"Our Decision of Loan Approval is not Dictated by the Passport Loan Applicants Possess"

Exclusive Interview with Esayas Bahre, President, DBE

Mi Casa es Su Casa

A Call for "Bancassurance" in Ethiopia

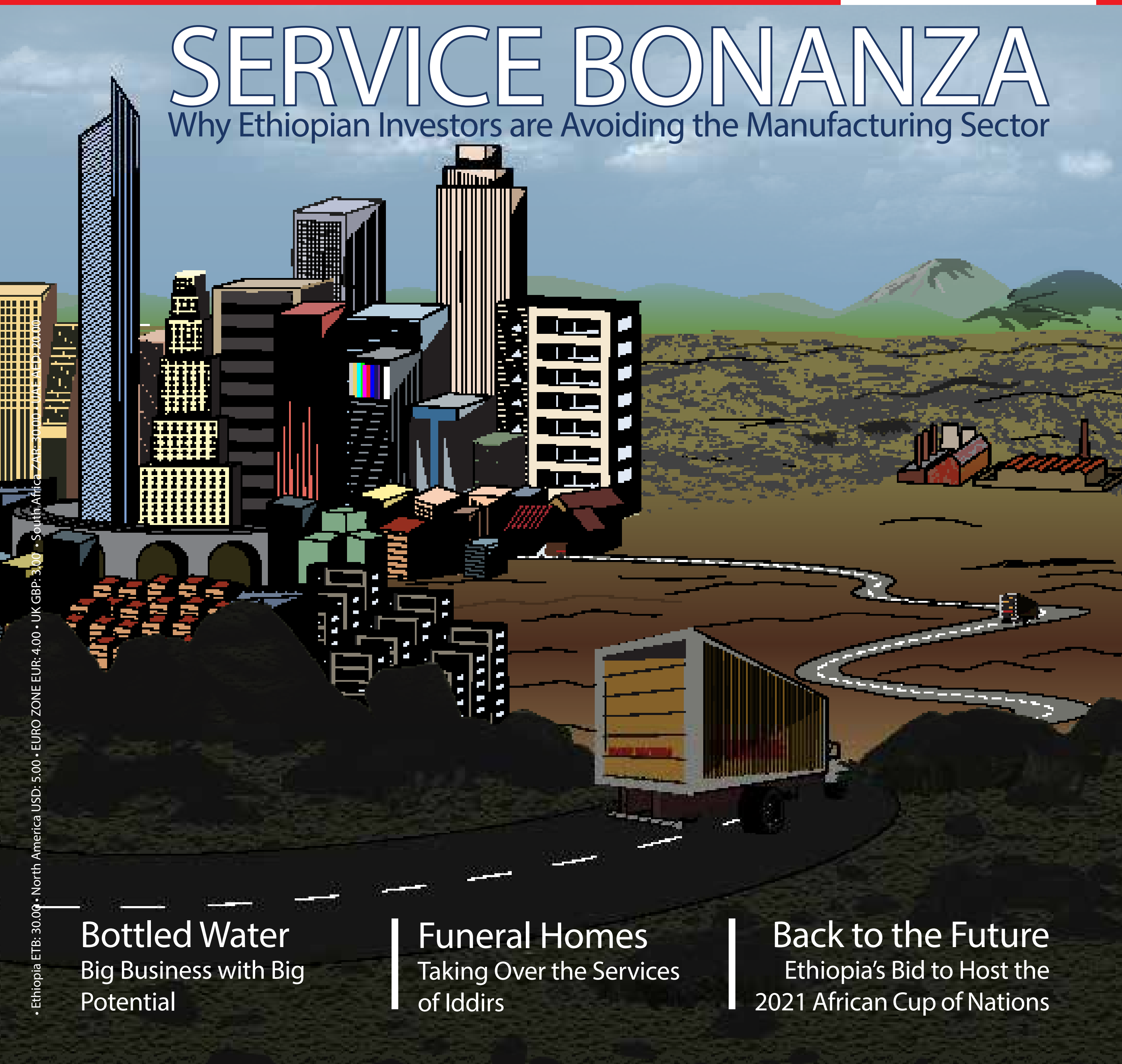
Fikru Tsegaye, Marketing & Strategic Mgt Team Leader, EIC

ETHIOPIAN BUSINESS REVIEW

2nd Year . November 2013 . №9

SERVICE BONANZA

Why Ethiopian Investors are Avoiding the Manufacturing Sector



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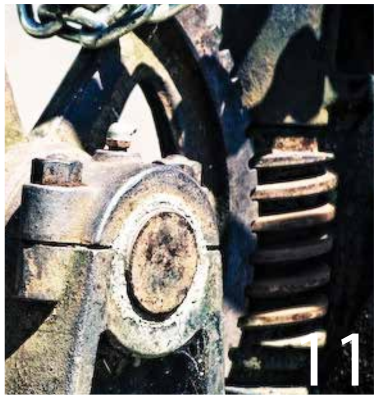

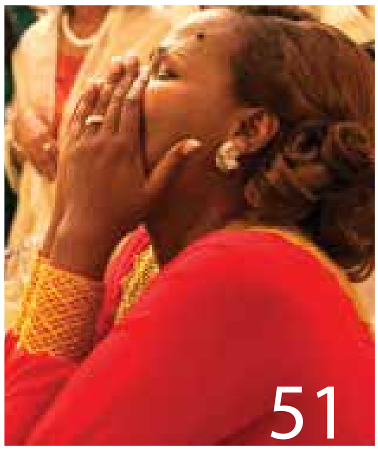

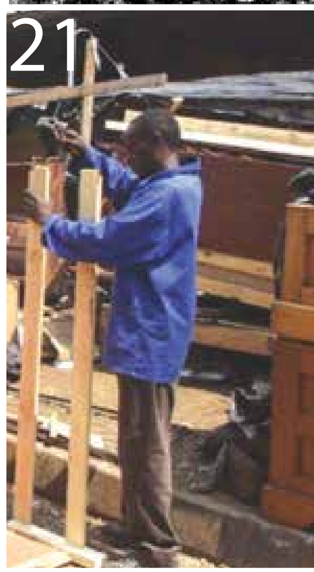

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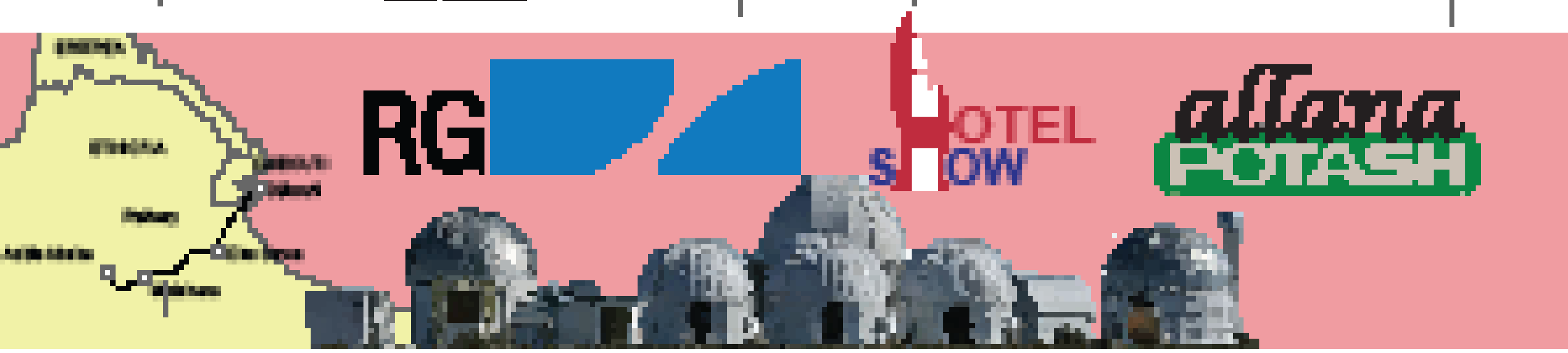

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African Budget Airline Fastjet Takes Off on International Flights

Fastjet, the new budget African airline backed by Sir Stelios Haji-Ioannou, announced the launch of its international flight operations.

The carrier's first international flight, from Dar es Salaam in Tanzania to Johannesburg, departs on November 9 as the start of a thrice-weekly service which, Fastjet said, will "increase in frequency as soon as consumer demand dictates".

"Until now, flying between Dar es Salaam and Johannesburg has been prohibitively expensive for many people," Fastjet's chief executive, Ed Winter said. "Fastjet is delighted that, in line with our expansion strategy, operations can now commence on this route."

Sir Stelios, who founded low-cost carrier easyJet in 1995, has a 6Pct stake in Fastjet. (The Independent)

Kenya to Spend Up to USD15 Billion Expanding Power Network

Kenya plans to spend as much as USD15 billion boosting electricity production fourfold over the next 40 months to help accelerate the growth of its economy.

The country plans to produce an additional 5,500 megawatts, mostly from coal, gas and geothermal sources, by 2017, according to the country's Energy Minister Davis Chirchir.

Kenya is talking to suppliers of coal from South Africa and Zimbabwe to fuel a 900-1,000 megawatt plant at Lamu on the coast and liquefied natural gas from Qatar for a 700-800 megawatt plant at Dongo Kundu in Mombasa.

Kenyan President Uhuru Kenyatta said in September the country plans to become more reliant on coal-fired, geothermal and natural-gas generation to lower costs by as much as six-fold. The state wants to reduce the industrial cost of power to USD0.09 per kilowatt hour from the current USD0.15. (Bloomberg)

Ecobank Opens Branch in Ethiopia

Pan-African banking group Ecobank Transnational has opened its first branch in Addis Ababa, Ethiopia, establishing a foothold in the fast-growing East African economy and extending its African network to 35 countries.

The new office, situated in the Yerer Ber district, will support the banking group in establishing itself in the country as it attempts to strengthen its presence across the continent.

Economic growth in Africa's second most populous country is running at more than 9Pct and the government could open up the state-dominated banking sector to new entrants before too long.

Ecobank chief executive Thierry Tanoh said that the new branch will give the lender a head start in marketing its pan-African services to overseas businesses and other banks in the region before possible banking deregulation.

"Ethiopia has emerged as one of Africa's most exciting new markets and is forecast to be the world's third-fastest-growing economy between 2011 and 2015, behind only China and India," Tanoh said, adding that Ecobank aims to profit from increasing trade across different African nations as the continent steps up its development and infrastructure.

Ecobank, which has been expanding rapidly across Africa in recent years, said it obtained the licence for a representative office in July and that the new operations will start with an initial staff of three people.

Nigeria, Africa's most populous nation with 160 million people to Ethiopia's 80 million, contributes more than 40Pct of Ecobank's group revenue.

(Reuters and African Review)

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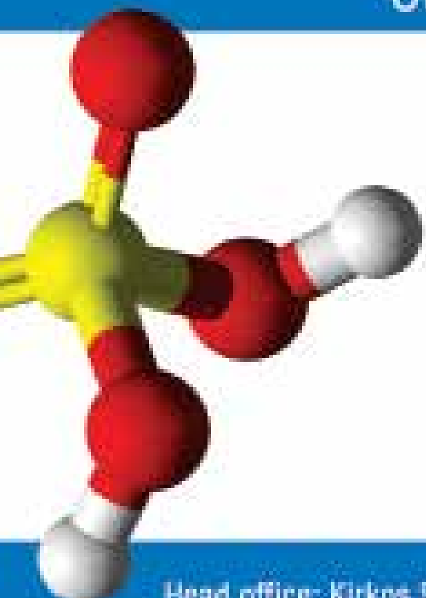

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Service Bonanza

Why Ethiopian Investors are Avoiding the Manufacturing Sector

By Mikias Merhatsdik
EBR Staff Writer

"In our meetings with Prime Minister Meles Zenawi, he frequently raised questions regarding the lack of private sector dynamism [in Ethiopia]. One of his questions was why Ethiopians with large sums of money invested in urban properties instead of building factories. On another occasion he asked how East Asian governments steered the private sector away from speculation and rent seeking and into manufacturing and technology. He also wished to receive literature explaining concretely how Meiji Japan and post-WWII Korea absorbed technology so quickly from foreign-assisted industrial projects." This is a reflection of researchers in a joint paper produced by the National Graduate Institute for Policy Studies (GRPIS) and Japan International Cooperation Agency (JICA) on industrialization and the Growth and Transformation Plan (GTP). The researchers were referring to policy dialogues held with the late prime minister on industrial development in Ethiopia.

A statement of the same concern on why local business people are avoiding the manufacturing sector, to be engaged in trade, property development and the service sector was made by Hailemariam Desalegn, successor of the late Prime Minister Meles Zenawi in recent weeks. Following reports that show a continuing dominance of service sector investment, particularly from domestic investors, the government has been forced to issue a sober call so that local investors can divert their investment towards the manufacturing sector. The message was crafted particularly to the growing number of business persons who made their fortune in the trade sector.

So why are local investors not interested in engaging in the manufacturing sector in the first place, despite numerous incentives by the government? And what can the government do to change this problematic trend?

Industrialization is frequently considered the replacement of farming and resource extraction by manufacturing and service activities. It is the extensive organization of an economy for the purpose of manufacturing. Industrialization also introduces a form of philosophical change where people obtain a different attitude towards their perception of nature and a sociological process of ubiquitous rationalization.This transition takes different forms in different places at different times.

The first country to be industrialized was the United Kingdom during the Industrial Revolution, commencing in the second half of the 18th century. Apart from Japan, where industrialization began in the late 19th century, a different pattern of industrialization followed in East Asia. One of the fastest rates of industrialization occurred in the late 20th century across four countries known as the Asian tigers (Hong Kong, Singapore, South Korea and Taiwan). Research on these economies attribute the rapid industrialization to the existence of stable governments and well structured societies, strategic locations, heavy foreign investment, a low cost skilled and motivated workforce, a competitive exchange rate, and low custom duties.

India and China, while roughly following this development pattern, made adaptations in line with their unique histories and cultures, their major size and importance in the world, and the geo-political ambitions of their governments.

Since the mid-late 20th century, a few countries in

Ethiopia vs Sub Saharan Africa (SSA) Average in industralization.

	GDP growth Annual Rate		Industry Annual growth rate		Manufacturing Annual growth rate	
Year Average	Ethiopia	SSA Avg.	Ethiopia	SSA Avg.	Ethiopia	SSA Avg.
2001-2011	8.4	4.7	9.1	4.2	7.3	3.1
2004-2011	10.6	5.1	10.0	4.3	9.4	3.6

Source: MOFED & World Bank

Ethiopia vs Sub Saharan Africa (SSA) Average in industralization.

	Industry value added (Percent of GDP)		Manufacturing Value added (Percent of GDP)		Manufacturing exports (Percent of merchandise exports)	
Year Average	Ethiopia	SSA Avg.	Ethiopia	SSA Avg.	Ethiopia	SSA Avg.
2003	14	29.9	5.45	13.7	11.4	33.8
2010 -2011	13	29.8	4.90	12.4	8.9	30.7

Source: MOFED & World Bank

Latin America, Asia, and Africa experienced substantial industrial growth. The success of countries like Indonesia, Turkey, South Africa, Malaysia, Philippines, Mexico, Costa Rica and El-Salvador was fuelled by export-oriented policies in which manufactured goods were sold to countries and regions that have large economies such as the United States, China, India and the EU. Yet in Sub Saharan Africa, the average contribution of industry to the GDP is below 30Pct and industrialization has yet to fully begin in the continent.

In Ethiopia, modern manufacturing plants emerged in the 1920s. According to some historical documents, as of 1927 about 25 factories were set up, mostly by foreigners. Between 1950 and 1960, the imperial government enacted legislation and implemented a new policy to encourage foreign investment in Ethiopia. This new policy provided investor benefits in the form of tax exemptions, remittances of foreign exchange, import and export duty relief, tax exemptions on dividends, and the provision of financing through the Ethiopian Investment Corporation and the Development Bank of Ethiopia. In addition, the government guaranteed protection to industrial enterprises by instituting high tariffs and by banning the import of commodities that might adversely affect production of domestic goods.

This policy attracted considerable foreign investment to the industrial sector. For instance, in 1971/72 the share of foreign capital in the manufacturing industries amounted to 41Pct of the total paid-up capital. Many foreign enterprises operated as private limited companies, usually as a branch or subsidiary of multinational corporations. The Dutch had a major investment (close to 80Pct) in the sugar industry. Italian and Japanese investors participated in textiles; and Greeks maintained an interest in shoes and beverages. Italian investors also worked in building, construction, and agricultural industries, according to a research paper by Thomas P. Ofcansky and LaVerle Berry.

