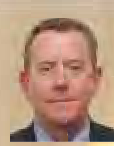
Pitfalls in Financing Long-term Development Plans
Abdulmenan Mohammed, A Financial Management Expert

"Ethiopia needs to invest in the right mix of renewable energy."
Darrell Boyd, CEO of TMGO



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Ethiopia ETB: 40.00

ETHIOPIAN BUSINESS REVIEW

NON-DOGMATIC, PRO-PRIVATE SECTOR

Fitsum Assefa (PhD), Minister in Charge, National Planning and Development Commission

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Save the Vulnerable Before They Fall Into the Abyss

Only few countries have endured continuous and crippling high inflation rates like Ethiopia has in the past 15 years. The average annual inflation rate in this period was 16.4Pct and peaked above 20Pct in 2008, 2011, and 2020. Recall that when inflation spiked in 2008, food prices in Ethiopia rose by a staggering 92Pct within a single year.

Over the last 12 months alone, general and food inflation rates rose by 20.4Pct and 23.1Pct, respectively, according to the Central Statistics Agency.

Although the continuous price growth and its cumulative effects have eroded the purchasing power of a large section of society, no segment of the community suffered more than destitute people earning miniscule income and living on a very tight budget. As the price of rent and utilities grew ever swiftly over the last 15 years, households with low and fixed income are experiencing extreme hardship.

To make things worse, the global coronavirus pandemic is making the lives of vulnerable urban and rural Ethiopians difficult and is pushing them towards extreme poverty. While well-off and middle-class households have the choice of diverting entertainment and elastic expenses to accommodate the rising costs of living, those living with only inelastic outlays are left with nothing to fall back on.

Latest estimates indicate that the susceptible segment of the population is considerable in size—households living below the national poverty line and those unable to fulfill their basic needs for survival. The percentage of urban dwellers earning below the poverty line ranges between 14Pct and 49Pct depending on their locales. For rural areas, the prevalence of destitution is between 10.6Pct to 20.2Pct.

Although this calls for policymakers to design policies that reduce the pressure brought on by inflation, the issue has rarely been addressed by policy frameworks. In the past, government used to avail subsidized basic commodities for poor dwellers in urban areas through local consumer association shops. Currently, however, beneficiaries are not getting sufficient supply. In fact, a significant portion of subsidized commodities slated for exposed populations falls in the hands of middle- and high-income earners.

Additionally, the volume of these subsidized commodities channeled to consumer association shops has significantly declined over the last two years as government diverts the slated supplies for internally displaced people. The same goes to the poor included in the Urban SafetyNet Program. Though the mechanism has previously shown progress, its success has been declining in recent years.

This shows that existing institutional arrangements for the delivery of subsidized commodities needs to be revamped. Since government's plan to put an end to macroeconomic distortions through the Homegrown Economic Reform program of the last two years is falling short, fresh and innovative interventions are needed to save highly vulnerable people from shocks that could push them over the edge at any time.

While governmental commitment to address the agenda in the long run through its new ten-year economic plan deserves appreciation, short term solutions and immediate actions are needed to tackle contemporary and multi-dimensional poverty. The longer destitute people and low-income households are forced to endure continuous and fast-rising price upsurges, the bigger the suffering will be. **EBR**

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

First Gold Refinery Plant in Pipeline

The Ministry of Mines & Petroleum is to install the first gold refining plant in Addis Ababa at an estimated cost of USD60 million. The refinery targets adding value to gold before exporting. Large scale gold producers are expected to work in tandem with the government in realizing the construction and operation of the factory.

Tigray Transport Prices Skyrocket

Following the militaristic law enforcing operation beginning early November 2020, transportion of people and goods is very inaccessible in the Tigrai regional state. The fare for the 177-kilometer route from Mekele south to Alamata town skyrocketed to ETB800, nine times the ETB90 base tariff of normal times.

Satellite Industrial Parks to Blossom

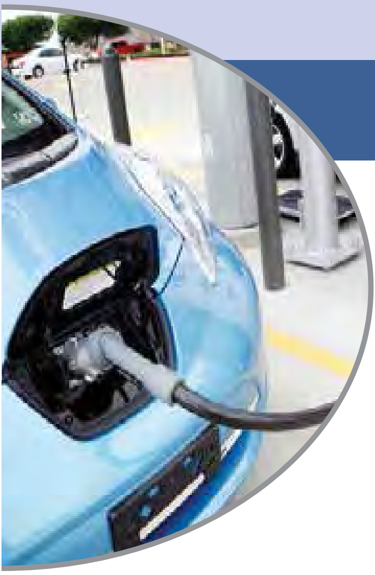
The Industrial Parks Development Corporation (IPDC) unveiled plans to develop over 50 satellite industrial parks under the National Industrial Parks Spatial Plan to be implemented over the next two decades. Five logistical, five special economic, and 25 development parks are among the proposals based on feasibility studies rather than on a regional quota basis.

First Trade Policy in the Making

Ministry of Trade and Industry is preparing the nation's first trade policy expected to be used as a launching pad for ongoing WTO negotiations. Similarly, the ministry is also revising the existing industrial policy to focus and capitalize on import substitution. If ratified by the Council of Ministers, both will be implemented this year.

Number of active businesses in Ethiopia. Addis Ababa, Oromia, and Amhara regions constitute around 300,000 businesses each, according to data from the Ministry of Trade and Industry.

1.6 million



Electric Vehicles to be Standardized

Ethiopian Standards Agency has produced a draft standards document aimed at regulating non-motorized two- and three-wheelers operating on renewable power or pedal force. This follows exclusive bicycle lanes set aside in some parts of Addis Ababa. The directive will address the required specifics of bicycles for adults, children, and the physically challenged.

Unic Pays Highest Insurance Claim

United Insurance SC has paid ETB54.6 million to the Ethiopian Roads Authority for claims related to the delayed Sanja-Kerakir road construction project. Tibeb Construction PLC was contracted by the authority but failed to deliver as per agreed terms. The previous record claim the insurer had paid was ETB52 million.

Reppie Almost Garbage Itself

Ethiopia's first waste-to-energy plant, costing ETB2.6 billion to turn dry waste into electric energy, fails to generate half of its initially planned 50MW. Revenue from energy sales failed to cover even 25Pct of its expenses. EEP complained of the project's rising cost. The House of People's Representatives visited the plant and enquired for a report on how the project fell so short.

Protesters' Damages to be Compensated

Ethiopian Investment Commission (EIC) is preparing directives towards standardizing compensation for investments damaged during political unrest and protests. Only 1Pct of the 400 investments harmed between 2015/6 and 2020/21 are expected to recover. The commission did not include damages incurred during the militaristic law operation in Tigrai in its study.

ETB 5.4 billion

Amount of money saved over the last two years after government slashed or removed unfruitful incentives extended to private investors. The share of incentives to GDP lessened to 5Pct from 7Pct, according to Eyob Tekalign (PhD), State Minister of Finance, during first quarter performance reporting to parliament. "We are overhauling our industrial policy so that incentives serve only result and efficiency."

Top 10

Developing Countries' GDP Forecasted to Grow Faster in 2021

Rank	Developing Country	2021, Forecast in Pct	2020, Pct
1	Guyana	17	85.6
2	Ethiopia	7.4	7.5
3	Senegal	7.4	6.9
4	Rwanda	7.1	7.3
5	Bangladesh	7.1	7.8
6	South Sudan	7	8.1
7	Myanmar	7	6.8
8	Côte d'Ivoire	6.9	7.1
9	Cambodia	6.8	6.9
10	Benin	6.5	6.5

Source: Department of Economic and Social Affairs, United Nations Secretariat (UN DESA)

The UN projects average world GDP growth at 2.7Pct in 2021, up from 2.5Pct in 2020 and 2.3Pct in 2019—a ten-year low since the 2008 global financial crisis. The pickup in global activity will likely be driven by somewhat faster growth in developing regions, where several large economies are expected to recover from adverse shocks. East Asia remains the world's fastest growing region.

In the Least Developed Countries (LDCs), economic growth is projected to accelerate moderately. After increasing at an average rate of 4.3Pct over the past five years, aggregate GDP is expected to expand by 5.1Pct in 2020 and 5.4Pct in 2021. This acceleration will be driven mainly by stronger domestic demand in many countries, including some large economies (Angola, Ethiopia, Myanmar, and Sudan).

LDCs remained largely unaffected by the global slowdown. Yet, LDCs collectively remain far from achieving "at least 7Pct GDP growth per annum," as per SDG targets. Only 15Pct of the countries—Bangladesh, Benin, Cambodia, Ethiopia, Rwanda, Senegal, and South Sudan—are growing close to that rate. The following countries are scheduled to graduate from LDC status in the coming years: Vanuatu in 2020; Angola in 2021; Bhutan in 2023; and Sao Tome and Principe and the Solomon Islands in 2024. This process will further advance the "Africanization" of the LDC group.

