



“We should not prioritise FDI over domestic investors.”
William Asiko, MD, Rockefeller Foundation Africa



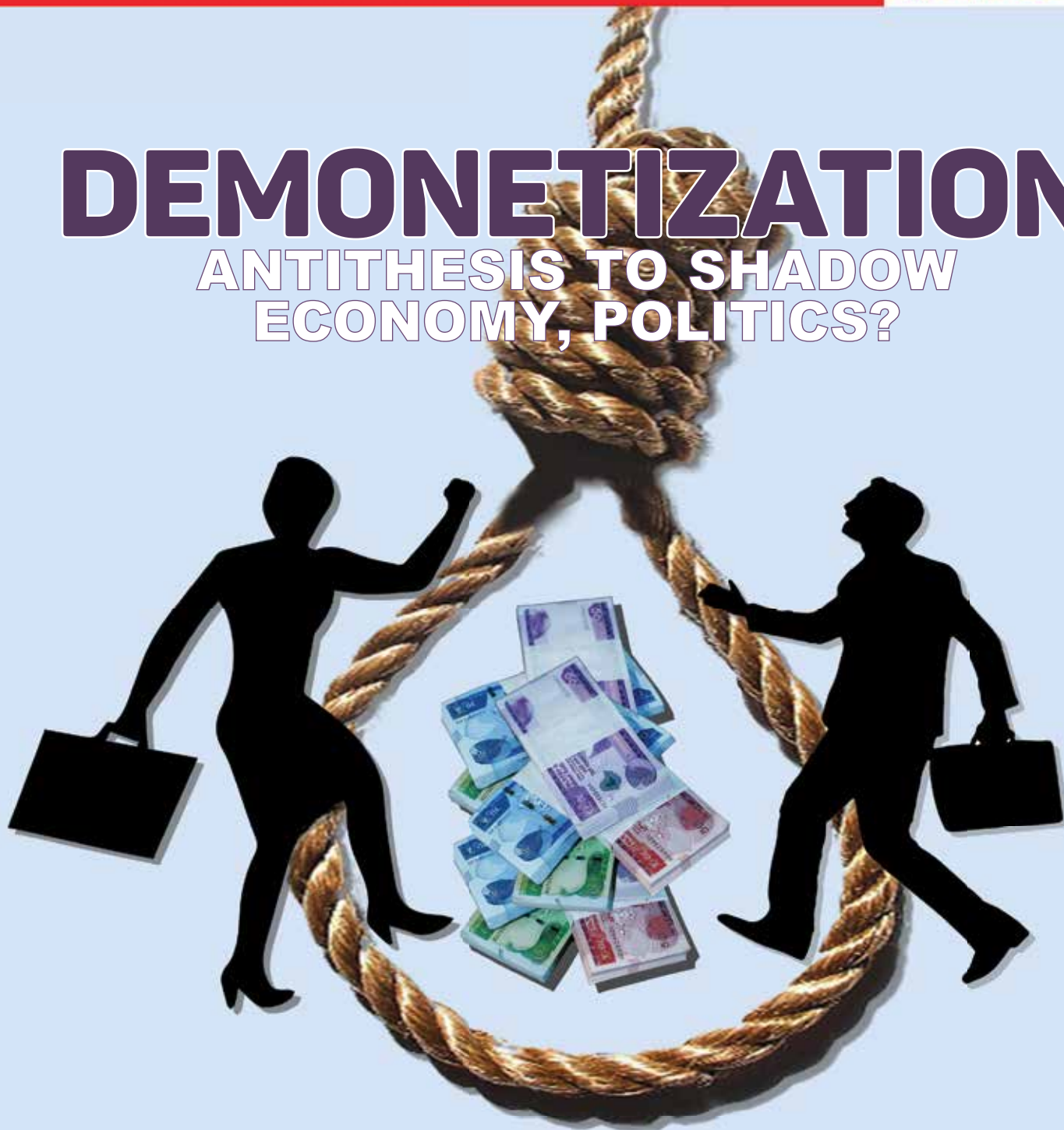
“I will not let slip any opportunity to help Ethiopia.”
Tan Jian, Outgoing Chinese Ambassador to Ethiopia

ETHIOPIAN BUSINESS REVIEW

9th Year · Oct 16 - Nov 15 2020 · No. 91

Ethiopia ETB: 40.00

DEMONETIZATION ANTITHESIS TO SHADOW ECONOMY, POLITICS?



***841#**
EASY FAST RELIABLE



CONTROL
YOUR MONEY
FROM ANYWHERE

NEW ARRIVALS



Showrooms

Cathedral	+251-11-1562637	Blue Building	+251-11-1562638
Beherawi Theatre	+251-11-5153995	Photo Lite	+251-11-5150025
Zefmesh Mall	+251-11-6673703	Tele Medhanialem Mall	+251-11-6670385



Glorious plc



www.glorious-plc.com



Contents

7 Recap

9 EBR Top 10

11 African Business News

13

 **Topic**



DEMONETIZATION
ANTITHESIS TO SHADOW
ECONOMY, Politics?

Interview



19 "I will not miss any opportunity to help Ethiopia." Departing Chinese Ambassador to Ethiopia, Tan Jian



27 Commercializing Fishery



33 Insights into the Aid Philosophy of Rockefeller Foundation Africa

Feature



39 Electric Vehicles in Ethiopia: A Case of Putting the Cart Before the Horse



43 The Elusive Task of matching Saving and Investment Rates



47 Held Back by One's Own mind

Art & Life



49 Scrawling Towards Virtual Gallery

Society



51 Breaking Meskel Tradition to Curb Spread of the Pandemic



53 IRREECHAA: celebrating the dawn of redemption

Commentary

55 Addis Ababa the Epicenter of Political Land Corruption

Abebe Asamere,

57 Reflection on the Ten-Year National Economic Plan

Tsegaye Tegenu (PhD)

Hisense



HANSON 
TRADING AND INDUSTRY PLC

P.O.BOX 839
SOMALE TERA, HULUALEM TRADE CENTRE
ADDIS ABABA, ETHIOPIA
TEL: +251 111 111 326
+251 111 111 508
FAX: +251 111 111 066

Showrooms

HANSON HULU ALEM	+251-111 111 412
CENTURY MALL	+251-116 677 696
ADAMA	+251-221 112 454



Ethiopian Business Review is published by
Champion Communications. It is registered by Ethiopian
Broadcasting Authority. Registration No 227/04



CHAMPION Communications is registered by Ministry of Trade
Business Licence No 14/670/76602/2004

9th Year Oct 16 - Nov 15 2020 . No 91

Executive Editor
Tewedaj Sintayehu

Deputy Executive Editor
Samson Hailu

Editor-in-Chief
Ashenafi Endale
Akaki Kality Subcity, Wereda 04 H.No: Q12

Staff Writer
Kiya Ali

Adjunct Staff Writers
Abiy Wendifraw

Regular Contributors
Abebe Asamere
Alemayehu Geda (PhD)
Dawit Arega

Copy Editor
Michael Girma

Creative Art Director
Eyob Tefera

Photographer
Samuel Habtab

Operations Manager
Tamirat Astatkie

Digital Technology Officer
Buzuayehu Tekesete

Distribution
Henok Engdawork
Naol Legesse
Yonas Shenkut

Customer Service Officer
Tefeschi Getiye

Copyright ©



Champion Communications

ISSN 2312-5403
Ethiopian Business Review
© All rights reserved.

No part of this publication may be reproduced, distributed, or transmitted in any form or by any means, including photocopying, translating, recording, or other electronic or mechanical methods, without the prior written permission of the publisher, except in the case of brief quotations embodied in critical reviews and certain other non-commercial uses permitted by copyright law.

Editorial Address

Kirkos Subcity, Wereda 08 House No, 228 Jomo Kenyatta St. Tsehay Messay Building 4th Floor P.O.Box: 54605: Addis Ababa, Ethiopia
ethiopianbusinessreview.net

Editorial
editor@ethiopianbusinessreview.net

Subscription & Advertising
marketing@championethiopia.com | +251 961 41 41 41

This edition is printed at Master Printing Press
Arada Subcity, Wereda 06, House No. 122
Addis Ababa, Ethiopia.

Government Needs to Discharge its Responsibility in Rebuilding Businesses!

The past three years have been a time of considerable social unrest and political instability in Ethiopia. Once the Tigray People's Liberation Front (TPLF) led coalition of the Ethiopian People's Revolutionary Democratic Front (EPRDF) made way to Abiy Ahmed's reformist government, social unrest has sprung up in all corners of the country. A large number of people have lost their lives while millions became internally displaced.

The tensions in the political environment have transpired into crises that amounts to ethnic and religious conflicts. On the other hand, deepening economic problems make it easy for some 'politicians' to easily lure the youth into conflicts. It has become incredibly easy for politicians to mobilise the public by describing any given ethnic group in the country as the most socially, economically, and politically suppressed. Denied of their hopes for a better life, the youth opt to showcase their anger violently, in many cases.

The unrest in Oromia that followed the assassination of the popular Affan Oromo singer Hachalu Hundesa in early July is one of the most recent in the country. Some politicians and activists actively incited violence right after the killing of the singer, urging youth to come out and attack a certain group of people. Police reports show that at least 166 people lost their lives as a result of inhumane and heinous attacks.

On the economic side, the youth went out and destroyed businesses in a number of cities in the state of Oromia. The level of destruction they caused was so severe that hundreds of businesses were burned to the ground in just a few hours. Some of the highly affected cities are still left in ruins. A large number of people remarked that cities such as Shashemene and Batu have lost wealth that took 50 years to build.

The government failed to protect citizens and businesses from being vandalized. Despite its responsibility to ensure monopoly of coercion and instate a sense of peace and security throughout the country, the government has repeatedly failed to live up to this task. As a result, a large number of people lost their lives during the social unrest stated above while a large number of people who established businesses that created employment opportunities for thousands of fellow citizens lost the fruits of decades hard work overnight.

Once the extensive damage was done, the government itself confirmed that its officials were involved in derailing the system. Although hundreds of officials have been held accountable, it is common knowledge that the number of people implicated is just the tip of the iceberg.

EBR believes that these major failures raise the level of governmental responsibility to come to the rescue of businesses and investors. The recent effort by the Ministry of Labour and Social Affairs to raise ETB500 million in three months to support investors whose properties were damaged during the unrest through a program called "Employers to Employers" is a sign signaling governmental awareness of its immense responsibilities to reinstate businesses. However, the scheme can only be a sign of goodwill as the amount to be raised is far lower than the ETB4.7 billion worth of property damage that occurred during the unrest. Therefore, the government needs to make sure that businesses shall access the financial resources they need to rebuild themselves. EBR



ሕብረት ኢንሹራንስ አማ
THE UNITED INSURANCE COMPANY SC
Tomorrow's Company Today!



Renew Your Insurance Policy Online! From Anywhere

- Visit our web site www.unicportal.com.et
- Make payments through internet or mobile banking
- We will deliver your renewed policy document at your convenient location.

Stay Safe, Save Time!

 7469



www.unicportal.com.et

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.



Habesha, Bunna, Renew Promise

Habesha Beer S.C extended its sponsorship with Ethiopia Bunna Sport Club for a ninth year. The two signed a one-year sponsorship contract worth ETB28.25 million, on September 9, 2020. Habesha will finance shirts and events organized by the club, in addition to injecting ETB18 million directly into the club. The brewer will also award ETB2.7 million if Bunna wins the Ethiopian premier league. Habesha Beer, established five years ago by 8,000 shareholders, has been financing the 44 year-old club for the last eight years.



Bureau Includes Foreign Languages to Education Recipe

The education bureau of Oromia regional state announced that education in the region will be given in French, German, Chinese and Somali languages, apart from the existing Oromiffa and Amharic languages. Tola Beriso (PhD), head of the Oromia education bureau, elaborated that the new move targets preparing students for international competition. The regional bureau has also designed a curriculum for Geda, a traditional democratic ruling system.



Authority Makes Speed Limiters Mandatory

The Federal Transport Authority (FTA) started taking vehicles not equipped with speed limiters off roads since early September. Besides keeping them out of dispatch, the authority also imposed financial penalties on such drivers. The FTA came up with the measure following the low rate of progress in adopting speed limiter technology, which is believed to reduce traffic accidents. Out of the 1.2 million cars in the country, only 1.4pct, or 17,500 are equipped with speed limiter technology.



Insurers Demand Independence from Central Bank

During a meeting on September 9, 2020 at NBE, insurers asked Yinager Dessie (PhD), Governor of NBE, to separate insurance supervision from NBE and establish it as an independent commission, agency or authority. "The insurance industry cannot grow under the NBE. NBE is specialized in banking, not insurance. Due to lack of any attention and proper policy under the central bank, the insurance industry remained stunted, while the banking sector has been growing exponentially," argued Yared Molla, President of the Insurance Association.



The share of vehicles that are more than 17 years old, out of the 1.2 million vehicles in Ethiopia. The Federal Transport Authority (FTA) also indicated that gas emissions from road transport continues to make up 47Pct of the total greenhouse gas emissions of the country.

52 Pct



Opposition Party Leader Establishes Bank

Beyene Petros (PhD), a long time opposition political figure, becomes board chairperson of Hosaina Bank, which is under-formation. Hosaina is one of seven new banks given the green light by the central bank since last year. The bank has prepared 2 million shares each worth ETB1,000. Crafted by investors from the Southern Nations, Nationalities and People's Region (SNNPR), the bank will join the 18 existing commercial banks with a minimum of ETB2 billion paid up capital.



City Administration Orders 3,000 Buses

The Addis Ababa City Administration has ordered the purchase of 3,000 public transport buses at a total cost of ETB9 billion. The buses will be purchased and operated by the state owned Anbessa City Transport Enterprise, established 75 years ago. The buses are being assembled by Bishoftu Automotive Engineering, also a state owned enterprise under the Ethio Engineering Plc, formerly Metal and Engineering Corporation (MeTEC).



Chinese Company Aims High

West China Cement is establishing cement, agro-processing and glass factories at a cost of USD2.2 billion in North She-wa zone, Amhara regional state. The company has finalized studies and requested an investment license, according to the Amhara National Regional State Investment Commission. The two have already agreed to commence factory installation and input production in the area.



Institute Vows to Build Labs Across the Country

The Ethiopian Public Health Institute disclosed it is to establish 15 general laboratories across the country. The laboratories will be built in different parts of the country at a total cost of USD150 million, according to Ebba Abate (MD), Director of the Institute. Additionally, scale up and capacity building will be done for the eight labs currently existing in the country.

**ETB
12
billion**

Amount of dividend the 21 state owned enterprises (SOEs) gave the government in 2019/20, according to the Public Enterprises Holding and Administration Agency (PEHA). The total revenue and profit of SOEs for the fiscal year stood at ETB301 billion and ETB56 billion, respectively.





የኢትዮጵያ መድኃኒት ፋብሪካ አ.ማ.

EPHARM



"Quality is Our Most Important Product"



Ethiopian Pharmaceuticals Manufacturing S.C.

<http://www.linkedin.com/company/18007249>
<http://www.twitter.com/epharm-ethiopia>
<http://www.facebook.com/epharmsc>
<http://t.me/epharmsc>

info@epharmsc.com www.epharmsc.com



Top 10

Weakest currencies

	Currency	Country	Operational exchange per USD1
1	Bolivar Soberano	Venezuela	399,396.54
2	Iranian Rial	Iran	284,000.00
3	Somali Shilling	Somalia	24,300.00
4	Vietnam Dong	Vietnam	23,163.00
5	Indonesian Rupiah	Indonesia	14,845.00
6	Uzbekistan Sum	Uzbekistan	10,331.00
7	Sierra Leone	Sierra Leone	9,830.00
8	Guinean Franc	Guinea	9,717.55
9	Laos Kip	Laos People's Dem. Rep.	9,193.00
10	Paraguay Guarani	Paraguay	6,967.00

Source: UN Operational Rates of Exchange

One fourth of the global currencies have values of more than 100 units per dollar, according to UN Operational Rates of Exchange on October 01, 2020. Most of the countries that have strong currencies against the dollar are liberal economies that have positive relationships with Western countries and the Breton woods institutions, while economies that have the weakest currencies are by large labeled as socialist countries. In fact, countries like China are accused by the West of devaluing their currency intentionally, in a bid to boost their export competitiveness. Oil exporting countries have strong currencies against the dollar.

