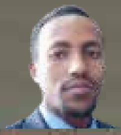

Livestock Export: A Sector Misunderstood by Policy Maker

Sewagegnehu Dagne, GM of Ethiopian Livestock Traders Association

Institutional Independence of NBE

Abdulmenan Mohammed, Financial Management Expert

ETHIOPIAN BUSINESS REVIEW

9th Year • Nov 16 - Dec 15 2020 • No. 92

Ethiopia ETB: 40.00

AMELEWORK GIDEY

THE BOLD, VISIONARY INDUSTRIALIST

'I Want to be the Top Industrialist Woman in Africa.'

Contents

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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

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Prolonged Conflict
Deepens Economic Recession

Ending the conflict with Eritrea, as well as implementing reforms that strengthened public institutions and broadened the political space are among achievements of Prime Minister Abiy Ahmed (PhD) administration. In addition, the homegrown economic reform agenda that outlined macroeconomic, structural, and sectoral reforms is expected to pave the way for jobs creation, poverty reduction, and inclusive growth.

Regulatory reforms to improve the business environment were also introduced. In a bid to reverse the declining foreign direct investment (FDI) to its former heights, the government amended the investment law, bringing changes especially in connecting the local private sector with more opportunities and availing more sectors to foreign investors in a bid to capture the increasing flow of international capital to Africa and place Ethiopia on the global value chain. The administration even took concrete steps to liberalize the state-dominated economy. However, implementing and solidifying these economic reforms under the current circumstances is becoming a luxury for the nation. The massacre of people in western Oromia under the watchfull eyes of the command post and the scaling-up of tension into full-scale armed conflict between the federal and Tigrai governments is testimony to how the last two years were wasted on shallow reforms. Winning through arms cannot save the very fabric of this country from slipping into civil conflict.

The corrugating relationships between federal and regional state governments steals the central government's focus from economic development to militarization. By prolonging the life of conflicts, the administration only increases the depth of the economic scars drawing the nation back to a vicious circle. Ethiopia's economy is not deep enough to sustain multiple shocks. Covid-19, desert locust invasion, climate distress, internal displacement, and an international water dispute are more pressing issues now. The shortcut that minimizes damage between federal and regional governments, especially in Tigrai, is entrusting all issues to discussion and negotiation. Both the Tigrai and federal governments have been mobilizing forces, rather than looking for a modest exit from a deadlocked situation. Peace talks were sidelined. Polarized politics and a dwindling economy are fertile grounds to tear the country apart. The role of the international community and independent mediators was given minimal attention in Ethiopia's political reconciliation in the last two years. The failure to reach consensus on fundamental political principles during this time brought the nation back to square one.

The current political deadlock cannot be solved with conflict resolution instruments adopted by the government thus far, including military action. Wise decision-making, inclusiveness, and calculated moves to avoid any collateral damage, should be brands for the central government. At any time, professional and scientific conflict resolution was not given a chance in Ethiopia. Local and international nonpartisan organizations can play crucial roles in ensuring a de-escalation of conflicts.

It is not only Ethiopians that had hoped better was coming. The international business community had been betting high on Ethiopia too. Nevertheless, the escalating threats to peace and stability witnessed in the past two and half years are more than enough to scare off foreign investors. In fact, nowadays there are no assurances to persuade even domestic investors to plant money in their own native areas, let alone attract FDI. Two years after the ascendance of the Prime Minister, investors confidence has only worsened.

The government must therefore do the needful to avoid unnecessary cost due to escalating conflict, restore peace and build investors confidence at the shortest possible time. Otherwise, the nation may find it difficult to sustain hard-won economic gains at the minimum and risk its own existence.EBR

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.

COVID19 QUARANTINE CENTERS CLOSED NATIONWIDE

The Ministry of Health closed 148 centers operational since March 2020. Most of the centers are places of learning and are currently preparing to resume class. Of the close to 69,000 people in the centers, those with critical symptoms were transferred to hospitals, with the rest to recover at home. By mid-October, the number of positive cases in Ethiopia reached 86,000, surpassing China, where the pandemic first broke out. Out of the people who have died of covid19, 28Pct were HIV positive patients, according to the ministry.

IGAD WARNS DESERT LOCUST IS IN FULL-SWING

The Intergovernmental Authority for Development (IGAD) warned that the Afar regional state in Ethiopia is under threat of a full desert locust invasion. Although invading the Horn's skies since last year, the insect remains rampant with severe crop and pasture damages in Ethiopia, Kenya, and Somalia, especially over the past six weeks. Ethiopia's Ministry of Agriculture disclosed ten chemical spraying helicopters are needed to fight the invasion. The number of available helicopters diminished to three, after two of them crashed down this month.

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ATTORNEY GENERAL

ATTORNEY GENERAL CALLS OFF OFFICIALS' INVESTIGATION

The Attorney General has written a letter to the Federal Anti-Corruption Commission to halt the investigation of 184 government officials who refused to register their properties. The commission was about to bring the cases to court. But the Attorney General gave additional time for the officials to register their property but with penalty for missing deadlines.

RAIL CARGOS FREED FROM DEBT

Ethio-Djibouti Railway (EDR) has finally received 200 rail wagons, held at Djibouti Port for months after EDR failed to address payments. Of the 550 ordered from China, 350 wagons arrived and began operations in 2018. At a cost of USD100,000, each wagon can carry two 20-foot containers. A twin rail cargo train can carry 106 such containers at once.

Amount of wheat Ethiopia imported during 2019/20 fiscal year, according to Ahmed Shide, Minister of Finance, presenting his quarterly report.

1 million metric tons

ELEVEN MOBILE ASSEMBLERS CLOSED IN TWO YEARS

The number of mobile assemblers dropped to five, from 16 according to the Association for Information Communication Technology-Ethiopia (ICT-ET). Local assemblers left the sector mainly due to contraband and lack of foreign currency to import raw components. Active mobile assemblers produced close to 5 million phones in 2019/20. However, over 30 million contraband phones entered the country during the year, of which 75Pct are smart, according to assessment by ICT-ET. Annual demand is 25 million devices.

NECH SAR PARK NEARS DOMESTICATION

Herbivores at the Nech Sar National Park are near extinct, following the grazing of 51Pct of the park by intruding livestock of nearby pastoralists. The 514 square kilometer-wide park is found on the border between SNNPR and Oromia regional states. Water bodies in the park are also being filled by waste and dump soil flooding down from Arba Minch town, according to Shimelis Zegeye, Head of the park. The park is a hub to 351 bird, 16 fish, and 91 mammal species including the Nile crocodile in Chamo Lake, indigenous to Ethiopia.

FIRST GROUND STATION IN PROGRESS

The Ministry of Innovation and Technology disclosed that the construction of a ground station to receive satellite data has reached 50Pct completion. This will enable Ethiopia to save significant amounts of foreign exchange paid to foreign agencies for the purchase of satellite data. The ministry is also finalizing policy and legal frameworks to deploy digitization programs to increase production and productivity.

COMMISSION VOWS TO CONTROL GAS EMISSION

Environment, Forest, and Climate Change Commission is preparing a directive that limits polluting gas emitted by vehicles in urban areas. The directive also targets quality standards of fuel imported into the country. The Ministry of Revenue implemented excise taxes to discourage vehicles older than seven years, since last year.

12 Pct

FDI to Ethiopia declined by 12Pct to USD1.1 billion during the first half of 2020, according to UNCTAD's global investment trend monitor released on October 27, 2020. Global Foreign Direct Investment (FDI) flows were down 49Pct compared to 2019. Flows declined by 75Pct in developed countries, 28Pct in Africa, 25Pct in Latin America and the Caribbean, and only 12Pct in Asia, mainly due to resilient investment in China.

Top 10 African Economies Leading in Industry

Africa Rank	Country	Competitiveness Industrial Performance (CIP) Global Rank
1	South Africa	45
2	Morocco	61
3	Tunisia	63
4	Egypt	71
5	Eswatini	81
6	Mauritius	86
7	Botswana	88
8	Algeria	95
9	Cote d'Ivoire	96
10	Namibia	97

Source: UNIDO

According to the Industrial Development Report 2020, much of the world, especially Africa, is not engaging with new technology and remains excluded from recent technological breakthroughs. Capacity to produce and export manufactured goods, technological deepening and upgrading, and world impact are the three dimensions used to evaluate countries and produce the ranking. The report categorized ten global economies as frontrunners, 23 as followers in production, 17 as followers in use, 16 as latecomers in production, and 13 as latecomers in use.

Germany, Japan, China, Republic of Korea, and USA are the global leaders. Least Developed Countries (LDCs), especially in Africa, are yet to utilize Advanced Digital Production (ADP) on a significant level.

Nigeria and Kenya ranked 11th and 14th in Africa, respectively. South Africa, whose manufacturing share of GDP is around 15Pct, is ready for Industry 4.0, according to the report. Egypt, Mauritius, South Africa, and Tunisia are listed under 'emerging industrial economies.'

Ethiopia ranks 29th in Africa and 141st globally, an improvement from 148th in 2015. There is increasing FDI in light manufacturing especially from China, over the past recent years. Ethiopia's share of manufacturing of GDP is 5.6Pct. EBR


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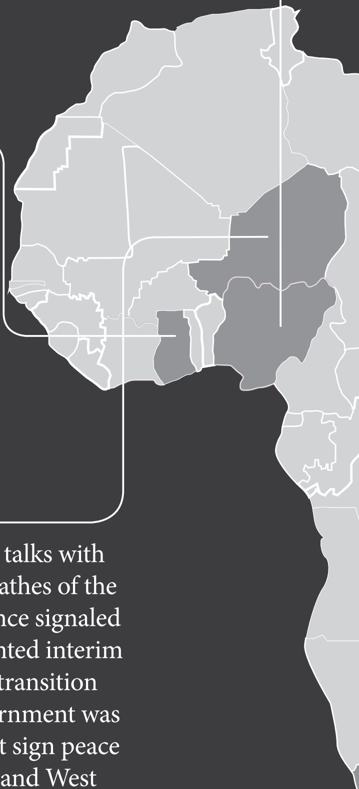
The following are a few of the biggest news stories that took place in Africa in the last month. The stories are sourced from the Bloomberg and Reuters.

African money transfer firms thrive as pandemic spurs online remittances

An influx in usage of digital transfer services by African migrants is fueling a boom for Africa-focused money transfer companies, despite predictions from the World Bank of an historic 20Pct drop to USD445 billion in remittances to poorer countries this year due to the pandemic-induced global economic slump.

The pandemic gave remittance companies an advantage over their main competition in Africa: the sprawling informal networks of traders, bus drivers, and travelers used by many migrants to send money home. Remittances to sub-Saharan Africa officially totaled USD48 billion last year, according to the World Bank. Experts, however, say that figure tells only part of the story.



Nigeria

U.S. payments company Stripe has bought Nigerian fintech startup Paystack to expand into the fast-growing online market in Africa. The acquisition, reportedly worth USD200 million, reflects the growing online commerce market in Nigeria and across sub-Saharan Africa. The Silicon Valley firm is unlisted but valued at USD36 billion. Paystack, which also provides payments systems, works with more than 60,000 businesses including FedEx, UPS, and MTN and processes hundreds of millions of dollars each month.

Ghana

Ghana is missing out on a rally of African bonds as investors fret about an expansion in spending and borrowing ahead of elections in December. The elevated borrowing to cover the spending shortfall has seen the country's three-year and longer-dated local bond yields rise on the secondary market even as those of its peers on the continent are falling. This is likely to increase future cost of issuing new debt at a time it can hardly afford it.

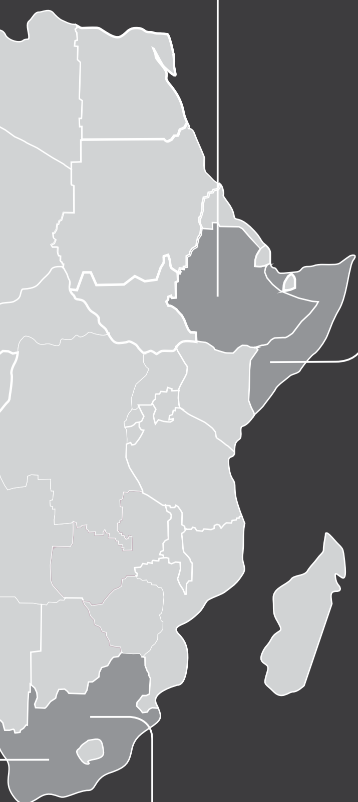
Mali

Mali's interim prime minister said he was open to talks with Islamist militants whose insurgency has made vast swathes of the country ungovernable, but former colonial power France signaled opposition to the idea. Moctar Ouane, who was appointed interim prime minister last month to manage an 18-month transition after the August coup that toppled Keita, said his government was prepared to pursue talks but the Islamist group did not sign peace accords. France has more than 5,000 troops in Mali and West Africa's Sahel region to fight jihadists. But the militants, with links to al Qaeda and Islamic State, have grown stronger in recent years, stepping into vacuums left by weakened state authorities.

South Africa

Eskom Holdings SOC Ltd., South Africa's indebted power utility, started a billion-dollar round of investments in Africa's oldest and only nuclear power plant before getting permission from safety regulators that the reactor's lifetime can be extended.

The decision to begin installing new steam generators at the Koeberg plant near Cape Town underscores state-owned Eskom's confidence that it will win approval to prolong production of low-emissions nuclear power into the middle of the century.



Ethiopia

Ethiopia has banned all flights over its giant new hydropower dam on the Blue Nile for security reasons, the head of the Civil Aviation Authority said, as the president pledged the dam would begin generating power in the next 12 months. The USD4 billion Grand Ethiopian Renaissance Dam (GERD) caused disputes with lower stream countries.

Somalia

Somalia's Islamist insurgents are moving millions of dollars through the formal bank system and appear to be investing in businesses and real estate, according to a United Nations report offering a rare glimpse into their finances. With around 5,000 fighters, al Shabab's estimated expenditure last year was around USD21 million. The U.N. report said the group had funded various small- and medium-sized businesses, including in Mogadishu's main Bakara market which sells everything from guns to food. Two banks are also involved.

Seychelles

The Seychelles elected an opposition candidate as president for the first time since 1977, and winner Wavel Ramkalawan reaffirmed a pledge to hike the minimum wage after COVID-19 stifled the tourism-dependent economy. United Seychelles Party had been in power over the past 43 years, before it damaged its chances by a severe economic downturn.