East Africa remains the fastest-growing subregion, and the economic outlook remains favorable, underpinned by vigorous domestic demand and public investments in infrastructure. In addition, the recent peace agreement signed by Djibouti, Eritrea, Ethiopia, and Somalia after decades of hostilities is expected to unlock new investment, trade, and business opportunities in the Horn of Africa. **EBR**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The following are a few of the biggest news stories that took place in Africa in the last month. The stories are sourced from Bloomberg and Reuters.

Huawei Eyes Ethiopia Growth as Telecoms Industry Opens Up

Huawei Technologies Corp. is positioning for more business in Ethiopia, as the East African economy opens up its telecommunications sector. Huawei, a leader in 5G, a technology promising super-high-speed connectivity, plans leveraging its position as the main vendor of Ethio Telecom to bid for opportunities.

"Ethiopia is rising and becoming much more important for the future," Loise Tamalgo, Huawei's Head of Public Relations for 22 countries in sub-Saharan Africa, told the media in Abidjan. The company is likely to move a regional office covering around five nations from the DRC to Ethiopia.

Ethiopia is doubling its mobile towers to 14,000, requiring a USD1.1 billion investment, and build up its fiber-optic network from less than 30,000 kilometers (18,600 miles) currently. It also plans to sell a 40Pct stake in Ethio Telecom and issue two new telecom licenses. Vodacom Group, a subsidiary of the UK's Vodafone Group, MTN Group, Africa's largest carrier by subscribers, and Paris-based Orange SA have expressed interest. US International Development Finance Corp. approved a USD500 million loan to a Vodafone-led consortium seeking to start an Ethiopian mobile-phone network operation.

Nigeria

The central bank weakened the naira to a record low during trading. The currency closed at 410.25 naira per dollar. On the spot market, naira traded for 400.25 to the greenback. The IMF said a unified and flexible exchange rate will ease external imbalances and bolster activity, while the World Bank asked for a change of foreign exchange policies for the government to get a USD1.5 billion loan from the multilateral lender. The central bank devalued the naira for the third time, by 24Pct from an official rate of 306.5 in January. United Capital sees the currency depreciating to as much as 415 naira to the dollar in 2021.

Senegal

DP World signed an accord to invest more than USD1 billion to develop a deep-water port in Senegal, making it the Dubai-based firm's biggest port investment in Africa. DP World Dakar will invest USD837 million in the first phase to build the port in Ndayane, followed by another USD290 million.

Ghana

The first consignment of Ghanaian shipments to the UK to face post-Brexit tariffs docked at Portsmouth last night, including 185 metric tons of bananas, the majority of which were so-called Fairtrade. Because of the divorce transition deadline of Dec. 31, some other "continuity" deals — those intended to rollover the terms of trade the UK enjoyed as a member of the EU — still hang in the balance. Agreements with Albania, Algeria, and Serbia are also outstanding. While they wait, their exports face Britain's Generalized Scheme of Preferences, which applies import duties at reduced rates on developing countries.

Zimbabwe

Runaway inflation in Zimbabwe has rendered its currency almost worthless. With USD8 billion in unpaid debt, the country can barely afford services for its citizens, and the deterioration is epitomized by the woeful state of the health-care system. Medicine shortages and recurring strikes over pay and working conditions were common even before the coronavirus pandemic. More than 90Pct of the country's commerce is conducted via mobile-money transactions because of cash shortages.

REUTERS

Bloomberg Business

Egypt

Egypt's central bank launched a 15-billion pound (USD948.8m) initiative to help car owners convert their vehicles to natural gas, pushing ahead with a call by the country's president. The loans, at an interest rate of 3Pct, will be provided through banks to individuals seeking to replace their gasoline-powered vehicles to a bi-fuel system that also allows the use on natural gas. The financing is available for periods between seven to 10 years. The move is part of a broader push by the government to encourage the conversion of as many as 1.3 million private cars. New cars must operate on natural gas before receiving a license.

Sudan

US Treasury Secretary Steven Mnuchin talked with Sudan's government, the latest U.S. official to visit the Northeast African country that's rebuilding ties with Washington after decades. The secretary also signed an MoU on a bridge-loan facility, clearing Sudan's arrears with the World Bank and allowing access to over USD1 billion in annual lending. Sudan also signed the so-called Abraham Accords that set the stage for normalizing ties with Israel. Mnuchin arrived from Egypt, where he discussed the Palestinian issue and the mega dam Ethiopia is building on the Blue Nile.

Ethiopia

Banking services have resumed in the capital of Ethiopia's northern Tigray region for the first time since war broke out there on Nov. 4, as the government seeks to restore normality. Prime Minister Abiy Ahmed's government declared victory after seizing Mekelle from the former local ruling party, the Tigray People's Liberation Front (TPLF), on Nov. 28. The conflict between federal forces and the TPLF is believed to have killed thousands and displaced around 950,000 people.

South Africa

South African medical insurers will pay for a COVID-19 vaccine for people who don't have coverage and expect the program to cost 7 billion rand (USD464 million). The companies will finance vaccines for 14 million adults. For every member vaccinated, a non-member will get a shot. South Africa is yet to secure direct shipments from vaccine makers but has laid out a long-awaited plan to distribute COVID-19 vaccines, saying it will cost 20.6 billion rand (USD1.4 billion) to inoculate two thirds of the population and the state will be the sole purchaser. The majority of the doses will come from AstraZeneca, at a price of 54 rand each compared with Moderna's 536 rand.

African Free Trade Bloc Opens for Business, but Challenges Remain

African countries officially began trading under a new continent-wide free trade area, after months of delays caused by the global coronavirus pandemic. Every African country except Eritrea has signed on to the African Continental Free Trade Area (AfCFTA) framework agreement, and 34 have ratified it.

Members must phase out 90Pct of tariff lines over five years for more advanced economies and 10 years for less-developed nations. Another 7Pct considered sensitive will get more time, while 3Pct will be allowed to be placed on an exclusion list. But experts view the New Year's Day launch as largely symbolic with full implementation of the deal expected to take years.

AfCFTA aims to bring together 1.3 billion people in a USD3.4 trillion economic bloc that will be the largest free trade area since the establishment of the World Trade Organization.

Backers say it will boost trade among African neighbors while allowing the continent to develop its own value chains. The World Bank estimates it could lift tens of millions out of poverty by 2035.

Historic challenges including Africa's poor road and rail links, political unrest, excessive border bureaucracy and petty corruption will not disappear overnight.

Still Ambitious, STILL UNREALISTIC

When the government exclusively ratified and approved the two Growth and Transformation Plan (GTP) editions, independent experts critiqued it as highly ambitious and unrealistic. The administration took ten years to acknowledge the reality. Still, the Council of Ministers approved an even more ambitious Ten-Year Perspective Plan (TYPP) in early December 2020 in a bid to chart out an economic execution plan up to 2030. Strikingly, no independent experts were allowed to forward their viewpoints and solutions regarding major hurdles persisting in Ethiopia's economy.