Currencies of most African countries are in large variance with the dollar, according to the data. This is largely attributed to weak export competitiveness.

Ethiopia's Birr stood at ETB36 against the dollar, while the parallel market jumped to ETB52, following the Birr note replacement on September 14, 2020. EBR

SCEPTO

IMPORT

RELY ON US
FOR YOUR POWER SUPPLY REQUIREMENTS



After sales service



KSTAR
UPS



**Available
in Stock**

LP12-100 (12V100AH)



LP12-7.0(12V7.0Ah)



LP12-9.0(12V8.6AH)



warranty

Bole Road, Cape Verde St.



7750 / +251 944 444 466 / +251 939 101 010

info@scepto.net, www.scepto.net



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.



United Nations

Illegal Money Flows from Africa Near USD90 billion, U.N. Study Says

Africa is losing nearly \$89 billion a year in illicit financial flows such as tax evasion and theft, amounting to more than it receives in development aid, a report by the United Nations Conference on Trade and Development (UNCTAD) disclosed on September 28, 2020.

The report calls Africa a “net creditor to the world,” echoing economists’ observations that the aid-reliant continent is actually a net exporter of capital because of these trends.

Nearly half of the total annual figure of USD88.6 billion is accounted for under-invoicing of export commodities from Africa, mainly gold, diamonds and platinum.

Nigeria

Nigeria’s long-awaited oil reform bill would take steps to privatize the Nigerian National Petroleum Company (NNPC), amend changes to deep-water royalties made late last year and create new regulatory bodies. President Muhammadu Buhari has sent the bill to the Senate. It proposes creating a limited liability corporation into which the Ministers of finance and petroleum would transfer NNPC assets. The government would then pay cash for shares of the company and it would operate as a commercial entity without access to state funds.

Ghana

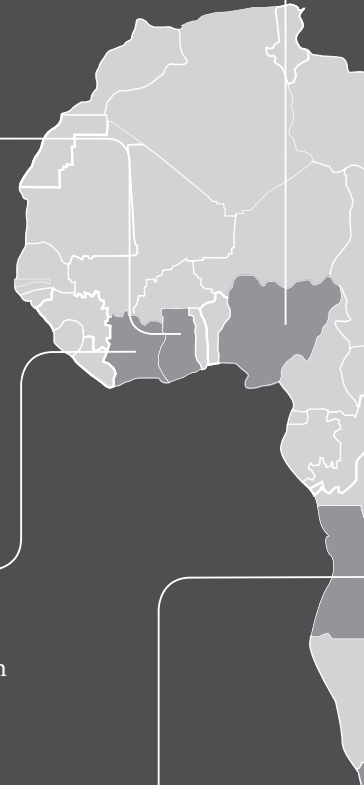
Ghana, Africa’s largest gold producer, is planning an up to USD500 million listing of its gold royalty fund in London in October, though the deal could still run into political opposition. Agyapa Royalties, a government-backed fund that holds equity interests including mining royalties in the state’s gold assets, has hired Bank of America BAC.N and JPMorgan JPM.N to pursue an initial public offering (IPO) on the London Stock Exchange this year. Royalties are payments that give the owner the right to receive a percentage of production from a mining operation, or retain a stake in them.

Ivory Coast

A planned new West African currency to replace the France-backed CFA franc this year has been derailed by the Coronavirus pandemic and its launch could now be up to five years away, Ivory Coast’s President Alassane Ouattara said on September 26, 2020. Last December, West Africa’s eight-nation monetary union announced it would sever some financial links with Paris and switch to the new currency, called the eco, by the end of 2020 while keeping it pegged to the euro.

Angola

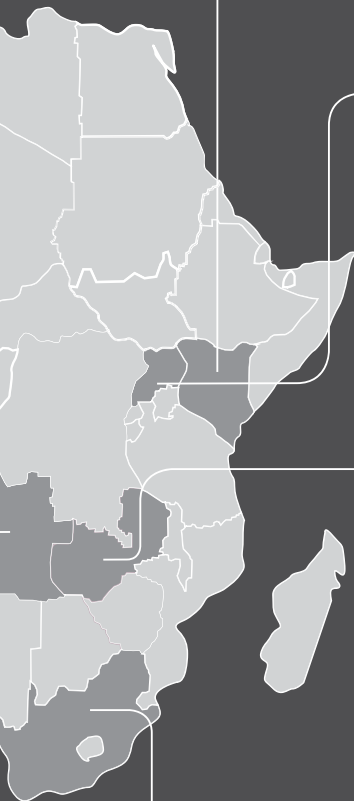
An Amsterdam court froze stakes held by Exem Energy, a company owned by the husband of Angola’s former first daughter Isabel dos Santos, in a dispute over a deal struck with Angolan state oil firm Sonangol in 2006. The arbitration dispute concerns Sonangol’s sale 14 years ago of a 40pct stake in holding company Esperaza to Exem, which is owned by Isabel dos Santos’ husband Sindika Dokolo.





REUTERS

**Bloomberg
Business**



Kenya

Kenya's High Court on September 24, 2020 suspended any move to dissolve parliament after the country's top judge said it was necessary as neither of the legislative houses had enough women lawmakers. Chief Justice David Maraga advised President Uhuru Kenyatta to dissolve parliament, saying lawmakers had failed to meet a 2010 constitutional provision which allows for one third of seats to be occupied by women.

Uganda

Uganda's National Forestry Authority (NFA) licensed 4,000 private local and international forestry investors, including Britain's New Forest Company, Norway's Green Resources and Germany's Global Woods. Uganda's forest cover plummeted from 24pct of its area in 1990 to 9pct in 2015, said a donor-funded report. It is now up to 12.5pct, according to Tom Okello, head of NFA. Nearly half of the 200,000 hectares allocated for the initiative has been planted.

Zambia

Copper miners in Zambia have halted USD2 billion of planned investments because a royalty tax introduced last year makes the projects unviable. A plan by First Quantum Minerals Ltd. to invest USD1 billion extending the life of its Kansanshi operation won't proceed until the royalty is deductible from other corporate taxes, said Sokwani Chilemba, chief executive officer of the Zambia Chamber of Mines. The same goes for EMR Capital-backed Lubambe Copper Mine's project to invest a similar amount in a new mining operation.

South Africa

South Africa has pledged 10.5 billion rand (USD650 million) to South African Airways (SAA), one of the administrators of the ailing state-owned airline said on September 25, 2020. The administrators took control of SAA in December after almost a decade of financial losses and have been trying to keep it afloat as the Coronavirus pandemic compounds its longstanding problems.



Bacteria are Behind Elephant Deaths in Zimbabwe and Botswana

Zimbabwe's parks agency said a bacterial disease known as Haemorrhagic Septicaemia (HS) could be behind the deaths of 34 elephants, a week after Botswana blamed toxins produced by another type of bacterium for killing more than 300 elephants.

HS affects cattle, buffalo and other animals in parts of Asia and Africa, and is often fatal, scientists say. Cyanobacteria, blamed for the deaths in Botswana, are micro-organisms that are common in water and also occur in the soil. Some can produce toxins that damage the liver or nervous system of animals and humans. It can be transmitted by ingesting contaminated food and water, or through respiratory secretions.

Fertilizers used by farmers can encourage cyanobacterial blooms to form through nutrient loading. Between them, Zimbabwe and Botswana are believed to be home to more than 200,000 elephants, roughly half of the continent's elephant population.

DEMONETIZATION ANTITHESIS TO SHADOW ECONOMY, Politics?

Ethiopia, which has undergone political turbulence in recent years, has now fired a direct shot at the nation's lingering macroeconomic imbalances by unveiling a new generation of currency notes on September 14, 2020. In addition to replacements of the old 10, 50, and 100 Birr notes, a new 200 Birr note was also issued by the government. The five Birr note remains unchanged and will soon be changed into a coin. While the government stressed that the introduction of the new currency notes is part of the ongoing economic reforms, critics argue the move is rather driven by politics and an assertion of power. EBR's Ashenafi Endale explores.

In the shiny morning of September 14, 2020, the Presidents of commercial banks operating in Ethiopia gathered in a conference hall inside the compound of the Office of the Prime Minister located on Lorenzo Tazaz Street. Many suspected the announcement of a policy decision that could relieve them from the lingering liquidity crunch and foreign currency shortage ailing the banking industry; but none assumed news of such amplifying implications for the entire nation. They soon heard from the Premier himself and the chief of the central bank about the government's decision to replace the existing currency notes with new ones.

"The currency notes change was deemed necessary to salvage the country's fractured economy," Prime Minister Abiy Ahmed (PhD) said during the announcement. "The new notes will curb the financing of illegal activities, corruption, and contraband."





With governmental claims of being equipped with enhanced security features to minimize counterfeiting as well as varying color, content, and outlook, the new Birr notes for the 10, 50, and 100 denominations were unveiled while a new 200 Birr note was introduced for the first time in Ethiopia's history. A total of 2.9 billion new notes worth ETB262 billion have been printed, at a cost of ETB3.7 billion. Although the existing five Birr note was neither replaced nor reprinted, it will soon be phased out to be replaced

by a five Birr coin. "The general public has a three-month window to exchange old currency notes for new ones," Yinager Dessie, Governor of the National Bank of Ethiopia (NBE) disclosed.

Abe Sano, President of the Ethiopian Bankers' Association and Commercial Bank of Ethiopia, expressed the move as surprising, yet righteous and timely. "But it must be implemented in even less than the planned three months, so that illegal money holders cannot maneuver and find a way back to banks," Abe told EBR.

Economic Necessity or Consolidating Power?

The government stressed that the move is intended to restore a macroeconomic balance by reducing the large amount of money circulating outside of banks as well as curb illegal money transactions and contraband. Dismissing arguments that the change is all about political power assertion, Abiy's administration asserts the move was out of economic necessity. "The currency note replacement was necessary



Fund (IMF) estimated that in countries in transition, like Ethiopia, the underground economy accounts for as high as 40.1Pct of GDP.

As the experiences of many developing countries with vast underground economic activities reveal, the main catalyst of the underground economy is money. More precisely, money circulating outside the banking sector. It is no different in Ethiopia. According to the NBE, currency circulating outside official channels showed an estimated increase from ETB97 billion in March 2019 to ETB109 billion in March 2020.

“The currency change is necessary to cut out the lifeline of the underground economy. So, it was necessary to cut out the informal economy,” explained Yohannes Ayalew (PhD), former Chief Economist at the NBE, recently appointed as President of the Development Bank of Ethiopia. He, however, noted: “but it should be implemented efficiently.”

Demonetization, which is a change of currency where new units of currency replace old ones, has proven to be one of the successful methods of fighting illegal business activities and cracking down on black money. For instance, in India where once huge amounts of fake currency notes used to circulate, demonetization proved to be a valuable tool by converting fake currency notes into mere pieces of paper. As the Indian Statistical Institute reported, before 2016, fake currency notes amounting to Rs4 billion were in circulation at any given point of time in the economy and around Rs700 million fake currency notes were injected into the economy every year. With the government’s decision to ban old currency notes of Rs500 and Rs1,000 to replace them with new ones, the circulation of fake currency completely stopped as the new notes have highly advanced security features.

Devendra Kumar Tiwari, Associate Professor at United Institute of Management, India, in his study entitled “Demonetization and its Impact” published in 2017, further adds that the demonetization process in India proved to be a turning point for the Indian economy by cleaning up fake money and bringing in more borrowings to the treasury, improving inflation outlook, and

**ETB
109
billion** / The amount of currency circulating outside official channels as of March 2020.

to save the economy from further collapse,” explained the Prime Minister. “The introduction of new currency notes is part of the ongoing economic reform in the country.”

Abiy’s administration identified the circulation and use of the Ethiopian currency by many illicit businesses and actors as one of the major obstacles to the ongoing political-economic reform. The significant amount of money circulating outside the banking system, money laundering, contraband, and other activities are threatening the economy, according to the Premier, with the note replacement expected to effectively stop the damage.

In its statement, the Ethiopian Economics Association (EEA) stated that this significant move has economic implications both on the financial sector as well as on the real and on-the-ground economy, although further analysis is necessary to quantify the potential

effects. According to the Association, the immediate impacts include a surge in deposits and hence, savings. The removal of fake notes and wiping out large stocks of “black money” from the economy will also occur. While in the medium and long run, the move will boost government revenue, stabilize inflation, and if the accumulated “black money” is channeled into the banking system, lead to greater productivity.

Economic activities that fall outside the control of government accounting are known as the underground economy. These include illegal, unreported, unrecorded, and informal activities conducted outside government regulation, taxation, and are against the rule of law. These activities can alter and reduce the impact of development programs and plans. Although it is difficult to know the size and characteristics of the underground economy in Ethiopia, few studies suggest that it has been growing. For instance, the International Monetary

increasing gross domestic product.

Yet, a large portion of the unaccounted money circulating in India before 2016 never made it to official banking channels as a small portion of the black money existed in the form of land, gold, and buildings rather than in the form of cash. Experts indicate that the same might become true in Ethiopia. “As rumors about the government’s plan surfaced in the past few months, individuals involved in illegal activities bought assets like houses or foreign currencies like the US dollar,” explained a financial consultant working at the IMF Ethiopia Office. “In fact, holding real assets that appreciate through time is preferred in Ethiopia instead of holding cash or bank deposits due to the high inflation rate. These factors made the underground economy thrive in the first place.”

The Birr replacement is forcing people to keep their money in kind, according to Teke Alemu (PhD), Lecturer of finance and economics at Addis Ababa University. “Government’s decision to change birr notes forced people to think of what people weren’t thinking, lose trust in birr and keep asset in kind.”

Experts also argue that money circulating outside the banking system increased partly due to inflation, increasingly worsening since 2016. “The large money outside of banks is understandably necessitated by inflation,” explained Teke.

Abdulmenan Mohammed, Accounts Manager for the Portobello Group Ltd, a London-based holding company, argues that large amounts of money ended outside of the banking system mainly because the economy necessitated it. “As long as inflation is high, access to banking services is low, and electronic banking systems are inefficient, people will continue to carry large amounts in cash. The new currency notes will eventually end up in people’s pockets, since the demand for cash is there. The currency replacement is a waste of enormous resources for uncalculated benefits.”

Alemayehu Geda (PhD), Professor of economics at Addis Ababa University agrees. “Money outside the bank system increased due to inflation,” he explained. “Broad money supply has now reached

ETB986 billion, from just ETB104 billion in 2009/10. The government has been printing and injecting money into the economy.”

The large amount of money circulating outside of the banking system cannot be channeled into the banking system just by replacing notes, according to the IMF’s financial consultant EBR spoke to. “The problem persists as the reason for people needing extra cash at hand also persists. People will withdraw the new note as fast as possible and finally the new money will end up in individuals’ pockets and in the informal sector.”

Power Assertion?

While experts like Abdulmenan and Alemayehu struggle to find an economic

IMF, the economy and politics are closely linked. “Although the introduction of the new currency notes has some economic justification, it also takes political factors in to consideration.”

As many observing the issue point out, the government, now led by the Prosperity Party (PP) formed through the merging of three former Ethiopian People’s Revolutionary Democratic Front (EPRDF) member parties and other regional parties, wants to weaken the Tigray People’s Liberation Front (TPLF) and its allies. The two sides have been condemning each other in recent times. While PP blames TPLF for conducting unconstitutional activities, TPLF, a key actor and instrumental organization in the creation of the EPRDF coalition,



The introduction of new currency notes is part of the ongoing economic reform in the country.”

Abiy Ahmed (PhD)
Prime Minister

rationale for the introduction of the new notes, others argue that the move is driven by politics and an assertion of power.

Enforcing rule of law has remained difficult in Ethiopia, especially in recent years. Abiy’s administration points its fingers at individuals and groups who have access to the large hordes of money circulating outside the banking system to finance illegal operations including smuggling and unlicensed weapon trading. They accuse these groups of persuading the large unemployed youth to engage in destructive activities and social media wars to destabilize the country.

