurance, is on his way to retirement. Of course, he still has a lot to give to the industry he loves. He now plans to train insurance practitioners and wants to help policymakers design better policies and strategy to boost the contribution of the sector to the national GDP and avert industry malpractices. EBR's Samson Berhane discusses his 50 years of distinguished professional services in the industry and current challenges that hold the industry from further growth.

I have been in the insurance industry since the early 1970s. I first joined Imperial Insurance Company, which was one of the private insurance firms during the reign of Emperor Haileselassie I. It was one of my friends who told me to apply for the job after spotting the vacancy on the newspaper. Luckily, trusting my skills, the company hired me.

There were around 13 private insurance companies during the imperial period; however, they were subsequently nationalized by the Dergue Regime. I remember that some of them worked as brokers for international insurance companies before the introduction of a law governing companies in the sector.

The law even put a minimum capital requirement for both life and non-life insurance companies. At that time, a separate directorate under the Ministry of Trade was mandated to regulate the insurance industry. The Insurance Controllers Office, as it was called back them, was later abolished by the Dergue Regime as part of measures taken to nationalize all insurance firms and banks just three months after it took power.

The military government instead established a board, comprising of officials of the central bank and insurance professionals, with a mandate to regulate all of the nationalized insurance firms. However, this was again abolished and the mandate was transferred to the National Bank of Ethiopia.

What was your role at the Imperial Insurance Company when it was nationalized by the Dergue?

I was personal assistant to the General Manager. Concurrently, I was head of the human resources department. However, after the nationalization, a new management took over the responsibility and a restructuring was implemented. I then became Personnel and General Service Head in 1976.

As lots of people my age, I was drawn to politics and joined a political party a few years later. For almost seven years, I was political active against the military regime and then spent some time in prison. After that, I got the opportunity to join the Ethiopian Insurance Corporation (EIC) as Personnel and General Service Manager once again. Soon after, I became a Deputy CEO for Life Insurance. Five years later, I was transferred to the post of General Manager for North East District of EIC.

It was around that time that the EPRDF took power and introduced a new economic manifesto, signalling the need for liberalizing the insurance and banking industries. It was at this moment that I met the founders of Awash Insurance and Awash Bank. I was then given a project to undertake a feasibility study to establish an insurance company. In 1994, Awash Insurance was founded and I was entrusted with the task of leading it. I kept that position until last year.

No CEO has been able to hold such a position for as long as you did since the liberalization of the insurance industry almost three decade ago. Tell us how your Journey was.

We went through a lot of ups and downs. During our early years of operation, there were only three insurance companies. Back then, it was even difficult to find office space to provide services to our customers. For over a decade, there were only a handful of buildings and there was almost no activity because of several economic reasons. As a result, we even rented an unfinished building as headquarter for both Awash Bank and Insurance. We agreed with the landlord to finish the building with our own finance and have him rent us the second and third floors.

Persuading investors to buy shares was also very challenging, although three million Birr paid-up capital was enough to establish an insurance company when we became operational. Finance was on the hands of few people as wealth accumulation had been impossible for 17 years under the Dergue Regime.

“ we planned to make profit within three years of our establishment but managed to do so in the first year. “

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> **In a country with a very underdeveloped capital market, introducing innovative products and services is not simple.”**

Many were too discreet to publicly show their wealth, as the traumatic experience of property confiscation by the government still lingered. Bucking this trend was not easy. Many also doubted the success of both insurance and bank companies, presuming it would be risky to make such an investment.

Getting skilled manpower was also very challenging as EIC was the only insurance company before the liberalization. We have started with just 12 employees. As per our feasibility study, we planned to make profit within three years of our establishment. Curtsey of our promotional activities, however, we were able to make profit during our first year of operation.

So, no loss has been registered by Awash Insurance ever since.

We have never registered loss since the establishment of the company. Our net profit was almost one million Birr during our first year of operation. The figure soared up to over ETB160.3 million in the last fiscal year.

All insurance firms in Ethiopia are criticized for being less innovative and offering similar products.

That is true, but presuming there are no new products is also wrong. It should be understood that new products can only thrive in a market where there is demand. There should first be a need for new products. For instance, over the last five or six years, there was political unrest in the country. This has increased demand for political violence and terrorism insurance policies. When I was at EIC, there was an insurance product that covered losses from civil war and bandits. It was introduced as there was demand for it because of the civil war in Eritrea and Tigray.

But after the end of the war, no one was interested in buying the product. It is, therefore, not easy to introduce new products in Ethiopia unless there is demand for them because of pushing economic and political factors. In a country with a very underdeveloped capital market, introducing innovative products and services is not simple.

Another challenge in the insurance industry is dispute between the board and management over operations, although it is relatively better compared to the situation in the banking industry. How much of a challenge was that to you?

I worked with several boards of directors. I might be lucky, but I can say this was not a problem for me. Since I joined Awash, no board member tried to get involved in operation. I might have been asked to clarify issues that are unclear to them. However, having a responsible board that clearly knows its duties and responsibilities is very important.

Board members should cooperate with the management for smooth operation of any corporate company. I know sometimes it is hard to settle some rumours and misinformation, but they are not going to be major challenges as long as there is discussion. It is also important to note that board members have the right to check the company at every level and see that it is operating properly, as they are assigned by shareholders.

How much did your salary change during your 25 years of stay at Awash Insurance?

When I was first hired by Awash Insurance as a General Manager, my salary was just ETB2,500. I was earning a salary of ETB160,000 when I resigned after serving for over 25 years.

What kind of management style do you follow? Some of your subordinates say you are bold in implementing decisions.

I don’t stick to a specific management style. I make management decisions with the current situation in mind. If the situation requires being a slave driver, nothing will lay me back from being so. So the kind of management style I follow depends on the situation at hand. I don’t accept people who tend to do their assignment tomorrow, instead of doing it today or now.

Such a culture encourages mediocrity and negatively affects the performance of firms. I don’t compromise on such behaviour and I also coached my subordinates to refrain from it. I believe work should be done on time and no one should be allowed to delay it. Failure to do so means it will be impossible to achieve annual plans, targets and goals.

The last 25 years witnessed over 16 insurance companies come into existence. There are also companies that are under formation. Yet the contribution of the insurance industry to the economy is

still small. Its share to GDP is estimated to be below one percent. Why do you think the industry grew disproportionately with the economy?

Ethiopia is the second most populous country in Africa. Aggregate premium written for life insurance in Kenya, which has barely half the size of our population, is nonetheless higher than our country. Although some have bought insurance policies, the large chunk of society that contributes tremendously to economic growth is still uninsured. This is largely the result of lack of awareness about the benefits of getting insurance coverage.

So, who is to blame for the conundrum? The public or the players in the industry?

It is the industry players that should be blamed. It is the responsibility of insurance companies to create awareness about insurance products and their benefits. We have done a lot in promoting our products to the public in a simple way that can be understood by anyone. Media outlets also ask a large sum of money, if we ask them to teach the public about the importance of having insurance coverage. They tend to focus on issues of entertainment, instead of addressing such pressing problems. That has kept insurance coverage secondary in the priority list of businesses and individuals. Insurance coverage is considered as something unimportant. Changing such attitudinal problems requires long time and aggressive promotion.

"Our society usually believes in waiting for a miracle, instead of preparing for any eventualities."

Do you think making some policies mandatory would be helpful in changing the existing situation?

Yes. For instance, I suggest they enact a law that makes getting insurance coverage for houses, be it apartment or villa, mandatory. There are people who have house rent as their primary source of income. What if something happened and their property turned to ash? Would they be able to cover the losses? Could they have the potential to recover promptly? Such issues can easily be left to insurance companies with an affordable price. In this case, it is the poor who should buy such policies than the rich who can easily recover from their savings or by selling part of their wealth. If it becomes mandatory to buy a policy to cover such losses, it will be very affordable as insurance is governed by the law of large numbers. Anyone willing to give up his/her daily expenses for macchiato would afford it.

Why do you think the share of life insurance is very low?

Our society usually believes in waiting for a miracle, instead of preparing for any eventualities. Agents and brokers also don't focus on life insurance policies that are very cheap and affordable to a large portion of the society. They don't pay much attention to the promotion and sell of low premium products. Whether agents or brokers, they tend to focus on policies with better return.

Don't you think this is also the fault of insurance companies, as they could have responded with a different business model?

It is very costly to sell such products. I believe that a different payment mechanism should be developed to sell life insurance policies, like term coverage.

Aggregate production of premium by private insurance companies exhibited an enormous growth over the last two decades. Their market share, compared to the state-owned Ethiopian Insurance Corporation, showed a significant growth as it reached as high as 65Pct. However, private insurers are criticized for unethically cutting prices and charging below par premiums just to win the hearts of other customers. EBR

Repatriation the Destructive Storm Inside the FDI Cloud

Gross domestic savings are generally very low in least developed countries such as Ethiopia. That paved the way for foreign investment to emerge as an alternative source of bridging the gap between savings and the required investment after 1992. Since foreign firms bring not only financial capital but also managerial techniques as well as entrepreneurial and technological skills, foreign direct investment (FDI) is regarded as one of the major components of Ethiopia's economic growth over the past decade. However, it's not all been rosy. Although initial investment by foreign firms improves the current and capital accounts of the host country, in the long run, repatriation of profit, interest, royalties and management fees may harm its foreign exchange position. This is exactly what is happening in Ethiopia. A minimum of USD1 billion is requested by locally operating foreign companies that repatriate profits annually. However, a fraction of this amount is availed by commercial banks operating in the country. This phenomenon traps foreign companies, forcing them either to wait for a long time to repatriate their profits or reinvest it as EBR's Ashenafi Endale found out.

Drawing foreign investment has become one of the most notable strategies used by developing countries to foster development. One of the most successful African countries in attracting foreign investment, Ethiopia makes a good example in this regard. Over the last decade, the county has been listed as one of the top five foreign direct investment (FDI) destinations in Africa. Although FDI inflow to Ethiopia contracted by 18Pct in 2018 to USD3.3 billion, according to a report by the United Nations Conference on Trade and Development, the country is still the biggest FDI recipient in East Africa.

Information from the Ethiopian Investment Commission (EIC) indicates that a total of 2,643 foreign investment projects with a combined capital of ETB104.7 billion became operational in the country in the last two decades. Out of the total, 60Pct of the investment projects are in the manufacturing sector while 20Pct are in real estate and rental businesses. In addition, 14Pct of the projects operate in construction including water drilling

while four percent are in agriculture.

As business people exploring options across the globe to make more profits, foreign investors work hard to advance their interests. Although repatriating the hard earned profit sounds simpler than making the profit itself, for foreign companies operating in Ethiopia, repatriating profit back home is way harder than making profit as hard currency reserves are always thin.

For foreign investments such as beer companies like Heineken Ethiopia, Toyota exclusive dealer The Motor & Engineering Company of Ethiopia (MOENCO), foreign hotel chains and airlines flying into the country, repatriating profit from Ethiopia is almost an impossible task.

"We have invested ETB22 billion so far and we have huge money at hand in local currency," explains Fekadu Beshah, communication and marketing manager of Heineken beer. "We know it is difficult to repatriate in foreign currency; that is why we do not ask for repatriation but reinvest it to expand our operation," he notes.

Foreign investments with huge annual


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sales such as Diageo, Coca Cola, and National Tobacco Enterprise as well as relatively medium businesses like Chinese owned Tecno Mobile, along with many others across all sectors, are forced to wait for a long period of time to repatriate profits. The delay in profit repatriation can last up to three years.

"When we invested in Ethiopia, we knew profit repatriation would be very difficult," says Girum Tsegaye, CEO of Ethio Capital Lease - a company engaged in equipment leasing and asset-backed lending.

Yenehassab Tadesse, Director of Foreign Exchange Monitoring and Reserve Management at the National Bank of Ethiopia (NBE), says the inabilities of the central bank are not to blame for the delay. "If the required tax is paid and other legal documents are fulfilled, the NBE immediately approves repatriation requests. But the local bank, where the repatriating foreign company has an account, might not have enough foreign currency," explains Yenehassab. The Director indicated that the lack of foreign currency at commercial banks, in turn, extends the time required to repatriate profits.

2,643 The number of foreign investment projects that became operational in the last two decades.

According to insiders, a minimum of USD1 billion is requested annually by foreign companies that repatriate profits. Commercial Bank of Ethiopia (CBE), Dashen Bank and Awash International Bank are the banks with the biggest repatriation requests as they have better foreign currency mobilization capacity and business relationship with many foreign companies operating in the country. "The maximum foreign currency CBE allocates for repatriation is USD100 million," says Muluneh Aboye, Vice President for Credit Management at CBE. However, he stated, the request is in billions.