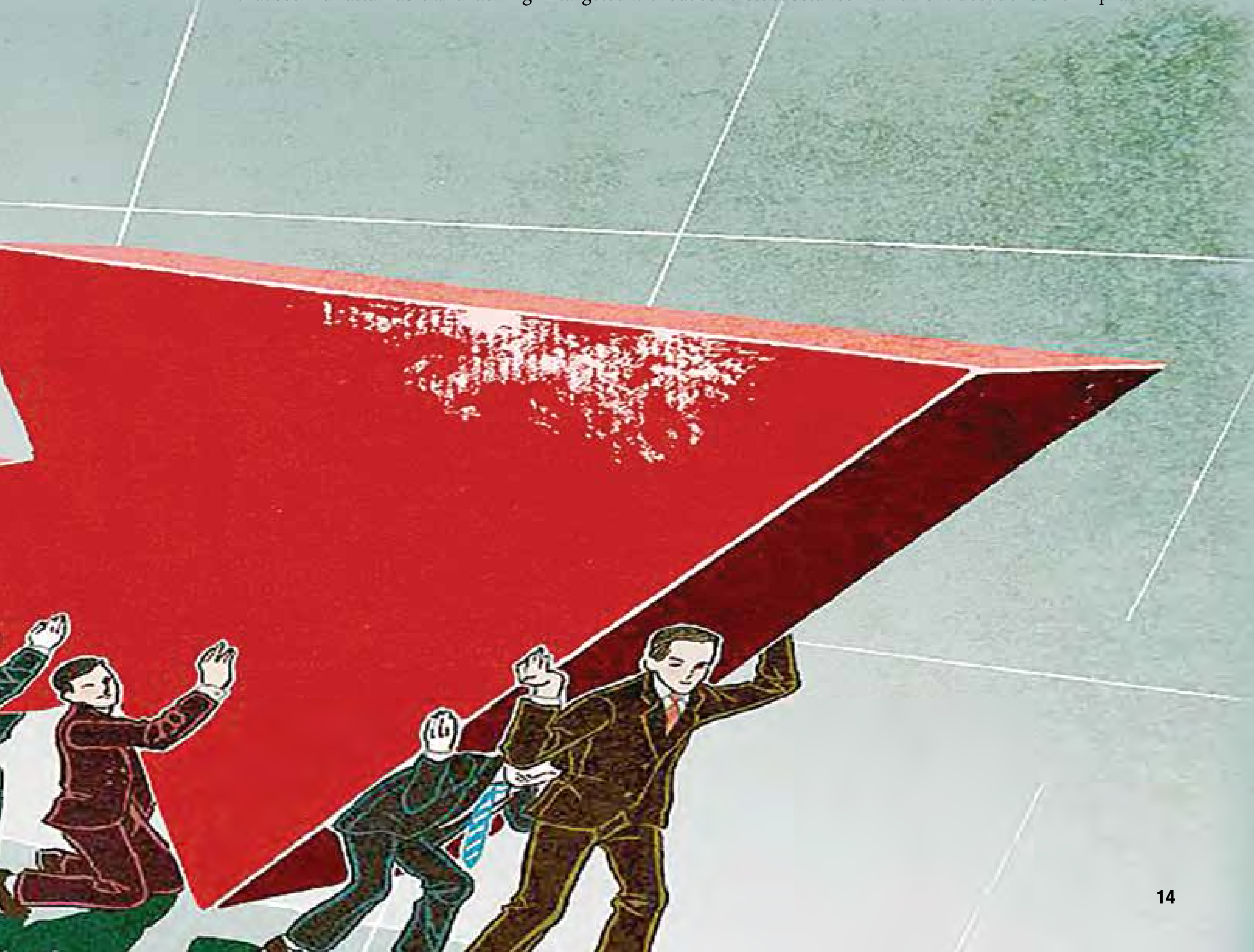
Export, structural transformation, and housing are some of the major new wines poured into old glasses. Most of the superfluous figures anticipated in the document, which target achieving quality growth and elevating Ethiopia to prosperity by 2030, are planned to be executed by a similar institutional implementing capacity which was the Achilles heel of past plans. Ashenafi Endale delved into how long-term economic targets become unrealistic under politicized ambitions.

After laying to rest two unsuccessful economic plans that left the country in disarray by stretching capacities beyond limits, Ethiopia has once again introduced a daring economic plan for the next decade. Dubbed the Ten-Year Perspective Plan (TYPP), the new economic blueprint shares many similarities with the first and second phases of the Growth and Transformation Plan (GTP), which dictated not only the economic path Ethiopia took in the past decade, but also immensely influenced political and social landscapes.

Introduced with the grand objective of laying dawn the foundations for the local manufacturing sector, the plan rolled out with stretched targets that seem unattainable and lacking feasibility. For instance, the plan envisions increasing export revenues from manufactured goods to USD9 billion by 2030 from the current USD400 million. Sadly, it seems the government learned nothing from the flaws of GTP I & II, which aimed to raise overall export earnings to USD13.9 billion but fell short at USD3 billion. In fact, no comprehensive study was conducted to figure out why exports could not exceed USD3 billion before embarking on this new target. The manufacturing sector is also expected to create job opportunities for five million people by 2030, up from the current 200,000.

Exaggerated targets contradicting on-the-ground realities is not confined to the manufacturing sector. Among the excessive figures targeted without concrete substance concern agriculture. Farmland coverage is projected to increase from the current 33Pct of arable land to 100Pct. This means that all of the vast cultivatable lowland areas in Somali, Afar, Benishangul, and other regional states will be covered by crops in ten years' time. Although the progress currently being observed seems promising, there are only few mechanisms in place to attract commercial farmers capable of cultivating 30 million hectares of virgin land within ten years.

The new plan also states 4.4 million houses will be built in the next ten years, around 500,000 annually. Considering the fact that the government only managed to build less than 200,000 houses over the last fifteen years, the vision for the next decade looks impractical



and detached from experienced reality.

The government's rush to approve the TYPP without getting sufficient input from independent experts is the reason for the flaws in the new plan, according to Alemayehu Geda (PhD), Professor of macroeconomics at Addis Ababa University. "This also shows that there is a misunderstanding of the strengths and status of the economy.

Alemayehu, is among 16 members—scholars and businesspeople—of the independent Economic Advisory Council established three days after the Council of Ministers passed the plan on December 11, 2020. Clearly, the advisory council was absent in the planning but is expected to back its implementation. "Leading scholars in the country were not consulted while preparing the TYPP. Even the role of the advisory council has not been stated thus far," argues a leading professor, who has published a number of books and conducted research on the Ethiopian economy.

Experts also argue that the earliest flaw was to introduce a ten-year plan without evaluating the previous ten years during GTP I & II to assess failings. However, Fitsum Assefa (PhD), Minister in Charge of the National Planning and Development Commission (NPDC), the government arm in charge of crafting the TYPP, says the government conducted 12 studies and evaluated the experiences of 150 countries before crafting the TYPP. "We did not prepare the TYPP by just putting numbers into Microsoft Excel. We worked with many renowned experts to prepare the draft. We deployed state of the art models."

Once the TYPP draft document was finalized, for 20 days every public institution crosschecked for any inconsistency in the data, according to Fitsum. "The major pillar of the TYPP is attaining high-trajectory development, quality growth, and shared prosperity. Quality growth is growing based on productive sectors such as manufacturing," she adds.

Yinager Dessie (PhD), Governor of the National Bank of Ethiopia stresses that the basis for the plan is the Homegrown Economic Reform Agenda. "Development partners also participated in the reform agenda especially on monetary and fiscal issues."

The major departure of the TYPP from past plans is a general shift from state-led investment in infrastructure towards private sector investment in productive areas. "Shifting focus from demand to supply is critical in solving economic problems like inflation and others," says Nemera Mamo (PhD), State Minister of NPDC.

Maintaining the 10Pct average annual growth of the past decade requires investing 36.9Pct of GDP every year. During previous growth, the lion's share of funds came from the government. Now, the new plan proposes 64.8Pct of all envisioned investments to be private sector-sourced, with the balance of 35.2Pct to be covered by the government. To facilitate the involvement of the private sector, Fitsum says the government is crafting a private sector strategic roadmap.

Of the ETB3.3 trillion planned aggregate loans to be extended in the next ten years, 90Pct (ETB2.9 trillion) will go to the private sector. "But we cannot allow the private sector to access foreign loans because our debt level is in a bad state at the moment," remarks Fitsum. "But equity and capital markets are under formation and they will improve the access to finance for the private sector."

"Ethiopia's growth over the last decade was driven by substantial governmental investment, which has some merits. However, it has also affected the macroeconomic imbalance," argues Henok Assefa, Managing Partner of Precise Consult. "TYPP focuses on productivity over capital accumulation, instrumental for achieving long-term economic development."

To ensure the successful implementation of the plan, Endalkachew Sime, State Minister of the NPDC says the government will introduce a digital reporting, evaluating, and monitoring system. "Each public institution will be evaluated," he states. "The government is also undertaking reforms and is using incentives to acquire professionals capable of executing the plan." **EBR**

> **The government conducted 12 studies and evaluated the experiences of 150 countries."**
>
> Fitsum Assefa (PhD),
> Minister in Charge of the National Planning and Development Commission

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NON-DOGMATIC, PRO-PRIVATE SECTOR

One of the young leaders that bolted to the front after PM Abiy's reformist administration took power in 2018, is Fitsum Assefa (PhD), Minister in Charge of the National Planning and Development Commission (NPDC). She successfully maneuvered in the struggling economy to replace the previous GTP II with the Homegrown Economic Reform program. For the last two years, she led 12 studies preparing the Ten-Year Perspective Plan (TYPP), involving domestic and foreign institutions like the Korea Development Institute. The overambitious TYPP document is almost ready for implementation now.

Prior to her current appointment, she occupied different administrative positions at Hawassa University including Dean of the College of Business and Economics and also chaired the committee charting the university's five-year strategic plan.

She studied regional and local development studies at Addis Ababa University College of Development Studies and her doctoral at Justus-Liebig University in Germany.

Avoiding attachment to singular ideological frameworks, Fitsum designed the TYPP trusting market forces and allotting room for flexibility. She argues Ethiopia can grow at 10Pct in the coming years even in the aftermath of COVID-19 and pertinent macro-economic instabilities inherited from failed previous plans. EBR was granted an audience with the Minister in Charge.

Tell me about the time it took and procedures followed in preparing the Ten-Year Prospective Plan (TYPP)?

Preparations took almost two years. First, 12 studies were conducted to find the baseline. These studies clearly identified the current nature and level of Ethiopia's economy. Then we started to craft the pillars, visions, and targets of the economic plan.

Some of the targets of the TYPP are similar with the first and second phases of the Growth and Transformation Plan (GTP I & II).

The unrealized targets of GTP I are carried forward and added into the TYPP. The terminal evaluation for GTP II is currently in the final stages.