South Africa

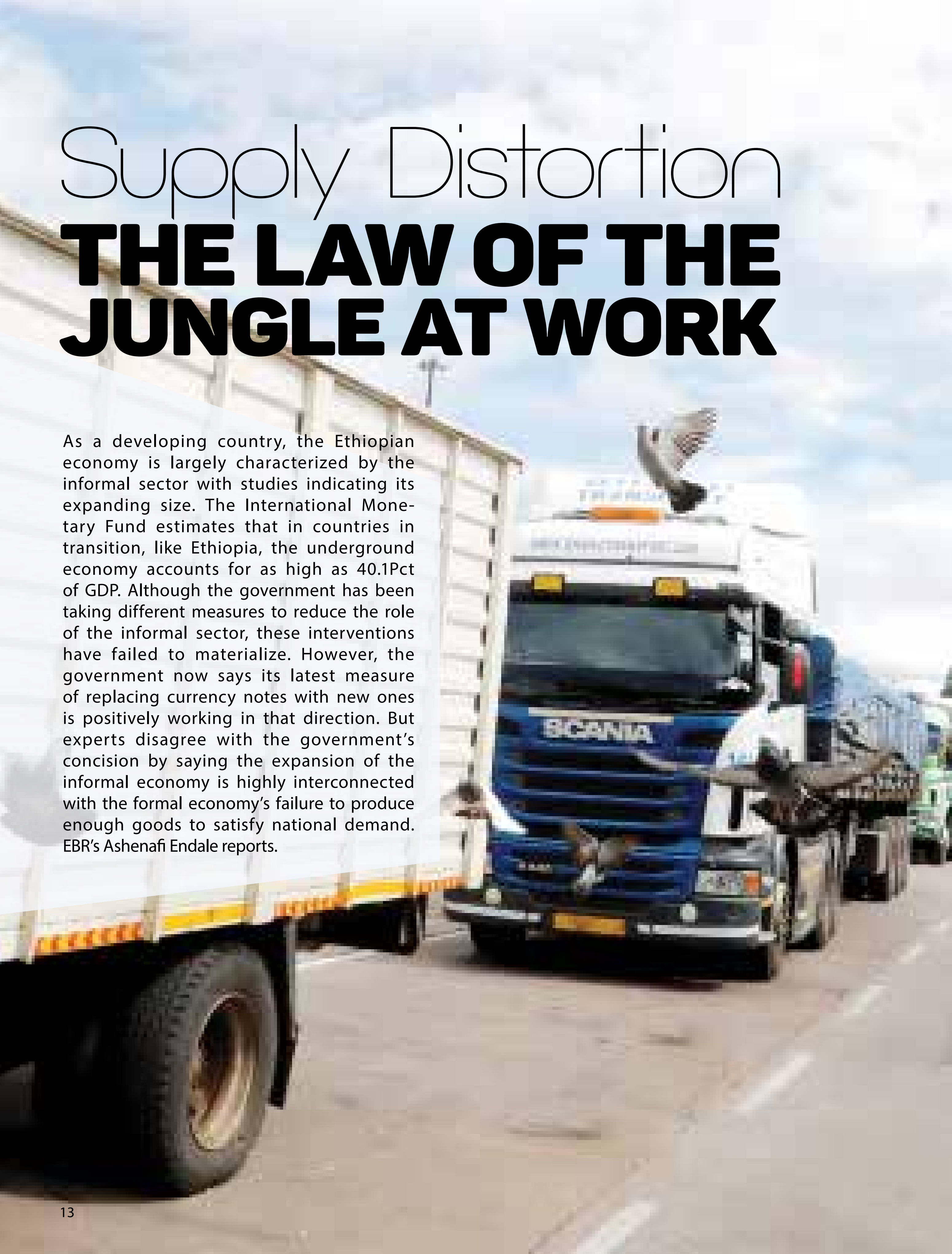
South African pharmaceutical company Aspen Pharmacare APNJ.J reached a preliminary agreement with Johnson & Johnson JNJ.N, a US company, to commercially manufacture its COVID-19 vaccine candidate. J&J's vaccine candidate is still in clinical trials. Aspen will perform the formulation, filling, and secondary packaging of the vaccine. Aspen's shares rose more than 4Pct on the Johannesburg Stock Exchange, after the agreement. Aspen invested over USD184.2 million in its medical facility in Port Elizabeth.

Africa is Warming Fast

African nations are spending between 2Pct and 9Pct of their GDP on climate adaptation and mitigation measures, according to the World Meteorological Organization's first-ever State of the Climate in Africa report. Temperatures in Africa have increased over 1° Celsius compared to the average between 1901 and 2012, and warming in large areas of the continent may exceed 2°C from pre-industrial times by 2080 to 2100 if emissions continue at their current levels. The continent has already seen an increase in heatwaves, hot days, and erratic rainfall patterns. Heat and drought are impacting agriculture production, increasing pest damage, and disease. Climate change and climate variability, together with conflicts, instability, and economic crises, are listed as key drivers of a recent increase in hunger in Africa.

Extreme heat, drought, and changes in precipitation will continue over the next few decades. Under the worst-case climate scenario, in which the world warms by 4°C by the end of the century, African GDP will decline between 7.04Pct and 12.12Pct. Middle-warming scenarios see GDP falling between 3.3Pct and 8.28Pct.

Under the worst-case climate change scenario, crop mean yields would decline 13Pct in West and Central Africa, 11Pct in North Africa, and 8Pct in East and Southern Africa by 2050. Millet and sorghum would be among the most resilient crops, while rice and wheat are expected to be among the most impacted.



Supply Distortion

THE LAW OF THE JUNGLE AT WORK

As a developing country, the Ethiopian economy is largely characterized by the informal sector with studies indicating its expanding size. The International Monetary Fund estimates that in countries in transition, like Ethiopia, the underground economy accounts for as high as 40.1Pct of GDP. Although the government has been taking different measures to reduce the role of the informal sector, these interventions have failed to materialize. However, the government now says its latest measure of replacing currency notes with new ones is positively working in that direction. But experts disagree with the government's concision by saying the expansion of the informal economy is highly interconnected with the formal economy's failure to produce enough goods to satisfy national demand. EBR's Ashenafi Endale reports.

In the last two decades, the government took various measures to lessen the role the informal sector plays in the economy. But these interventions have failed to diminish the informal sector and integrate it into the national recognized economy. The failures carry much more implication than simply that of wiping out the informal economy. It has altered and reduced the impact of any development programs and plans.

The latest measure undertaken to diminish the informal economy is demonization. According to the government, the move is intended to restore macroeconomic balance by reducing the hefty amounts of money circulating in the informal economy. "The significant money circulating outside the banking system, money laundering, and contraband, among others, is threatening the economy," said Prime Minister Abiy Ahmed (PhD) while announcing the new currency notes. "The currency note replacement will effectively stop the damage."

Despite the claim, however, experts stress that the task of reducing the role of the informal sector requires understanding its root causes first. "The government is yet to grasp the nature of the problem," argues Amin Abdella (PhD), Director of the trade and industry department at the Ethiopian Economic Association. "When there is a huge gap between the demand and supply of goods and services, the informal economy thrives. This needs a policy action beyond changing currency notes."

Inflexible government regulations when granting business permits, land and title deeds, as well as high rural

to urban migration can catalyze the informal sector. Yet, in many developing countries, like Ethiopia, that have experienced rapid population growth alongside underdeveloped agriculture and industrialization, the expansion of the informal economy is highly interconnected with the formal economy's failure to produce enough goods to satisfy the aggregate demand.

When economic growth is not accompanied by enough production to satisfy demand, the informal economy is given a boost, which will capitalize on the supply shortage created. This is why experts stress the limited capacity of the agriculture and manufacturing sectors to produce sufficiently is a major factor behind the expansion of the informal economy. "Government is not in a position to shrink the informal economy and detect the direction of the economy without narrowing the supply-demand gap," argues Amin.

Government, on the other hand, claims the currency change brought an additional ETB31 billion saving into the banking system as of October 18, 2020. "In the first four weeks since the new currency notes were introduced, one million unbanked Ethiopians opened bank accounts," pronounced Yinager Dessie (PhD), Governor of the National Bank of Ethiopia (NBE), during a press conference held last month. "We expect more people to join the banking system. An estimated ETB92 billion circulates outside the formal sector."

However, Mercato, the largest market center for most of the wholesale and retail business conducted in both the formal and informal sectors, remains active even after the central bank's move to squeeze and pullout money circulating in the informal economy "The government's policies barely capture the problems, let alone capitalizing on a crisis-induced opportunity," articulates Demis Chanyalew (PhD), a well published Agricultural Economist.

Contraband is one of the main components of the informal economy falling outside government's control. It is estimated that close to 90Pct of cross-border trade along borders, is informal. Although information about this unofficial trade is not available in Ethiopia, it is possible to get a glimpse by analyzing contraband items seized by authorities. In 2013/14, ETB270 million worth of illegally smuggled items in border areas was seized, which increased to ETB1.6 billion in the last fiscal year, according to the Ministry of Revenue. In the first quarter of the current fiscal year, contraband items and currencies worth ETB270 million was also confiscated. Although the figure doesn't show the whole picture, it indicates how large the informal economy is becoming.

"The government is revising Ethiopia's industrial policy, shifting towards import substitution of selected commodities."

Yohannes Dinkayehu,
State Minister for Trade and Industry

Electronics and garments of various types are the dominant items traded illegally in border areas, followed by food items, perfumes, and cosmetics, among others. In 2019, over 30 million contraband phones entered the market, of which 75Pct are smart phones, according to assessment by the Information Communication Technology Association Ethiopia (ICT-ET). Annual demand for cellphone devices averages around 25 million in Ethiopia.

"Most of the contraband phones come from neighbor markets like Kenya and Tanzania, but also from Dubai," laments Abiy Minwuyelet, Group Chairman at ICT-ET. "Local mobile assemblers face severe foreign currency shortages but contrabandists have no such problem, and thus, can bring in as much as they want. Contrabandists are filling a market we could not."

Hoarding is another illegal economic activity fueling the informal economy. For example, there are shortages of agricultural commodities in the country and the government imports 1.2 million tons of wheat annually by spending billions of Birr. However, significant portions end up in the hands of illegal operators. Additionally, contraband commodities are smuggled through Bole International Airport. In a single day last year, contraband items worth ETB219 million were seized.

These are some examples attesting

to the size of the informal economy and its expanding behavior owing to the shortage of goods in the economy. Although it is difficult to ascertain details of the size and characteristics of the underground economy in Ethiopia, few studies suggest that its size is expanding. The International Monetary Fund (IMF) estimates that in-transition countries like Ethiopia are faced with an underground economy accounting for as high as 40.1Pct of GDP.

According to experts, the root cause of the bulging informal economy, are supply-side shortages. Ethiopia has been investing 36Pct of its GDP over the past decade but without boosting the aggregate output significantly. As a result, Ethiopia's economy became import-dependent, which constitutes 24Pct of the GDP over the past decade, on average, according to NBE.

"Everything from construction materials to hotel catering services are imported," explains Amin. "The manufacturing sector is also totally dependent on imported raw materials while agriculture is determined by imported fertilizer, improved inputs, and agricultural tools and machinery."

Ethiopia's annual import bill is currently USD15 billion. Out of the total import bill, the majority (33Pct), is spent on capital goods while 28Pct goes towards consumer goods. The remainder addresses fuel, raw materials, and semi-finished goods imports.

40 Pct

The size of the informal economy as a percentage of GDP.

The government's emphasis of the past two decades has been to actively support the export-oriented and labor-intensive sectors. As a result, agricultural demand-led industrialization and export promotion became a key component of its economic policies and strategies. Although the Ethiopian economy has grown by close to 9Pct in the last decade annually, the economic growth has not improved competitiveness nor brought about significant change in the structure of the economy.

Just like three decades ago, the share of the manufacturing sector in GDP at 5.6Pct, while the main export commodities are still agricultural products such as coffee, oilseeds, chat, pulses, and flowers. Exports of manufacturing products continues minimally. Mainly due to the slowdown in the export earnings of goods, merchandise trade deficit inched close to USD12 billion. Currently, export earnings finance only 20Pct of imports, annually.

This shows that the government's policies don't address the supply problem. "Ethiopia's emphasis on export promotion is mainly driven by the need for foreign currency," argues Fikru Woldetinsae, a renowned Banking Expert. "However, government's concern should be boosting local production by creating a favorable operating environment for the private sector."

Even the government's current moves to privatize major public enterprises is mainly aimed at foreign currency generation. "Privatization generates ample foreign currency for the government, extremely important for the economy," said Ahmed Shide, Minister of Finance, while presenting his office's report of the current fiscal year's first quarter to members of parliament on October 13, 2020.

Michael Raynor, US Ambassador to Ethiopia, echoes the advantage of import substitution for the country. "Producing for the local market is the only win-win solution for Ethiopia," said Raynor after signing a memorandum of understanding with between USAID and Ethiopian Airlines, on October 16, 2020. "Creating vertical and horizontal value chains with farmers and producers here in Ethiopia is highly advantageous, instead of depending on suppliers abroad."

Aklilu Abate, Vice President of the Ethiopian Machinery and Spare Parts Producers Association, explains that in many developing, and even developed countries, small and medium enterprises (SMEs) play a crucial role in local production. "Ethiopia is importing what SMEs in China and India produce. On the contrary, SMEs in Ethiopia remain uncompetitive with their higher production costs resultant of labor, tax, customs, logistics, and other operating expenses."

In addition to high production outlays, the business and investment environment in Ethiopia is not fit. Investing in the agriculture and manufacturing sectors is tiresome. As a result, investors chose to invest in relatively swiftly profitable sectors like import trade, real estate, housing, and construction. "Unless various policy and incentive packages are geared towards the agriculture and manufacturing sectors, Ethiopia will continue to depend on imports to bridge the supply-demand gap," adds Amin.

Although various foreign companies are coming to operate in Ethiopia following the attractive plug-and-play industrial parks and cheap labor, local sourcing and value chain integration with SMEs and other domestic industries remains inexistent. Instead, foreign firms

rely on imported raw materials. “Foreign firms cannot continue their strategy of dumping on us for this long. It has been our own failure,” said Amin.

The reason for Ethiopia’s high dependence on imports is due to the government following an export-led economic growth strategy without having a single competitive advantage at hand, according to experts. “The government ignored import substitution, in which Ethiopia has various competitive edges,” stress Amin.

Finance accessibility by investors in the agriculture and manufacturing fields is the main problem limiting local production. Most of the capital in the country is allocated towards the service sector, specifically import. Import businesses usually benefit at the expense of farmers, manufacturers, and exporters. Out of the ETB556 billion in outstanding loans, the banking industry gave ETB102 billion for international trade and ETB65.4 billion for domestic trade. Agriculture received ETB20.4 billion.

“Banks provide ample finance for importers, because the business is profitable and the high probability of recovering the loan,” explains Amin. “Lending to importers has very low risk for bankers.”

Absence of agricultural and investment banks in Ethiopia is the major bottleneck as existing banks avoid long-term loans. “As an economist who undertakes cost-benefit analyses, I cannot encourage any entrepreneur to invest in agriculture or manufacturing, under the prevailing circumstances,” argues Amin. “Government bemoans investors are not willing to invest in these sectors, but I say they are right to do so.”

Similar to access to credit, foreign currency allocation also favors importers. “It has been long since we planned to establish a large vehicle assembly and spare part manufacturing factory in Ethiopia, in order to reduce imports of aged cars. But we could not access sufficient foreign currency,” says Mohammed Amede, President of the Ethiopian Vehicle Importers Association, which has close to 3,000 members.

> **“The currency change brought an additional ETB31 billion of savings into the banking system as of October 18, 2020.”**
>
> Yinager Dessie (PhD)
> Governor of NBE

Yinager Dessie (PhD), Governor of NBE, says the central bank recently took measures to rectify the problem, however. “Recently, the bank introduced a new directive forcing commercial banks to allocate 45Pct of their foreign currency to investors engaged in manufacturing and agriculture,” Yinager disclosed.

Yohannes Dinkayehu, State Minister for Trade and Industry says the government is revising Ethiopia’s industrial policy, shifting towards import substitution of selected commodities. “As stipulated in the homegrown economic reform, attention will be given to import substitution, by the end of the plan period. We are hopeful the supply side will boost and improve our current account position.”