Fantasy than reality

In Ethiopia, repatriation of profits is guaranteed by law in accordance with the investment proclamation as well as through bilateral agreements Ethiopia has signed with other countries. Ethiopia's investment proclamation guarantees not only repatriation of profits but also principal and interest payments on external loans, payments related to technology transfer agreements and proceeds from the sale or liquidation of an enterprise, among others.

Based on the 2017 directive governing foreign currency allocation, transactions carried out by foreign currency are grouped into two: commercial and legal transactions. Transactions related to the import of goods and services involving Letter of Credit (LC) are grouped under commercial transaction. Since the government needs to wisely spend the limited forex resources it has, allocation of funds for commercial transactions is subjected to national priorities.

The first top nine foreign currency allocation priorities are occupied by imports of essential goods including fuel and capital goods. Ethiopian commercial banks are obliged to allocate at least 50Pct of their foreign currency stock for essential imports prioritized by the government.

On the other hand, foreign currency allocations for non-essential lists are made on first-come-first-served basis.

Repatriation of profit is regarded as legal transaction with guaranteed priority over commercial transactions involving LC. However, along with transfer of excess sales of foreign airlines, sales from share and liquidation of companies by FDI, repatriation of profit is listed after the ninth priority goods-import-category, which is against the trend observed worldwide.

The second guarantee for profit repatriation comes in the form of bilateral agreements specifically designed to protect foreign investment. Until 2018, Ethiopia signed 34 of these bilateral agreements.

Based on the mechanism of regulating foreign capital outflow, bilateral agreements can be categorized as agreements that fully liberalize foreign capital outflow and those that allow transfer of foreign capital on the fulfilment of certain criteria. Bilateral agreements signed by Ethiopia, for instance, with United Kingdom, France, Israeli and Brazil allow full liberalization of capital outflow for investors from those countries. However, it turns out even these bilateral agreements could not guarantee capital repatriation. As a result, many foreign investors are forced to stall the repatriation of their profits for a long time or reinvest it locally.

"I know many foreign companies that divert their profit and reinvest it in Ethiopia instead of waiting for a long time to repatriate it," says Muluneh.

Dangote Cement is among giant foreign companies operating in Ethiopia that reinvested their profit. Dangote launched a packaging factory with its reinvested profit. After starting operation in 2015 with an investment of USD550 million, Dangote Cement was able to repatriate USD70 million from its birr account in Ethiopia to Nigeria in 2018. But after 2018, the company has not repatriated any profit. "Repatriation of profit is very difficult as there aren't enough hard currency reserves at commercial banks operating in Ethiopia," says an official at Dangote who spoke with EBR on the condition of anonymity.

USD 1 billion A minimum amount requested by foreign companies that repatrate profits, annually.

The same is true for MOENCO, which reinvested its profit in a mining company.

Access to foreign currency by businesses is forecasted to get tighter due to further depletion of reserve under COVID-19. Remittance, tourism, export, FDI and other foreign currency sources are declining dramatically.

The dilemma

In Ethiopia, FDI started to receive attention as an alternative source of capital formation and catalyst for economic growth in the beginning of the 1990s. During that time, policy makers believed that in developing countries like Ethiopia where gross domestic savings are too low, FDI can fill the gap between savings and the required investment. It would, thus, in effect foster economic development. On top of creating massive employment opportunities, policy makers further noted that FDI can boost the competitiveness of countries through manufacturing of export products. The foreign exchange earnings generated would help improve the balance of payment deficit over time.

FDI certainly improves the current and capital accounts of a country. However, some scholars disagree with this notion as they point out that it depicts only the initial effects of FDI. Instead argue these experts, repatriation of profit, interest, royalties and management fees as well as substantial import of intermediate and capital goods ends up negatively affecting the foreign exchange position of the host country in the long run. According to Alemayehu Geda, Professor of Economics at Addis Ababa University, it is obvious repatriation depletes a country's foreign currency reserves unless FDI inflow increases exponentially. "Profit and capital repatriation can even exceed the external loan interest and other external expenses at some point. Reinvestment of profits also piles up the profit that should be repatriated later. This puts the country in a vicious circle of failing to serve repatriation," explained Alemayehu.

In his recent book entitled 'The Economy of Developing Countries', which he adopted from the notable Economist from The Great Depression era - Michael Kaleck, Alemayehu argues that repatriating two-thirds of the profit of foreign companies and reinvesting one third would still significantly hurt Ethiopia.

Repatriating profit is difficult not only for Sub-Saharan African countries but also Asian giants like China, where strict controls are imposed on profit repatriation. Foreign enterprises in China are allowed to repatriate profit only once a year, after investing all their subscribed capital within the time limit.

But in a country like Ethiopia where weak regulatory capacity exists, this can lead to unwanted trade practices in the form of under-invoicing of export prices and over-invoicing import prices.

Foreign companies that fail to repatriate profit legally might use various informal mechanisms like trade mis-invoicing. By increasing import prices and reducing export prices, they can stash away the marginal amount abroad. In fact, under-invoicing of export prices and over-invoicing import prices, which is also the major mechanism of sending out profits, dividends and capital, is becoming common trade practice in Ethiopia.

According to the 2015 Global Financial Intelligence report, USD19.7 billion left Ethiopia through trade mis-invoicing by importers, out of the total USD26 billion illicit financial flow that left the country between 2004 and 2013.

Alemayehu says foreign companies do not bring their entire registered capital to Ethiopia in foreign currency. "This is because they know they cannot repatriate it back later. Therefore, they bring limited amount of investment capital to Ethiopia. The capital stashed abroad will be their compensation for their inability to repatriate in the future."

According to Tan Jian, Chinese Ambassador to Ethiopia, profit repatriation from Africa particularly Ethiopia is difficult mainly because Ethiopia has a wide foreign currency imbalance. "Ethiopia's need for foreign currency escalates because the country mainly trades countries outside of Africa. African countries need to boost intra-Africa investment and trade under single currency in order to balance the high need for foreign currency" he argues.

In the book, Alemayehu suggested developing countries like Ethiopia should take three steps to benefit from FDI. The first is creating a strong private sector in order to reduce the country's dependency on FDI while the second move is conducting strict auditing on foreign companies in order to control over-invoicing and under-invoicing. The last step involves prohibiting repatriation of profit from reinvested capital.

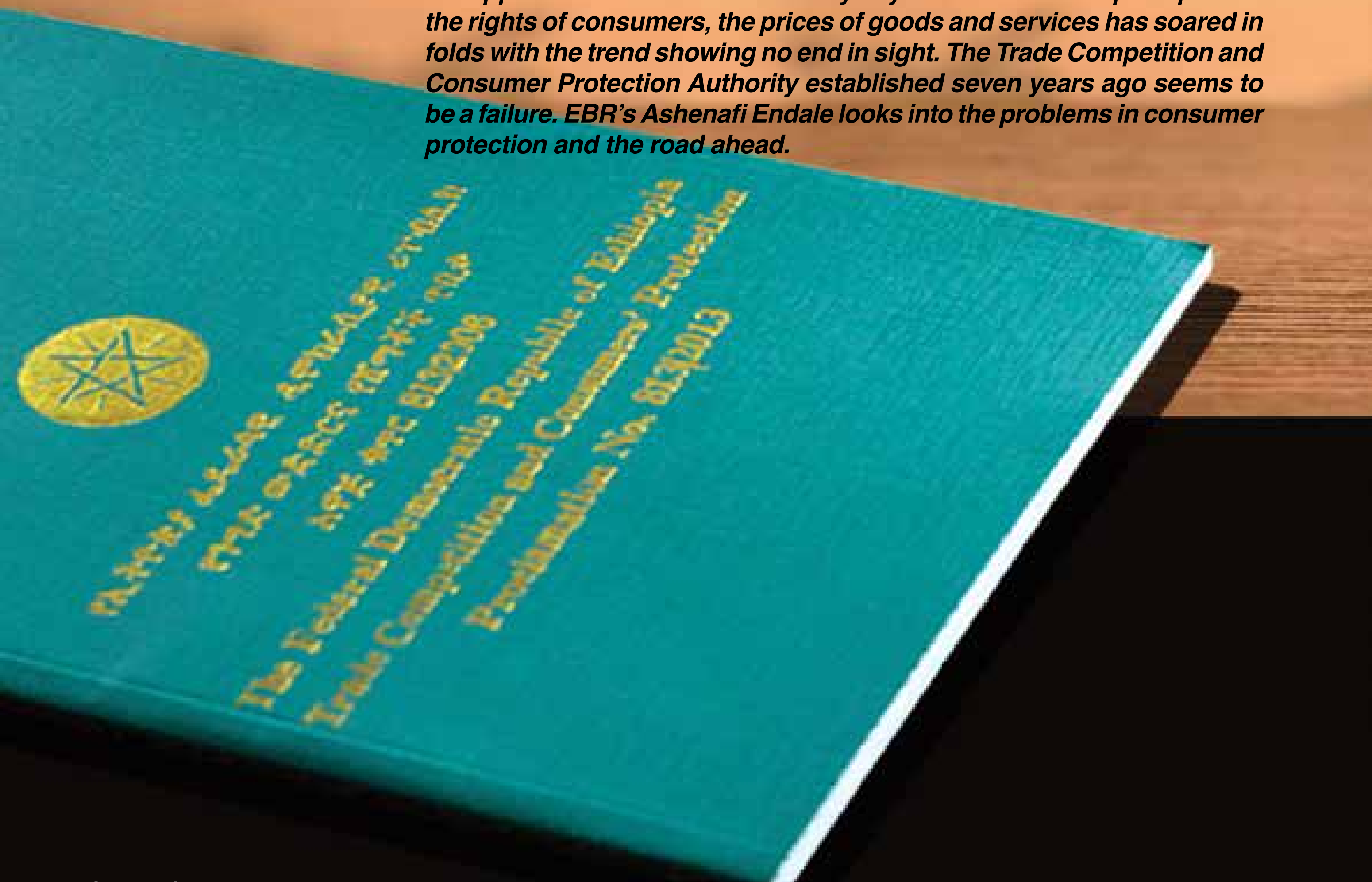
Over-invoicing of export prices and under-invoicing import prices are the major mechanism of sending out profits, dividends and capital, illegally.

Founder and director of Ibex Frontier, an investment consultancy company with offices in Addis Ababa Ethiopia, London UK and Washington DC USA, Zakaria Amsalu says not to bother taking these steps. He pointed out: "investors are looking beyond the current forex issues and putting their faith in the idea that this temporary foreign currency hiccup will adjust in the future."

However, Alemayehu stressed that this is not a temporary problem. In fact, he says the ongoing partial and full privatization of public enterprises might accelerate the problem even further. Alemayehu cited ethio telecom, a public enterprise destined to be privatized partly next year, to substantiate his argument. "ethio-telecom collected USD746 million in the first half of 2019/20 alone, and USD1.3 billion during the 2018/9 fiscal year. Its profit margin is 66Pct," he explains. "If the coming foreign partner repatriates even half of the profit annually, it will significantly affect Ethiopia's foreign currency reserve. The government should learn from the damages caused by profit repatriation in Nigeria after privatizing the Nigerian telecom," warns Alemayehu. **EBR**

LEFT AT THE MERCY OF TRADERS WITH NO CONSCIENCE

In the aftermath of free market policies and the subsequent lifting of price caps in Ethiopia, setting the price of commodities seems to be left solely to suppliers and traders. With barely any institutional set ups to protect the rights of consumers, the prices of goods and services has soared in folds with the trend showing no end in sight. The Trade Competition and Consumer Protection Authority established seven years ago seems to be a failure. EBR's Ashenafi Endale looks into the problems in consumer protection and the road ahead.



The hype at the onset of COVID-19 in Ethiopia that lemon, ginger and garlic help treat the virus spiked their prices and the trend soon engulfed other commodities. False rumors were also circulated to push people to panic buy some food and non-food items at significantly exaggerated prices. These are typical examples of the deregulated market practice particularly in Addis Ababa. The inflation and chocking on supply also included non-related items like Teff, in addition to protective items such as face-mask, alcohol and sanitizer.

The city trade bureau reacted urgently, as it usually does, to take legal action against greedy retailers by setting up a committee that went as far as closing down businesses and bringing some of the culprits to justice. A few days after its formation, the committee took action against 188 suppliers, wholesalers and retailers in the capital. Nationwide, the Ministry of Trade and Industry took action against 25,000 businesses since the first case of COVID-19 was found in early March 2020, according to Melaku Alebel, the newly appointed Minister.