“The huge currency circulating outside banking systems and found in the hands of criminals is one of the major identified obstacles to the reform,” said Abiy, expecting the new notes will restrain various illicit activities.

For the financial consultant at the

accuses PP of working to end the federal system in the country and endangering the constitution itself. So, some believe the introduction of the new notes is not only intended to drain the financing source of those who want to instigate and fuel violence across the country and engage in illicit activities, but also to weaken adversaries of the current administration.

A flip side of the argument that the move is mainly political comes from the economic experience of changing notes. Some experts argue that the economic impacts of currency change have been disastrous in India and Kenya. The other side of the data on currency changes in India shows that the move contributed to economic slowdown in the sub-continent. The 8Pct economic growth before the introduction of the change in India went down to 7.1Pct in 2015/16 and 6.7Pct in 2016/17.



The introduction of a new 200 Birr note is one of the issues that has generated a lot of controversy.

A study conducted three months after the introduction of the currency change showed that agricultural trade plummeted 15Pct. A subsequent study also showed that the slowdown persisted with less pace, at 7Pct, six months after the introduction of the new currency notes. As much as 1.5 million people are said to have lost their jobs because of the slowdown in trade. Four years after the currency change, 99.3Pct of the money that used to circulate outside the banking system has entered the banking system.

The data stated above shows that the currency change in India did not achieve its intended goals. The enhanced security features also did not deter counterfeiters from printing fake money. Those in this line of argument also raise Kenya as an instance of failed demonetization. Then, they conclude that it is not the economic goals that led the Ethiopian government to pursue the same measure but rather the political derivatives that pushed the government along this line.

The New Player

The introduction of a new 200 Birr note is another issue generating much

controversy. Much of the uproar is focused around the supposed inflationary effects of introducing a higher denomination note. The government stressed that this heavier note will complement its current policies. “Right now, the economy is recovering from a recession,” Abiy stated, adding that controlling inflation has become difficult and the achievements so far are not at the desired level. “Since the large amounts of money circulating outside of banks exacerbated the problem, the new currency notes could play a paramount role in resolving the problem.” Those who argue that the newly introduced higher denomination of 200 Birr would help fight inflation claim that the amount absorbs a huge financial value into a note and that could decrease the circulation of the note in the market, contributing to lowering inflation along the way.

Yet, some economic experts, political actors, and business owners oppose the decision. They criticize and fear that the introduction of the higher denomination note at a time when the nation is recording double digit inflation will not be in the interest of the majority of consumers as

well as the economy at large.

Especially in recent years, Ethiopia has suffered from high inflation. In the past 15 years, average annual inflation rate stood at 16Pct. Ethiopia’s inflation was practically synonymous with food price inflation since food prices and money supply have a direct correlation. Non-food prices are determined by international prices in the long run. The fact that the five Birr note remains unchanged and the government intends to turn the five Birr note into a coin indicates the declining purchasing power of lower denominations. Highlighting this, critics contend that the introduction of a higher currency note will heighten inflationary tendencies and be counter-productive to the government’s drive to tame inflation.

Studies indicate that the introduction of the higher denomination banknote will decrease the demand for lower denomination banknotes since higher denomination banknotes are more attractive. In its statement, EEA also expressed its concern, pronouncing it may result in a preference shift towards holding currency instead of deposits.

Yet, others say the introduction of the higher denomination banknote is well-matched with the current inflation rate and even recommend the introduction of a 500 Birr note. “Even higher banknotes should be introduced because of the high inflation rate facing the country,” argues Abdulmenan. “This is because lower denomination banknotes will lose their value too quickly.” EBR

1995
2020



ከጸሐይ ዓመታት ምስጢር ለዘመን ከከፍተኛነት !

Proudly Caring Your Risks for 25 Years!



ኒ.ያ.ላ ኢንሹራንስ ኢ.ማ.
Nyala Insurance S.C.



**“I WILL NOT MISS
ANY OPPORTUNITY TO HELP
ETHIOPIA”**

DEPARTING CHINESE AMBASSADOR TO ETHIOPIA, TAN JIAN

Shortly after arriving on December 4, 2017, Ambassador of the Peoples’ Republic of China to Ethiopia, Tan Jian became a dashing figure in Ethiopia’s development activities. Although his tenure matched a period of turbulence in Ethiopia, Tan Jian has had a successful diplomatic stay. His tenure overlapped with the political transition in Ethiopia and the COVID-19 pandemic. Yet, he succeeded in relentlessly pushing for the timely execution of projects, attracting more Chinese investment, and coordinating the fight against the pandemic. He is a popular media figure who reveals the Chinese side of stories, which he argues, are otherwise stereotyped by the West dominated media. EBR’s Ashenafi Endale sat down with him ahead of his end of tenure and departure at the end of September 2020.

Ethio-China bilateral relations significantly blossomed over the last two decades. What factors contributed to China granting Ethiopia 'most favored nation' status in Africa?

China loves Ethiopia because Ethiopia is a special country. Ethiopia discovered coffee; China discovered tea. The two countries have a lot of similarities. Ethiopia's civilization has existed for ages. It has a glorious past fighting colonialism. We have shared similar challenges on our path to development. Before the establishment of the People's Republic, the Chinese Communist Party studied and adopted Ethiopian guerilla fighting tactics in its fight against colonialism. Ethiopia is also a large country with a large population. Geographically, it is located between the Arab World and sub-Saharan Africa. As thus, we see Ethiopia as the gateway to Africa. Ethiopia has great potential for development. Politically, economically, and culturally, the people of Ethiopia are very friendly to the Chinese people. This is a country on the minds of many Chinese. The friendship dates back thousands of years.

Chinese firms come to Africa in search of cheap labor and that is in line with the natural relocation pattern of global industrial investment. Therefore, how can we label such moves as an outcome of Ethio-China friendship?

Cheap labor is just one element of many factors. Peace, stability, ease of doing business, and Ethiopia's strategic location as the gateway to Africa are other factors. Currently, Chinese companies are manufacturing COVID-19 test kits in Ethiopia. The test kits are not only for Ethiopia. They have plans to export them to African countries and even to the rest of the world. They also produce test kits for Malaria, HIV, and TB.

Ethiopia is special to China, for the same reason it is the seat of the African Union (AU). Cheap labor is not the major force; rather, increased economic ties are a combination of many factors.

What are the pillars of Ethio-China relations?

Our bilateral relations are considered as a Comprehensive Strategic Cooperative Partnership, to which only the sky is the



limit. Ethio-China bilateral ties can be categorized under political mutual trust, cooperation on Belt and Road Initiative, and cooperation in international affairs. Political mutual trust is key to our diplomatic ties. The two countries have maintained frequent high-level exchanges between governments, ruling parties, think tanks, social and cultural groups, as well as between the peoples of the two nations.

Economic cooperation between the two countries is expanded both in depth and width. Pragmatic cooperation has achieved remarkable progress. Chinese companies have continued to vigorously invest in various projects, including the Beautifying Sheger Project. Chinese business people are investing heavily in textile, pharmaceuticals, building materials, steel, ceramics, bamboo, paper, pulp, and others. According to the Ethiopian Investment Commission, until the end of June 2020, Ethiopia has approved over 1,500 Chinese projects. The Chinese FDI stock amounted to USD2.7 billion, 25pct of total FDI projects in Ethiopia during the fiscal year.

The 'three Is': Industrialization, Investment, and Infrastructure are crucial for Ethiopia's development.

Ethiopia is China's indispensable partner in jointly advancing the Belt and Road initiative (BRI) on the African

continent. Ethiopia is amongst the first African countries to sign the document. China also continues to be the largest trade partner and largest source of FDI for Ethiopia. The economic ties will be promoted to a new height based on the Forum on China-Africa Cooperation (FOCAC) and BRI.

China will also continue to coordinate with Ethiopia on issues like UN reform, climate change, the 2030 agenda for sustainable development and protecting common interests of both countries. For both China and Ethiopia, the year 2020 will be a historic one as the two countries celebrate the 50th anniversary of the establishment of formal China-Ethiopia diplomatic ties.

Ethiopia is shifting from a developmental state to a market oriented model through privatization. Will this shift affect the presence of Chinese firms and Ethio-China relations?

We always recommend Ethiopia adopts its own development model and policy. We never intervene. We hope Ethiopia and other African countries find a development model that suits and fits their specific situations.

China will also benefit from the ongoing reform and privatization in Ethiopia. China made a miracle by reforming and opening-up to competition, lifting 700 million people out of poverty. We are looking into the specific issues in the ongoing policy reforms in Ethiopia. If it is good for Ethiopia, we will always support it. We want to see a win-win situation. That is why we pursued projects started before my arrival. We doubled our efforts during the reform. My objective was promoting investment, manufacturing, and tourism. We adapt ourselves to Ethiopia's policies.

Is China using a debt trap to tap into Africa?

I reject the claim China is debt trapping Africa. Africa needs finance to develop. Ethiopia has been using loans to develop infrastructure, investment projects, and industry. Ethiopia did not use the loan for consumption, luxury items for the elite, or any other unnecessary goal. Ethiopia used a loan to build the Ethio-Djibouti Railway (EDR) because 95Pct of its foreign trade is through Djibouti port.

The ratio of Ethiopia's debt to GDP is not that high. It is only 25pct. There are countries where the debt to GDP ratio stands at 236pct but these countries are still developing. The reason why the debt issue became sensitive in Ethiopia is due to the low level of foreign trade. But China is willing to discuss to alleviate any debt strains.

It is Western countries that make the debt trap claim. Debt should not be politicized. No one politicized debt in 1999 when the World Bank approved loans for highly indebted developing countries. The debt trap accusation is a Western claim to frame China. We are not trapping Ethiopia or any other African country. Our finance is not attached to any political interest. They call China 'colonialist' but it was the West that colonized Africa.

The issue of debt became acute because of Ethiopia's trade deficit. But debt is not an acute problem for developed countries because they have good trade. China is a very large market and it can help Ethiopia improve its exports. China can also further develop Ethiopia in areas of investment and tourism. Ethiopia has nine UNESCO acknowledged tourist sites, the largest number in Africa exceeding even that of Egypt. Ethiopia has the best airline in Africa. Ethiopian Airlines flies to five destinations in China almost on a daily basis. There is also a very friendly visa procedure. So, tourism can also generate a lot of foreign currency for Ethiopia.

You forecasted 2020 will be a special year for China and Ethiopia. Do you think COVID-19 affected Chinese FDI flow to Ethiopia?

I expressed my expectation before the advent of COVID-19. I didn't know back then that a pandemic would define the year. But I believe COVID-19 has only brought out our solidarity and deepening cooperation between the two countries. It has been a test of our friendship. As the whole world has seen, our solidarity was not in words, but in deeds. A friend in need is a friend in deed.

During China's hard days under the pandemic, Ethiopian officials and ordinary citizens expressed their solidarity with China through our Embassy. It was not easy for Ethiopian Airlines to continue flying to China after COVID-19 broke out.



I do believe that Ethiopia will become the first development success story in Africa.

We understand that during that difficult time, the airline was under tremendous pressure domestically and externally, especially from other African countries. It might have been very convenient to stop flights but it was not the most effective method to fight COVID-19. Chinese passengers aboard Ethiopian Airlines had documents ensuring they were in good health. They wore masks and practiced social distancing. In the first months of COVID-19, China self-imposed a quarantine for 14 days. We did this by ourselves even though there was no requirement in place by the World Health Organization (WHO).

The Ethiopian government and people provided invaluable support to China. PM Abiy is the first African leader to talk to President Xi over the phone. Against all odds and mounting pressure, direct flights between China and Ethiopia were never

severed. It was a wise decision because not a single COVID-19 case was imported from China to Ethiopia. Ethiopian Airlines also stayed profitable during the pandemic.

China, in turn, provided Ethiopia with all kinds of support required to fight COVID-19. Also, Chinese companies in Ethiopia did not halt operations during the pandemic. They did not stop their business or construction projects. Commercial Bank of Ethiopia's (CBE) skyscraper, EDR, and many other projects were still under construction during the COVID-19 pandemic. The situation in Djibouti was a bit difficult. We would have been under a difficult situation, had we stopped cargo trains at that time. It was a lifeline and it could not be stopped. Our friendship still has to endure the COVID-19 test. I am optimistic that there will be an expanded cooperation in the post-COVID-19 era. We are closer than ever and we can do a



The Chinese FDI stock amounted to USD2.7 billion, 25pct of total FDI projects in Ethiopia during the fiscal year that ended on June, 2020.

lot more.

China has risen above Western powers to become a leading country in the international fight against COVID-19. Do you think this will give your country leverage to assert itself more in global competitions?

China might have put COVID-19 under control but we are still very vigilant with regards to imported cases. Will China become more powerful? China will be in a better position to contribute to the world. We will share our lessons and experiences in fighting the pandemic, and we have been doing that. We facilitated the building of makeshift hospitals to care for people with minor symptoms of COVID-19.

It is not an issue of global geopolitics for China. Rather, China wants to transcend international cooperation by contributing more to the international community. If

China succeeds in producing a COVID-19 vaccine, it will make the finding a global public good despite the production cost. We will prioritize health in our relationships with African countries.

What will be the impact of the US-China trade war on Least Developed Countries (LDCs), especially in Africa and Ethiopia?

China wants to cooperate with the USA as a partner. We do not want to antagonize the US. We do not want to introduce an element of geopolitics in our relations with any country, developed or developing. We do not engage in trade wars. We are willing to cooperate with anyone based on principles.

China-Ethiopia is a South-South cooperation. We want to establish South-North cooperation, including tripartite agreements involving the US. We have a big heart. Not a single day passes by

without the USA accusing China, but China has no time to respond.

Do you think Ethiopia can emulate China's development path?

Each country's path is different. However, I do believe that Ethiopia will become the first development success story in Africa. I believe Ethiopia will become the manufacturing hub of Africa. Manufacturing is critical for any developing country.

There are a lot of development success stories in Asia. I believe Ethiopia and the whole of Africa can repeat that. As a country that has never been colonized, Ethiopia needs to assert itself for political and economic independence. Africa can do more than getting rid of poverty.

Any regrets?

I should have visited all the regions of Ethiopia. I should have learned Amharic. We could have done a lot on tourism, if COVID-19 had not come. Ethiopia has many of the best destinations and Ethiopian Airlines flies to China. China is the largest source of outgoing tourists in the world. In 2019, before COVID-19, 150 million Chinese traveled abroad. If we can cooperate in such areas, the debt would be nothing because the Chinese would spend their money here.

Today, China's market is so huge that we cannot produce everything to satisfy it. We import coffee, sesame, and others. So, Ethiopia can benefit if it increases production. Ethiopia can introduce irrigation and mechanization to produce throughout the year.

Your unforgettable moments?

The Ethio-Djibouti Railway (EDR). I worked hard to finalize it and kick start its operations. We kept working under COVID-19. The project has already doubled its carrying capacity. The management was also able to break even. They are not able to pay the debt yet but they are covering all their expenses from their own revenue, with a margin of surplus. I am exceptionally glad EDR's revenue jumped by 51Pct in the first half of 2020. Its daily cargo trains increased to two pairs and this will increase to four pairs by November. By then, the railway will be more than self-reliant and on its

ከንቅ

ለሃይል ፤ ለጉልበት



ከአሰከራ
79





way to profitability.

The Friendship Square, which is good for tourist attraction, will reinforce Addis Ababa as the political capital of Africa. Ethiopia still needs such landmark constructions.

What is the impact of Ethiopian politics on Ethio-China strategic cooperation, like the Belt and Road Initiative?

There are no differences. There are two areas of bilateral cooperation: FOCAC and BRI. PM Abiy attended both summits in 2018 and 2019, respectively. Ethiopia is an indispensable partner in the BRI in Africa. Not many African states participated in the belt and road forum.

China firmly supports Ethiopia's developmental path in line with its own national conditions, and backs the country's efforts to safeguard its sovereignty, develop its economy, and improve its peoples' livelihoods. China's position is steadfast and will not change.