With the advent of the Socialist regime, the Dergue in 1974, most of these industries were nationalized by 1975. Subsequently, they were reorganized under state-owned corporations. This development, and the socialist policy of the regime which restricted private sector development, hampered the healthy growth of the manufacturing as well as other sectors of the economy.

After the Ethiopian Peoples' Revolutionary Democratic Front (EPRDF) took power in 1991 the new government took a decade to come up with a clear industrial policy. Leaders of the party, who are strongly influenced by the successful economic management and development stories of Japan, Korea and Taiwan, crafted the country's comprehensive Industrial Development Strategy (IDS) in early 2000s. The policy highlights the linkage between the industry and the agriculture sector as its primary principle. Export-oriented and labor intensive sectors are also designated to lead the industrial development and be given priority.

The 2003 IDS states that priority sectors shall get direct support from the government. Textile and garment; meat, leather and leather products; agro-processing industries, construction, and micro and small enterprises (MSEs) were the main focus of the government in this regard. The list of priority sectors has been updated through time to include some import-substituting industries such as metal and engineering, chemical and pharmaceutical sectors. Institutionalization of Kaizen as a productivity tool in addition to benchmarking, proposed enhancement of MSE policy, expansion of the Technical and Vocational Education and Training (EVET) system and creation of new industrial zones, have been given priority.

Not Attractive Enough

The Ethiopian government is aiming for the share of industry to be 27Pct of total GDP by 2025 from 12Pct in 2012, in order for Ethiopia to join the club of middle income countries. Furthermore, 63Pct of this industry sector should be manufacturing. Yet a study conducted by the Common Market for Eastern and Southern Africa (COMESA) revealed that Ethiopia's manufacturing sector is not yet ready to be competitive internationally and is showing little sign of improvement. Problems noted by the study include low productivity, high production costs, shortage and low quality of raw materials, shortage of foreign exchange, lack of skilled manpower, and frequent power interruptions.

These and other reasons are pushing the local private sector away from the manufacturing sector. Mengistu Hiluf, planning and information management directorate director at the Ministry of Industry cites low level of saving, which currently stands at 17.7Pct, input shortage in agro processing plants, transport and logistics inefficiency, power interruption and lack of institutional capacity at the ministry itself as additional reasons the private sector has not been joining the industrial sector as expected.

It is not only these factors which have pushed local investors away from the manufacturing sector. There are pull factors in sectors such as the hospitality, real estate and trade sectors which have been viewed as sectors that make money quickly as opposed to long term investments like agriculture and manufacturing which have retracted returns.

As its main concern, many expect the Ministry of Industry to study why the private sector has not been interested in the manufacturing sector. Surprisingly, it has never undertaken any research on the issue.

Miftah Mohammad (name changed), a business man engaged in chemical importing business for the last ten years told EBR "Many business people do not undertake business in an honest manner, especially traders in the Merkato area of Addis Ababa are known for unlawful business practices. This has for long enabled many to get rich easily and quickly. The government must at any cost get rid of the loopholes that created such situations first. It is only then that business persons in the trade sector can consider joining the manufacturing sector. Traders must also know that it will not be possible for them to continue making money easily and fast." Although the government vows to fight these practices of rent seeking, it has a long way to go.

Kasaye Mekuria, Engineer, is general manager of Nazaret Garment Factory and former president of Ethiopian Textile and Garment Producers Association. He and his partners bought the company from the Ethiopian Privatization and Public Enterprises Supervising Agency (PPESA) in 2006 on an as-is-basis. Located at Adama, with around 600 workers, the company mainly exports its products to countries in Europe and America. "Manufacturing is not an easy thing to do. It needs know how, discipline, and strict planning and implementation. It is more risky than other sectors and profitability depends on the effort exerted. It is not a simple operation like buying and selling goods with exorbitant mark ups."

Kassaye attributes the reasons local investors are avoiding manufacturing to a number of reasons: the lack of efficient bureaucracy, slow logistics and customs services, utility problems like power, telephone and water supplies, high labor turnover and input shortage being some of them. According to a research by Central Statistics Agency (CSA), lack of needed inputs is the number one problem faced by industrialists in the country. Since agriculture and other primary sectors are not well developed, 50Pct of inputs for agro processing industries and more than 90Pct of inputs for metal and heavy industries are imported.

Manufacturing is still only less than five Pct of the GDP and this does not seem likely to change any time soon. According to the 2012/13 second quarter report of Ethiopian Investment Agency, real estate accounted the largest share in the number of investment projects (59.5Pct), followed by manufacturing

Summary of selected Licensed Domestic Investment Projects by Sector and From July 08, 2012 - July 05, 2013G.C

Sector	Implementation		Operation		Pre-Implementation		Total	
	No of Proj	Capital in '000' birr	No of Proj	Capital in '000' birr	No of Proj	Capital in '000' birr	No of Proj	Capital in '000' birr
Agriculture, hunting and forestry	7	15,938			336	1,409,112	343	1,425,051
Manufacturing	3	13,072			651	6,799,574	654	6,812,646
Hotels (Including Resort Hotels,Motels and Lodges) and Restaurants	1	6,791			168	3,816,708	169	3,823,499
Tour Operation, Transport and Communication			2	3442	67	140,270	69	143,712
Real estate, Machinery and Equipment Rental and Consultancy Service	1	3000			4202	19,185,315	4,203	19,188,315
Construction Contracting Including Water Well Drilling			1	1000	664	2,388,745	665	2,389,745
Other community, social and personal service activities					49	146,172	49	146,172
Wholesale, retail trade & repair service	1	23,000			36	153,659	37	176,659
Domestic Total	13	61,801	3	4,442	6,257	34,757,071	6,273	34,823,314

Source: Ethiopian Investment Agency (EIA)

with only 13.4Pct, construction with 12.1Pct and agriculture, hunting and forestry with 6.5Pct. Accordingly, the investment capital in real estate renting and business activities constituted 50.3Pct, while manufacturing projects took 26.5Pct and hotels and restaurants' share was 5.9Pct.

Generally there is not enough investment on manufacturing, and even less from domestic investors. This is partially explained by the young age of private industry in the country (22 years), according to the Ministry of Industry. "My financial capacity is limited. And it is hard to get inputs for manufacturing and you have to import everything and there is limited backward and forward linkage in the sector. These have made my decision to join the sector very hard," says the Chemical importer.

Most of the wealthy people in the economy, those with the needed capital to establish a factory, are uneducated. This know-how gap is seriously reflected on investments in the sector. Long established family businesses in trade and service delivery, dependant on under-the-table trading have created their own codes of conduct, and have become an obstacle for the transformation of the economy.

The outdated collateral-based financing in the financial sector has also made it too difficult for professionals to access investment capital. Management problems at the company level and low level of productivity and usage of technology are also among the factors that pose critical challenges the growth of the manufacturing sector. Other technical issues like standardization and limited knowledge on how to access the international market have left a dent on manufacturing investment in the country.

Though not effective in changing the investment dynamics in the economy, incentives and economic privileges for investors in manufacturing has long been put in place. Investment and export tax incentives with privileges that range from generous tax exemptions to duty free imports and duty drawback are given to investors in the manufacturing sector. However, according to Tadele Ferede(PhD), assistant professor of economics at Addis Ababa University, this is not enough . "To benefit from the privileges, investors must make a commitment and the government must do a strict follow up." I do not think this is what is happening now says the economist.

The Ministry of Industry says it is taking initiatives to pull the domestic private sector shift to manufacturing. "We have started identifying, contacting and convincing business people in the service and trade sector to join the manufacturing sector. We are also working to solve the problems of ongoing projects and enhance utilization of full capacities of existing plants" (for a variety of reasons, most factories in the country do not operate at their optimal capacity; production is rather as low as 60Pct of their full capacity) according to Mengistu. "We are building shades and industrial zones soon to be administered as a corporation benchmarking and tuning private investments. We have established technology transfer institutions and two more are coming: for food, beverage and pharmaceuticals and for chemical and construction inputs. And Domestic industrialists' transformation directorate is being established."

Ethiopia's Manufacturers Association is undertaking a research on why Ethiopian investors are not engaging in manufacturing as they do in other sectors like trade, service and real estate, according to Gebrehiwot Gebregziabeher, president of the association. "In the meantime we have designated potential manufacturing sectors for investors to engage in. We have identified 36 traders and lobbied them to join the manufacturing sector and we are succeeding in convincing them. In association with our partners we have also identified consumer products that are being imported while 60-100Pct inputs for these products are available in the country."

The story of foreign investment in the sector is a little bit different though. The country was among the top destinations of Foreign Direct Investment in Africa in 2012. "Foreign investors are queuing up to take advantage of the industrial zones that we are building, where as local investors are almost absent," says Mengistu. There are criteria and commitments that investors must fulfill and made to set up shops in industrial zones. FDI is generally beneficial to the economy as it brings direly needed capital, technology and market but it must be balanced with domestic investment. Around 40Pct of the overall loan portfolio of Development Bank of Ethiopia, the main manufacturing pro-

Summary of selected Licensed Domestic Investment Projects by Sector From July 08, 2012 - July 05, 2013G.C

Investment Status	2009		2010		2011		2012		2013	
	No of Projs	Capital in '000' birr	No of Projs	Capital in '000' birr	No of Projs	Capital in '000' birr	No of Projs	Capital in '000' birr	No of Projs	Capital in '000' birr
Domestic Total	982	15,797,627	1,061	13,504,887	871	8,904,753	772	10,899,854	324	3,653,019
Foreign Total	201	26,430,771	337	22,337,319	224	27,208,359	294	33,456,399	344	26,258,868
Public Total	1	138,898	4	711,238	1	600,000	1	30,000		
Grand Total	1,184	42,367,297	1,402	36,553,444	1,096	36,713,113	1,067	44,386,253	668	29,911,887

Source: Ethiopian Investment Agency (EIA)

jects financer in the country is held by foreign investors. This proportion can be significantly higher if data of the last couple of years is taken, as massive foreign investors' engagement is a recent phenomenon in the Ethiopian economy.

Fast and Unsustainable Growth

The ongoing private sector development which is dependant on investments in trade, service and urban property boom may continue for a while but it cannot continue as it is unless investments in manufacturing, especially from the domestic investors, go hand in hand or even at a higher rate with the tertiary economic activities. Unless the economy transforms itself in to an industrialized one in a given period of time, in the next 15-25 years, it will be a challenge to correct structural flows in the future. "The service sector by its nature cannot sustain shock. A nation should not be dependent on other countries for every manufactured item. A service-dominated economy will end up importing everything. So incentives given to the manufacturing sector must be revised, the changes that they bring about in their long period of existence must be known," the economist highlighted.

Industrialization requires: markets for manufactured commodities, labor force, raw material, technology, enterprise and finance, appropriate skills and knowledge, organizational abilities, effective financial institutions and stable government. In addition to this regulatory and institutional support, standardization and laboratory facilities and efficient bureaucracy are needed. Changing the incentive structure and artificially distorting the economy so that it favors investments in the manufacturing sector should also be made according to the assistant professor. "In South Korea there was big government support when the country started its industrialization path. Less electric charge for manufacturing plants, less interest on loans to and priority in accessing foreign exchange was provided. And the government and the industrialists plan and appraise their performance together. Ethiopia should take lesson from Korea."

"What our domestic manufacturers produce here are expensive compared to imported manufactured products; this implies that higher import tax should be imposed on selected industrial products" Gebrehiwot suggests. This is highly unlikely, as the country is in negotiations to join the World Trade Organization. Depreciating the exchange rate may not be the solution either, since the real exchange rate depends on inflation and this is influenced by the inflation rate in economies of Ethiopia's major trade partners.

Increasing production capacity and quality, through solving the different problems of the sector, like shortage of inputs must take precedence. The economist recommends the expansion of commercial farms as a solution to increase inputs for agro processing plants.

"We believe private domestic investment is the base for industrialization in Ethiopia and the role of the government should be administrative, but if the private involvement continues to be unsatisfactory the government may selectively engage in manufacturing without distorting the economy," says Mengistu. Currently, the government is engaged in manufacturing, but more aggressive engagement is a risky venture and it may push private investment even further.

Not all hope is lost though. Miftah told EBR that he will invest in the manufacturing sector in the next three years. He plans to engage in the consumer product sector like detergent production and produce inputs for bigger companies and hopes to learn from them on how to run his plant. Kassaye also has plans to expand his factory, even though there are serious of series obstacles that he has to overcome.

There is no single magic formula to engage domestic investors in the manufacturing sector. However in his response to the late Prime Minister's question, the researchers of GRPIS and JICA on industrialization and the GTP continue: "our answer on how to wake up a sleepy private sector was the initiation of a national movement for mindset change. A comprehensive programme of aspiration, philosophy, mass campaign, factory projects, training, awards and institution-building that lasts for at least a decade until it becomes self-sustaining and an integral part of popular mindset, which usually aims at quality, productivity and life improvement by instilling the spirit of activism and cooperation." Maybe it's time to take the advice of these researchers and implement systems that have worked for countries like Japan. EBR

"Our Decision of Loan Approval is not Dictated by the Passport Loan Applicants Possess"

Following Ethiopia's drive for continued economic growth and development, the need for investment financing has significantly increased. The state-owned Development Bank of Ethiopia (DBE), one of the main project financiers in the country has also significantly increased its capacity to respond to the country's strong drive for development.

In this exclusive interview, Amanyehun R. Sisay, executive editor and Mikias Merhatsidk, editor-in-chief of Ethiopian Business Review, discuss, with Esayas Bahre, president of the century-old bank, issues concerning the financing of the manufacturing sector, corruption in the institute and the opening up of the financial sector for foreign banks, among others. Excerpts:

EBR: Development Bank of Ethiopia is a policy bank. How do you reconcile this with its additional motive of profit making?

Esayas Bahre: The Bank is not mainly established to make profit, even though its operations are profitable. The profit will help the bank sustain itself through the years and will enable it to operate independently. That is why the loan it provides is interest-based; enabling the bank to make certain profit. But the bank's main objective is to support the country's economic development; we provide finance needed for the rapid and sustainable development of the nation.

The Bank has planned to loan ETB21.9 billion to the manufacturing sector and 16 billion to the agricultural sector in its five year strategic plan, which coincides with the GTP. Now that you are on the fourth year of your plan; how well have you progressed?

We have achieved 90 to 100Pct of the targets we set for loan provision in the last three years of GTP. As you may know, the GTP is an ambitious plan. And still our loan approval has shown significant growth. Loan disbursement is another step. The loans permitted are disbursed phase by phase.

The Bank's Nonperforming Loans (NPLs) were ETB2.1 billion in the 2009/10 fiscal year, 22.8Pct of its total loan portfolio. Have you managed to bring it down to a healthy level?

Yes; DBE has shown great progress in decreasing its nonperforming loans (NPL). After investigating the root causes of previous problems, we designed recovery strategy on each specific case and put great effort into it. We provided grace period for some of the projects, solved problems of some of the projects and in case where a project has no hope, we worked on phasing it out. After doing these we were able to pull down the nonperforming loans ratio from our portfolio below 10Pct. And it has been that way for the last two years. This is a great achievement! According to the Association of African Development Financial Institutions' standard, below 15Pct NPL is healthy. Our goal in terms of loan collection has also been achieved.

But the limit set by the National Bank of Ethiopia (NBE) is five Pct NPL.

We are also striving to reach that level but development banks and commercial banks are different in their loan provision. Usually, the former focuses on short term loans while the latter tend to be project financiers. Project finances are medium or long term loans. Therefore, a project's inability to return the loan for a certain period of time does not mean the bank's capacity is deteriorated permanently. In any case, we are working to reach this stage. Last year it was around eight Pct.

Recently government officials are pleading local businesses to engage in the manufacturing sector, in fact promising improved access to finance. Are you ready to satisfy the demand from these investors?

The country's financial capacity has been growing over time. Our capacity to give loan has also been growing but projects these days are requiring huge capital. Even though we will finance what we are able to, international loan providers should also participate. What we have been doing until now is developing flagship projects that can lead the way and show what can be achieved in the economy. This will boost the confidence of international financier. Now, international financiers are showing interest in operating in Ethiopia. Some of them have opened branches here. In Ethiopia, it is important for different loan providers to come together in a consortium to cofinance projects. This is the future. Our bank will not continue to be the only loan provider institution for these kinds of projects.