The figure from the Addis Ababa trade bureau is five times more than the number of cases the Trade Competition and Consumer Protection Authority (TCCPA) reviewed over the first six months of 2019/20. During the span, the authority received 34 cases involving ETB2.6 million. With its jurisdiction limited to Addis Ababa, the Authority established seven years ago is perceived to be less assertive than it needs to be. Its role is also repeatedly taken up by committee.

Some of the 34 cases the authority handled involve getting buyers a refund on defective products like coffee machines, cell phones and bad hair color from the beauty salon. Defective products, for instance, are returned or compensated, if the buyer brings up the case to the authority within 15 days. There are also close to 12 cases from parents who were subjected to up to 60pct tuition fee increments for their children from schools that failed to notify them five months earlier, as per the requirements of the law.

Most of the cases are forwarded either by deceived customers, public informants or businesses that have fallen victim to unfair market practices. False promotion, snatching others' clients, irrational inflation, poor service quality, copying logos and trademarks, defective goods and anti-competition cases have also increased.

Although the number and form of anti-competition and market malpractices have been increasing significantly, the number of cases the authority handles and its authoritative position has been diminishing. Of the 88 cases the authority received last year, 20 cases are given final solution by the consumer protection tribunal court under the authority while 42 are still under investigation.

Misleading consumers, false promises, failure to deliver on contracts, distributing defective products and services, inflating prices particularly in schools and medical sector, hoarding and other numerous malpractices have become the norm in the untamed market. However, the situation is improving lately as consumers become aware of their rights.

The Authority's Communications Director, Alkadir Ibrahim, concurs. He says an increasing number of consumers get better market information and know their rights.

"Yet the rate of market deception is increasing faster. To make things worse, although our function is eliminating anti-competition practices from the market, maintaining quality, contracts and reasonable pricing, providing arbitration through a court system outside the formal judiciary, we are not responding to the dynamism. We are not taking actions as much as the consumer wants and the market demands," he says.

The Authority is also mandated to undertake investigation and prosecution, enforcing merger provisions control, data collection for market information, consumer education, research and development focusing on competition and consumer studies.

Discontinuing acts pronounced unfair, taking appropriate measures that reinstate victims' competitive positions, suspending or revoking the business licenses of the offenders are some of its entitlements. However, the authority has fallen short of expectations in its success rate since becoming active seven years ago.

Although accountable to the Ministry of Trade, Getinet Ashenafi, Director of compliance, investigation and case modality at TCCPA, says the authority failed to live up to its mission due to the erosion of its power especially after the establishment of the Attorney General. "The power of the authority is currently very limited due to mandate overlap with the attorney general," he said. He went on to say: "for instance, most of the economic crimes formerly investigated by the Federal Ethics and Anti-Corruption Commission, TCCPA and the then Ethiopian Revenues and Customs Authority (ERCA) are mandated to the attorney general and the federal police, rendering the former institutions powerless."

Universally, the consumer protection power structure has two modalities. The first, which is widely practiced throughout the world, gives ultimate power to a central entity like the Ethiopian TCCPA that encompasses all anti-competition and free market malpractices affecting consumers across all sectors and industries. Under the second power structure, however, power is given to all authorities across the sector.

"The establishment proclamation of the TCCPA gives all the power to a single central authority. But practically, the powers are exercised by other institutions. Ethiopia needs to choose one," argued Getinet.

The original mandate of the authority includes protecting consumers' right both in goods and services, maintaining fair market competition and assessing and solving forwarded cases. The mandate includes not only traded goods but also ensuring value for money in health, education, technology, media, hospitality and other services.

Although the commercial code of 1960 states the necessity of consumer protection, efforts by the Ethiopian government to monitor the market date back to 2003 when the Trade Practice proclamation was introduced. This notion of protecting the consumer was replaced by the Trade Practice and Consumer Protection Proclamation in 2013. The later proclamation, which is the legal foundation of the TCCPA, was enacted in 2014 but only a small section of it has been implemented so far largely because of financial constraints.

The objective of the proclamation was to secure a fair competitive process through the prevention and elimination of anti-competitive and unfair trade practices, stopping market monopoly behavior and/or agreements, control merger and acquisitions and safeguarding the interests of consumers through the prevention and elimination of any restraints on the efficient supply and distribution of goods and services.

Based on the 2013 proclamation, a Federal Trade Competition and Consumer Protection Appellate Tribunal was set up and it was given powers of hearing and deciding on appeals against decisions of the Authority, which is the sole organization responsible for consumer protection and welfare ever since the Ethiopian consumer association was abolished.

Nonetheless, high turnover of judges and lawyers weakened the Tribunal. Even last year, the Tribunal suspended operations for almost half a year after a judge resigned and the Prime Minister did not replace him on time. "Our judges are paid way less than those working the same post in federal courts," said Alkadir.

The consumer-economy nexus

Mengesha Tesfaye, a father of five, had already waited for over an hour at the consumer association shop located around Shewa Dabo in Bole Sub-city at 10am on March 25, 2020. "I received information that sugar would be up for sale at the association shop today." Mengesha did not buy sugar for the last two months. Up on hearing about the impending sale of sugar at the consumer association shop, Mengesha waited in a long line. "There are rare shops that sell sugar in secret. But they sell it up to ETB30 per kilogram, which is almost twice the price charged by the association shop."

The residents also used to buy saturated sub-standard palm oil for cheap from the association shops for over five years until the Ethiopian Public Health Institute identified it risky to health few months back. By selling the palm oil, the government protected the consumer from buying edible oil at inflated price while this came at the expense of the consumers' safety.

"We receive a couple of quintals of sugar and wheat flour. Currently, we are selling locally produced and affordable edible oil since the need for saturated palm oil has decreased. We also sell other items whose supply is low in private shops. However, there is a supply problem of almost all commodities," said Akele Tibebu, Salesman at the Consumers' Association Shop.

Most of the goods and services provided by the state and its affiliates have quality issues, although they address the low income segment that accounts for the lion's share of the country's population. On the other hand, goods and services provided by the private sector are characterized by price hikes, which are generally unwelcomed by the population.

The dependence of the country on imports, coupled with difficulties in accessing foreign currency and the ever plummeting purchasing power of the birr, resulted in an increase in the price of commodities. Shortage of raw material, power shortage and minimal capacity utilization in the industry sector contribute to the fluctuating supply and price hikes.

The failure of small and medium enterprises to meet expectations in fostering the supply side and stabilizing markets also aggravate the monopolistic competition and further increase the price of goods. The prices of agricultural commodities, which should have been cheaper, are inflated due to the involvement of intermediaries in the market chain. Such malpractices lead to increased hoarding and arbitrary price hikes.

Of the 88 cases the authority received last year, 20 cases are given final solution by the consumer protection court under the authority while 42 are still under investigation.

According to a baseline survey on competition and markets in Ethiopia, a study commissioned by Addis Ababa Chamber of Commerce and Sectoral Associations, abuse of dominance is higher in industry/manufacturing and agriculture, collusive practices are very common in industry/manufacturing, vertical restraints are high in agriculture and industry/manufacturing, and unfair competition is high in industry/manufacturing while it is moderately prevalent in the service sector.

The Oromia Trade Bureau head, Dhenge Boru, agrees. "The consumer is always confronted with the risk of substandard products and price fluctuations. Items with better supply are hoarded because opportunist traders attempts to make 100pct profits at once. Ethiopia's market will be predictable only when it is integrated with the whole East African market," he analyzed.

"Ethiopia's market is led by extreme speculation," said the State Minister of Finance, Eyob Tekalign while explaining the possible impacts of the recently revised excise tax. The revision, which imposed an average of 160.5pct tax on the 378 goods and services selected across 19 categories, substantially increased prices. Although the revision aims to discourage consumers' use of alcohol, cigarette and old cars, basic items are also included.

The TCCPA, which focuses only on controlling the private sector, indifferently looks away when consumer rights are breached by the government. For instance, the government has been supplying saturated sub-standard palm oil that causes serious health problems for years. The authority has, however, shown no interest to protect consumer rights in this case.

Above all, the authority does not set a maximum limit on the percentage of one time price increment by both private and governmental bodies. Despite the self-declared developmental state economic policy over the past couple of decades, market pricing has been comparatively more liberated during that time. However, not everything is left for the market forces as the government's hand extends up to supplying basic commodities at fixed prices. The price of these commodities with limited supply could dramatically shoot up, were they left solely for the private sector.

Seifu Ayalew (PhD), a legal expert based in USA, supports such measures. "I do not think free market is fully implemented in Ethiopia and I do not believe it should. But on the other hand, government intervention to protect consumers and regulate the market does not violate the principle of free market. Intervention should always be there to mitigate malpractices in the market place: corruption, contraband, and maintaining quality, health and fair competition principles," he says. "Legal interventions are also critical in the market in order to bring justice to market crimes."

Solomon Abay (PhD), Associate Dean for Graduate Programs at AAU's College of Law and Governance Studies, seconds that opinion. "Free market economic policy does not mean not regulating market at all. The economics and logic of free market policy is that decisions can be left to the market (i.e. demand-supply) when it only works. When there is market failure, regulation and intervention by the government is expected and it is justified whether on quality or quantity."

According to UNCTAD's review, most of the economic sectors in Ethiopia are monopolized or dominated by SOEs, government affiliated businesses, and oligopolistic sectors. The review states that 'comparatively, better free market prevails in the livestock sector in Ethiopia.'

The review concludes markets in Ethiopia are lately opening up for competition, following removal of many regulatory barriers at entry. What remains are behavioral barriers that are erected by market incumbents to protect themselves from new entrants. In Ethiopia, behavioral barriers to entry come in various forms, including the abusive dominant firm practices of refusal to supply, predatory pricing, and exclusive supply arrangements as well as other unfair competition practices aimed at weakening competitors.

Most of the goods and services provided by the state and its affiliates have quality issues

Meanwhile, the TCCPA is undertaking two decisive tasks that might amend its past underperformances. The first is amending the existing proclamation while the second is preparing its five years strategy in line with the new homegrown economic reform. The amendment has several articles under abuse of market dominance, assessment of market dominance, acts of market dominance, anti-competitive agreements, concerted practices and decisions, unfair competition and conclusion of merger, among others. The draft proclamation mandates the TCCPA impose administrative and criminal penalties.

The main rationale for amending the 2013 proclamation, which many experts say does not need amendment unless through subsidiary regulations, is related to restoring the power of TCCPA.

Basically the amendment will help TCCPA restore its two powers, which are derived from the proclamation. These two powers are: the power to pass administrative decisions on cases and the power to oversee criminal cases. The power to oversee criminal cases has already been given to the attorney general, which was established in 2015/6. The power to pass administrative decisions, which allows TCCPA to rule non-criminal market cases at especial courts, is not explicitly stated in the 2013 proclamation.

"The amendment is needed to save TCCPA from losing both powers. Additionally, the new proclamation would also allow TCCPA open branch authorities in regions, change its existing structure, amend to whom it would be accountable to, and many more changes," said Alkadir.

Solomon is still unsatisfied though. He argues: "first, the consumer protection function should be separated from the competition and the trade law enforcement functions. This means a consumer protection authority separate from the competition authority and the trade bureaus has to be established and mandated. Second, the power of the Attorney General is (and should be) limited to criminal law enforcement (regarding consumer protection related crimes). The consumer protection authority can report suspected criminal cases to the Attorney General, but should focus on setting and enforcing consumer protection regulations."

He underscores that full power should be given to a single entity that works on consumer protection. "The main problem is the absence of the above structure and clear division of mandate in Ethiopia. The consumer protection function is not given to a well organized consumer protection authority. Hence, the Ministry of Trade, trade bureaus, code enforcement offices, the police, and courts are conducting piecemeal intervention. In the meantime, consumers suffer from unfair price increases and many other unjustified acts by irresponsible traders.**EBR**

Searching for New Solutions to an Old Problem

FIGHTING THE LINGERING FOOD INSECURITY REVAMPED BY COVID-19

The major scare on Ethiopia's international image is its incessant association with famine. Ethiopia has a cycle of drought that recurs every decade. Despite efforts to break the cycle and rise above the embarrassing and life threatening challenge, drought and famine still creep up. Despite decades of experience fighting the vice, Ethiopia still regularly struggles against food self-sufficiency problems. The lingering problem necessitates keeping dependable food reserves. EBR's Ashenafi Endale investigates the problems behind this chronic problems and sheds light on the road ahead.