Is there a debt restructuring plan by China to ease the impact of Ethiopia's poor foreign trade on external debt?

We believe if we can increase trade and tourism between China and Ethiopia,

the debt burden can relax even further, although it is not currently huge. During the G20 and WTO meetings as well as the China-Africa summit on solidarity against COVID-19, China's President announced some initiatives and we are implementing that. China is willing to discuss bilaterally and reach consensus with any country.

What are the major challenges of Chinese investors in Ethiopia?

My work over the last three years was attracting more Chinese investment to Ethiopia. Many Chinese businessmen think of relocating their businesses, given the rise of the price of land and labor in China. I still encourage more Chinese firms to come to Ethiopia and Africa. Ethiopia is the gateway to Africa. The African continent is full of opportunities, especially now that it has forged forward significantly towards a free trade area.

Chinese investors want peace and stability. Peace and stability should be ensured for any investor. I also talked to Ethiopian officials on this matter. Ethiopia is an old civilization. The people are great and have wisdom. I am optimistic Ethiopia will enjoy peace and stability, despite some unrest. The second most important factor Ethiopia should improve is ease of doing business. Ethiopia could improve its rank on the table. Contract implementation, power supply, electricity, water, and all other challenges can be improved. These are the areas where Ethiopia should give a good sign to all investors in the world.

How do you evaluate your stay?

I have tried very hard. It was not easy for me because my tenure overlapped with the profound reform and transition in Ethiopia. It was only two months after my arrival that the then PM of Ethiopia (Hailemariam Desalegn) resigned and Ethiopia started its transition. My focus over the last three years was on maintaining the momentum in this difficult time. So, my tenure was under the difficult time of transition in Ethiopia and the recent suffering from COVID-19.

We have witnessed the reconciliation efforts and dedicated reform work by the Ethiopian government in ensuring social stability, security, advancing privatization of SOEs, as well as promoting social

development. During my tenure, we are glad to see the rapid development of friendship in every perspective. Jointly, we made remarkable achievements.

The Chinese people have a philosophy of treating crisis as change and an opportunity. My objective and effort was to keep the momentum of relations between the two countries and bring them to new heights. As per our Comprehensive Strategic Cooperation Partnership, my work is not accomplished yet. We prioritized the health sector because of the pandemic. I have been pushing my government to launch the construction of the African Center for Disease Control (CDC) project. It will be headquartered in Addis. We can do a lot in investment and health because there are a number of tropical diseases in Africa. If success is only in one area, that means it is not comprehensive.

Human resource is also the most important of resources needed for development. Ethiopia has a population of over 100 million and you must learn how to train them.

Ethio-China relations grew over the last decade and they can be strengthened even further. We must make it comprehensive and strategic. Ethiopian media should criticize, but not with words taken from Western media. The reality is that media is Western dominated. Intellectual research is not well developed in developing countries. So, no wonder the media is Western dominated. We are also overcoming the language barrier by blood, sweat, and tears. We communicate with the Western world using their language, which is not easy. But I am not sure they even appreciate that.

We, developing countries, have a long way to go. The developed world should come to terms with the rise of developing countries. If we develop, we no more belong to the lowest end of the global value chain. We start with cheap labor, but we must gradually move up. If Ethiopia moves up, then it starts to attract Chinese high-tech firms. China can help Africa leapfrog into high tech. Then, the monopoly of rich countries in high tech will end. Today's developing country is China, tomorrow's is Ethiopia.

I will not miss any opportunity to help Ethiopia in the future. EBR



KADISCO
GENERAL HOSPITAL

መስካሃህ
ሰዲስ ሰሙት

ዘመነ ሮሜና ደቡንጎዎ



We Specialize in

- ◆ Dermato - Venereology / Skin UV Therapy
- ◆ Orthopedic Surgery / Hip and Knee Replacement / Pain management
- ◆ Mother & Child

Gerji Arround Roba Dabo
Mob: +251 930 901 606
Tel. : +251 116 298902/03/04
Fax.: +251 116 298 757
www.kadcogroup.com/kgb
kgb@kadcogroup.com

Commercializing Fishery

WHY IT REMAINS A DAUNTING TASK

Historically, fish has played an important role in food security for many countries. Globally, it contributes 15-20Pct of current total animal protein intake requirements. Ethiopia is among nations with a vast potential in this regard. The country has many lakes and rivers for fish production and various species exist in these bodies of water. But the current annual production—57,360 metric tons—only satisfies a fraction of the demand. Instead of becoming a commercialized and thriving industry, the fishery sector in Ethiopia still remains a small scale and artisan-oriented industry. EBR’s Kiya Ali investigates.

It has been almost two decades since Yohannes Geremew started selling fish at his outlet around Piassa, in Addis Ababa. He comes from a long familial line of fishermen. His father and grandfather used to fish using traditional methods in Lake Zeway to sell to residents of Zeway town, located 166 kilometers south of the capital.

“My family and I have many years of experience catching and selling fish,” Yohannes told EBR. He sells around 50 kilograms of fish daily on regular days which grows to 80 kilograms during fasting seasons.

Yohannes sources the fish from traditional, small-scale, and artisanal fishermen who catch fish from the bodies of water around Zeway, Meki, and Koka. But often he has to shift to other fishermen in other areas because of supply fluctuations. “Over the last 20 years, my income from the fish selling business has increased only marginally. It is not even enough to support my

family let alone reinvest and expand the business.”

Just like Yohannes, many engaged in the sector say nothing has changed in the fish sector for the past 50 years. In fact, the contribution of fishery to the agrarian-based national economy remains negligible. The share of fishing to the agriculture sector is currently only 0.3Pct, according to the 2018/19 report by the National Bank of Ethiopia (NBE). The largest contribution for the agricultural sector comes from crop production, which accounts for 64.8Pct, with the rest from animal husbandry and hunting.

While the majority of the rural population prefer farming and less so animal husbandry, the tripling of the population over the last half-century plunged the average-farm-land-size per household to less than 0.5 hectares. As a result, the need for alternative sources of food is increasing in Ethiopia.

Although fish can be utilized as an alternative source of food in Ethiopia, a country usually known as the water tower of Africa,





fishery remains far from supporting the livelihoods of landless rural people, let alone commercialization and significant contributions to the national economy.

The current annual production of fish in Ethiopia is 57,360 metric tons, 31Pct lower than the government's plan. Half a million people are engaged in fishing in Ethiopia, according to data obtained from the Ministry of Agriculture (MoA). Abyata, Chamo, Langanu, Abay, Tekeze, and Omo are the lakes and rivers identified as large resources of fish. All are natural sources of fish except Tekeze, where fish thrive in the lake behind a hydroelectric dam.

Insiders stress that the problem is not lack of demand but rather the absence of sustainable supply. "Demand for fish is increasing owing to an increase in per capita income and the opening of high standard hotels and restaurants," explained Hussain Abegaze, Director of Fish Resources Development at MoA. "The menu of high-quality hotels and restaurants wouldn't be complete without seafoods enjoyed by many foreigners in Ethiopia. Even Ethiopians are now consuming more and more fish."

Those engaged in commercial fish production acknowledge the problem is supply. "There is no problem on the

demand side. Our biggest challenge instead is the absence of quality locally produced feed," explains Alemayehu Degefa, CEO of Trout Fish Farmer. "So, we are obliged to import and that increases our production cost and reduces profitability."

Established with a startup capital of ETB2 million, Trout Fish Farm has 12 artificial ponds with a maximum production capacity of 3,000 kilograms of fish annually. Nine months to a year is needed to produce fish ready for market.

Due to the absence of a sustainable local supply and absence of commercialization and industrialization, Ethiopia's fish market is leaning on imports. "Accessing

inputs like fish feed and the absence of proper natural resource management are outstanding problems. The nearby river we use as a source of water for the ponds is usually contaminated. The fish mortality rate is around 30Pct due to this contamination. Importing technologies and upscaling production is impossible due to constraints in accessing finance.”

Studies reveal that the fish market

require. Local fishers follow resource than market.

No major investment has been made in the fishery sector since the establishment of the former Ethiopian Fish Corporation. This state-owned corporation used to have modern fishing boats, butcheries, cold warehouses, and vehicles equipped with cold rooms and several other technologies in its end-to-end value chain.

job opportunities, and alternative source of income for the rural populace to improve their livelihoods sustainably. According to the ten year plan of the MoA, fish production is expected to increase to 137,000 metric tons by 2030. The plan targets 39,000 metric tons to be harvested from major lakes, 68,000 metric tons from dams and small water bodies, 17,000 metric tons from rivers, and 13,000 metric tons from aquaculture.

According to the plan, massive works will be undertaken to modernize the fishery sub-sector within the next decade. This includes disseminating information regarding inputs and market opportunities, producing adequate manpower, ensuring input supply, introducing new fish varieties, substituting imported fish products locally, providing new fish breeds and inputs for investors, and building fish breeding facilities. The plan also envisions increasing the number of investors in the fish value chain by 5Pct every year.

To attain the targets, the government plans to release 658 million new fish of various breeds to natural water bodies in the next ten years. Additionally, 8.1 million fish will be distributed to farmers from agricultural research centers.

Aschalew, on the other hand, stresses attracting private investment in the sector to expand fish production and all its potential. “Moreover, a law preventing overfishing should be introduced and properly implemented. Currently, anyone can be a fisher and it is greatly affecting the fish stock.”

Wasihun Belay, Agricultural Economist with more than a decade of experience, recommends installing an integrated market system to promote the commercialization of the sector. “Government and other stakeholders should establish improved fish marketing systems to ensure its accessibility in all parts of the country.”

Insiders also suggest the government can boost investment by discouraging import by increasing taxes and duties on imported seafood. For Hussain, providing incentives to investors who want to be involved in agro-processing industries that focus on fish products will help uplift the sector. .EBR

57,360
metric tons

The annual fish production in Ethiopia.

inertia prevailed as a result of the lack of attention and regulation of the nation’s water bodies. But Aschalew Lakew (PhD), Director of Natural Fisheries and Aquatic Life Research Centre at Ethiopian Institute of Agriculture Research, says it is more than that. “Currently, fish is mainly produced from natural sources. This is not enough to fully satisfy consumers’ demand. Fish from natural resources cannot sufficiently meet production targets. The only way to maximize supply is to invest in commercial fishery.”

The Corporation, which used to harvest fish from lakes around Arba Minch, for example, also had a chain of retail outlets across the capital and many regional cities. However, after the Corporation was privatized, the buyer flipped the urban outlets to other purposes and abandoned the fishing facilities and technologies on the lakes.

In addition to the absence of investment, lack of regulation and credit, backward technologies, absence of standards and research facilities are the major factors

The share of fishery to the agriculture sector is currently only 0.3Pct, according to the 2018/19 report by the National Bank of Ethiopia (NBE).

Clearly, the existing small scale and artisan-oriented fishing industry is inefficient and cannot evolve with dynamism to consumer needs. It cannot currently stand-in for the imported fish that hotels, restaurants, and supermarkets

contributing to the sluggish progress in commercializing the fishery industry.

To improve the situation, the government is looking to uplift the sector within the next decade by identifying it for its potential towards food security,

KADISCO

ap asianpaints



APCOLITE MICA EMULSION
FOR THOSE WHO WANT THEIR WALLS TO
HAVE A PREMIUM LOOK



KADISCO SUPER EMULSION
PROVIDES A SMOOTH MATTE FINISH TO
THE WALLS



**DECORA BUDGET
EMULSION**
EMULSIONS WHICH YOUR WALLS
DESERVE AND YOU CAN AFFORD



SMART EMULSION
VALUE EMULSION FOR
INTERIOR WALLS.



KADISCO PAINT AND ADHESIVE INDUSTRY S.C.

Tel. +251-11-439-1038/40, Fax. +251-11-439-1965 P.O.Box 120919, Addis Ababa, Ethiopia
Email: kadisco-info@kadiscopaint.com, www.kadiscoasianpaints.com



አልኮል ተገቢ ባልሆነ መጠቀሙ የጤና ችግር ሊያስከትል ይችላል!

DISCOVER ETHIOPIA'S COLD GOLD!



Thousands of Ethiopians, inspired by a handful of visionaries, shared the dream of an Ethiopian born global brand. And here is the family taking the steps to share the golden, heroic and beautiful Habesha to the world. Enjoy this passionately brewed Cold Gold.



INSIGHTS INTO THE AID PHILOSOPHY OF ROCKEFELLER FOUNDATION AFRICA

William Asiko came to the helm of the Rockefeller Foundation Africa Regional Office just in 2019. The foundation's Managing Director is, however, not new to Africa's development issues.

Asiko started his career as an attorney in the external resources department of the government of Kenya. He has worked for The Coca-Cola Company at various positions and in several countries including the USA, Morocco, UK, Kenya, and South Africa. He was also the Executive Director of Grow Africa, which was jointly established by the World Economic Forum, the African Union (AU), and the New Partnership for Africa's Development (NEPAD) to accelerate private sector investment into African agriculture. Asiko was also the CEO of the Investment Climate Facility for Africa (ICF), a pan-African development organization.

Asiko earned a law degree from the University of Nairobi in 1987 and an MBA from Emory University's Goizueta Business School in the United States in 2005. EBR spoke to the Managing Director of the Rockefeller Foundation Africa Regional Office on various issues via zoom from his office based in Nairobi.

The Rockefeller Foundation has stayed long enough in Africa to learn the challenges across the continent. What criteria is used to pick a country or sector to fund, since all African economies have problems?

Africa has different problems. Most international institutions often talk as if Africa's problem is homogenous and has one factor. The 54 countries have different challenges, currencies, languages, symptoms, policy adaptations, capacity of governments, and budget executions. The Rockefeller Foundation has been around for over 100 years, longer than most philanthropic foundations. The philosophy of the Foundation is eradicating big challenges. It is one of the first foundations to engage in eradicating polio, for instance.

So we take a similar approach in Africa. We talk about sectoral issues rather than country specific issues. For instance, energy is one of the challenges in Africa. Rockefeller Foundation has three initiatives in Africa, which are the eradication of energy shortage, increasing availability of proper nutrition and diet, and using technology to improve healthcare delivery at community levels in a more effective way. These are sectoral issues.

The only criteria we look for in terms of working with governments is their willingness to work with us. We look at their plans. If their economic and development plans align with our initiatives, we work with the government as a partner. We get more mileage in our investment only when we co-invest with the government. So we simply work with governments willing to work with us.

Which sectoral initiatives are progressing well and what are the Foundation's achievements in Africa? Which countries are doing well?

Development is broad. So, the Rockefeller Foundation focuses on specific areas and is focused on building capacity to solve challenges. One of the key achievements of the Foundation over the last ten years is its role in establishing the Alliance for Green Revolution in Africa (AGRA). AGRA was established ten years ago with the goals of improving food security, increasing productivity,

and working on state capacity and policy to advance African agriculture along the Comprehensive African Agricultural Development Program, CADAP, which was adopted by the African Union (AU) in Maputo in 2004.

We established AGRA in cooperation with the Bill and Melinda Gates Foundation, USAID, the UK's Department for International Development (DFID), and other donors. AGRA is successful in countries in which it is operating, especially in aligning policies towards increasing productivity, supporting government policies towards inputs, seeds, and fertilizers. Recently, we started working on aligning government policies towards private sector investment.

African states promised to allocate 10Pct of their budget to agriculture during the AU summit in 2014. Do you think they are on track?

In the first place, 10Pct is not enough. Yet, only four African countries have achieved the threshold. But, many African countries are going in the right direction. Most states have increased from 3Pct to 6Pct. Some countries started from a very low base so it is difficult to reach 10Pct in a short time. African countries need to invest a lot more in agriculture.

Which countries have achieved the 10Pct thus far?

Rwanda, Ethiopia, Ghana, and Senegal, if I am not wrong.

Some African economies are resource based. Do you think structural transformation from agriculture to industry works for all?

All African countries should prioritize agriculture because a large section of their populations depends on this sector, whether the economy is resource based or not. Development is inclusive only when the economy trickles down to the majority of the population. The only way Africa can do that is through developing agriculture.