Are there projects that you are partnering with international financiers?

Yes we have been working with the African Development Bank, European Development Bank, PTA Bank and the World Bank.

A couple of months ago, the bank withdrew the loans it had approved for Habesha Cement and four other companies; Why did this happen?

There were projects where loans were approved but to receive the approved loan, the right amount of equity must first be secured. There are other projects on the table waiting their turn, so considering the amount of time that took the projects to secure the equity; we were not able to wait for so long. In addition to that, if a project is not implemented within a given time frame, the feasibility of the project will become questionable. Due to these and similar reasons the loans were withdrawn.

How much finance is availed for the manufacturing sector in this fiscal year?

Since we have given special attention to the manufacturing sector, more than 70Pct of our portfolio will be dedicated to the sector.

Last year, DBE approved ETB1.3 billion for the agricultural sector. This is 57Pct of the plan. Can you explain why?

This ration can be changed only through the participation of the public. The public must be aware that agriculture is profitable; and they should invest in the sector. In our part, we have travelled long distance to encourage investment in the sector. Previously, there was no finance for agriculture because it was generally perceived as a risky venture. Now we have to avoid such assumptions. In fact, we encourage investment in the sector. We will allocate even larger amounts. Yet this by itself is not enough. Projects testify agriculture is profitable if worked by mitigating risks and ensuring closer follow-ups. From this experience we are encouraging investors to invest in agriculture and we will continue supporting investment, but it is their participation which raises the portion of portfolio.

Will the 30/70 ratio of financing projects change in the near future?

In our loan policy 30Pct equity will be required to access the rest [70Pct] of the investment from the bank. This is the bank's policy. The policy is not compromised for foreign or local investors. Rather my message to investors, especially foreign ones, is: when their project requires huge finance, it will be good if they contact foreign banks and ease the burden on DBE. We will cover some of the finance, but if there is a situation where they can access loans from international financiers, it will be good if they utilize it. This means the money that could be disbursed to other projects will not be spent on a single project.

Some companies who took out loans to be engaged in the export market, because the bank gives preferential treatment for exporters, have reportedly diverted significant amount of their products to the domestic market. Do you have mechanisms to follow up on such kinds of misconduct?

We follow up whether the finance taken is used for the intended purpose by making sure things on the ground

are the same as what they look like on paper. Then, follow on the proper implementation of the project starting with the use of the equity. We follow up and cross check the true value of the materials, using price index of items purchased in our database. We first make sure the investment equity is paid through professionals, second we make sure whether the first disbursement is effectively utilized on the project. The same procedure will be strictly adhered to in subsequent milestones of the project to disburse the next instalment.

Once the project is finalized, we again start following upon commencement of production. If the project is for instance, export-oriented, it will have export targets. So we will follow up to what extent the target is accomplished. If the company which was established to export is found selling in the domestic market, it is a crime; and there are different stakeholders which follow up on such kinds of crimes. They follow up companies who use export incentives and sell their produce within the country. The offenders will be punished and the privileges will be taken away. Therefore, it is illegal to sell within the country while enjoying export incentives.

People who have come to the bank seeking a loan, especially those engaged in the agriculture sector, say the loan appraisal process is long and tiresome, taking months, why is this so?

We are trying as much as possible to shorten the loan processing time. When the Business Process Reengineering (BPR) programme is implemented, we have taken the experience of different countries. The aim was shortening the loan processing time. However, even when we take experiences of best practices even in the international financial institutions, it is not easy to appraise finance requests of projects. When a given project is appraised, many issues are scrutinized in detail. Therefore, only few projects are approved in less than six months, even by international financiers. But with the goal of speeding up economic growth in Ethiopia, our bank is trying to shorten loan appraisal time. We have fixed our standard time at 35 working days, but this may not be the case for all projects, because some projects are new territory for us too. Data collection to verify such projects takes time. Even in such cases, we only take a few more days than the standard time. Most of the time the appraisal duration is prolonged when some documents of the projects submitted is missing or when the documents are questionable. Projects with the proper documents are easily approved. Now, on average, it takes 40 working days for project appraisal. That is around two months.

As many foreign investors are coming to Ethiopia, there is fear among domestic investors regarding access to finance. Do you have a policy of balancing loan appraisal and disbursement to local and foreign investors?

Foreign Direct Investment (FDI) is growing in the country. This is the result of the government's effort to attract FDI. Our decision of loan approval is not dictated by the passport loan applicants possess. We help Ethiopians take the lead and encourage local investors; equally we support foreign investors who come and provide technology and knowledge transfer to the country. Therefore lots of foreign investors are coming, and this still needs to grow. We encourage local investors to increase their technological capacity and strengthen their financial capacity but encouraging them does not mean favouring them or discouraging others. So we will continue to support investors regardless of their origin. And we hope the number and volume of investment will increase in the country. Since foreign investors came recently they took about 40Pct of our overall portfolio. The rest is held by local investors.

Some of the work processes and work environments in the Bank, especially in regional offices are prone to corruption and customers complain about this. Are

you aware of such practices? What are you doing to solve this? Is corruption a threat to the bank?

In regional offices, there is a limit of ETB15 million on the scale of projects they can handle. Besides this, we have been giving training on enhancing better work ethics and principle. In addition to this, teams from the headquarters are dispatched when there are comments of misconduct in regional offices. We investigate these kinds of incidents and take corrective measures. And we always work diligently so that corruption will not become a threat to the bank.

Highly experienced employees in other public financial institutions leave for various reasons, particularly due to low wages. And this has become a serious problem for the institutions. Is DBE's experience any different?

DBE's experience is not different from other public financial institutions; but the main thing is to work on human resource development. Workers will not stay forever. Since workers leave due to various reasons, the solution is to generate professionals in numbers, working on capacity building and creating experiences. We have links with different development banks in many countries. Using these connections, we prepare training and experience sharing programmes in those institutions. Though workers leave, we replace them with competent work force.

You have recently received USD25 million to finance micro and small enterprises from the Chinese Development Cooperation Bank. How are you using it?

We work with different international financiers to access increased funds. Some of these funds are directly disbursed by us whereas the rest are disbursed to micro and small enterprises through micro finance institutions. We administer different foreign funds through our special fund administration office. This office channels loans for the intended targets, presents reports, and helps the release of funds and follows up on implementation. There are projects that target women as well, and we follow all intently.

The bank is credited with being the reason behind the success of the horticultural sector, but in some cases there were defaults. As the main source of finance, how do you evaluate the performance of the sector?

Four years ago, the horticultural sector was in trouble. At the time, detailed studies were done on a project basis and as a sector overall. Some of the problems in the sector were associated with managerial issues and others were problems with payment schedule; there were also other problems. So, tailored solutions were developed to every stakeholder. The bank also tried to solve problems of capital, payment schedule, and others; and if the projects could not go on, they were foreclosed; in any case solutions of every kind were considered. Most of the projects are now in good shape. Certain projects have been sold and now they are exporting under different ownership, after expanding and reaching an economic size. Now the horticultural sector is in a good condition but it has to grow.

Reportedly there were cases where loans were approved due to the presentation of a mere letter from high officials, in fact some of the defaults in the sector are blamed on such kinds of malpractice; what do you say?

As far as I know, there is no procedure which allows the acquisition of a loan by presenting a letter from high officials. The bank gets into the sector believing that it needs support. It is difficult to say that the bank had sufficient knowledge at the time. From the beginning, the profitability of the sector was in question and commercial banks retreated but since the sector is useful for the country's development, we should go a certain dis-

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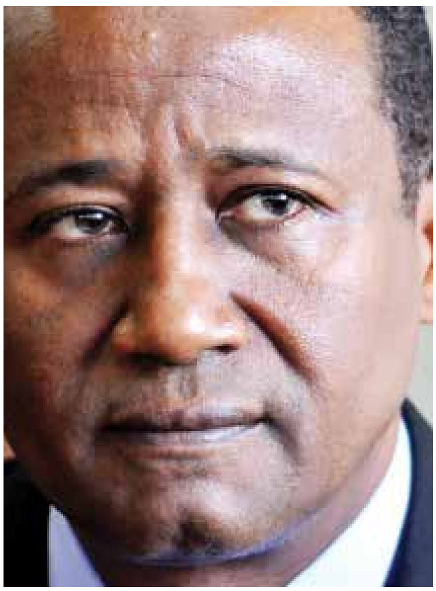

Micro Indeed

How MSEs are Failing to Support the Manufacturing Sector

When his career hit a bump in the road a decade ago, Dagnachew Bayabill, 36, moved to Bahir Dar for a fresh start, andbrought with him, his ample experience in the shoe manufacturing industry. After settling in the capital of the Amhara regional state, he started making traditional sandals. Business was good due to the availability of cheap raw materials and lack of competition. Years later in 2007, when Dagnachew and his colleagues asked the city administration for a piece of land for their workshop, the administration suggested that they organize themselves as a micro and small enterprise. This resulted in the establishment of Edget Behibret Leather and Leather Products Enterprise, with a total capital of ETB18,000. Currently, the enterprise has more than ETB one million in capital, and employs more than 50 permanent workers; it has graduated to a "transitional level" that will enable it to join the medium manufacturing industry.

Last year, after the company's "graduation", Dagnachew and his colleagues applied for a plot of land and a loan to expand their factory. "We have submitted a project proposal to get a permanent land and an ETB four million loan to import modern machines" Dagnachew told EBR. The company, which has already started exporting its products to Sudan, aims to pro-

Performance of the Micro and Small Enterprises Development programme, which donot show the whole picture.

Year	2010/11	2011/12	2012/13
No. of MSEs*	137,897	206,352	283,767
Jobs created	651,366	806,322	1,223,679
Loans supplied	994,086,791	1,088,137,275	2,725,090,809
Market link local in ETB	1,771,592,609	3,949,329,542	8,450,741,573
Market link Foreign in USD	3,387,195	22,187,831	21,000,000
Savings in ETB	317,999,624	1,445,527,229	3,418,359,602

* The summation of all MSEs prior to, and including the particular year
Source: Federal Micro and Small Enterprises Development Agency (FeMSEDA)

duce high quality leather and leather products to satisfy the local market and to increase exports.

The success story of Dagnachew and his colleagues is what the government envisioned when it revamped the Micro and Small Enterprises Development programme in 2006. Micro and Small Enterprises (MSEs) were given the pillar objectives of realizing equitable economic growth by creating jobs, generating income, and establishing a foundation for the industrialization of the nation. Though the programme has performed better in the area of job creation, it has failed to achieve its mission of establishing the industrial base of the country.

By June 2013 more than 280 thousand MSEs were established and 3.9 million jobs have been created across the nation according to Asfaw Abebe, deputy director of development at the Federal Micro and Small Enterprises Development Agency (FeMSEDA). "These people have been able to make their living, change their desperate lives and most of all they have changed the poor work culture that prevents many Ethiopians from earning a living" says the Deputy Director.

In addition to contributing to improving the lives of many desperate youths, the resurgence of MSEs is also seen as a pedestal for the industrialization of the nation. Ethiopia's Growth and Transformation Plan (GTP) has aimed to transform the economy of the nation into an industrial one using MSEs as a vehicle for this change. One of the major objectives of the GTP is developing the micro and small-scale enterprise sector in order for it to contribute, to the development of the industrial sector. The industrial policy of the nation has also clearly stated the vital role that MSEs play in the industrialization of the present agrarian economy. However, regardless of this policy direction set and re-set by the government more than seven years ago , major shifts in the role that MSEs play in the industry are still absent.

Some major objectives of the development of MSEs, which aim to link MSEs to medium and large scale manufacturing industries, as well as to transform them to medium level manufacturers is a long way from being achieved. The role these MSEs are playing in supplying raw materials, and producing goods that can be exported in high quality and quantity has been very limited. Only 1,775 SMEs, less than one Pct of the total established MSEs, have reached a stage that will enable them to transform to medium levels (they must have more than thirty workers and ETB1.5 million to join the medium level). Even among graduates, only a small minority are engaged in the manufacturing sector.

With the exception of few projects that are centered on firms like MAA Garment and Textile, Mesfin Industrial Corporation in Mekelle, and Metal and Engineering Corporation in Bishoftu, initiatives that try to link the MSEs with factories are hardly present. The implications of this can be seen in many cases where global buyers have requested textile and leather products and Ethiopia was unable to supply the desired amount. "The country was not able to coordinate the MSEs available, to put together the demanded amount and quality of products," says Tsegabirhan Woldegiorgis an economist at Addis Ababa University.

Mengistu Hiluf, Planning and Information Management Director at the Ministry of Industry blames the lack of concrete action from the government and the absence of trust from industrialists when it comes to using inputs supplied by MSEs as the main reason for this dismal performance.

The Deputy Director at FeMSEs accepts that there are shortcomings; the main reasons for this being the poor competitiveness of MSE products and lack of entrepreneurial skills. Furthermore, lack of working area and financial support has also contributed to the hindrance of these enterprises, keeping them from realizing their potential. In the process, the manufacturing sector has paid the price for these inadequacies and shortcomings. It does not mean, however that none of these challenges have been tapered through time. For example, when MSEs were first introduced into the country, there were no more than three microfinance institutions. These organizations, which mainly render credit services to micro and small enterprises, were obviously lacking in presence and capacity; however, the number of microfinance institutions in the country has now reached 32.

Ethiopia's present industrial policy drawn in 2002 has chosen the selective industrialization strategy which gives priority to some specific sectors, according to Tsegabirhan. "Though the results of this policy are remarkable compared to the past, it lags behind in bringing basic economic structural changes," he confers. The share held by this sector is no more than 12Pct of Ethiopia's GDP. This number needs to be closer to 40-60Pct to bring about an economic transformation.

Though the industrialization policy hinges on both domestic and foreign direct investment (FDI), the response of domestic investors is quite low and worrisome. One of the strategies to develop domestic enterprises could be to encourage SMEs as they serve as a springboard for the development of the manufacturing industry and other sectors of the economy.

For a country like Ethiopia, where there is a low level of industrial development, a large agrarian poor population and unemployed youth in the urban areas, MSEs are "instrumental" for poverty alleviation and livelihood diversification, asserts the economist.

An example of the transformative nature of MSEs can be found in Brazil. In the country's Sinos Valley, one can find a shoe manufacturing cluster that has become one of the most astonishing success stories of MSEs. The valley, home to thousands of MSEs is one of the biggest suppliers of shoes in the world market. These MSEs produce shoes independently and supply their products jointly to global buyers. This was achieved through international market links and aggressive marketing strategies, headed by government initiatives in collaboration with the producers. Experts suggest that a similar way of organizing and networking MSEs is needed here.

It seems the country's endeavors in general, and its SMEs policy and development plans do not give due attention to local institutions like Iddir, Equb and other social associations which could serve as bases for nurturing networking and clustering of both SMEs and medium and large enterprises to supply the export market.

What is clear now is that the country will not achieve what it has set out to; with regard to industrialization, if the involvement of MSEs continues in this way. Besides job creation, which is still dependent on the government for finance, training and market access, the Micro and Small Enterprises Development Program should start producing entrepreneurial industrialists in numbers. Evaluating the performance of the sector and identifying the strength and weakness should be the first step to correct the past. Experiences of other countries can also be a valuable tool.

The lessons from many South East Asian and Latin American countries indicate that if these MSEs are handled strategically and with proper planning, they can change the setting of the nation's economic course. "MSEs should play a big role in transforming the nation in to an industrial economy," the economist concludes. EBR

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THE UNITED INSURANCE COMPANY SC
Tomorrow's Company Today
TRAVEL INSURANCE
FOR INTERNATIONAL TRAVELLERS
EUROPE PLAN
Schengen Including UK
WORLDWIDE PLAN
Basic And Plus
AFRICA PLAN
Basic
HAJJ & UMRAH
Protection
Medical expenses & hospitalization abroad
Repatriation of family member travelling with the insured
Transport or repatriation in case of illness or accident
Location and forwarding of baggage and personal effects
Travel of one immediate family member
Loss of passport, driving license, national identity card abroad
Repatriation of mortal remains
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Bottled Water

Big Business with Big Potential

By Berihun Mekonnen
EBR Staff Writer

In one of Maritu Legesse's popular songs there is a lyric that reads "Weshete new enji endiaw segedereder, enes lagere lij wuha shiche lider". which can losely be translated as "I've been hiding my feelings; but [for you], I would even [waste/spend my time] selling water." Asserting that she is willing even to sell water, which is too cheap to take to a market, to show what she would do for her loved one. Traditionally, selling water which was even as mentioned in the song, unimaginable, at least not in the Ethiopian context. Now, things have changed, and water has become by far, one of the most sellable products in the country.