Ethiopia is not new to human or natural disaster caused shocks. From drought to civil war, the country has lost hundreds of thousands of its citizens to wide range of disasters over the last couple of decades. While drought has been the leading major hazard in the East African nation, it is followed by floods, displacement and internal conflicts. Even though the best option should have been preventing the crises before happening, recurring disasters made the country experienced in managing disaster-related food insecurity. Nonetheless, recent crisis management mechanisms adopted by the government portrayed that there is yet so much to learn.

A case in point is the political violence that claimed the lives of over a thousand citizens and the displacement of three million people last year. Food rations distributed to internally displaced people (IDPs) were insufficient, the specific needs of vulnerable people, such as young children or pregnant women, unmet. Overwhelmed by crisis happening after crisis, for the first time in a decade, the government was supposed to run depleted food reserve stocks. As the country faces critical food gap, prices of basic food items are skyrocketing. Earlier this year, food inflation reached its highest point in seven and half years.

To make things worse, as the government forecasts 30 million people will become food insecure due to the coronavirus, the country once again finds itself amidst a crisis. With over 200,000 hectares of land damaged by locust swarm, over a million citizens are also likely to join another 12 million citizens who are already in need of urgent humanitarian assistance, pouring oil to the flame of the crisis that could burst anytime soon. Taking Ethiopia's precarious food supply systems into account, efforts are currently underway to boost grain reserves as part of the preparations for any unwanted consequences of such an unpredicted crisis. The country's outdated, uncoordinated and poor system of risk management system would exacerbate the situation.

Crisis after Crisis

As per UNICEF and global projection, one percent lower growth in global economy translates to between 14 million and

EBR Archive

22 million more people going to live in extreme poverty. UN-ECA also estimated that due to the COVID-19 crisis, 48Pct of Africans could be forced to live in poverty in Africa. Furthermore, the advances towards the realization of the sustainable development goals (SDGs) will be jeopardized, a major setback for a country like Ethiopia that met most of it.

Ethiopia's Job Creation Commission predicted that 1.41 million people in manufacturing, construction and service sector will lose jobs in three months. The forecasts by the Ethiopian Economic Association are far worse as they put the potential jobs to be lost as high as eight million, including those that would be unemployed in the agricultural sector. Following new developments, National Planning and Development Commission (NPDC) slashed this year's Gross Domestic Product (GDP) growth projection to 6Pct, the least in a decade. While this is feared to worsen poverty, if Ethiopia fails to act faster and together, it would devastate the food security situation in the country.

The agricultural output for the next year will see significant decline, as desert locust already affected over two million hectares of farmland especially in Belg [February to May] rainy season producers in the South and South Eastern parts of Ethiopia. COVID-19 will also significantly affect the next harvest season since only 68Pct of the fertilizers and agricultural inputs required are supplied until the end of April 2020, while sawing starts in May. Lately, Sani Redi, State Minister for crop development at the Ministry of Agriculture (MOA) disclosed 3.5 million quintals of harvest is lost due to locust. The amount lost could have fed 1.5 million people for a year.

Ethiopia, a country of over 112 million people, needs at least 22.5 million metric tons of grain per year for consumption based on the minimum calorie calculation.

Data from the Central Statistical Agency (CSA) indicate that Ethiopia's agricultural production for the 2019/20 harvest season stood at 29 million metric tons (Meher and Belg), up by 14 million MT from last year. Of the total, 88Pct is cereal. Crop production has been growing by six percent on average but it is still not enough to address the galloping demands as a result of population growth. Around

30Pct of grain production is usually availed for market while the rest is consumed at household level.

Data from the Ministry of Agriculture indicate subtracting average post harvest loss, legal exports and the amount smuggled illegally, 20.6 million tons of cereal is available for consumption.

Grossly, there is around two million tons food gap between minimum per capita consumption and available agricultural output, even after importing 2.5 million tons in 2019/20. This brings the annual per capita grain consumption of Ethiopians to 206kilograms. So with the already felt impacts of the virus, it is likely that food insecurity will worsen in the country, if the disaster is not going to be managed systematically.

Disaster management has four cycles: normal, alert, emergency and recovery. Alert involves identifying the vulnerable, preparedness and mitigation actions, according to experts. Ethiopia, however, usually lacks the stage of identifying vulnerability on the ground and taking contingency plan. "The rough assessments are usually multi-hazard and not specific. For instance, there is no vulnerability index on how many pastoralists will be affected per woreda or per 1,000," Abraham Mebratu (PhD), an environmental engineer at the Institute of Disaster Risk Management (IDRM) at Bahirdar University (BDU). "Due to the absence of such index, we cannot predict how many farmers have no seed for the next cultivation season."

The other institutional gap is NDRMC is usually attached to Ministry of Agriculture, which usually focuses on its mandates than giving emphasis to disaster risk management. "The focus should have been applying the scientific management mechanisms, which focus on prior preparation and mitigation than fighting fire all the time," Abraham Mebratu (PhD), an environmental engineer at the Institute of Disaster Risk Management (IDRM) at Bahirdar University (BDU).

NDRMC projected that 6.7 million MT food supply is required to feed 30 million people for half a year assuming the situation will last for six months. Keeping the impacts of the locusts in mind, addition two million tons of food is also required.

Currently, Ethiopia is imports 650,000 quintals of wheat, 615,000 quintal sugar, 40 million liter edible oil and 399 million liter fuel every month according to Melaku Alebel, newly appointed Minister of Trade and Industry. Normally, Ethiopia imports 600,000MT wheat per year, and additional 600,000MT grains either commercially for food assistance for market stabilization or relief and productive safety net programme (PSNP). Exceptionally the total import reached 1.4 million MT due to El-Niño induced drought in 2017. The latest effort of Addis Ababa City Administration in establishing some 1,200 food banks, including stocks at 800 consumer association stores, is part of the effort of maximizing food reserve ahead of the worst.

Government is also thriving to cultivate all the farm lands, including turning idle sugar farms into cereal farm lands, according to Fitsum Asefa (PhD), commissioner, NPDC. "Unless we supply necessary agricultural input timely, we will miss the upcoming main harvest season. If so, agriculture, our last economic resort, will be affected even for the post COVID-19 era. Food crisis will be higher and it will be difficult to revive the economy." Fitsum argues the crisis will not amount to an economic recession. However, she recommends regional states to follow the steps taken by Addis Ababa.

Melese Awoke, senior communication associate at World Food Programme (WFP) Ethiopia, says efforts in building food banks like Addis Ababa is essential but the scope of the reserve is limited only to the COVID-19 scenario. "Larger food reserves are critical for the long run inorder to avert the impacts of locust, drought and agricultural failures," Melese said."WFP is completely successful in providing humanitarian food supply for over 10 million people over the last five years under El-Niño, continuous drought, flood, internal displacement, ball worm, and desert locust. COVID-19 requires a sophisticated approach and we are working on that too. We are working on how we can operate under the [physical] distancing restriction, besides mobilizing the funds required."

Debebe Zewdie, communication director for NDRMC, agrees. "Food reserve needs have never been fulfilled from the domestic market. More import is required, as more people are expected to lose job and production will also decline. The COVID-19 national committee is analyzing the impacts and also collecting funding resources," he says.

NDRC largely operates in rural areas. However, the door to door food supply is expected in urban area too, if the crisis worsens. Currently some regional states and Addis Ababa are making food bank preparations. "This is great but it serves for short time. NDRC is preparing for the long run. The ultimate solution for Ethiopia will be producing surplus agricultural produce and substituting import. The effort started to produce wheat in lowland and replace import, initiated by the PM must continue at large level," Debebe says. WFP and FAO, however, recommend adequate food reserve for food insecure countries. Food reserve in Ethiopia is critical for Emergency program, PSNP, price stabilization and school feeding.

Crop production has been growing by six percent on average but it is still not enough to address the galloping demands as a result of population growth.

Revisiting Ethiopia's Food Reserve System

When the Parliament approved ETB514 million capital budget for National Disaster Risk Management Commission to build new warehouses in Finoteselam, Hosaena, Kebridehar during the existing financial year, the target was to upgrade the countries actual Strategic Food Reserve(SFR) from existing half a million tons and prepare for escalating food insecurity. Food security is ensured when people have physical and economic access to minimum food required for active life. However, SFR requires institutional

3.5 million quintals The amount of crop damaged by locust so far

arrangement, equal to availability.

Ethiopia is located in the Great Rift Valley earth dynamism, on the verge of expanding the Sahara desert and ever changing horn Africa climate. It is largely dependent on subsistence and rain-fed agriculture. That is why institutions such as FAO highly recommend Ethiopia to maintain food reserve to feed vulnerable population for up to six months. This is also considering the several months it takes to float bid, purchase and import grain from international market, and up to six months time it takes for the next main harvest season since the level of irrigation and cultivating fast crops is limited. Ethiopia, however, has policy of keeping food reserve that covers at least three months. At times of drought or famine times, WFP supplies up to 800,000 MT per year, while non-WFP contributes half of that. Humanitarian appeal usually fetches up to 1.2 million MT.

Food reserve involves two major dimensions, availability and institutional arrangement. SFR is an old practice. It has been practiced in the early civilizations of Egypt, China and Roman. In modern economy, many countries have been relying on international market and aid agencies, until the 2008 economic crisis, after which almost every state started maximizing own SFR. Ethiopia even started banning grain exports like teff and maize, while allowing imports of wheat for selected millers.

To be exact, maintaining grain reserve as an integral part of emergency responses and price stabilization started in Ethiopia when grain board was established in 1950s.

For a decade until 2014/5, Ethiopia's (SFRA's) minimum food reserve volume was 405,000MT, which is contentious among scholars. SFRA's stock declined from over 200,000MT to just 7,600MT in September 2008, owing to unusually continuous high food inflation. The government, through SFRA, planned to increase strategic food reserve from 405,000 MT in 2014/5 baseline to 1.5 million by 2019/20, but half of which is achieved so far.

The Strategic Food Reserve Agency (SFRA), former Emergency Food Security Reserve Administration (EFSRA), was the main food reserve institution in Ethiopia before it merged with NDRMC, which now stocks food at its eight major warehouses at Adama, Kombolcha, Mekele, Shashemene, Shinile, Wolayta, Woreta. Capacity utilization of SFR warehouses stood at 63Pct. Over 62Pct of the storages in Ethiopia have capacity and standard to store only for less than three months, while other countries have up to nine months. Out of the total 2.8 million tons warehouse capacity in Ethiopia, WFP rents around 700,000 MT, while SFRA/NDRMC around half a million tons and the rest are run by ministries and agencies.

Basically, NDRMC do not directly give reserves to the food insecure people. It buys grains from domestic and international markets and stores it. Relief agencies borrow the food when ministerial board established to administer the reserve appr oves.

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THE NEED TO RISE UP TO A BIGGER CHALENGE COLLECTIVELY

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It has now been over a year since desert locust swarmed East African countries. What does FAO's impact assessment show, particularly on Ethiopian agriculture?

We have been closely monitoring the situation since it appeared in Somalia, and then went to Ethiopia, Kenya, Uganda, South Sudan and back to Ethiopia, Kenya and Somalia. The situation remains very alarming. There were already 28 million people in acute hunger and in need of food assistance in East Africa due to drought and conflict issues before locust and Covid-19. It is difficult to disentangle because there were many crises happening at the same time. This is in addition to the 133 million people that are chronically food insecure and survive with one meal a day or less than the required nutrition.

So far, Ethiopia, Somalia and Kenya are highly affected by desert locust. Thousands of hectares of croplands and pastures have been affected. The Desert locust also affected Djibouti, Eritrea, Sudan, South Sudan, Tanzania and Uganda. We know that many parts of Ethiopia especially the Southern and Eastern parts are highly affected by the locust going and coming back. It is really a bad situation in Ethiopia. As Eastern Africa, especially Ethiopia is receiving some rain, farmers start growing crop and vegetation. This means the desert locust has more food and can still continue breeding. Unless it is controlled as of now, the number of desert locusts will rise to 200 times what it is now.

Do you think East African countries have the capacity and concerted cooperation to control the reproduction and spreading rate of the desert locust and its impact on agriculture?

Yes, they have the capacity with the support of their partners including FAO. Mind you, Ethiopia and Somalia did not have desert locust in 25 years. Kenya also did not have this magnitude of locusts in over 70 years. Of course, the countries have lost their capacity. We have to retrain them now. FAO has to provide all these governments with surveillance and spray aircrafts, pesticide chemical and even jet fuel. We, for instance, handed over five aircrafts for the Ethiopian government. We are doing this across the region to support all countries.