Although the government is working to substitute some imported items such as wheat by increasing local production, experts stress that import substitution should become an integral part of national economic policy. This is because implementing import substitution in an uncoordinated manner by selecting only a few items will not bring about significant change. “Domestic self-sufficiency can be the sole survival means for the long term,” stresses Amin.

For instance, Ethiopia spends close to USD4 billion importing consumer goods annually. Since the demand for consumer goods is assured with the large and growing population, and their production processes un-sophisticated like intermediate and capital goods, Ethiopia should set targets for the next ten years to substitute significant portions of imported consumer goods by producing locally. EBR

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AMELEWORK GIDEY

The Bold, Visionary Industrialist

"I Want to be the Top Industrialist Woman in Africa."

Amelework Gidey is Founder and Managing Director of Technostyle, a company known for over 20 years as a furniture importer and distributer. She is one of the leading female entrepreneurs in Ethiopia's emerging manufacturing sector. With the acquisition of the foam and furniture manufacturing division of MNS, a Turkish based textile manufacturer and exporter, Technostyle has been expanding through backward integration of its core businesses since 2015. This has given the company a better competitive edge as it now controls a good proportion of the supply of raw materials.

Amelework is President of Ethiopian Furniture Producers Association. She is also amongst the 11 brave women who promoted and led the formation of Enat Bank, one of the few women-initiated and largely-women-owned financial institutions in Africa and the Middle East.

From a humble beginning more that 20 years ago, Technostyle currently employs over 400, including expats from Turkey, Italy, and Kenya. The company's annual turnover has surpassed 600 million Birr. With planned expansion projects, the company aspires to further create jobs for about 700 people. She has already taken a plot of land in Legetafo, in the state of Oromia, for the purpose. With the realization of the project, Technostyle is well positioned to expand into export markets. She has already gotten product approvals from foreign buyers, including large furniture retailers in Dubai. Two showrooms are also operational in Kenya and Uganda.

Amelework rolled out a bold vision for Technostyle—excel to be the number one furniture manufacturer and distributor in East and Central Africa by 2025. She sat down with EBR editors to discuss her business journey, challenges, and prospects. Excerpt:

Tell us how you became a businesswoman?

I was born and raised in Rayana Kobo, a town in northern Ethiopia (North Wollo) from a very hardworking and disciplined family. They paid dearly to support their children and afford them a very good education.

Ever since, I have aspired to be a strong woman and envision becoming the best in whatever field I engage in. I studied sociology at Addis Ababa University at the undergraduate level and further went to California to study international business at the master's level. But, before finishing my MBA, I had to establish a family and move to Nairobi, where I lived for seven years. In Kenya, I worked for a furniture company and developed a strong enthusiasm to pursue the business.

I came back to Ethiopia in 1996 and started my own furniture company with three staff and ETB60,000 in registered capital. We started with a distribution business and later grew to importing one or two containers of furniture. What we started with that humble beginning has now grown to over 400 employees. We did not have enough money to import bulk orders directly from manufacturers. So we used to buy pieces from different suppliers. We also used to take furniture from local producers on a credit basis. We grew fast because of Ethiopian private banks. The growth and expansion of the banking industry created a big opportunity for Technostyle and other furniture suppliers. Six years ago, we shifted to manufacturing and began import substitution. Now, we are preparing for export.

You studied sociology but become a businesswoman. The discipline focuses on social and human issues. With such a background, haven't you ever been tempted to engage in civil society and charitable activities?

Studying sociology was a good opportunity. The study had well-rounded courses, enough to introduce me to several fields. But the driving force for what I have become now, is what I have had in mind since childhood: the dream of becoming a successful businesswoman. And my parents instilled in me good values like hard work, being God fearing, and to always do things in the right way, no short cutting. Discipline is the core value needed to succeed in business.

Tell us about your business philosophy.

Good values are primarily implanted during childhood. So, my upbringing and parenting mattered most to what we do and have become later. My parents have done that to me and I am doing the same to my children. My children are also hard working and disciplined. They are shareholders in the company but they never ask for money. They just work and contribute to the growth of the company. Children become what family gives them during childhood.

There were many ways to become a millionaire through shortcuts. But I resisted temptations and chose to engage in real value creation in furniture manufacturing. I believe in building a strong institution.

> **"Government purchasers think locally produced furniture are of inferior quality."**

Some educated, successful, and empowered women are not successful family women.

I believe there should not be such competition with family. A husband and wife are partners in life and should always collaborate. The problem in Ethiopia is not between successful women and their husbands. It's the blurred perception that we have as a society. As more and more women get educated and become more assertive of their rights and roles, the same isn't happening in the society.

How much is your current capital?

From a humble beginning in 1997 with only ETB60,000 in startup capital, the company's capital has been steadily growing at a rate of 20Pct annually. Our turnover in the first year was ETB800,000. Our current registered capital is ETB57 million, and turnover has surpassed ETB600 million. In line with our vision of becoming the number one furniture manufacturer and distributor in East and Central Africa by 2025, we are expanding and heavily investing to build our capacities. Currently, we are also building a G+12 showroom around Meskel Square.

We are a large tax paying company and every year we are awarded gold medal for that. But it is different now since we shifted to manufacturing. Unlike importing, manufacturing does not pay off immediately. But our industries are gradually starting to be profitable. Investing in manufacturing is like planting an apple tree. Once the tree is grown, you will keep harvesting the fruit for a long period. It's very challenging. So you need to be very patient. I sold my personal properties to make this investment. Many people thought I was crazy when I did that. But I am planting a tree. I am building this company to last for generations.

Have you started exporting?

First, we started manufacturing office furniture, with the ETB12 million loan we took from Enat Bank. It was located in Akaki district but I had to demolish the factory, because the land was needed for the city railway project. We lost the machinery, raw material, and paid a considerable amount of bank interest in vain. However, the land was fenced and kept idle for many years.

Fortunately, a Turkish company named MNS asked me to buy its foam factory, which the investor was told to close down because his business license only allowed textile manufacturing. At the time, I didn't even have one million Birr. I wrote a letter to the Ministry of Industry about my intentions. The Minister, who was a Board Member of the Development

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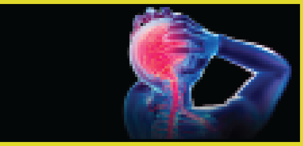

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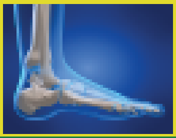

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Bank of Ethiopia (DBE), had heard a lot about my strength. He knew that I am a hard working person having expertise in the sector. I had nothing but a strong will and vision. The bank encouraged me and the loan was approved, seven years ago. We then acquired the foam factory and expanded it into an office furniture factory as well. Together with the foam industry, we have built four factories in Legetafo.

What are the major challenges in the process?

There was a skill shortage, so we brought expats and trained our local workforce. In fact, we invested more than what we already had, to excel. We first started producing exportable foam mattresses for four- and five-star hotels. Then we went on to produce home and hotel furniture. Finally, we are becoming an end-to-end furniture company. A furniture company must feed itself. We really worked hard to create a world-class furniture factory.

My employees are extraordinarily hard working. We have Kenyan, Turkish, and Italian staff in our team. Top economists and marketing experts also work with us as advisors and consultants. It is simple to bring products from overseas and sell it here. However, it takes a large investment, time, and a lot of hard work to create a sustainable industry.

With the capacities that we have built now, we can start exporting today. But we want to create a sustainable production capacity with a solid input supply before entering the export market. Export must be a continuous process. Our products are accepted in Dubai. I want to invest further in backward linkages to ensure an uninterrupted raw material supply and production. That means expanding into wood, textile, metal, and accessories production.

> **I earned success with blood and sweat."**

I heard that you have supplied furniture to the PM's office. Is it true?

That is not true. When I stopped importing and shifted to manufacturing locally, I could not win bids as such because government purchasers think locally produced furniture are of inferior quality. But, this is not true.

However, there was one incident. The Ministry of Science and Technology was almost ready to award a furniture procurement auction to foreign suppliers. I challenged them. The Minister at the time was Abiy Ahmed (PhD) and I went to his office. He asked me if my company could manufacture office workstations. I said yes. We then produced the sample and the Minister liked it. We were then awarded the entire project.

I have never received any preferential treatment from anyone, especially from the government, because I am a woman. I never do business like that. I earned success with blood and sweat.

How much have you invested in the factories so far?

There is no furniture factory like ours in the whole of East Africa. We have invested ETB300 million and we are planning to invest more. We have taken loans from Enat Bank, DBE, Commercial Bank of Ethiopia (CBE), and others. One of the reasons why our factories could not be profitable in the short run is because private banks' charge high interest on loans. It is killing us. But I do everything genuinely, so I can go with my head held up high. I never do any shady business. I work for my name, not for money.

What should government do to expand manufacturing in Ethiopia?

Government must ensure easy access to land and finance. Interest rates should be lower for manufacturing. DBE is highly supportive of me. And I have never defaulted.

Some people argue corporate tax rates should be decreased for investors in manufacturing and agriculture.

If you aim high, Ethiopia's tax regime is relatively favorable compared to some countries. Government builds infrastructure only when it collects taxes effectively.

But tax holidays are necessary for manufacturers, until their factories enter full-scale production and are able to generate profit. The manufacturer also reinvests the money. Improved tax holiday programs are especially necessary for Ethiopian investors.

Furniture is imported into Ethiopia in billions of Birr every year. Close to ten companies are under preparations to invest in local furniture manufacturing. Government should provide experts for such new factories, just like what it does for textile producers. Then, Ethiopia can effectively substitute furniture imports.

But currently, private banks provide loans at 18Pct interest, while exporters access loans at 7Pct and 10Pct. The exporters import the raw materials we

We are the top competitor among the 12 strong furniture manufacturers in East Africa.”

need and sell it to us at a profit margin of up to 40Pct. We have to pay all this interest because we cannot access foreign currency easily. This is where the government should focus on. If government wants the manufacturing sector to grow, it should take policy decisions that will make industrial products cheaper. When the price of locally manufactured goods is less compared to outside goods, then importing will be less attractive. Currently importers are favored.

What is the capacity of local furniture manufacturers?

Existing factories have enough installed capacity to meet local demand. But it is difficult to produce all the required inputs and raw materials locally. There is no ‘self-sufficiency’ concept in furniture. Even Italy imports some parts from other countries. Ethiopia can produce at least 90Pct of the required raw materials locally. Government must focus on building local capacity.

Furniture is a household industry. It does not need foreign direct investment. Currently, there are amazing furniture companies emerging. In the future, Technostyle might leave furniture manufacturing for raw materials production. We can supply raw materials for small- and medium-scale furniture enterprises, so that they produce the end products.

Then you will sell the furniture under your brand?

That is my plan. We will train and build their capacities so that they produce with our standards. This is how the furniture industry grew in Turkey, Italy, and other countries.

How much of the total demand is met by local manufacturers?

I would say less than 50Pct. We are studying it because it is a very dynamic sector. As the construction sector is growing, the furniture industry is also growing. However, there is fluctuation.

In a number of sectors, associations become toothless because members compete with one another, rather than uniting to push the government to introduce policies favoring their industry.

In our case, we do not compete, we collaborate. We are working to transform importers into manufacturers. There are no furniture manufacturers to compete with. Technostyle escaped the competition by moving ahead. We are the top competitor among the 12 strong furniture manufacturers in East Africa. Nobody wants to give that credit to a successful woman. It is bad culture. I was one of the 11 visionary founding women of Enat Bank. Each one of us was assigned to excel in our respective sectors. Mine was to excel in furniture. We have succeeded.

I am also one of the founders of Berhan Bank.

Tell us about a special challenge you have faced.

Shortly after I established Technostyle, another company took all of my 12 employees, including the manager. I re-started from scratch and survived. A documentary about the challenges I survived will be produced to educate young women.

Do you have plans to support women?

I want to train 100 women furniture manufacturers like me in Ethiopia. I will be their raw material supplier. That is my ultimate plan. I like changing people’s lives.

How do you evaluate the performance of Enat Bank, in terms of empowering women?

I am so happy. Enat Bank started empowering women economically, but it is like any other commercial bank. The founders are women but many men are shareholders and clients.

The future is good for Enat Bank. If Ethiopia opens up the banking sector to foreign banks, they will prioritize working with Enat Bank, as it will benefit their social responsibilities.

There are still many challenges for women to start business, one of which is finance. Enat Bank is trying to solve that. Most of the collateral is in the hands of men. So, we have to work to empower women from the grassroots. Women have to start businesses on their own, too. Women must have title deeds in their names. In fact, our social structure needs to change as well.

What do you think are major challenges that hold women back?

The younger generations of women are highly business-minded. The attitude change is occurring faster than we imagined. What women need now is to be a risk taker. Unless they take risks to take credit, start businesses, fail, take lessons, and get back up, they cannot succeed in the business world.

Women are still seen as housewives, making them economically dependent. The society needs to provide extra encouragement for women. Men have more business opportunities through informal networking. Women must finalize what they start. Enat Bank had to have been successful to change the mindset of those who doubted us.

Some argue affirmative action is no longer necessary because they see what Ethiopia has done over the last 30 years as enough.

Affirmative action is necessitated because of the historical injustices faced by women. Still, we are living in a society where women are not allowed to go to school in some rural areas. There are very few women at the top of businesses. So affirmative action must continue, at least for the next ten years. Women must access free education. In Kenya, women access loans at 2Pct less interest than men. We need more women in the economy and in policy making.

What do you think is the way out of the foreign currency crisis?

Government should solve the challenges industries are facing, rather than attracting new investments. Some 30 factories can satisfy the local furniture demand, if they operate at full capacity. Most factories in the furniture sector are facing a lack of land, financing, skill, and market. The government should provide more incentives to these companies to solve their problems. The Ethiopian government is not supporting them, where as foreign furniture companies in Ethiopia are provided full support by their governments at home. Plus, the Ethiopian government receives them with a red carpet and provides them with more than 70Pct of the working capital they need. This happens while Ethiopia discourages its own investors, which could bring about sustainable economic growth. The focus on foreign investors and lack of proper and adequate incentives to domestic investors is ill-advised.

Government can select 30 local furniture manufacturers, to closely work with the construction industry and procurement system. Government invested significant amounts of money to build the technical skills of textile factories. Furniture can grow dramatically, with less investment, if Ethiopia does the same.

The furniture industry is a large economy. Because of poor policies, Ethiopia has become a dump site for poor quality furniture imports. Furniture is wasted every year, without serving for at least five years. If the government supports local manufacturers, imports can be sufficiently substituted in few years' time.

"The focus on foreign investors and lack of proper and adequate incentives to domestic investors is ill-advised."

Do you support feminism?

I did not lose anything in life because I am a woman. I believe in collaboration between men and women. I usually only read or do what adds value to my knowledge, skill, profession, and industry.

What is your vision?

Our vision is to become the leading furniture manufacturer and distributor in East and Central Africa by 2025. I want to be the top industrialist woman in Africa.

We are getting closer to 2025.

I am also getting closer to my vision. I am sure we will achieve it. Not many companies are ahead of us. Many foreigners who visit our factory say "it is a shame for Ethiopia to import furniture while such a huge factory is already built." We know the leading furniture manufacturers in the world. We participate in all of the four major international furniture exhibitions annually, in China, America, Italy, and Turkey. We know the quality of each manufacturer and see where we are as well.