That is this why the TYPP seems ambitious like GTP I & II.

The growth Ethiopia has been registering for the last decade is the result of public-led investment in infrastructure. But the growth potential of other productive sectors has not yet been touched. This means we can achieve more under existing circumstances. For instance, we can at least double agricultural productivity in the next ten years.

Manufacturing industries are currently operating at less than 60Pct capacity. Without having to invest in new manufacturing plants, maximizing the capacity utilization level of existing operations to over 80Pct would be a huge leap forward in itself.

Technically, high growth is possible because we have not reached high productivity levels. Many sectors including ICT, tourism, and mining are almost starting from scratch. Plans should be ambitious enough to keep you working. To significantly slash poverty, we must grow by at least 10Pct.

The TYPP states that two-thirds of investment in the next ten years will come from the private sector. Do you think this can help the country register previous-type growth?

If you look deep into the investments of the past decade, there was a lot of inefficiency. South Korea's capital formation was around 30Pct but they grew by 10Pct and became a high income nation. Ethiopia invested 37Pct of GDP but did not grow satisfactorily. If public sector-led investment can bring that much growth, with all its inefficiencies, the private sector can do better with less capital.

How can you expect so much from the private sector, which is still in its infancy?

This is true and relevant. But pursuing sustainable development is a multi-dimensional task. Maintainable growth should primarily be led by a strong domestic private sector. Of course, foreign capital and skill are equally important. But unless you have strong domestic actors, advancement cannot be sustained and its dividends trickle down to its citizens. One way of ensuring shared prosperity is to engage homegrown private players in the development process.

> **"We can at least double agricultural productivity in the next ten years.**

The domestic private sector is in its infancy; every country has passed this stage. Ethiopian private businesses are 30 years or less young. Government should still support them so as to enable them to take the lead. However, alongside we have to engage FDI for capital inflows, experience sharing, and knowledge transfer. With proper policies in place, the right balance between domestic and foreign actors will be secured. The newly introduced investment regulation opens the majority of sectors to foreigners to work in tandem with homegrown companies.

The other TYPP target is the construction of 4.4 million houses. Considering previous poor performance, do you think this is possible?

The figure only indicates expected demand for houses in the next ten years. Of the total 4.4 million houses, only 10Pct is going to be developed by the government. The balance will be constructed by the private sector.

The whole paradigm of provisioning housing in the country will thus be shifted from ownership oriented to access oriented. The private sector will develop houses through joint ventures with the government. It is also open to real estate developers, both domestic and foreign. To facilitate this, government will introduce and encourage various innovative methods and arrangements. For instance, mortgage banking is now coming to Ethiopia.

Another ambitious target included in the TYPP is growing total cultivated land from 33Pct to 100Pct of arable land by expanding farmlands to lowland areas.

Lowlands have not been touched for long, despite huge potential. These areas are now targeted to mainly produce animal feed but other crops like wheat are also expected to be farmed in the lowlands. In fact, encouraging results have already been registered vis-à-vis wheat in Afar and Somali states, amongst other regions.

So, this and other targets look ambitious from a business-as-usual perspective but are achievable. The private sector will take the leading role in cultivating crops in lowlands while government will create an enabling environment.

Commercial banks usually finance the most lucrative businesses. But the ag-

ricultural sector is not a well-paying sector. So, how do you plan to solve this mismatch?

Banks operate in areas where there is profit. Government, on the other hand, prefers financial resources to be directed into development endeavors. So, finding the middle ground is essential by introducing different incentivizing instruments, not by dictating.

In the past, government used to dictate banks. Government-owned banks were forced to channel finance towards state-owned enterprises and this crowded out the private sector. Private commercial banks were forced to buy NBE bills to finance public projects. That will not happen anymore.

In the last decade, Ethiopia experienced high inflation rates which continues to this day. Is there a strategy in place to tackle this problem?

We have been studying inflation for the past two years. The general understanding is that inflation is high in Ethiopia as demand is growing much faster than supply. Hefty demand was caused by the way in which the economy was financed in the past ten years. Inflation was consistently rising in this period and requires a lot of work to stabilize. Ethiopia's inflation is not a short-term phenomenon.

In developed economies, when there is excessive inflation, they use fiscal and monetary tools as they don't have supply-side problems. But for us, productivity is very low in every sector, especially in manufacturing and agriculture. Especially agricultural production and productivity must grow to solve inflation.

Of course, there are other non-productivity factors driving inflation in Ethiopia. Market chains must be modernized and valueless intermediaries must be removed. There is also the issue of imported inflation mainly resultant from the price of oil in the international market.

What was the major challenge hindering structural transformation of the economy?

One of the huge failures of the past ten years was government's inefficient bureaucracy and the existence of weak public institutions. Instead of supporting development endeavors, they ended up being obstacles to development. We have to reform the civil service to make it merit based, efficient, and capable of handling the TYPP and meaningfully cooperate with the private sector. The government failed big in this area but has implemented, this time around, key performance indicators to ensure implementation and accountability.

What was the share of the informal economy to GDP while studying to prepare the TYPP?

It is a huge portion. The informal sector should be formalized for the sake of the sector itself. It must get finance to expand into the formal domain. Even if it doesn't generate tax, the informal sector generates employment. To formalize and benefit from its potential, we need to tread slowly.

> **Technically, high growth is possible because we have not reached high productivity levels.**

Government has been emphasizing industrial parks for industrialization. But they are underperforming mainly because they were built based on a regional quota basis rather than through viable raw material and logistics convenience. Do you think industrial parks are contributing fittingly to the sought-after structural transformation?

The structural transformation, though slow, is happening and is coming from the parks, especially with regards to manufactured exports. Production of and share of industrial parks in the export of manufactured goods is picking up slowly.

Any future government investment will not be like the past using rationing and quotas. It must be based on economic viability including, as mentioned, the prevalence of raw material and logistical expediency. The importance of industrial parks remains strong but resultant to minimal backward linkage with farmers and raw material suppliers, too much input is imported. Further, from now onwards, every foreign company in parks will be transferring knowledge to domestic private companies to be located in the same venue.

With the proper solutions from government, IPs' problems including power, raw material, and foreign currency will be solved. IPs will be instruments of structural transformation.

What will be the impact of the piling external debt on government's financing endeavors? Most of the external debt is from China. Will this affect Ethiopia's relationship with the divergent western and eastern blocks?

Finance is like oxygen to the economy. The way we financed our development in the past ten years was unsustainable as it was funded with commercial loans bearing excessive interest. One of the sources of the current macroeconomic instability is high debt distress. But it's getting better now because we have completely stopped borrowing from those sources. We will be employing policy reforms to modernize and broaden tax collection and formalize the informal economy. There are also other revenue sources.

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DISEMPOWERED ENERGY INVESTORS

Ethiopia is endowed with abundant renewable energy resources and has the potential to generate over 60,000 MW of electric power from hydroelectric, wind, solar, and geothermal sources. However, the country only generates 4,500MW, not sufficient to satisfy more than 100 million people. To address the current and future demand forecasted to grow 14Pct annually till 2037, the government recently announced a new plan for the next ten years. The plan envisions increasing the electric generation capacity from renewable sources from the current 4,500MW to 19,000MW by 2030, of which the private sector is expected to generate 9,000MW. However, investors engaged in the energy sector inform that many hinderances limit the involvement of the private sector, and thus meeting the target will be very difficult. EBR's Ashenafi Endale investigates the issue further.

After learning of solar technology in Israel and witnessing its immense potential, Aseffa Mengesha came back to Ethiopia in 2016 and established Afromac Solartec, a solar equipment manufacturing factory, in Sendafa town. Although the factory produces solar panels for different fittings, its major product is its solar water heating system of which the factory has the capacity to produce 30 per day.

"The demand for solar water heating systems has been rising in recent years," says Aseffa. "Hotels, guesthouses, and homes are showing great interest in the technology." Currently, there are 300 orders on the waiting list. A solar water heating system for 80 liters costs ETB15,000.

A house with four bathrooms consumes 15KW of electricity per day, according to Aseffa. If 10,000 similar houses install the technology, it can save 150 MW.

While Aseffa targets urban areas like Addis Ababa, Getinet Tesfaye, Founder and Manager of Ethio Resource Group, focuses on rural parts of the country. Four years ago, the company installed six wind and solar off-grid energy systems in northern Shewa. Each plant costs USD25,000 and can generate up to 50 kilowatt hours of electricity. The company supplies the energy to close to 300 households in North Shewa.

"The major energy demand in the rural area is for irrigation, agroindustry, cooperatives, and other rural enterprises," explains Getinet. "The majority of rural areas don't get electricity from the national grid system."

Ethiopia is endowed with potentially massive energy resources from water, wind, solar, and geothermal. However, the county has managed to harness only a small portion of its potential while the majority of the population, especially in rural areas, are without electricity.