> **"Eastern Africa did not have enough food even in pre-Covid-19 circumstances as 135 million people were in need of chronic food assistance."**

Do you think Eastern African countries have the required food reserve to feed large portion of population, if the problem continues for longer period under locust and Covid-19? Do you think there is enough food reserve at national and regional level?

Covid-19 will complicate the food sequestration even more. Eastern Africa did not have enough food to feed the people in need even in pre-Covid-19 circumstances as 135 million people were in need of chronic food assistance. Covid-19 is going to be worse. FAO and AU convened together for a meeting of African Ministers for agriculture. We reached agreement that it is critical to continue agricultural production even under lockdown and restriction. They must allow farmers to continue cultivating crops and allow people and businesspersons move from place to place in order to produce more. International borders also must stay open for movements at least for food and inputs needed to develop crop.

Countries have to contain Covid-19 spread but we also do not want people to die of hunger. We must do both. While farmers keep growing crops, governments also need to increase food storing at critical spots, at least for emergency food. They may not have sufficient stored food now. However, they all must be able to feed their people, if the Covid-19 continues.

I must say that I am very pleased Ethiopia has been one of the countries that have been providing food for vulnerable people under its social protection program. Rwanda, Eritrea, Djibouti, Somalia, South Sudan, Uganda and other countries are also doing well in providing food to the most affected people. Those people who are unable to eat more than once a day will be more vulnerable to access any food, if the Covid-19 gets worse.

The agricultural sector in Ethiopia faced different setbacks due to El Niño, internal displacement, drought, locust and now Covid-19. The Ethiopian government says agricultural output has been growing at six percent annually. Do you agree that with rain-fed and subsistence small scale farming Ethiopia can provide surplus for the fast increasing population, in addition to those external impacts?

Despite all the changes in circumstances, the commitment of the Ethiopian government resulted in a phenomenal agricultural growth over the past ten years. This has contributed to the reduction of food insecurity to the extent that the number of people in food assistance in Ethiopia reduced to around eight million now from 13 million people a couple of years ago. Such a drastic change is achieved due to government's effort to increase agricultural output.

Is it sufficient?

No. with all the climate change, internal difficulties and predictions of the rainy seasons, this will be difficult. We need mechanisms to grow crop even when sufficient rain is not there.

This is where the importance of irrigation must be stressed. Because even when there is no rain but drought, farmers must be able to produce crops. I am happy there are a lot of efforts the government has taken to improve the water control and irrigation in the country. What is needed is to do more on this regard and scale up the efforts, although it requires a lot of resource. Irrigation is the way out for agriculture to be less dependent on rain.

Agricultural financing is also a chronic problem in Africa. A lot of international organizations provide aid support at times of relief and emergency times in Africa. They provide a lot of aid fund more than the agricultural investment in Africa. Why do those organizations fail to fill the agricultural financing gap in Africa before the emergency times come?

FAO advocates prevention is better than cure. True that international financing for agriculture in Africa is important, so people can grow their own food, instead of providing them food when they are in problem. But international financing of agriculture from developed countries is divided into two different categories. There is the emergency fund and development fund.

The development fund finances other things in general and the emergency fund comes out only at crisis times to save lives, which is important. FAO recommends teaching people to grow their own food using resources availed by their governments as well as supports from international community than waiting until the crisis bursts.

Through the Comprehensive Africa Agriculture Development Program (CAADP), African states committed to allocate 10Pct of their national budget for agriculture. There are only eight African countries who met the commitment, in the whole of Africa. Fortunately Ethiopia is one. But African states must at least meet the portion they have committed.

How much funding is required to address the current food crisis and how much of it is accessed so far?

Our estimation is around 40Pct of the total requirement will be external fund, by international community, at any times of crisis. With respect to desert locust, many organizations and countries have been generous. We already mobilized 80Pct of the funding resource required for locust. Now we can support the East African countries that are affected by locust. But our problem now is complicated under Covid-19.

This is because we have to import everything needed to control locust spread. To make things worse, the import process is hugely delayed due to border closures under Covid-19. It is very difficult to find inputs now than ever and also to trade those inputs face to face due to the social distancing.

transfer, direct food supply, or other modality like some other countries are doing. This is urgent. If the food scarcity worsens, the health efforts cannot succeed.

First, food or cash must be availed for every vulnerable population. Second, agricultural production must not be constrained in anyway. The food supply chain must remain active. Agricultural inputs also must continue, so farmers can produce. Farmers also need transportation and places to store food harvests. Thirdly, the regional food and input supply chains must remain open.

There are Eastern African countries dependent on import of food as well as input supply. We must make sure that the borders remain open only for food and agricultural inputs. This is very important that regional and domestic agricultural value chains remain open at any time, exclusively.

> **Through the Comprehensive Africa Agriculture Development Program, African statescommitted to allocate 10Pct of their national budget for agriculture.**

How much is the total cost required to control the desert locust spread?

For now, it is USD140 million. But this will go up even within the next ten days. But we are happy that states and the private sector are supporting the effort.

What are your policy recommendations for African countries in mitigating the impacts of Covid-19?

A lot of households will be in danger of food shortage under Covid-19. Unique social protection designs are critical under the circumstances. It could be cash

Nutritional foods also must be availed in the value chain, especially in the effort to fight Covid-19. Agricultural productivity per hectare also must increase substantially, since not all the farmers will be able to cultivate all the arable lands. Covid-19 is here, probably for more time than we know. But it must not affect the food sector.

Do you think Eastern African economies have regional coordination in infrastructure, agriculture and even maintaining regional food reserve at such times of emergency?

We have regional economic communities in the Eastern Africa region. There are the East African Community and IGAD. Politically and technically, they are really keeping well to support their members to work together. FAO recommends regional food reserves in addition to national food reserves. But the regional food reserve is usually insignificant. May be it is because they do not trust their neighbors or the people around it. This is a sovereign decision each country needs to make.

Is this due to lack of institutional arrangement?

Institutional arrangements are in place. For instance, IGAD has the Drought Disaster Resistance and Sustainability Initiative called IDRISI. It also has climate prediction and application center ICPAC. It has also IGAD Center for Pastoral Areas and Livestock Development (ICPALD). But I do not believe that governments use the institutions effectively. It is up to the government to work alone or together. FAO works efficiently with both.

> **FAO recommends regional food reserves in addition to national food reserves.**

The agricultural policies of most African countries like Ethiopia stress capitalizing on small scale farmers to produce surplus. Do you think small scale can revolutionize and modernize the agriculture?

Yes. It is possible to increase production and productivity with small scale farmers and we understand why many countries emphasize on this. It is because most of their farmers practice small scale agriculture. But these countries must evolve agriculture policies from subsistence small scale agriculture to semi-commercial and finally to commercial agriculture; so they can produce more and better.

Small scale agriculture is advantageous if we could support and fund them to turn themselves to produce for market in order to make profit and gradually become commercial farmers. FAO is trying to this direction. I want African governments to commit to act swiftly on locust and Covid-19, simultaneously. We must be able to contain the virus, control locust and keep producing. Agricultural production and food security must stay at the priority of governments, even under the worst scenarios ahead.

There is ongoing argument that African countries must adopt Genetically Modified Organism (GMO) to increase agricultural output substantially in a short time. Others oppose this saying GMOs destroy indigenous varieties and bring many damages. What is your take on this?

FAO's policy is clear on GMO. We have technologies and capacities that can help produce surplus using indigenous varieties. But there are countries that use GMO to accelerate production and productivity in short time. We leave it to member states to decide whether they have to adopt GMOs or they don't.

We have also the Codex Alementarius Commission, under which a committee is formed to look into the environmental and heath impact of any new technologies, including GMOs. So far, that committee has not found any such irregularities. The committee looks into the long term impact of such technologies. But the natural and biological biotechnologies existing globally are sufficient to produce the food we need, globally speaking. **EBR**

Appealing to Sanity from a Makeshift Gym

Now that Coronavirus has pushed people around the world to dwell at home for months now, engagements that demand physical commotion have been highly restricted. Although there is relatively better movement in Ethiopia compared to countries in lock down, quite a sizable group of people have spent the past month at home. With some businesses such as gyms closed, those who have adhered to the stay at home recommendations need a makeshift venue for physical exercise. EBR's Kiya Ali explores the various attempts by people to break sweat from the comfort of their living rooms.

The coronavirus seems to impacting every corner of life. In a pace that never seen before since the inception of the modern history, over three hundred thousand people have lost their lives in just three months, while another 3.3 million people were infected until the beginning of this month. Even more, to curb the spread of the outbreak, three billion people throughout the world were told to stay at home after authorities instructed citizens to apply physical distancing recommendations.

This being the reality across the globe, with the closure of fitness centers and other locations where sport activities are high, physical activity have become an important tool in order to remain calm and continue to protect health during this time. According to World Health Organization, people, during quarantine, are recommended 150 minutes of moderate-intensity or 75 minutes of vigorous-intensity physical activity per week, or a combination of both.

Understanding these recommendations can be accomplished even at home without special equipment and with limited space; Khalid Ibrahim did not hesitated to do so right after being quarantined. Khalid is become aware of having diabetes type 2 eight years ago. Since then to control the glucose level in his blood, he used to go to the gym four times a week. However, being unable to do so did not prevent him from doing physical exercises.

"Working-out at home is as effective as a gym exercises," he says. "Using videos and apps available online, I am doing exercising at home, which is a new culture but effective so far," Khalid says. As the coronavirus kept gyms closed and people

inside at their home, online fitness apps have become a primary choice of individuals across the world and people are increasingly watching videos to learn different home workouts. But not everyone is doing so.

Experts say staying at home for prolonged periods of time is pushing people develop sedentary behavior and become physically inactive. "This has a detrimental effect on the health, well-being and quality of life of individuals. Especially for those people whose body is self adaptive of physical exercise, an interruption of activities pose a risk to their health and they would be exposed to different complications. For instance a person who is keeping his/her weight in a healthy range using an exercise may develop obesity if they stop exercising at this time," Biruk Worku, an owner of Gast gym, says.

Adults and old aged people are not the only one who is negatively affected by low levels of physical activity. Children and youth are also vulnerably to obesity and depression during quarantine seasons. Children and youth aged between 5 and 17 should perform at least 60 minutes of moderate to vigorous physical activity every day according to the World Health Organization (WHO).

To curb the spread of the virus, children are prohibited from going to school where they were physically active during break time and physical education classes, which are not being given on TV, in contrary to other subjects, as it is perceived to be not important by authorities. Coupled with having irregular sleep patterns, which is likely to happen while staying at home for days and months without outdoor activities, this is worrying and expose children and youth to obesity, according to Biruk.

With anxiety and isolation being common due to coronavirus fear, experts say this would have a profound impact on people's health and is leading to epidemic of clinical depression. And it is also more stressful for people who are dealing with mental health complications. "The situation will risk the lives of individuals who are already dealing with mental health problems, like depression. Fear and apprehension about a disease can be overwhelming and cause strong emotional effect," says Atalay Alem, a professor of Psychiatry at Addis Ababa University. This is why experts advice exercising would help reduce depressions and anxiety that could potentially caused by the virus.

To protect oneself from physiological as well as mental health problems, home based physical activities are also recommended by experts to remain calm and continue to protect his/her health during such difficult time. "The activities can be done at home either with homemade materials or without special need for various equipments," Biruk states.

To reduce the sedentary behaviors while staying at home in self-quarantine, the Ethiopian physical fitness association, for instance, has started mass sport activities, applying social distancing, at condominium houses in eight sub cities including Bole, Yeka, Kirkos and Nifasilk sub cities. "During this difficult time, everyone is contributing something and we believe that physical exercise experts can also do something for the community.

Based on this, we have decided to go to various condominium sites and guide the residents to perform physical exercise for 30 to 45 minutes without any payment. We have started it as a volunteer," Netsanet Kasa, the Ethiopian physical Fitness Association President, explains. Although the association has started the activity as a volunteer without receiving any payment from anyone, now the Addis Ababa city administration promised to provide financial support. "Since we haven't received the payment yet, I'm not sure about the exact amount. But the fund will help us to expand the project and include more places," Netsanet says.

Netsanet and his team were working with Addis Ababa city administration on the monthly mass sport and the car free events that have been undergoing at Meskel Square for almost a year. Now as physical distancing and staying at home are the best possible ways that are advocated by WHO to prevent coronavirus, they come up with an innovative technique which they believe will benefit many people. "To make our voice audible, we use microphone and to make the activity entertaining we use speak and music," Netsanet noted. Then everyone in the condominium compound can watch them from their home via a window and work the physical exercise with them. "Soon, we have a plan to start similar events at various real-estates," he added.

