



Economic Growth: Thinking Exponentially
Tsegaye Tegenu (PhD), Uppsala University



The Problems of the Financial Sector
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GMO CURSED SEED?

CUT-THROAT MOVES TO LEGITIMIZE
 CUTTING-EDGE TECHNOLOGY

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Filling of the GERD Marks the Dawn of a Better Day!

The Blue Nile is an everlasting bond between riparian countries. For millennia, the river amassed water from upper riparian countries and provided Sudan and Egypt a life line. It has, however, been the Egyptians who relied heavily on the longest river in the world. The Greeks even called Egypt “the Gift of the Nile.” Considering Ethiopia contributes 85Pct of the Nile waters, it would be logical to say that ‘Egypt is the gift of Ethiopia.’ Despite its tremendous share of the Nile waters, Ethiopia has never used the river. On the other hand, Egypt does not contribute a drop to the river; however, it claims to have historic use rights that should not been questioned.

History shows us that the Egyptians attempted to control the source of the Nile on multiple occasions through military domination. However, they always tested defeat in the face of determined and righteous Ethiopians. The latest attempt was made by Ismail Pasha of Egypt. The Egyptian army, aided by European and American officers, invaded Ethiopia in 1876 but it was swept away by the ferocious patriotism of Ethiopians who righteously stood together to defend their motherland at the battle of Gundet, under the leadership of Emperor Yohannes IV.

Despite their repeated defeat, the Egyptians never ceased to threaten Ethiopia or conspire to destabilize the country. Honest and heartfelt attempts for cooperation have never been the agenda of Egyptians because, deep down, they know that their claims are not about fair utilization of the resource between riparian countries. On the other hand, Ethiopia has brought the issue to the table ever since the Grand Ethiopian Renaissance Dam (GERD) started its stride to become a reality, leaving its status as the fantasy of all Ethiopians. In return for its efforts towards cooperation, Ethiopia was met with more threats, more funding to forces of instability in Ethiopia and ridiculous requests to operate the GERD.

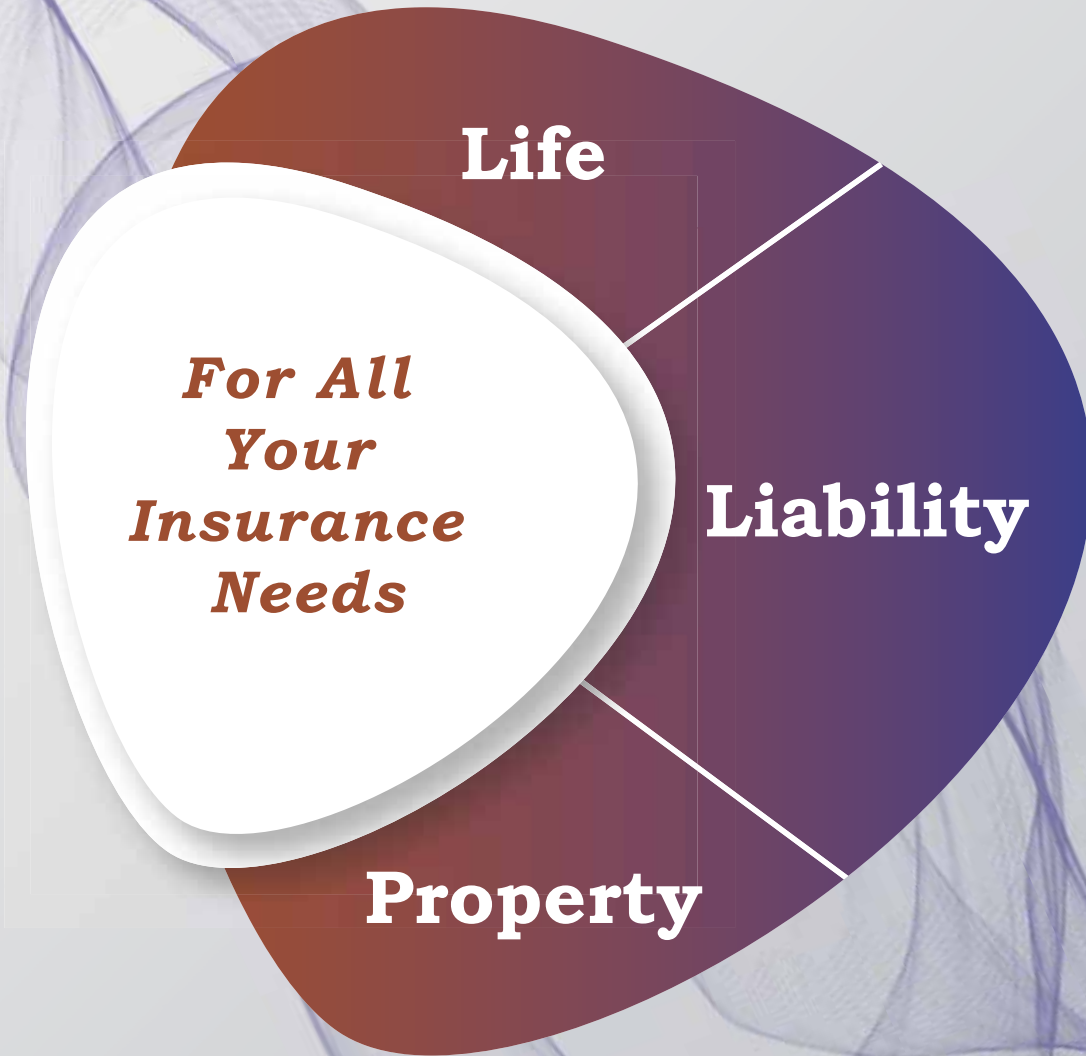
Over the nine years since the construction of the GERD started, Egyptian politicians repeatedly spoke of keeping “all options on the table” when it comes to sustaining their monopoly of the Nile river. The Egyptian diplomatic ruckus picked up momentum in recent months as they attempted to use the leverage of their international partners. Ethiopia persisted with its righteous approach to the utilization of the Nile waters. On July 19, 2020, Ethiopia finished the first round of filling of the GERD reservoir as it held 4.9 billion cubic meters of water. All those who worked to make sure we wouldn't live to see that day felt what their ancestors felt during the battle of Gundet – defeat.

With the weight of the world upon their shoulders, Ethiopians once again demonstrated they can handle the unimaginable whenever they stand together for a common cause. The first two turbines will start generating electricity in June 2021, basically launching the first phase of operation of the dam. It is now a matter of months before Ethiopians start to enjoy the fruits of their solidarity.

Individuals, private businesses and public enterprises have also contributed to the construction of the dam. The dam is, therefore, the product of the sweat of ordinary people, small to large businesses and the government. We have already tested success and there is more of it ahead of us. The partial and full operation of the dam is expected to do justice to the frequent power outages in households, small businesses and industries, besides lighting up the houses of millions of Ethiopians. The fishing, irrigation and entertainment potential businesses along the new lake in formation is also tremendous. Therefore, the filling of the dam is a great news for business in Ethiopia. Ethiopian Business Review (EBR) congratulates businesses in Ethiopia, the public at large and the government on a job well done. **EBR**



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



Awash Bank Nets ETB4.1 Billion Profit

Awash Bank, the first private bank in Ethiopia, makes an annual gross profit of ETB 4.1 billion in the 2019/20 fiscal year. The gross profit has enabled Awash bank keep its position as the most profitable private bank in the country for a fifth year running. This year’s profits have a 25Pct increase over that of last year. Last fiscal year, the bank managed to register a gross profit of ETB 3.3 billion. Income from loan interest, forex and other various services are credited for yet another year of success by Awash Bank.



Coffee Price Drops

Internationally, Ethiopian coffee prices dropped by USD 153 per ton in the last Ethiopian fiscal year. The previous year, the average price tag per ton for Ethiopian coffee in the international market was USD3306. However, the price dropped to USD 3155 per ton in the past fiscal year of 2019/2020. Even though the price of coffee dropped, supply to the international market escalated as the demand steeped up ever since COVID-19 hit the world.



Market Places to be Built in Every Sub-City of Addis

Addis Ababa trade bureau is set to build open vegetable and live-stock market places in every sub-city. According to the bureau, each market place covers 15 to 20 hectares of land. Addis Ababa City Administration allocated a budget ETB20 to 27 million for the construction of each market place. The construction of four market places has already been completed with six more in the pipeline. Those fully completed market places are for fruits, vegetables, and livestock.



National Lottery Profits Drop by ETB40 Million

National Lottery Administration’s annual profit decreased by over ETB40 million. The ETB143 million profit in the 2019/20 fiscal year is ETB42 million lower than last year’s profit of ETB 185 million. The administration stated the drop is COVID-19 related as street lottery vendors did not perform well and also customers shied away from buying tickets fearing the spread of the pandemic via the paper.



A grant agreement amounting to 15.96 Million Euro was signed virtually on July 23, 2020, between the Ethiopian government and that of the Netherlands to finance “Kunzila Integrated Landscape Management and WASH (ILMWA) project.”

**EUR
15.96
million**

ETB477 Million to Renovate National Palace

Ethiopia has secured ETB477 million in aid from the government of France to make the national palace a tourist site and open for visitors. The government of France provided a total of ETB796.9 million in aid, with ETB477 million dedicated to the national palace project. The renovation project has been among the current administration's top targets ever since Prime Minister Abiy Ahmed (PhD) assumed office.



Ethiopia generates USD56 Million From Power Export

Ethiopia generated USD56 million during the 2019/20 fiscal year from Power exports. Ethiopia exported electricity to neighboring countries Sudan and Djibouti, collecting USD56.2 million. During the fiscal year, Ethiopia managed to export 974 GWH power to the two countries even though the plan was to export 992.3 GWH. The plan was to collect USD57 million; therefore, it ended up achieving 98Pct of it.



Export surpasses USD3 Billion for the first time in Six years

Ethiopia registers six years' record high export revenue. Ethiopia collected USD3.02 billion from export goods in the 2019/20 fiscal year. The top three export items include: agricultural products that raised USD2.3 billion, manufacturing products that raised USD406 million and mining products that generated USD208 million. The performance is said to be 80Pct of the plan.



New Flavored Milk Joins the Market

The first flavored milk, BOBO, is joining the market. KOK milk manufacturing Plc started test production a month ago after two years of construction. The factory is established with an outlay of ETB700 million investment capital. KOK has a production capacity of 69,000 liters per day in four flavors; Mango, Orange, Strawberry, and Apple. When the factory starts production at full capacity, only 10Pct of the product will be for the international market while the rest will be for the local market.



USD
165.69
million

USD 165.69 million Grant Agreement was signed in July, 2020 between the FDRE Ministry of Finance and the African Development Bank to fight against the impact of COVID-19 Pandemic.



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Top 10

African economies with high foreign currency reserves

	Countries	Reserve in months
1	Algeria	23.75
2	Botswana	10.25
3	Comoros	8
4	Angola	7
5	Morocco	6.1
6	Cabo Verde	6.1
7	Nigeria	6
8	Djibouti	5.9
9	South Africa	5.5
10	Uganda	5.4

Source: African Development Bank

According to the AfDB report released in June 2020, only 15 African countries have foreign currency reserves that cover their import for over five months. These countries either have oil resource or they have small import proportion. The African average is 3.2 months. 'Countries with low foreign currency reserve will have less room to import medical equipment under the covid19 era', according to the report.

Ethiopia stood fifth from the last, out of the 54 countries, with reserves covering 2.5 months import bill. Although Ethiopia is among African countries that pursued industrialization policies for the last two decades, export covers only 16Pct of imports. **EBR**

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



Zambia rejects copper mine's suspension plan

Glencore's Zambia subsidiary Mopani Copper Mines on Thursday said the country's mines ministry rejected its proposal to suspend operations because of low copper prices and disruptions caused by the Coronavirus crisis.

Mopani said it would appeal against the decision and will continue mining operations pending the outcome of the appeal process.

Operations were halted at its mines at the start of April, with Mopani citing the COVID-19 pandemic and other problems, but mining resumed a month later after the decision sparked a backlash from the Zambian government.

"Mopani remains of the belief that the only way to protect the company's value and preserve the option to deliver its growth projects when conditions further improve is to transition the operations to C&M (care and maintenance)," it said on Thursday.

Zambia's mines minister, Richard Musukwa, said the government had made it clear from the beginning that it wants Mopani to continue and said he was happy Mopani had "responded favourably" to his call not to place the mine under care and maintenance.

Algeria

Algeria's flag carrier, Air Algeria, launched flights to transport stranded foreign nationals in Algeria to some European and Arab countries amid the COVID-19 pandemic and bring back Algerians caught up in these destinations. The airline will launch six flights from Algiers to Rome, Brussels, Frankfurt, Doha, Maskat and Cairo from July 23 to 26. The airline asked those interested in the flights to ensure meeting the anti-epidemic regulations of their destinations.

Libya

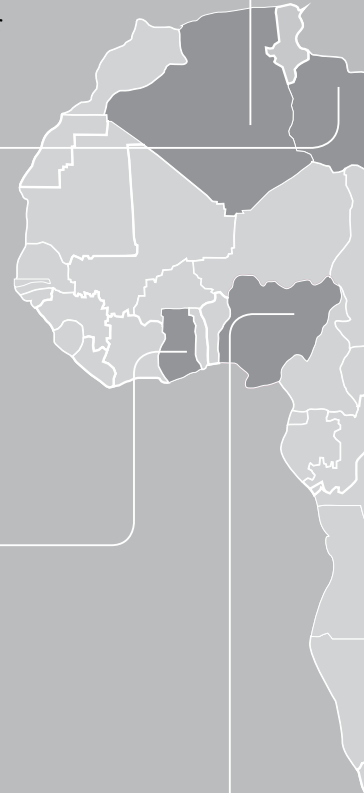
Libya's oil industry was thrown into deeper confusion with military commander Khalifa Haftar, a key player in the nation's civil war, warning he would continue to blockade ports and fields, barely a day after the state energy company said exports could resume.

Ghana

Ghana's budget deficit for 2020 will swell to more than double the legal limit because of the impact of the Coronavirus on the economy, undoing years of fiscal discipline that was supposed to mark the end of persistent financial bailouts.

Nigeria

Nigeria Records Highest Inflation in 26 Months. Nigeria's inflation rate rose further to 12.56Pct in June from 12.40Pct in May, as prices of basic food items surged. Inflation in Nigeria has been on the rise since August 2019 when the country shut its land borders with its neighbours to curb smuggling. It later became worse with the effect of the Coronavirus on the global economy.





REUTERS

**Bloomberg
Business**

Egypt

A stable currency and elevated interest rates have kept Egypt's bond market humming for months. It may now take a more flexible pound to help keep investors coming back for more. Once a favorite of emerging-market funds, Egypt's local bonds are this month's worst performers among developing nations after Argentina, Colombia and Chile.

Kenya

Kenya is seeking developers for 172-hectare swathe of land in the capital, Nairobi, as part of plans to boost the city's stature and attract more investment. Dubbed Nairobi Railway City, the project will have mixed-used commercial developments, housing and intermodal transport facilities, according to the request for expressions of interest published Wednesday in the Daily Nation newspaper.

Uganda

Uganda's economy will probably expand at the slowest pace in more than three decades this year due to the fallout from the Coronavirus pandemic, a locust invasion and floods, the World Bank said. Gross domestic product will grow by 0.4% to 1.7%, compared to 5.6% last year, the lender said in an economic update.

Zimbabwe

Zimbabwe's police have accused Econet Wireless Ltd., the country's dominant mobile phone company, of money laundering and demanded a list of its subscribers and issued a search warrant against it. The move escalates a clash between the government and the company whose money transfer service facilitates the bulk of transactions in the Southern African country.



Covid-19: Economic uncertainty tops concerns of African youth

AFRICAN youth have pointed out economic uncertainty caused by COVID-19 as the biggest threat to the continent's future, a new study shows. Findings of the first Now Generation Network Survey released yesterday by the Mo Ibrahim Foundation found that 79Pct of respondents highlighted this as the greatest challenge their country now faces as a result of COVID-19.

It is followed closely by unemployment, which 66 per cent of respondents agreed as the second biggest challenge. Entitled "Covid-19 in Africa: what does it mean for young people?" the report analyses youth perspectives on the challenges Africa faces as a direct result of the pandemic.

"Respondents showcased significant alarm around reduced civic participation with nearly all respondents raising concerns around prohibitive government policies on Covid-19 negatively impacting human rights or restricting civil liberties," reads the report. The study also found that Africa's younger population show increasing concern around crisis-generated gender-based issues. When asked about future policies to address the pandemic, respondents called for gendered economic and social policies.



GMO CURSED SEED?

CUT-THROAT MOVES TO LEGITIMIZE CUTTING-EDGE TECHNOLOGY

The paramount friction between science and nature resumed afresh in Ethiopia, following the government's commercialization of GMO varieties through selected farmers and the appreciation report released by the US Department of Agriculture (USDA) in February, 2020. Following the amendment of Ethiopia's strict biosafety laws in 2015, half a dozen farmers in Gambela and Benishangul regions cultivated Bt cotton in 2019 for the first time. The move is soon to be followed by GMO maize and Enset. Government officials and proponents of the technology argue that GMO is the silver bullet to do away with food insecurity. Nonetheless, growing anti-GMO groups are concerned over what they call 'the irrationality' behind the governmental rush for GMO. The poor productivity of the first GMO farms is also a major setback for proponents of the latest GMO maneuvering around Ethiopia's millennia old agriculture. EBR's Ashenafi Endale investigates the debates to offer this report.

When humans domesticated certain plants and animals 12,000 years ago, the process followed the natural course of selection. In fact, it was agriculture that domesticated humans as it transformed wandering human foragers into stable-families settled around their farms.

However, agriculture and humans are currently being domesticated by few companies with the mastery of manipulating nature and re-engineering agriculture. Multinational Companies specialized in Genetically Mod-

ified Organisms (GMO) evolved to producing plants and animals specific to human needs, using genome-editing.

Ethiopia, the cradle of mankind and among early agricultural communities, is theoretically and morally against GMO but practically already in the business. This is against Ethiopia's 'organic' brand and pan-Africanist anti-GMO vanguard role. For an agricultural sector that is alien to the latest combiners, GMOs mark outer space.