I have a very clear plan to achieve my vision. Currently we are working on a metal engineering factory which rests on 12,000 square meters of land.

To P. 56

Pushing or Pulling the Economy?

THE ROLE OF PUBLIC ENTERPRISES IN ETHIOPIA

Ethiopia's economic policies of the past two decades indicate the growing role and significance of state-owned enterprises (SOEs). Essential services such as electricity, telecommunications, shipping and logistics, and transport are mainly provided by SOEs. In addition to giant public enterprises, like Ethiopian Airlines, Ethio Telecom, and Ethiopian Electric Power, there are also SOEs engaged in railways, industrial parks, hotels, sugar, and other manufacturing industries. Although SOEs are increasing in the volume of transactions they involve, most remain inefficient and unable to service their debts. Their accumulated debt is especially skyrocketing, putting a huge stress on the national economy. The current accumulated debt of 21 SOEs is ETB846 billion, which is more than half of the total national debts. EBR editors explore the issue.

Privatization of state-owned enterprises has been one of the major contentious issues in Ethiopia. In recent times, the topic has resurfaced once again when the administration of Abiy Ahmed (PhD) announced to the world plans to gradually privatize state assets and sell shares of public enterprises including the national carrier, Ethiopian Airlines and the sole telecom provider Ethio Telecom. Though some plans have been modified, including the cancellation of Ethiopian Airlines and Ethiopian Shipping and

Logistics Service Enterprise share sales, as well as the telecom infrastructure licenses, the privatization moves are progressing.

The decision to partially and fully privatize SOEs is part of the Homegrown Economic Reform initiative intended to overcome the structural and institutional obstacles facing the country by accommodating opportunities presented by both a free market economy and the developmental state ideology. The denationalization of several public enterprises is intended to bring much-needed foreign currency and boost the economy. Although the initiative shows the current administration's attitude in so far as disentangling itself from ideological attachment and a commitment to correct past wrongdoings, the road ahead seems bumpy.

Of course, the government's recently announced price evaluation to expedite the privatization process in the telecom sector is completed. "We are waiting for the final decision," Ahmed Shide, Minister for Finance said during the press conference held on October 18, 2020. "The privatization process will be carried out in the second half of the current fiscal year."

When it comes to Ethiopian Airlines, however, the government has preferred to delay the process. "The government is pushing the airline to maintain its current capacity and efficiency as it has a significant contribution to the country's economy," said Ahmed.

The government's decision to delay the privatization process of the national carrier seems justifiable as the airline is one of the top performing SOEs in Ethiopia and Africa's largest airline in terms of passengers carried, destinations served, fleet size, and revenue.

During the 2018/19 fiscal year, its revenue reached USD4.2 billion when many African airlines were struggling to survive. Even during the coronavirus pandemic-induced crisis, Africa's largest carrier managed to cover all its fixed costs and became one of the few successful airlines in the world.

Of course, as a public entity, revenue and profit are not the only motives propelling Ethiopian Airlines. The

national carrier is also successful in terms of achieving its societal purposes. In addition to being a symbol of national pride, its 230 destinations worldwide and the connectivity advantages the airline offers to travelers has facilitated the influx of tourists to Ethiopia, supporting the lives of millions directly and indirectly.

Ethiopian Airlines is a top-performing public entity that managed to establish an effective and efficient economic organization functioning as a private company with a profit motive, all the while serving the public's interest as an SOE at the same time. But the other SOEs are not as effective as the national carrier when it comes to balancing the economic and social aspects of such organizations.

A case in point is the state run Ethio telecom, the sole provider of phone and internet services for more than 100 million Ethiopians. Currently, 46 million people have subscribed to their mobile phone service while 19Pct of the population have access to internet. Even though the company operates without competition, telecommunications service in Ethiopia is poor and unreliable.

According to the Global Connectivity Index, Ethiopia is the bottom-ranked country in the world in terms of telecommunications services. Despite this poor performance, the government claims, as justification, that Ethio Telecom is a cash cow providing endless revenue for other developmental objectives. Of course, the annual revenue of the company has now reached ETB47.7 billion. However, given its poor and unreliable service as well as massive debt, it is safe to say that Ethio Telecom is becoming a liability and not an asset for the country.

Other SOEs, operating in monopoly markets such as logistics, electric power, sugar production, and railways, are also performing below expectations and their accumulated debt is skyrocketing. The accumulated debt of 21 SOEs under the supervision of the Public Enterprises Holding and Administration Agency (PEHAA) is currently ETB846 billion. Out of the total debt, ETB485 billion is borrowed from domestic sources with ETB361 billion from external lenders. There are an additional 22 SOEs supervised by various other government institutions.

The Commercial Bank of Ethiopia (CBE), under PEHAA, is the biggest loan provider to SOEs. CBE is owed ETB370 billion by Ethiopian Electric Power (EEP), ETB120 billion by Ethiopian Railways Corporation (ERC), ETB70 billion by Sugar Corporation, and ETB74 billion by Ethio Engineering Group (formerly known as Metals and Engineering Corporation), among leading figures.

"Since our loan portfolio has been concentrated on SOEs, CBE is unable to have a healthy credit portfolio. The bank lends to SOEs at lower interest rates," says Muluneh Aboyeh, Vice President of Risk and Compliance at CBE. "If we could partially allocated their loans to the private sector, we could have a healthier portfolio and register better profits."

" The debt restructuring will have an economy-wide impact because SOEs have a large role in Ethiopia's economy,"

Ahmed Shide (PhD)

Minister for Finance.

Of course, SOEs revenue has jumped from ETB235 billion during the 2018/9 fiscal year to ETB301 billion in 2019/20. Profit has also doubled from ETB28.7 billion to ETB56 billion. Yet, during this period, only seven SOEs managed to pay ETB15.3 billion to their domestic creditors, and USD604 million to foreign lenders. Compared to their large debt, their annual repayments are insignificant.

Pressured by such a burden, the government has decided to restructure the accumulated debt of SOEs and have it managed by the Ministry of Finance (MoF), rather than by the individual enterprises. The decision came after the national macroeconomic committee convened with the Prime Minister on July 30, 2020. "We are restructuring SOEs' debt of ETB600 billion, as part of the reform," said Abiy, later on September 14, 2020.

In addition to restructuring the debt, MoF is also tasked with establishing another public entity, solely to handle SOEs' distressed debt. This public entity is expected to manage SOEs' assets and investments as well as convert their debts into long term bonds. A regulation to establish the public entity is under-preparation, according to sources. The law will determine how much debt the SOEs should repay from their own operations and how much should be transferred to the new entity.

"Some of the SOEs have requested us to clear their debts, as they are unable to access additional finance to finalize their projects," explains Wondafrash Aseffa, Director of communication at PEHAA. EEP has requested half of its ETB400 billion debt to be cleared, according to insiders.

Senior managers at CBE have welcomed the massive debt restructuring move. "It is good news for CBE because it will help the bank have a healthier loan portfolio mix," says Muluneh.

The government stresses the restructuring of SOEs debt will help them start afresh and finalize their projects. "It will have an economy-wide impact because SOEs have a large role in Ethiopia's economy," Ahmed, MoF Minister, emphasizes . "The debt restructuring is mainly to clear SOEs' accrued debt and enable access to additional loans, allowing them to finalize their projects as well as start new ones."

According to the recently introduced Ten-Year Perspective Plan, SOEs' annual profit is targeted to blossom to ETB125 billion in ten years, up from the current ETB56 billion. The plan foresees these companies to undertake quality projects and become internationally competitive, among other targets.

Yet, experts are not hopeful as the government. "It is difficult to fundamentally reform SOEs while they are under government control," argues a macroeconomist with decades of experience who spoke with EBR on the condition of anonymity. "Although it is rational for the new administration to remedy mistakes of the past regime, it should not be limited to debt restructuring."

Teke Alemu (PhD), Lecturer of economics and finance at Addis Ababa University (AAU), agrees. "The government has been rescheduling SOEs' debt for long time and it is no different this time," he argues. "The first priority for the government should be leaving business for the private sector and becoming an effective regulator."

The experiences of many economically advanced nations reveal that balancing state intervention in the economy and creating ample room for the private sector is essential to accelerate economic growth and achieve sustainable development. This is because both the public and private sectors have their own part to play.

The private sector has a role that cannot be substituted by the state—producing and supplying goods and services efficiently. In order to take on its duty and responsibility of advancing the life and welfare of its citizens, however, the government might also have to engage in industrial and commercial activities. For instance, when there is a market failure such as an inadequate supply of goods and services by the private sector, the government will be forced to intervene in the economy by establishing SOEs to correct the mismatch. However, state intervention should be concentrated and limited to fundamentally public driven activities such as addressing market deficits and capital shortfalls as well as promoting economic development and reducing mass unemployment.

Taking these factors into account, governments in various countries created public enterprises, especially after World War II. The history of SOEs in Ethiopia also coincides with this trend. Although SOEs started emerging in the early twentieth century, it was during Emperor Haile Selassie's reign that many public enterprises were established in the hotel, banking, and logistics sectors, among others.

When socialism became the nation's political philosophy in 1975, most private companies were also nationalized and transformed into public enterprises. Since SOEs were relatively large and their supervision inefficient, their performance was below average. After the fall of the Derg regime, the government declared a market-oriented economic policy and large-scale privatization of public enterprises ensued. Ethiopia privatized 360 enterprises between 1995 and 2002, generating ETB49.2 billion in the process.

Although the privatization effort in Ethiopia was not as destructive as observed in countries like Russia, its impact on the economy was minimal. So, the government continued to vigorously take part in the economy with a view of encouraging the private sector.

So, the government in Ethiopia continued to affirm its strong hold on the economy by maintaining its monopoly in sectors like telecommunications, aviation, electric power, and logistics, among others, especially after adopting a 'state-led' development approach in which SOEs play a fundamental role.

"The government used SOEs to monopolize sectors which it did not want to fall into the hands of the private sector," says the macroeconomist. "So, the focus was never making SOEs productive, but rather to keep them alive at any cost."

Beyene Hailemeskel, Director General of PEHAA, has a different perspective. "The problem observed in SOEs is related more with poor management, lack of skilled manpower, and weak controlling procedures," he explains. "Many public projects implemented by SOEs failed because they were initiated without sound feasibility studies. Clearly, some SOEs squandered the huge amount of money they took in the name of investment."

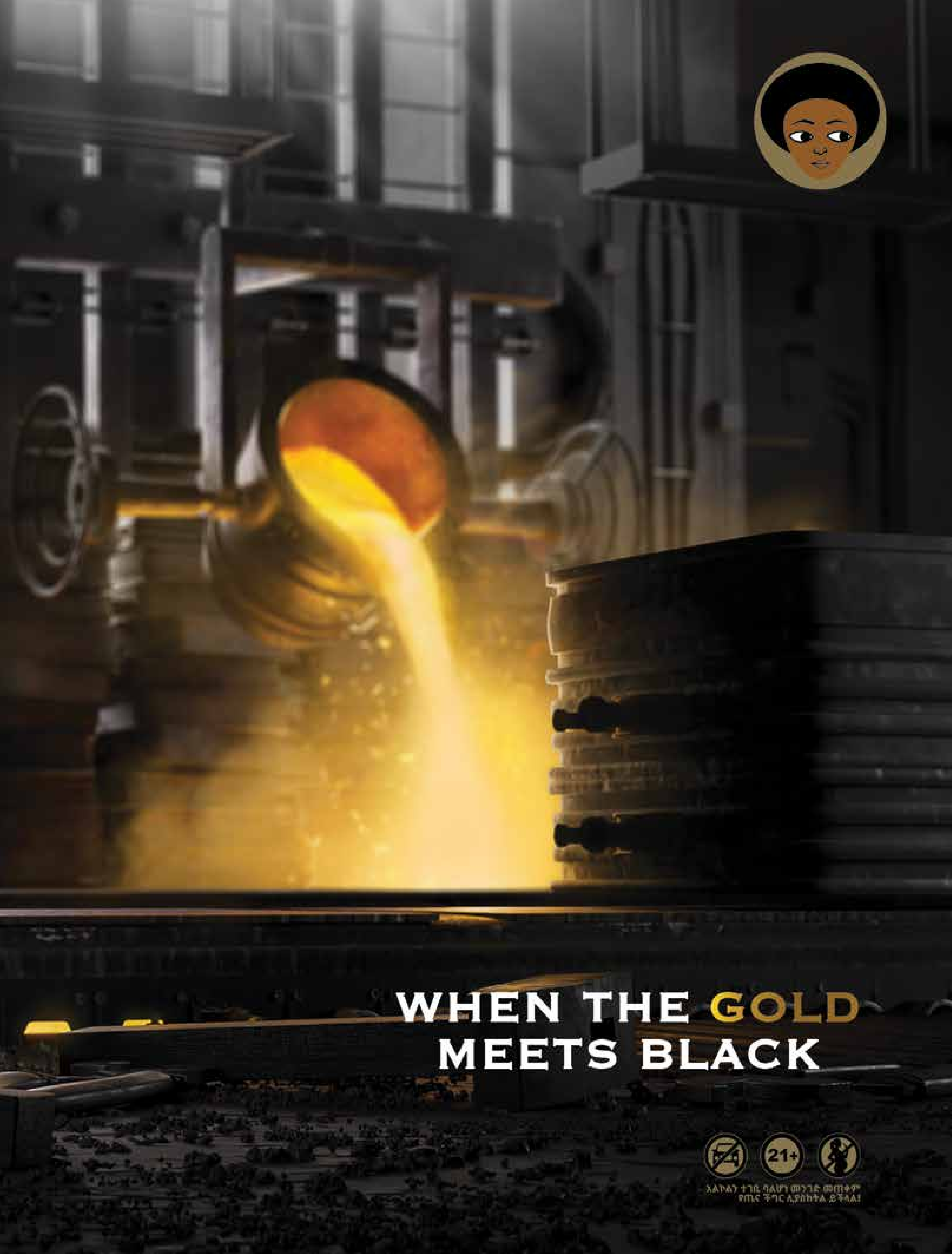
Ethiopia is also attempting to resolve the problem, according to Beyene. "Various studies are underway by local and foreign firms to privatize some SOEs and liberalize various sectors. The exact decisions and steps will be disclosed after the studies are finalized."

Countries like China reformed the way SOEs operated by redeeming them from the bureaucratic control that hindered their performance. South Korea also changed the way it managed its public enterprises, dramatically. Although both countries applied privatization and liberalization step by step, the reforms implemented to improve the efficiency of SOEs was the chief factor that laid the foundation for the economic growth China and South Korea registered during the last three decades.

Citing the experiences of China and South Korea, Teke, Lecturer at AAU, argues privatization and liberalization are not the only solution. "If government must involve in the economy, it should enact major reform and create efficient SOEs. The debt restructuring must be attached to performance evaluation. Only unfruitful SOEs should be privatized." EBR

ETB 846 billion.

The accumulated debt of 21 SOEs operating in Ethiopia.


WHEN THE GOLD
MEETS BLACK
21+

“There is ample room for both the public and private sectors.”

Beyene Hailemeskel, is the former Director General of the Public Enterprises Holding and Administration Agency (PEHAA), which oversees 21 state-owned enterprises (SOEs) in Ethiopia. He joined the agency 20 years ago, gradually climbing the ladder to the top position. Beyene, who argues that state intervention remains a crucial driver of Ethiopia’s economy, stresses SOEs are undergoing deep reforms to the core. EBR paid audience to Beyene’s reflections on SOEs’ performance and futurity, weeks before he tendered his resignation at the end of October 2020.