There are also physical fitness professionals who are serving as a personal trainer. The payment is between ETB2000 and ETB3000 based on the financial capacity of their clients according to Biruk. "However, for people who cannot afford this, to avoid sedentary behavior, they can do simple exercises like dancing while performing household chores, walking to place nearby their house and working with instructors on TV programs," Biruk advises. **EBR**

Depression
Closer than Ever

Despite primarily being a health problem, COVID-19 has numerous economic, social and political attributes. The combined effect of the socio-economic problems of the pandemic, in turn, have the potential to raise some other health problems. With stay at home orders, high potential for social crisis, unemployment and perceived threat of losing loved ones during the pandemic, a suitable condition has been created for depression to rise. EBR's Kiya Ali takes a closer look at the problem.

26 years old Elsa Habtamu, name changed upon her request, vividly remembers the moment her entire life changed for good. Elsa was a happy girl with a resplendent smile for an identifying feature. Being the only child for her parents, she used to be treated in a special way and her family used to do everything they could to make her happy.

However, this cheerful life only lasted until mid-2006. On that day of gloom, her mother forgot to come back with the oranges that she promised to buy. When Elsa realized that her mother didn't bring them, she started moaning about it. "She apologised and begged me to leave her alone. But I didn't listen and kept on nagging her. Although she repeatedly promised to buy the oranges after taking some rest, I was stubborn," Elsa recalls with regret. When her mother decided to shut Elsa up and got out of the house to buy the oranges from the fruit shop across the road, Elsa looked on with triumph from the gate of their compound. When Elsa's mother was about to cross the asphalt road while holding the plastic bag full of oranges, Elsa was thinking about rewarding her mom with a hug and a kiss. She never guessed a tragic traffic accident would claim her mom's life. "Everything happened with the speed of an eye blink. Suddenly, a speeding mini-bus hit my mom and turned my whole world upside down," she sobbed. Elsa watched as a flood of blood drained from her mother's head on to the asphalt road. "Dyed with blood, the oranges rolled towards me," she burst into tears.

After the agonizing death of her mother, Elsa suffered a lot mentally. She had nightmares about her mother and daydreams brought the image of her mother lying on the road. As she never ceased to blame herself, she still considers herself the

cause of her mother's death. "When I lost my mom, I felt empty and drowned into darkness," she says with grief. She later tried to commit suicide. When the issue is brought up, she still says "I wish I didn't survive."

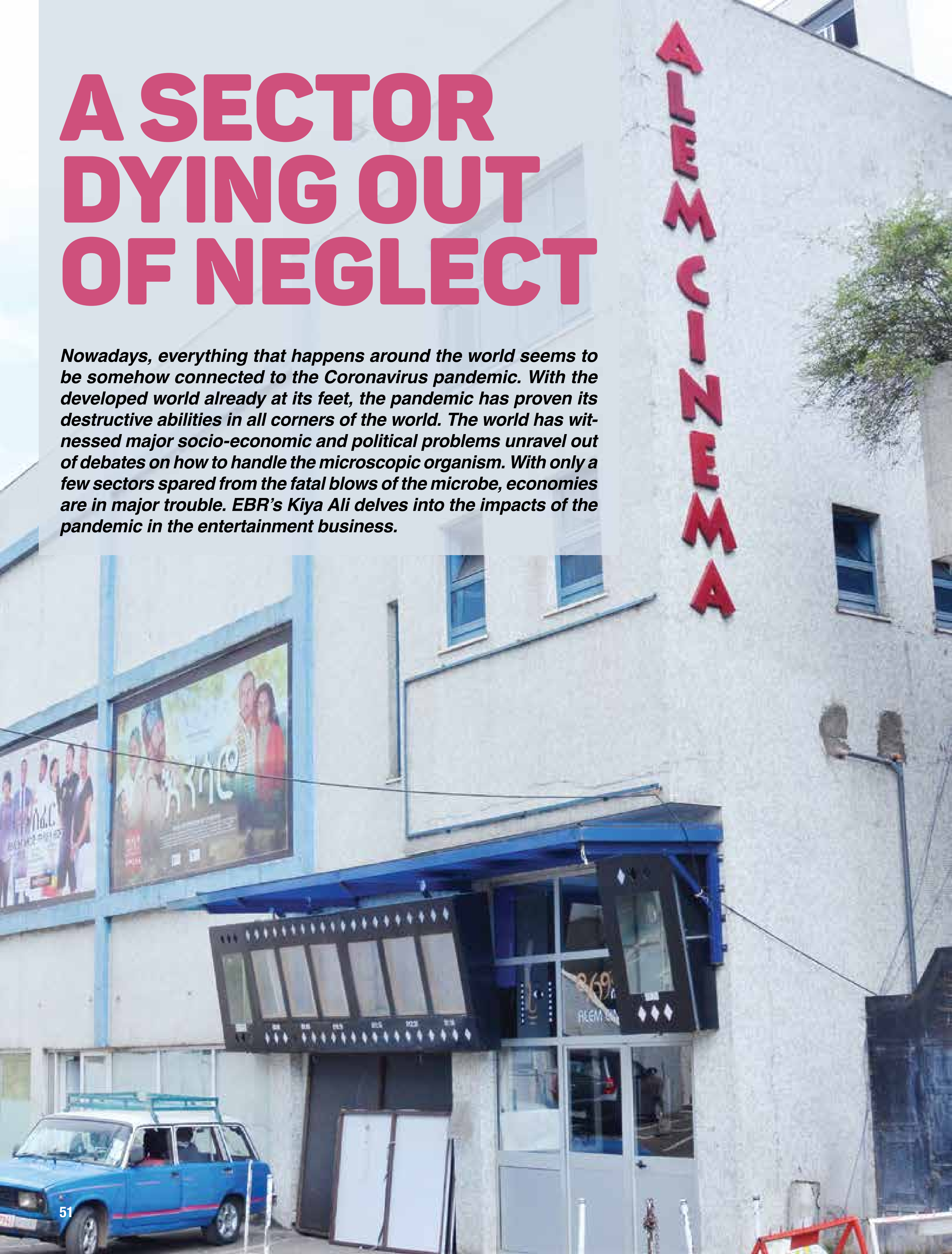
People like Elsa are vulnerable to a psychological problem known as Post Traumatic Stress Disorder (PTSD). Its complications usually develop after being exposed to a traumatic event. Such experience can be sexual, emotional or physical abuse and it could be a leading factor to major depressive disorder – the professional way of calling depression. "PTSD could be a major reason to the development of major depressive disorder since both occur frequently following traumatic exposure. However, they can happen as a separate disorder as well," remarks George Yehisha, a clinical psychologist. He pointed out that death of a loved one, a chaotic, unsafe and dangerous family life, abusive relationship, divorce, loss of a job, financial problem, poverty, social failure, moving to another city, serious trauma such as abuse, neglect, rape, and social isolation could also lead a person to major depressive disorder.

Depression is the leading Mental Health Problem around the world and it is more than just sadness. It is a disorder that is manifested in various ways and causes pain to the patient. While expressing her pain, Elsa remarked: "Routine activities that people carryout simply, such as: taking shower, going to work, eating and socializing with people are a burden for me. Most of the time, I try to pretend that I'm happy in front of people while I'm burning inside. I pretend that I'm comfortable and try to smile but deep down I'm crying."

People may feel sad or depressed for different reasons. However, To P. 58

A SECTOR DYING OUT OF NEGLECT

Nowadays, everything that happens around the world seems to be somehow connected to the Coronavirus pandemic. With the developed world already at its feet, the pandemic has proven its destructive abilities in all corners of the world. The world has witnessed major socio-economic and political problems unravel out of debates on how to handle the microscopic organism. With only a few sectors spared from the fatal blows of the microbe, economies are in major trouble. EBR's Kiya Ali delves into the impacts of the pandemic in the entertainment business.



With major sectors of the economy such as aviation, trade, public health, manufacturing, service and many more suffering immensely from the COVID-19 pandemic, the government has been busy crafting methods of impact control and speedy recovery. Making a balanced decision that keeps the socio-economic and political damages of the pandemic as low as possible without jeopardizing health conditions is the challenge of present day politicians.

With perceived more serious issues at hand, the plight of the entertainment sector seems to be neglected. However, the damage to the entertainment sector makes one of the notable economic damages of the pandemic. As with the rest of the sectors, those in the industry have been subjected to unemployment and other related problems. Considering the sector is among the most vulnerable sections of the Ethiopian economy, it is easy to imagine that the damage it has already taken in would take a long time to overcome.

The governmental decision to abolish public gatherings including theatres and cinemas was the onset of an official blow to the sector. The recent ban on gatherings of four people or more has, on the other hand, brought the sector to a standstill. In the aftermath of these major decisions, shootings have stalled; promotional events and interviews are on hold; bars and cinemas, major venues for artists, have been shut down and concerts have been cancelled. A dreadful moment for entertainers, the pandemic is also damaging the film industry, which was already experiencing a downturn for the last two years due to the low quality of movies and changes in consumers' preference to digital platforms.

Dagmawi Yirga, a producer and director, is amongst entertainers whose business has been hit hard by the pandemic. The pandemic reached Ethiopia as he was preparing to release his new Amharic movie 'Werae Negari', in which he invested ETB850,000. "I have lost everything," says Dagmawi who is still unable to release his movie because of the closure of cinemas. "The pandemic came after I put all that I have into the movie. This is so discouraging and it has killed my dream and enthusiasm." After already spending over a quarter of a million for promotion, he thinks the chance of making returns has already sailed away.

The pandemic came as the entertainment industry was already surrounded by numerous bottlenecks that dragged it back. One of such problems that weighed down on it was shortage of finance. "Banks are not willing to provide us with finance and there is no other credit facility ready to support the entertainment industry, which is usually seen as a luxury although it could create thousands of jobs," Dagmawi says. "We have only two choices: either we borrow from people we know or we become unemployed. With the coronavirus disrupting every economic activity, we are left with no option and no one seems to be in a position to help us," he remarked.

The entertainment industry suffered from the inaccessibility of filming equipment and high taxes on the equipment. The situation is worsened by copyright infringements. The government recently amended the excise tax levied on the items to just 10Pct from as high as 1000Pct, but this is yet to be felt as global trade activities halted due to the pandemic.

A numbers of producers have incurred losses as their products have been copied and distributed by online pirates. "It is not only coronavirus that bankrupted us but also digital pirates who illegally uploaded our products without any authorization while we were preparing to release our movies," said EbroI brahim, owner of the company contracted by Dagmawi to promote his movie.

The Producer of Ensaro, a controversial movie that grabbed the attention of many film lovers throughout Ethiopia in a short period of time, incurred a huge loss for the same reason. Although the producer of Ensaro invested close to one million birr, they haven't even managed to recover their original cost let alone making profits. As the Coronavirus struck in the midst of their unexpected crisis, they were not able to offset their losses using other mechanisms.

The impact of the outbreak is also felt in the global entertainment industry. As the industry and the entire universe around it came to a standstill, the famous film industries of Hollywood and Bollywood became crippled and are currently in the midst of a huge crisis. A report published by the Hollywood Reporter indicates that Hollywood alone could lose as much as USD20 billion this year because of the pandemic.

The pandemic also cost US box-office as much as an estimated five billion dollars so far, according to Quartz Africa. This would climb to USD10 billion if the pandemic continues until May and the loss may become USD20 billion if the crisis extended further, various sources estimate. National Film Administration of China also reported that the world's most populous country's box office faces losses of more than 30 billion yuan (USD4.24 billion) this year after the Coronavirus pandemic forced theatres to shut and the production and distribution of films to be suspended.

Although yet to be estimated, Ethiopia's entertainers are also encountering huge losses as the pandemic limits the movement of people. "We are now almost jobless as concerts are cancelled," said Asgegnew Ashko, a renowned Ethiopian singer. "But it is also a good opportunity to focus and do albums, like I am doing now," he went on to reveal. Not everyone is like Asgegnew though. Musicians, especially those who are amateur and inexperienced, are dependent on the income they generate working in night clubs, music festivals and different events. Ebro pointed out that such artist would suffer from the pandemic a lot.

Cinema hall owners are another group affected by the pandemic. A case in point is Alem Cinema, the first privately owned cinema in Ethiopia that opened in April 2004. "We used to serve over 20,000 customers in our two cinema halls before the pandemic. Now, we are getting nothing as we are closed to curb the spread of the virus," says Elias Yosef, Manager of Alem Cinema.