Five large scale cotton producers officially sowed 1,400 KG of GMO cotton for the



first time on 358 hectares of land in Gambella regional state in 2019, announced Samson Asefa, Cotton Development Director at Ethiopian Textile Industry Development Institute (ETIDI). Testing of GMO maize and Enset (false banana) is also underway in confined areas, according to Tadesse Daba (PhD), Biotechnology Director at Ethiopian Institute of Agricultural Research (EIAR).

GMO cotton varieties dubbed JKCH-1050 and JKCH-1947 were imported from India. Tadesse says close to ten cotton farmers imported the seeds but some failed to sow it. For the 2020 cultivation season, farmers are less interested and only 3ql (300KG) Bt cotton is ordered to be cultivated on 120 hectares in Gambella. Pest resistant GMO seeds are encoded with *Bacillus Thuringiensis* (Bt), a bacteria scientists identified in 1999, after it reportedly killed butterfly larvae.

Samson says the Ethiopian Cotton Producers, Exporters and Ginners Association (ECPGEA) asked for GMOs. “Existing cotton varieties are pest-preys. Over 80Pct of global cotton farming is Bt cotton. It is useful for Ethiopia. The GMO farms in Ethiopia are overseen by a task force formed from EIAR, EFCCC and led by ETIDI,” stated Samson. He further indicated that the productivity of Bt cotton was below expectation during the first harvest, although it proved to be better than the productivity of domestic varieties during testing in confined areas. “Productivity and the income of farmers are inversely proportional. Bt cotton replaced pesticide expenses,” Samson added.

“Productivity of the first Bt cotton harvest was dismaying despite high expectations,” stated Tadesse. He added: “increasing productivity is not the main purpose of the Bt cotton. Resisting ball worms, which highly affect Ethiopian cotton cultivation, and reducing the large amount of chemicals we deployed also increases productivity indirectly.”

Discouraged by the first im-

pression, very few cotton farmers ordered Bt cotton for the 2020 cultivation season. Bt cotton seed is imported at USD28 (over ETB900) per kilogram. 2.5 kilograms of Bt cotton is used per hectare, which is USD70 per hectare. The seed, however, has other chemical accessories supplied by the same company. Therefore, the price per hectare is even higher. The current price of organic cotton seed in Ethiopia is ETB45 per kilogram, 21 times lower than that of the new GMO seed. However, cotton farmers indicate, it takes up to 15-kilograms of the old seed to sow a hectare of land.

“The first Bt cotton farmers are unhappy with the low productivity. It did not effectively resist the ball worm, which was rampant through 2019. Its productivity is the same as existing varieties,” said a cotton farmer and official at Cotton Producer’s Association. “Some cotton farmers smuggled in Bt cotton seed earlier from Sudan and tried it on small scale,” said the insider.

Ethiopia’s annual cotton demand stands at 120,000 tons; only half of that amount is produced locally due to pest related issues.

Samson argues GMO cotton will not affect Ethiopia’s export. “Even international buyers like H&M, PVH and other brands support GM cotton. International buyers only require certification for sustainable production which does not affect the environment, society and use child labor. Conventional organic varieties fetch more export revenue but GMO also has demand. China and India also order GMO products. We can export to them. We can export organic cotton for Europe and GMO to other markets, depending on the orders.”

Samson noted the fact that over 70Pct of cotton farming in Ethiopia is owned by commercial farmers makes Bt cotton feasible in the country. “The rest of cotton farming is constituted by large plain cotton farms that can cultivate Bt cotton and small holders for whom Bt cotton is not recommended. Bt cotton

needs mechanization and better farm management. Bt cotton is profitable for the 70Pct but orders determine the level of profitability. The value chain of GMO cotton production in Ethiopia is controlled in such a way that it will not spill over to indigenous varieties or the consumption value chain. Fresh cotton seed is usually fed to milk cow and also used for edible oil. EFCCC prepared documents to prevent this,” explained Samson. Under such conditions, ETIDI plans to expand Bt cotton to commercial farmers in SNNP regional state.



The GMO Debate in Ethiopia

Ethiopia, through Tewoldebirhan Gebregziabher (PhD) pressed the world to adopt the Cartagena and Nagoya protocols. He created an anti-GMO Africa in the spirit of the continuation of pan-Africanism. When Western scholars argued ‘you are in the way of Africans’ right to food,’ Tewoldebirhan answered, ‘Africans die of hunger not because there is no food in Africa, but because they have no money.’ His systemic demotion due to pressures and age was followed by Ethiopia adopting GMO in 2015.

The controversial ‘Proclamation to Amend the Biosafety Proclamation’ was presented to the Ethiopian parliament in October 2014 and ratified after eight months in May, 2015. The approval process was even longer, stated Fantahun Mengistu (PhD), Director of EIAR. At the time, EIAR just finalized construction of its plant, livestock, and microbial biotech lab facility it started in 2009/10 in Holeta. It also built open fenced and isolated farms for contained GMO testing mainly in Werer, Afar regional state. The main argument behind the amendment was that GMOs provide high productivity than existing varieties.

Most stakeholders have no information Ethiopia released GMO for commercial open farming. The silence on GMO gave way to strong confrontations in Ethiopia after the United States Department of Agriculture (USDA) launched a controversial report on February 05, 2020, in which it appreciated Ethiopia for adopting GMO cotton, Enset and maize successfully. The report, among other details, states: “the Ethiopian government, from the PM office down, has publicly showed their interests

in commercializing agricultural biotechnology as a tool to achieve food security in the country.” The report, which appreciates Ethiopia is on the right track now, blames the Ethiopian government for leading the anti-GMO movement in Africa for a decade before 2015. The USDA report described pre-2015 Ethiopia as the ‘vanguard of the anti-GMO movement in Africa by working with the African Union and drafting the restrictive African Model law.’

Environmental groups and African countries hailed Ethiopian leadership as farsighted action for sustainability. Ethiopia’s approval of GMO is ‘breakaway’ from the ‘African consensus’ on the ban against it. Western organizations hinted Ethiopia’s position is vital to endorse GMO through the AU and the Regional Economic Communities (RECs). Ethiopia’s previous position against GMO was applauded by Africans because it substantiated Africa’s environmental issue, protection for African small scale farmers and protection for Ethiopia’s unique crop diversity form GMO contamination and genetic erosion.

With some 85,000 seed samples of over 100 species already stored in gene banks, Ethiopia has the biggest biodiversity and gene bank in Africa. The samples include 5,644 coffee conservations. Countries like USA and Germany, who helped in the establishment of the Ethiopian Biodiversity Institute (EBI) since 1976, also benefited from the gene bank.

Multinational GMO providers are privileged under the World Trade Organization (WTO), to which Ethiopia is not a member. GMO Seeds and agricultural inputs are controlled under large global markets and international rules of patents. Farmers are not allowed to re-use patented

GMO seeds saved from their harvest and must instead buy seeds from the companies every planting season. The Multinationals sue farmers if they find genes from their patented GMO seeds in farmers’ indigenous crop fields. This is against the ‘polluter pays principle’, where companies whose GMOs contaminate farmers’ fields are supposed to compensate farmers.

Ethiopia switched from GMO prohibiting country to promoter in ten years. The 2009 biosafety proclamation totally bans the owning, moving and use of GMOs with 15 years penalty for trespassing even for research purposes. The amended 2015 proclamation allows GMOs. A national committee comprising of the Ministries of Agriculture (MoA), Science and Technology (MoST), Industry, EFCCC, EBTI and EIAR was formed to oversee the implementation of GMOs. A task force comprising of people from ETIDI, EIAR, regional states and cotton and maize producer’s association was also formed.

The arguments of the anti and pro GMO blocks in Ethiopia can be divided into procedural and substantial. Anti-GMO groups argue that the procedure the government followed to adopt GMOs is kept behind the public eye. Content-wise, they argue GMOs have numerous substances risky for human and environment, besides enslaving farmers. GMO promoters, mainly government institutions in science and agriculture, foreign organizations and few companies, paint GMOs as sent from heaven.

The Ethiopian Biodiversity Institute (EBI) is the only public institution against GMOs. In November 2016, officials from the Ethiopian parliament, EIAR, EBTi and others visited GMO farms in India and at-



tested their GMO appreciation. The tour was sponsored and coordinated by USAID and Monsanto, GMO producing and selling US multinational. The team was led by Zekarias Erkola, State Minister of Cabinet Affairs in the PM Office, and Kassahun Tesfaye, then Biotechnology Director at EIAR and currently Director of EBTi. The Ethiopian Bio Technology Institute (EBTI) promotes GMO has no risk.

Million Belay (PhD), Coordinator at Alliance for Food Sovereignty in Africa (AFSA), argues Western companies are using three systemic strategies to endorse GMO into Africa. “They use African Officials to endorse GMOs and shift public institutions from anti-GMO to pro-GMO. They use Western donor agencies to push for GMO adoption in Africa. Thirdly, they use African experts who studied in Western universities through scholarships,” he explained.

Million Belay noted that productivity might increase at first. In the long run, however, it can even be lower than conventional varieties. The South African government rejected an application from Monsanto on the basis that it is not that productive. Productivity should not kill biodiversity and the diversity in knowledge. We need diversity for our resilience.” Million won the 2008 National Green Hero Award in Ethiopia in 2008, and was nominated for the International Forest Hero Award three years later. He assessed: “the three strategies are well implemented in Ethiopia.”

For Million, Ethiopia’s adoption of GMOs is a result of years of advocacy than deterioration of food security. “Due to the weakened resistance on GMOs in Ethiopia, mainly due to the ill-effects of

the infamous Charities law that prohibited us to campaign and have meetings with the parliament and government bodies as we used to do, the GMO promoters had their field day. They were very strong a time when we were weakened. The creation of the Agricultural Transformation Agency (ATA) has contributed hugely to that. ATA, a powerful and hugely funded institution in Ethiopia, purposely worked to change the biosafety proclamation in Ethiopia. To my knowledge, there was no public involvement in the approvals of the release of Bt Cotton as stipulated in the Nagoya protocol and in our biosafety proclamation,” said Million.

Kassahun complemented this line of thought by remarking: “the amendment states Ethiopia is determined to drive its economic growth through science and technology.”

For Gebremedhin Bireda, Head of Ethiopian Consumers Association (ECA) and Political Science and International Relations (PSIR) lecturer at the Addis Ababa University, the GMO debacle is far from over. The Ethiopian Consumers’ Association (ECA) was first licensed in 2000 but its license was revoked in 2009 when the government introduced the infamous proclamation that totally crippled civil societies. The ECA played a crucial role in drafting Ethiopia’s first Consumer Protection Proclamation and establishing the Trade Competition and Consumer Protection Authority (TCPA), which replaced the association. The ECA is currently re-registering.

“Ethiopia signed the 1983 UN Consumer Rights but even the Ministry of Foreign Affairs (MoFA) said ‘we do not know it.’ Trade, Competition and Consumer Pro-

tection Authority (TCPA) remained inactive because whenever its officials try to enforce consumer laws, they are attacked by powerful business people and greedy officials. TCPA is slightly better only in controlling merger and acquisition. Consumer protection requires extra devotion and agile ability in multidiscipline. However, TCPA operates eight hours a day, like any government institution. For instance, contraband face mask is currently infiltrating the market, but TCPA is silent,” said Gebremedhin.

GMO and e-commerce are the two growing consumer threats, according to Gebremedhin. “The Ethiopian government does not even understand the dynamism in production and service modes, hiking consumer disadvantages. For instance, digital fraud is on the rise,” he remarked. After the revocation of ECA’s license, its members worked to defend consumer rights individually until they were involved in a total fallout with the Ethiopian government on the issue of GMOs.

When EIAR, Ministry of Science and Technology (MoST), EFCCC and the parliament were preparing the 2015 biosafety proclamation, ECA members argued strongly. The government promised to include their inputs. They prepared the ‘liability and redress’ mechanism, which assigns responsibility for any GMO damage based on the Nagoya protocol. Finally, the parliament approved it under ‘part six’ of the final draft proclamation. However, when the 2015 amended biosafety proclamation was published, that part was cut out. The proclamation allows GMO without assigning responsibility to anyone in case of any damage on consumers, farmers or the environment. ECA’s contribution was included in the 2009 biosafety proclamation but not in the 2015 amended proclamation.

The Nagoya Protocol assigns responsibility for any damages on institutions that promote GMO use. In the Ethiopian context, those institutions would be EIAR, EBTi and EFCCC. By cutting the section dealing with liability and redress, the institutions have totally absolved themselves of any responsibilities. In addition, the multinational suppliers of GMOs would not be held to any responsibility as the ‘advance informed agreement’ needed has not been signed between the Ethiopian government

and the suppliers.

There are two international GMO protocols, Cartagena and Nagoya. Cartagena is about usage while Nagoya is about liability and redress. Ethiopia signed both but only included Cartagena in its latest proclamation.

“Ethiopia’s GMO approval was totally in the interest of a few officials who wanted to benefit from the GMO business. Finally, we refused to work with any government body after the 2015 proclamation was ratified behind the scene. Recently, USDA appreciated Ethiopia’s GMO progress. GMO is a cross breed between plants, animals and microbials. GMO is primarily pushed by Ethiopian experts educated abroad with GMO company scholarship funds. They are brainwashed that GMO is modernism. Nature is the grand technology. Amid all

other countries to accept GMOs,” added Million.

Gebremedhin argues GMO should not be promoted by public institutions even if it is useful. “The public was never consulted in the process, from changing the law to farming GMO on open farms. Nobody tells the public for what purpose GMO is being used, where it is growing and how it is transported, and who assumes accountability for any damage. We might already be consuming GMO, because the cotton seed is usually fed for milk cows and used even to produce edible oil. Today, they have started with Enset, maize and cotton; tomorrow, they will launch GMO teff, coffee and other unique Ethiopian commodities. They almost finalized the launch of GMO teff developed by Ethiopian biotechnologists. It was suspended

iversity, cause gene flaws, and create super weeds and carcinogenic. Consumers in developed countries stopped consuming GMO. Ethiopia is not telling the public which product is GMO and which is not. No law mandates producers or importers to print detail information on packages. Ethiopia can grow with indigenous agriculture. Government is availing 80Pct loan for FDI but it does not finance indigenous farmers. Ethiopia ratified the GMO proclamation after purposefully weakening the TCPA and demoting strong voices like Tewoldebirhan (PhD). Civil societies were annihilated systemically. They have kept GMO secret from the attention of the academies, civil society and the public, especially since 2016. No GMO critic enters the National Seed Advisory Council,” explained Gebremedhin.

Gebremedhin says Ethiopia must explore its immense potential first. “Ethiopia’s biodiversity is enough for the world. Many developed countries like USA, German, Holland and others took various crop genes from Ethiopia and improved their seed systems. Even if GMO is confirmed useful, the process must be open for public debate. But Ethiopia has no legitimate reason to rush GMOs. This is obviously the business of few companies like Monsanto and a result of the push from the US government through its organizations.”

Shimelis, on the other hand, argues that the positive impact of GMOs is rarely told to the public and policy makers for optimal decision making. “The use of harmful” intensive farming practices was one of the concerns of the Green Revolution strategy in India. Accordingly, the strategy was met with severe criticism due to the substantial amount of irrigation water (both underground and surface water) it uses. It overused fertilizers and pesticides, polluting the environment and has negative impact on diet and nutritional diversity due to the crowding out effect of cereal production, i.e., wheat and rice on the production of pulses and vegetables. That means, intensification strategy through conventional practices have also many undesirable consequences leading to high risks on nutritional diversity and the health of the environment. Many countries ban GMO cultivation but the products are available in their markets,” Shimeles stated in his email response to EBR.

Conventional organic varieties fetch more export revenue but GMO also has demand

this intrigue, the Ministry of Agriculture reports Ethiopia’s agriculture is growing double digit with indigenous varieties.”

“South Africa has been growing GM crops for over 20 years but it is still not food secure. Bt cotton is failing in India. There is growing and huge resistance against GMOs in the US and in Latin America. There is a growing evidence and a court rule that Roundup, a chemical used by farmers with their GMO crops, has caused cancer and a host of other diseases. Science is politics. But Africa is not doing it to get a political leverage. We will not get power or money by opposing GMOs. We might have gotten both, had we supported it,” stated Million in his email response to EBR.

“Ethiopia can achieve top productivity by improving soil, water conservation and if breeders and farmers work together. Agro ecological techniques can be developed to fight pests. The science and practice is there but this will not bring money to companies or GMO promoters. They want to use Ethiopia, the country hosting the AU, as a launching pad to convince

because of strong opposition from our association. They must not be allowed to destroy natural varieties, just because it is technically possible.”

Gebremedhin argues GMO is not just a business. “Ethiopia is committing suicide. Powerful people like Bill Gates funded USD23 million for Bt maize and cotton research and development in sub-Saharan Africa. There is no free lunch. Western organizations, such as UNIDO, are pushing even the AU to promote GMOs in Africa. But many African countries are rejecting GMO. Uganda’s government denounced GMO. Burkina Faso was praised for GMO success at first, but it was devastated by GMO damage later. Only Ethiopia has accepted GMO while other countries are highly suspicious. This is voluntary colonialism. It is not about democracy.”

Gebremedhin says the campaign to get GMOs adopted in Africa is similar to the historic scramble for Africa. “GMO does not increase productivity, as they advertise. We have more than enough evidence to suggest GMOs risk indigenous biodi-

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Shimelis argues GMO has some major advantages like higher productivity per small land and ability to resist crop stress conditions like drought, pests, diseases, weeds. “Conventional breeding practices provide products that are well below the required level of productivity needed to resolve the problems of productivity and vulnerability to disease. As a result, Ethiopia spends a substantial amount of its precious foreign currency on the import of foods. Some Ethiopians strongly resist import of GMO seeds citing health concerns but, according to a recent report by the United States Department of



termine on behalf of the consumer and the farmer. “The public was not given the chance to decide. The government is walking shady to please American companies. They might succeed in manipulating the law. We will expose the conspiracies and stop Ethiopians from using any GMO product. In developed markets, there are descriptions on GMO products and production areas. Ethiopia is undertaking everything in secret. The probability we are consuming GMO without knowing about it is high. Western countries are banning GMO because it causes cancer, obesity, and even genetic flaws. The reason behind GMO is Western conspiracies like depopulation and the weaponization of agriculture,” underscored Gebremedhin.