In Ethiopia, the majority of electricity comes from hydroelectric power, accounting for 90Pct of the current 4,500MW generated. But this type of power generation is less dependable during the dry season and has resulted in several power shortages in Ethiopia. So, finding energy sources to supplement hydropower plants and satisfy the growing electricity demand—forecasted to grow at an annual 14Pct till 2037—is essential.

Darrell Boyd is CEO of Tulu Moye Geothermal Operations (TMGO), a company expected to generate 250MW at a cost of USD800 million. Boyd says geothermal, wind, and solar energy are critical for energy security. Ethiopia has a better chance of achieving an optimum level of renewable energy mix. But investment on renewable energy development has to increase.

Here, the role of the private sector in developing large energy projects like TMGO and investing on renewable energy technologies that enable small-scale and off-grid systems is critical. However, the involvement of the private sector in this regard remains far below expectations in Ethiopia.

Until recently, mini-grid power projects were mainly financed by international institutions and donors. Close to 72,000 solar home systems and 1.2 million solar lanterns have been distributed with the support of the World Bank. Energy projects with a generating capacity of up to 10MW are categorized under mini-grid systems.

"The government plans to generate 15,500MW and provide electricity to 60 million people by the end of 2030. The private sector is expected to generate 9,000MW over the next ten years," says Gosaye Mengistie, Senior Energy Advisor to the minister of Water, Irrigation and Energy (MoWIE). The ten year plan requires a total of USD80 billion.

The ministry has already rolled out pilot projects to electrify 70,000 people in 12 selected regional towns. "The government is working aggressively to diversify the renewable energy mix by including wind, solar, geothermal, bio-energy, and natural gas," says Gosaye. "The share of these renewable energy sources is expected to increase from the current 8Pct to 25Pct by 2030."

Recently, the Ethiopian Electric Utility (EEU) floated international bids to install 37 mini-grid renewable energy plants, with plans for 300 over the next ten years. Costs for such plants capable of generating up to 200 kilowatt hours is around USD200,000, although some of these sites can be in very difficult situations. But still, this scenario is much more viable than connecting these areas to the national grid.

However, EEU stresses that mini-grid renewable energy plants will be built and run by private investors for only ten years to be then transferred to the government. Effectively, private investors are expected to recover their initial investment and turn a profit within ten years.

Getinet says this is impossible. "The private sector cannot recover their expenses, let alone make a profit within ten years under the current tariff regime. The

government must adjust the tariff to attract private investors."

Agreeingly, Boyd explains that "in Ethiopia, the tariff for electricity is cheap and highly subsidized by the government. Although this is good for consumers, it is not enough to attract investors to the energy sector."

MW 9 thousand The amount of electricity expected to be generated by the private sector over the next ten years.

According to EEU, existing electric power generation, transmission, and distribution costs are USD0.09 per kilowatt hour while tariffs are between USD0.04 and USD0.06. Most of the power purchase agreements private investors sign with the government thus far are all less than the tariff. For instance, the Dicheto and Gaad solar energy projects were contracted at USD0.025 per kilowatt hour.

"The current power purchasing modality and selling price are among the factors discouraging private investors from engaging the energy sector," agrees Tadesse Mamo, former Senior Geologist at the Ethiopian Geological Survey currently working at TMGO. "Over 25 potential geothermal development locations have been identified, but due to unattractive tariffs only TMGO is under development by private investors."

Gosaye says that until recently, EEU used to sell a kilowatt hour of power for USD0.01. But after Prime Minister Abiy Ahmed (PhD) came to power, the tariff was revised to USD0.04. "Electricity tariffs should remain affordable for the low-income population. However, those who can afford must pay more," argues Gosaye. "The government wants the private sector to invest in the energy sector. But it also wants the population to access electricity at an affordable price."

Further adjustment of the tariff is unlikely any time soon as the issue has political implications, according to Gosaye. "Nonetheless, the government is working in other aspects to attract investors."

Access to finance is another problem. Aseffa claims that despite heavy demand, Afromac Solartec lacks working capital to produce at increased capacity. "When we ask for loans, banks ask for additional collateral. We have used all of our assets including buildings for collateral already."

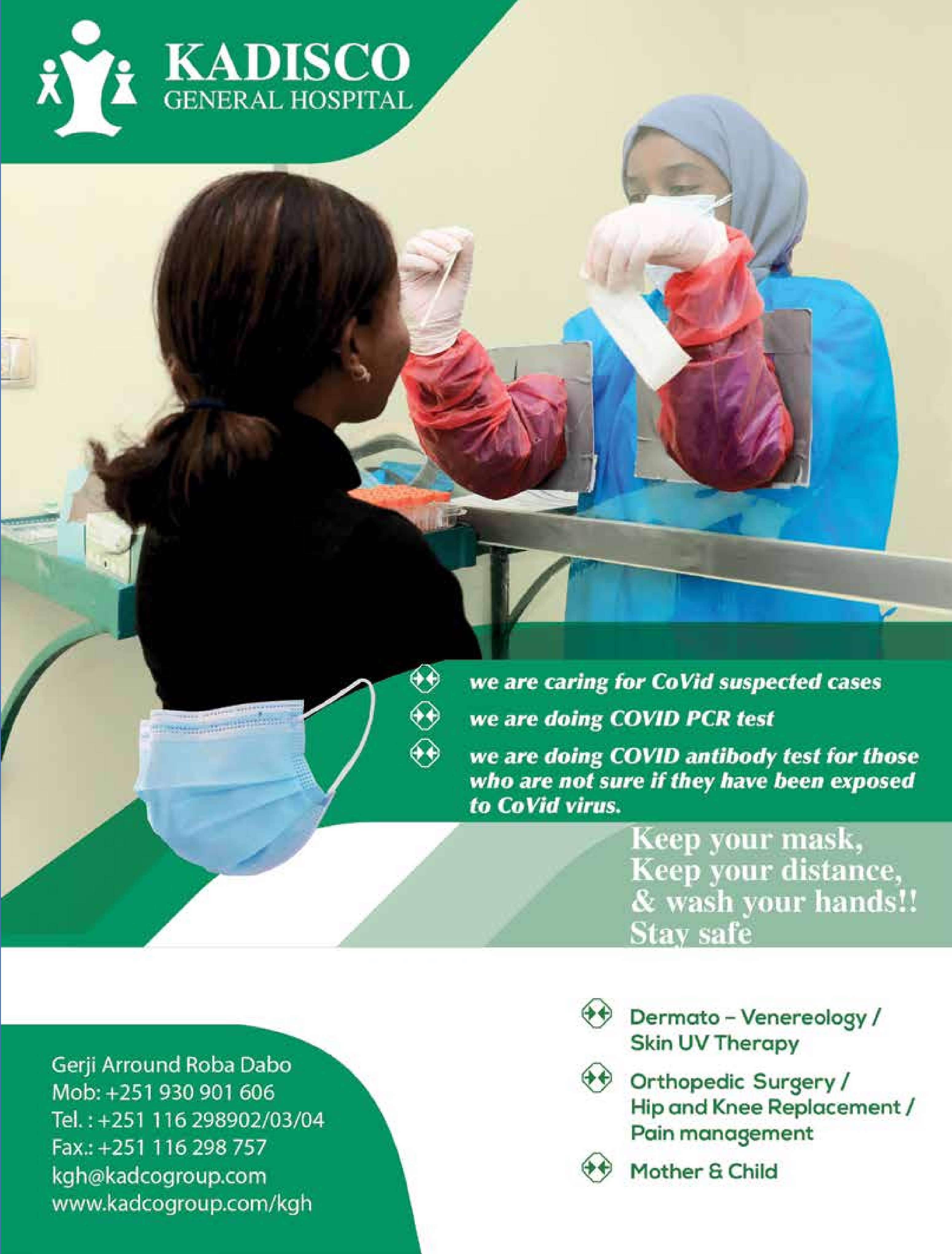
Additionally, a comprehensive policy accommodating the latest technologies in the sector is lacking, according to Aseffa. "I cannot get support from governmental institutions for the water heating system we are producing because it is not included in the policy."

Currently, the government is preparing the comprehensive Power Sector Reform Roadmap, to create a level playing field and liberalize electricity wholesale and retail markets. "An important pillar is to enhance private sector participation in all renewable energy generation projects and retail business," emphasizes Gosaye.

Three projects generating 350MW from solar energy have been rolled out for the private sector. These are the 100MW Metehara, 125MW Dicheto, and 125MW Gaad projects, each estimated to cost over USD200 million. The contracts for Dicheto and Gadd have been concluded while the Metehara project is under negotiations. The next phase of this initiative is expected to launch with an additional 600MW of solar energy soon, according to officials.

To improve the private sector's participation in the production of energy from wind, Gosaye says 18 sites are being studied. Once site feasibility studies are finalized, the projects will be availed for private investors," he explains. "The government is also studying on how to partially or fully privatize existing hydro power plants."