There are 21 public enterprises under the watchful eyes of the Public Enterprises Holding and Administration Agency (PEHAA), while an additional 22 SOEs are under the supervision of other government institutions. What are the basic features of the SOEs under the Agency's control?

In general, SOEs are mandated to discharge specific social responsibilities, besides conducting business. Usually SOEs are expected to cover their expenses from their own revenues. But they are also expected to generate profit. Sometimes, however, SOEs operate sans profit in order to discharge their social responsibilities. SOEs under PEHAA's supervision have long term investments and handle national projects that take longer to generate profit. They are for-profit companies but they have additional mandates as they are public enterprises.

How do you evaluate the performance, efficiency and contribution of SOEs under your supervision?

During the 2019/20 fiscal year, the 21 SOEs under our supervision created job opportunities for 164,000 people. Indirectly, these enterprises support 700,000 people. Their contribution towards the national economy is 10Pct of GDP and 20Pct of governmental tax revenue. Combined net profit is ETB56 billion in 2019/20. In terms of generating foreign currency, Ethiopian Airlines and the Commercial Bank of Ethiopia (CBE) generated USD8 billion during the last fiscal year, mostly in the form of service export and remittance.

Which enterprises are profiting well and which are performing poorly?

We categorize our enterprises into three groups. Ethiopian Airlines, CBE, and Ethio Telecom represent the lion's share regarding revenue and profit. In 2018/19, five enterprises reported losses. But in 2019/20, all enterprises were profitable bar one. The Development Bank of Ethiopia, Sugar Corporation, and Ethio Engineering Group (formerly Metals and Engineering Corporation) are among the enterprises continually in the red. Enterprises engaged in manufacturing and hotels are also performing below capacity.

“It is difficult to restructure the debt of some SOEs.”

Board members and senior managers of SOEs are usually political appointees. Is this one of factors for their poor performance?

SOE management has three layers. The first layer is PEHAA, which oversees the SOE. The second is the board of each SOE, and third layer are the senior managers. The Director General and other directors at PEHAA are recruited through the normal civil service procedure. Concerning the board members and senior managers, we have adopted a modern corporate administration system drawn from best practices the world over as of the end of 2018/19. Board members and senior managers must have technical as well as leadership skills. But this doesn't mean that there are no politically appointed board members and managers. But I believe this doesn't matter, since they all have rounded knowledge and capability.

But, the capability of SOEs to attract skilled senior managers who do not have political attachment is minimal.

This is not true in all cases. For instance, Ethiopian Airlines is capable of attracting the best minds in the sector. CBE is another SOE with upper management of equal or superior capabilities compared to other Ethiopian private banks.

The government decided to restructure the accumulated debts of SOEs recently. Could this help them?

The accumulated debt of some SOEs is large because they are undertaking massive projects. On the other hand, CBE is a major source of credit for the other public entities. The accumulated debt has placed heavy pressure on

CBE. Since both are SOEs, the debt restructuring will solve the problems of both the creditor and debtors. The ultimate objective of the restructuring is to help SOEs finalize their projects as fast as possible. If their debt is cleared, these enterprises can access additional finance and finalize projects.

But it is difficult to restructure the debt for some. We are still discussing whether to restructure or postpone the repayment period for some SOEs.

The government has announced that another public entity will be established to handle SOEs' accumulated debt. What kind of company will this be?

The formation of a company to handle SOE debt is at its initial stage. We are waiting for a decision from the government to determine how the company should be formed and operated.

SOEs are usually blamed for crowding out the private sector. Do you agree with this argument?

This can be seen from two perspectives. From a sectoral perspective, there is no sector in which the private sector has failed to invest in because it is monopolized by the government. For instance, the government invested in sugar factories because private investors didn't want to do so. The same goes for power generation and railways.

The second angle is finance. Did the private sector fail to access finance because the government was overbearing and all the money was taken by SOEs? The answer is no. SOEs mainly get credit from CBE. So, the private sector can access finance from other banks operating in the country. There is ample room for both public and private actors.

How is the privatization process of Ethio Telecom and the liberalization of the telecom sector progressing?

Even now, new operators are coming to the scene. The number will increase after the sector is liberalized. Then, Ethio Telecom will have to compete with new operators, which is a very good thing from the consumer's angle. There will be improvements in the service rendered and the public will have options. Ethio Telecom is preparing itself for competition.

The second is privatization. Ethio Telecom has been the sole operator in the sector. For now, 40Pct of Ethio Telecom will be privatized, while 5Pct will be sold to the Ethiopian public. The remaining 55Pct will remain under government ownership. This will change the structure of the company form 100Pct government owned to partially government owned.

Various studies are underway by local and foreign firms concerning the privatization and liberalization of the telecom sector. The exact decisions and steps will be disclosed after the outcomes of the studies are wrapped up.

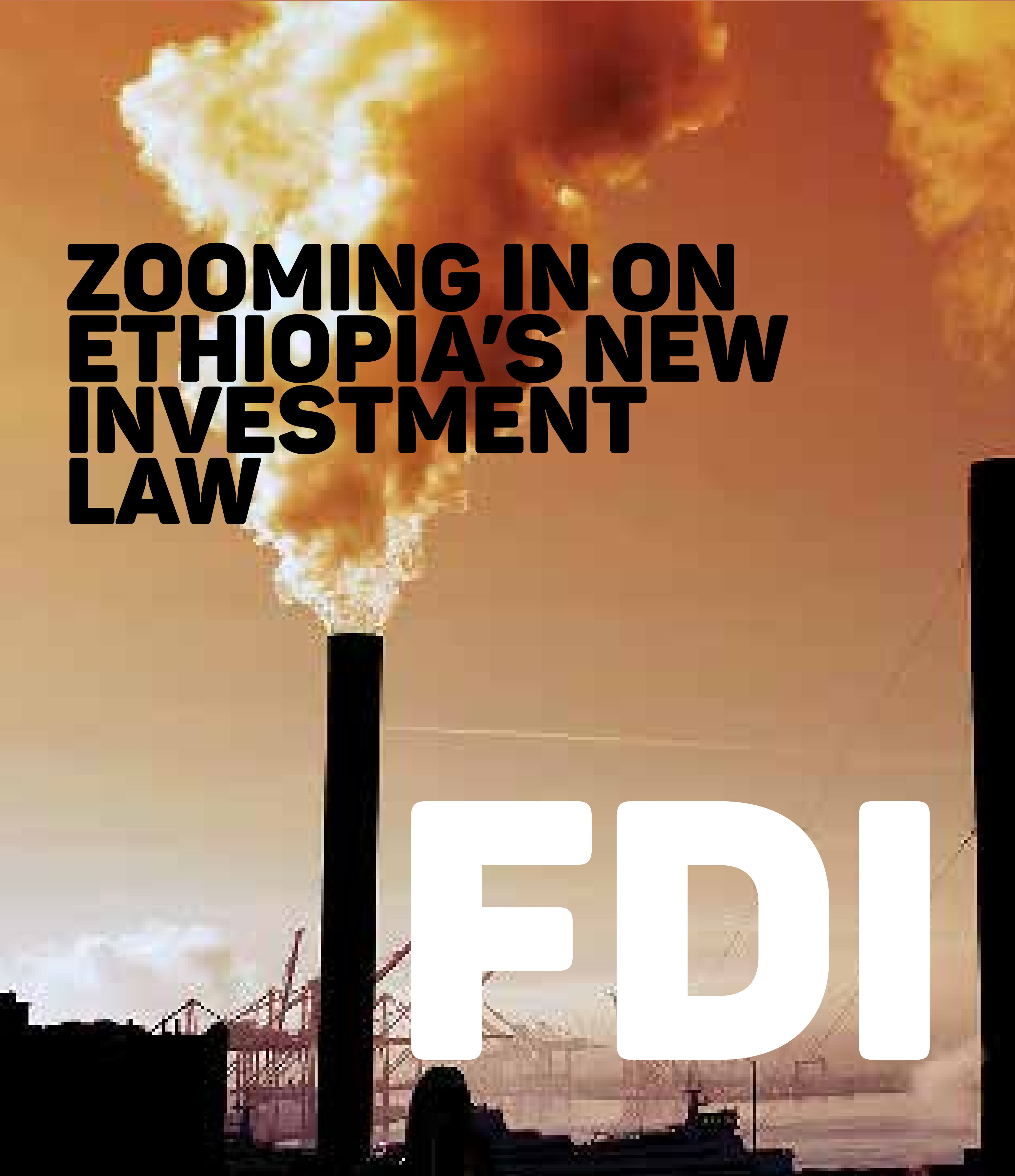
> **The privatization process must go piece by piece."**

What is the progress of the liberalization and privatization process in other sectors and SOEs?

Privatization of Ethiopian Electric Power is at an early stage, while various studies have been undertaken to privatize sugar factories. The privatization of sugar projects first requires the deregulating of the sugar market, which has been monopolized by the government so far. We are waiting for the outcomes of the studies. Once we know all the outcomes and conclusion of the studies, the government will decide. But this takes time.

How can the government privatize SOEs operating with large debts?

For instance, some sugar factories have now started production. These factories can be profitable and repay their debt if they are privatized with their liabilities. But for some enterprises that have not started production and have massive debt, this is quite impossible. That is why the privatization process cannot be a one-size-fits-all approach, and must go piece by piece, based on studies. EBR



ZOOMING IN ON ETHIOPIA'S NEW INVESTMENT LAW

FDI

Since domestic resources are not large enough to finance various development endeavors, Ethiopia, just like any developing nation is forced to turn to Foreign Direct Investment (FDI). To facilitate the flow of FDI into the country, the government tried to introduce a favorable legal framework in line with constantly changing global dynamics, but without compromising national interest.

To this effect, the government has amended the investment proclamation five times since 1992. The government's efforts seem to have been fruitful. Especially after 2010, the annual FDI flow showed an increase and Ethiopia was among top five FDI recipients in Africa. In 2017, FDI flow reached a record high of USD4.5 billion.

But since then, FDI flow started declining year after year and reached USD2.5 billion last year. In the first quarter of the current fiscal year, FDI flow was USD500 million, 20Pct lower compared to the corresponding period last year. Alarmed by this weakening, the government amended the investment proclamation for the fifth time in 2020.

"The new investment law brought about many changes especially in connecting the local private sector with more opportunities," explains Lelise Neme, Commissioner of the Ethiopian Investment Commission (EIC). "The amendment brought a big paradigm shift capable of reversing the diminishing FDI flow into Ethiopia."

Close to 200 representatives of the private sector (local and foreign) participated in the amendment process. The new investment law considered the quickly changing global investment environment as well as the movement of global value chains in order to align with successful laws globally.

Countries follow different approaches while crafting their investment laws. However, open-system and restrictive-system approaches are the most common globally. In an open-system, the host country admits FDI without a formal screening and approval process. European Union member states, eastern European countries, Chile, Argentina, Rwanda, and Mauritius are among the countries that follow an open-system approach while crafting their investment laws. On the other hand, countries that limit foreign equity acquisition below 50Pct, require approval for the investment, and restrict capital repatriation and land ownership, are categorized under the restrictive-system approach. Ethiopia follows this approach.

The first major change in the new investment law is the shift from a positive listing to a negative listing approach. Negative listing approach employs the opening of all sectors to foreign investors, except those restricted by law. By employing this approach, the new law classifies investment areas into three categories. These are areas exclusively reserved for domestic investors, domains exclusively reserved for joint investment with the government, and spheres exclusively reserved for joint investment with domestic investors. All other sectors outside of the three categories and not explicitly listed in the proclamation, regulation, and directive, will be open for foreign investment. This approach is a reversal of the 2012 amendment which adopted the positive listing approach that was restrictive by design.

Some experts argue shifting from a positive to negative listing approach indicates the intentions of the government to avail more sectors to foreigners. They argue this is against the interest of domestic investors. However, experts like Mehrteab Leul, Founder and Principal at Mehrteab Leul and Asociates Law Office, specialized in business and corporate law, disagrees.

"The new investment regulation is in stark deviation from its predecessor," explains Mehrteab. "The shift towards a 'negative list' is probably the most significant aspect of the new investment law because foreign investors are now allowed to invest in any investment area except those that are explicitly reserved."

Close to 32 business sectors and subsectors are listed under investment areas reserved for domestic investors, up from eight previously. For instance, in the past, only domestic investors were allowed to invest in the financial sector. But now, Ethiopian nationals living abroad and the diaspora community are allowed to purchase shares in financial institutions, like banks and insurance companies.

Investment areas like weapons, ammunition, and explosives manufacturing, import and export of electric energy, international air transport services, bus rapid transit, and postal services excluding courier services, are reserved for joint investment with the government.

On the other hand, in businesses areas such as freight forwarding and shipping agency, advertisement and promotion, accounting and auditing, audiovisual, and cross-country passenger transport using

for foreign investors. "For instance, primary and middle level health services are reserved for domestic investors. This means foreign investors can invest in hospitals in Ethiopia now, previously not allowed," argues Mehrteab. "The other major area opened for foreigners are consultancy services. Renowned foreign consultancy firms are now allowed to open offices and operate in Ethiopia."

The minimun capital threshold for a single foreign investment is USD200,000. However, it is reduced to USD150,000 if the project is jointly executed with a domestic investor. If the investment is in architectural and engineering works or in technical consultancy services and publishing works, the capital threshold is USD100,000, and drops further to USD50,000 for joint ventures. This creates good opportunities for domestic investors looking to partner with foreign companies.

However, the new investment law has a number of limitations, such as the absence of modalities allowing micro and small enterprises (MSEs) access to easy finance to transform themselves. "MSE contribution to the economy is significant even in developed economies. The financing and investment road map is not facilitated towards them in Ethiopia. The new investment law is highly suffocative for SMEs," argues Mehrteab.

On top of this, the new investment law does not mention private equity funds. There is no mechanism to register or license private equity companies engaged in angel investing. There are also no articles concerning idea financing.

The ultimate power to implement the new investment law is bestowed upon the Ethiopian Investment Board, led by the Prime Minister. The board has ten members, of which only two are from the private sector with the rest from the public sector. The private sector representatives are not allowed to vote in the board's decisions. The new proclamation also establishes a new entity called the Investment Council, comprised of members of the federal and regional governments. The council is also chaired by the Prime Minister. The council oversees the horizontal relationship and coordination between the two governments.

This arrangement also failed to consider the existing repulsion between the federal and regional governments. The federal investment commission exclusively licenses foreign companies, and regional states provide land and other infrastructure. But taxes collected from these foreign companies usually goes to the federal government. Due to this arrangement, investors licensed at the federal lavel frequently encounter irritations to secure land from regions. The unequal benefit from investments has been one of the factors leading to waves of political unrest that hit the country over the last couple of years.

"The shift towards a 'negative list' is probably the most significant aspect of the new investment law."

Mehrteab Leul

buses with a seating capacity of more than 45, foreign investors can invest up to 49Pct in a joint venture with a domestic investor.

Investment areas not listed under the three categories are open to foreign investors. Services like management and engineering consultancy, repair and maintenance of heavy industry machinery, medical equipment, star-designated national cuisine restaurants, real estate development, education and health excluding primary- and middle-level health services are among the areas open for foreign investors. Although e-commerce is also open for foreigners, e-payment systems like mobile money are reserved for domestic companies.