Many scholars do not expect GMO to be successful in Ethiopia as over 96Pct of the country’s agriculture is carried out by small-scale farmers. The 1970s Green Revolution, a mass production movement that succeeded in exponentially increasing agricultural productivity in Latin America and Asian countries, was not spearheaded by GMO. The spread of fall army worm, particularly since 2017, is the main logic behind increasing GMO promotion in Africa. Various researches confirm that GMO, especially seeds encoded with Bt bacteria, can fight off pests. However, GMO provides no guarantee of increasing productivity because the GMO can be any local variety treated with plant, animal or microbial genes.

According to ‘Risks and Opportunities of GM Crops’, a 2018 study by Andrea Carzoli et al, the world must be able to produce higher in smaller land space under the high anticipation of world population growth. Cutting-edge technologies in genetic engineering and GMO are the way out. The paper emphasizes polarizations of safety concerns have undermined GMO potential.

“Ethiopia’s population is growing very fast and climate change is affecting agriculture. Consumption and industrial demands are growing. Trying GMO is better than doing nothing. Instead of fully adopting GMO for all crops, checking it case by case is preferred. Ethiopia can benchmark GMO best practices, like India did. Credit is important for resource-constrained farm households to use the available new innovations.

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Anybody who controls your food systems, controls you.”

Gebremedhin Bireda,
Head of Ethiopian Consumers Association (ECA) and Political Science and
International Relations (PSIR) lecturer at Addis Ababa University

Agriculture (USDA), Ethiopia currently imports processed GMO foods like Soya bean and edible oil from corn and breakfast meals made from genetically modified ingredients. The report highlighted Ethiopia is also importing GMO cotton from India and USA. Ethiopia cannot address growing population and domestic industrial demand by conventional agriculture,” concludes Shimeles.

Gebremedhin says Monsanto generates billions of tax for America by milking poor farmers. “For this to happen, Ethiopian farmers must drop their own seeds and buy expensive but non-productive GMO seeds. America uses its policies and organizations to expand GMO agricultural space in emerging markets like Ethiopia. Their NGOs advocate GMO. The US Embassy harassed and threatened me for denouncing GMO during the drafting of the 2015 proclamation. GMO is adopted in countries where foreign hands are long. Ethiopia adopted GMO at such a point. I remember the late PM Meles remarking ‘we do not work to satisfy a few foreign companies’, when asked about GMOs, further noting that serving their interest in not included in both Growth and Transformation Plans (GTPs) - the five year national plan. Those companies put

human genes in consumable plants, which is ethically wrong. This is utter disregard for religion and the public. GMO is the reason behind many health issues in developed countries, including obesity and cancer.”

Shimelis begs to differ. He pointed out: “giant seed corporations are not the only source of GMO. Golden Rice (GMO) was released through the International Rice Research Institute (IRRI), member of CGIAR research centers, to eradicate malnutrition and poverty in East Asia. Similarly, the USDA report indicated that Ethiopian researchers and EIAR are collaborating with the Abuja based African branch of the CGIAR, International Institute of Tropical Agriculture (IITA), to produce GMO Enset resistant to bacteria wilt. The report further highlighted this indigenous plant saves millions of Ethiopian households. In general, our research institutes (breeding programs) are usually sourcing advanced breeding materials from CGIAR centers and our works are mainly adaptability trials.” However, Shimelis conceded that these international agricultural research organizations have link with giant agribusiness companies.

The bottom line for Gebremedhin is that the government has no right to de-

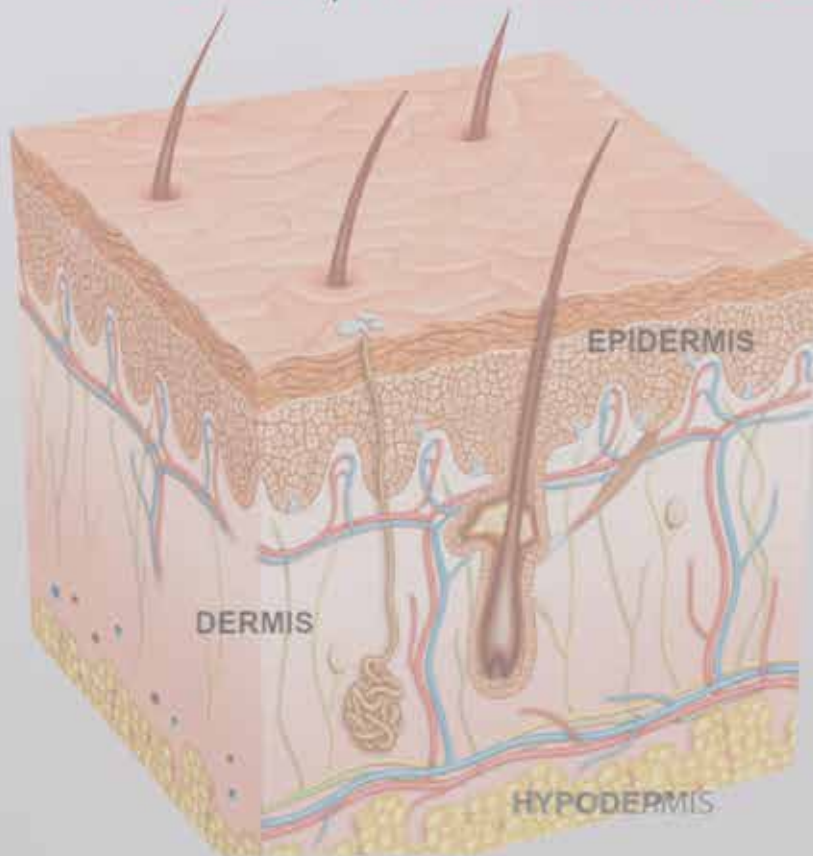


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'The Unwise Use of GMO Would Destroy Indigenous Biodiversity'

MELESSE MARYO (PHD), DIRECTOR GENERAL
OF THE ETHIOPIAN BIODIVERSITY INSTITUTE

Melesse Maryo (PhD) has been Director General of the Ethiopian Biodiversity Institute (EBI) since 2016/17. Before assuming his current position, he used to be Vice President for Research at Dilla University. He is an Agro-ecologist, specializing in agro-biodiversity. He earned his PhD from the Addis Ababa University (AAU). He is one of two scholars (the other from Ghana) representing Africa in the Convention on Biological Diversity (CBD), Conference of Parties (CoP), and International Treaty for Plant Genetic Resource for Food and Agriculture (ITPGRFA). He is also board member of the Ethiopian Agriculture Council, and Gulele Botanical Garden, among others.



What is your view on GMO?

For over 80Pct of Ethiopia's population, agriculture is the only source of livelihood. You destroy agriculture, you destroy the population. There is high probability the unwise use of GMO would destroy the indigenous biodiversity. Once we lose our natural biodiversity for an underdeveloped technology, we cannot recover our natural ecosystem. Those countries pushing for GMO are 100Pct dependent on technology. Korea can keep living with Samsung's revenue. But Ethiopia has no alternative once it destroys its agriculture.

Biotechnology is unnatural breeding system. They use fish gene to make hot-resisting tomato. They make Humulin, a diabetes medicine, from human gene. Golden rice is made of carotene, which is taken from human eye. Golden rice is fed for malnourished children. It also enables people to see in the dark. This is what charities like the Bill Gates Foundation give children as vitamin droplets. They are interbreeding plants with animals.

Ethiopia is rushing to adopt GMO because we are ignorant of our own biodiversity. Ethiopia's biodiversity has drought-resisting, pest-resisting, highly productive, nutritious, medicinal and many varieties. Ethiopia is one of the eight Origins and Centers of biodiversity on earth. Ethiopia is Noah's ark. There are around 250,000 accessions in Africa. Ethiopia's accession for crops and horticulture, without including the forest accession, constitutes one third of Africa's total variety. Ethiopia has huge biodiversity resources. There are close to 5,600 coffee varieties and over 6,000 plant types in Ethiopia. Our biodiversity in animals has not been well audited but its abundance is undeniable.

Ethiopian famers grow Enset, beans, mango, cassava, and many more in a small patch of land in their backyard. They ensure their own food security on less than a quarter of a hectare. Farmers of Wuhabit, around Raya in Tigray, took drought resisting wheat variety seed from the Ethiopian Biodiversity Institute (EBI) and succeeded. Using

participatory selection cultivation, they identified and started producing high productivity wheat using very small amount of water. Over 60Pct of improved chicken breeds imported from abroad die very early. In Amaro, in Dilla town of the Southern Nations, Nationalities and People's Region (SN-NPR), there is a local chicken variety called 'Amaro Doro'. It is so big you cannot carry it alone.

If Ethiopia succeeded in reforestation, agricultural productivity and food security could be ensured. Irrigation and Mechanization are also undeveloped in Ethiopia. Modernizing Ethiopia's agriculture needs holistic approach, not GMO. No Ethiopian institution or researcher tried increasing productivity using existing bio-diversity, and failed. Research is a process that takes years. However, nobody exhaustively worked on indigenous varieties.

GMO should be the last resort. GMO affects soil and indigenous crops. Encoded with pesticide genes, GMO has the potential to kill any other insect and microbial that might be necessary for the ecosystem. For instance, it kills rhizobium, which is critical biofertilizer. GMO plants can also kill butterflies and other insects. GMO promoters argue it is 'specific.' However, they are not sure of those claims themselves. When GMO genes kill some insects and microbial, then the natural food pyramid is affected. Therefore, it poses critical danger to the natural ecosystem.

Even the developed world has finally decided to come back to nature. I participate in the international Convention on Biological Diversity (CBD) meetings, representing Ethiopia as a focal person. The world is currently working on 'nature-based solution'. This year's logo is 'our solution is in nature.' The world is trying to find the way back to nature. However, GMO promoters like USA still do not support this idea.

My fear is GMO will destroy Ethiopia's biodiversity and agriculture, which evolved over the last 12,000 years surviving every kind of threat. Now we are to destroy that on the spot with a technology developed twenty years ago.

We cannot recover the natural biodiversity, once it goes out of our hands. **Ethiopia shifted from a GMO denouncing to promoting country between 2009 and 2015. What was the reason behind the sudden change of policy?**

It is the Ethiopian Institute of Agricultural Research (EIAR) that pushed for GMO, capitalizing on food security. Institutions that should prioritize public safety such as parliament, EIAR and the Ethiopian Bio Technology Institute (EBTI) visited Indian GMO farms with Monsanto sponsorship and changed the proclamation without any preparation or consulting the public. The Agricultural Transformation Agency (ATA) also worked aggressively to change the proclamation and allow GMO in Ethiopia. From the get go, I believe, the establishment of the ATA was in relation with endorsing GMO in Ethiopia. Some Ethiopian agricultural experts are also behind the scene. The Government did not want to make GMO a topic up for debate in Universities, the media and the public at large. I am sure the proclamation wouldn't have been amended and GMO wouldn't have been adopted in Ethiopia, had the procedure been open for debate.

No government official or institution has consulted EBI even though we have alternatives before going to GMO. They do not even talk to us on this topic. I even nagged and begged them to work with EBI first.

Why is GMO promoted in developing countries while advanced countries are banning it?

The dictatorship of the USA is a major factor in this. [The country] has a track record of being careless about the environment. USA is among five countries that did not ratify the CBD protocols. It rejected the Paris climate change accord. USA is not a member of the international biodiversity and biosafety protocols. So, why should Ethiopia adopt GMO even at a time when developed countries that have sophisticated technologies are turning their back against it? **EBR**

'GMO is Guaranteed, Proven Safe'

Tadesse Daba, (PhD) Director of Biotechnology Research at EIAR

Tadesse Daba (PhD) is Director of Biotechnology Research at the Ethiopian Institute of Agricultural Research (EIAR), where he worked for over 20 years. He holds a PhD in Enzyme Biotechnology from Kyoto University, Japan. Apart from witnessing the state of biotechnology in labs around the world, especially in USA and Europe, Tadesse currently works with major biotechnology institutions in Africa, including: the African Agricultural Technology Foundation (AATF) based in Kenya, International Maize and Wheat Improvement Center (known by its Spanish acronym CIMMYT), International Potato Center (CIP), and Michigan State University, among others. Tadesse underlines GMO is the best and safest instrument for countries like Ethiopia to detach from the vicious circles of poor agricultural output and food insecurity.

What is your view on GMO?

Ethiopia's population will double in a short time. Our natural progress in agricultural productivity is not sufficient to address the growing food insecurity in Ethiopia. Genetic modification is the safest technology. I am not pro-GMO, but I'm liberal about it. In Agenda-21, in the 1990s, the UN recommended the use of GMO for developing countries.

Opting to use GMOs is not opting to be enslaved by GMO companies. We are not enslaved by fertilizer and pesticide companies. GMO is alternative technology. Nobody is forcing anybody. It is guaranteed and proven safe. EIAR gives critical attention to GMO and works on it cautiously.

There are organic, non-organic and GMO agricultures. Organic harvest is improved without any manmade inputs like fertilizers, pesticides or improved seeds. Currently, we use fertilizers and pesticides. Ethiopia's agriculture is neither organic nor GMO.

GMO was consumed first in 1996. Over the last five years alone, GMO increased global agricultural productivity by 113Pct or 311-million-ton additional output. According to a 2018 research, GMO generated USD186 billion additional revenue for global agriculture. Normal hybridization and selection mechanisms boost productivity. GMO creates specific qualities in agriculture, minimizing the use of pesticides and fertilizers. This reduces agricultural expense, losses and indirectly increases productivity.

GMO is not a threat or bad for humans. In Ethiopia, many malnourished children are served imported nutritious foods made of GMO. We are already feeding our children. People take medications directly into their blood. However, they resist GMO food that is digested. Insulin is GMO. Many enzymes, additives and many inputs incorporated into medicines and consumption products are developed by GMO technologies.

The EIAR works on the science aspect of GMO. Globally, however, the politics part prevails. Some groups make it political and even relate



it with religion. There are heavily funded anti-GMO groups. Companies engaged in the production of organic and inorganic seeds, fertilizers, pesticides and chemicals financially support these groups. These are market rivals of GMO companies. They want to sell pesticide chemicals by pushing GMO out of the market. The wide adoption of GMOs would obviously make pesticide chemicals irrelevant.

I know many Ethiopians working in Monsanto. Monsanto's biggest income is generated from sales of hybrid seeds, not GMO. No company has become super rich with GMO income. Hybrid seed business and sales of its accessories like pesticides generate way more income.

The argument that GMO producing companies sale seeds that do not reproduce to make sure that farmers buy the seed every time they sow is fabricated by anti-GMO groups. There is Genetic use of Termination Technology. When a seed is about to germinate, blocker gene is activated and toxin gene is expressed. So the embryo germinates. The Genetic use of Termination Technology enables the blocker gene to be activated. If the blocker gene fails to block the toxic gene when embryo is activated and the seed is about to germinate, the embryo dies. A law ratified in 2006 heavily penalizes selling such seeds. Monsanto, [an American agrochemical and agricultural biotechnology corporation founded in 1901, which was acquired in 2018 by Bayer, a German multinational pharmaceutical and life sciences company and one of the largest pharmaceutical companies in the world], has been accused of breaching this rule many times but it has been found to be baseless and fabricated. Seeds fail, but not because they have terminator gene. Farmers have to buy GMO seed every year because the seed is hybrid, not because it is GMO. Hybrid seed must be bought and replaced every year.

Ethiopia has surplus capacity in biotechnology. There is EIAR, Ethiopian Biodiversity Institute (EBI), Ethiopian Biotechnology Institute (EBTI) and Environment, Forest and Climate change Commission (EFCCC). Ethiopia has many professionals in biotechnology. We developed systems to identify GMO seeds without genome sequencing facility. GMO transformation is copied from nature. Without the bacteria gene, GMO is just a

natural organic variety. The bacteria gene cannot reproduce and create gene flow or any other complications. Brazil has the largest biodiversity in the world. Brazil is also among top GMO using countries.

Accordingly, we are testing two GM maize varieties that resist drought and pests. When the test proves good enough, we (EIAR) will request for EFCCC's approval to release. So far, we are not convinced by the performance of Bt maize. GMO is not the main tool to increase productivity but resist pests. Confined Trial result of Enset is very promising. It will be released for open farming soon. The GMO Enset will not affect other Enset varieties. Gene flow happens only through pollination. Enset is consumed before it pollinates. Even for pollinating crops, GM is farmed far enough from indigenous crops. The transformation of Enset to GMO is being undertaken by our own experts. Once the sweet pepper gene is encoded into Enset, it reproduces by cloning.

The variety is approved by our National Seed Releasing Committee. Seeds are approved after passing big debates where scientists argue and defend. In the labs, we planted GMO and non GMO cotton. Then we released the ball worms to both plants. The Bt cotton killed the ball worms in 46 hours. But the non-GMO cotton was eaten by the worms. We tested Bt cotton for two years in confined areas. We also developed Bt cotton safety procedures, compiled in 700 pages. We ensured Bt cotton has no impact on butterflies, other insects, abortion cases on milk cows, goat and sheep. The safety assessment data was finally signed by the Ministry of Agriculture and approved by EFCCC. The National Biosafety Advisory Committee, which comprises of Universities, EBI, Environmental Protection Institute, Ethiopian Food and Drug Administration (EFDA), Civic Society and other reputable institutions, also approved the safety assessment data. They finally presented the data to EFCCC, attesting that it does not pose environmental threat.

Ethiopia shifted from a GMO denouncing to promoting country between 2009 and 2015. What was the reason behind the sudden change of policy?

Strong anti-GMO critics cannot succeed in banning GMO forever. GMO is

purely a scientific issue. The only tool anti-GMO groups have, for the time being, is scaring consumers off. They cannot disprove GMO. Tewoldebirhan Gebreegziabher (PhD) did not denounce GMO but argued safety and capacity should come first. No educated person denounces GMO. We have no logic to reject GMO. Our concern is maximizing Ethiopia's national benefit from GMO. I get no penny personally.

We customized our law with the Cartagena protocol, which demands ensuring the protection of indigenous biodiversity from any adverse effects of GMO. You import GMO only if it benefits you. GMO was imported illegally to Ethiopia. It was smuggled through borders or imported unknowingly. We discourage GMO because the law must be obeyed, not because GMO damages humans. It is difficult to prohibit GMO just by writing 'it is prohibited' on paper.