The Rockefeller Foundation works on improving fertilizer use to modernize agriculture. But modernizing agriculture entails greenhouse gas emissions. How can you achieve agricultural modernization and a climate resilient

economy at the same time? Do you think it is feasible to change East Africa's agriculture, which has been tested over centuries?

Climate change is scientific, real, and getting hostile in Africa. It is difficult to have agricultural development and a climate resilient economy at the same time. But it is feasible, as long as the agricultural management is appropriate. Africa needs to focus on irrigation and agroindustry.

One of Foundation's initiatives in Africa is food nutrition. Do you think that focusing on nutrition and diet is right in a continent and region (East Africa) where people have a hard time accessing food? Don't you think the priority should be solving food insecurity, rather than nutrition?

True that hunger is still killing many Africans. But it is still right for Africa to focus on nutrition and diet. Both food security and nutrition are necessary for Africans. Most of the nutritious foods are highly processed and imported from outside Africa. They are cheap and available. With the right policies and government support, Africa can produce more nutritious foods locally. Just like the climate and agriculture, Africa can also have food security and food nutrition at the same time, with the right policies and support in place.

A lot of international foundations and development organizations in Africa run different programs and initiatives in the same country, rather than pooling their funds into a single project in a bid to avoid program overlapping, resource wastage, and duplication of effort. How is the Rockefeller Foundation's coordination with other similar organizations working in Africa?

The question of coordination is very critical. First of all, we align our projects with the priorities of national governments. Then we align our projects with other organizations working in similar sectors in the specific country. For instance, we work with the Bill and Melinda Gates Foundation and many other organizations on food security issues. Currently, we also work in coordination with the African CDC and other organizations in order to fight COVID-19.



Many African countries like Ethiopia usually prepare great plans but fail to execute. Is it development or building institutions that should come first?

Institutional and state capacity remains the biggest challenge in Africa. State capacity across sectors, departments, and disciplines must improve. One of the programs we work on is supporting governments to improve their efficiency. Capacity building of governments is critical, as it remains the biggest bottleneck in Africa. Many African states are unable to translate external financing into effective and sustainable development projects.

Will the Foundation change its initiatives from existing projects to COVID-19?

Yes. The COVID-19 pandemic is affecting all sectors across the continent. It is not only the impact of the virus but also the economic damage of the shutdown. We will redirect our efforts towards averting the short- and long-term impacts of the pandemic.

What are your recommendations for the post COVID-19 era and plans for Africa in terms of curbing COVID-19 impacts?

Our plan is increasing Africa's coronavirus testing capacity. Testing is the determining element of controlling the pandemic. We are working with African CDC, African governments, and external donors to establish and strengthen emergency response and testing capacity development across Africa. Most African countries are less prepared for this

pandemic, lack expertise, and capacity.

Do you think countries like Ethiopia that have closed sectors like finance and telecom to foreigners are competent enough to attract FDI? Is liberalization or privatization better for FDI inflow? What are your recommendations for FDI to improve in Africa?

What Africa needs is nurturing and developing its private sector. You cannot attract FDI in large and sustainable scale without the correct policies in place. The role of governments is ensuring the right guiding principles are in place. Governments also need to provide infrastructure and a policy environment. Governments need to privatize state enterprises as fast as possible to boost commercial activities. History demonstrates that the private sector is the pillar of competition and growth.

Africa's external financing is shifting from aid to loans. To what extent does this affect Rockefeller Foundation's fund raising? Do you think the necessity of endowments will be critical as in the past?

When we talk about endowment foundations, we are talking about resources available for development. If you look at the top ten private foundations (based in the USA), they have in excess of a billion dollars. Many of them are working in Africa.

Today, we think the challenges are not resources or development investments. The challenge is finding the right policies and investment friendly countries that can work with development partners, in a way that contributes to private sector development. We have more resources than before. Working on partnership projects as development partners is critical now.

Which African countries have the best policies and investment environment best suited for the private sector?

Rwanda is one of the thriving African countries where the private sector is welcomed. They have good commercial activities. Kenya is also doing well. Historically, Kenya has been a good supporter of the private sector. Countries like Egypt and Senegal are working in that

direction.

Development partners usually ignore good governance and the dragging effects of politics on development. Do you think development can be achieved without the democratization process?

Democratization is critical for any country that wants to develop. If you look at the correlation between good governance and economic development, there are many showcases around the world. Development equals perfect leadership, fighting corruption, and efficient use of resources. So good governance is desired for development. Rockefeller Foundation requires good government policies, alignments, and support to work with governments. African governments are making good progress in good governance over the last twenty years. These days, all African countries conduct regular elections, although some have credibility issues. But few years ago, there were many countries where people do not vote. The majority of African countries are in good direction in terms of good governance. But they need to work on real changes rather than conducting elections just for legitimacy.

Do you think the upcoming African Continental Free Trade Area (AfCFTA) will place Africa on the power balance with the global economy?

Africa has a huge and growing internal market, investment destinations, and potential especially in virgin arable land. So Africa needs to work on its potentials to become a more powerful economic block in the global economy, besides creating its own fluent market system and becoming a global economic block.

Which African economies are ready to benefit most from AfCFTA?

All African countries have tremendous potential to grow exponentially, if they manage to do very simple homework: fixing infrastructure, ensuring efficient economic policy environment, and nurturing the private sector. These things are not difficult for governments to do. These can increase FDI inflow. A number of African countries have done this very well and others are following. Rwanda did very well and Ethiopia is thriving in

terms of building infrastructure and FDI attraction. Senegal, Ghana, Kenya, and Tanzania are also doing great things to attract the private sector.

But Africa still remains a place of worries in terms of governance, security, civil unrest, and infrastructure challenges. Governments need to do a lot to remedy the perceived negative impacts. In general, private sector growth is slow in Africa.

Some experts argue genetically modified organisms (GMOs) are the solution for Africa to grow its agriculture in a short period of time. What is your take on GMOs?

I rather prefer to comment on the immense potential in Africa's agriculture. The biggest potential area for Africans to move their economies forward is the agricultural sector. If African countries can mobilize the right policies, investment

progress of AfCFTA. It will bring a drastic change in Africa, at the continental level, if it is well implemented. AfCFTA is the top game changer for Africa, in moving economies forward. It will exponentially increase intra-Africa trade. Africa's imports from the rest of the world will reduce and this will contribute to import substitution, domestic value chains, and agricultural growth.

Do you think AfDB's financing scheme is enough?

The need to integrate Africa's infrastructure is so high. We cannot expect only AfDB to close the infrastructure investment gap in Africa. AfDB is doing a great job but more financing institutions are needed at the continental level. Africa's problem is not resource but projects are unable to absorb resources in a sustainable manner. The President of AfDB also

need for infrastructure in Africa. That is why private sector investment is critical.

African states are usually required to create an investment environment that fits Western multinational companies that produce in Africa but export the products to Western countries. Do you think privatization and liberalization in Africa is done by prioritizing domestic private sector and import substitution?

Africa should focus on micro and small enterprise development in order to grow the domestic private sector. African countries should create the best business environment and support, as much as they try to attract and appease foreign investors. We should not prioritize FDI over the domestic private sector. A country achieves sustainable and reliable growth by prioritizing its own private sector.

What are Rockefeller Foundation's plans for Africa and specifically Ethiopia in the near and long term? How much funding has the foundation allocated to fight COVID-19?

We are focusing on a number of things. In terms of COVID-19, the foundation has highly concentrated on increasing Africa's testing capacity. We only put the pandemic under control when we are able to make as many tests as possible. We are coordinating our efforts with other institutes. Secondly, we are working on averting the economic impacts of COVID-19 on African economies. Agriculture is the foundation of African economies. But the pandemic affected input supplies for agriculture as well as the market value chain of agricultural outputs. Farmers have been unable to sell their produce since the onset of the pandemic. The food system in Africa is also getting more fragile under the pandemic. Markets and supply chains are exposed to social distancing measures. Now people die either of the pandemic or hunger. This is what many local governments are currently dealing with.

Rockefeller Foundation is coordinating with other foundations and organizations in availing sanitation and equipment for fighting the pandemic. African open air markets are critical during the pandemic in order to allow a fluent food market flow across the continent. .EBR



What is critical for Africa's growth is private sector development, not assistance from developed countries"

infrastructure and environment, and private sector investment, we will see a very huge agricultural output in a very short time. Over 70Pct of African economies rely on agriculture, in one way or another. And if they develop their agriculture, they will develop the economy and lift most of their population, most of whom are women, out of poverty. Africa must direct the private sector investment towards the agriculture sector.

Do you think AfDB alone can fill the financing gap of cross border infrastructure in Africa?

Regional integration remains a critical issue in Africa. Many countries are doing great in terms of integrating with their neighbors. Regional Economic Communities (RECS) are also doing good but there remains a very long way to go. Non-tariff barriers remain a key challenge, partly due to political issues in individual countries. I am very excited about the

understands this. AfDB itself can do more, if they stick to innovative financing mechanisms. Africa also needs attractive policies to engage the private sector in continental infrastructure development.

Do you think the policy recommendations by the West fit Africa?

I do not think the 'one-size-fits-all' works for all problems. What is critical for Africa's growth is private sector development, not assistance from developed countries. Africa needs innovative financial systems to grow, instead of the traditional growth approach based on Western assistance. There are a lot of sectors in Africa with high potential for good returns, if the private sector invests in them. Africa must emphasize boosting private sector investment, rather than relying on external aid and assistance. Foreign aid can be used only in sectors and areas where private sector investment is too risky. State budget alone is also not enough for the growing



ሴንተኔል ስቲል
Sentinel Steel
PRECISION REDEFINED



PRECISION TMT

GRADE 75 HIGH STRENGTH REBARS
Length 12m Diameters 8 - 32mm

MODERN - STATE OF ART MANUFACTURING FACILITY

CUSTOMER SERVICE - MEETING YOUR REQUIREMENT

DEPENDABILITY - CONSISTENT QUALITY

COMPETITIVE PRICE

HMM Tower, 4th Floor

Wollo Sefer, Ethio-China Friendship Avenue

Wereda 02, Kirkos Subcity, A.A, Ethiopia

+251 (11) 667-33-95

+251 930-11-02-44

+251 (11) 667-33-96

Sales@sentinelsteel.net

www.sentinelsteel.net



ELECTRIC VEHICLES IN ETHIOPIA: A CASE OF PUTTING THE CART BEFORE THE HORSE

Globally, the manufacturing and use of electric vehicles (EVs) is growing as governments increasingly introduce stricter environmental protection directives. However, electric vehicles were not even a topic for discussion in Ethiopia until recently. The trend has shifted quite fast as a number of companies have started to assemble EVs despite the absence of appropriate legal framework to promote and regulate the assembly or manufacturing and use of the vehicles. The situation has left assemblers and users with obstacles. EBR's Ashenafi Endale explores.

Thomas Gebremeskel, a medical doctor by profession, returned from USA 12 years ago. Thomas has dedicated his life to treating people. But five years ago, he encountered a life changing event while travelling to China to purchase medical equipment. Thomas saw physically handicapped people using electric cars. This is when the idea of establishing an electric vehicle assembly plant in Ethiopia came to him.

In 2017, he established Tom Electric Vehicles Manufacturing in Addis Ababa. Thus far, the company has assembled close to 2,500



EVs including automobiles, three wheelers, minibuses and motor bikes for handicapped people as well as others. The assembling capacity of the factory is 5,000 units per annum. The company assembles 20 models of EVs. Tom plans to sale 100,000 Evs in the coming ten years to cut the emission of 1.6ml tons of CO2.

“Our consumers include handicapped people as well as low- and middle-income farmers,” Thomas told EBR. “The demand for electric scooters and three wheelers has especially increased significantly in recent times.”

Marathon Motor Engineering is another company engaged



Haile Gebresekassie, shareholder of marathon motors presenting their first assembled electric automobile to PM Abiy Ahmed (PhD).

in the assembly of EVs in Ethiopia. The company launched its first electric car model known as the Hyundai Ioniq last September in the presence of Prime Minister Abiy Ahmed (PhD). “The price of the EV assembled by Marathon is ETB2 million,” says Melkamu Assefa, Partner, and Managing Director of Marathon Motor Engineering. Since 2009, Marathon has been engaged in the import of Hyundai

cars. In 2019, it established a fuel engine car assembling plant with an annual capacity of 10,000 cars by partnering with Hyundai Motors.

Although it is a recent phenomenon in Ethiopia, it has been more than a decade since the developed world started to manufacture and use EVs. Currently, there are five million EVs in operation globally. Out of the total, 39Pct are operating in

China while 46Pct are functioning in Europe and the USA. Especially in recent years, the popularity of EVs has grown globally due to environmental and sustainability concerns.

“My vision is to replace at least 10Pct of fuel engine cars by EVs in 2025 and 20Pct by 2030,” stated Thomas. Currently, there are 1.2 million cars in Ethiopia, including construction vehicles, motor bikes, and



Bereket Tesfaye, at electric vehicles assembly workshop inside Nifas Silk TVET.

currently talking about EVs. But this does not serve anything unless it is included in policies and strategies.” The National Transport Policy designed for the next ten years does not include EVs as well.

Fekadu Girma, Founder and General Manager of Belayab Motors, argues it is not feasible to start assembling EVs before securing governmental support. “The government needs to work out how to embrace the technology at the national level. Ethiopia must first analyze where it wants the transport industry to go and synchronize it with the automotive and energy sectors.”

“The government plans to embrace EVs,” says Fitsumberhan Tsegaye, Advisor of green mobility at the MoT. Recently, the Ministry established a national EV council after Dagmawit Moges, Minister, conferred with assemblers. Insiders told EBR that the decision came following pressure from the Prime Minister. The council, which will have sub committees working with the MoT, will conduct studies shortly and craft an electric vehicles roadmap, according to Fitsumberhan.

“The council is useless,” stated an expert close to the issue who spoke to EBR on condition of anonymity, due to the sensitivity of the issue. “The production, marketing, and use of EVs is not included in the ten-year economic plan. So, there can be no support.”

“The study will answer all our questions. Then the roadmap will determine how we will incentivize EV assemblers and importers,” said Abdissa Yadeta, director of the Federal Transport Authority (FTA).

The Authority is planning to procure 1,500 electric buses within the next ten years, to be deployed within the Bus Rapid Transit (BRT), which the Addis Ababa City Administration is preparing to build. “It will be done in a joint venture with foreign companies as they are now allowed to supply buses with 45 or more seats,” Abdissa told EBR.

Berhanu Gizaw (PhD), Technologist and Lecturer of industrial engineering at Addis Ababa University, remarked that EVs are ideal but the government needs to undertake research to adapt the technology to specific local scenarios. “This will aid the development of proper human capital, provide support, and regulate electric mobility.” EBR



The government is not even willing to include EVs in the recently launched ten-year economic plan.”

Bereket Tesfaye,

Deputy General Manager of Tom Electric Vehicles

three wheelers.

Despite the potential, EV assemblers are facing major difficulties in Ethiopia. Primarily, a legal framework for the assembly and use of EVs is absent in Ethiopia. While EV assemblers lament the absence of incentive packages and charging stations, among others, users grumble at transport offices denying them license and registration documents and traffic police confiscating their EVs and even imprisoning them.

“Our future is uncertain unless the government introduces conducive policies and adopts EVs officially,” noted Bereket Tesfaye, Deputy General Manager of Tom Electric Vehicles. Sources have told EBR that the government has banned driving EVs assembled by a number of local companies.

The Ministry of Transport (MoT) has been dragging its feet due to the absence of expertise at the Ministry, although it has established a department to oversee electric mobility and hired consultants for

general advice on renewable energy use in the transport sector.

Mitiku Asmare, Deputy Director General of the Federal Transport Authority (FTA), admits the grim realities EV assemblers and users are facing. “Existing laws in Ethiopia are an obstacle. There are fundamental problems in this sector, despite its importance for Ethiopia.”