Nebiyu Getachew, who made a fortune in his youth, spends most of his afternoons chewing Khat. A couple of bottled water usually accompany this habit. For these two bottles of water, he pays about 20-26 birr.

"I have been using bottled water for chewing Khat for more than 10 years now and it has become part the custom" he told EBR. To curb his expenses, Nebiyu has tried tap water instead, but claims that this did not get the "mood" right. These days many people like Nebiyu who chew Khat prefer bottled water, during munching. Though, some will also consume soft drinks. "Bottled water sales is where the larger part of my profits come from" Semira Ali, one of the owners of the Khat selling establishments around the locality commonly known as Hayahulet, in Addis Ababa told EBR. "Most of my customers consume one to two liters of bottled water per day". In shops that retail Khat, bottled water is a staple, constantly on display.

Bottled water has become an essential aspect of life not only in the Khat Houses and shops, but also in the general urban lifestyle.

A decade ago, the idea of bottled water for many Ethiopians was a trend that characterized the Diaspora and the modern, wealth-driven way of life. Today, it is common to see people purchase bottled water along with their groceries in super markets and kiosks. Young people order bottled water in cafés and restaurants. In several offices, bottled water also has become another choice in addition to the "tea or coffee" offered by secretaries to visitors. Bottled water has a constant presence at meetings and discussion forums. Urbanites from many different walks of life have made it part of everyday consumption.

Since the introduction of the product to the country through the Highland Springs brand by Appex Bottling Company in 1999, the sector has seen tremendous growth.

Now, around 50 bottled water producing plants are operational in Ethiopia. According to a Central Statistics Agency (CSA) 2010/11 survey, about 51 soft drinks and bottled water manufacturing factories have been operational with a registered capital of ETB1,106,223,000. Their production has reached more than 1.3 million hectoliters and the gross value of production has passed ETB3.6 billion in the same survey period. According to the same source, the sector has created approximately 8,000 jobs.

There are many reasons for this fast growth. The general economic growth the country has been registering in the past decade is just one reason. Though this growth is accompanied by unprecedented inflation, the income of the urban population has also shown tremendous growth. According to the MoFED's 2012/13 report on economic performance, the per capita income of Ethiopians has reached USD550 from a merely USD100 a decade ago.

Many factors, such as the growing number of conferences and summits in Addis Ababa, the increased tourist traffic, and the expansion of the hospitality sector have contributed to this growth. This can be easily seen in the growth of the number of soft drinks and bottled water producing factories from 13 in 2006/7 to 53 in 2010/11. Furthermore, according to sources at the Ministry of Industry, several other companies are in the pipe line to join the industry.

It is clear that even foreign actors are perceptive of this growth and the potential this sector has in Ethiopia. Take Maticline Machinery Co. Ltd as an example, the Chinese company, which specializes in machinery installation in bottled water producing plants, opened an office in Ethiopia in 2009. Peter Peng, the general manager of Maticline Machinery Co., Ltd, told EBR that the company gives technical support, machine installation and re-installation, and consultation services for many bottled water producing companies.

A bottled water producing plant can be established with a total capital of USD800,000 - 1.6 million depending on the size and capacity of production. For example, a project that produces 600,000 bottles per hour with 600ml bottle would cost around USD800,000.

According to a business consultant , the running as well as manufacturing costs of producing bottled water is relatively cheaper than other industrial products. A unit cost of bottled water of 600 ml can be less than two birr while it can be sold at up to five birr.

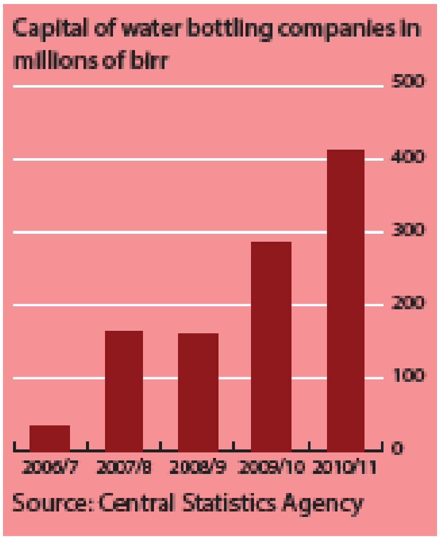
"There is a huge demand for bottled water which producers could not satisfy," says a marketing manager at Aquaddis spring water, produced by Asku PLC. "For a country of 90 million, only one million bottles of water are supplied per day" he told EBR. He adds that even in the rainy season, when the drinks market is expected to slow down, the market for bottled water continues "unbelievably high". The company has increased the production capacity of Aquaddis by around 100Pct to 240,000 bottles per day

since it purchased the company from its Indian owners three years ago.

One distinct feature of bottled water products is that production and marketing is not confined to Addis Ababa, as is quite common with other products. Several companies produce and market their products in other regions as well.

In Tigray for example, according to the region's Investment Bureau, there are about ten bottled water companies that are established with an estimated ETB50-70 million capital. .

Many new companies are also eyeing the sector. "There is a huge gap between demand and supply of bottled water" says Adebabay Biru, an industrialist who recently established Guna Springs at the Guna Mountain, near Debre Tabor, South Gondar Zone of the Amhara Regional State. This was done with a total



Capital of water bottling companies in millions of birr

Source: Central Statistics Agency

capital of ETB30 million. After satisfying the local demand, Adebabay plans to export his product to the Sudan, only 400 KM away from the factory.

Aquaddis also has a similar plan for the near future; to export bottled water to earn foreign currency. "The water quality has been approved by several institutions, here and abroad" says the marketing manager at the company. "We will start exporting soon after we satisfy the local demand through the expansion of our factory," he adds.

"Producing and marketing bottled water is actually not as easy as many would think" says Adebabay. Like any other manufacturing business, the bottling industry needs the appropriate technology, correct installation of machines, well trained employees, an efficient and effective management system, and the right amount of energy.

One of the main challenges the sector faces is the regular interruption of electricity. In producing food and drink items, a five minute disruption in electricity supply does not just cause five minutes of trouble. If quality is to be maintained, all the materials in the process are discharged and new inputs added. This takes not only time but also money, as companies incur additional costs when replacing the inputs.

As one of the fastest growing economies in Africa, and home to the continent's second largest population, Ethiopia represents a compelling investment opportunity, particularly in consumer oriented sectors. The expansion of bottling firms as well as the increased production and marketing of bottled water are clear indicators of high demand for such products. To satisfy this demand, production and marketing of high quality bottled water will surely increase.

Ethiopia has been identified as the water tower of Africa due to the potential of its water wealth; as seen in the country's abundant rivers, lakes and reserves of underground water. If the bottled water industry grows and production is improved and able to meet international standards, Ethiopian companies will soon be able to penetrate the international market of bottled water. EBR

Private Wing Services in Public Hospitals

A Significant Contributor in the Retention of Medical Professionals in Ethiopia

By Meseret Mamo
EBR Staff Writer

In November 2011, the British Medical Journal published a research article entitled "The financial cost of doctors emigrating from sub-Saharan Africa: human capital analysis". The research, which was conducted by a group of medical scientists under the leadership of Edward J. Mills (Prof.), chair of global health at the University of Ottawa, Canada, concluded that Sub-Saharan Africa has lost USD2 billion yearly because of the brain drain related to medical professionals.

The study found that South Africa and Zimbabwe suffer the worst economic losses due to doctors emigrating, while Australia, Canada, Britain and the United States benefit the most from recruiting doctors trained abroad. Other countries included in the study were Ethiopia, Kenya, Malawi, Nigeria, Tanzania, Uganda and Zambia.

Brain drain is not unique to any country; it is a global problem. The issue is that it's having a significant negative effect on most developing countries, although a few have coped successfully with the problem. Ethiopia is among those severely affected by the phenomenon.

Although finding reliable statistics on the emigration of doctors from Ethiopia has always been a challenge, there are reports that only one Ethiopian physician was working outside the country as recently as 1972. The political persecution and the Red Terror during the Dergue regime reversed the situation. It caused significant brain drain as highly skilled Ethiopians began to leave the country. While the reasons for the exodus have changed over time, it has continued to the present day. As a result, Ethiopia today has a large portion of its doctors overseas and continues to lose them to foreign countries for various reasons. This has contributed to the poor health situation in the country.

The migration of doctors in Ethiopia does not only happen from home to foreign countries; it also happens from public to private hospitals. This has in fact been a growing problem in the past two decades as private health establishments flourished following the liberal economic policy the country pursued since 1991.

Although there are several reasons why doctors from Ethiopia migrate to foreign lands, the reason they move from public to private hospitals within the country, is largely due to search for better pay.

"I have spent seven years of study in medical school and yet the reward for working in public hospitals is much less than the effort. One serves continuous long hours even night shifts but the salary is too small compared to other professions" says Selam Tesfaye, a medical doctor (MD) fresh graduate from Addis

Average monthly earnings of health workers from regular and private wings

No.	Cadres of workers	Average monthly earning (ETB)		Number of days worked per month in the PW	Share of private wing income from total monthly income (percent)	Share of private wing from regular income (percent)
		Regular	Private wing			
1	Specialists	6,823	10,664	8.5	61	156
2	General practitioners /GPs/	4,385	2,313	8.5	35	53
3	Nurses	1,939	1,002	4.0	34	52
4	Lab. Technicians	2,170	651	4.5	23	30
5	X-ray Technicians	1,960	505	2.0	20	26
6	Radiologists	6,054	6,532	NA	52	108
7	Pharmacists	2,257	518	4.0	19	23
8	CEOs	5,288	1,228	NA	19	23
9	Medical Directors	6,719	1,768	2.0	21	26
10	Support Staff	1,593	490	4.0	24	31

Source: Assessment of Private wing in Public Hospitals in Ethiopia, First Draft, Nov.2011 Ministry of Health

Ababa University, College of Health Sciences.

So many doctors share Selam's opinion. Addis Ababa City Administration Health Bureau pays ETB3,414.00 gross salary for general practitioner (GP) at entry level, and following an assessment every two years, a GP might get a maximum of ETB5,328.00 gross salary after eight years. For specialists, the base salary is ETB5,328.00, while the highest possible pay is ETB6,999.00. Specialists would be entitled to ETB7,619 gross monthly salary, provided that they engage in scientific research and contribute in the discovery of new technology or research output. The City Administration also provides ETB2,000 for housing and professional allowances for general practitioners; the allowance for specialists is ETB3,000. More or less similar salary and benefit packages are applicable by the federal government as well.

These benefit packages have never satisfied the medical doctors or other health professionals as their friends in the private sector earn several folds what they do. There are anecdotal reports that some specialists in private hospitals earn as much as ETB30,000.

This has become a big headache for government officials as the situation prompted a large number of professionals in public hospitals to prioritize their part-time work in private hospitals.

For these, and a number of other reasons, the Ministry of Health launched successive health financing reform in 1998. One outcome of the reform was the establishment of private wing facilities inside the premises of public hospitals starting 2008.

The physicians get 80 to 85Pct of the revenue generated by the private wing services while the balance goes to the hospital. About 70Pct of the net revenue then goes to the MDs, nurses and laboratory technologists, while the remainder goes to administrative staff. "This programme is part of the financial incentive to retain physicians" once said Tedros Adhanom (PhD), former Minister of Health under whose leadership, the programme was started.

The primary objective of the private wing system was improving health workers' retention, providing alternatives and choices to private health service users, and generating additional income for health facilities. To date, 33 out of the 123 Public Hospitals throughout the country have started the service.

"A physician can get as much as 200Pct increase in pay to one's salary by working in the private wing" said Abraham Asnaqe (MD), the Medical Director at the Ras Desta Damitew Memorial Hospital Private Wing Services.

High payment in the private hospitals is one of the pulling factors for physicians to leave public hospitals. For example a GP in Addis General Hospital gets net ETB12,000.00, and a specialist gets ETB15,000.00 net. This used to be twice the salary paid in public hospitals, but now, this has become a thing of the past.

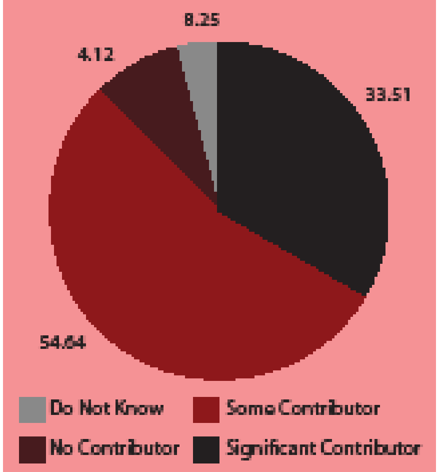
A large number of health workers believe that the salary boost which came following the commencement of private wing services has significantly contributed to the retention of workers in hospitals. These attitudes or perceptions are reflected in a survey conducted by the Ministry of Health.

The private wing has helped a large number of patients benefit from rarely accessible high level medical services. Particularly, emergency services are better available in the private wings of most public hospitals. "I brought my father here [the private wing], because he did not get the chance to see a doctor in the public one," said a woman who requested to stay anonymous at the St. Paul Hospital in Addis Ababa. "I would rather pay more than risk seeing my father die waiting."

The Private wing in Ras Desta Damtew Hospital

Although the system has significantly contributed to the retention of health workers due to the resulting pay boost, particularly to those highly trained specialists, there are complaints coming from an array of angles regarding a recent change in the tax system.

Health professionals' response on the contribution of private wings to staff retention (Percentage)



Source: Assessment of Private wing in Public Hospitals in Ethiopia, First Draft, Nov.2011

When the programme became operational, physicians were paying only 2Pct withholding tax. However, recently, a system has been installed requiring the physicians' basic salary to be added to the pay they get working in the private wing. This has made their combined income to be taxed by the amended income tax regulation of the country. As a result, most workers now pay 35Pct of their increased income as most of them already earn above ETB5000, this is the nation's threshold monthly income that is taxed the highest ratio: 35Pct.

Mitiku Chemeda (MD), a specialist physician at the Ras Desta Damitew Memorial Hospital said "We have been benefiting from working in private wing particularly when the income tax rate was 2Pct; however, recently, the benefit has significantly declined due to the increase of the tax."

This new introduction of increased tax on pay has caused a serious problem. Some hospitals have even stopped part of their usual services, case in point being the Tikur Anbessa Specialized Hospital.

"The Private Wing surgery section in our hospital has stopped because of problems related to finance. We will start the service if the regulation is amended. Until then we continue giving critical services one cannot get from other Hospitals" said Mahlet Yigeremu (MD), Dean of the School of Medicine at AAU and CEO of the Hospital.

Some hospitals are also considering to close the private wing if the tax controversy is not resolved soon.

The Ministry of Health is aware of the consequence of the recent tax controversy surrounding the matter. "We are aware that the new tax system takes a huge part of doctors' pay" Alemayehu Berhanu (MD), Deputy Director of the Medical Services Directorate at the Ministry of Health said. He concludes that nothing can be done about the matter as it is based on the law of the country.

If these tax issues are not solved, professionals working in the public hospitals will look for way out to get better benefits, and this will negate the main objective the programme sets out to achieve in the first place. EBR

Continued 20

Born:	1964, Tigray
Status:	Married A father of two
BA:	Management, AAU
MA:	Banking and Finance, University of Wales [Now University of Bangor], UK
Past:	Deputy Manager, Gondar Branch, CBE
	Manager, Shire Indaselassie Branch, CBE
	Vice President, Branch Operations & Coordinations, CBE

tance. How investors get into the business and how the bank gets prepared is another issue. But through the process we have built our capacity to support the sector. Some investors were reluctant to pay their dues because they knew that during foreclosure, the flowers will die and the farm will be worthless, so they thought we will not foreclose. The measure to solve this problem was, we prepared ourselves to take over the projects by training workers in order to get the management skill for certain interim period; and we were able to sell it later. This shows that if the bank wants to take measures, it has the ability to do so.

What are the main sources of finance for the bank?

Previously, it was operating using loans from different institutions within and outside the country. However, now, the 27Pct bond from the commercial banks has become the main source of funding. This has been a stable source. Though this is the basic source of funding, we also have additional sources from abroad; time deposits and others also contribute.