Ethiopia's GMO adoption process was not secret. GMO farms are open in USA and Europe. In Melkasa or other agricultural research centers where GMO is being tested, we installed danger fences. Guards ensure nobody enters and takes out a single leaf to the open world.

Why is GMO promoted in developing countries while advanced countries are banning it?

In USA, everyone consumes GMO daily. Over 83Pct of maize, soy bean, cotton and other crops are GMO. GMO cotton seed is fed for milk cow. Edible oil is also made of GM cotton seed. Over 90Pct of GMO soy bean from Latin America is consumed in Europe. Ethiopia is late.

Europe approved GMO and it is currently using 202 GMO varieties. There are over 50 GMO varieties in china's market. Japan also consumes GMO products. The European Commission conducted a biosafety research for 15 years costing USD64 million. Many high-profile European scientists secretly engaged in the research and proved the safety of GMO. Finally, the European Commission approved GMO as having no side effect. WHO did the same. They approved that non-GMO and GMO varieties have no difference.

Negative argument is always powerful. Wrong information is affecting GMO. Cancer has no relation with GMO. **EBR**



ANALYZING THE PROBLEMS OF THE FINANCIAL SECTOR WITH YOHANNES (PHD)

Yohannes Ayalew Birru (PhD) is Deputy Director General and Head of Macroeconomic and Financial Policy Studies Cluster, at the Policy Studies Institute in Ethiopia. Between June and November 2018, he served as Executive Director of the Ethiopian Economic Policy and Research Institute.

Yohannes also served at the National Bank of Ethiopia for about 27 years, of which he served as the Vice Governor and Chief Economist of the National Bank of Ethiopia, a position he held for about nine years between 2009 and 2018. In total, Yohannes has 30 years of cumulative experience in the areas of finance, macroeconomic policy and economic growth. He holds a PhD in Economics from the University of Sussex, United Kingdom. EBR's Ashenafi Endale spoke to him about the problems in the financial sector.

How deep is the impact of COVID-19? Do you think sufficient measures have been taken?

The impact of COVID-19 on the Ethiopian economy can be analyzed from external and domestic perspectives. Economic slowdown in our major trading countries like the USA, Europe, China, Japan and Saudi Arabia reduced demand for Ethiopia's products. Lockdowns also hampered export, tourism and air transport. However, Ethiopia has been presented with an opportunity to export more agricultural commodities like coffee because major coffee exporters such as Brazil have been highly affected by COVID-19. There has been less change in demand for agricultural commodities.

Government Policies should target supporting highly affected domestic sectors such as industries and hotels. Tax reliefs, suspending prudential policies of banks and availing loanable funds through the National Bank of Ethiopia (NBE) are good measures the Ethiopian government is taking. Contraband and smuggling of commodities such as gold and livestock also diminish during the lockdown, which is another factor that helps increase official export. We will benefit from the export of goods but the export of services might be detrimental, although Ethiopian airlines is doing good.

What will be the long-term impact of unproductive financial injections being made by the government?

COVID-19 is an extra-ordinary situation and the government cannot just watch while businesses close. Service sector has been the fastest growing sector but it is stuck now because the demand side is nil. Businesses in this sector need financial injection to pay salaries, administrative cost and utilities. If the government does nothing, businesses lay workers off. That could spell macro and micro effects on the economy. Unemployment causes decline in aggregate demand. The country will have to establish new companies post-COVID-19, if the existing companies close now. Lay off can also bring social unrest.

Assuming COVID-19 will last not more than a year, targeted intervention by the government is very important. The government is currently making injections, which businesses cannot even pay because



they are not making any profit. If COVID-19 lingers for more than a year, businesses must shift to other lines of service. However, we do not think COVID-19 will stay for more than a year. The long term impact will be determined by the measures taken and not taken by the government.

The parliament just approved highly expansive budget for next year. The preamble states an 8.5Pct GDP growth rate is expected next year and inflation will be single digit. Are the budget and forecast realistic?

Budget is prepared based on assumptions. For GDP to grow 8.5Pct, the government needs money to achieve that growth in each sector. The higher budget is natural.

But the National Planning and Development Commission recently forecasted GDP growth for next year at 6cpt, although IMF forecasted 3Pct growth.

The most important issue is not the budget expansion, but the budget deficit expansion. Non-inflationary sources will be used to fill the deficits. It is achievable as long as the government works hard. Ethiopia's tax to GDP ratio is the least in sub-Saharan Africa; therefore, there is room to

increase revenue and fill the deficit.

Banks are complaining of liquidity problems. What is the problem in the domestic financing system?

Liquidity is a cyclical thing. The money supply grows steadily. Its components, saving and deposit, are increasing, which reflects increasing economic activities and saving. Money is increasing but liquidity is not the same as money. Liquidity is part of money which banks have at their disposal to lend. When banks have over 5Pct of their reserve, it is over-liquid. Liquidity problem happens when it is below 3Pct. Between July and December, it is tax season; so, money moves from banks to government coffers. This is also the time when banks give huge pre-shipment loan for coffee collectors, suppliers and exporters. Banks face liquidity problem during this season. But liquidity problem does not mean banks are in trouble. Banks are in trouble only when Non Performing Loan (NPL) is high.

In advanced countries, there are instruments to handle liquidity problem. Banks borrow from other banks or sectors that have surplus liquidity. Ethiopia's financial sector is less modern; so, only the central bank can intervene in liquidity problem. Banks are liquid between March and July. The cycle has been there for the last nine years.

The Ethiopian Bankers' Association (EBA) disclosed recently there is ETB113 billion outside the banking system and recommended currency replacement to mop it up. How did the ETB113 billion end up outside banks and is it practical to replace currency now?

Reserve money has been growing at a faster rate of between 15Pct and 20Pct annually for the last decade. Sometimes, it goes down due to NBE's moping up actions. Reserve money grows because of inflation and growing transactions. So, ETB113 billion would not surprise me. It is in line with the growing economic activity. More money is needed based on the inflation, economic growth and transaction demand. Therefore, the huge money outside banks is neither exceptional nor abnormal.

More than ten new banks are under for-

mation. What will be the impact on the industry, economy, saving, and reducing the huge money outside banks?

Ethiopia is one of the most under banked countries. Banking and access to finance improved only after the first GTP was launched but it is still not enough. Branches increased from 800 to 4,000 since 2010. There is still a lot of room for new banks. Access to finance is very low; so, we need more branches.

Monetization of the economy will be determined by the number of people using banks. More money is needed when division of labor diversifies. Money is needed to separate the selling and buying activities. When you are self-employed, you do not need money because you are selling and buying your own labor. But when you hire other people, you need money. In Ethiopia, labor is not fully productive; therefore, the monetization is low. In developed countries, everything is bought. The commoditization of labor boosts industries and productivity. The need for liquidity continues until the economy is fully monetized.

The number of banks we have is insignificant. Banks are measured by their capital size, saving and investment, not number. The total investment our 15 banks made is less than one European bank. Even by African standards, no Ethiopian bank is listed in the top 20. Ethiopia is the second largest population in Africa. It is sixth in GDP size. But in terms of bank capital size, only two banks are in the top 100 banks in Africa. We want banks to grow in size and efficiency, not in number. It is good for banks to merge and create big banks.

Will Ethiopia maintain its bank protection policy and close the banking industry for foreign investment for long?

Banks are joining the industry because the industry is the most profitable sector in the economy, with 40Pct average profit annually. If you invest in banks, you get back your investment in less than three years. If you invest in production sectors like manufacturing or mining, it takes a minimum of ten years to return your investment. So people leave the sector only when it is no more profitable. It is profitable because it is paying good and attracting the best labor. But since the service sector is not generating foreign currency, it creates



The liquidity cycle has been there for the last nine years.'

macro-imbalance. The government needs to make other sectors more attractive and re-allocate resources from the service sector towards manufacturing and agriculture. Currently, more resource is going to the banking industry.

If foreign banks came to Ethiopia, they would bring capital, sophisticated technology and efficient management system. They employ few people but pay higher salary. They market their services and all these things would lead to a decline in the profit of domestic banks from the current 40Pct to less than 20Pct. Then the size of domestic banks shrinks. That would prompt local banks to sell their shares to foreigners, since they offer higher price. Finally, the industry would be dominated by foreigners. This is what happened in African countries. Ethiopia's banking sector is similar to the brewery industry. Even local breweries preferred to sell shares to

foreigners. Ethiopian banks are more vulnerable. Foreign banks are willing to pay more per share. Ethiopia's financial sector should be opened up step by step. The first step would be opening it up for the diaspora. The diaspora would bring its expertise and exposure. Once the domestic banks grow to the size of South African or Kenyan banks, opening them up to foreigners would be viable and it would make them efficient to carry the enlarging economy. There is no question as to whether foreign banks have to come. The question is the timing.

Experts say the profit of banks is higher in Ethiopia because banks disburse loan interest as dividend before the loan is collected. What is your take on that?

The accounting system of banks is based on accrual system. They lend but collection is scheduled. Loan is different



scarce foreign currency for businesses that pay bribe, despite the 'first come, first served' principle introduced by NBE. The system banks are using cannot be detected by the NBE, unless police or other security intelligence is involved.

The solution is increasing foreign currency besides taking administrative measures on misbehaving banks. Export incentives also need to be re-evaluated.

The kind of development strategy we have determines the exchange rate model. If the government is involved in addressing market failures and developing infrastructure, there is continuous foreign exchange demand. The government would buy foreign currency to import capital goods, even if exchange rate depreciates. The pri-

change rate regime to the market because the market is unstable and that does not allow the government to invest in projects.

We cannot also control and fix the exchange rate whenever we feel like growing faster. Investment raises import and needs more export. The exchange rate regime must be attractive for investment and export. So, macroeconomic balance is critical. We need a workable and competitive exchange rate regime that depreciates at normal rate. The depreciation must also not trigger inflation. But growth and macroeconomic stability must be attained. Competitive exchange rate is created only when the official market and black market are unified. But now we only have a competitive black market, which is attracting money and spurring the informal economy. The official market is handling only the official sectors and markets. Due to the competitive parallel market, textile, over 50Pct of livestock, grain, coffee, gold and others are being smuggled out of the country. The informal economy cannot be formalized without unifying the parallel and official exchange rates.



When you are self-employed, you do not need money because you are selling and buying your own labor.'

from industrial product. In banks, the loan goes to the economy, enters transaction, generates profit, and returns back to the lender on schedule. NPL is less than 5Pct in Ethiopia, which is very normal. This means banks are collecting over 95Pct of their loans. Even the defaults can be recovered through foreclosures, recovery and other mechanisms. NPL is regulated by NBE's prudential and supervision policies.

Why did Ethiopia not change its exchange regime to solve the foreign currency problem?

Foreign exchange shortage is outcome of the economic structure that has more import and less export. If the less export is not offset by other sources like remittance and FDI, then shortage continues. If export does not improve, that means structural problem, and the market is inward oriented than outward. You are consuming most of what you produce. This means you are investing by borrowing, by using FDI or remittance, or your investment is declining.

Banks are abusing privileges as they take advantage of the foreign currency shortage. Banks collect bribe to give the

private sector would not buy foreign currency, if they incurred loss because of the price.

Considering the NBE takes 70Pct of the foreign currency exporters generate, is the government developing projects at the expense of the private sector?

Since demand is high, exchange rate will continue depreciating faster. If the expensive foreign currency is still profitable for the private sector, exchange rate will continue depreciating. The demand is higher than supply.

China and South Korea did not allow foreign currency to be determined by the market. It has to be a managed regime. The Kenyans adopted a floating system because they already liberalized their economy to the private sector. If the Kenyan government wanted to invest in electricity or other infrastructure, they would borrow or sell sovereign bond. They cannot do it from the domestic source.

Ethiopia is different because we are doing every investment, including the Grand Ethiopian Renaissance Dam (GERD), from domestic source. The foreign exchange regime must match the development model. Ethiopia cannot leave the ex-

The amount of operational FDI in Ethiopia is very low when compared to the official FDI inflow reported by the Ethiopian Investment Commission (EIC) and the NBE. How does the reporting flaw happen? How do you evaluate the FDI inflow?

FDI increases when companies in some countries are unable to make more profit there and want to move to other countries. They might shift to other markets due to unfavorable policy or the structure of that economy. For instance, textile and leather companies move from China to Ethiopia because China's policy currently focuses more on high value products. Light industries lost their competitive advantages at home. They come to Ethiopia calculating higher advantage, not because Ethiopia is the only destination. They compare whether they should go to Kenya, Egypt or Ethiopia. Ethiopia is among the top five fastest growing economies globally. Ethiopia has been growing fast for the last seventeen years. Governmental policies towards infrastructure, education and health are also indicators of FDI inflow.

If infrastructure is growing, the economy becomes more efficient and the private

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payment only records foreign currency flows which happened in Ethiopia. Import is what entered the system, and export is what left your border. The balance record must fit to the foreign exchange reserve. EIC reports what is subscribed or registered as FDI. But NBE reports what is actually invested, crossing the border.

Can any ideological difference happen under COVID-19, because governments are deploying similar approaches? How do you evaluate the Homegrown Economic Reform?

COVID-19 is an emergency and a special situation. Under emergency situations, all policies and ideological models are suspended. All countries in the world, irrespective of political ideologies, economic

ance and set off faster growth.

Most of the targets of the homegrown program have been recommended over the last decade, mainly by the World Bank and the IMF. Moreover, it emphasizes privatization. What makes it Homegrown?

It is devised by the Ethiopian government to solve economic problems. But the finance can be from somewhere else. Financiers might negotiate. But if the share of financiers is less than 20Pct, it is still 'Homegrown.'

Privatization is already happening in the economy. Some industries were established by the state but they are better now in the hands of the private sector. The government needs to invest the resource in other areas. If productivity is not the issue, foreign currency might be the reason for privatization. China did the same. Privatization is normal, if it is studied and step by step. Ideologically driven privatization happened in Russia and Eastern Europe. When USSR crumbled, Russia sold every business it had. They faced critical problems then. The buyers became today's Russian oligarchs. Such privatizations are not driven by the economic dictates.

Is institutional reform part of the homegrown reform? Many experts argue the NBE should be reformed first to reforms the financial sector.

True, the efficiency of the central bank determines the performance of the economy. Macroeconomic, exchange rate, inflation stability, banks' health, affluent transaction and money supply are also crucial jobs. Quality manpower, technology, efficient and flexible management are also required. Reform is critical to strengthen the central bank, boost its organizational function, and efficiently conduct its businesses.

Any recommendations?

Ethiopia is a unique country in terms of resource, culture and mind setup. The policy we design and adopt must take that into account. If proper policy that fits the uniqueness is devised, Ethiopia can grow fast for the next three decades at an average rate of 10Pct. We must be able to avoid inconsistencies in policy, strategies and utilization of potential. **EBR**



The kind of development strategy we have determines the exchange rate model.'

sector gets more positive externalities. Investment in infrastructure, cheaper labor, and electricity maximize Private sector profit. The incentives provided by the Ethiopian government and the prospect of a growing population and market size are also another advantage for FDI. Growth in investment shows growth in economy, investment profit and demand.

Ethiopia's FDI increased from USD400 million some years back to around USD5 billion currently. This is actual investment, not registered or attracted. This is confirmed by the NBE, not by the EIC.

But the NBE's operational FDI report which puts average FDI inflows for the last five years at USD3 billion is way below the national FDI inflow reports.

The right report is NBE's balance of payment report, which is also reported by the IMF.

So, did the USD3 billion actually enter Ethiopia annually?

Yes. It is the actual, not the potential. This is the figure in operational FDI. It could not be recorded in the NBE balance of payment, if it did not actually enter Ethiopia and become operational. Balance of

models, philosophies and strategies, take similar measures. Ethiopia has also suspended some policies like the prudential requirements of the NBE, exempted taxes, availed more funds, and supported businesses to retain labor. These policies are similar across the world.

The quantitative easing of helicopter money in USA and Europe is also part of encouraging demand and consumption under COVID-19. Such quantitative easing cannot work in Ethiopia because we do not have that much money. The demand and supply declined equally; so, the injections must keep the equilibrium. This is considered an emergency because COVID-19 is assumed to be a short term problem, only for one year. So, you do not need to change your ideology or philosophy. But some policies must be suspended to allow flexibility until COVID-19 leaves.

The Homegrown program is devised to address problems we have been facing such as macro-economic imbalance; low export and high import, and boosting productivity. It is a transitional strategy to solve existing problems shortly and transform to long term strategy in the future. The ten years perspective plan is a transitional strategy to bring the economy to its bal-



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EXPANDING THE Mobile Banking MARKET

It has been quite a long time since mobile banking started in Ethiopia. However, its penetration is still very small considering the potential size of the market. With branch expansion taken as the primary goal of banks to expand their services to people in all corners of the country, mobile and agent banking seem to be in the back burner. However, poor banking infrastructure outside of the capital Addis Ababa seems to have raised the relevance of mobile banking in some regions of the country. EBR's Kiya Ali looks into the expanding mobile banking market in the country.

Just like the overwhelming majority of Ethiopians, Ruhama Misikir usually pays for her bills in cash. Ruhama had her share of the embarrassing moments that happen when people rely on cash and find out belatedly that they are not carrying their wallets. There were also times when she postponed the payments to pay later or skipped the service when she knew about it earlier. “I will never forget the day I called a taxi hailing service to attend a meeting and found out when I reached my destination that I left my wallet at home. When I reached the destination, I looked for my wallet inside my bag but I couldn’t find it there. It suddenly dawned on me that I left it at home. I was so embarrassed. I couldn’t borrow money from participants of the meeting because I didn’t know any of them. I was there representing my company,” she recalled.

Ruhama was lucky though. The driver believed her and proved to be understanding as he told her such things happen at times; she also said that he told her to give

him the money the next day. “But I told him that I would call after the meeting so he could take me back to my home and I settled the payments then,” she told her story.

Despite the lesson Ruhama learned from the incident about using mobile money, she was still reluctant to use the service. Since the Coronavirus pandemic hit Ethiopia, however, Ruhama has switched to mobile money to avert the risk of contracting the virus. “The virus has made it very important to use mobile banking to reduce transactions using paper money and reduce contamination,” Ruhama remarked.