The new investment laws reserved light and labor-intensive businesses for domestic investors, while opening areas that require capital, skill, and technology

This shows that, both the old and new investment laws lack power distribution, which is a reflection of the fiscal centralization in Ethiopia. Regional investment offices have no decision power over large investments. Land is government's property, according to the constitution. However, regions are also well placed to demand equal benefit in the federal system. In fact, the federal government is better positioned to implement investment laws, mainly because it is the federal government that signs international investment treaties.

"The new proclamation allowed the establishment of the Federal Government and Regional State Administrations Investment Council, for the first time. This can address the ambiguities raised before on decision making, benefit, and land issues that regional states raise on FDI," hopes Mehrteab. EBR

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Microinsurance: THE LONG LABORING

Microinsurance is insurance that can be accessed by the low-income segment of the population and small businesses. Despite its business potential and instrumental role in averting social and economic risks, the penetration of microinsurance remains very low in Ethiopia, a country with 80Pct of the population engaged in smallholder, rural, and rain fed agriculture, and where crop and livestock failure is frequent. EBR's Ashenafi Endale explores why microinsurance could not capitalize on the rising demand and takeoff as a new business front.

Due to reform implemented following the appointment of Prime Minister Abiy Ahmed (PhD), new players are joining the financial industry. More than 15 commerical banks are now under establishment while close to ten full-fledged interest free banks requested license, in a year after the National Bank of Ethiopia (NBE) allowed full-fledged interest free banking.

In sharp contrast, no single business requested license to open micro insurance business, five years after the central bank introduced a law that allow the establishment of micro insurance firms. Confused by the dis-interest, NBE ordered mainstream insurance companies operating in Ethiopia to mandatorily allocate resources for micro insurance.

To upsurge interest towards micro insurance business further, the central bank recently introduced regulation that allow establishment of Takaful businesses, sharia complying insurance companies. The minimum paid up capital required to establish a new specialized micro insurance firm is ETB10 million.

Micro insurance companies are financial institutions that provide protection for low-income people against specific

risks. The main characteristics of micro insurance is it is designed to benefit and protect the lower section of the population by charging premium proportionate to risk involved. Despite the fact that 80Pct of the population is engaged in backward rainfed agriculture in which crop and livestock failure are serious risks, the penetration of micro insurance is very low in Ethiopia.

Of course, the penetration rate of the mainstream insurance itself is utterly shallow. The total premium of the 18 insurance companies stood at ETB9.1 billion in 2019 while the contribution of the insurance sector to GDP is 0.02Pct. This is the lowest even by Africa standard.

Even few micro insurance products such as index-based crop and livestock insurances existing in Ethiopia, are subsidized by donors. Over 40,000 farmers and pastoralists benefited from numerous donors driven micro insurance pilot projects, between 2009 and 2020.

Currently, Nyala, Oromia and Africa insurance companies as well as state owned Ethiopia Insurance Corporation (EIC) provides micro insurance, under Satellite Index Insurance for Pastoralists in Ethiopia (SIIPE) project. The scheme, which started in 2018 and expected to end

2022, is funded by WFP and focus mainly on the state of Somali. So far, claims for 19,000 pastoralists amounting ETB12 million has been paid. Of this, 70Pct was addressed by Re-insurers, while the 30Pct by the four insurance companies. "The subsidized micro finance scheme could not scale up from pilot projects to full scale micro insurance business, in Ethiopia," says Fikru Tsegaye, manager of Business Development and Corporate Affairs at Ethiopian Reinsurance.

Although insurance companies carry the risks, in many developing countries, micro insurance is subsidized by the government and donors initially. But after some time, it must shift from poverty cycle management by donors to risk management by insurers. "Insurance companies have better experience in managing risks. But this is not happening in Ethiopia," explains Fikru.

The primary factor for this is the interests of donors, reinsurer and regulatory bodies could not converge, according to insiders. Numerous micro insurance projects started in Ethiopia but none continued after the project period is ended because of lack of exit strategy.

Experts recommends that micro insurance must be a business model totally conducted by insurance companies. "But this cannot happen under the current fragmented situation," says Solomon Zegeye, director of Micro Insurance Business Division at Nyala Insurance.

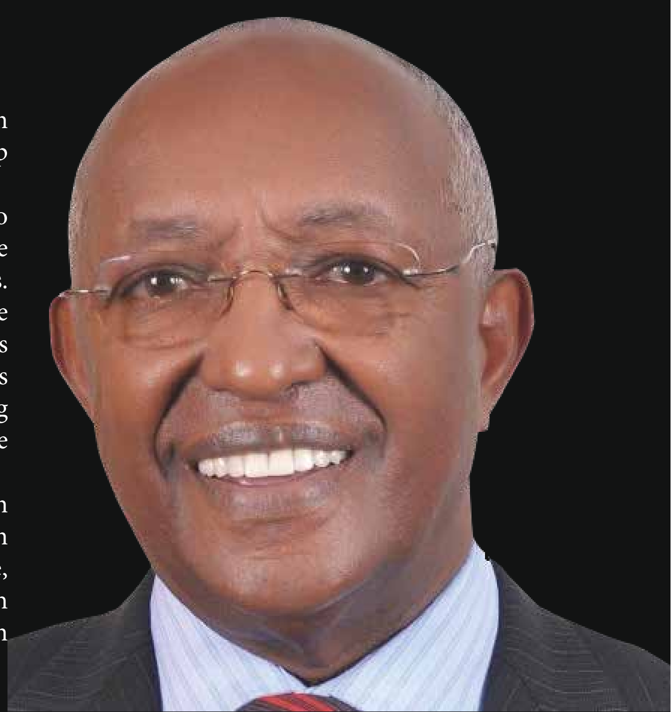
"The country needs specialized insurance companies. Since damages are increasing in Ethiopia the need for micro insurance is undisputable," says Belay Tulu, director of Micro Insurance Supervision at NBE. "Micro insurance is a bulk business by nature. We must start bundling micro insurance with other products like health insurance."

Solomon agrees. "Claims are exponentially increasing in recent years," explains Solomon "But it is difficult to undertake micro insurance as a business. We survived only because of donors support."

Nyala and Oromia insurances are the only companies that provide micro insurance as a business. "When insurance companies provide micro insurance by themselves, the coverage would be 300Pct of the premium," explains Solomon. "Claim from livestock is between 20Pct and 30Pct while crop insurance claim is even higher."

The cost of providing micro insurance is high due to the absence of distribution channels. "Most clients reside in remote areas while financial institutions are located in urban," says Solomon. "With the existing channels it is difficult to reach the low-income population."

To reduce the distribution and delivery costs, Zufan Abebe, CEO of Nib Insurance, proposes partnering with other stakeholders operating in



Insurance industry cannot grow unless the insurance supervision is freed from NBE."

Eyesuswork Zafu

different modalities. "For instance, we can use formal and informal channels like Eddir, community-based risk management institutions. But, NBE must introduce legal framework that allows partnership with different formal and informal distribution channels, besides using insurance brokers and agents."

Solomon stress the government's current move to privatize the telecom sector, holds a huge opportunity to revolutionize the micro insurance sector. "Kenyan farmers access their insurers using their mobile phones. If the telecom infrastructure in Ethiopia improves, the delivery channel will be solved and micro insurance will thrive."

On the other hand, insurance gurus like Eyesuswork Zafu, argues insurance industry cannot grow unless the insurance supervision is freed from NBE. "Both insurance and banking industries started at the same time in Ethiopia. But insurance industry stunted, while the banking industry grew significantly."

"This is partly because the NBE has no experts or policy options to supervise and nurture the insurance sector," argues Eyesuswork. "Recently the NBE allowed regional states to have 70Pct share in banks, but not in insurance companies."

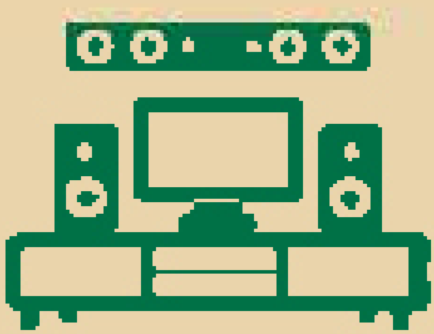
After trying for many years, insurance companies under their association finally manage to present the issue to the Office of the Prime Minister recently. The Association sited the experience of the Kenyan Insurance Regulatory Authority, as an example for successful regulatory body and requested to establish similar public institution in Ethiopia.

The government says it is trying to uplift micro insurance business by taking different initiatives. For instance, Rural Financial Policy and Strategy is at its final stage. The strategy focuses on curving agricultural risks arising from multidimensional factors like climate change and price fluctuations. EBR

COLLATERALIZING MOVABLE PROPERTY
A GAME CHANGER?

Equipment

Last year, Parliament passed a law forcing financial institutions to accept movable properties like livestock, patents, land operating rights, agricultural products, land ownership rights, warehouse receipts, and intellectual property rights, as collateral. The central bank is betting this will fundamentally change the credit landscape, which is currently highly collateralized and is resulting in bank credit injustice. The new move is expected to expand credit markets and improve access to credit for farmers, micro and small enterprises as well as cooperatives.

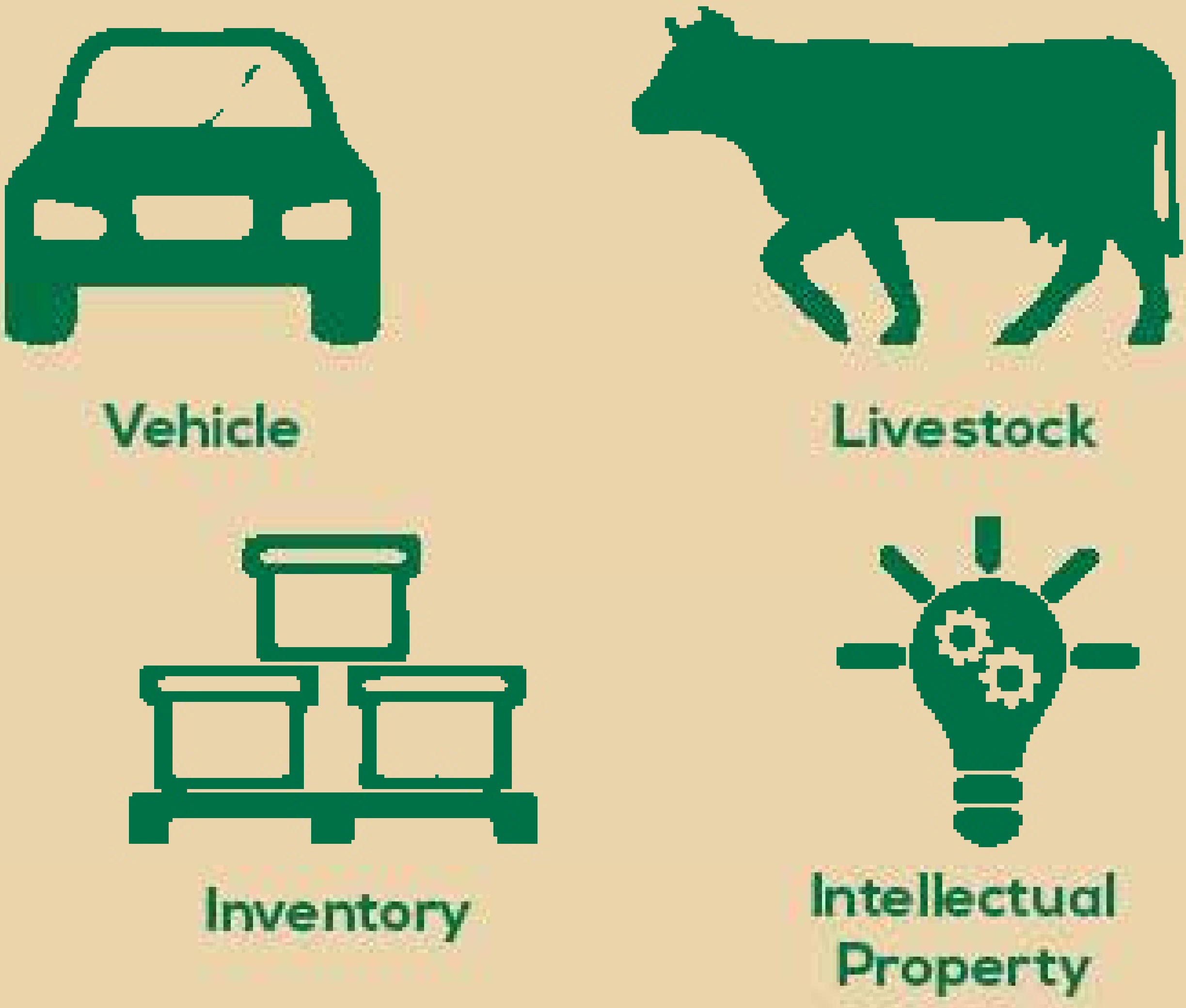


Durable Consumer Products

In developing countries like Ethiopia, the poor and the rural population are restricted from accessing credit from formal financial institutions and escape poverty just because they do not own assets such as houses and cars that can be taken as collateral. Abduselam Wariyo, graduate of agricultural science, who works with pastoral population residing in Borena zone, close to Ethio-Kenya border, witness this dusky reality. He usually encounters pastoralist in Borena who possesses plenty of movable assets such as cattle, goats and camels that worth hundred thousand of birr.

"Pastoralist are excluded from credit markets because they do not have an array of productive assets that can be accepted as collateral," Abduselam tells EBR. "Their dream of transforming themselves and led sedentary life vanishes with it."

Livestock constitutes 45Pct of Ethiopia's agricultural sector, which contributes 35Pct to the national economy. In Ethiopia, there are 59.5 million cattle, 30.7 million sheep, 30.2 million goats, and 1.2 million camels, according to the latest report by the Central Statistical Agency (CSA). But these assets have little capacity to transform the portion of the population who are



dependent on them.

Banks in Ethiopia require fixed asset 234Pct higher than the credit amount as collateral to provide credit, which is much higher than the 120.8Pct collateral rate in Kenya. This means the banking system is highly collateralized. Currently, only 265,000 people access credit from commercial banks operating in Ethiopia, according to data from the National Bank of Ethiopia (NBE) while 35Pct of the adult population has a bank account and save money at least once annually.

Comparatively, Micro Finance Institutions (MFIs) has better performance in this regard. Currently, MFIs provide loan for 5.5 million people. Yet, the larger section of the population cannot access finance from formal channels. As the result, the financial inclusion rate in the country stood at 35Pct, which is lower than sub-Saharan Africa's average of 45Pct.

"Relatively, there are many savers but very few are accessing loans from the banking industry. This is financial injustice," explains Teke Alemu (PhD), lecturer of finance and economics at Addis Ababa University. "MFIs are better when it comes to addressing more loan seekers but it is not enough."

Temesgen Zeleke, head of the Financial Inclusion Secretariat at the NBE, agrees. “Household level credit is insignificant in Ethiopia. This is deterrent to initiate small businesses and improve the lives of the poor section of the population.”

To expand the credit markets and improve access to credit for farmers, Micro and Small Enterprises as well as cooperatives, the Parliament passed a law that forces financial institutions to accept movable assets as collateral. Moveable property means assets such as livestock, patent, land operating right, agricultural products, household items, machineries, land ownership rights, warehouse receipts, and intellectual property rights, among others.