The main challenges of the transport sector in Ethiopia are congestion, accidents, pollution, and of course, the gap left by high demand and low supply, according to Mitiku. “EVs can solve these problems. But there are a number of drawbacks to this end,” explained the Deputy Director General. “Absence of skilled manpower, lack of incentives, and access to foreign currency are some of the obstacles.”

Bereket underscored that the government is not even willing to include EVs in the recently launched ten-year economic plan. “The government is



KEFITA

ADDIS ABEBA

REACH NEW HEIGHTS



Images are conceptual renderings for illustrative purposes only.

Amenities

- Kefita Floor (Hotel-like services)
- Reception and coffee lounge
- Function rooms c.150 guests
- Co-working facilities
- Gymnasium and Yoga rooms
- Male and Female saunas and changing rooms
- Terrace and courtyard gardens
- Children's area
- Concierge
- Secure, valet parking

100 BEAUTIFULLY CRAFTED APARTMENTS, CREATING THE OPPORTUNITY TO LIVE YOUR BEST LIFE IN ADDIS ABEBA.
Available to buy from October 2020

KEFITA.COM

Sales phone: +251-116-663699
+251 944 775592
Email: sales@kefita.com

A DEVELOPMENT BY

 **ROCKSTONE**
ETHIOPIA

THE ELUSIVE TASK OF MATCHING SAVING AND INVESTMENT RATES

Ethiopia is among developing countries that have achieved fast and sustainable economic growth in the last decade, mostly through massive public led investment. Despite this, the domestic saving rate remains low, relative to the investment rate. As a result, the country is forced to depend on debt to fill the gap. Currently, the gross domestic saving to GDP ratio in Ethiopia is 22.3Pct, with the gross capital formation to GDP ratio at 37Pct. In fact, the gap between saving and investment is now wider than it was 15 years ago. As the government envisions increasing the saving ratio to 30Pct of GDP in the next 10 years, EBR's Ashenafi Endale explores the reasons for the low domestic saving rate and offers solutions.

Over the last decade, Ethiopia has emerged as the fastest growing non-oil producing country in the world. Considered by many as admirable, this rapid growth is one of the great growth stories of the 21st century. Yet, the economic growth comes at a huge cost. Ethiopia has had to invest immense resources equivalent to 37Pct of its annual GDP in the past decade. This is 12Pct higher than what South Korea invested to grow at the same rate.

However, unlike South Korea, the massive public sector led investment in Ethiopia was not only financed by domestic saving. Since the saving rate is much lower than the investment rate, Ethiopia had to rely on debt to bridge the gap.



Economists stress the scale of economic growth in a given country is reliant upon the level of investment. The rate of investment, on the other hand, is highly dependent upon the level of gross domestic savings.

Of course, during the initial stages of growth, there will not be enough domestic savings to finance the necessary investment. So, alternative sources such as borrowing are vital to launch the economy from the ground. For instance, when the Ethiopian economy started to take off 15 years ago, the gross domestic saving as a percentage of GDP was 15.7 while gross capital formation (investment) accounted 27Pct of GDP, according to the annual report of the National Bank of Ethiopia (NBE). To fill the gap



created between savings and investment, the government borrowed primarily from external sources.

But as time moves on, the initial investment is expected to translate into economic growth that would increase personal income and savings. Yet this did not occur in Ethiopia. In fact, the gap between savings and investment is now wider compared to 15 years ago. Currently, the gross domestic saving to GDP ratio is 22.3Pct, while gross capital formation to

GDP ratio is 37Pct.

This contradicts with the experiences of most Asian countries that achieved remarkable growth in recent years. In these countries, investment during the initial years of development facilitated economic growth that contributed to growths in personal income and ultimately raised the gross domestic saving to GDP ratio. Contrary to this trend, the saving rate in Ethiopia still remains the lowest amongst other

countries in the region.

In its annual report, the World Bank concludes that investment financing in Ethiopia is gradually shifting away from domestic savings towards net income transfers, foreign direct investment, and external borrowing. The remarkable recent growth performance was supported by robust investment, but not matched by similarly high saving rates, according to the World Bank.

In theory, sustainable growth can

be achieved when the rate of domestic saving is equivalent to rate of investment. In reality, however, there is no single recipe regarding the correct saving and investment rate an economy must have. Therefore, a country must find its own recipe.

Fekadu Digafe, Vice Governor and Chief Economist at NBE, stated that the saving-investment balance ratio depends on a country's economic model. For instance, in some fast-growing Asian countries, the saving rate is 40Pct of GDP. But there is no threshold for Ethiopia, thus far."

"It is tolerable if saving is lower than the investment ratio, by up to five percentage points," says Yohannes Ayalew (PhD), President of Development Bank of Ethiopia. "In Ethiopia's case, the saving-investment gap is large. The gap has been bridged by external and domestic loans. Saving needs to be 30Pct, at least, and investment below 36Pct of GDP

domestic savings increase when aggregate income rises, only works if price levels remain stable. But in Ethiopia, the average annual inflation rate in the past decade and a half was 16Pct. Since the prices of food and non-food items continuously and rapidly increase, the additional income gains will be offset by inflation.

"Due to high inflation, it is better in Ethiopia to invest in lucrative sectors like housing than to save," Fikru Woldetinsae, a bank expert with decades of experience told EBR. "Since the purchasing power of the local currency depreciates quickly, people prefer to spend the money today, instead of saving it for future use."

Frezer Ayalew, Director of bank supervision at NBE conformingly says "people prefer to spend or invest their money because the local currency depreciates fast."

Even worse in Ethiopia, saving is not responsive to interest rates, another important factor determining the level

their networks expanded and currently around 6,000 bank branches operate nationwide. Partly as a result, total deposits mobilized by the banking system reached ETB917.2 billion, while 38 micro-finance institutions operating in Ethiopia collected ETB41.2 billion in deposits as of the end of September 2019. Although these improvements are encouraging, Ethiopia still lags behind many Sub-Saharan African countries. Only 35Pct of adults are bank account holders who save at formal financial institutions, while only 260,000 people borrow from banks.

In its economic plan crafted for the next 10 years, the government envisions increasing the savings ratio to 30Pct of GDP from the current level while maintaining the investment to GDP ratio at 37Pct. However, experts say it is unlikely under current circumstances. "It is difficult to close the saving-investment gap in 10 years," argues Fekadu.

Abie Sano, President of the Ethiopian Bankers Association and Commercial Bank of Ethiopia, stressed that the role of saving is still given too little attention in Ethiopia. "First, the majority of the population should earn enough income. Since a significant portion of the population is engaged in agriculture, the lives of the rural population should improve in order to change Ethiopia's saving landscape," he remarked. "Banks can also play their role in boosting saving by introducing incentive packages."

Yinager Dessie, Governor of NBE, also echoed the same message during a recent discussion. "Talking about saving and financial literacy is not enough. Providing convenient saving mechanisms and options for farmers and pastoralists is necessary."

Yohannes, on the other hand, argues keeping interest rates and inflation in balance is critical to boost saving. "People save only after making sure their money in the bank will not be eaten by high inflation. If their money loses value due to inflation, they would rather invest in assets, than keeping their money in banks."

Experts also indicate that the majority of resources and assets in Ethiopia remain in kind. "So, monetization of these resources is critical for Ethiopia to increase saving and expand financial inclusion," stated Yohannes. EBR



for Ethiopia to have a balanced saving-investment ratio."

Domestic saving is the portion of the current national income that is not spent on current consumption. It includes savings in banks, export earnings, all residual incomes, and other non-remitted revenues as well as resources and production.

Income is one of the important factors that determine the level of domestic saving in a given country. When the aggregate income of active workers rises, domestic saving increases. The massive public led investment endeavors that took place in Ethiopia within the past 15 years have increased the per capita income to USD985. But the saving rate only showed a marginal improvement.

Experts stress that the notion that

of domestic savings. "People save mainly for security reasons, and not to collect interest," explains Fekadu.

Although the government has increased the minimum interest rate financial institutions pay on savings and time deposits by two percentage points to 7Pct as of October 2017, it is still not favorable in relation to inflation rate changes. On the other hand, average lending interest rates stand around 13.5Pct. Because real interest rates are negative due to the high inflation rate, saving is discouraged.

Expansion of bank branches and access to banking services are also determinant to the level of domestic savings. In recent years, commercial banks operating in Ethiopia embarked on massive branch expansions. Within in a few years,

Career Opportunities

Recent graduates of Economics, Political Science, Business Administration, Law, English Literature, Sociology, History, Psychology and related fields are urgently needed to fill six entry-level staff writing positions for Ethiopian Business Review (EBR) Magazine & Addis Maleda Newspaper & magazine.

Intellectual curiosity, maturity, good command of English and an understanding of story ideas and composition skills are essential.

Applicants must be self-driven, meticulous, enterprising, and detail-and-research-oriented. They should enjoy collecting information for news, articles & research. Data analysis and ability to understand and work with economic and financial statistics are required.

More importantly, applicants should enjoy working until a job is done, even if that means occasionally working for long hours, on weekends and on holidays.



Place of work: Addis Ababa, Kasanchis/Bambis Area
Tsehay Messay BLDG, F401

To send CVs and credentials:

info@championethiopia.com

editor@ethiopianbusinessreview.net

info@addismaleda.com

(+251 911 253 767)



HELD BACK BY ONE'S OWN MIND

The Psychological Plight of the Pandemic on Ethiopian Athletes

The Coronavirus pandemic has become a guest that overstays its welcome. The world first thought that the virus would be an issue for three to five months but it has gone beyond its ninth month now without losing its grip on the world. The measures taken by governments and institutions have begun to loosen up despite the rapid spread of the virus around the world. However, major national and international events in athletics and other sports have been cancelled indefinitely. The isolation and cut off from regular life has its own impact on the psychological wellbeing of athletes. EBR's Abiy Wendifraw looks into the matter.



When Tilahun Haile met his regular training partners around Addis Ababa stadium at the end of April, he struggled to control his emotions. He was even tempted to run and hug everyone. Solomon Barega, Anduamlak Belihu, Muktar Edris and few other top athletes were on the scene invited by the Ethiopian Athletics Federation (EAF) to join the national campaign against COVID-19.

"As I saw them, I felt it. I wanted to cry. I just realized what I missed for weeks. There was no race, no training, no friends. I felt lost," Tilahun remembers the psychological strains he experienced.

He was not alone. The most resilient athletes he was communicating with were experiencing similar problems. From junior to elite athletes, all were being tested by all sorts of emotional stress ranging from fear of contracting the virus to lack of motivation, and from anxiety to depression.

Though depression is a rare topic in Ethiopian society, let alone among major personalities in sports, a sizeable number of athletes might possibly be secretly battling with the issue in the time of COVID-19.

Admasu Saji, 50, a Sport Science Lecturer at Kotebe Metropolitan University and member of the EAF Executive Committee, admits Ethiopian athletes became increasingly

vulnerable to different sorts of mood disorders. "Being a successful athlete does not make anyone immune to depression. Researches indicate that over 27Pct of the adult population suffers from depression at some time in their lives."

Securing the Ethiopian 5000m title in 2019 and winning the IAAF Diamond League meeting in Rome in a world-leading 12:52.98 time, Tilahun, 21, had every reason to be optimistic for 2020. "This year was supposed to be my year. I had Tokyo Olympics in mind. I have been dreaming of returning home with a medal and joining my family for the holiday season in September (Ethiopian New Year and Meskel holiday that commemorates the finding of the True Cross)."

For a young man like Tilahun who grew up in Gurage zone in the southern part of the country, Meskel is a big event where extended families get together for up to two weeks. Missing out on this holiday is the last thing members of the community want to do.

"I struggled to believe how quickly everything turned into a nightmare. The Olympic Games were postponed and local coronavirus response measures threatened me from travelling for Meskel once again. Last year I had to go to Doha for the World Championships and also had races the previous year. At the same time, I was troubled by all the death reports. I really wanted help. I wanted someone to tell me everything is going



to be fine.”

After the outbreak, higher levels of symptoms of depression and anxiety have been recorded in various countries worldwide. According to a Policy Brief document prepared by the UN in May 2020, depression and anxiety increased three-fold in Ethiopia after the pandemic.

EAF has been actively engaged in COVID-19 response measures which included financial and technical support to the athletes. The psychological support is missing. As the domestic and international competitions are recommencing inline with guidelines from governments, Ethiopian athletes seem left with their own battles to regain fitness and of course, overcome the psychological issues they lived with for months.

However, it needs to be studied if depression is becoming an emergency psychiatric problem among athletes that

needs an urgent intervention. Admasu calls on stakeholders to bring the issue to light and work on it. He also believes athletes need psychological support alongside regaining their fitness.

“I do not think we lack experts who can help us in this aspect. Of course, we do not have many people who studied sport psychology here. But we have around 40 government universities in the country, and around 70-80% of these universities in Ethiopia have departments of psychology. These experts can work across the field and support us.”

In recent times, seeing national teams setting up a team of experts, like nutritionists and psychologists, has become standard. That does not mean it serves its purpose. “You could see team members turning their attention to other things or leave the room slowly,” says Admasu.

“Psychological support is perceived

as just a piece of advice or making inspirational speeches. Just like technique and tactic, psychology should be considered as one of the major factors that determines the athletes’ performance,” Admasu argues.

“We should invest in this important aspect starting from the sport academies where the athletes learn basic elements. Learning psychology at the junior level will help our new talent improve their individual and team performance, and better deal with anxiety, depression and other psychological issues they will face in their career.”

COVID-19, the pandemic that may have exacerbated the vulnerability of athletes to depression in Ethiopia, may go away. Injuries, relationships, financial distress, family problems, failures and several ‘on and off the field’ factors causing depression and anxiety will stay with the athletes who are suffering in silence. EBR

SCRAWLING TOWARDS VIRTUAL GALLERY

With the coronavirus pandemic outliving its expected short term stay in the world, early international measures of total and partial lockdown seem to have abated. Mankind has tapped into its age-old skill of adaptation to revert back to normal life under a pandemic-ravaged world. As a key example of a sector that has been severely affected by the pandemic, the fine arts business has been forced to bend forcefully under the tidal waves of isolation. However, a new approach is on the horizon. EBR's Dawit Astatike looks into the rising trend of virtual art exhibitions.

Leykun Nahusenay is a young man in his late thirties. He spent half of his life struggling to stay true to his soul with the body wilting in the yet unrewarding Ethiopian realm of fine arts. He lives and paints in an historic single-story mud building near Ras Mekonnen Bridge, a bridge around Piazza named after Emperor Haile Selassie's father, Ras Mekonnen Wolde Michael. Leykun has spent more than two decades in the three-room house he calls both home and studio.

The art community has only a handful of platforms to showcase and market their works as the discipline enjoys scant attention. For the second most populous country in Africa with over 110 million people, the number of galleries is very few in number. Information from the Addis Ababa City Administration Culture and Tourism Bureau indicates that there are close to fifty privately owned art galleries in the city. Of course, there are some public museums that collect different pieces of fine art.

Almost all art galleries are confined to Addis Ababa with only a few keeping their doors open throughout the week. Makush Art Gallery is the only gallery open for all days in the week.

The number of visitors is also unsatisfactory even when during art exhibitions. Leykun stated in disappointment, "in a capital city with more than 5 million people, the number of visitors may not reach two thousand during art exhibitions."

However, time and technology seem to have conspired to open a new door for Ethiopian artists who have been desperately looking for a leeway into the world. "The introduction of virtual art exhibitions will bring more visitors and income to artists, if we can use it," remarked Leykun with a sensible tone of hope in his voice.

Virtual art exhibitions involve the display of artwork in a gallery or standard hotel setting, a video production featuring the artwork in display, and posting the video on social media platforms with links providing detailed information about each

work. They also provide a digital platform for buyer and seller to negotiate and discuss on price and specifics.

Tewodros Alemayehu is another artist hoping to make the best out of the coronavirus pandemic-induced craze of virtual art exhibitions. "The outbreak of COVID-19 disrupted all sorts of business in every corner of the world and closed the limited space we had," remarked Tewodros.

Tewodros has been in the art industry for the last five years. Both Tewodros and Leykun think that foreign cultural institutes such as the Goethe Institute and Alliance Ethio-Française broaden the limited space for the art community to display their works and attain international exposure. Leykun had the opportunity to display his art work in Europe with the help of cultural institutes operating in Addis.