In Ethiopia, E-payment started ten years ago. The progress has, however, been slow. Despite the slow pace of penetration, fundamental and concrete evolutions in the sector have been carried out during that time. M-birr was the first mobile money transfer platform in Ethiopia and it started operation in 2010. During the time when M-birr came to Ethiopia and started investment, the idea of mobile and agent banking were new to the majority of Ethiopians.





There was also no legal framework to conduct the business and provide the service. M-birr service providers have paved the way by influencing the understanding of the regulatory body ever since they showed interest to invest in Ethiopia. Then the National Bank of Ethiopia formulated a directive in 2012 to make the working space smooth and expand digital financial services nationally. A new proclamation was also introduced in May, 2020. “This shows that the experiences of M-birr and other agent banking service providers

were used as an input for the development of policy instruments since practical experiences are crucial to develop a policy. Moreover, practical experience is important to evaluate the opportunities and bottlenecks of the new service provision. In this regard, M-birr played a critical role,” explained Desta Bayisa, Deputy CEO of MOSS ICT Consultancy which is a technology provider for M-birr. In addition, during the past ten years businesses have identified the places where the demand for mobile banking is high and they have

acted accordingly. Finally, initiatives that target the expansion of financial inclusion also use mobile banking as a method of raising financial service provision in rural areas. “The sector has seen fundamental evolution,” noted Desta. Such changes have challenged approaches of branch expansion as the only means of financial inclusion.

Despite the improvements, the tendency of using mobile banking has not significantly changed in cities like Addis Ababa. Just like Ruhama, an overwhelm-

ing majority of the people in major Ethiopian cities still go to banks to withdraw or save money. “Regarding the habit of financial service usage, the behavior of most financial service consumers has not changed. In cities like Addis Ababa, most people still prefer branch based services to mobile banking. This could be considered as an area that needs improvement. A lot of work has to be done to influence the behavior of service consumers by encouraging them use alternative means to get similar services,” Desta remarked.

Some encouraging steps have, however, been seen in some regions. The Somali region is the most notable of such regions as

amount of money transacted per day to ETB6,000, the aggregate amount of transactions per day is limited to 85,000 and 100,000,” Kedir noted.

However, there are still challenges. Infrastructure like mobile network, road and electricity remain major bottlenecks. These factors affect the liquidity management of Somali Microfinance agents as they find it hard to get cash and electronic fund easily. Digital literacy is another challenge. “For instance, with the help of Hello Cash technology and mobile banking, users can access diversified services such as buying telephone airtime, paying electricity bill, cash in and cash out, buy-

there are only a few financial institutions in the countryside, therefore, mobile and agent banking services are a real benefit for the rural population.

Mobile banking agents close the gap of limited available financial institutions in rural parts of the country by accepting cash deposits or paying out cash that the user has stored on their mobile phone. In this regard, M-birr and Hello Cash agents are cases in point. Somali Microfinance has 37 branches and 1,600 agents that provide mobile banking services using Hello Cash technology. The latest figures show that M-birr, a company that now has 76 permanent employees and 52 temporary workers plus 531 sales representatives on a commission basis, has around 1.2 million registered users. Up to ETB1.8 billion is transferred via the platform each month as of October 2018. This shows the importance of mobile and agent banking services to speed up the financial inclusion of the country. The main reason behind this reality is that unlike branch expansion, which requires huge sum of money, mobile banking is cost effective and financial institutions could offer the service at less cost to their customers.

In addition, one of the main benefits of mobile banking is the convenience of having banking services at hand. Users don’t have to go to a bank or ATM to access their money as they can access it using their mobile phones. With mobile banking, the user can transfer funds from their bank account to another bank account using a smartphone just with the help of the internet or USSD. As mobile banking is easy and readily available for 24 hours, it is a convenient mode for many mobile users in rural areas as well as in cities.

Despite its multidimensional benefits, mobile banking has not been as successful in Ethiopia as M-Pesa has been in Kenya. Abraham Tilahun, acting deputy President of retail banking at Lion Bank, argued M-Pesa being a telecom led mobile money platform contributes to its success. “Unlike M-Pesa, mobile banking technologies in Ethiopia have bank led mode,” Abraham argued. However, the rise of mobile phone subscriptions in the country to over 53 million shows that it has a potential that has not yet been exploited.

Other industry insiders consider ab-



mobile banking is relatively growing fast. The primary factor that contributes to the region’s success is related with heightened awareness about mobile banking. “Our neighbors across the border, Somaliland, do most of their transactions using mobile money. As residents of Somali region have a close interaction with people of Somaliland, they already had the awareness and easily adopted mobile banking when it became available to them,” stated Manager of Somali Microfinance Institute, Kedir Ahmed. He also noted that absence of enough financial institutional infrastructure is another factor for the quick adoption of mobile banking by residents of the region. Since there was high demand for financial services in the face of very few financial institutions in the region, agent and mobile banking services were considered as a remedy for residents.

Currently, as much as ETB100 million is transacted and 80,000 transactions are conducted every day via Somalia microfinance institution’s mobile banking. “This number is small compared to the demand. But as the directive by the National Bank of Ethiopia (NBE) limits the maximum

ing airplane tickets, purchasing goods and services, checking account balance, studying recent transactions and many more. Because of digital literacy problems though, most of the people use mobile banking for a few specific services only,” said kedir. The other problem related with digital literacy is the vulnerability of mobile banking users to fraud. “Sometimes users ask agents to enter the PIN code for them. But we are working to empower our customers and create awareness on digital security issues to protect the security of our clients,” Kedir elucidated.

16 private and 2 state owned banks are found in Ethiopia. In the 2018/19 fiscal year alone, these Commercial banks opened 807 new branches which increased the total number of branches to 5,564 from 4,757 a year ago and increased their deposit mobilization by 23.2Pct, according to an annual report by the NBE. This number is still not enough for a country of 110 million people. This could be one of the reasons for 75Pct of the Ethiopian population being unbanked. Moreover, nearly 40Pct of all bank branches are found in the capital city, Addis Ababa. As

sence of national ID as a bottleneck that hinders the development of the financial sector in Ethiopia. "Absence of national ID has played its own negative role in the advancement of financial services. However, there are many alternatives to perform something. Therefore, financial institutions as well as technology firms should come up with innovative solutions," Desta argued.

On the other hand, digital and financial literacy, underperformance of financial institutions on expanding digital financial services and limited value propositions in the 2012 NBE mobile and agent banking directive contributed to the limited success of mobile banking services in Ethiopia, according to Abraham Tilahun, Lion bank's Acting CEO of retail banking. "The revised directive released in May, 2020 allowed financial technology companies to be service providers for mobile and other digital financial services. This is a



deposited in a blocked account with a bank in the name of the applicant payment instrument issuer. No person, other than the government, may hold more than 20Pct of the shares of a licensed payment instrument issuer. In addition, a company other than a government enterprise will have a minimum of 10 shareholders. "Compared to conventional banking, the amount required to get involved in agent banking service is less expensive. This will promote private sector investment and help create more job opportunities in the financial sector," Abraham remarked. However, Abraham contends the fact that ethio telecom started to charge banks a higher price whenever their clients use USSD will affect the growth of banks.

The new directive has also introduced the tiered know your customer (KYC) concept. Accordingly, customers will have three types of account. Level 1 account holders are allowed to have a maximum account balance of ETB5,000, an aggregate daily transaction limit of ETB1,000 and an aggregate monthly transaction limit of ETB10,000. Level 2 account holders will be subjected to a maximum account balance of ETB20,000, an aggregate daily transaction limit of ETB5,000 and an aggregate monthly transaction limit of ETB40,000. Level 3 accounts holders, on the other hand, are able to hold up to ETB30,000, transact ETB8,000 daily and ETB60,000 monthly. Moreover, the new directive removes the past requirements of providing paper based receipts for cash in and cash out transactions and allows electronic receipts to confirm transactions.

Abraham considers the revised directive as a big step that will push financial institutions forward. He, however, sees a room for improvement. "Within the past seven years, the purchasing power of the birr has depreciated significantly. But the amount of daily transaction has been improved by only ETB2,000 from the previous amount of ETB6,000. Overall, the new directive is expected to be a game changer. Its success, however, depends on its proper implementation by all stockholders. If financial institutions and financial technology firms can take advantage of the new directive, they can benefit from the market of over 100 million customers," Abraham concluded. **EBR**



The revised directive released in May, 2020 allowed financial technology companies to be service providers for mobile and other digital financial services,"

Abraham Tilahun,
Lion bank's Acting CEO of retail banking

big step forward to advance the sector," he revealed. "Furthermore, the possibility of using super-agents, the inclusion of microcredit and the permission of inward international remittance in the new directive is a new value proposition that has the potential to attract more customers" he added.

The new directive, Licensing and Authorization of Payment Instrument Issuers Directive No. ONPS/01/2020, states that based on written approval of the National Bank, a licensed payment instrument issuer under full responsibility of and written outsourcing agreement with a regulated financial institution and pension funds may be allowed to provide micro-saving, micro-insurance and pen-

sion products. It also states that based on requests made and written approval of the National Bank, a payment instrument issuer may be allowed to provide services such as cash-in and cash-out, local money transfers including domestic remittances, load to card or bank account, transfer to card or bank account, domestic payments including purchase from physical merchants, bill payments over-the-counter transactions and inward international remittances.

As per the new directive, one of the requirements for authorization and licensing for agent banking service provision is to have a minimum paid-up capital of ETB50 million. The money will be contributed in cash and the amount will be

THE DANGERS OF ETHIOPIA'S RISING DOMESTIC DEBT

Ethiopia, along with countries like China and Bangladesh, is one of the fastest growing economies in the world. The second African most populous country achieved a commendable economic trajectory in the last two decades. Although the rate is a subject of debate among scholars and policymakers, the government claims an average of 9.9Pct growth was achieved in the past 10 years. This was corroborated by the various mega construction and other major infrastructural projects implemented during the period. Though this has helped the country achieve the title of 'African Tiger', it has piled up the country's debt, both external and domestic. EBR's Kiya Ali explores the dangers of domestic debt piles.

Although the Ethiopian government has failed to meet its extremely ambitious plan of the first and second Growth and Transformation plans (GTP), it launched in the past fiscal year the costly Home Grown Economic Reform Programme that needs USD10 billion. The Home Grown Economic Reform Programme is a three year plan that focuses on structural changes and reforms in different economic sectors to boost the economy and pave the way for job creation, poverty reduction, and balanced regional growth by resolving the problem of macroeconomic imbalances.

Ethiopia borrowed USD2.9 billion from the IMF to finance part of the reform plan. That made the total public sector debt of the country stand at USD53.4 billion as of December 31, 2019. The public external debt amounted to USD27.7 billion of the total public sector debt while public domestic debt stood at USD25.7 billion, according to the Public Sector Debt Statistical Bulletin published by the Ministry of Finance in March, 2020. Out of the total public domestic debt, the share of the central government was 52Pct while the remaining 48Pct was owed by State

Owned Enterprises (SOEs) like Ethiopian Electric Power (EEP), Ethiopian Electric Utility (EEU), Ethiopian Sugar Corporation (ESC), and Ethiopian Railways Corporation (ERC). The figures indicate that in addition to external debt, the country, which has invested a lot on mega projects that are sluggish in progress and have low return on investment, is sinking into a huge domestic debt trap.

Domestic debt covers the debt of the central government in the forms of government bonds, treasury bills, direct advance from the central bank, Corporate Bonds, and long and short term loans owed by SOEs. Among them, EEP takes up the front row in terms of its indebtedness because of its huge investment on the construction of power plants including the Great Ethiopian Renaissance Dam (GERD). EEP's heavy capital investment has increased the country's power generation capacity from 2,000MW in 2010 to 4,300MW in 2018. The goal of the five year plan implemented between 2010/11-2014/15, the first Growth and Transformation plan (GTP I), was to increase the installed generation capacity from 2,000MW to 10,000MW primarily through hydropower projects. Under the five year plan that followed it, GTP II, EEP



planned to generate additional 5,000MW by 2022. To finance its projects and achieve the goals set in GTP II, EEP issued corporate bonds of ETB12.3 billion to Commercial Banks of Ethiopia at an interest rate of six percent. However, EEP was not paying its debt semi-annually as per its contractual agreement. The result is arrears in tens of billions of birr.

However, Public Relations Director of EEP, Moges Mekonen stated that EEP doesn't have a debt with an approaching maturity date or one that is become beyond its capacity to service. Moges further noted: "Genale Dawa hydroelectric power generation project, which has the capacity of generating 245MW of power, was inaugurated and started to generate four million birr per day. Moreover, EEP generates USD55 million per year on average by selling power to Djibouti and Sudan. EPP will also start to export power to Kenya by the end of the year. As we have not started new projects over the past two years to focus on the finalization of existing projects, EEP is not facing difficulties to service its debt." Moges is, however, still concerned about settling the joint debt owed by EEP and EEU before the split of the Ethiopian electric power corporation in 2013 into EEP that is responsible for generation and transmission of power, and EEU that is responsible for power distribution. The involvement of the Ethiopian Electric power corporation in short term loans and low tariffs of USD0.02/kWh was responsible for the huge debt burden of both utilities. In addition to EEP, other SOEs have also taken massive loans from the Commercial Bank of Ethiopia (CBE). "These loans have exposed the CBE to huge credit risks and maturity mismatch as the CBE mobilizes current and short-term savings," said Abdulemenan Mohammed, a financial expert.

Limited mobilization of domestic financial resources was one of the implementation challenges encountered during the first and second GTP periods. Of course there was an improvement and increase in the generation of domestic revenue, particularly tax revenue, over the years as a result of administrative measures taken to reform the revenue collection structure. Compared to the requirements of the development programs of the

country, however, the revenue generated still remains low.

One of the constraints that make adequate resource mobilization difficult was the low level of domestic savings. The rate of saving has declined in recent years, despite the aggressive measures taken by commercial banks to expand branches with the motive of expanding financial inclusion and increasing the mobilization of savings. Compared to figures for the previous year, for instance, a report by the National Bank of Ethiopia (NBE) shows that the growth rate of saving deposit declined from 30.4Pct to 27.4Pct in the 2018/19 fiscal year. During the same time, time deposit shrank from 21.7Pct to 17.8Pct and demand deposit decreased from 36.3Pct to 11.4Pct.

Sluggish progress of mega projects and

debt doesn't have a huge impact on private investment. "The government is currently focusing on the private sector. So, what is more worrisome is government political lending and perhaps domestic and foreign private sector get proportional and biased to domestic share," Alemayehu argued.

The 2018/19 NBE report shows overall fiscal deficit (excluding grants) of ETB101.7 billion compared to ETB84.5 billion deficit last year. In the face of such public deficits, any government is always confronted with the choice between external and domestic financing. In the short-run, public debt has a positive effect on the growth and development of the country by triggering demand and increasing productivity. In the long run, however, the positive effects may turn into negative consequences, if things don't go

opened to the Commercial Bank of Ethiopia (CBE) and the Development Bank of Ethiopia (DBE) time and again. 40Pct bad debt is unheard of in the normal banking history of any country," Ayele noted.

Unlike foreign debt that can increase a country's access to resources, domestic borrowing is only transfer of resources from one sector to another within the country. So, the underperformance of a partially or fully domestically financed industrial sector due to inadequate technical and managerial skills in the sector, foreign exchange shortages to import essential raw materials, spare parts and other inputs, and power disruptions leads to inequalities in inter-regional growth by creating scarce financial resources for other regions. "In addition to inter-regional inequality and crowding out, government debt adversely affects the structure of the economy. Had the private sector borrowed the money, they would have invested it in activities that are different from those of the government's and this would have deeper implications in terms of structural transformation of the economy. In the worst case, government borrows to finance final consumption rather than capital expenditure," Ayele stated.

High inflation is another consequence of high domestic debt by the federal government, if it is not invested on productive projects that have a potential to return its debt before or on its maturity date. So the high level of inflation, 21Pct as of February 2020, is partly associated with government expenditure on less productive sectors. "The government was supposed to focus on financing sectors in which the country has competitive advantage, such as agriculture as it would help reduce inflation by producing more food items. In addition, it has the capacity of employing a large amount of labor that will decrease the level of unemployment. It will also boost export earnings as the items we export are fundamentally agricultural.

On the contrary, the industrial parks are still supplemented by more than ETB100 million a year let alone generating income. This has a spill over effect. If the industrial parks don't generate enough foreign currency from export and return the amount invested to build them, the government will use its revenue to ser-

Among State Owned Enterprises, Ethiopian Electric Power takes up the front row in terms of its indebtedness.

low return of finalized projects that were financed partly by domestic debt in collaboration with low domestic savings created credit constraints for private investors who need finance to support the huge demand of private investment required for the country's accelerating growth and development. "The sluggish progress of projects put considerable strain on the CBE as more funds are required and existing loans are not being paid according to the terms of the loan agreement. Furthermore, excessive government borrowing from the banking system has a crowding out effect. It deprives private sector funding and increases the cost of borrowing," Abdulemenan remarked.

Ayele Gelan, an economist, pointed out crowding out as the most damaging effect of high domestic debt on private businesses. "Domestic debt has numerous direct ramifications, including unnecessarily high interest rate," he noted. Alemayehu Geda, a Professor of Economics at Addis Ababa University, on the other hand argues that the current level of domestic

according to plan. The mega projects in Ethiopia can be a case in point.

"The ambitious governmental goals for economic growth and development led to the launch of numerous projects without due attention to their financing sources. The goal was financing the projects by any means possible. The other side and the opportunity cost of financing these projects from domestic and foreign debt has not been examined properly," explained Eyob Tesfaye, a macroeconomist with decades of experience. "Some of the projects are finalized but their return on investment is low while other projects are still under construction and incur the government additional cost as they have taken extended time," he added. Extension of project period leads to increase in the cost of imported materials, exacerbation of problems associated with devaluation of local currency and shortage of foreign currency.

Moreover, Ayele stated government defaulting on payments as another challenge of high domestic debt. "This has hap-

vice its foreign debt and print money to settle its domestic debt. That will have an inflationary effect,” elaborated Wasihun Belay, an economist. During the time of dissaving as a result of business slowdown, political instability, and an increase in unemployment rate, delay of domestic debt payment will push CBE into a liquidity crisis, as per Wasihun.