In order to create security right in movable property and ensure its effectiveness, the proclamation empowers the NBE to introduce the required regulations and directives. To this effect, the NBE introduced a mandatory law that forces all commercial banks to allocate 5Pct of their annual loan disbursement to moveable property collateral credit scheme, effective from July 1, 2020. However, only warehouse receipt is accepted by financial institutions as a collateral., until now.

In order to implement the new law fully, it requires registering, codifying and assigning serial numbers for movable properties. Data center and proper property evaluation mechanisms are also critical, for creditors to access real time information about the property and know its exact price.

“The moveable property collateral credit scheme will bring fundamental change in Ethiopia’s credit landscape,” says Yinager Dessie, governor of NBE. The central bank has already installed a new office dubbed Movable Property Collateral Registry Office and currently building a data center at a cost of ETB40 million, with support from the World Bank. The registration system and credit information bureau will be centralized at national level.

This means, before a pastoralist takes cattle to a bank and ask credit collateralizing his movable property, his cattle will be registered with its own serial number and earmarked. The serial number earmarked on the cattle is kept visible to avoid multiple crediting. Once the farmer takes loan collateralizing the cattle, the banks share interfacing data, so the owner do not go to other bank and take another loan collateralizing the same property.

In contrast, movable property registration in many countries focuses on registering and tracing the owner, rather than the property. But when it is the property that is registered, the owner might not be responsible enough to follow-up and manage the property on behalf of the creditor.

To rectify this, experts advise the government to attach movable property registration with national ID or TIN number. In this way, it is possible to ensure the safety of the property seized as collateral. “There must be a simple way to trace the owner of the property,” explains Temesgen.

The other problem that restricts moveable properties from serving as collateral is the absence of property evaluation and lack of awareness. “The valuation concept in Ethiopia is not scientific, even for the fixed asset, let alone for movable property,” argues Fikru Woldetinsae, financial expert. “The evaluation system in Ethiopia focus on final value. We do not have cost breakdown of the property from the day it was acquired to its value down the line.

Fikru argues the price of the property at one point of time does not necessarily reflect its full value. “Without knowing the price of the property from start to end, it is difficult to determine its true value,” he stress. “The true value of the property is fundamental to determine how much money the credit seeker should take as a loan.”

“We know there is basic problem in property evaluation,” says Temesgen. “The NBE established working group to solve the problem. But it must start somewhere and we have enough data to begin.”

According Temesgen, available data from the Ministry of Agriculture (MoA) and CSA will be used as input for the property evaluation in the agriculture sector. “MoA is also expected to start providing landholding certificates for farmers, which also can be used as collateral to access credit from banks.”

Just like in other countries, property evaluation can be done by private firms, which is also expected to boom in Ethiopia, following the full implementation of the new law. “The proclamation is the fundamental and most significant that can change the rural landscape and strength the private sector. But banks must buckle up to take more risks,” stresses Eyob Tekalign (PhD), state minister for Finance.

Yohannes Ayalew (PhD), president of Development Bank of Ethiopia, stresses the move has even more impact. “It will improve the monetization of the economy by converting properties into liquid assets,” he argues. “The more the economy is monetized, the more money circulates. This in turn, benefit more individuals and the society as a whole.”

For instance, the huge livestock resource existed in the country has not been monetized until now. But once the farmer or pastoralist takes loan collateralizing the livestock, this movable property will be monetized and become active capital in the economy. “This is highly instrumental in terms of boosting transactions, startups, employment and tax revenue,” says Yohannes.EBR

265,000 The number of people who access credit from commercial banks.

Football's
Prospective Comeback

Ethiopian football clubs have been financially dependent upon their hometown municipalities and government funding arms for long. However, this is to become history, after the clubs decided to bet higher. A fotball games televizing bid floated by the Ethiopian Premier League S.C, recently established by the 16 elite clubs, fetched a dream amount, enough to free local football from undue dependence and thus usher an unexpected comeback. EBR's Abiy Wendifraw delved into recent moves undertaken to commercialize the football industry.

For those who engage in football, and of course, the sport industry as a whole, 2020 is probably a year everyone would prefer to forget. The 2019/20 Premier League season was suspended and later declared null and void. Stadiums were empty and football stars had to stay home for months after the COVID-19 outbreak.

Even before the pandemic started knocking on everyone's door, Ethiopian football was on the verge of financial culmination. Clubs were struggling to pay salaries and the Ethiopian Football Federation was also reportedly experiencing budget deficits. Presumably provoked by fan violence, even the government of Ethiopia had been considering cutting the money clubs were receiving from city municipalities and other state-owned corporations. Adding that to the ban on alcoholic beverages advertising which used to heavily sponsor the country's football scene, COVID-19 was another nightmare for the struggling clubs, footballers, and even the sport governing bodies.

Yet, the news that came out early in October seemed to be too good to be true for many. The move to commercialize Ethiopian football fetched prospective offers. Social media reacted with mixed feelings of happiness and disbelief. People were asking, "can anything this good come out of Ethiopian football? There must be something wrong with it."

According to official figures, Supersport slated USD21.5 million as a direct money investment into the league for five years. "The investment will start with USD4 million for the first year and will culminate with a USD5 million investment in the final year" says Ezana Wubshet, Communications Manager of DSTv Ethiopia, responding to questions from EBR.

If we refer to the overall worth of the deal, it reaches up to USD68 million including broadcasting rights, naming rights, and the investment package along with production, satellite, training, and branding outlays.

What convinced SuperSport to invest such a large amount money on Ethiopian football might lead industry observers to different opinions. The quality of Ethiopian football's standard, market potential, and commercial opportunities may need critical analysis.

"Apart from the market potential, sports is an integral part of our content offering, and supporting the development of sports content is given the highest priority and value in our business," Ezana explains. "This investment will also give the Ethiopian Premier League greater visibility, thereby creating multiple economic spinoffs around football and substantially impacting the football landscape in one of the largest countries in Africa."

"Globally, the most successful football leagues are those who are making huge broadcasting revenue. The English Premier League and Spanish La Liga, are good examples. In Africa, the South African league makes such big revenue," explains Girmachew Kebede, university Lecturer and sports radio Host.

Football has a few streams of revenue. Broadcasting, sponsorships, match-day revenue, and merchandizing are the major ones. Yet, broadcast income remains the largest of all.

''Our football lacked this massive money source. Clubs need this revenue to sustain their existence. Having a club that spends ETB80 million annually beyond its means tells how badly finance is managed in our football. There have been reports indicating government spends around ETB2.2 billion. This money primarily goes to players' and coaches' salary. There has been no significant investment in football development and infrastructure," Girmachew argues.

Having broadcasting revenue means a lot. This sets a clear border between football and politics, mixed up as of now. In the long run, clubs will become business entities able to manage their own finances and budgets. Being financially independent, clubs can escape the trap where they find themselves being run by government officials. Since most of the teams are financially assisted by municipalities, we see mayors being offered the board's chairperson position. And the government will be able to shift the financial support to other priority areas. Fourteen of the sixteen clubs in the elite league are financed by municipalities and government funding arms.

The broadcasting deal is meant to be a gamechanger not just for the league and clubs, but for players who dream of playing abroad. "DSTv is an international broadcaster with massive experience in the business. DSTv is the one that brought a satellite revolution to Ethiopia in early 2000s when the country started falling in love with European football. Now DSTv is bringing this experience with it. The league's expected global viewership creates the opportunity for players to showcase their talent and break into international football. International scouts who may never come to Ethiopia for recruitment will now have the chance to recruit by reviewing the globally broadcasted domestic games"

Having fixtures on TV would also put more responsibility on host cities and fans. They will try hard to show their hospitality and positive images.

"The deal is also an opportunity for our sport journalists as well. Now we have colleagues working with Supersport and learning a lot to further develop their skills," says Girmachew.

Ezana agrees. "Upskilling and empowerment of local production staff is one of the pillars of the investment from Supersport. The holistic approach intends to create lasting value for local industries with benefits including training on our stringent technical standards, opportunities for local content creators, distribution of content in local languages, and promotion of local talent."

Kifle Seife, CEO of Ethiopian Premier League S.C. further strengthens the idea. "Besides the revenue, we think the knowledge and skill transfer in the deal is also significant. We expect to have a strong group of technical crews of our own, in five years."

According to Haileegziabher Adhanom, Managing Editor of Liyu Sport website, the Ethiopian Premier League's leaders deserve credit for their effort. "This is a milestone in the country's football history and it was a demanding one," says Haileegziabher.

The young league company, established just a year ago, is taking care of such a challenging task of dealing with international broadcasters like DSTv and CANAL+, and mobilizing the 16 clubs in the league to come together and decide on how to share the revenue. After reviewing the English Premier League and other African championships, the share company's member clubs decided where the money goes and how.

Each club equally shares 50Pct of the broadcasting rights revenue. Then, merit payments consider the league position of each team at the end of the season to accordingly divide 25Pct of the income. The facility fee of 10Pct, depends on the number of fixtures each team has televised. The remaining 15Pct goes to the share company's administrative expenses.

Just last year, things seemed all doom and gloom. Now, Ethiopian football may have managed to rise from the ashes.EBR

The ANTI-PIRACY PRODIGY

Piracy is the major factor challenging the emerging music industry in Ethiopia. According to studies, 80Pct of the music sold in the country is pirated. To fight piracy, few individuals are trying by employing an internet-based application to create a formal music market and reverse the misfortune. Established by a group of artists including the late Elias Melka, Haile Roots, Dawit Nigussie, and Jonny Ragga, Awtar, a mobile application where users can search the music archive and download songs and albums on their phones, is one of the upcoming methods to fight piracy and sell music works to the public. EBR's Redeat Gebeyehu explores how the technology is changing the music industry.

The rise of electronic applications over the past decade has simplified and individualized the entertainment industry. In contrast, technology has also exposed creators to theft, although the audience enjoys more access now. Especially the music industry was hit hard by the informal circulation of creative works, impossible in old days when people had to buy discs or tune to radio stations.

"Video shops, You Tube, and my friends are the sources for my music collection. I never realized the damage on musicians, until my own music clip was posted on You Tube without my knowledge," says Tewabech Mastewal, who released her first single in 2019. "I learned many renowned musicians I admired have invested big money to make music, some of them even selling their houses. But finally, they went bankrupt, because their works were distributed informally."

Although Ethiopia has introduced laws to protect copyrights and neighboring rights in 2004, and mandated the Ethiopian Intellectual Property Office to execute the law, matters only worsened.

It was in a bid to put an end to the situation, that a group of artists established Awtar Multimedia in 2011. Awtar is an internet-based application used to market music. Awtar receives new songs from musicians and uploads it to its online archive. Audiences who have the application on their phone can download music from the archive. It costs ETB3 to download a song from the app and ETB 15 for album. The application does not allow sharing of the downloaded music to other devices. Out of the revenue, 30Pct is allotted for Ethio telecom while 54Pct goes to the owner of the music and the rest for Awtar's administrative costs.

The application, which can accommodate up to half a million downloaders, was launched five months ago. So far, a number of singles and four albums, including Haile Roots's latest album dubbed 'Yetamene,' have been released on the application.

Eyob Mewded (name changed upon request) is one of the musicians who released his album on Awtar, leaving other outlets like You Tube. Eyob received ETB5,000 from Awtar, five months after uploading his music. But recently, he decided to release the album through other mediums. "Awtar could not expose my music to the audience on a large scale. After five months, I decided to release the album to media because I wanted the music to be heard by more people, although this does not generate income," states Eyob.

Eyob says making music has become very expensive today. "There is no way to recover the cost from selling the album, due to piracy. The only option was to organize concerts as soon as you release album. But that is not possible now because of covid-19. I had put hope on Awtar but my music was not heard well. The informal music distribution widens your chance of being heard, though it does not generate income."

Media outlets such as YouTube have become a trending outlet for musicians. The musician simply creates a YouTube channel and releases their music, where it generates income from viewership.

Eyob says his music could not get a wide audience through Awtar because of two reasons. "There isn't a stable and fast network and a more preferable or reliable system for the application. The promotion given is also much weaker than what I was promised by the owners of Awtar."

Haile Roots, one of the founders of Awtar who recently released his album on the app, admits there are complaints on the application. "Awtar is the first legal music application in Ethiopia. The app has some gaps and we are working to fix it. There are also gaps in creating awareness about the application."

Haile says creating Awtar took a lot of money. But he says installing the latest app remained difficult due to difficulties in accessing foreign currency.

Dawit Tsgie, Music Director and Manager of musicians is optimistic. "Awtar application has a lot of significance in preventing copyright infringes which can really bring huge change in the industry even though it is not at its best right now. The app is new and needs promotion itself. Its role will rise when the internet connection in the country improves," says Dawit.

"I have downloaded 25 singles from Awtar since it was launched five months ago. The app is very good in avoiding piracy and supports the musicians we admire," says Ashenafi Tsegaye, a lifetime music enthusiast. "However, the app needs to be easy for everyone to download music."

Dawit Yifru, President of Ethiopian Music Copyrights Collective Management Organization (EMCCMO), stresses copyright issues are reshaping the music industry. "The music industry is becoming energetic, despite all the odds. However, the number of albums made per year has reduced from 100 to just four albums currently. More people are releasing singles, shying away from albums," explains the Composer and Keyboardist in the former Roha Band.

EMCCMO, which has close to 2,200 members, is currently finalizing negotiations to launch a royalty payment system in December 2020. The music royalty payment system creates modalities for media outlets like radio and television to pay for music they play over their stations.EBR

FROM BACK-BREAKING JOB TO NO JOB

Close to 2,000 low-income women make their livelihoods out of the forest up on Entoto Hills, a chain of plateaus covering the northern side of Addis Ababa, at 2,000masl. Entoto is known as "the lung of Addis Ababa," for its dense eucalyptus tree cover birthing rain and oxygen for the capital.

Every day, women walk close to 32 kilometers, round trip, to the hill and back, escaping hyenas at times. After collecting wood, bark, branches, and dried leaves of eucalyptus trees, they descend from the mountain, back to their homes around Shiromeda, carrying bundles of the back-breaking wood weighing around 30 kilograms on their back. The women, of which only 25Pct have completed primary education, generate USD1 to USD3 per day, by selling their pickings, to residents of the capital who use it for cooking.

Currently, however, these women have run out of alternatives to make a living, after they were banned from entering areas of the Entoto mountain, after it was rebranded as Entoto Natural/Health Park, changing to a tourist destination.

The park, constructed in less than a year, was inaugurated in early October 2020. It is part of the Beautifying Sheger Project, an initiative taken on by PM Abiy Ahmed to uplift Addis's façade.

Although some 463 of the fuelwood carrying women (FCW) were privileged enough to be trained and secure jobs in the new park, the majority still have to find other ways of surviving. Some of the FCW excluded from park jobs were trying to wash clothing door to door, when EBR spoke with them.