In a bid to increase the involvement of the private sector in off-grid electrification, two business models and guidelines are under preparation, according to Gosaye. The first is the mini-grid system that will be operated by EEU and funded by development partners. The second business model involves the private sector and cooperatives. However, Gosaye stresses the presence of a strong and independent regulator is essential to achieve energy generation and accessibility targets set for the next ten years, as well as boost the participation of private investors in the energy sector. **EBR**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"ETHIOPIA NEEDS TO INVEST IN THE RIGHT MIX OF RENEWABLE ENERGY SOURCES."

Access to clean energy is key to the advancement of Ethiopia. As such, pursuing renewable energy development is essential to attain energy security and economic sustainability, while helping to mitigate climate change and its devastating impacts. Ethiopia is among few countries in the world with great potential for renewable energy generation. Aware of the country's potential, the government launched a plan to speed up the development of different renewable energy sources, a decade ago.

Tulu Moye Geothermal Operations (TMGO) project is one of the initiatives launched to develop an optimum level of renewable energy mix in Ethiopia. The project, expected to generate 150MW at a cost of USD800 million, is situated in the main Ethiopian Rift Valley close to the eastern margins of the rift and northwest of Assela town. Established in December 2017, TMGO, was formed by a consortium of western investors—French firm Meridiam and the Icelandic Geothermal company Reykjavik Geothermal. TMGO signed a power purchase agreement and an implementation agreement with the government on December 19, 2017 and restated documentation in March 2020. This makes the company the first private-sector-led power project in Ethiopia.

Darrell Boyd, CEO of TMGO, says geothermal energy complements Ethiopia's aspirations of becoming a green energy hub in Africa. By investing in the right mix of renewable energy, Ethiopia can become the power house of green energy in the coming years, according to Boyd. EBR sat down with him to learn about the project and the need to invest on the right mix of renewable energy.

What is the current status of the Tulu Moye Geothermal Operations (TMGO) project?

The project involves drilling three geothermal exploration wells up to 2,500 meters deep. The drilling of the first well has now reached 1,340 meters. The second one is around 400 meters deep. It takes approximately 2.5 months and USD5 million to drill each geothermal exploration well.

On another front, we are at an important stage of selecting the bid winner for the power generating station installation, having issued our tender documents. Initially, 40 international companies participated which we downsized to seven. The winner will be selected in the coming months.

What is the deadline for each phase of the project and power generation capacity?

The first phase of the project is expected to generate 50MW of electricity in 2023. The second phase is expected to be finalized in 2025 with an additional 100MW.

How much have you invested until now?

We have invested USD40 million thus far. Total investment is estimated to be around USD800 million.

But the total investment was USD2 billion initially?

Yes. Initially the plan was to construct a geothermal project that generates 520MW, at a total investment cost of around USD2 billion. But this plan was changed at the request of the government down to its current 150MW. This is still a very large undertaking and ambitious endeavor in the geothermal sector. For instance, it took Kenya 40 years to build up to their current installed capacity of 800MW.

What is the agreed selling price per kilowatt of electricity?

It is USD0.07 per kilowatt.

Is this more or less compared to other African countries?

In Ethiopia, the selling price of electricity is cheap and highly subsidized by the government. Although this is good for consumers, it is not enough to attract investors in the energy sector. Seven US cents for a kilowatt might seem expensive in Ethiopia. But if you see Kenya and elsewhere around the world, it is very cheap.

When will you start collecting the return on your investment?

After about ten years, due to high front-end investment costs, risks of geothermal drilling, and power plant construction.

You agreed to build, operate, and then return the project to the government after 25 years. Are you certain you will see a return on the investment and make a profit within this period?

Exactly. Our investors are confident that the return on investment will come over the next 25 years. They are long-term investors, and so, are happy to take that long-term view. We are building the project under build-operate-transfer modality. We have secured a 25-year agreement with the government.

What challenges have you faced thus far?

Drilling geothermal exploration wells requires a lot of water. So, we built a ground water supply system by drilling 500 meters to get the water. We then had to channel the water, found 16 kilometers away, to the main geothermal drilling site. The ground water supply system has the capacity to supply 5 million liters of water per day. We do not consume that much, but required it to be on standby for safety reasons.

In fact, we had to build every piece of infrastructure, including roads, by ourselves. This is why the development time of the project is over the plan by many years.

Who are the investors and stakeholders of the project?

Meridiam is the majority investor alongside Reykjavik Geothermal. Investors in those two organizations come mainly from Iceland, the UK, France, and the USA.

The drilling work of the project is conducted by KenGen, a Kenya-based firm. It is 60Pct owned by the Kenyan government and listed on the Kenyan

There is no competitive company engaged in drilling business in Ethiopia."


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> **By investing in the right mix of renewable energy, Ethiopia can become the power house of green energy."**

Stock exchange.

What is the reason for awarding the drilling work to a foreign company?

There are no Ethiopian companies engaged in the geothermal drilling business or with the necessary equipment and experience. So, we had to bring from Kenya, where there are many drilling firms. We also brought many Kenyan expats but have very firm plans to train Ethiopian staff so that this expertise will be available here in the future.

Investors and companies from various countries participated in the project. Is there a special reason for this?

Ethiopia is new to geothermal energy production. So, the only option we had was to bring the best companies in the field and investors to Ethiopia. That is why so many countries are involved in the project. What we predominantly did was to bring skills, knowledge, and capital from countries that have accumulated them through the development of their own geothermal energy.

For instance, Reykjavik Geothermal has expertise in developing geothermal energy for 15 years and, alongside Meridiam, has over 70 long-term infrastructure investment projects across North America, Europe, and Africa.

How do you evaluate the participation of foreign investors in Ethiopia?

Currently, many investors and companies from various countries are coming into the country. This is because Ethiopia has huge market potential. If foreign investors do not invest in Ethiopia today, the cost of entering and investing in the country will increase dramatically ten years from now. I believe those who know this fact do not want to miss out on the opportunity.

Recently, the government unveiled 17 mega projects worth USD7 billion to be developed under public private partnership (PPP) schemes. Do you have a plan to participate in these projects?

It is great news the government unveiled these projects. But for now, we will stick to the development of Tulu Moye. In the future, however, we are aware that our two project sponsors, Meridiam and Reykjavik Geothermal, plan to engage in the development of other projects including airport, other geothermal, hydropower, and telecom projects.

The development of geothermal energy requires a lot of investment capital. Why did you prefer investing in geothermal?

Geothermal energy requires high capital only to build. Once built and operational, it can generate energy for over 40 years without requiring too much additional capital. Geothermal projects built 40 years ago in Kenya are thus far operating without major problems. But if you take other energy sources and their infrastructure, they require substantial investment for maintenance compared to geothermal.

Ethiopia has better potential in hydropower energy. Do you think it is a good decision to invest in geothermal energy?

I believe that Ethiopia is developing the right mix of renewable energy. Geothermal energy complements Ethiopia's aspirations of becoming a green energy hub in Africa. Especially geothermal and solar energy can be critical for good energy security.

By investing in the right mix of renewable energy sources, Ethiopia can become the power house of green energy in the coming years. Other African countries

> **In Ethiopia, the selling price of electricity is cheap."**

like Tanzania and Kenya are also doing good in this regard. But Ethiopia has a better chance when it comes to achieving an optimum level of renewable energy mix by attracting the right long-term investors.

Does this mean Ethiopia should invest in all renewable energy sources?

Not necessarily. There are many countries that have a potentially good mix of energy sources. But this does not mean that they should invest in all forms. I think Ethiopia understands well what is best to achieve its inspirations and that is why I believe they are taking the right direction to a better green energy future.

Some experts suggest African countries can benefit by developing small-scale nuclear energy.

It takes decades to develop nuclear energy. So it could be one for the future for Ethiopia. However, countries sitting on volcanically susceptible zones, such as the Rift Valley, are reconsidering nuclear development because of the risks. For example, Japan, following the Fukushima disaster.

But you are developing the geothermal energy project inside the Rift Valley.

A big volcanic eruption recently destroyed a geothermal energy project in Hawaii. But we do not expect the same to happen here in Ethiopia for the next tens of thousands of years. Our geothermal project is not located near active volcanoes. It is located outside dangerous ranges.

How do you compare the level of investment in the Ethiopian energy sector with that of other East African countries?

Kenya is doing a pretty fantastic job in this regard. Ethiopia will be catching up fast and will even overtake all of its neighbors, we believe.

While having huge potential, why is Ethiopia failing to harvest energy in a greater manner?

Having vast potential does not always guarantee a high level of energy harvest. Of course, the potential is one of the main prerequisites. But if you do not develop or attract the right expertise and capital, you cannot tap into the huge energy potential. It is rather about taking advantage of what you have than having expansive natural resources.

How do you evaluate the investment environment in Ethiopia?

Accessing finance is difficult but this is improving under the government's reforms of the recent past. There are also issues related with bureaucracy in Ethiopia and this is well-known but is manageable since there are no ill-willed intentions. There are also hurdles in attracting foreign direct investment. When it comes to attracting foreign investors, Ethiopia is in competition with Kenya and other economies in the region.