Muluneh Aboye, Credit Management Director at CBE, stated that they provide SOEs with credit after studying their financial capacity. “Moreover, we believe that the organisations will service their debt since the government is the one who guarantees the loan. But there might be a delay,” explained Muluneh. “Government projects have almost ceased and the government is now emphasizing the liberalisation and privatisation of various sectors by putting up organisations like sugar factories for sale. So, we believe that the economy will become private sector led and it will help the organisations to service their debt before or on its maturity date,” Muluneh added. On the other hand, loans from the NBE have no maturity date. “Large portion of the domestic debt of the federal government belongs to the national bank, which has no maturity date. This debt is one of the main causes for uncontrollable inflation as the loan from the central bank is the same as money printing,” Abdulemenan argues.

For Alemayehu, the current level of domestic debt is not healthy for three reasons. “First, the amount of domestic debt is already 50 to 60Pct of GDP. But this is misleading. If it is taken as percentage of exports, which shows ability to pay, it is >1000Pct and the export growth in the last 3 years is zero and below zero. Despite such conditions, the government has been borrowing from various sources over the last 2 years. This heavy borrowing can be alarming if the mechanisms of paying back the debts are not considered beforehand. The country currently has a pledge of over USD10 billion of foreign debt. So, to avoid debt crises, it may prioritize servicing foreign debt instead of domestic debt. The Final reason is that Ethiopia’s GDP is exaggerated. In my view, it is not more than USD60 billion; that makes the debt to GDP ratio over 100Pct. However, the government claims that it is 60Pct. Moreover,

the most relevant financial ratios, such as deposit to debt ratio, are in bad shape at banks,” explained Alemayehu.

In general, if domestic debt is not managed properly, it will have adverse impacts on the economy by leading to high inflation, lower investment by the private sector, higher cost of borrowing, and increased credit and liquidity risk to CBE. “Besides, the burden will roll over to the younger and/or the future generation,” Ayele stated. To avoid these adverse effects, Abdulemenan suggested financing of mega projects from multiple sources and ensuring proper execution of projects as it will make loan repayment smooth. “There should also be a ceiling on the



Federal government loan from NBE is one of the main causes for uncontrollable inflation as the loan from the central bank is the same as money printing,”

Abdulmenan Mohammed,
A financial expert.

amount of funding a new project can get from the CBE and the credit exposure of the CBE should be monitored closely. The other point is to finance budget deficit, a properly functioning treasury bills market should be created and borrowing from the NBE should be stopped gradually,” Abdulemenan suggested.

For Ayele, however, the best thing the government can do is encourage private sector borrowing so that the private sector would thrive and the tax base would be broadened. “In the short run, the government must regulate the banking sector and reduce interest rates on loans to the private sector. Private banks lend at about 16 to 18Pct of interest and have declared 20 to 40Pct dividends over the last 20 years. It’s crazy economics that leads to vicious cycle. As a result, only a few investors in the banking sector are benefiting while the rest of society suffers. Therefore, interest

rates should be reduced on loan to promote private investment and reduce government expenditure,” Ayele recommended. Focusing attention on the agricultural as it is the area where Ethiopia has competitive advantage, attracting more foreign direct investment by raising the ease of doing business, rendering attention to tourism and mining sectors, and prioritizing sectors that contribute significantly to GDP for public financing are Wasihun’s recommendations. “To accomplish projects successfully, furthermore, proper feasibility study has to be conducted on the viability, potential of return on investment and source of financing of all projects. Project management and contract management are also essential elements. Moreover, using public private partnership, joint venture and giving the project to building operators could be a good alternative for project financing,” Eyob concludes. **EBR**

The Attention Gap

COVID -19 INTERVENTIONS, SUPPORT HAS LEFT COMMERCIAL SEX WORKERS BEHIND

Commercial sex workers make up one of the most stigmatized group of people outcast by society. With the advent of COVID-19 in Ethiopia and the subsequent strains on normal social interactions, commercial sex workers have been forced to refrain from sexual engagements with their clients. The latter have also quit visiting sex workers. The situation has left the commercial sex workers with quite a predicament as their dried income makes it hard for them to pay for food and rent while breaching social distancing rules could jeopardize their health as well as those around them. EBR's Kiya Ali looks into the matter.

Lily Habte, name changed upon her request, is a 34 year old woman and a mother of two. She came to Addis Ababa 12 years ago with hopes of supporting her mother and four of her siblings by working as a house maid. Things went according to plan for the first seven months as she worked as a house maid during that time. However, her experience through those months showed her that her expectations were a bit flawed. "Although I strived to make my employer happy, they were never satisfied. They insulted me and even physically attacked me sometimes under various pretexts. In short, they didn't consider me a human," Lily recalls.

She also starved at times as not enough food was apportioned to her. "They deduct my salary without enough reason. They mistreated me a lot," she added. Finally, when the abuse got to a point where she could not tolerate anymore, she left her employers and got employed in another house. However, her new job proved to be worse. "My employer's husband started to sexually harass me and later beat me as I refused to sleep with him," she stated.

She remarked that being treated as a sub-human and refusal to tolerate abuse forced her to consider commercial sex work as an alternative means of livelihood. "I didn't have access to education. So, I couldn't compete in the labor force for some other jobs," she stated. Lily has been a commercial sex worker for the past nine years. She hasn't managed to save enough money to improve her life and those of her two children.

Already a life of meager financial resources, the advent of the Coronavirus in Ethiopia has heralded a new low to commercial sex workers. There are more than 100 commercial sex workers around 'Doro Manekia'. These women are in deep problem as the long interruption of their source of income because of the pandemic has rendered them unable to eat even once a day. On top of





their problems, the sad reality that some members of the community blame them for spreading the virus has made it harder for them to access support. “Under normal circumstances, these women are stigmatized, discriminated and blamed for spreading HIV and other sexually transmitted diseases. Violence from their clients who often demand lower rates and attack them if they refuse is another hardship they face. They constantly fight these challenges to raise their children with the money they get from commercial sex work. With the pandemic, the commercial sex workers as well as their clients are scared of the virus and prefer to stay at home whenever possible,” explained Melat Nigussie, a fund raising organizer to support commercial sex workers around Doro Manekia.

Immediately after the emergence of COVID-19 in Ethiopia, some landlords forced these women out of their rental houses. “As a result, some of the women have become homeless. However, such measures have stopped after the government prohibited eviction from rental homes with legal ramifications on the line for landlords who would not abide. Being unable to cover food expenses and rent are some of the other problems they are facing. So, they are starving along with their children,” Melat stated.

The effect of the discrimination and stigma faced by the women is not limited to short term disappointment. It will also have long term psychological impact. “If these women are discriminated against constantly, their emotion will be affected. As a result, they will display fear, anxiety, shame, guilt and anger. In more chronic cases, they will experience mental health problems such as depression,” elaborated George Yehayes, a clinical psychologist. In addition, he noted, they will lose their self-esteem and intrinsic value. “Although the discrimination and stigma towards commercial sex workers is as old as the existence of the means of livelihood, the recent proposal by the Addis Ababa city administration to treat commercial sex as a criminal activity has exacerbated the problem. Though the draft is not ratified yet, the move has created bias among the society,” said Seble Asefa, a legal consultant and lawyer at Ethiopian Women Lawyers Association.

Melat, on the other hand, stated that most of commercial sex workers have children. Before the advent of COVID-19 in Ethiopia, their children benefited from the school feeding program. However, the service has been disrupted as schools are closed because of the pandemic. To make matters worse, activities intended to support people who have been economically affected by the pandemic and those in extreme poverty do not include these group of women. “Almost all projects neglect these women though they are hit hard by the pandemic. If these people don’t get the required support, they may resort to criminal activities for the sake of survival,” Melat stated.

Three months after the first case of COVID-19 was

reported in Africa, health professionals and experts express their fear that the pandemic might overwhelm the continent. Similarly, the World Health Organization (WHO) projects that at least 190,000 people are likely to contract the virus. The report also warns that if containment measurements fail, then 44 million others are at risk of infection within a year. To avoid such risk and halt the spread of the Coronavirus pandemic, almost all African countries have taken various measures that include partial and full lockdown, movement restrictions, school closures, stay at home orders, declaration of state of emergency, among others. Ethiopia has also declared a state of emergency, closed schools and ordered transport service providers to reduce the

and material resources from the society, investors, volunteers and other parts of the community, they are planning to support these women. "But since addressing all of them would be difficult considering the amount of resources at the MoWCY's disposal, only those women who are in deep problem and don't have any alternative to survive will be given priority," noted Adinew Abera, Public Relations Head of the MoWCY Affairs. He further stated that ETB17 million has been collected and given to regional states by the federal office of the MoWCY with the purpose of supporting economically disadvantaged sections of society. "Although it is the mandate of regional offices to identify those that need to be supported, MoWCY believes that women

and empower them to engage in another economic activity," Melat underscored.

Adinew, on the other hand, accused NGOs working on women of lacking commitment. "Instead of supporting the women in need, NGOs benefit themselves in the name of these women," he remarked. Towards solving this problem, explained Adinew, MoWCY Affairs is discussing the issue with a variety of NGOs and has prepared a memorandum of understating to be signed by them. He also expressed his hope that the approach will reduce the problem.

If the problems of these women are not solved, the spillover effect will affect the society. "If a person is starved, stigmatized by society and not included in the activities that are intended to support economically disadvantaged groups of the community, they would be involved in criminal activities. This would in turn affect the society," Melat noted.

There are various push factors for women to be engaged in commercial sex work. Various researches state that poverty is the leading push factor especially in developing countries. "Most of the time, women are forced to engage in sex work for various reasons including: poverty, political unrest, harmful traditional practices like early marriage, being an orphan, losing a husband and lack of formal education. Human trafficking from rural to urban areas that leads them to sexual exploitation is another factor," elucidated Seble from the Ethiopian Women Lawyers Association.

Domestic violence is additional factor Seble pointed out. Violence against women is highly prevalent around the world. WHO data show that globally, 1 in 3 women have experienced at least one type of gender based violence among physical, sexual, psychological and economic violence in their lifetime. "Yet the biggest problem is related with gender imbalance. For centuries, the patriarchy system has hindered women empowerment. Hence, the long run solution is to implement a policy that ensures gender balance and empowers women based on the principle of equity. In the short term though, society should support the women engaged in commercial sex work and help them survive this trying time as no one should be left behind," Seble concludes. **EBR**

The effect of the discrimination and stigma faced by the women might lead to long term psychological problems.

number of people they carry by half. In addition, physical distancing is one of the effective methods that are advised by health workers to contain the spread of the coronavirus pandemic.

The national and individual cautionary measures against the pandemic fend off interest from the clients of commercial sex workers who have to practice those measures as well. With the pandemic only picking up its momentum in Ethiopia, the plight of commercial sex workers needs urgent response. If the pandemic is going to be around for quite some time, the problem could become more severe and force commercial sex workers to desperately look for clients as a coping mechanism despite the obvious dangers.

Cognizant of the exclusion of commercial sex workers from support schemes for COVID-19 affected social groups, the Ministry of Women, Children and Youth (MoWCY) Affairs has included them in the second round support program it facilitates. After the Ministry finalizes collecting financial

engaged in commercial sex work would be included in the support programs," Adinew pointed out.

Such big schemes by governmental offices are going to take quite a time to materialize. In the meantime, individual initiatives and charities by non-governmental organizations would play a vital role in containing the escalation of the existing problem. A case in point about individual initiatives is the ETB70,000 Melat managed to collect within a week through social media activism. Although the amount may not cover the expenses of the women affected for a long period of time, the will to act on one's concern over the issue sets a wonderful example to all. "If the activities are not done sustainably at an organizational level, it won't be long lasting. What we are doing may cover rent for a month and some essential living expenses like food. But through time, the motivation and commitment of volunteers and people who are contributing money might fade away. So, the government should find a way to support these women

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BODY PAINTING

THE FLOURISHING ART OF SPECIAL EFFECTS AND PROSTHETIC MAKEUP

As Ethiopian films fundamentally offer 'normal' characters with minor or no special features on their bodies, the role of special effects and prosthetic makeup has been very minimal in Ethiopian film making. That might be about to change as a new breed of young talent is taking up special effects and prosthetic makeup. Kiya Ali explores.

The works of behind the scene professionals usually goes unnoticed in the cinema industry. But all the scary characters in a horror movie or mystical beings like aliens, monsters and magical creatures in Sci-fi come to life on account of the hard work of behind the scene professionals like prosthetic and special effect makeup artists.

Boni Abera is a third year accounting student at St. Mary's University. Upon completion of her accounting education by the end of June, she had a plan to study make-up art during the rainy season. The Coronavirus pandemic has, however, forced students and other segments of the society to stay at home, disrupting their plans. Despite the unexpected obstacle to her plans, Boni has made the best out of her stay at home to work on work on her talent. "Before the advent of COVID-19, I was at home for a month on account of our semester break. During that time, I looked for schools that provide advanced training in make-up art but I couldn't find any," said Boni. Finally Boni decided to join one of the schools that provide introductory lessons during the Ethiopian winter. The Coronavirus pandemic then made its landfall in Ethiopia and extended her break. During that time, she started learning about special effects makeup from YouTube uploads. "Once the state of emergency declared that schools are going to stay closed, I started to teach myself the basics of special effects makeup using online tutorials and practiced using homemade materials," she stated.

Despite her interest in doing special effects make up, Boni does not remember exactly when she got the inspiration to join Ethiopian cinema as a special effects makeup artist. "I think in the process of teaching myself, I became more interested in special effects makeup," Boni reckoned. As with almost everything worthwhile in life, her journey has set her on a collision path with some hardship. One of the challenges she is facing is absence of enough materials in the market to practice and advance her craft. As a coping mechanism, she substitutes the missing materials by homemade equipment and substances like flour, Vaseline, lipstick and the like. "I recently wanted to do some special effects makeup but I couldn't find the necessary materials at cosmetic shops. Most of the sales people didn't actually know about the materials, let alone have them in their shops. Only few professional makeup artists know about the makeups required to do bruises, wounds and scars. "This is the biggest challenge I'm currently facing. But this wouldn't stop me. As I can't get scar wax, I'm trying to use

wheat flour and Vaseline to do scars," Boni explained.

Bethlehem Abebe is another special effects makeup artist. An architect by profession, Bethlehem worked as a set designer in a production company. Besides her responsibilities as a set designer, she also does regular makeup and special effects makeup. With the advent of the Coronavirus pandemic in Ethiopia, Bethlehem has been forced to stay home. "I had plans to do special effects makeup before the pandemic and staying at home has given me more time to concentrate and focus on the craft," remarked Bethlehem. Bethlehem has done amazing work during her stay at home. She has done characters like Gollum from the Lord of the rings, Maleficent, and Jack Sparrow from Pirates of the Caribbean. For the time being, Bethlehem is focusing on Hollywood characters. "As I couldn't find a character with special effects or prosthetic makeup in Ethiopian films, I'm forced to focus on Hollywood characters. But in the future, I have a plan to create Ethiopian characters with unique features," stated Bethlehem. As with Boni, finding the right type of makeup is also a big challenge for Bethlehem. "I use normal beauty makeup products such as foundation, liquid eyeliner and eye shadow to do prosthetic and special effects makeup," she noted.

Comedy dominates the genre of films made in Ethiopia. Horror and Sci-fi films with aliens are almost non-existent in Ethiopian film. That makes it hard for special effects and prosthetic makeup art to grow. "If writers don't create characters that needs special effects and prosthetic makeup, the role of makeup artists in Ethiopian cinema remains peripheral. It seems that the utter absence of such characters in Ethiopian films would be broken, if makeup artists decide to write scripts themselves. To push the profession forward, writers would play a great role by creating unique and iconic characters," Boni explained.

Iconic characters with prosthetic and special effect makeup tend to stay long in the minds of the audience as they have unique features and looks. Boni believes that Ethiopian writers don't dare create monstrous characters as they assume makeup artists capable of springing to life such characters are not available in Ethiopian cinema. "There are clever makeup artists but the profession is still at its infancy. When more makeup artists show what they can do using various platforms such as social media, I believe Ethiopian writers would get the inspiration to create unique characters and bring them to their audience," Boni reflected.



However, the role of special effect makeup artists is not limited to the production of feature films. They can also be involved in documentaries, advertisements and TV programs like 'Yetezegaw Dossie' that narrates criminal incidents. Therefore, it can be used across the different dimensions of films.

There is a big difference between regular and special makeup artists. Regular makeup artists beautify actresses and actors. Far from enhancing the appearance of actresses and actors, special effect makeup artists connect performers to their role. These modifications can appear as deformities, bruises, abrasions, wounds, among others. If done correct, special effects and prosthetic makeups will help the story of the character in such a way that the viewer will understand the character by simply looking at them.

Prosthetic makeup artists use prosthetic sculpting, molding and casting techniques to create a make-up look that totally transforms the natural look of actresses and actors. So, prosthetics is the process

of creating advanced cosmetic effects that will describe the role of character, age and special appearance. Prosthetic makeup is used to create an iconic and unforgettable character. On the other hand, special effect makeup is the process of applying the pre-made prosthetics or some types of makeup on the skin to bring minor changes. Special effect makeup is used to create wounds, scars and wrinkles for aging effects by applying directly onto the skin. It's used in theaters, movies, promotions and the like to make the feature of the character older or to show wounds. In a nutshell, where prosthetics ends and special effects makeup starts can be considered as a grey area.

Body painting is another art work that is flourishing. Hana Tesfaye, an architect, is among a few people working on body painting in Ethiopia. Although body painting is not a recent trend, it is not common in modern art work in Ethiopia. A number of tribes around the world have been using body painting as a form of expressing their own culture

for centuries. The traditional art involves painting the body with clay and other natural pigments. Hana stated: "Body paintings by the Hamar and other ethnic groups in Ethiopia can be taken as an example. The modern paintings are more complex and intricate."

Unlike art works that are painted on canvas, body painting would last for a few hours. It is temporary. Although body painting used to be related to artistic practices of ancient art form and tribal cultures, a number of contemporary artists have begun to create artworks on the human body. In addition to its artistic value, body painting is used in anatomical education adaptability as a tool for learning both gross and surface anatomy, as well as for introducing clinical examination skills.