Ebro fears that the infant industry would die if it is left unsupported by authorities and entertainers come up with new business models focusing on the digital media. "Business as usual approaches must be replaced with new mechanisms. In doing so, the future ahead of us might be brighter, although we are losing much today," Ebro concludes. **EBR**

The Economic and Social Impacts of COVID-19 in Ethiopia: What is to Be Done?

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Like the rest of the world but perhaps more than most, the Coronavirus poses an unprecedented existential challenge to Ethiopia. If current projections of the spread of the pandemic hold, the country will see the gains from recent rapid growth, now totally wiped out, the poverty level more than doubled, its economy shattered, export revenues drastically reduced, its external debt servicing shooting to an unsustainable and dangerous level, its social and political order enormously tested and even threatened, and its population decimated by death, illness, hunger and famine.

Ethiopia may or may not survive the pandemic, although its past assures us, it will. But it will not be the country we now know, much less the future we may have hoped for.Thus, we need to do our best and at most possible effort to stop the spread of the virus by any means necessary.

The potential damage and urgency of the looming pandemic and its economic shock call neither for high-flown theory nor for empirical sophistication. What is needed is quick analytical insight using available data in order to inform the Ethiopian government and the public at large of the likely magnitude of the resulting economic problems and to stimulate debate about the possible and feasible policy options that can minimize the impact.

Given the nature of our livelihood, the analysis assumes and recommends that full-lockdown is impossible in Ethiopia. Hence, the focus of this analysis is on the possible impact of COVID-19 under a partial lock-down condition and various scenarios.

I have envisaged three scenarios. The first, best-case scenario assumes that the current shock will last for the 1st quarter of the new fiscal year 2020/21 (i.e. July to September 2020/21) only and the economy will go back to normal then. The second-case scenario assumes that the economic shock will continue into the 2nd quarter (October to December) and subsides thereafter. This, in my view, is most likely to happen.

The third and worst-case scenario assumes this shock will last up to the 3rd Quarter (January to March 2021). In all three cases, the effect of COVID is compared to what would have been without COVID by taking the average annual value of major macroeconomic variables in the last three years to be the base run (the business as usual scenario), or, the benchmark of the economic situation of the country without the effect of COVID.

II. GDP and Sectoral Growth Effects

The economic impact of the COVID-19 pandemic is staggering. The pandemic is estimated to reduce GDP by 11.1Pct in 2020/21 fiscal year. This shock will be felt most in the industrial sector, which is projected to contract by 17Pct. The service sector will decline by 15.6Pct. The agricultural sector is expected to be the least affected as it is projected to decline by only 1.6Pct.

The government projects a growth figure of nine percent for the fiscal year 2019/20 or a GDP of ETB2.04 trillion. With such figure, the economy would fall by 11Pct means the GDP of the country will face a ETB227 billion decline. In the event of the best-case scenario, the effect being limited just to the first quarter of the new fiscal year, and hence a 5.6 percent decline in GDP, this loss becomes ETB114 billion.

The external sector is especially vulnerable, and this will have a significant impact on the national economy. The sector's vulnerability comes from the effect of COVID-19 on global commodity prices and the volume of exports and imports as well as from the disruption of the supply chain with our major trading partners especially China and Europe.

Thus, we project in our scenario that exports will decline by about 16.2Pct. Imports also are projected to decline by about 12Pct in our scenario. The latter is apparently a positive development from the point of view of the balance of trade deficit. For instance, our fuel import bill will decline by at least 30Pct. However, the negative side of the story is that this may lead to shortage of essential goods that include food supply in the market, a rise in prices and a disruption especially of industrial production.

The decline in exports will have a significant negative impact on external debt servicing, which is now almost two billion dollars (two-third of our merchandise exports) and has been growing by 24.4Pct annually in the last three years. The COVID-19 effect will raise this figure from the current level of 26Pct to 38Pct of exports of goods and services. This underscores the need to re-schedule or cancel servicing debt as it will be virtually impossible to pay and may lead to the country defaulting to its creditors anyway.

The trade balance and balance of payment problems of the country is generally structural. Unless there is a fundamental change in export capability - which is very unlikely - the country will continue to be extremely dependent on external finance (aid, borrowing, remittance) for years to come. The COVID-19 impact will accentuate this dependency and aggravate the foreign exchange problem if such capital flows are not forthcoming.

Proposed Policy Directions for the Real Sectors

A strong focus on the agricultural sector with the aim of increasing food production to an unprecedented level is a key policy imperative. Increased effort on the agricultural front would not only greatly reduce the contraction in GDP, but also minimize the potential deficit in food supply and export revenues.

Creating a food bank to withstand the likely food shortages across regional capitals and Addis Ababa as a complementary political and policy intervention deserves special consideration. Boosting food production and food imports is also crucially important to ensure macroeconomic stability, especially during such a defying moment. My recent empirical analysis on inflation in Ethiopia shows that a 10Pct rise in domestic food production would lead to a significant 26Pct reduction of general prices. The converse is also generally true.

Although this policy brief stresses the imperative of giving particular attention to the agricultural sector, another albeit counter-intuitive recommendation is the adoption of a policy of minimizing the rural-urban linkage so as to shield the rural population from the transmission of the disease from urban areas, while at same time maintaining the flow of goods and services between the two sectors. This would call for unconventional measures such as limiting points of contact and marketing venues, extensive testing and use of masks and mandatory social distancing. Provision of marketing services through neighborhood cooperatives or other creative approaches could also be important and viable options.

In order to abate the negative income and poverty effect of the pandemic, it may well be necessary to allow the continued operation of some major sectors of the economy, especially the construction and some service sectors. This may be done using different shift schedules in order to preserve social distancing. COVID-19 related health services could also be provided on sites. A complementary policy would be to consider a strategic shift to import substitution and the production of basic goods wherever there are opportunities for doing so.

The various intended and unintended consequences of the economic dislocation and other concomitant changes in production and production processes will have adjustment costs for firms and workers. Government must envisage and design various kinds of supportive measures to keep firms going and minimizing the economic and financial cost of the crisis. Among such measures is the provision of credit for a renewable three months period or so. These, coupled with other measures, need to be preceded and supported by intensive consultations between the government, industrial leaders and other stakeholders.

The use of the renaissance dam financing type bond selling scheme for COVID purpose (call it COVID-bond) for a limited period is worth considering. This is because the effect of financing the spending related to COVID-19 could be enormous for the government and may lead to sever macroeconomic instability.

III. The Socio-Economic Impact

Poverty: Using the official poverty line of Birr 20 per adult per day, it is estimated that 22 percent, about 26 million of the estimated 108 million population of the country, live below this poverty line. With an international poverty line of Birr 40 per day (that is USD1.25 a day), or about Birr 1,200 per month, some 73Pct or about 79 million of our people are below poverty line.

On the average, the COVID-19 economic impact is estimated to increase the number of poor people by about 28 million. Even using the official poverty line, the pandemic will more than double the poverty rate from 22 to 48Pct of the population. These figures show the gravity of the problem that we are going to face.

Jobs and Vulnerable Groups: Since the government will not retrench workers during this time, the 1.8 million public sector workers are the better protected occupational group. They may cost the government about ETB5.7 billion per month for a full-lockdown period. With partial lockdown this would decline by half.

On the other hand, about 1.5 million workers in the private sector could be vulnerable if their private sector employers couldn't run their businesses during the partial lock-down period (and after). The government may need to finance fully or share the cost of keeping these workers on their jobs.

In addition to this, there are also 3.1 million self-employed workers. These are the second group of workers that are vulnerable to the economic impact of COVID-19 and partial lock-down measures. The third vulnerable group includes those in small and micro enterprises. These three groups have a combined figure of about five million workers. With full lockdown all these people could be vulnerable.

With partial lock-down and partial running of the economy, this may decline by half or to 2.5 million workers. The estimated job loss and, hence, the corresponding income loss of these vulnerable paid employed people under the average scenarios envisaged in this study could be about ETB2.5 billion per month.

Proposed Policy Directions to Address the Social Consequences

The first measure that could be considered to minimize the socio-economic effect of the pandemic is to keep at least half the work force running the economy so that these people are earning a living and supporting the other half for a three - month period until the economic effect of the virus subsides.

For those in the informal sector that depend on their daily labour and lead a hand-to-mouth life, the likely occurrence of unemployment, hunger and starvation is a real threat and more deadly than the virus itself especially if the lock-down persists for more than a month. It could also lead to migration back to rural areas, worsen the breakdown of social cohesion and law and order and could be a health threat to rural areas.

There is a clear trade-off between dying from the virus and dying from hunger and starvation. The government may therefore need to significantly tilt its policy towards avoiding hunger and starvation and preventing the potential breakdown of law and order, while doing its best to contain the virus.

Prime Minister Abiy Ahmed (PhD) and Addis Ababa's Mayor Takele Uma are doing a great job in sensitizing the public on the health issues and mobilizing resources for the extremely vulnerable. What they now have to do is to make this excellent initiative more systematic and orderly, and not ad hoc as has been the case so far.

It also needs to be done on a bigger scale and should be accompanied with a plan for its financing by the Federal and Regional States and Neighborhood indigenous institutions, at least for the coming three months. It is important to deploy our social capital (churches, mosques, neighborhood networks) to squarely address this challenge. As regards to employees and employers in the private sector, although the government has advised private businesses not to dismiss their workers, it has not come up yet on how to support the business owners to do that for long. This is particularly difficult for small business owners. Two policy directions may be worth considering:

(i) Helping businesses run their operations on the basis of a shift system and encouraging them to shift to essential goods production or to import substitution if this is feasible

(ii) Share or fully finance the financial burden of holding onto the work force during the lockdown period. This is important to mitigate business bankruptcy and failures. With an estimated average monthly salary of about ETB3,000 per month in urban areas, the cost ofkeeping 1.5 million workers on the job may amount to about Birr 4.5 billion per month - as a wage bill. Again, how to share this cost should be a matter for consultation amongst business owners, workers and government.

For the self-employed in micro and small enterprises, however, rent freezing is the first and most important policy initiative. This is because the rentals cost of business premises/shops is the most significant cost to the self-employed. The government could guarantee the payment of rents during the partial lockdown period on behalf of small business owners through bonds payable to the owners of the premises. The implementation of this policy idea requires detailed and concrete assessment by the Ministries of Trade, Labour and Social Affairs.

The social policy directions proposed above need an efficient and effective system of administration. From this perspective, the following points are worth considering:

(A) Re-routing or strengthening existing administrative systems is preferable to setting up new institutions

(B) At this point in time, food and other essential transfer is much better than cash transfer as markets may breakdown and prices rise; and

(C) Prime Minister Abiy's idea of people sharing their meal and rent cancelation is a great idea worth pursuing, although it needs to be done systematically for it to be effective. Neighborhood-based programmes using indigenous institutions as well as media-based sensitization programmes are key complementary approaches for this initiative to continue on a sustainable basis.

Macroeconomic and Financing Issues

The public spending analysis in this study assumes that capital expenditure will be halted at least for the current fiscal year or until the effect of the virus subsides. To the extent possible, this should be the policy direction of the government. If not, non-monetization financing of it is criticall for macroeconomic stability.

The most notable public spending (fiscal policy) response of the government so far includes the Birr 300 million allocated to bolster the health sector, the ETB15 billion liquidity injected to the private banking sector, and the ETB51.2 billion (USD1.6 billion) the government is currently planning to spend on the economy to abate COVID-19's economic effect. This planned spending (some already done) adds up to ETB66.5 billion. If the recently parliament approved supplementary budget of Birr 28 billion is not part of the above planned spending, the total government additional spending will jump to ETB94.5 billion.

To avoid significant macroeconomic instability, I recommend the supplementary budget of ETB28 billion to be reckoned as part of the USD1.6 billion the government is planning to allocate for spending as a policy response to the pandemic. In addition, I will also recommend the freeze on capital expenditure unless it has significant sunk-cost and labour displacing effect or could be financed in non-monetized way. The analysis here is based on these two key assumptions.

If these assumptions are violated, the presumed possible macroeconomic instability condition would be much more severe than is painted here. With my recommendation about the capital and supplementary budget above accepted, the effect of COVID is to increase total public expenditure by 17.4Pct compared to the base run situation (the recurrent expenditure will increase by 30Pct). In addition, the possible shrinking of the economy will also reduce the total government revenue, including grant, by 16Pct, whereas taxes and non-tax revenues are expected to decline by 18.8Pct and 7.7Pct, respectively.