Overall, I think Ethiopia has done a pretty fantastic job to make itself attractive for foreign investors. The country is managing to attract some good long-term investors.

What do you think Ethiopia should improve on to attract more especially long-term foreign investors?

Ratifying international conventions such as international arbitration instruments is vital in attracting international investors and boosting investors' confidence. This ensures the protection of investors under any circumstance, and it was great to see that Ethiopia recently did this. Secondly, building the capacity of government institutions will be critical to manage these investments and ensure Ethiopia enjoys the best value for money and attracts the right investors. **EBR**

Bouncing Back From Corona Slump

AFTER A YEAR-LONG STRUGGLE, MANUFACTURERS, EXPORTERS SEE A GLIMPSE OF HOPE

In 2020, the spread of COVID-19 affected the global economy in large magnitude by reducing economic growth and slowing down business activities. Manufacturers and exporters operating in Ethiopia is also hit by the pandemic in a massive scale because of the cancelation of orders by international retailers and apparel. But after a yearlong setback, industry players say that foreign buyers are starting to place orders as the world's economy is now under recovery. However, they argue to capture the opportunity, difficulties that hinders the performance of export-oriented manufacturers in Ethiopia should be solved quickly. EBR's Ashenafi Endale explores.

In March 2020, days before the United States became the top country in the world in terms of number of people infected by the coronavirus, Nazret Garment, a producer of light fabric garments, was preparing to ship its products to branded international retailers such as Big Brothers, Buffalo, Edwards, and Walmart. However, as the pandemic continued to take its toll on the world, these retailers canceled their orders, leaving the Adama-located factory in a very difficult position.

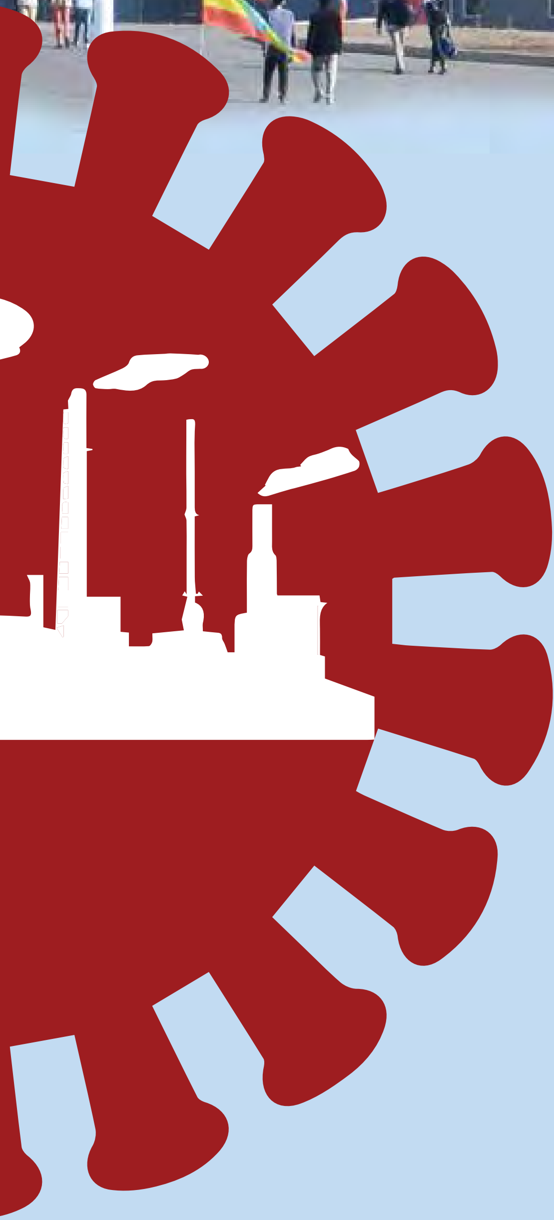
"Clients in different countries stopped operating due to the spread of the pandemic," recalls Liyu Dender, Logistics and Supply Manager of Nazret Garment. "Due to this factor, we could not export our products."

Established in 1991 and state-owned for almost three decades until 2017, Nazret Garment is now owned by Bagir Group, an Israeli company specializing in developing, manufacturing, and marketing tailored fashion items for both sexes.

Nazret Garment has the capacity to produce 4,000 trouser suits per day. In 2019, Nazret Garment shipped USD5.4 million worth of products. Currently, the company employs 1,500 people including expats, in its 12 production lines. The London Stock Exchange-listed Bagir Group invested ETB190 million in Nazret Garment.

"We invested a lot to turn the factory into a capable export-oriented garment-maker," says Liyu. "However, the pandemic disturbed almost 90Pct of our export targets."

Nazret Garment is not alone. The pandemic-induced cancellation of export orders by big retailers and apparel firms affected many industries. Even those well-established



international companies operating inside the Hawassa Industrial Park like the Hong Kong-based Epic Apparel and US-based PVH, owner of iconic brands including Calvin Klein, were not immune to the problem.

Rohit Nair, CFO of Epic Apparel says the last eight months were very difficult for Ethiopian based companies that export manufactured products. "A lot of export orders were put on hold or cancelled because our buyers faced setbacks due to the pandemic," explains Nair. Epic Apparel exports garments mainly to large retailers and apparel firms in the USA, including The Children's Place (TCP), an American specialty retailer of children's apparels and accessories,

TCP is one of four leading US apparel brands sourcing goods from Ethiopia, alongside PVH, JC Penney and H&M. At least seven factories in Ethiopia, including Epic, were exporting apparels for TCP. In September 2020, Gregory Poole, Chief Supply Chain Officer of TCP stated the company canceled orders worth millions of dollars from Ethiopia. The largest US children's wear retailer blamed COVID-19 for the cancellations after it was forced to close its stores.

"There is no sector unaffected by COVID-19," explains Sandokan Debebe, CEO of the Industrial Park Development Commission (IPDC). "Most of our factories faced setbacks."

Due to the closing of businesses and the consequent cancelation of orders, Ethiopian companies were forced to face accumulating debts and a loss of market and revenue. Many companies have either slashed employees or their salaries. Especially manufacturers operating inside industrial parks have seen a drastic turnover of employees, close to 70Pct, due to decreasing wages brought on by the pandemic.

This is bad news for Ethiopian factory workers, already paid minimally in the global garment supply chain. According to a report by the New York University's Stern Center for Business and Human Rights, the minimum monthly wage for factory workers in Ethiopia was USD26, compared to USD95 in Bangladesh and USD326 in China.

"We are shouldering a huge burden," says Liyu. "This includes paying our loans on time and retaining employees without fully resuming production."

Besides local industries and their workers, the pandemic overwhelmed most large apparel firms across the world including Bagir Group. In July 2020, according to Apparel Resources, a web portal covering the latest happenings and developments in the apparel, textile, and fashion industry, Bagir Group filed a liquidation application in a district court in Beer-Sheva, Israel. The court then placed Bagir Group, a company operating in Ethiopia, the US, Egypt, England, and the British Virgin Islands, with annual revenue of US $USD51.1 million, into liquidation.

Alongside the burden the pandemic brought upon local factories, their foreign partners, and workers, its impact on the national economy is extremely significant. Majorly owing to the pandemic, Ethiopia's GDP growth rate for 2019/20 was slashed from 9Pct to 6.1Pct, according to the government. The International Monetary Fund also downgraded Ethiopia's projected growth rate for the year 2020 from 6.2Pct to 3.2Pct.

Despite its immense adverse impact, Yohannes Dinkayehu, State Minister at the Ministry of Trade and Industry (MoTI) says COVID-19 also brought an opportunity for Ethiopia. "Our export performance for 2019/20 increased by over 10Pct compared to the previous year."

According to the annual report of the National Bank of Ethiopia (NBE), the total export earnings in the past fiscal year was USD3.034 billion, showing an increment of 13Pct from the previous fiscal year.

"The export performance in the first five months of the current fiscal year also improved significantly," adds Yohannes. Based on NBE's report, export earnings increased by 6.5Pct, from USD723 million during the first quarter of 2019/20 to USD769.9 million during the first quarter of 2020/21. However, the increase was mainly a consequence of the rise in gold exports from just USD6.1 million to USD263.3 during the same period.

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“IT IS BETTER TO HIRE MANY PEOPLE AND PAY LESS.”

Liyu Dender, is a Logistics and Supply Chain Manager at Nazret Garment, now owned by Bagir Group, an Israeli company specialized in developing, manufacturing, and marketing tailored garments. The company has the capacity to produce 4,000 trouser suits daily. In 2019, Nazret Garment shipped products worth USD5.4 million. However, branded international retailers have canceled their orders after the breakout of the coronavirus pandemic last year. EBR sat down with Liyu to learn how Nazret Garment is coping with this situation and its future prospects.

How many orders were on hand when COVID-19 broke out?

There were many orders for 2020. However, most of them were canceled.