Sociologists and experts who have conducted case studies on FCW recommend either including them into social safety net programs, or providing training and funding towards other small businesses. Development projects either by the government or private sector actors need all-inclusive packages to benefit the local community. Creating sustainable livelihoods for low-income women around Entoto, is also determinant in ensuring the reforestation of the area. EBR


ENTOTO PARK

Institutional Independence

The Missing Gap at NBE

Abdulmenan Mohammed, is a financial management expert. He holds an MSc in Financial Management from Edinburgh Business School, Scotland. He can be reached at abham2010@yahoo.co.uk

For more than a decade, inflation has been a serious problem owing to expansive monetary policy. In recent years, political instability, food supply shortages, and the persistent depreciation of the Ethiopian Birr has exacerbated the inflationary phenomenon, peaking in excess of 20Pct recently. This problem is severely hitting the urban poor and the unemployed. Despite monetary tightening using reserve money as the operational target to control broad money growth, the nation's inflation is unyielding. It has been persistently high over the past couple of years, and it seems there is no hope in sight of bringing it down to an acceptable level. Another serious trouble with the financial sector is the concentration and increased credit exposure of state banks. Unbridled lending to state-owned enterprises has increased their credit risks. Implicit and explicit debt guarantees by the government has increased the moral hazard where many state-owned enterprises have failed to service their debts according to the terms of their loan agreements, leading to the formation of a new state enterprise to take over their debts.

The Ethiopian economy is stuck in such quagmire—a legacy of the Ethiopian developmental state model that undermined "checks and balances" that should have been in place in the economic sphere. The culprit of the two economic maladies—inflation and state banks' high credit exposure—appear unrelated, but at the heart of these problems lies the lack of institutional independence of the central bank.

Normally, a central bank has an array of responsibilities including maintaining the stability of money, ensuring a stable financial system, developing the payment and settlement infrastructure, and ensuring its security and efficiency. Two areas that any central bank is vigilant about is maintaining the stability of money and ensuring a stable financial system. Both require institutional independence.

The National Bank of Ethiopia (NBE) is entrusted by law with setting monetary objectives and formulating monetary policy instruments to control inflation. In reality, however, the macro committee chaired by the Prime Minister, deals with monetary policy issues, thus leading to the marriage of the fiscal and monetary policy spheres. This has been complicated further by the use of unconventional financial sector policies, including a range of administered interest rates and directed credit schemes. There are seemingly some reforms being undertaken, such as treasury bills auctions.

The other striking issue is the supervisory independence of the central bank. Although the NBE has full authority to equally enforce banking rules on all banks, it has shown considerable forbearance on state banks in the face of credit risks they have been increasingly exposed to. This as the government has heavily leveraged them for the expansion in state investment through state-owned enterprises and other agencies.

According to "Ethiopian Financial Sector Development," published by the World Bank at the end of 2019, NBE has not effectively enforced prudent standards on state banks. The report says:

The NBE performs the full cycle of on- and off-site inspections on CBE and DBE similar to other banks and issues them fines for violations, however fines are paid without any subsequent corrective measures taken. From July 2015 to date, CBE was fined 5 times, for a total number of 117 violations at ETB 10,000 each, totalling around ETB 1.2 million. During the same timeframe, DBE was fined on 4 occasions for a total number of 25 violations, also at ETB 10,000 per violation (total of ETB 250,000). A consequence of this lack of enforceability by NBE is, the CBE is now exposed to material sovereign risk, foreign exchange risk and liquidity risk; while DBE's asset quality deteriorated so significantly requiring an almost full restructuring of the bank's structure and operations.

The above finding is very telling of the laxness of state bank supervision. The supervisory handling of the state banks with kids gloves coupled with the situation where banks' strategic decisions are made by politicians on grounds often contrary to prudent lending has exposed state banks to risks of greater proportions. What makes the risk very concerning is that state banks control more than 60Pct of the industry. And any trouble with them could wreak havoc not only on the banking industry, but also on the whole economy.

The lax supervision of state banks emanates from the way in which these banks and the central bank are governed. Both the supervisor and the supervisee are governed by politicians appointed by the government, thus undermining "checks and balances" that should be in place regarding banking regulation and supervision. The state banks are the policy arms of the government, so they are afforded special treatment. As the central bank is not independent from the government, it is expected to extend implicit and explicit special supervisory treatments. This practice has undermined accountability.

Coming out of this economic swamp and achieving both monetary and financial sector stability entails institutional independence. For this to happen, the central bank needs to be freed from the grip of the government, made accountable to parliament and the public, given a full mandate to supervise state banks, and hire professionals on a competitive basis. Independence of the central bank should come with accountability. By setting explicit objectives and a working framework, ensuring transparency in its functions, and requiring periodic reporting, accountability can be established. To establish monetary policy and supervisory independence, parliament, government, NBE, and financial sector actors need to discuss the issues as a matter of urgency.

from P. 26

We are also creating a joint venture with Moroccan and Italian companies, to manufacture mattresses for hospital and star-rated hotels.

What is your biggest success?

The decision we made to enter manufacturing is my biggest success. We are reinvesting our retained earnings every year. My children and I will not take any of our retained earnings for the next six years. We were furniture importers for over 20 years. We shifted to local manufacturing as of six years ago. And I consider the decision made to start manufacturing as one of the best decisions that I made.

Our company will become a share company soon. If my key partners can invest in the company, it will be more sustainable. If we don't do that and keep struggling alone, we will be swallowed when the big players come in when Ethiopia joins the World Trade Organization (WTO).

What is your weakness?

Sometimes I lose patience. Due to my extreme passion, I usually want to do things as fast as possible. Sometimes, I work extremely hard, to a point I do not even give due attention to my health.

What are the difficult challenges you have faced?

Life is full of challenges and it only gets worse in business. From accessing credit to starting manufacturing, I have passed through countless challenges. At some points, I have found myself with the lowest level of hope, fearing that we may not survive the challenges.

My challenges were worsened because I always chose to do business the genuine way. I never

take shortcuts to get land or anything else. Yet, I could not be here, if there was no challenge. Challenge is nothing but your road to success. I started all of my investment projects without having money. Money follows vision. All banks respect me because they know my vision and I service my debts on time.

How do you handle your Corporate Social Responsibilities?

We educate children. We collaborate with the Ministry of Health in the fight against the COVID-19 pandemic. We participated in the rehabilitation of internally displaced people. We also financed and participated in the renovation of slum houses for the poor people in Addis Ababa last summer.

In 2019/20 alone, we allocated over ETB6 million to corporate social responsibilities. In fact, every day is our social responsibility day. We support people that deserve support but it is in our principle not to make the assistance publicity stunts.

Currently, we are in the process of training women with hearing-limitations, to work in our factories. We will also work with technical and vocational colleges to establish a center of excellence for people with disabilities. If we train them, people with disabilities can truly be professionals.EBR

Livestock Export

A sector misunderstood by policy makers

Sewagegnehu Dagne is General Manager of Ethiopian Livestock Traders Association. He can be reached at sewagegnehu22@gmail.com

Ethiopia is the leading country in Africa in terms of livestock population with more than 60 million cattle, 30 million sheep, 30 million goats and over 1.5 million camels. Livestock contributes over 15Pct of Ethiopia's GDP and 45Pct of the agricultural GDP. In Ethiopia, livestock is a tractor for crop farming, source of cash income for millions, insurance for uncertainties, fertilizer for crops, expression of status for families, store of asset, and source of foreign currency for the country.

However, in recent years, the livestock resource is depleting, the price of animal byproducts is rising, and the foreign currency generated from this sector is dwindling, reaching less than USD50 million in 2018, down from more than USD200 million in 2012. This is despite Ethiopia targeting generating USD1 billion by the end of the second GTP from livestock and meat exports.

This trend is in contrast to neighboring countries' performance in the sector. Somalia and Sudan, which have less livestock than Ethiopia, are generating more than USD500 million and USD760 million, respectively, according to World Bank reports.

Over 1.5 million exportable livestock are smuggled out of Ethiopia to neighboring countries annually, through borders, according to assessments by the Ethiopian Meat and Dairy Industry Development Institute.

Policy makers in Ethiopia believe illegal cross border trade remains the main challenge of the livestock sector, especially livestock export. With this logic, the government tried employing different efforts to curb the problem but ended up worsening the problem.

However, Ethiopian policy makers missed the major problem for the dwindling performance. The development of monopolistic quarantine facility operators in Djibouti and Somalia is the main challenge for the low performance of livestock and meat exports in Ethiopia.

Quarantine in livestock trade connotes a facility used to keep livestock separated from others before they are exported. Animals including cattle, goats, sheep, and camels get quarantined to be checked of any transmittable disease which can affect human and animal health, get treatment for any disease found, and are conditioned for export.

Middle East countries who are the main buyers of livestock from the Horn of Africa take all prerequisite measures before they let livestock enter their country. This makes having a certified quarantine facility very important. The winning exporter is then the one who can develop modern quarantine facilities and make sure importing nations get a properly treated animal from the quarantine sites. Ethiopia owns the numbers, but neighboring countries own the livestock.

Having a certified facility opens doors for livestock export. But the task is not simple. From constructing the facility based on standards of the importing country to negotiating for approval, is a difficult job. Especially for Ethiopia, it has proven to be very difficult. Ethiopia failed to develop quarantine facilities which fulfil international standards and has thus resulted in poor exports.

Ethiopian exporters forced to use quarantine facilities in Djibouti and Somalia for their exports found it a difficult and repetitive process. Exporters from Ethiopia condition the animal from 7 to 30 days based on requirements of the importer and get a quarantine clearance in Ethiopia. This certificate will only serve the exporter only until the animals enter into another quarantine facility in Djibouti or Somalia. From there, the animals will be conditioned again and the certificate from Ethiopia will be changed to a Djiboutian or Somalian quarantine certificate to be exported to Middle East nations. This costly and time-consuming process slaughtered the competitiveness of Ethiopian exporters and pushed the trade into informal channels.

Surprisingly Somalia, which is struggling to have a properly functioning government, seized the opportunity and set up modern quarantine facilities by inviting investors from the Middle East to develop and operate giant quarantine facilities. By doing so, Somalia, and similarly Djibouti, became the exit door for livestock pooled in from around East Africa.

In 2015, Somalia exported a record 5.3 million animals through quarantine facilities in Berbera and Bossaso and generated USD400 million in the process. From this export, around 75Pct of the livestock came from Ethiopia through illegal cross border trade channels, according to a World Bank report. Ethiopia has a livestock population larger than any country in the Horn of Africa but gets a very small fraction of the revenue.

The problem for Ethiopia is not informal cross border livestock trade. This is only the consequence of underlying factors always overlooked by policy makers. The main problem that needs to be addressed is the one that pushed pastoralists and traders into informal cross border trade—lack of predictable market access in the Middle East. On the other hand, exporters from Somalia and Djibouti, as well as Sudan, developed a predictable market in the Middle East by virtue of having qualified quarantine centers. This makes cross border trade profitable for traders in the region to collect livestock from Ethiopia and re-export to the Middle East.

This makes controlling illegal cross border livestock trade difficult and hurtful for Ethiopian pastoralists. This trade creates a predictable market for pastoralists and contributes foreign currency the economy, at least informally. The informal trade contributes significant amounts of dollars for Ethiopia and it is the main predictable market access for the pastoralist community whose lives are dependent upon their livestock.

The problem is that we are getting a fraction of the potential income we could have generated from livestock exports and it is a threat to the livestock sector development. For example, exporters from Somalia come with USD600 and exchange in the black market. That will be enough to buy the biggest bull in the market and cover transportation expenses. They condition the animal in a quarantine facility in Berbera for 14 days and sell it to the Middle Eastern market for more than USD1200. Ethiopian pastoralists who have kept and raised the animal for years generate less than the exporter who conditioned the animal only for weeks.

This trend is costing the economy in terms of lost foreign currency, generally dragging the sector down, and draining the supply of livestock for meat exporters.

Because the government has overlooked the root cause, it is investing a lot of time and effort to control the cross-border trade which has proven to be difficult.

This calls for action to address the main issue for the problem which is creating a predictable market access in the Middle East, only possible through developing certified quarantine facilities. The government started the construction of quarantine facilities in Mille and Jigjiga in 2010. However, after many years of construction, the facilities are yet to start operations. This is related to the low attention policy makers give to the role of such sites. In addition to delays, the biggest of the facilities being developed around Mille is being constructed where there are severe water and feed shortages. This makes the operability of the facility questionable, even if they are finalized.

Even after they become operational, another challenge is the monopoly of quarantine facilities in the Horn of Africa. Quarantine operations in the region are controlled by an oligopoly of few firms and individuals who also have a long hand in opening and closing market access to Gulf countries. Since it is a very big business for them, they block any livestock exported from facilities other than their own. This complicates the task on the ground and calls for a big commitment and effort from the government.

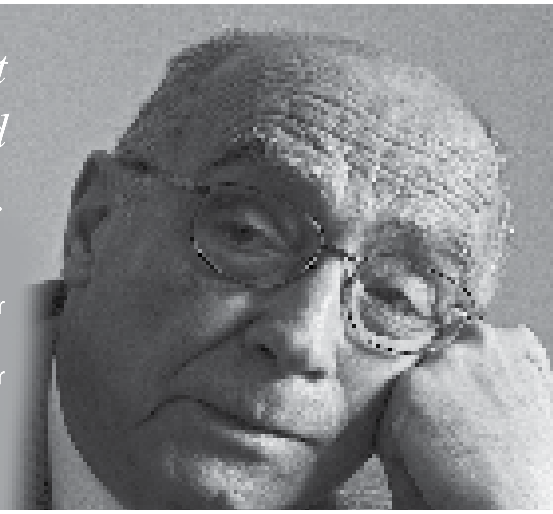
The way forward

The livestock resource of the country is becoming a source of wealth for contrabandists and neighboring countries and a source of despair for more than 5 million pastoralists in the country who are becoming poorer year after year. To change this narrative, the stakeholders, especially the Ethiopian government, should first deeply understand the livestock sector and the market's dynamism, and organize an independent Livestock and Pastoralist Affairs Ministry.

The monopoly of livestock export from the Horn, mainly dependent upon livestock sourced from Ethiopia and dominated by few individuals, should be broken at any cost. Ethiopian embassies in the Gulf countries should understand that we have a big potential to expand our livestock export to the Gulf and work hard to secure market access for Ethiopian traders.

The situation of being a land-locked country is a contributing factor for the problem. So, if it is difficult to break the monopolies in Djibouti and Somalia, we need to take action and use other channels like Assab. Otherwise, the futurity of Ethiopian pastoralists and the livestock sector, remains just a milk cow for exporters in neighboring countries.

Quote



"The world is governed by institutions that are not democratic-the World Bank, IMF, and WTO.

1998 Nobel Prize winner

Jose Saramago, Portuguese writer

From the Horse's Mouth

"It never succeeded."

Birtukan Mideksa, Chairperson of National Electoral Board of Ethiopia.

Told this to political party leaders during a meeting on October 31, 2020. "NEBE always claims election are free, fair, and transparent. But this is false. We cannot tell you that right now."

"They forced us to be an example of poverty."

Aregawi Berhe,
Director for Office of the National Council for the Coordination of Public Participation to the Construction of GERD.

Said this during the launching of an online petition movement to denounce President Trump's provocative comments on GERD. "External enemies worked harder so that Ethiopia could not utilize its resources. The second enemy is ourselves."

The Number

USD 131 MILLION

Amount of resource mobilized in the first quarter of 2020/21, to fight covid19. Out of this, USD117 million was provided by Germany.

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Our Services:
▶ Base on personal attention
▶ American managed ▶ Modern imaging and advanced surgical technology
▶ Fully automated Robot pharmacy
▶ Over 500 beds in rooms from Standard to VIP, to fit every budget (5 Star facility)
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