How much did you get through the 27Pct bond purchase from commercial banks the previous year?

I do not know the exact figure.

What do you think is the biggest accomplishment of the bank in its more than 100 years of existence?

The bank has been operational for over 100 years. This by itself is an accomplishment. Understanding the need for and imagining a bank that works exclusively on agriculture and industry at that time is outstanding. However, the bank's existence simply continued without significant result through different governments. Five years ago, while undertaking Business Process Reengineering, the bank started questioning its reason d'être. Then it came up with a new vision, i.e., to make its projects 100Pct successful by 2025. It aimed for projects which support the development of the country. It is against this vision that every worker's role is evaluated. To evaluate the bank's achievement by the development support it gives is a great accomplishment. Giving clarity to the mission and vision to the workers and defining what it stands for was necessary. So now, the success of the bank is evaluated in terms of the contribution it makes to economic development and the number of successful projects it help to establish, which in turn will be evaluated in terms of revenue generation, and export and tax payments the projects create. Implementing numerous projects of this kind can change the country's economy and we are evaluating ourselves using these criteria, and they are successful.

As a banker, do you think it will be beneficial for the finance industry to start the gradual opening of the sector to foreign investors now?

When we see the distance we have come through and the positions that domestic banks used to have and where they are now; we can say that the decision not to open the sector for foreign investment was a success. The capacity of domestic financial institutions has been enhanced because of this decision. Unlike many other African nations, Ethiopia has managed to create indigenous banks that can satisfy the demands of the domestic market. However, this is a process and I think when the financial sector reaches a certain level of competency, the industry will be open to foreign investors. Yet banks in the country are working on activities like increasing the accessibility of the sector, which foreign banks may not be interested in. Then once the required level of competency is achieved, the foreign banks may open shop here. Better services will also be provided. EBR

Funeral Homes

Taking Over the Services of Iddirs

Recording videos and taking photographs of a wedding ceremony is quite common, as passing time watching these videos and studying these pictures will give one the chance to remember the good times. Nowadays, people attach such videos and pictures on their facebook pages for others to see, giving those who did not attend a chance to view the festivities.

What would you think of recording or watching the funeral ceremony of your loved ones? It seems strange, but recording videos and taking photographs of funeral ceremonies is now one of the services given by modern funereal homes in the country, particularly in Addis Ababa. These funeral homes, established as businesses entities, are delivering funeral services with a variety of additional services most of us do not usually associate with burials.

Aster Woldemicheal, who lives around "Hayat Homes" in Eastern Addis Ababa, in a house her brother bought for the family, lost her mother a couple of months ago. Her only brother, who lives in the United States could not make it to the funeral. Relatives advised her to video record the ceremony in order for him to watch. "With the help of the video, my brother has mourned the death of our mother from where he lives, with his friends and relatives around" she told EBR. "Though it can not replace attending it, I think it has helped him to share his grief with the rest of the family" she adds.

Funeral homes are now giving these services and the demand has grown in the past few years according to some funeral homes on the Churchill Avenue, in Addis Ababa that EBR talked to. Bet-El Funeral Services is one of those institutions, which provides an array of services from washing and wrapping the body properly to putting it in the coffin and transporting it. "The services funeral homes are rendering have changed dramatically in the past decade" says Yared Moges, general manager of Bet-El, a family business which has been operational for the last 20 years. "Some 15 years ago, since the municipality and Iddirs [a community based local welfare associations] provided cars for funeral services, we used to sell caskets and flowers, but now we provide full funeral services which include catering and recording the ceremonies for those who request" he said.

In the past seven years, the request for these new services has increased dramatically, according to Yared.

A funeral service with trained practitioners is provided with the supply of coffin, car and flowers with a total cost of ETB10,000 - 15,000. Whereas a "complete funeral service" with catering and videography and photography services will cost up to ETB30,000, depending on the number of people attending and other requests, according to Yared.

This phenomenon did not happen unexpectedly. "We have been predicting the arrival of such changes by looking at the changes in the ways of life in cities like Addis Ababa" says Yeraswork Admasie (PhD), associate professor of Sociology at Addis Ababa University. "With the expansion of relatively affluent middle and upper middle class professionals settling in the outskirts of the city, [Addis Ababa] I do not even think there are Iddirs to take care of events like funerals" adds the Sociologist.

In Ethiopia, the establishment and consistent growth of modern cities started 125 years ago during the reign of Emperor Minilik II. At this time, cities were used as camps for the army, and as administrative and justice centers. The social cohesion and cultural practices in these cities used to be no different from rural Ethiopia. However, with the victory at Adowa in 1996, Ethiopia's diplomatic and economic ties with the western world started to strengthen. The introduction of the Ethio-Djibout railway line and the arrival of foreigners as diplomats, missionaries and business people, as well as the expansion of different infrastructure contributed to the transformation of Addis Ababa into a modern city. "Still, even though the growing presence of the international community has contributed to the changing lifestyle of the city's residents, it has not brought a significant change in the traditions of mourning and funerals" says Yeraswork.

During and after the Italian invasion, a significant number of Ethiopians started to migrate from rural areas to cities; Iddirs which are voluntary associations of communities then began to be established. Although it is worth noting that there had been similar institutions in existence in parts of the country, such as "Kire" in Wollo.

Funeral services have shown gradual changes over the years. "In the past 10-15 years, funeral homes which had been selling coffins and flowers have started services such as washing corpse, wrapping and putting it into a casket as well as transporting it to its final burial destination" the sociologist said. In the recent past, these services were handled by Iddirs." The actual burial ceremony is still conducted by churches. According to Yeraswork, the move from using Iddirs to funeral homes can be explained by two reasons. The first reason is that the middle class who are doctors, engineers and other white collar professionals moved to the outskirts of the city, constructing or buying houses in new suburbs. These people do not have the time to be part of the Iddir, where as they are able to pay other institutions for any services Iddirs would have provided.

In the city-center too, people who used to serve in the Iddirs (in most cases people receiving pensions and the unemployed) used to render the services with minimal benefits. Now, with skyrocketing prices and high cost of living, people struggle to survive, and work other jobs. This leaves an inadequate amount of people to help the Iddirs complete their responsibilities. Thus, the funeral homes are taking on part of the activities of Iddirs, where the social institution is not there, or the individual is not a member.

"With the introduction of the new services and the increase in payments, competition in the business has become tough" the manager of one of funeral homes, who would like to stay anonymous, told EBR. "We compete mainly by providing better products such as better coffins and flowers as well as by delivering better services in catering, video and photography services." The funeral homes edit the videos by adding instrumental music and other cinematic effects. Photographs are also taken through the whole process and edited, adding quotes from the Bible.

The service provided by funeral homes is a positive social phenomenon according to the associate professor, and it will grow exponentially in the coming years and influence many urban areas of the country in the short run, and even rural areas in the long run. EBR

Workers of Bet-El Funeral Services in a burial procession

Back to the Future

Ethiopia's Bid to Host the 2021 African Cup of Nations

January 21st 1962 was the greatest day in Ethiopian football history. Ethiopia was able to win its first and last African Cup of Nations (AFCON), after beating United Arab Republic (Egypt) 4-2 in additional time, in one of the most entertaining games ever played in African football history. Ethiopian football legends like Mengistu Worku and Italo Vassalo quenched the trophy thirst of the spectators packed at the then Haile Selassie Stadium.

Addis Ababa stadium, fondly known as Kambolodjo by football spectators is the only major sporting arena in the country. Built during the imperial era, the stadium is an iconic structure in the city. Located at the heart of Addis, it is not just a sporting facility; it is a place of worship for football crazed urbanites. Football fans meet, have beers, and spend their spare time talking about their beloved clubs. Surrounded by ars and pubs, which overtook Tela bets of the earlier times, which are open starting early in the morning, the stadium is always colourful thanks to the loyal fans of clubs like St. George and Ethiopian Bunna.

Ethiopia hosted African Cup of Nations three times in 1962, 1968 and 1976, only Egypt and Ghana who each hosted the tournament four times have hosted the tournament more times. In addition to Addis Ababa Stadium, Asmara Stadium and Dire Dawa Stadium were involved in hosting the sixth and tenth African Cup of Nation (AFCON) respectively. Buoyed by its recent impressive economic performance, the country is once again gearing up to bid to be the host nation for the 33rd edition of AFCON which will be held in 2021. However, there is a lot to be done to win the hearts of the executives of the Confederation of African Football (CAF), but chances are the country may win the bid, provided that the government is committed to the process that comes with such a responsibility.

The biannual AFCON tournament has been played since 1957, and is thereby older than the corresponding European championship. So far, only 18 countries have been able to host the tournament. Countries heavily invested in their sports facilities are the ones who tend to host the games. This is especially more noticeable in recent editions of AFCON.

Sporting facilities with international standards are almost nonexistent in Ethiopia, except the newly inaugurated National Youth Sport Training Center. For a nation that worships sport, football in particular, Ethiopia lacks a major arena for its clubs or national team. Addis Ababa stadium, with its bare minimum amenities and limited capacity (it holds 15-18 thousand spectators) is host of where every international game played in the country. Besides its notoriously uncomfortable pitch, which every visiting African team complains about, many football fans return home because they can not get seats especially during international matches. The Ethiopian Premier League is played in fields whose grounds are not even levelled. These playing grounds of regional teams are without the minimum facilities or even a fence. Despite numerous promises to build international standard facilities since the Dergue era, nothing tangible has yet been materialized. Infrastructure developments of the last decade have taken significant time to address the sports sector. Recently though, some signs of change are being seen.

Even though it started late, construction of some sporting facilities are under way in the country. A number of relatively modern stadiums are being built in regional cities like Bahirdar, Woldiya, Mekelle, Neqemte and Hawassa. These stadiums, with seating capacities that range from 25 to 50 thousand are under construction with budgets of hundreds of millions of birr each. In addition to these, construction of a national stadium with a seating capacity of 60 thousand and planned cost of ETB1.8 billion is expected to start by the end of 2014.

Encouraged by these developments, massive infrastructure projects around the country and the generally positive performance of the economy, the Ethiopian Football Federation (EFF) has presented its proposal to host the 33rd edition of AFCON that will be held in 2021. The proposal, made at the recent General Sport Council session, which was chaired by the federal sport commissioner, was accepted by the council.

"Even though we did not yet have the specific amount of the cost for hosting the tournament, the new administration of the football federation (only a couple of weeks old) is working on the details of what to do next," says Yigzaw Bizuayehu, secretary general of EFF. "We will send an application to host the tournament, filling the request form we have received from CAF, using the window until January 14, 2014."

There are eight years before the tournament is to be held, and a lot can be done in the meantime. "As part of the growth and transformation plan, we are building sporting facilities around the country. International standard facilities are being built in different regions. The national stadium in Addis Ababa will also be ready for the tournament. Tender for the construction of the stadium will be issued by the end of this fiscal year," Tibebu Gorfu process owner of sport facilities at the Federal Sport Commission told EBR. "CAF will give special attention to security, accommodation and infrastructure and I am sure they will be delivered."

Yet some have doubts about the quality and standards of the new facilities being built. "The new stadiums are being constructed, setting the Addis Ababa stadium as a model. This will make them fall short off the required amenities like spacious media tribune, and this will be a challenge when the facilities host big events," says Mensur Abdulkeni, a seasoned sport journalist. "Stadiums around the globe are now being constructed with star ratings like hotels and I do not think sport commission has set international criteria for standardization, besides seat capacities."

Apart from the national stadium in Addis Ababa, other stadia are being built by the respective regional governments and city administrations. But in the sport facility development strategy of the nation, the private sector was also given a role to play. According to the directive implemented by the sport commission, private investments will be given priority for land and negotiate with respective administration for lease and will be granted duty free privileges for capital products and other equipment like gym facilities. However, it is important to note that the share of private investment in major sport facility is very minimal.

Officials at the federation hope the role played by the private sector will be more successful in facilitating the needed international standard hotels.

3D depiction of the soon to be built National Stadium.

3D depiction of the soon to be built National Stadium.

In addition to the accommodation facilities, an efficient transportation system is required from the host country of AFCON. "As most of the essential infrastructure is being built as part of the development strategy of the country, we do not think major investment and construction will be necessary just for the tournament," explains Yigzaw.

The relationship between sports investments, tournament-focused in particular and economic benefits derived from this do not have a clear set of framework. The economic results of hosting a tournament are mixed around the world. For a country like Ethiopia, that is just starting from a low infrastructure base and that should build these facilities anyway, (even if it is not bidding to host a tournament) the results are generally expected to be positive. Yet there are some concerns. AFCON as a tournament does not attract many tourists and is not profitable most of the time.

"The government is committed to this venture" says the secretary general of EFF. So everything will be facilitated, the federation hopes. Prime Minister Hialemariam Desalegn has told players of the national football team and athletics team, in his speech during a prize giving ceremony in the national palace, that his government is behind the national team and it will do anything possible for the success of the national team and growth of the sport. People in the EFF have taken this as a sign that the government is on board. Now the question is will CAF give Ethiopia the chance to be the host?

"It has been almost 40 years since we have hosted the tournament; as one of the founders of CAF, I think we will win the bid," says Yigzaw. Mensure concurs, "if we are able to build the necessary facilities and infrastructure Ethiopia is an ideal place to host the AFCON. Besides, it has been a long time since an East African nation hosted the tournament and our country's place in the continental political organization will give it an additional impetus."

Since the death of Ethiopia's football father, the late Yidnekachew Tessema, the country has been unable to create a football personality that it can deploy to lobby and work as a sports diplomat. This has cost the country dearly in the past. "People in the bidding committee must be carefully selected and veterans like Fikru Kidane (a protégé of Yidnekachew, with life long experience in international football organizations) should be used as a bridge to send our message across," says Mensur. "We understand that strong football diplomacy and lobbying will be needed, but we have not yet chosen who should be included in the committee to do this and who to use in our endeavour," says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Calculating the Poor

The Reality of Measuring Poverty in Ethiopia

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Poverty can be described as living with an income level below some minimum level necessary to meet basic needs. This minimum level is usually referred to as the "poverty line". However, what is necessary to satisfy basic needs varies across time and societies; therefore, poverty lines vary depending on time and place, and different counties use different values for their poverty line which are appropriate to their own level of development, societal norms, and needs. According to the World Bank, the content of needs is more or less the same everywhere. Poverty is hunger, lack of shelter, an inability to access healthcare, education, and job opportunities. Furthermore, poverty is having fear of the future because one is simply living one day at a time. Ultimately, poverty is characterized by powerlessness, lack of representation and freedom. All of these things show that poverty extends itself into material, psychological, political and social dimensions.

According to estimates by the World Bank, 21Pct of people in the developing world lived at or below USD1.25 a day. That's down from 43Pct in 1990 and 52Pct in 1981. It means that 1.22 billion people lived on less than USD1.25 a day in 2010, compared with 1.91 billion in 1990, and 1.94 billion in 1981. One of the poorest regions in the world, Sub-Saharan Africa, was able to reduce its USD1.25-a-day poverty rate to 48Pct in 2010 from 52Pct in 1981. Despite these achievements, even if the current rate of progress is maintained, some 1 billion people will still be living in extreme poverty in 2015.

The Ethiopian government has claimed a double digit economic growth in the last decade; yet independent observers have been critical of this assertion. Be that as it may, it is important to examine the poverty reduction implications of whatever growth has been achieved because all type of growth is not necessarily poverty - reducing. Using the official income - based measure, the latest official figures show that in 2010/11, 30Pct of Ethiopians (about 25 million people) are poor -a significant fall from 38.7Pct in 2004/5. According to another, more recent report by the Ministry of Finance and Economic Development (MoFED), this number has further declined to 26Pct in 2012/13. Poverty is shown to be slightly higher in rural areas (30Pct) than urban areas (26.1Pct). Over the same period of 2012/13, the poverty gap (how far below the poverty line the poor are) fell from 8.3Pct in 2004/5 to 7.8Pct in 2010/11, indicating a substantial reduction in the intensity of poverty.