With the pandemic forcing states to close their borders and halt external interactions, Tewodros thinks the art environment in Ethiopia has become more stagnant than previously. He pointed out that the situation has forced artists like him to seek a new way of displaying their work and connecting with potential buyers.

There are a couple of fine art galleries that display Ethiopian artworks to international audiences. However, the challenge of keeping galleries open and drawing visitors during the pandemic has forced artists to shift to virtually exhibiting their works of art.

The journey towards virtual art exhibitions

For Eyayu Genet, a Fine Arts Lecturer at Bahir Dar University, virtual art has been evolving in Ethiopia over the past six years following the wide use of social media, particularly facebook. The feature of the platform by itself makes artwork more visible as friends share it, invite friends to like the pages, and so on. "The platform brought up new opportunities for artists to display their artwork as it easily reaches the international art community," stated Eyayu. According to him, the platform also paves the way





for companies to focus on Ethiopian art.

Next Canvas is an online gallery platform where many artists display and sell their works. Especially during the harsh realities of the pandemic, the platform has proven vital in keeping artists in business. In virtual art exhibitions displayed thus far, the curator uses Amharic and English languages to reach out to the art community in various corners of the world. Occasionally, Arabic can be found in subtitles.

For Leykun, staying for a couple of decades in the national art environment has made it relatively easier for him to connect with art lovers, exhibition organizers, and major actors in the market. “The virtual gallery is the way forward to present one’s work to the art community with no geographic and time limitations. However, this is not the sole advantage,” Leykun added.

The platform provides the artist with an opportunity to earn more for their work and creates room for them to communicate directly with potential

buyers. The other advantage of using virtual exhibitions is that they help collect a large amount of feedback on a specific artwork posted on Facebook, Instagram, or other social media platforms. Such media generate discussion, alerting art lovers about the work and helping the artist access the opinions of the audience.

Fendika’s art gallery organized the second virtual art exhibition two months ago in a bid to motivate the art community and connect Ethiopian artwork with the international community. The virtual gallery tour featured room for conversing with artists, sounds of traditional instrumental music, and explanations of exhibited works.

In virtual art exhibitions, artworks are specified by title, size, classification, and links that provide detailed information. Eyayu claims to have witnessed the effectiveness of the platform in connecting with visitors and getting a reasonable price for both buyer and seller as no agent is involved in between. Eyayu, who has sold his own works through the virtual

platform and collected the payment via electronic banking, told EBR that the payment modality is reliable.

For Daniel Alemayehu, a contemporary artist with a dozen years of experience, fine arts demand the steel and craft to find meaning to life, search its beauty, and develop strength instead of complaining about problems. He thinks that that feature makes the discipline genuine as it connects people with real life.

The number of art exhibitions is limited as virtual exhibitions still need artworks to be displayed in a standard gallery setting. Hosting the pictures in such a setting requires a lofty amount of money for an individual artist to cover. Therefore, artists have resorted to collaborating and organizing virtual exhibitions with agents and galleries.

In most cases, less than ten conventional art exhibitions are organized annually. Leykun thinks virtual platforms have the potential to solve these and other limitations of conventional art exhibitions. EBR



Breaking MESKEL TRADITION to Curb Spread of the Pandemic



Meskel is one of the holidays in Ethiopia that is celebrated in a unique euphoric way. Despite the nationwide celebrations, some communities designate the holiday an elevated status than the rest. In such communities, Meskel is a time for people to get back to their homelands and spend some quality time with relatives and loved ones. Celebrated with special food and drinks, Meskel has assumed a notable socio-economic role in many communities. The COVID-19 pandemic has, however, disrupted the tradition in some of these areas. EBR's Ermias Mulugeta looks into the relatively somber celebrations this year.

Yemane Gebre, aka Bariaw, 42, is a carpenter who has lived in Addis Ababa around Kera for almost 12 years. He was born over one thousand kilometers away from the capital Addis Ababa in Adigrat town of Tigray regional state, in the Northern part of Ethiopia.

For Yemane, every holiday is special, but he holds Meskel (finding of the true cross) in high regard. “Where I grew up, Meskel is celebrated in a special way. Every year, the people prepare themselves for a better celebration than the preceding year. The traditional food, “Tihelo” is served on the day of the celebration,” stated Yemane. People from Adigrat, who live in different parts of the country return to their home town for Meskel. “Back in the days, someone who didn’t return to Adigrat for Meskel was considered dead; their family would be deeply worried or they could possibly mourn their death.”

Keeping up with old traditions, Yemane travels to his homeland for Meskel celebrations every year. However, he decided to break tradition and celebrate Meskel in Addis instead, because of the coronavirus pandemic. “I made plans to go to Adigrat for the

celebration but I chose to be cautious. I have elderly parents and if I go there and infect them, they will probably die. So, I would rather be here. If the pandemic is under control, I will travel next year.” For the past 11 years, Yemane has celebrated Meskel with his siblings and parents in his hometown. Unfortunately, the pandemic has forced him to stay back; therefore, he is preparing himself for the celebration in Addis Ababa.

“I am from Adigrat. That means I am Agame. Agames celebrate Meskel like it is our new year. The bonfire, the traditional dancing, the cultural foods, and beverage give the holiday a special vibe.” Agame is the name of a former province in Tigray. Agame is a Ge’ez word that means “fruitful.” I believe the name is given to the people on account of their culture of hard work and unbearable struggle to achieve a certain goal. Agames work like bees and they know the wise use of resources.

This year, the holiday vibe and the usual holiday spirit are on a low throughout the country as the pandemic cast its shadow on yet another social and economic activity. During its travels to the Southern





Nations, Nationalities and People's Regional State, EBR witnessed lower vibrancy in the nationally acclaimed Meskel celebrations of Gurage zone. In a travel ban the Gurage zone administration issued to people planning to travel to the area for Meskel, it asked for people to reconsider their decision and stay put fearing that their movement can further spread the pandemic. Subsequently, the famous trips to different parts of Gurage zone have gone down immensely.

All but a few of the residents of Wolkite town in Gurage who spoke to EBR feel that this year's celebrations are duller. Ashenafi Dari, a restaurant owner in Wolkite, stated: "everyone waits for this day but I don't think the long-awaited celebration will be as good as we expected it." Had it not been for the pandemic, remarked Ashenafi, the city would have been overcrowded by people who come from all over the country for the celebrations. Although the city is less crowded than it used to be on the run up to Meskel, EBR observed that the city is still congested with quite a sizeable crowd with commodities up for sale.

Federal and regional law enforce-

ment offices collaborated to curb the number of people who would travel to Gurage zone for Meskel celebrations. However, EBR found out that people still used different means to bypass the control measures and made it to the celebrations in the zone. They traveled at night and bribed the traffic police or any other security detail on checkpoints to make it home.

Meskel (the finding of the true cross) is one of Ethiopia's UNESCO registered intangible world heritages. Meskel commemorates the finding of the cross that Jesus Christ was crucified on. Legend has it that Queen Eleni, the mother of King Constantine, pleaded with God to fulfill her wishes and if they came true, she would search and find the cross Jesus Christ was crucified on. With her prayers answered, the Queen embarked on a search for the cross. She then learned from an old man that the cross is buried beneath one of three mountains of dirt by the city. He told her to set up a bonfire and that its smoke would go up and point out the mountain bearing the cross beneath it.

Once the smoke identified the place, the Queen ordered people to dig

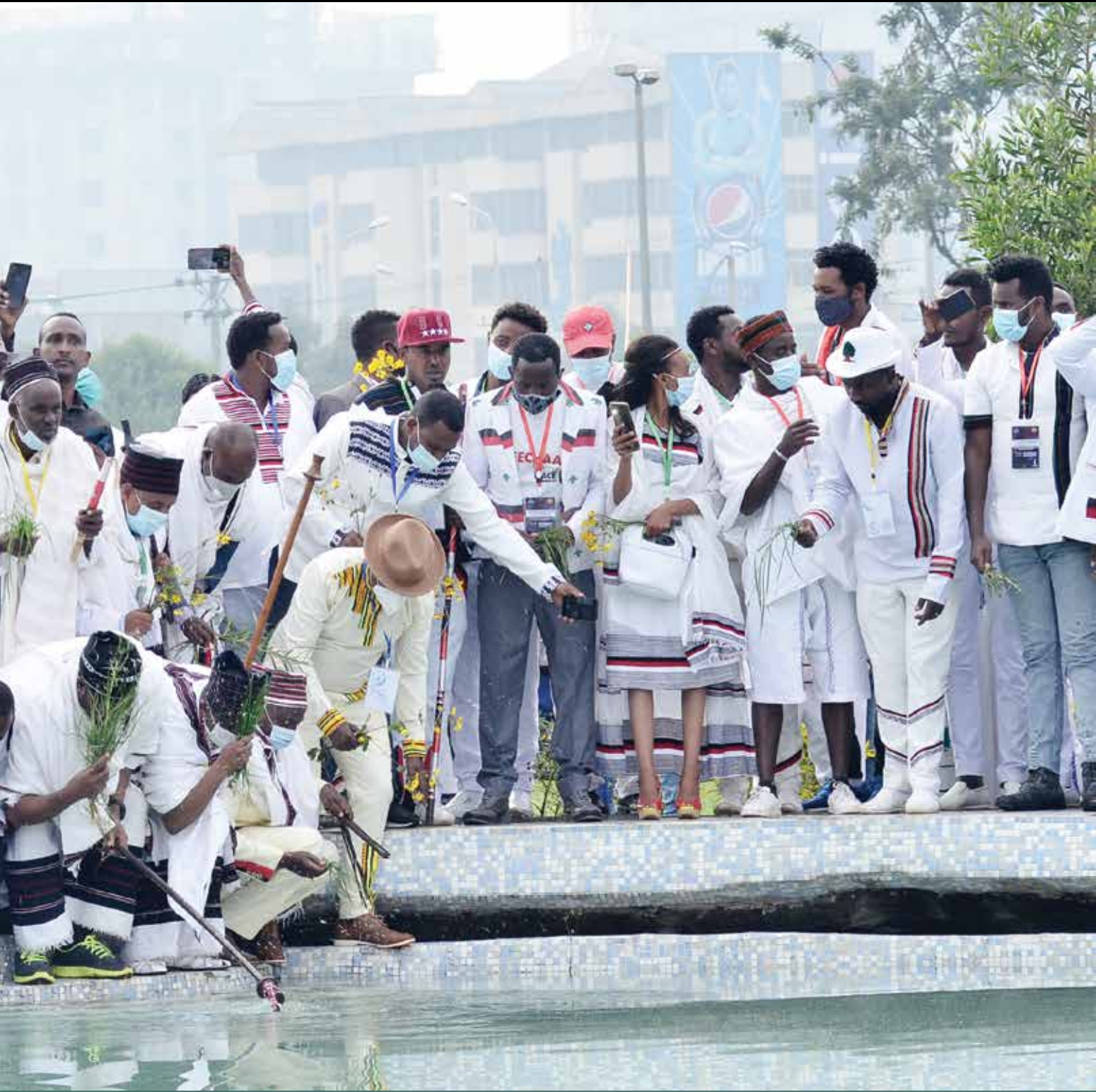
out the cross on September 27 and was finally able to keep her word to God by finding the cross on March 19. Ethiopian Orthodox priests explain that the celebration could have taken place on March 19. However, that date falls on the biggest fasting season in the Ethiopian Orthodox Christian belief. The Church's dogma prohibits high pitch worship let alone religious festivity during the fasting season.

As a result, the celebrations of the finding of the true cross fall on September 27 every year. On the given date, Ethiopia and Eritrea celebrate it warmly and colorfully. Ethiopian Orthodox Church choir boys and girls adorned in the green, yellow, and red colors of the Ethiopian flag present their songs in colorful street celebrations throughout the country. Every year numerous tourists flock to Ethiopia to witness this glamorous carnival and heartwarming religious celebration. Although the celebration takes place all over the country, the biggest celebration takes place in the capital Addis Ababa. Named after the holiday, the square in Addis Ababa where the celebration is held is "Meskel Square." EBR



IRREECHAA

CELEBRATING THE DAWN
OF REDEMPTION



Ireechaa is one of the centuries-old thanksgiving celebrations in Ethiopia. Nature adorns itself with its trade mark color of green and sprinkles colors from the rainbow over that background during spring. Spring also marks the end of the gloomy days of winter and heralds the beginning of the era of beauty. The Oromo people come together to praise Waaqaa, the Almighty God, for renewing life and refreshing nature. Embellished in cultural attire and flowers, they ceremonially march to the Hora, water body,

near them.

Ireechaa marks the beginning of life anew, rise of hope, forgiveness, and redemption. Apart from being a cultural and spiritual ceremony, Irreechaa has a considerable potential to be one of Ethiopia's tourist attractions. Although Irreechaa is celebrated across Oromia, Addis Ababa also started hosting a massive number of celebrators since last year at an artificial lake and landscape installed around Meskel Square. Irreechaa was celebrated this year on October 3, 2020 in Addis Ababa. EBR

Addis Ababa the Epicenter of Political Land Corruption



Abebe Asamere, is a former vice president of Ethiopian Lawyers Association. He can be reached at aasamere@yahoo.com

Contracting on the sale and transfer of immovable properties in the acts and documents registration office has recently been suspended for unknown period of time for reasons related to land corruption. Land grabbing through illegal fencing of green areas and other open public spaces, pocket pieces of land, annexation and illegal documentation to the extent of issuing title deeds are believed to be the reasons as they were becoming day to day illegal experiences in Addis. These issues are also amidst the causes that further complicated our metropolitan politics and led to the substitution of former deputy Mayor Takele Uma by Adanech Abiebie. Assessment based disclosure of the land corruption facts by EZEMA has also changed the political landscape the mayor has been manipulating.

The politics of land corruption has been seriously affecting doing business in Addis. Doing business needs clear and transparent urban land laws and institutional management based on clearly defined legal and policy articulations. Access to new land holding, business expansion, renovation, construction and sales have a direct and indirect relation with land management laws and this area of our law is always complicated by so many pending and unresolved problems of the city administration.

As documented in various academic and policy studies, one of the legal issues considered as a critical limitation to better performance in doing business relates to this area of law. The problems can generally be categorized into legal and institutional aspects. The legal aspect includes problems related with clarity, accessibility and consolidation of urban land laws and the institutional aspect involves changing institutional setups, staff related problems and over politicization of the claim over the metropolitan land.

The basic metropolitan land laws and their administration issues are one of the oldest types of laws. But the new aspects of land law such as the lease law and related regulatory instruments lack

clarity as they fall short of attaining uniformly shared understanding and application by all the regulatory executors. The other problem has to do with the directives issued on various aspects of land administration. For the last couple of years, so many directives have been applicable to regulate how land rights can be exercised, such as transfer, inclusion of additional plot into already existing holding, how it can be developed, how the purpose of the holding can be changed, among others. Lack of clarity of such principal and subsidiary laws has exposed the public to administrative hassles, corruption, and lack of uniform application of the laws at sub-cities; it has been as if each sub city belongs to different central city administration.

Regarding corruption, working in land administration offices has always been considered gold mining. For instance, any favor to legalize an illegally annexed piece of land with the already existing legal holding is rewarding in hundred thousands. A number of media reports have exposed the deep-rooted corrupt practices in these institutions. On the other hand, such problems have also exposed innocent staff members in such offices to criminal prosecution of corruption allegations. As a result, staff members are incapacitated to decide on land related administrative issues with reasonable care and precaution for fear of criminal prosecution.

Accessibility of the subsidiary laws is the other problem. There is no legal framework governing the accessibility or availability of the directives to the public, to lawyers and to clients. The directives are locked in the drawers of the officers working in the land administration institutions. Sometimes, all the directives may not even be available to the officers who are supposed to have them as a matter of their day to day official responsibility. For any client, trying to access the directives may cost a lot as it should be done informally. Though it will take time, the recently issued administrative procedure law (proc. No 1183 /2020) may solve some of the problems related with accessibility and legal

compliance issues of such laws.