The combined effect of a rise in public expenditure (ETB66.5 billion, 17.4Pct increase) and a fall in revenue (ETB50.5 billion, 16Pct reduction) is to bolster public deficit by ETB117.1 billion and hence the need to get this amount of money just to have a fiscal posture that we had before COVID (or maintain the status quo). If the supplementary budget is not part of the USD1.6 billion COVID response money, the money needed just to maintain the fiscal posture that we had before the virus will jump to Birr 145 billion. It has to be noted that this doesn't include the financial assistance to the private sector operators as well as to the vulnerable workers noted above. In addition, this is assuming that the government will freeze public capital expenditure during this period.

The combined effect of this hike in public expenditure and a decline in public revenue is to put unprecedented pressure on public deficit and strong pressure on monetization of this deficit. From macroeconomic stability (low inflation, stable exchange rate, sustainable deficit& debt level and low unemployment) point of view, financing this deficit is a major challenge for the government. Given the already high inflation of about 22Pct now and food inflation of about 25 percent, macroeconomic instability that includes further high inflation (in particular food inflation) is a real possibility that may emerge as part of the economic shock and policy response related to the COVID effect. This calls for cautious and prudent macro policy.

Proposed Macroeconomic and Financing Policy Directions

Full monetization (financing it by borrowing from the National Bank, which basically means money printing) of this increase in deficit is problematic because its inflationary consequences could be overwhelming. This hurts the poor and the vulnerable workers disproportionally and depreciation of the Birr, which is contrary to the policy objective of protecting the welfare of the population. Such policy needs to be avoided.

For instance, a pressure of borrowing from the National Bank to finance the ETB117.1 billion additional budget needed just to maintain the status quo through full monetization(this is equivalent to 11 percentage points increase the broad money supply) could lead to about 20 percent rise on general price level, which is already very high, as noted. A better policy alternative to financing such deficit without major macroeconomic instability is to pursue a mix of heterodox policies that includes:

1. Expenditure switching: this means the government needs to revisit and revise its book and postpone and switch some of the less urgent items in the current budget, and shift the resources to fund the COVID related programs.
2. Avoid any devaluation (no matter how high the parallel market rate premium is) until the effect of the virus subsides as it exacerbates inflation. My updated inflation model shows that, if we devalue the Birr from the current level of Birr 32 per USD to, say, 35.20 (a 10 percent devaluation), the price level will increase from its current level by about 24Pct(and this without any compensatory positive effect by way of increasing exports or reducing imports - two important justifications that are generally given for such a policy).
3. External financing is important as long as a good part of the money (if we manage to get it)canbe used to import food and related essentials and/or boost domestic production of food and such essential consumer goods. Increase in food supply iskey for financing the COVID instigated public spending within a non-inflationary macroeconomic environment. Non-inflationary environment is also key to avoid pressure on exchange rate depreciation, which may lead to a "depreciationinflation" cycle. In addition, inflation and devaluation will also increase the Birr value of the already approved budget, fuelling inflation further. This may lead to runaway inflation that is also a recipe for political crisis. Hence, the non-inflationary financing policy advocated here, apart from protecting the poor, has additionalbenefit of maintaining macroeconomic and social stability.
4. The external financing, if obtained, needs to be accompanied by a monetary policy of sterilization (i.e., reducing total credit by the equal amount of external assets obtained) for more effectiveness. The latter seems difficult at this trying time if there are no non-essential or non-urgent credit provisions in our current plan that we could easily halt. However, it has to be tried.

In conclusion, it is imperative to note that the Ethiopian economy is going to face an enormous shock. There is no room for complacency, incompetence or uninformed decisions. The consequences of such actions could be devastating especially at this extraordinary time. Decisions must be guided by evidence, knowledge and good judgment. The challenge we are facing is so great and the potential consequences so catastrophic that we need an exceptional and bold politico-economic approach to rise to the challenge and avoid the precipice. This means above all the political determination to run the economy with the attitude, conviction and commitment akin to "an economic state of emergency". It is important for Ethiopians, the government and opposition political parties to put aside their differences and unite as one people, one country, and one nation – in this sense it is also an opportunity to forge our unity.

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depression is different from the usual mood swing since it has its own symptoms. Its duration of grief or morose mood lasts longer than usual. Its symptoms can vary with the type of depression a person has. Nonetheless, thoughts of suicide, sad or empty feeling, constant fatigue, feeling hopeless, changes in appetite, withdrawing from friends and family, agitation, change in sleep habits like either sleeping too much or not sleeping at all and feelings of worthlessness could be mentioned as major symptoms.

> **Dyed with blood, the oranges rolled towards me."**
>
> A Depression Patient

"Depression can make socialising exhausting. However, some of these symptoms should persist for two weeks to diagnose someone with major depressive disorder," Azeb Asamenew, a psychiatrist, explains.

In addition to creating mental and emotional pain, depression can affect the physical parts of a person like the brain, heart and other parts of the body. "One of the most serious side effects of depression is a decrease in brain volume," George states.

> **Depression is the leading Mental Health Problem around the world and it is more than just sadness.**

Despite its widely felt impacts, depression is not considered a serious problem in Ethiopia. "Currently, as urbanization and education are expanding, there are some improvements. However, the level of awareness about depression is still low; people don't know that it can be reliably diagnosed and treated at health centres. Very few people consider it a serious illness and know its symptoms, though it is the leading mental health problem in the country," noted Atalay Bezabih, a Professor at Addis Ababa University. "The hardest part of depression is it might create a feeling of worthlessness and hide the bright side of the future. In worse cases, it may escalate into attempting and committing suicide," he added.

Mild, moderate and even the most severe depression can get better with some form of treatment. However, knowing and treating the root causes is very important to find relief from the effects of depression. "The remedies of depression vary depending on the root causes. For instance, biochemical reactions inside the brain and genetic factors could be causes of depression. Sometimes the causes may even remain unknown," Azebe explained. The World Federation for Mental Health report indicates that the preferred treatment options for major depressive disorder consist of basic psychosocial support combined with antidepressant medication or psychotherapy, such as cognitive behaviour therapy, interpersonal psychotherapy or problem-solving treatment.

However, people who suffer from major depressive disorder sometimes opt for illegal drugs and alcohol to find relief. Elsa is a case in point. Since she lost her mother, communicating and playing with her peers became a challenge to deal with. "I used to only enjoy sitting on the porch and listening to the arguments, laughter, and conversations of my peers. Although I wanted to be a part of their group, I refrained from doing so. Experiencing such a feeling at an early age is so painful," Elsa recalls.

When she grew up, she started to take marijuana and weed to drift away from her pain. However, she stated, the problems remain when their effect fades quickly. "Alcohol and illegal drugs may give false happiness but they exacerbate the problem underneath it all. If depression is not treated properly, it may cause bipolar disorder. In the worst case, it might also lead to high level mental health problems like schizophrenia. So, victims of depression should avoid illegal drugs and alcohol to find relief from depression and its effects," George stressed.

Azeb noted that engagement in cultural institutions like Mahiber, Ekub, family, marriage and religious institutions helps, in addition to going to medical centres. She also stated that patients should have at least one person that they can trust and share their problems with. "It is also really vital to avoid judgement and measure others' problems based on one's own standards. It is always important to ensure that the person who has major depressive disorder is safe," Azeb explains. If the patient doesn't want any help, she went on to remark, it is better not to interfere and they should only be told to ask for help when they feel like it. She also pointed out that apologizing is helpful when confronted with unsolicited interference. "Interference is advisable only when safety becomes an issue. Otherwise, tough love should be avoided," Azeb advised.

Azebe noted that many people become vulnerable to depression during tough times such as the ongoing Coronavirus pandemic that has disrupted economic activities immensely and forced people (including those who live alone) to stay at home for a long time. "Existing problems may exacerbate the risk of depression particularly for low income families as they may lose their jobs; hence, survival by itself should be celebrated," Atalay underscored. **EBR**

from P. 42

Government also borrows to stabilize market through consumer associations like in subsidized bread flour. Once their fund is released, shipment arrives or harvest is marketed and the borrowers return the grain back to SFRA.

Ethiopia usually fails to maintain the planned SFR due to high storage cost. Cost of storing a ton ranges between USD20 and USD46, according to case studies done in Ethiopia, Kenya, Malawi and Mali by IFPRI. 'Increasing stock level can potentially has large negative consequences: Especially in the absence of the right institutional designs, optimal stocks, and integration with the safety nets, it can depress market prices and increase subsidy bills.'

Countries with reserve stocks have been able to respond more quickly and cheaply than those with limited or no reserves. According to FAO, 43 countries reduce tariff and customs fees to encourage import and stock food, 35 countries sell grain from public stock or import, 23 countries suspended or reduced taxes, while 25 countries restricted or banned exports. Some 21 African states control grain price.

In sub-Saharan Africa, 70Pct of the countries maintain public food reserves for emergency and price stabilization. Countries like Ethiopia, Burkina Faso, Mali, Sudan and Ghana maintain relatively small stocks for emergency relief, while other states like Zambia, Malawi and Nigeria have larger programmes.

Ethiopia, with over 110 million population and higher vulnerabilities, currently keeps around 400,000 MT reserves, enough to keep 10 million people for four months, calculating 40KG per head. Nigeria's strategic grain reserve policy mandates 15Pct of total annual grain harvest should be held in reserve, this is very high compared to Ethiopia's 1.4Pct. Zambia's food reserve agency holds over 350,000 tons of maize alone, over one tenth of its production.

Due to lack of regional food reserve institution, Informal Cross-Border Trade in East Africa (ICBT) comprises 60Pct of the overall trade, according to Muauz Gidey (PhD), delinking ICBT and violence for regional integration in the horn of Africa, Mekele University.

According to EU 2018 case study on food reserve trends in Ethiopia 'Public FR play only a minor role in the current food system, essentially functioning as working stocks that expand temporarily to facilitate emergency relief operations, while the institutions charged with management of food stocks and emergency relief have grown increasingly effective in addressing crises. Nonetheless, because the country remains susceptible to drought, Ethiopia will continue to need well-chosen public investments and well-functioning institutions to maintain or surpass the remarkable improvements in food security it has achieved over the past two decades.'

Experts recommend Ethiopia to invest in irrigation, mechanization, commercial faming, to end dependency on subsistence farming. They also focus on the need to divert resources from highland to the vast fertile lowland in the eastern part of the country. A large proportion of fertile land has been idle since the beginning.

"Under #Covid19, government can provide money if there is production on the market, like USD1,00 per person in USA. But if the agriculture is affected, supplying food door to door is critical. So far agriculture is good. The major problem in Ethiopia is drought, which escalates demand but decrease supply. This necessitates import of grain and food stock. For the long run, Ethiopia must gear its economic policies towards irrigation, mechanization, end dependence on subsistence farming, reducing post harvest loss, besides industrialization," says Abraham.

Aklilu Hailemariam (PhD), a senior expert at Center for Food Security Studies at AAU, agrees. "The worst impact of #Covid19 might be stopping food circulation in the market. Producers and buyers might be afraid, or restricted from going to market. Middlemen suppliers also might hold supply to inflate price. There are also many systemic problems ahead like acute shortage of foreign currency to import grain." he says.

The country has no local fertilizer production, which might affect continuing farming under extended Covi19, according to Aklilu. The acute shortage of foreign currency to import agricultural inputs will also exacerbate the problem. "Farmers might not be able to access extension services too," he says. "Under such circumstances, the country will lead to a cyclic food and economic crisis."

Aklilu urges preparing recovery plan for post Covid19 is equally necessary. "The country must focus on local capacity building and import substitution. Agricultural items must be exported after fully addressing local demand. To avert this, it is important that the country pays due attention to boosting domestic production of [agricultural inputs and supplies]."**EBR**

Quote

"Failure defeats losers, failure inspires winners."

Robert T. Kiyosaki (1947-Present day)

He is an American businessman and author.

From the Horse's Mouth

"If there is any company that made a great achievement after the spread of coronavirus, it is Ethiopian Airlines."

Haile Gebreselassie, a retired Ethiopian long-distance track and road athlete

Made this remark in an interview with the Reporter Amharic last month. "I believe the decision of the Airlines to fly to China during the pandemic is a right decision," he added.

"If we don't prepare and act now – to secure access, avoid funding shortfalls and disruptions to trade - we could be facing multiple famines of biblical proportions within a few months."

David Beasley, UN World Food Programme (WFP) Executive Director,

Made the remark during a virtual session of the UN Security Council on the maintenance of international peace and security last month.

The Number

4

Ministry of Finance allowed businesses affected by the coronavirus use four months of income taxes paid by their employees to pay salaries as of May 2020.