The official level of poverty in Ethiopia is based on ETB3,781 per year per adult equivalent. This is equivalent to ETB10.50 per day, per adult equivalent (about USD0.50), with the food poverty line being ETB5.4 (USD0.27). This means if an adult is earning below ETB10.5 per day he/she will be considered as living below the poverty line (if this is below ETB5.4 he/she will be taken to be food poor – i.e. he/she can not afford the proper amount of food necessary to function healthily). What is worrisome in Ethiopia is that the income poverty, even using the official poverty line and data, is very pervasive. Given the galloping inflation in the country since 2005-which largely resulted from the government's excessive domestic borrowing (through money printing) — ETB10 is an extremely small amount of money to attempt to cover a person's basic needs (food and non-food items alike), even by Ethiopian standards. Thus, assuming that income has relativly normal distribution (though recent evidence shows otherwise, especially in urban areas), it is easy to see that if USD one per day is used instead, those below poverty will be about 60Pct of the population (more that 48 million Ethiopians).

Despite official decline in poverty in Ethiopia, the poor are still vulnerable to further poverty if eradication resources and programmes do not specifically target and reach the chronically poor – those who hardly meet their daily food requirements. In short, the pervasiveness and enormity of poverty levels should be obvious as the calculations are based, as I have noted above, on ETB10.75 per adult per day. This figure which is used by the government of Ethiopia is half of the one dollar a day figure that is usually used internationally. This figure has been proven to be insufficient not only by the fact that this amount of money will not even cover the daily food required for an adult but also by the fact that it is half the amount generally used by the international community when drawing the poverty line.

Notwithstanding the picture that could be drawn from the official sources as described above, the Ethiopian literature on poverty seems to suggest the pervasive and chronic nature of poverty in the country, regardless of its generally declining trend over time. The literature also shows significant difference on the levels of poverty depending on the official government data and the data from other institutions like the Department of Economics of Addis Ababa University [AAU] (although it should be noted that the sample used in the AAU study is very small). This suggests the need to scrutinize the official poverty indicators as they could be as contestable as the growth figures (where the government data and the forecast of international institution markedly differ). Such critical examination of the data would discern the most probable state of poverty in the country, without bias. When we do this, the officially reported poverty figures do not seem to accurately show the current level of poverty in the country. More importantly, if we move from this income based poverty to multidimensional poverty indicators and attempt to take all aspects of the life of the poor. The level of poverty in the country will undoubtedly be shockingly high. ■

Missing Link

The Manufacturing Sector and Industrial System Management

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Industrial System Management is a way of using industrial engineering principles to solve industrial inefficiency, ineffectiveness, and the lack of operation safety. An example would be using facility design to improve facility layout in order to maximize the efficiency of the production process; or using lean manufacturing to eliminate waste and ensure effectiveness in production areas, and using Six Sigma to statistically control and ensure the quality of products.

The main components in any manufacturing establishment are humans and machines. Industrial system is, therefore, the bridge that connects them, and ensures they are working closely together to achieve the final goal - producing the best products efficiently.

Most modern factories in Japan used industrial system management since World War II. Toyota Car Manufacturing Company for example, has beaten the United States' giant General Motors by applying such manufacturing methods. Nowadays, lean manufacturing principles are applied in most American factories due to the significant efficiency improvements seen in Japanese industries. Developing countries like China are also using such methods to handle their huge demand and to increase their production capacity.

Industrial system management hardly exists in Ethiopia

There are many obstacles in the manufacturing sector in Ethiopia, especially in the bottling water sector as I have observed working with several of these companies. The power supply is unstable, which affects manufacturing efficiency and the quality of products. The supply chain is so incomplete that companies can not get parts required for production within the country. There is also lack of dedicated distributors; hence, producers need to distribute their products by themselves. More importantly, there is a strong need for modern management system in most factories.

The first stage in the industrial evolution of the world is the craftsmanship industrial era. It takes a long lead time to produce one product, and the cost of production is relatively high. Craftsmanship was no longer able to supply the large demand for items such as guns for warfare. Interchangeable parts were then invented to increase the convenience of products (if two guns are broken, you can combine the good parts of the two to make a good one). Then mass production was introduced to supply the huge demand in a short time during the World War II. Under mass production there is low variety since everything is produced in an assembly line. This has changed the scope of manufacturing in general.

After the war, the Japanese focused on the car manufacturing sector; and created a system called Lean Manufacturing. The idea centred on highly efficient, top quality, and engaged workforce production system. It is, in other words, the combination of the flexibility and quality of craftsmanship, and the low cost of mass production.

Ethiopia is now at the stage of mass production mixed with craftsmanship. In the

Industrial Movement

bottled water business for example, it is important for the bottlers to produce as much as they can to satisfy the high demand of their products. However, in most cases, the production lines are running only at 50 to 60Pct of their capacity. This low efficiency is a result of a combination of factors such as lack of focus on the side of the management which is usually busy on solving issues at hand (example: electricity failure) to have production. Moreover, machine operators are not trained well enough to operate efficiently, and safely.

In addition, the facility design in several factories brings inconvenience for operators and managers; and affects the efficiency of production. These have contributed to the low overall equipment efficiency (OEE) in the country.

Industrial system management method can solve such inefficiencies in several factories in Ethiopia. The first step for increasing factory efficiency and effectiveness is to have logical and lean facility design. This means proper arrangement of the positions of the machines, tools, and stores for both finished products and raw materials. Furthermore, offices and other facilities must also be organized in a way that materials and information flow smoothly. In the bottled water business for example, it is important for line engineering to be logical. Before the line is built, every component must be designed to fulfil the specific need of the factory.

The next important step to increase efficiency in industry is to have good technical guidance. This includes procuring the right machines, and having good technicians for installation and commissioning. It is also very important to have appropriate factory management. By setting up standard operating procedure (SOP), a step by step procedure for selected operators (with professional recruitment process) to follow will ensure that they are doing the right job effectively. This helps to prevent machines breakdown by operators' mistakes. It will also ensure workers' safety and increase production efficiency. To ensure that SOPs are followed, it is useful to set up a Key Performance Indicator (KPI) programme to measure the operators' performance. The company can reward or punish the employees depending on this performance. Furthermore, the SOPs can be transformed into training manuals, and combined into a Knowledge Management (KM) system. So, if any worker leaves the factory, the knowledge will remain within the factory.

It is necessary to perfect the supply chain by setting up a quality control system. This helps to control the quality of the raw materials.

Last but not least, it is significant to set up an effective maintenance programme for each and every machine in the factory. Based on the type of machines, there are several methods of maintenance, such as conditional maintenance (adding cooling water to machines when appropriate), systematic maintenance (running 3,000 hours and then changing lubricant oil), and corrective maintenance (fixing upon breakdown of low cost parts). In addition, there should be an annual budget for procuring spare parts to ensure on-time delivery when spare parts are really in need.

Take machines as hardware, and industrial system management as software. A computer without the proper software will significantly reduce working efficiency. The Ethiopian manufacturing sector as a large industry lacks such software. The result is inefficiency.

Without adding any more machines into the factories, the efficiency in many factories in Ethiopia can easily be improved by 20 to 50Pct. This will be possible, among others, through the implementation of industrial system management.

It is becoming a trend that Ethiopia will become the next world manufacturing factory. In order for this to happen, a more efficient system needs to be put in place. Improving efficiency through industrial system management requires trial and error but results will be well worth the effort. It is the time for the Ethiopian manufacturing sector to bloom; let's be ready for it. ■

Mi Casa es Su Casa

A Call for "Bancassurance" in Ethiopia.

Fikru Tsegaye holds MBA in Marketing and MA in Human Resource and Organizational Dev't. He is currently working at Ethiopian Insurance Corporation as Marketing and Strategic Management Team Leader. He can be reached at fikru.tsegaye@yahoo.com

Banks and insurance companies operating in Ethiopia came in a sister ship , creating a range of possible areas of blending, which include, among other s, dual investment through share purchase(a lucrative source of investment income for insurers), business reciprocity (as banks entail tied insurance products to guarantee assets at risk), the sharing of headquarters between sister companies, sharing promotional marketing materials, employees, information technology, ATM machines, and of course bancassurance, to mention a few.

One intersection point which has received widespread publicity in recent years is bancassurance. Bancassurance, a French term, in its simplest form, is "banks hawking insurance services" (the sale of insurance and other similar products through a bank). This process can take various forms ranging from banks owning insurance companies to banks distributing insurance services; even though this is commonly understood as banks being selling points of insurance services. These partnerships often display innovative characteristics that can open doors and access untapped opportunities. Through the scheme, insurance products are made accessible via bank networks, directly and through mail, ATMS, tele banking and the World Wide Web.

Although not yet explored throughout all of Africa, bancassurance has been gaining popularity in the distribution of insurance products and services for the life insurance, non-life insurance, and pensions industry. In contrast, bancassurance world-wide is the most significant distribution channel for the life and pensions industry and is increasingly being used for non-life insurance, especially in Europe. Nowadays, banks and insurers have recognized the system of bancassurance as being a distribution channel which can help them achieve economies of scale and boost revenues. Its popularity remains strong in other markets, whilst it is nonexistent in Ethiopia.

In Ethiopia, insurance products are sold either directly or via individual agents/broker firms. However, bancassurance, using its various models, can be a potential channel for insurers to avail their products to new markets. Experts also advise banks to work with insurers not only from the simplistic logic that what is good for the goose is good for the gander, but rather from the objective realities in Ethiopia. For instance, the banking sector with its far and wide reach, is thought of as a potential distribution channel, capable of wide-range delivery of insurance services. This idea is strengthened by the fact that during the last fiscal year, there was a major jump in the number of bank and insurance branch offices in Ethiopia.

Currently, there are 1,532 branch outlets rendering bank and insurance services in Ethiopia. This provides a favorable atmosphere for the merging of common services which in turn, enables insurance companies to cross-sell products to customers at five times their current accessibility rate.

Studies show that the bancassurance arrangement benefits firms, customers, and the country at large. If integration can be done

Potential branch outlets for bancassurance, 2013

Branch Network	Addis Ababa	Regional states	Total
Banks	430	859	1,289
Insurers	129	114	243
Total	559	973	1,532

Source: National Bank of Ethiopia (NBE)

successfully, the value of bancassurance for banks will mean larger income from leveraging existing distribution channels and customer access, greater loyalty from customers who would appreciate the increased number of services offered in one location, and faster breakeven for new branches. Moreover, the insurance firm will increase its market reach and customers, especially for bank services that oblige insurance protection, since most customers trust banks and and visit them frequently. In addition to these benefits, there will also be more business from leveraging banks' existing distribution channels and usually more profits and distribution economies of scale. The insurance companies can also gain a competitive edge by tapping into existing banks' customer database in various branches, as well as using the well trained staff and innovative marketing channels such as online marketing and sales.

As far as human resource development is concerned, both sectors can share generalists; capable of cross-selling both bank and insurance services. Customers would also benefit as they can save time, money and comparison efforts, provided that both services are availed at one window. For the financial sector and the country at large, it will mean wider access of financial services and greater inclusion. Especially for the expansion of least accessible services like life insurance, collateral-requiring bank services, and micro insurance, bancassurance could yield a better result and bring about efficiency and effectiveness.

Bancassurance takes different shapes depending upon demographic, economic, and legislative prescriptions in that country. Hence, the structure bancassurance might take in Ethiopia is expected to be shaped and reshaped by the regulatory organ, the National Bank of Ethiopia (NBE), since the entire operation of financial service rendering companies in Ethiopia, (including the products and auxiliary services they offer) are subject to regulatory laws and directives issued by the NBE.

The current insurance business proclamation No.746/2012, Article 50 as well as banking business proclamation No. 592/2008 article 54 state the manner of relation between insurers and banks and sub article one of both articles state transactions, including the provision of insurance coverage, loans and advances, the acceptance of deposits and the provision of insurance and banking services, between insurers and banks shall be undertaken on the same terms and conditions as provided to any other person. However, sub article two further states conditions that govern the relationship between insurers and banks, which may be determined by a directive. In this regard, fragmented efforts are at the embryonic stage and a lot is left to be desired.

In the midst of the dialogue, it must be noted that the regulatory challenges need to be assessed in depth to explore the boundaries of alternative insurance distributions. This can be done through the alignment of the operation to the regulatory environment, coupled with the establishment of an appropriate bancassurance model for the Ethiopian market.

To level the playing field in the immediate run–subject to specific approval from the regulator–all scheduled commercial banks in Ethiopia can get permission to undertake insurance businesses as agents. Moreover, in the long run, specific rules can be framed for setting up various models in which banks act as intermediaries to set up insurance brokerage entities as a re-hash of the institutional agent model while offering products of more than one insurance company,. This would create jointly-owned insurance distributors whereby the bank owns the insurer; or the insurer owns the bank.

Such methods will pave the way for creating an efficient and profitable relationship between the insurance companies and banks, and creating a customer-centric approach and tailor-made products for Ethiopian society at large. However bancassurance as an alternative financial service distribution must take off first. We hope to see such changes in the near future. ■

Ethiopia

The African tiger

Schaffnit-Chatterjee (PhD) is Senior Analyst at Deutsche Bank Research investigating trends and related risks and opportunities - especially in the areas of global food security.

The East African country has been experiencing impressive economic growth: double-digit between 2004 and 2010, it has averaged 8.7Pct annually over the past five years thanks to the expansion of agriculture and services. Ethiopia has thus been the fastest-growing economy in Sub-Saharan Africa (SSA). Projected at 6.5Pct annually over the next five years, it is set to remain on a robust growth path.

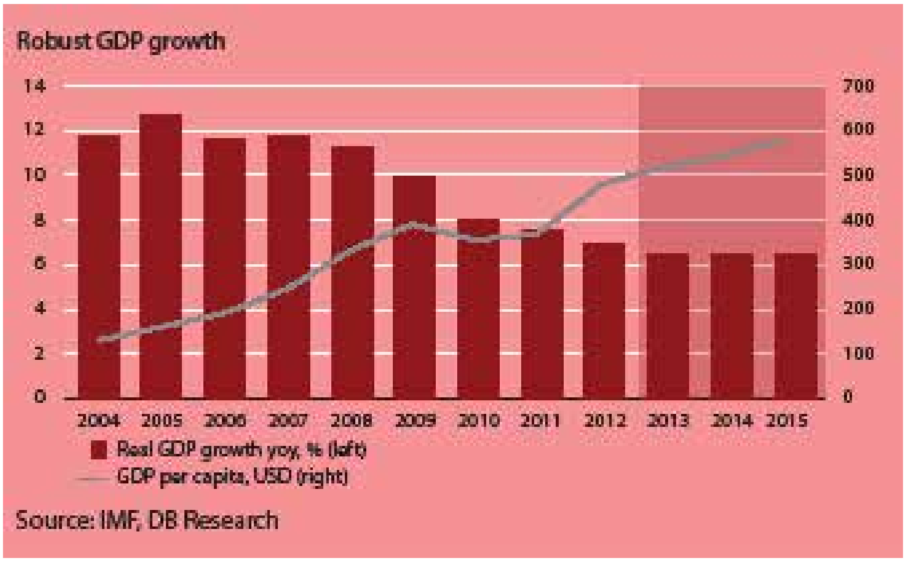
A fast-growing and sizeable market

At around USD50 billion, Ethiopia's GDP is one of the largest in SSA, similar to Kenya's and Ghana's. (Based on purchasing power parity, Ethiopia's economy is the fourth largest in SSA, 25Pct to 35Pct larger than the economies of Ghana and Kenya.) Ethiopia is also Africa's most populous country after Nigeria, with a population of 87 million which is additionally very young: the median age of 17.5 years is even less than the average for SSA (18.6). It is urbanising fast and a middle class is emerging, especially in the cities. There seems to be a considerable upper class in the making, too: Ethiopia is viewed as the African country where the number of US dollar millionaires will grow the fastest – from 2,700 in 2012 to 4,700 in 2020 according to New World Wealth.

Today's Ethiopia is a far cry from the pictures of famine in the 1980s and 1990s which are still in some people's minds, but social development is still a problem. At around USD1,260 at purchasing power parity (USD600 in nominal terms), its GDP per capita is still one of the lowest in the world. Living standards are steadily improving, though. Ethiopia has experienced a dramatic reduction in its poverty rate, with it falling from 56Pct in 2000 to 31Pct in 2010 – compared with an SSA average of 49Pct. The undernourishment rate is still fairly high – at 40Pct vs a 27Pct average – but is steadily decreasing: it was 68Pct in the early 1990s and 55Pct in the late 1990s. Nearly all urban children complete first grade but fewer than 80Pct of rural children do, and over half of the students are not reaching the base primary school level. The government is taking steps to address skill deficits among the youth.