Consolidation of the laws is the other problem. Land administration directives should have been consolidated so that the public may know them in a holistic manner basically to identify which directives are actually in operation and relevant to the administrative claims of each client. Getting a single directive by chance can't guarantee the client a comprehensive understanding on application of directives and help them base their claims on that unless they have all the directives in a consolidated content. The other importance of consolidated law is that it is easy for reference; enable any client trace cross referenced laws and assist the client get expert advice on the specific issue of their concern. Consolidated laws have an advantage in serving as a basis to identify the laws applicable and those that need reform or policy change to ensure harmonization among the applicable laws, to ensure consistency in using concepts and ideas, and contextualization of the various contents of the laws.

Concerning the institutional aspects of the problem, no institution has dynamically changed in terms of naming and functional assignment like the office of land administration. Initially named bureaus for urban works, the name had been changed to land management authority, land administration bureaus, land development agency, among others. Though efficiency had been the consistent justification for the change in institutional set up, the institution still hosts serious public complaints for inefficiency, corruption and various practices of maladministration. With the problem still lingering, this time

the city administration has decided to undertake land audit works in the form of a campaign. It seems a kind of modest response to complaints of land grabbing and distribution for politically and ethnically motivated purposes that residents have been rumoring against the city administration. Whatever the audit result is, public skepticism over the administration's motive will continue for long unless practical and credible measure is taken against corrupt practices.

Competence of professionals is another problematic area. Difference in professional orientation between the technical staff actually doing the technical work and the supervising staff who control and supervise the work of the technical staff is one of the obvious problems. To be assigned based on political merit than professional merit has been a huge problem for long. For instance, the works of an architect can be supervised by graduates of geography or any other field in the social sciences that would render supervisors technically unfit for the job. Such problems can induce inefficiency, affect the relationship of the staff in terms of understanding and appreciating the work done, incapacitates supervisors to properly address the complaints of clients against the works of technical experts.

In aggregate, such problems affect the institutional efficiency of the land management aspect of doing business. Though electoral democracy is the basic solution, land administration laws should be consolidated, easily accessible and transparently regulated to ease and facilitate doing business and mitigate the problems associated with the politics of the metropolitan land corruption.

Reflection on the Ten-Year National Economic Plan



Tsegaye Tegenu (PhD)
is senior lecturer of
social and economic
geography at Uppsala
University, Sweden.
He can be reached at
tsegaye.tegenu@epmc.se

First and foremost, I would like to thank Ethiopian Business Review (EBR issue no 90) for bringing up Ten-Year Perspective Plan to the reader's attention. The ten-year plan is about risk of spending a huge amount of money and life changing opportunities for over 100 million people. Since the plan is intended to control and influence the behavior of the national economy for the next decade, it should not be set aside as past concern or old news. I encourage EBR to continue giving coverage to the ten-year perspective plan and educate the public on how they can put their future fate and hope in their hands.

To begin with the Ten-Year Perspective Plan is not just any kind of plan such as social, physical or implementation plan. It is a strategic plan on national economic policy intended to enhance growth and development in the country. The plan is formulated, administered and implemented by the government. Since there are multiple policies to achieve a given vision (say making Ethiopia a middle-income country) that raises basic questions as to the objectives of the policy plan, what strategies are used to achieve the objectives and how is their mix chosen.

Ingredients and packages of long-term economic policy plan

Compared to annual and medium-term plans, as a rule ten-year plan is classified as long-term national plan which expresses the general directions of the country's economic growth and development. The plan is a dynamic roadmap that helps get the country's economy where the government wants to be later (in this case middle income country).

Technically speaking, a plan is a method or a step of achieving something which the government has worked out in detail beforehand. The question is what is that the government wants to achieve within a specific ten years timeframe. The intended future course of action (scheme outlined in the plan) is not separable from the goals or objectives

that are going to be achieved. In other words, the blueprint for the country's economy for the next decade includes new goals to be achieved and the steps that detail the timing and resources of the intended actions.

Developing long term plan includes five components: vision (what the country aspires to achieve), mission (motivation and purposes of the vision or who do we do it for), strategic goals (how to progress, sequencing), objectives (specific measures to achieve the strategic goals) and activities (planned actions to achieve the objectives). Figure 1 illustrates a framework I used for reviewing the proposed government ten-year plan. It contains two parts: the vision and the mission part dealing with principles of action and values and the second part containing strategic goals and main priority tasks. The outlined ingredients are not exhaustive for reasons of simplicity and space.

Evaluating and reviewing the ten-year perspective plan

Unfortunately, the ten-year plan document is not released for the public even in its short form for making a fair assessment of its missions. From the media we learned that the vision is to make Ethiopia middle income country by 2030. According to the World Bank, Middle-income economies are those with a GNI (gross national income) per capita of more than \$1,045 but less than \$12,736. Ethiopia's current GNI per capita is \$850 and is expected to triple by 2030. The vision for the ten-year plan is aspirational and acceptable if we understand the present and want to optimize the future. The question is how to measure such bold level of growth and development. What are the right indicators that measure progress towards the vision? How do you know when it's achieved? What are the solid evidences?

The ten-year plan does not provide information on vision progress measuring indicators. I do not know what the staff involved in making the plan had in mind when they said "improving



ኢትዮጵያ፤ አፍሪካዊት የብልፅግና ተምሳሌት

ETHIOPIA: AN AFRICAN BEACON OF PROSPERITY

living standard”. If improvement means lowering production costs and increasing wages, then there should be an objective of job creation and productivity growth in the country. According to my framework of assessment, the right quantitative and qualitative indicators for measuring the vision should include: i) increase in GDP per capita for the work force, ii) job creation for the unemployed, iii) transforming the productivity level of subsistence, non-farm and informal economies, iv) local and regional development, and v) environmental sustainability.

Job Creation, Industrialization, Structural Transformation

When it comes to the overall objective of job creation, there is no direction as to which sectors facilitate this process. While economic growth is good for job creation, it is important that growth occurs in sectors that have the potential to absorb surplus labor at a large scale. A literature review by many researchers identifies an extensive body of evidence which suggests that growth in manufacturing has a particularly positive impact on employment. The question is what is in the name of industrialization; one must find answer to the four Wh questions (what,

how, why and where questions) of industrial policy choices, practice and methods. To find answers to these questions, there is a need for the participation of stakeholders in the industrial policy process. Unfortunately, the public has dropped out of the policy participation process.

The ten-year plan basically reflects the goals and objectives of public sector actors that participated in the planning process. This approach misses intra- and inter-sectoral objectives such as job creation, structural transformation and cross-sectoral objectives such as regional development (see figure 1). The implementation and success of sectoral policies does not guarantee job creation, structural and spatial transformations. The rationale of sector-based approach policies is to define the mandate and objectives of sectoral agencies. Sectoral policies aim at providing comprehensive, integrated and balanced frameworks for the quantitative estimates of future demand and the probable total available supply of resources to meet the sector’s objectives. More than that, sector approach may help find equilibrium among sectors and create some order and balance in the economy. Job creation, structural transformation and regional development is not their

concern. Those objectives are tackled at different levels.

It is beyond the scope of this article to discuss policies of job creation, structural transformation, and regional development (see earlier EBR issues). What can be said is that the successful achievement of these objectives requires design of strategies that have butterfly effects among sectoral policies. For instance, in the case of structural transformation, there is a need for linkage transformation strategies which include issues related to urban-rural linkages, market linkages, backward and forward linkages, productivity linkages, production linkages and intersectoral linkages. Linkage transformation is outside the rationale of sector approach and that is why we do not find these issues addressed in the policy plan document. The country’s economy is fragmented among millions of self-providing households (both producers and consumers at the same time), non-farm economies (which are unproductive) and urban informal economy (mainly non-tradable). There is a need for the creative transformation of these unproductive fragmented economies. These economies, which roughly constitute about 40% of GDP, are not addressed in the policy plan.



What can you do with this?

- 1. A buffet lunch at a four star hotel**
- 2. A bunch of flowers for your office table**
- 3. A bottle of Italian wine**
- 4. A one kg cake from a five star hotel**
- 5. Rent a Toyota Executive car for a day**
- 6. Enjoy a sauna and steam bath in a trendy spa . . .**

For the same amount, you can also subscribe to the informative, analytical and authoritative EBR and enjoy a good read throughout the year.

Reward yourself

EBR helps you sharpen your perspectives by offering you quality information on the latest trends that affect your business.

Dial +251961 41 41 41
or drop an email at

marketing@championethiopia.com
to

Subscribe

Conclusion

In politically stable countries, there are two major areas in which states fail. The first area is policy choice, and that emanates from the desire to benefit powerful economic interest groups such as multinational companies or ethnic entrepreneurs. Policy choice can also be value driven related to the political ideology of the party holding government offices. The second area for states to fail is service delivery. There are constraints when a chosen policy is implemented and combating those problems depends on the policy implementation capacity of the government.

My conclusion is that the ten-year perspective plan is designed mainly to address the second failure, namely government capacity to implement policy. The plan is not prepared to design strategic goals of job creation, income increase, economic transformation and regional development. The ten-year perspective plan and the Homegrown Reform program show that the interest is on implementation, not on policy goal formations. The assessment of past economic performance (mainly through sector approach) convinced the government to prioritize and undertake implementation reforms in three major areas: a) establishing macro-policy climate to improve performance and ensure stability; a good example is the Homegrown Economic Reform Program, b) adjusting sectoral policies to encourage efficiency and competitiveness and c) improve bureaucratic constraints to accelerate economic interactions. God knows if these three reforms can create jobs, increase income and promote regional development in the coming ten years. That is why we have a lot of ifs in the ten-year perspective plan.

Because the government is mainly interested in the process of turning policy into practice and proper service delivery, there was no need to collect more evidences and ideas to balance policy objectives and priorities. Consensus on policy choices is not seen as a problem or assumed to be given. The main drive and interest behind the ten-year perspective plan is in remolding the developmental state (top-down implementation approach). That is why there was no consultation with independent experts, NGOs, local organizations and community members, who should be part of the process in specifying policy provisions and whom it benefits. Catchwords such as middle-income country, improving living standard or green growth need specification in terms of beneficiaries (employed, unemployed, local people, regions, rural and urban areas), priorities (productivity growth, private sector development, urban cluster, infrastructure development) and strategic goals to achieve stated benefits (industrialization, spatial and structural transformations). Details of intervention activities to attain the stated objective and sector responsibilities can be mapped out during the implementation plan after building the forward view policy document.

My view is that the government should not be the only leading think tank group to decide on the winners and losers of the policy. Everyone who wants to help should get the chance to voice their views about our collective future. A well-researched and reasoned planning document is of immense value to a country in identifying beneficiaries, setting priorities and the allocation of its scarce resources. Not only that, a plan that is formulated on the perspectives and voices of the public has greater chance of successful implementation. Within participation, there is an ability to work together for a common goal and commitment and the energy to carry forward into implementation. The process of building a forward viewing document generates an understanding and knowledge that the success of one aids the success of all. Unfortunately, that did not happen; early adjustment advices are ignored.

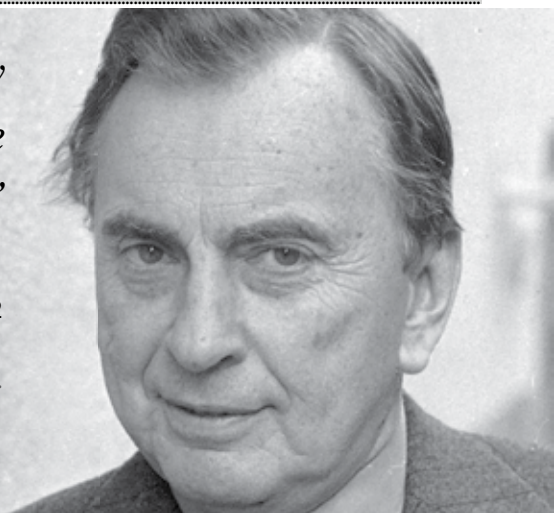


Quote

“Fifty percent of people won’t vote and fifty percent don’t read newspaper. I hope it’s the same fifty percent.”

Gore Vidal, 1925-2012

He is an American writer and public intellectual.



From the Horse’s Mouth



“We do not do superficial,”

Ergoge Tesfaye (PhD)

Minister of Labor and Social Affairs, made this remark on September 28, 2020, during the launching ceremony of a program dubbed “Employers to Employers” organized at Hilton Addis Ababa hotel. The program aims to mobilize ETB500 million in three months to support investors whose properties were damaged during the recent social unrest. “We are late but we will strive hard to bring those businesses back to life.”

“It is important not to lay off workers because the major loss would be loss of skills. Once they go to their homes and villages, the skills acquired would be lost and it would be difficult to sustain productivity,”

Arkebe Oukubay

Special Advisor to the PM of Ethiopia, while explaining that the private sector in Africa will be hit hard by COVID-19.



The Number

16
MILLION
TONS

Ethiopia’s annual import volume, according to data from Ethio-Djibouti Gauge Railway, which transported 15Pct of the total bulk since it became operational in 2018. Import of goods and services constitutes 27.4Pct of GDP, while export, 10.7Pct. In terms of value, Ethiopia spent USD15.1 billion on imports in 2018/9, down from USD15.8 in 2016/7.



Fight Cancer

The Horizon Regional Cancer Center at Bumrungrad International Hospital provides care and treatment planning by focussing on multidisciplinary care, ensuring the highest benefit to our patients. Our team is made up of specialists and medical professionals with expertise in cancer care, including chemotherapy, radiation therapy, hematopoietic stem cell transplantation (HSCT), palliative care, and pain management. Our comprehensive cancer care by 70 specialists supported by advanced technology including PET/MRI scanner, 4 dimensional CT imaging, 3D CRT, IMRT and VMAT. Patients from all over the world come to Bumrungrad's Horizon Regional Cancer Center for one-stop comprehensive care. Patients receive continuous care even after they have returned home.

You don't have to fight cancer alone.

Bumrungrad Referral Office *- Ethiopia
Bole Road, Friendship Building, 7th floor, Room No. 703
Tel: + 251 116 616 472, +251 911 205 623, +251 911 527 440
Email: bumrungradethiopiaoffice1@gmail.com

*Independent entity working in association with Bumrungrad International





Innovation
that excites

**THE NEW NISSAN ALMERA.
SEES THE UNFORESEEN.**



WITH USB & BLUETOOTH TECHNOLOGY



WITH REAR PARKING SENSORS
& SAFETY SHIELD TECHNOLOGY



Addis Ababa
P.O.Box: 1194
Tel: +[251]11-661-2711
Fax: +[251]11-662-7426

Bahir Dar
P.O.Box: 421
Tel: +[251]58-220-3150
Fax: +[251]58-220-6500

Dire Dawa
P.O.Box: 50
Tel: +[251]25-111-8484
Fax: +[251]25-111-8482

Hawassa
P.O.Box: 475
Tel: +[251]46-220-5470
Fax: +[251]46-220-5469

Mekelle
P.O.Box: 188
Tel: +[251]34-441-5713
Fax: +[251]34-441-5706

Jimma
P.O.Box: 1630
Tel: +[251]47-211-0685
Fax: +[251]47-211-0687

EXCLUSIVELY SUPPLIED BY NYALA MOTORS

E-mail: info@nyalamotors.com

Website: www.nyalamotors.com



ከመካው ዓከም
የተካከልዎትን ገንዘብ
በፍጥነት ይቀበሉ

Receive money
FAST from around
the world through

**XPRESS
MONEY**
simple. fast. safe

በማንኛውም የዘመን ባንክ ማዕከል ለገንዘብ ተቀባይ ገንዘብ ይቀበሉ
Service available at any Zemen Banking Center.

ዘመን ባንክ
**Zemen
BANK**

Local knowledge - International Standards

www.zemenbank.com

ከኮከ ሙሉጃ በ 6500 ይደውሉ
Call center 6500

Zemen Bank S. C.
Tel +251 11 553 90 58 Fax +251 11 553 90 42
P.O. Box 1212, Kazanchis, Addis Ababa Ethiopia
customerservice@zemenbank.com