Body painting is used in various events such as in performances, events, parties, fashion, trade shows, music videos, and photo shoots. "What makes a body painting exceptional and interesting is the canvas is a human body. It is an art that breaths and moves," Hana concludes. **EBR**

Property Rights at Times of Mob

What to Expect From the Government



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It is a universal truth that governments should protect the rights of citizens and one of such rights is the right to property. This right is not an ordinary right that can be infringed by anyone and it is more of a human right that needs protection from the government. This truth is also part of our constitution and the international human rights conventions Ethiopia adopted as part of its domestic law. Though we are counting decades with this obligation of the government, we are still witnessing thousands of citizens becoming victims of mob robbers and demonstrators. Sometimes, victims lose their properties and businesses in front of armed law enforcement officers who rather irresponsibly claim that they have not received orders to stop the progress of the crime. They also raise lack of security alert and communication gaps as the reason for their indifference in front of a crime in progress. Nothing renders citizens helpless and hopeless as losing their hard earned properties for arson and looting in the immediate presence of law enforcement officers.

The repeated occurrence of such tragic incidents frustrates investors and kills their motivation to invest as the crimes eat away the riches they gained through a life time of hard work in a matter of hours. Without having any proper cure for previous pains, we are still vitiating rule of law by allowing impunity. The ever increasing cry for rule of law was never heard except in the latest episode of mass killings and lootings in the Oromia region in which the government seemed to have lent its ears, albeit a bit late.

The government quantified the damage on property the mob inflicted on houses and businesses. Accordingly, 1022 houses were burned

and attacked; 227 hotels were burned and attacked; 6 factories were burned; 104 governmental offices were destroyed; 20 government owned and 273 private vehicles were burned and attacked. More than ten thousand people have been displaced. Among the cities and towns that witnessed the worst damage are: Shashemene, ten Woredas of Western Arsi, Batu (Zeway), Metu, Jimma and Arsi Negele.

Ethnic federalism serves as the best shield for local law enforcement officers to sit back and watch as what they call non-original residents or those that do not belong in the region become the primary targets. The government has responded to their irresponsible acts by arresting and charging over seven thousand people including extremist youth, members of the security forces, Woreda administrators and mayors. Though born and bred there, these citizens don't have the right to be employed as police officers, be elected and serve in political decision making institutions and other government offices. Though they are not labeled as such, they are treated as mere immigrants. Therefore, the deep rooted apartheid system is the basic cause for all the mess.

Lack of clear policy, legal framework and political commitment to compensate victims is so frustrating for everyone. Citizens living in other volatile regions are also in a similar situation. Therefore, tangible interventions in providing appropriate protection and guarantee should be a priority issue.

Residents and business owners in all corners of the country need to feel safe and secure in their own country, regardless of their ethnic and linguistic backgrounds. Light hearted approach, indifference and impunity have the effect of motivating people to do their heinous

crimes again. These things promote the killing of people and destruction of property. Before the latest episode of attacks in the Oromia region, there was an earlier mass killing in October, 2020 that claimed the lives of 97 people. The government went a great length to cover up the issue and even pleaded with the culprits in some cases. The total impunity and frailty of government in those days would embolden the culprits and give them a sense of invincibility. Political assassination of a celebrity was all it took for some groups to come and kill over 200 innocent people in the second episode. The isolated arson cases that characterized the first episode of attacks in Oromia have also exponentially grown in the latest episode to destroy property worth more than a billion birr. Putting an end to such atrocious crimes calls for strong policing and legal action against the culprits.

Regional and federal governments should support victims who have lost their properties and businesses with clear admission of its liability for the property burned and ransacked. The government needs to take responsibility for failure to enforce rule of law and accountability. Such a measure would cement public trust for the government. Mere rhetorical denouncement and seemingly sympathetic concern for the victims can't be considered as commitment by itself.

After victim businesses are reinstated, providing tax holiday for a certain tax season is the other political commitment that the government can pledge. Though much of the tax incentive issues are related to investment, systemic policy incentive should

be designed to salvage victim businesses from the trauma they went through and set them on their way to full recovery. State banks, as corporate social responsibility, should consider facilitating interest free or low interest loans to finance the businesses, if they have business recovery plan or pending business expansion plans. We know state banks were financing billions for projects and businesses that did not have a good track record and feasibility study. Such measures will enable businesses to resume their normal operation in the shortest possible time, mitigate the unemployment problem that may follow the extensive destruction of businesses, enhance entrepreneurial opportunities, boost the confidence of others and make them feel protected going forward.

Business interruption insurance should be taken into consideration in volatile areas to absorb the risks of losing business income because of such incidents. Though this insurance scheme is so complex, the state insurance corporation should think about it as part of its responsibility to manage the risks of such victims. Big investment businesses should be able to get the guarantee of regional states so that the regional state will be serious in protecting the business interests of investors from the destructive acts of mobs and other similar politically motivated risks targeting businesses. In a bid to attract investment, one of the commitments of regional states should be a promise to provide such guarantees. Competing claims for security will make regions better secure for investment and business.

Economic Growth

Thinking Exponentially



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Ethiopia is the second most populous country in sub-Saharan Africa after Nigeria. Current population is about 112 million and is expected to surpass 137 million by the end of 2037. During the twentieth century, the growth of the Ethiopian population quickened tremendously. It had grown more than ten times since 1900, five times since 1950 and had doubled since the early 1990s. The rate of population growth increased from less than 2% in the 1950s to a peak of 3% in the late 1980s and early 1990s. Since then the population increased at a decreasing rate reaching a minimum of 2,3% during the 2015-2020 period. Each year, an estimated 2 million persons are added to the population.

Why need for Exponential Growth Thinking

Ethiopia's population has grown slowly and then accelerated to reach a breakneck speed of growth over the past 40 years. If a population grows by a constant percentage per year, this eventually adds up to what we call exponential growth. The larger the population grows, the faster it grows. There are several factors which contributed to rapid population growth in Ethiopia: culture of faith, love and solidarity; early marriage; need for raw labor for production and public services; rural bias economic reforms particularly access to land, knowledge of bio-diversity and traditional medicine, and relative decline in mortality.

Population growth means the change in the number of individuals in a population through time. Numbers matter because of the effects they have on many elements of quality of life, particularly in countries that experience limited technological changes and economic growth. In such countries, there is huge demand for food, employment, education, health, housing, infrastructure (such as electricity, drinking water, and sanitation) and public finance. Since the capital stock of the country could not meet the needs and demands of a rapidly growing population, there is persistent urban and rural poverty and spatial imbalance. There are various

studies on public service coverage (access and affordability) and sustainability.

The issue is not only a lack of resources (finance and materials) to meet growing needs and demands. In countries where there is lack of economic growth mechanisms, causes of poverty act in a cumulative manner. Additional population every year, resource scarcity, and economic coping strategies of households build on and play off one another with a devastatingly synergistic effect. For instance, one of the effects of the drivers of population growth, multiplication of child rich households in rural areas, creates fragmentation of land holdings, which in turn creates food insecurity, and then leads to a seemingly endless cascade of deleterious challenges (agricultural extensification, environmental degradation and low productivity trap). Population growth does not only have multidimensional effects; it also acts in cumulative manner (additive influences). The economic solution to population growth (namely GDP per capita) should; therefore, be big and fast to recover from backlogs and re-adjust to new additional shortages every year.

Ad hoc Linear Growth Thinking

While the effects of rapid population growth are exponential (multidimensional, cumulative and complex effects), for most of the time our development strategies and economic growth experiences have been "ad hoc, fragmented, local and linear." Not much change occurred in our thinking and approach for the past five decades: we used the same approach (sector strategies), applied same tools (macroeconomic policy instruments), live in the same local space (subsistence, non-farm and informal economy).

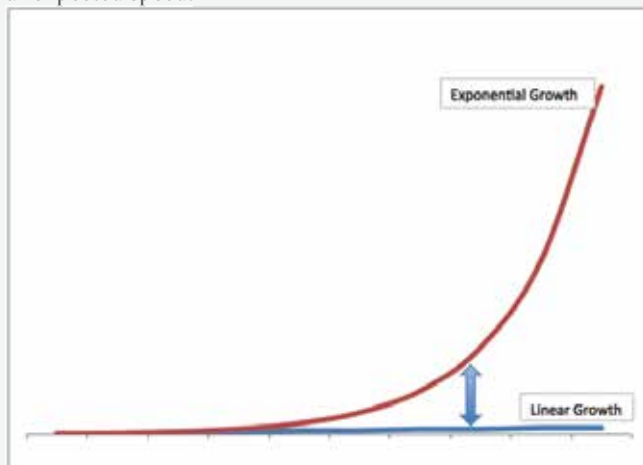
The successive governments think linearly, layering short-run and stabilization policy after policy to create transformation. Based on our past experience, each time we seem to know the causes and the solutions, we take successive actions and expect incremental results that improve well-being.

Despite well intentioned efforts, even some of the positive results could not accelerate overtime. GDP per capita has not improved significantly as desired (I use population growth needs as performance benchmarking) and productivity of the economy had remained at low levels for decades. There is abundant research on the performance of short run growth policy strategies of the government (FDI, trade and supply side policies) and there is no space to review them here (see some of my previous articles posted on this magazine).

It is now time to switch to exponential thinking. Ad hoc linear thinking is not sustainable and cannot be corrected through macroeconomic stabilization policies. The multi-dimensional and cumulative effects of rapid population growth in the country demand exponential growth thinking.

What is Exponential Growth Thinking?

In essence, it is bringing about exponential impact. Instead of thinking of growth as “1, 2, 3, 4, 5” we should think of growth as compounding or doubling i.e. “1, 2, 4, 8, 16”. To put it in layman’s terms, policy makers must think about how to design a complex system that doubles the output (can be GDP or per capita income) whenever the input (employment creation and productivity increase policy intervention) increases by one. Exponential growth increases the output without a substantial increase in resources. It is a process where things change gradually, then suddenly at unexpected speed.



Grand Ethiopian Renaissance Dam (GERD)

Understanding the economic mechanism, conditions and

positive feedback loops that can reinforce and sustain exponential growth is challenging. To illustrate the power of exponential growth, we can take the Grand Ethiopian Renaissance Dam (GERD) on the River Nile as a good analogy. The diplomatic contest shows greater increases with the passing of time, creating the curve of an exponential function particularly as construction nears completion. Since the beginning of this year, the long dispute became international involving the Arab league, EU, US, the UN Security Council and the African Union. Why did such a development project exhibit exponential growth?

Dam engineers who know about the complexity of its structure and benefits would explain GERD from an exponential point of view. Even if I have no background of engineering to explain the growth process of the dam, based on exponential growth thinking, I can propound two reasons for its present effects. The first relates to the scalability of the dam, which I presume refers to design of the dam project both technically and financially to ensure maximum benefit when implemented. Scalability refers to the techniques of ensuring optimum size and structural linkages and quality of the dam.

The design of the dam has changed several times since the beginning of its construction in 2011. “Originally, in 2011, the hydropower plant was to receive 15 generating units with 350 MW nameplate capacity each, resulting in a total installed capacity of 5,250 MW with an expected power generation of 15,128 GWh per annum. However, due to the upgrading of the power plant and the housing facilities, its generation capacity was uplifted to 6,000 MW from 5,250 MW, with a power generation of 15,692 GWh per annum through 16 generating units with 375 MW nameplate capacity each. In 2017, the design was again changed to add another 450 MW, with a power generation of 16,153 GWh per annum. That was achieved by upgrading 14 of the 16 generating units from 375 MW to 400 MW without changing the nameplate capacity,” states Wikipedia.

Not only were the electrical power parameters to change over time, but also the storage parameters. Originally, in 2011, the dam was considered to be 145m (476 ft) tall with a volume of 10.1 million m³. The reservoir was considered to have a volume of 66 km³ (54,000,000 acre ft) and a surface area of 1,680 km² (650 sq mi) at full supply level. The rock-filled saddle dam, besides the main dam, was considered to have a height of 45m (148 ft) and a length of 4,800m (15,700 ft) and a volume of 15 million m³. The dam is designed for a peak flow rate to get maximum power output.



The second reason for exponential effects of the dam relate to factors that contributed to its successful performance and growth of dam construction. The most critical element of success includes the cooperation and support of all parties involved: the Ethiopian Government at all levels, the contractor, the engineers, project consultants, dam project management and workers and the Ethiopian people. Since the entire cost of the dam (estimated US\$4.8 billion) is financed by the Ethiopian government, the government has issued a bond targeted at Ethiopians and was able to raise the needed capital.

The GERD example shows that exponential growth occurs if there are two conditions: scalability and growth sustaining factors. If one of these conditions fails, growth becomes linear or ad hoc. Exponential growth is so powerful not because it is necessarily big and fast, but because of its relentless capacity for connection and creation of positive feedback loops.

Dimensions, Directions and Phases of Exponential Growth Thinking for Ethiopia

Applying exponential growth thinking in economic growth policy and transformation plan is a different matter. In developed countries, the very theory of economic development is firmly anchored in exponential growth models, for example, Solow (1956), Lucas (1988), Romer (1990), and Aghion and Howitt (1992)—is designed with this fact in mind. For countries with rapid population growth, the application of the exponential thinking depends on initial conditions of the country and objectives of the plan. The GERD example shows

scalability and sustained growth/construction performance is the source of exponential growth.

In the context of national economic development plan, exponential growth thinking involves the following dimensions and directions: i) ambition to make big changes in production organization and processing (scale transformation); ii) local, urban and regional development following the distribution and concentration of the population (spatial transformation); iii) creation of backward and forward linkages in structural and spatial transformation (linkage transformation), and iv) identify ways to sustain scale, spatial and linkage growths (growth in transformation).

As you see from the graph, exponential growth is an upward sweeping growth curve. The sequences, synchronization and trends of the different dimensions and directions of exponential economic growth (mentioned above) are represented by S-shaped curve. Each curve looks like the letter ‘S’ because of the three growth stages it represents—initial slow growth, explosive growth, and leveling off as full employment of resources is attained.

Each stage has its respective policy drivers, objectives, strategies, and instruments. The stages may overlap, and when one stage slows, a new policy model takes over and speeds up. With each new S-curve, the amount of time it takes to reach higher levels of performance is less. Stages have butterfly effects; each stage is sensitive to the previous stage. The policy package in one stage matters for the expansion the next stage. The stages are supposed to increase the speed and capability of the economy every couple of years until the time of creating prosperous welfare society and state in the country. There is no space here to discuss the policy objectives, strategies and instruments that should be undertaken to achieve exponential growth at different stages. If there is an interest, I will provide the policy details and packages belonging to each phase of the trajectory of exponential growth.

Exponential thinking reduces disruptive actions which we have observed recently and reveals new opportunities. If we can plan for it, we can ease the peaceful political transition from one paradigm to the next and greet the future in stride. In the context of Ethiopia, the new exponential economic growth thinking is like Einstein’s famous quote “Compound interest is the eighth wonder of the world. He who understands it earns it ... he who doesn’t pays it.”

The Economic Consequences of Disrupted Global Supply Chains



Dalia Marin is Professor of International Economics at the Technical University of Munich.

EBR received the article from Project Syndicate.

For nearly three decades, global supply chains were the quiet engines of economic globalization. From 1990 to 2008, they drove the rapid expansion of trade, accounting for 60-70Pct of its growth. More than a decade later, however, they have stalled – and may in some areas be going into reverse.

The strain on global supply chains partly reflects the turn by many governments toward protectionist policies since the openness of the world economy peaked in 2011. And now, the COVID-19 pandemic has caused a supply-shock recession. The related uncertainty may slow the expansion of global value chains by at least 35Pct. Indeed, world trade is no longer expanding faster than world GDP. If this continues, companies will reshore manufacturing from Asia and elsewhere.

It's clear that shrinking production at firms worldwide will create a recession – and a recovery – unlike any we have seen. In outlooks for next year, the International Monetary Fund, the OECD, and other international organizations assumed a V-shaped recovery. But this narrative was likely influenced by the rapid recovery of global value chains after the 2008 - 10 Great Recession, a downturn that originated in the financial system, not the real economy worldwide. Given the importance of broken supply relationships in the current downturn, this recession is likely to be unique.

Firms are vulnerable in other ways. For example, suppliers affected by a lockdown impose substantial output losses on their customers when the input they produce is specific to the customer and embodies a high level of research and development and intellectual property. In such cases, switching to another supplier is costly and slow.

It's not surprising that pandemic-related disruptions are unique. After researching three decades of major natural disasters in the United States, Jean-Noël Barrot and Julien Sauvagnat of MIT found that suppliers hit by a flood, earthquake, or similar event impose large output losses on customers. Indeed, when a disaster hit one supplier, firms' sales growth suffered an average drop of two to three percentage points. The impact spilled over to other suppliers, magnifying the original shock.

It is also likely that this recession will generate lower trend GDP growth. After all, global supply

chains were a major driver of productivity growth in many countries in the 1990s and for most the aughts.

The integration of Eastern Europe into the global economy after the fall of the Berlin Wall contributed not only to Germany's recovery from being the "sick man of Europe," but also to rapid growth in the Czech Republic, Hungary, Poland, Slovakia, and other countries in the region. If the slowdown in the growth of global value chains since 2011 was already contributing to anemic productivity growth in developed countries, an accelerated slowdown, or even contraction, owing to pandemic-related disruptions, does not bode well.

In these circumstances, the only option for policymakers is to spur growth in specific sectors, which is exactly what stimulus programs are designed to do. In Germany, Volkswagen and other companies have pushed for a "cash for clunkers" stimulus package similar to the one that was enacted in 2009, but Chancellor Angela Merkel's government has decided not to pursue such a policy.

It's worth rethinking that decision. New macro models of the pandemic suggest that sector-specific stimulus may generate the largest fiscal stimulus per dollar spent. An economy in which 50Pct of the economy is fully shut down, as in a pandemic, is not the same as one in which all economic activity collapses by 50Pct, as in a depression. In a pandemic, a sector's relationship to the rest of the economy determines the outcome.