An economy still based on agriculture, which has high untapped potential

Ethiopia's wealth of unusually fertile soils has shaped its history. Arable, densely populated highlands allowed kingdoms to thrive and dominate weaker peoples. Unusual in Africa, Ethiopia was already a strong centralised state before Europeans colonised that continent in the 19th century. Abyssinia (as it was known at the time) was only occupied by Italy from 1936 to 1941. The country's economy is based on agriculture, accounting for nearly 50Pct of GDP and 85Pct of employment. Although recent efforts by the government and donors have improved agri-



culture's resilience, it is still largely rainfed, thus vulnerable to weather shocks, and drought is a perennial threat. The agricultural sector is also suffering from low use of quality seeds and fertilisers. However, its potential is very high, given that Ethiopia enjoys fertile soils, a tropical climate and water availability.

Ongoing economic diversification, on the back of massive public investments in infrastructure

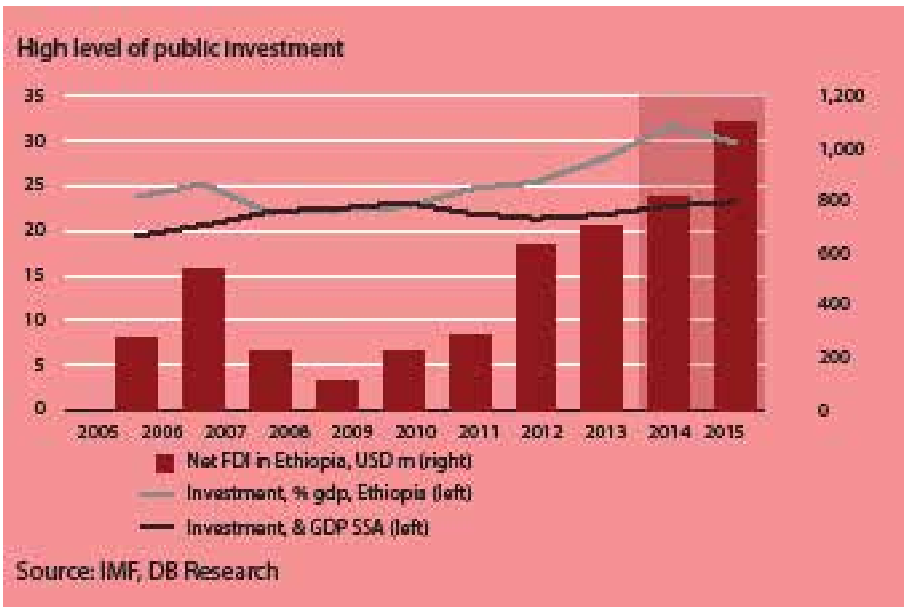
Ethiopia's main exports are coffee and oil seeds. Together, they account for around 40Pct of exports and Ethiopia is by far the largest coffee exporter in Africa. However, electricity and gold exports are expected to rise. Ethiopia is set to become a key producer and exporter of power, potentially transforming Africa's power sector, particularly through the construction of hydroelectric generating stations – for a total of 40,000MW of hydropower by 2035 according to the government of Ethiopia and other sources. This includes the controversial USD4 bn Grand Renaissance Dam along the Nile River. The largest dam in Africa, it is expected to be completed in 2015 and generate 6,000MW at full capacity.

As part of its five-year "Growth and Transformation Plan" which started in 2010, Ethiopia is undergoing major infrastructure development expected to transform the economy, including the development of road, air, rail and telecommunication facilities. This will benefit both industry and agriculture. Overall investment accounts for around 30Pct of GDP, mostly from the state, with public projects in energy and transport accounting for around 20Pct of GDP. Public investment in Ethiopia is the third highest in the world as a share of GDP. With public debt at 23Pct of GDP, Ethiopia seems to have room for financing public investment, although it needs to pursue prudent fiscal policy under the commitments of the Multilateral Debt Relief Initiative.

A state-led development model gradually opening up

The Ethiopian government is at the centre of economic and political activity. Its strong policy focus on boosting growth through high public spending has brought success in terms of GDP growth and human development but also high inflation and large current account deficits. The government continues both to reject private-sector involvement in a few industries – including telecommunications, banking and airlines – and to ban foreign ownership in the banking industry (except from Kenya). Public banks account for an unusually high 70Pct of total banking sector assets and provide close to 80Pct of loans (as of December 2012). A directive from September 2011 stipulates that private banks must purchase bills from the Central Bank of Ethiopia equivalent to 27Pct of any new loan. This regulation, combined with low savings, reduces banks' capacity to lend. Limited access to credit for private firms is one reason why private investment as a share of GDP is decreasing. Some private equity groups are taking advantage of this financing gap.

Continued 50



The Still-Emerging Markets

Richard Cooper is Professor of International Economics at Harvard University.

Jaana Remes is a partner at the McKinsey Global Institute, based in San Francisco.

Today's turbulence in emerging-market equity markets has triggered a wave of obituaries for their growth miracles of recent decades. But confusing short-term wobbles with terminal decline is a gross misreading of what is happening. The wave of industrialization and urbanization that is boosting the incomes of millions of people in emerging economies has not run its course.

Indeed, emerging-market bears are missing an important new driver of continued growth in these countries: their increasingly powerful and dynamic companies. Emerging economies today are much more than a collection of new consumer markets and plentiful (and increasingly skilled) labor. They are also home to thousands of new companies, many of which are quickly becoming large, global leaders in their fields.

Twenty years ago, who would have guessed that Mumbai's Tata Group would be the largest private-sector industrial employer in the United Kingdom; or that Mexican companies CEMEX and Bimbo would become the United States' market leaders in cement production and bread-making, respectively; or that Beijing-based Lenovo would be on a par with Hewlett-Packard as the world's largest seller of personal computers? Moreover, the transformation in the world's business landscape is in its early stages and should bolster growth in emerging markets for years to come.

The MGI Company Scope, a new database of all companies with revenues of USD1 billion or more, reveals that there are about 8,000 large companies worldwide. Three-quarters of them are still based in developed regions. By 2025, however, there are likely to be an additional 7,000 large companies, with seven out of ten based in emerging regions. The share of global consolidated revenue generated by these emerging-market corporate giants is set to increase from 24Pct today to 46Pct in 2025.

The composition of the Fortune Global 500 is a case in point. From 1980 to 2000, the share of companies on the list that were based in the emerging world remained relatively flat, at 5Pct. By 2013, this share had soared to 26Pct, and, even on the most pessimistic assumptions for emerging-market growth, we expect it to rise to 39Pct by 2025 and to as high as 50Pct on more bullish assumptions.

In fact, the shift in the business landscape thus far has lagged behind the shift in the weight of global GDP toward emerging markets. Between now and 2025, the GDP of emerging markets could increase by a factor of 2.5 – but the number of large companies based in these regions could more than triple. By 2025, some of the leading global names in many industries could be companies we have not yet heard of – and some will likely be based in cities that few today could point to on a map.

We have mapped the MGI Company Scope to City scope, our database of the world's cities, giving us a detailed picture of where large companies locate their head offices and foreign subsidiaries. Headquarters are extraordinarily concentrated. The top 20 host cities are home to around one-third of all large companies' headquarters and account for almost half of these companies' combined revenue. Just five of these top 20 cities are in emerging regions today.

But this, too, is changing fast. The number of large-company headquarters in São Paolo, for example, is expected to rise more than three-fold by 2025, while Beijing and Istanbul could have 2.5 times as many head offices as they do today. We estimate that about 280 cities – among the candidates are Campinas (Brazil), Daqing (China), and Izmir (Turkey) – could host large companies for the first time. More than 150 of these up-and-coming business cities are likely to be in China. If we look at telecoms companies, for example, Bandung (Indonesia) and Hanoi (Vietnam) already host large firms' headquarters – despite the fact that their GDP is relatively small, at USD6 billion and USD12 billion, respectively.

Fast-growing home markets have been the launch pad for globally competitive emerging-market companies partly because these firms have learned to compete at very different income levels. Moreover, they know how to work around inadequate infrastructure. McKinsey research suggests that these companies are growing more than twice as quickly as their counterparts in developed economies.

Emerging-market large companies' growing global clout is reflected in flows of foreign direct investment. As recently as 2001, only 5Pct of outward FDI came from non-OECD countries; by 2011, that share had soared to 21Pct. China's outward FDI rose by almost 50Pct per year from 2004 to 2010; Brazil, Singapore, and Hong Kong have been major investors in Europe.

Those who have been writing obituaries for the emerging-market boom should give serious consideration to these trends. The new breed of emerging-market multinational is diversifying its revenue around the world. If growth in these companies' home markets slows, they will diversify even more aggressively. The global economy is now their platform. ■

This article is exclusively provided to EBR through Project Syndicate.

Ethiopia...

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The start of the transition into the post-Zenawi era (Meles Zenawi was in power from 1991 until his death in August 2012) has been smooth, as Prime Minister Hailemariam Desalegn is working on rebalancing the ruling EPRDF party. The government hopes to join the WTO by the end of 2015. Its ambition to turn Ethiopia into a middle-income economy by 2025 will likely only be achieved if the private sector is developed. This includes improving the business environment, including trade logistics, which is a particular concern in Ethiopia – and deteriorating, according to the World Bank: trade costs and transit times are very high, thus penalising both importers and exporters. The government is privatising various companies and has unlocked some sectors to foreign investors. For instance, a couple of years ago, Heineken bought one of Ethiopia's state-owned beer companies and a few companies are currently being offered for privatisation in the agricultural, transportation and pharmaceutical sectors.

FDI inflows to Ethiopia are steadily increasing (forecast at close to USD1 billion in 2014) due to long-term growth opportunities in sectors such as agriculture, infrastructure, consumer goods, manufacturing, oil and gas. The FDI originates in India, China, Europe, the Middle East and the US, including the Ethiopian diaspora. African investors are also active in agro-processing and manufacturing. For instance, Ethiopia has been looking at expanding its garment industry for a few years and global retailers like H&M are increasing their presence in the country.

Geopolitical importance fosters good relationship with donors

Foreign aid to Ethiopia is estimated by the IMF at USD2.9 billion for 2013 and it amounted to around 6Pct of GDP. Ethiopia's strategic position in the unstable Horn of Africa makes it a key Western ally in the region, particularly in fighting terrorism. In an effort to weaken Islamist militant groups, Ethiopia sent troops into Somalia both in 1996 and in 2006. Ethiopia also contributes to regional stability and integration by facilitating negotiations between Sudan and South Sudan. Such geopolitical importance ensures substantial foreign aid inflows in spite of concerns about governance. ■

This article first appeared on the Deutsche Bank's website.

Photo: Courtesy of AWiB

And the Winner is ...

Sara Mohammad
Winner of the 2013 AWiB's Woman of Excellence Award

By Liyou Libsekel
EBR Staff Writer

When Sara Mohammad was 12 years old, she was a little girl with big dreams. She told EBR that this was the age she decided she would grow up to be a businesswoman. If she had any naysayers, her newest achievement must surely quiet them. This year, the designer and founder of the first fashion school in Ethiopia, Next Design Institute, received the Association of Women in Business' Women of Excellence Award. A humble woman, the designer and former model talks of the utter surprise she felt when she found out she would be this year's recipient. If anyone knows anything about this particular businesswoman, it is that she is a pioneer in her field; and of course all pioneers have to fight to break new ground; so how did she do it? We can find her strength and resilience in the crooks of her past.

Sara, who grew up with five sisters and a brother, was instilled with the competitive nature one often finds in people who grow up in large households with unavoidably warring siblings. She speaks fondly of her childhood and her mother; despite the less than ideal cards the family was dealt. Sara's mother is a woman who single-handedly raised and supported all seven children, a situation that would undoubtedly affect the type of woman the young Sara would become. "My mother was alone when we were growing up, and I had to help her in every way" she reflects, "and she's a businesswoman, she's my role model, she always found solutions to anything negative. That makes me strong because when I started this path, this business, it was a big challenge, so I just started searching for solutions". It's easy to see the cloth from which this woman has been cut; like her mother, she is pure positivity and exudes a confident strength.

As we discuss the environment that nurtured her as she grew up, Sara speaks passionately about Harar, where she was born and Dire Dawa, where she was raised. "We have many cultures in Dire Dawa. It's a place where Harari, Oromo, Somali and Afar people live together; they all love colour, they are ornate and have their own styles and that gave me a strong urge to go into fashion". This career path in the late 90s in Ethiopia, defied convention, and Sara's desire to leave Dire for a modelling career in Addis would have been difficult for any parent to come to terms with and although Sara did not get the permission she'd hoped for, she chased her goal anyway, moving to the capital on her own. Sara remembers the difficulty she faced

Amusing snippets from our interview:

What do you prefer: designing for others or designing for yourself?
I like designing for others, especially people with great figures!

How do you deal with someone who comes in and asks you to design something that in your opinion is in bad taste? How do you deal with the less-than-modest customer?
Sometimes when people have money, they think they can do everything. I do not do anything without advising my clients. I look at their body, and then sketch the look I think best suits them.

Have you ever refused to make something for a client?
Yes, many times! I will not make something that does not look good just for the sake of money.

Can you describe some of your favorite designs you've ever done?
I love Menen fabric and when I do designs with it, people love it, especially outside of Ethiopia. Even if it's just a sample, they want it, and it's a challenge for me to give it to them but I will if they offer a good price!

What are your predictions about the future of the Ethiopian fashion industry?
(She laughs) We will be the next China!

Sara Mohammad with First Lady Roman Tesfaye

and eventually, overcame; "I was alone and I was fighting to be on top, and I did it". The key word here is "fighting". That fighters' spirit she inherited from her tireless mother seems to be the key to her success. She fought for her opportunities, like when she was accepted to DSTV's Face of Africa modelling competition, but opportunities mean nothing if you can not recognize how to use them. This particular experience, Sara says, became an inspiration; "When I went to Face of Africa, there were so many designers from East Africa who had such a wonderful touch to their cultural clothes so I saw that traditional clothing did not have to be all traditional, so I always add a touch of something different, that became my rule". When she was doing beauty competitions, Sara eventually began designing the clothes she wore on the runway. "I did not ask anyone to give me clothes, of course at the beginning, Gigi [a well known Ethiopian designer] helped me with that, but then, I began to make clothes myself, and people complemented me, they really loved them and that was when it clicked for me. This fearless approach Sara had in pursuing her goals placed her in the path of opportunity and when it knocked, she does not seem to have missed a beat. She explored the inspirations and interests that came with her experiences and molded them to pursue the art of design not just for herself, but for others as well.

Sara Mohammad founded Next Modelling Institute and Next Design Institute not for money, or notoriety, but to create opportunities for women (and men too) through something that was not available at the time. This is obvious when she answers the question "what would Sara be doing if she was not a designer and businesswoman?" Without missing a beat, she says "charity work". It is no surprise that she explains she would work with women and children in a non-profit capacity if you consider the amount of charity work she's involved in, and the fact that half the students at Next Design are on scholarships that she helps secure. She explains that the most important thing her business achieves is the success of her students, and this is no spiel, because Sara has a reputation of helping promote her students. So what can we learn from someone who pursued their goals regardless of what challenge presented itself? Sara says about women in business, and women who aspire to be in business, "they have to be strong; they have to always think positive and look for positive solutions in negative situations, even if it's difficult. If they are positive they'll find a solution, if someone always tries to find fault, they will not go far". Sara echoes the lessons she pulled from her mother's life and work, and then, her own; lessons that seem simple and obvious but are quite difficult to live by day to day. With these qualities, Sara transformed something many may believe to be a superficial or unimportant into a legitimate business that has been recognized internationally, that not only creates art but also nurtures talents that would otherwise be left unexplored. EBR

Quote

"'If you're competitor-focused, you have to wait untilthereissomethingyourcompetitorisdoing. Beingcustomer-focusedallowsyoutobemore pioneering.'"

JEFF BEZOS

49 years old Jeff Bezos is an American internet entrepreneur and investor. He has played a key role in the growth of e-commerce as the founder and CEO of Amazon, online market.

From the Horse's Mouth

"Excellence is not about achievement; it is about character"

Nahu Senay Girma, co-founder and executive director of the Assoc of Women in Business (AWiB) on October 17, 2013, in response to v her association did not shortlist prominent entrepreneurs who have wo several international awards, such as Bethlehem Tilahun, co-founder an managing director of SoleRebles, the eco-sensitive global footwear branc from Ethiopia. Nahu Sanay said that Bethlehem has been approached but did not cooperate in an interview, a key part of the nomination process. Leaders of the association gave a press conference at Kenennisa International Hotel to introduce the five finalists, three of them from NGOs, one from a public bank, and one, a fashion entrepreneur These five were among 37 women nominated for the annual Woman Excellence award AWiB launched in 2012.

The Number

USD43.13 billion

The GDP of Ethiopia in 2012, which will make the country the ninth largest economy in Africa, above Kenya and Ghana according to the World Bank. (South Africa is the biggest economy in terms of GDP followed by Nigeria and Egypt.)

For a country of 91.73 million populations this will be about USD410 GNI per capita. The country has registered an 8.5Pct GDP growth despite a 22.8Pct inflation rate during the same period.

Ethiopia has also shown improvements according to world development indicators the bank uses to gauge the progress of nations. In 2011 the country's enrolment rate of primary education has reached 106Pct comparable to Sub-Saharan African as well as the low income countries average. Meanwhile the percentage of the population in poverty based on head count ratio at national level has reached 29.6Pct from 45.5Pct in 1995. Percentage of rural population with access to improved water sources has also improved to 39Pct from 32Pct five years ago. An astounding progress is seen in the life expectancy indicator which is 62 years in 2011. This is much better than the Sub-Sahara as well as the low income countries' average.

Road Sector Development Programme (RSDP) in Ethiopia

Infrastructure projects are key elements for a development of a nation. Ethiopia has been undertaking massive infrastructure projects, most notably in the road sector and huge amount of investment is dedicated for the sector.

If there is an undisputable development success of the EPRDF-led-government of Ethiopia, the road sector comes at the forefront. The Ethiopian Road Sector Development Programme (RSDP) with objectives of improving transport efficiency and rural accessibility among others has been in implementation starting from 1997 through four phases. The fourth phase from 2010-2015 is at its fourth year.

Since the programme began 15 years ago the country has made significant strides in the sector, though much is left to be done and the sector is tainted with corruption. Average distance from all weather road has decreased from 21.4Km to 6.4Km and road density/ 1,000sq.km has increased from 24.0km to 78.2km in the period under discussion. The number for low income countries is more than 150km.

About 81,629 km roads at federal, regional and Woreda level have been constructed in the past 16 years from 1997-2013(50Pct of which 41,664km built in the past three years alone). These roads have cost the country a total of over ETB142 billion. This performance and cost of building roads is against a plan of 92,828km roads with a budget of about ETB134 billion.

Love and Royalty

You know how we hear about the great love stories of great people who lived centuries ago? Like Mark Antony and Cleopatra, Napoleon and Josephine and the list could go on. A lot has been said about such legendary lovers, we recount their all-consuming love and how they united to conquer the world and its imagination. They gave everything and lost everything; it made them and destroyed them.

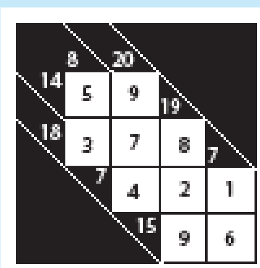
Well when it comes to Ethiopian history, especially the part that dates back to the Era of the Princes (Zemene Mesafint), little is said about the romantic life of the kings and queens; although not completely neglected, this aspect seems to take a backseat as more emphasis is given to the political side of each story.

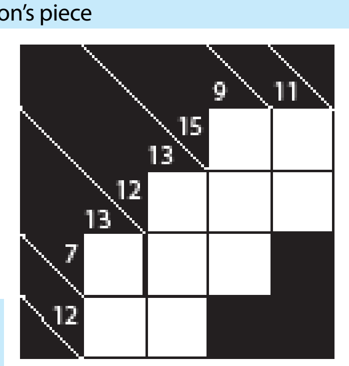
Did you know about the beautiful romance Emperor Tewodros II and Empress Tewabech had? They were married in 1848 and loved each other dearly; even though she, was offered as a bride to him by her grandmother, Empress Menen Liben Amede (consort of Emperor Yohannes III and mother of the Regent Ras Ali), entirely for political reasons. The Empress was by Tewodros' side with all her heart and advocated his beliefs even though it destroyed her relationship with her grandmother and family as a whole. It is believed that she had a positive effect on the Emperor, and that his erratic and violent behaviour in his last ten years was due to the lack of her advice. Even though he was married to another woman (Empress Turuwork) after his great love died, his second marriage was obviously guided by political motivations.

Kakuro

A type of number puzzle, similar to a crossword but with numbers. Each "clue" is the sum of the digits to be placed in its group of squares from 1 to 9, and no digit can be repeated within a group.

Solution for the last edition's piece





Soduku

Fill every 3X3 box, every row and every column without repetition, using the numbers 1-9

Solution for the last edition's piece

9	3	2	4	5	6	8	7	1
4	1	8	3	7	9	2	5	6
7	5	6	2	1	8	4	3	9
2	4	3	9	6	7	5	1	8
1	6	7	8	3	5	9	2	4
5	8	9	1	2	4	7	6	3
3	9	1	7	4	2	6	8	5
8	2	5	6	9	1	3	4	7
6	7	4	5	8	3	1	9	2

3	7			8	5			
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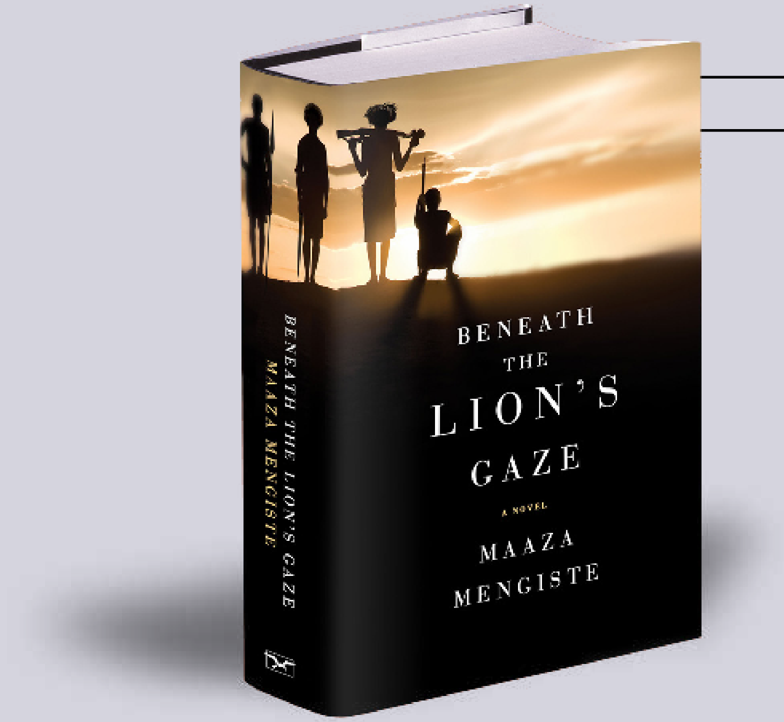

By Selam Mussie
EBR Special Contributor

Beneath the Lion's Gaze

We have learned about the Dergue regime in our history classes, we hear about the brutal dictatorship that reigned after the end of the monarchy in 1974, we hear stories from our families, see documentaries, firsthand witnesses and victims on TV every now and then. All these are enough to know about the ruthless years and dark days that prevailed in Ethiopia for 17 years; but how about a fictional account based on these true events and history?

Maaza Mengiste's Beneath the Lion's Gaze, published in 2010 in Great Britain is a truly brilliant novel that would be perfect for any reader, especially those who do not enjoy reading pure history for pleasure and those who prefer to learn history in a less rigid manner.

The story is set in the 1970s, Addis Ababa. It starts at the dawn of the coup that ended the monarchical system that ruled Ethiopia for centuries, and began the heyday of the Socialist Dergue regime that lured the mass with empty promises of a better day. The characters in the novel are quite relatable. They are not exaggerated or overdrawn so the reader finds it easy to get lost in the story, picturing the characters in the familiar places around Addis.

The novel focuses on a family (that probably portrays millions of other families at the time) which slowly suffocates and crumbles. Followed by the natural death of their mother, Dr. Hailu's family are faced with a series of problems. From his youngest son, always a little rebel, joining the students' underground force, to the illness of his granddaughter, to getting arrested himself for a decision he made for the sake of humanity. On the side, are stories of the family's neighbours, and the painful problems they were forced to face. The book outlines a time of despair through tales of betrayal, determination, regret, insecurity, hope, and more, all in an intriguing 300 pages.

No matter how much you know about the Dergue regime, no matter how many first hand witnesses you have listened to, or no matter how many documentaries you have seen, Beneath the Lion's Gaze is a must read book if only for the sake of its beautiful writing and relatable setting. I guarantee you will enjoy it!

Maaza Mengiste , Beneath the Lion's Gaze, Addis Ababa, Ethiopia, January 1, 2010 print.

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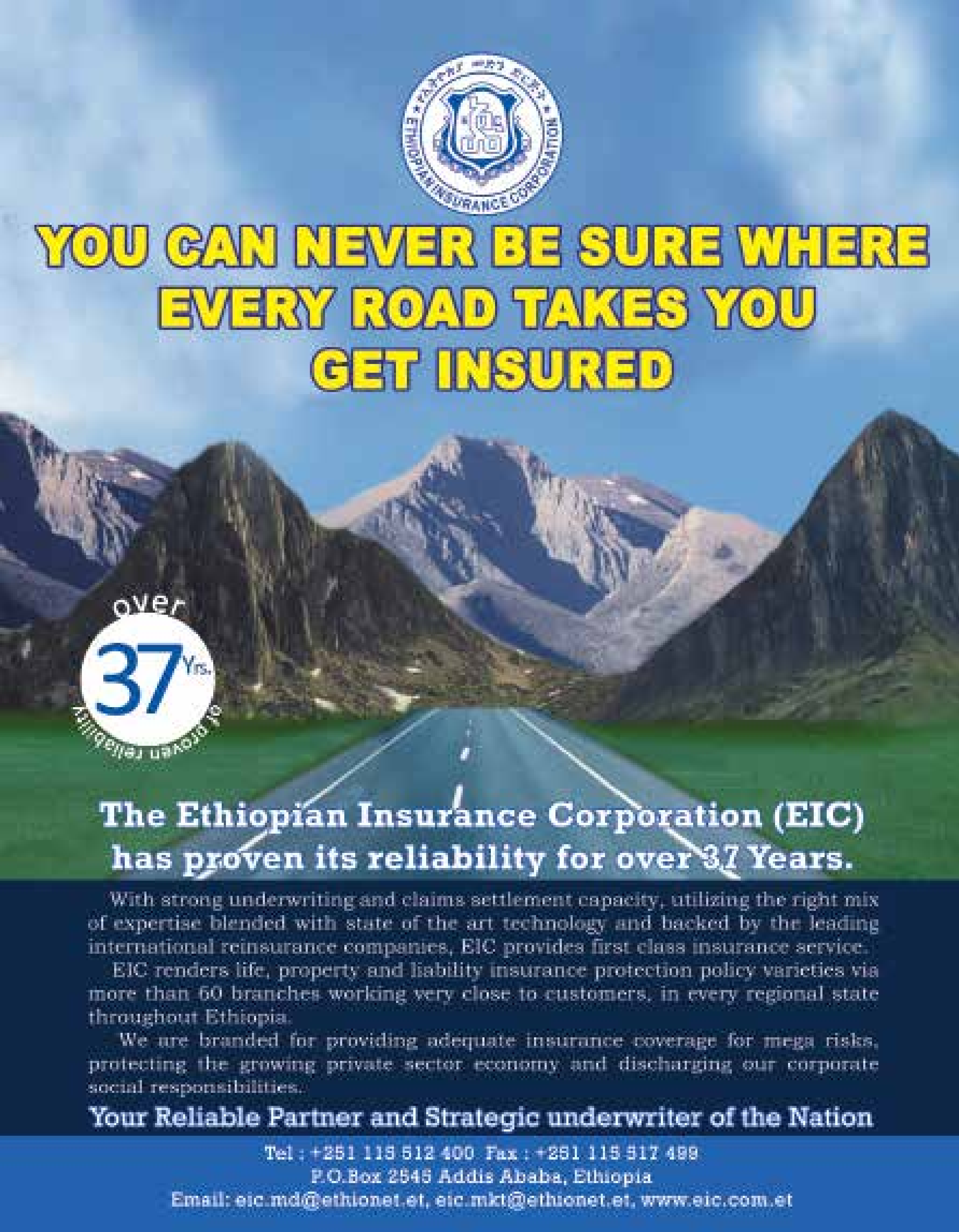

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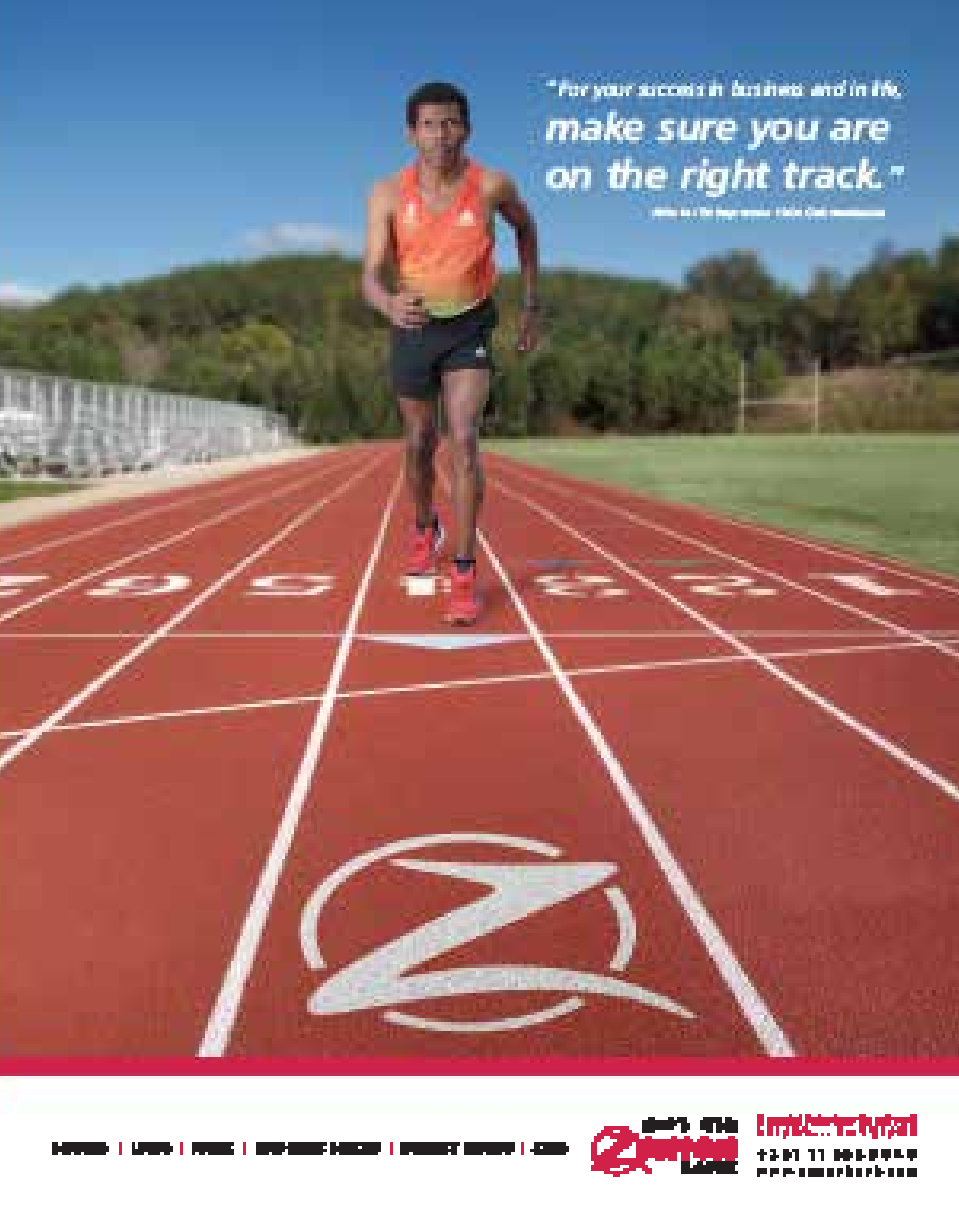
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