That means the best way to maximize the impact of fiscal stimulus is to identify sectors that are not substitutive. In Germany, like elsewhere, autos have a complementary relationship to the rest of the economy. The more cars are consumed, the larger the demand for auto inputs. The industry imports only 29Pct of its inputs, compared to 76Pct in textiles. This is why schemes to stimulate the purchase of autos are better than, say, restaurant vouchers. In fact, dining out reduces supermarket shopping, generating less aggregate demand.

The pandemic poses a huge challenge to economic policymakers. Like it or not, engineering any recovery, much less a V-shaped one, will require governments to set aside issues that would be of utmost importance in ordinary times. Their credo should be Hippocratic: First, do no further harm.

COVID-19

The Litmus Test for Ethiopia's Health System



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The strength of a country's health system will be tested when emergencies like the outbreak of a pandemic occur. To identify a country's health care system strong, it has to fulfill at least four basic elements. First, it has to improve public health. Then when people get sick and go to health centers, they have to get proper services. The third element is that the health service provided to people should be affordable. That means with reasonable cost, everyone should get good medical services. The final element is that the system has to ensure the safety of health professionals.

Analyzing Ethiopia's health system from these vantage points would lead one to conclude that it is fragile. Despite the poor ratings, a lot has been done in disease prevention, curbing maternal and child mortality, and controlling the community spread of various diseases. With these positive steps in mind, it is possible to say that there are improvements with regard to public health.

If we compare the current situation of the health care system with its status 40 years ago, it is clear that there have been significant changes. With regard to individual access to quality medical service, however, the sector lags far behind. Therefore, it still needs more attention. The problem is mainly related to medicine stock outs, shortage of medicines in the market, problem of accessibility of laboratory services and not enough visits from health professionals to patients as the doctors to population ratio is very small. In addition, access to medical services is costly. Hospitals also provide similar services. If some of them provided specialized services instead, it would be much better as the duplication of efforts and capital would be used in some other service. Moreover, the majority of Ethiopians are dependent on out of pocket money to access health service instead of relying on health insurance. Health professionals serve for extended hours and the amount they get paid is not enough to make ends meet. The condition has affected the morale of health professionals especially nurses, laboratory professionals, pharmacists, and junior medical doctors. Lack of motivation has its own impact on service provision.

On top of these challenges, the country is now facing the Coronavirus pandemic.

A collaborative effort is being made by everyone to curb the spread of the pandemic and flatten the curve. One of the silver linings of the Coronavirus pandemic is that it has raised the attention accorded to the Ethiopian health sector. Such efforts are plausible since the virus has the potential to break the already weak health system unless the spread falls under control through strict adherence to mitigative measures. Under its current capacity, the country can only work on prevention as a significant discovery of cases every day can easily overwhelm the system.

However, while fighting and preventing the Coronavirus pandemic, other aspects of health service shouldn't be neglected. If the status of other health problems was to be reported just like the daily Coronavirus report by the Ministry of Health and the Ethiopian Public Health Institute, it would be shocking. A lot of people die every day because of HIV, malaria, traffic accident and other communicable and non-communicable diseases. These health problems have the possibility of recovery under proper diagnosis and medication. Yet they claim the lives of many people as the Coronavirus pandemic has come to enjoy the primary attention of the health system, leaving the others in the back burner. Actually, focusing on pandemics is a common trend around the world. Under such conditions, other patients maybe be neglected and that might lead to their death.

Various reasons might lead to death under such conditions. The first reason is difficulty to get medical services since priority is given to the pandemic. Refraining from going to hospital in fear of acquiring the virus is another factor that has detrimental impact on other health problems. Furthermore, health care professionals responsible for treating COVID-19 patients do not see other patients to avoid contamination. Health professionals may also be required to quarantine themselves in relation with the pandemic, making it harder for patients of other diseases to get professional help.

All these things create additional burden on the health system and affect people who have permanent health problems. So, parallel with tackling the Coronavirus pandemic, it is very important to give enough attention to other health problems. Otherwise, a large number of people with a big chance of survival under normal conditions might die. Besides, providing proper medical services for permanent patients would make the process of fighting the pandemic easier as people who have diabetes, pneumonia, heart problem and other permanent diseases are the most vulnerable part of society.

The number of patients who go to hospitals for treatment of other diseases has drastically fallen since the first Coronavirus patient was found in Ethiopia. There were also places where patients were told not to go to hospitals. That was wrong and it has been rectified. Providing medical services while maintaining physical distancing is an alternative while telemedicine services have also commenced. For instance, 80Pct of the Black Lion Hospital patients have started to benefit from telemedicine. However, telehealth is by no means substituting normal medical services. It is, however, a viable supportive system. People who need diagnosis still come and get the service they need.

Before the outbreak of the Coronavirus pandemic, Black Lion hospital provided service for up to 200 patients a day. Hospitals like Black Lion are referral centers. Although the number of people who visit Black Lion has plummeted since the launch of telemedicine service, patients sent to referral hospitals such as Black Lion still get access to medical services. However, other patients who don't want to go to hospitals physically can use telemedicine services.

With all their negative impacts, pandemics test the strength and weakness of a country's health system. A strong health care system has to fulfill three things. First, it has to be flexible enough to stride out of the usual procedures and still manage to handle emergencies like pandemics, war and flood. Towards that end, the responsibility of organizations should be clearly known ahead of time. Clear policies, rules and regulations have to be prepared on how to respond to emergencies. The third point has to do with the presence of health professionals who are ready and have enough awareness on how to tackle emergencies like pandemics.

The current situation in Ethiopia is marred with confusions on clear cut responsibilities of organizations. Some organizations carryout health related activities and make health related decisions even though they normally have nothing to do with matters of health. The inverse is also true in some cases. I hope our experi-

ence in handling the Coronavirus pandemic will help the country figure out these problems and tackle them. Post-Corona, I hope we will have a strong health care system with the clear policies and legislation needed to handle emergencies without any confusion. The pandemic has also underscored the importance of health professionals in society.

Health is a priority for everyone. The status of health has a significant bearing on societal productivity. The Coronavirus pandemic has emphasized that point and laid it out for everyone to understand. As a result, the government has started giving more attention to health professionals. If such trends continue after the eradication of the Coronavirus, the health system will have more inspired and dedicated doctors, nurses, laboratory technicians, and pharmacists.

Commendable prevention efforts have been exerted so far. People have also adapted quickly to preventive activities such as frequent hand washing, using hand sanitizer and face mask. However, I have witnessed communication problems with regard to preventive measures taken so far. Economic problems are generally believed to have made it impossible for Ethiopia to impose total lockdown. However, staying at home is recommended by the authorities as a key preventive measure. Such recommendations, on the other hand, do not clearly indicate who should stay at home. Instead of expecting individuals to take it up on themselves to stay at home, such directives should clearly identify the social segment that is expected to stay home and instruct them to do so.

As Ethiopia's weak health system could easily be overwhelmed, the country should focus on preventive measures that help people avoid contracting the virus. Pandemics will disappear sooner or later. It is just a matter of time. So, delaying the spread will help save many lives.

In general, it is a difficult time for health professionals. They might contract the virus and spread it to their loved ones in the process of helping others. If it gets to the point where hospitals would be overwhelmed with patients, health professionals would be obliged to choose among patients and prioritize some over others. The morale question that arises from favoring one over the other for not clearly identified reasons makes health professionals susceptible to psychological problems. To avoid such type of undesirable consequences, it is very important to protect health professionals from contracting the virus. Moreover, additional trainings are needed to make them psychologically ready and they need to be provided with proper treatment to avoid psychological problems.

COVID-19 Pandemic Calls for Innovative Insurance Products



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The novel coronavirus (COVID-19) was recounted to have arisen from Wuhan in China towards the end of December 2019, and the first case has been reported in Ethiopia by the Federal Ministry of Health effective from 13 March 2020. In a bid to curtail the spread of the virus, various preventive measures have been put in place by the government and insurers have also introduced some insurance products. The measures taken by the Government, among others, include declaring a state of emergency and working on urging the public to wash hands frequently, maintain social distancing, place reliance on reliable and up-to-date information about the pandemic, wear masks and ensure isolation after infection or when in suspicion of infection. In addition to social and health-related measures, the State-Owned Insurer has pledged to place life insurance for health professionals in direct contact with COVID-19 patients.

During normal days, the insured public might not care much about insurance protection. However, in situations where pandemics like the COVID-19 cause pervasive fear and uncertainty, the focus of the uninsured public would shift towards available protection mechanisms such as insurance. Hence, the insurance industry has to evolve to meet these rising expectations.

In retort to these, private insurers, especially Nyala Insurance has officially commenced to offer insurance protection for its existing and potential customers, taking the COVID-19 as an insured peril. On the other hand, some insurers have also shown their concern by granting financial aid as part of their Corporate Social Responsibility (CSR). Provided the fast-paced nature of this pandemic around the country, however, the risk exposure and impact on Ethiopia's economy, and the real purpose of insurance, which is returning the insured to the former financial position, one can conclude that the efforts are inadequate and the industry could use the opportunity to introduce new insurance products to meet the rising demand

and significantly change the contribution of the insurance industry to the nation.

The COVID-19 pandemic has augmented the prominence of the insurance sectors' role in development, and in the economic pliability of businesses and individuals. According to a report published by Deloitte in May 2020, the country's real GDP growth in 2019 was 9.0% and was forecasted to be 6.2% in 2020 pre-COVID-19. This forecast has now been revised downwards to 3.2% in 2020. This is mostly due to disruption in supply chain and weakened global demand, which has affected the inflow of raw materials and finished products for manufacturing and trading, a sharp rise in inflation as domestic food prices rise steadily, a sharp decline in tourism as the Coronavirus pandemic deters travelers with hotel occupancy rate decreased to about 2% and cancellations on bookings for the next 3-6 months. The hotel and tourism sector represents 5% of Ethiopia's GDP and supports 2.2 million jobs (about 8.3% of the total employment in the country.) Ethiopia's hotel occupancy has gone down to about 2% from an average of 60% since the onset of the pandemic due to cancellations on bookings following increased travel restrictions globally. Estimates indicate that due to the sector's strong linkage with the wider economy, most of the 2.2 million individuals employed in the sector are at risk of unemployment. Initial forecasts had suggested a 6% increase in arrivals from 1m in 2019 to 1.1m in 2020 and a 5.3% increase in receipts from USD 3.6bn in 2019 to 3.8bn in 2020. However, as the pandemic spreads further, fears of community spread through travel and group environments will continue to impede domestic and international tourism. As a result, these estimates will prove that the insurance sector's protection to this industry needs to be increased to alleviate the potential impacts and economically manage the risks. The potential vulnerability of the sector opens the door for Hotel Comprehensive Insurance and Business Interruption Insurance

as a panacea for the problem and to meet these and other emerging risks in the future.

On the other hand, Ethiopia's Job Creation Commission has also estimated between 700,000-2 million jobs are likely to be lost in 2020 depending on the severity of the impact of the virus on Ethiopia's economy. This also calls for the need to introduce "Job loss insurance" in the future and the industry can take this as an opportunity to promote the product and hence support the labor market meaningfully.

Ethiopia's manufacturing sector, which has been a key driver of growth in recent years, is expected to shrink by at least 50% amidst the COVID-19 pandemic. Further, with a partial lockdown in place, the manufacturing sector is estimated to experience a USD13.3m monthly decline in the income of workers. This would also pave the way for a significant promotion of Business Interruption Insurance.

Ethiopia's economy is largely based on agriculture, which accounts for 33.3% of GDP. The sector contributed nearly 60% of the country's exports, and 70% of total employment. Estimates have shown that a loss of agricultural output due to locust infestation and a slump in exports due to the COVID-19 pandemic is expected to see Ethiopia's agricultural sector decline by 1.6% in 2020. However, Agricultural Insurance is almost non-existent in Ethiopia and the insurance industry should also use the existing opportunity to develop need-based and customized agricultural insurance products to protect and strengthen the backbone of the economy.

Similarly, the construction and real estate sectors contributed about 20.37% in aggregate to Ethiopia's GDP in 2019. There are major construction projects currently underway and others are set to go ahead within the next five years. With industry growth estimated to contract at between 17% to 26% in light of the COVID-19 pandemic, the construction sector is

anticipated to witness a 9.9% contraction on its contribution to Ethiopia's GDP as the country battles to contain the spread of the virus. In line with this, the insurance industry should also dig deeper to find new ways to offer appropriate insurance products and services to this particular sector to tackle COVID-19 and to the inevitable crises of the future due to other pandemics.

The increasing hardship caused by COVID-19 on individuals, businesses, and economies has further highlighted the importance of insurance protection. In situations such as this outbreak, where events are rapidly changing, it is often difficult to continue with the conventional products. Insurers in Ethiopia need to guise at the specific terms of insurance and reinsurance agreements, the insurance policies, evolving government and legislative actions, and the unique facts and circumstances around, to twinset their products with the current situation and future expectations. The industry players, individually and collectively, need to play a forefront role in policy leadership with a clear mandate for the regulator, as well as effective synchronization amid government and the sector.

Insurers, in general, need to create space for responsive innovation for emerging risk exposures including pandemics, and trigger innovation rather than creating misplaced incentives that leave them swallowed by cannibalistic competition in the market. Most importantly, the insurance industry in Ethiopia should also remodel the way it manages risks and establishes "National Risk Pools" for catastrophic risks and/or pandemics to better manage the accumulated risk exposures. The industry has to evolve since the existing products can no longer meet the real expectations of customers. The real solidarity of the industry with its customers will be assessed and attested by its response to meet its words at times of pandemics and other risk exposures.



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« from P. 19

Whatever the technology (conventional or GMO), it requires an up-front investment for farmers,” stressed Shimelis.

“Some hesitate to acknowledge the fact that science is inseparable with politics. People engage in scientific research to help society; hence, the political aspects. For instance, the research on climate change and the reduction of emissions is highly linked to politics. There are also governmental motives to achieve something with the help of emerging technologies. Henry Kissinger (a top and seasoned US diplomat) once said “who controls food, controls the people.” Governments allocate substantial amount of resources for research on new innovations. As a result, the issue is linked to government policies and politics. That means government funding and policies imply the direction of future scientific research,” added Shimelis.

Africa needs a strong institutional platform that can independently research and pass decisions on GMO, emulating the European Commission. Africa’s biodiversity has tremendous similarities; however, African states make isolated and different GMO decisions. If a country allows GMO, it would likely have strong impact on the biodiversity of its neighbors, since cross border trade and movement of seeds and crop is high in Africa. For instance, GM cotton seeds entered Ethiopia from Sudan, years before Ethiopia officially accepted it. Africa must decide together whether it should allow GMO or not. This can also help to invest in state of the art regional GMO facilities, if they decide to adopt it, than trying GMO bare hands at piecemeal national levels.

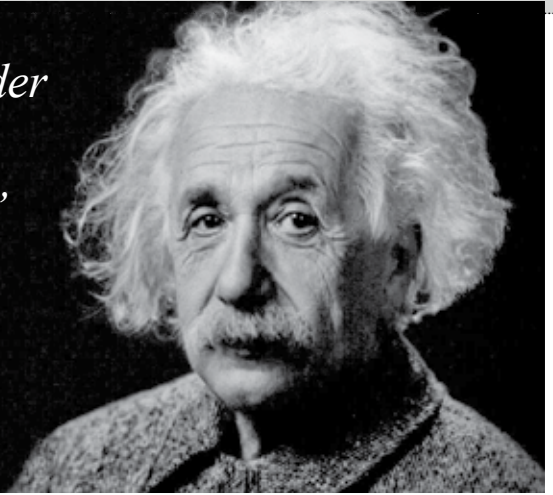
Gebremedhin recommends Ethiopia must prioritize its national interest first, when accepting any Western science, policy, culture or aid. “Our community must protect its food sovereignty. Every community has the right to decide what to produce, when and where. We lost the patent to teff and we do not want to lose the varieties we are left with for GMO. GMO promoters consider tissue culture as backward science and they want us to use genome editing. They must come forth to open public debate and convince us. Let the public decide. Anybody who controls your food systems, controls you. The government must step back from what it is currently doing on GMO, and think again,” he urged.

Million recommends Ethiopia invest in its own agriculture, soil and water conservation, improve the productivity of the seeds in the hands of farmers through participatory selection breeding and stop asking the wrong questions. “We can produce nutritious and healthy food without negatively impacting the environment and eat culturally appropriate food. Food security is about availability, access, usefulness and stability of food; GMO fulfils none of these. GMO is politics and power. It is the control of our stomach, our land and our life. The ultimate GMO agenda is to make us a market for GMO products. Even if Ethiopia develops the biotechnological capacity, nobody should lead the country into a path that we cannot extricate ourselves from. This is the tyranny of technology. You can see it with computers and mobile phones. Once you go that direction, you feel helpless and useless without them. This is not a food security agenda. We can be food secure with what we have. We need science and we have to work with our farmers to enhance productivity. We have to have strict biosafety laws. We need to ensure public participation in any decision making process. We need to have national debate on this issue now. We need to put a moratorium to any GMO technology for at least five years until the country has enough skill, institutional capacity and knowledge to manage GMOs,” Million concludes. **EBR**

“ Quote

“Compound interest is the eighth wonder of the world. He who understands it, earns it ... he who doesn't ... pays it.”

Albert Einstein



From the Horse's Mouth

“It is the donor mentality.”



Sileshi Bekele (Eng.).

Sileshi Bekele (Eng.), FDRE Minister of Energy made this remark while briefing Ethiopia's next ten-year plan on energy, irrigation and water on July 21, 2020. He explained foreign institutions like the World Bank, AfDB and others demand projects to be built by foreigners, so the finance can flow back to the donor countries.

“We live in a region where a nation has many countries.”

Ahmed Shide

Ahmed Shide, FDRE Minister of Finance made this comment while introducing Ethiopia's ten-year perspective plan on July 24, 2020. He stated East African countries need economic integration, since the same ethnic groups live in countries structured differently.



The Number

**ETB
80
BILLION**

Amount of money Ethiopia needs to invest annually in the power sector, according to the ten-year economic plan. Most of the finance is expected from the private sector, as government will no more invest in electricity generation.



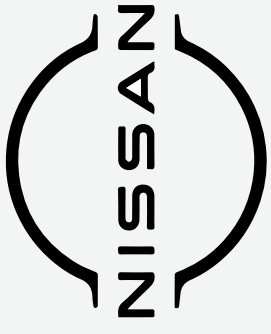
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