How long does it take to export once a foreign buyer places an order?

Importing raw material takes at least a month. Processing bank permits and customs documentations at Djibouti Port takes additional time. Then after transporting the raw material to our warehouse and unpacking, processing proceeds. After the production is finalized, packaging and readying the final product for export also takes time. All these tasks need at least four to six months. Therefore, our foreign clients must place orders at least four months in advance of the delivery date.

Did you get support when your operations were affected by the pandemic?

Commercial banks and our creditors supported us significantly. They did not force us to repay loans during the initial period of the pandemic.

> "The government is not capable enough to provide the needed support."

What about the government?

We did not expect much because the government itself was not capable enough to provide the needed support. None of the governments in the world were ready for this.

But other governments were more flexible in responding to the situation. Foreign governments changed their systems faster and responded to the shock quickly. Our system and institutions are not flexible enough to maneuver fast and provide the necessary support for manufacturing industries. Our system is traditional and rigid. The government waited until for a state of emergency to be declared to bailout businesses.

What is the current status of the company?

Currently, we are preparing for new orders as the impact of the pandemic is diminishing.

Did you shift to other products to cope with the cancelation of orders?

We were allowed to sell our export-standard products in the local market for a few months. So, we started producing masks, uniforms, and other products that could be consumed by the domestic market. But this was not financially feasible because we are not entitled to duty-free privileges on the import of raw materials if the finished product is sold locally. So, selling locally means paying customs tax. We import raw material worth USD30 million, annually. If we had to pay customs tax, the overall production cost will rise, making the business unprofitable. However, the small sale to the local market helped the company keep the cash flowing.

Which countries are the top destinations for your exports?

The United States is the top destination for garments produced in Ethiopia. The African Growth and Opportunity Act (AGOA) trade program is the deal maker here. When we export from Ethiopia, the price is relatively cheaper for consumers in the USA because of the duty free privileges under AGOA. That is why many foreign investments are relocating their factories to Ethiopia.

Other than COVID-19, what challenges are you currently facing?

The first is instability. Many industries were damaged during the political unrest, although we were spared except for minor damage.

Access to land is another obstacle. We could not expand our factory due to land-related problems. The regional land administration gave land given to us to other investors. So, we have been unable to expand.

“

Our foreign buyers have no confidence in the cotton growing in Ethiopia.”

The inefficient bureaucracy and logistics system are hazards for meeting export deadlines. In this regard, factories inside industrial parks are more secured and have better incentives and performance compared to firms operating outside. They have a one-stop service program. Either the government should allow us to relocate inside industrial parks, or must provide similar one-stop services for factories like us.

That is why many international buyers are preferring to source from Kenya and other African countries instead of Ethiopia. Kenya has ports and less logistical difficulties than Ethiopia.

Do you face shortages of foreign currency?

We have no challenge in accessing letter of credits from banks to import raw materials. We have no foreign currency problem because Nazret Garment is an export-oriented company. We bring in foreign currency.

Do you outsource components of your products to local factories?

Outsourcing is difficult for us. Our foreign buyers have the final say regarding from which companies we source raw materials and inputs. They state their specifications and standards as well as determine the input supplier before placing their order. Usually, we import the raw materials. Our customers do not only dictate from which supplier we have to buy the raw materials, but also give us the specifications of our products. Especially big brands in USA are strict on such specifications, because they do not want to lose their consumers.

Therefore, it is difficult to outsource to local companies engaged in the manufacturing of components like buttons and zippers. Even if this was not the case, there are no domestic factories which fit the bill.

Our foreign buyers have no confidence in the cotton growing in Ethiopia. Therefore, we import. Once Ethiopia's cotton production improves and meets their quality specifications, we might start sourcing from domestic sources.

If Nazret Garment, and other similar companies, import their whole raw material requirement and export their total production, what is the benefit for Ethiopia?

The main benefit is job creation. Plus, those foreign investors are bringing capital. The textile and garment industry in Ethiopia is hiring a lot of women, who were previously not generating income. They are now feeding their families, and also attending school. Light industries are significantly cutting unemployment. You can see the difference in unemployment before and after industrial parks opened in Ethiopia.

Still, the garment industry is in its infancy in Ethiopia. Many things are being done by foreigners. Wages in Ethiopia are very small. If technology is transferred successfully, and local productivity improves, the country can benefit a lot more. But government must work hard.

Why don't you consider selling your products in the local market?

Local prices are not tempting. In Ethiopia, the cost of production is higher because of the difficulty in accessing quality raw materials and other obstacles. For instance, we import cotton because our buyers have no confidence in the cotton harvested locally.

Our products are made from the best raw materials in the world. The sewing quality is checked on each production line. The quality is audited. Most of the imported goods in Ethiopia are produced for low-income countries. We produce for high-income nations. So, we cannot sell our products in the local market at a cheaper price. That is why we prefer to export than sell locally.

Do you think Ethiopia should curb the import of manufactured goods to encourage local producers?

Rather, the government should link importers with local producers. Such integration and networks are critical. Importers, distributers, and wholesalers are important for both industry and the consumer.

So, you think import substitution is possible in Ethiopia?

Substituting imported items cannot be done at once, but step by step. First, the government must select which imported products can be substituted locally. Then the government must support companies that can sufficiently produce and supply the selected items to the local market. Ethiopia satisfies the majority of its demand for textile products with imports. This can and must change.

"AfCFTA will help African economies specialize in their potential."

Ethiopia is a member of African Continental Free Trade Area (AfCFTA). What will be the opportunities for the country?

This will create more market linkages. AfCFTA will make the outsourcing of components from nearby African countries feasible. A component produced in a neighboring country can be input for a factory in Ethiopia. This will be great for Ethiopia and Africa, in addition to the expanded market access.

Some African countries have a better mining sector, while others perform well in manufacturing and agro-industry. AfCFTA will help African economies specialize in their given potential, instead of working to develop all sectors at once. Since Ethiopia is a landlocked country AfCFTA can help the country capitalize on its competitive edges.

What is the highest attracting factor for foreign investors to Ethiopia?

I think it is the availability of cheap labor. The price of labor in Ethiopia is low, but it is better than having no job at all. The factories in Ethiopia face higher costs because they are investing additional resources in training the labor force—mostly having no relevant working experience outside of the home and farm. It is better to hire many people and pay less, than attract few investors who pay high salaries. In this case, at least people can eat. **EBR**

> There is no sector unaffected by COVID-19.”
>
> Sandokan Debebe,
> CEO of Industrial Park Development Commission

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Teka Gebreyesus, State Minister for MoTI, however, says exporting manufacturers were saved from the devastating impact of the pandemic because the government managed to push factories to manufacture items needed to control the spread of the pandemic. “Some exporting firms shifted to producing masks and other items and export-only companies were allowed to sell their products in the domestic market during the five month-long state of emergency.”

“We were allowed to sell our export-standard products in the local market for a few months,” says Liyu. “Although we started producing masks, uniforms, and other products that could be consumed in the domestic market, it was not financially feasible. However, the small transactions in the local market helped the company keep the cash flowing.”

After months of sluggish performance, stakeholders stress that the tide is now turning. “Currently many foreign buyers are looking for exporters as economies are recovering after the pandemic,” explains Sandokan. “Demand is reviving and orders are coming from abroad. We hope 2021 will bring an improved level of export of manufactured products.”

Liyu agrees with Sandokan. “Currently, we are preparing for new orders as the pandemic’s impact is diminishing.”

But to capture the opportunity, difficulties hindering the performance of export-oriented manufacturers in Ethiopia should be solved quickly, according to a senior manager at PVH. “One of the major difficulties is bureaucracy and a backward logistics system. It is difficult to get imported raw materials on time. This needs immediate action.”

Drawing from her experience, Liyu says importing raw materials takes at least a month. “All the tasks related to transporting the raw material to the warehouse, unpacking, processing, packing, and readying the final product for export needs at least four to six months,” she explains. “Therefore, our foreign clients must place orders considering this.”

Indeed, logistics remains the top problem for manufacturers and exporters in Ethiopia. To export manufactured products in a 20ft container from Ethiopia to Germany costs 247Pct more than from Vietnam and 72Pct more if shipped from Bangladesh, according to the World Bank. On the other hand, on average it costs USD2,660 to import and transport a 20ft container to Ethiopia—one of the most expensive in the world. Furthermore, it takes 20-30 days for the imported item to reach the buyer in Ethiopia from Djiboutian ports.

Rohit stresses that time is a critical element to grasp opportunities presented currently and compete with other countries. “Our buyers in developed countries do not tolerate any of our excuses. If they are not satisfied, they simply shift to other suppliers in other countries able to meet their standards. They have many options,” adds Rohit.

Access to land is another obstacle, according to Liyu. “We could not expand our factory due to land-related problems. The regional land administration gave the land given to us to other investors. So, we were forced to stop any expansion.”

The instability observed in the country is also a main obstacle hindering manufacturing and export, according to industry players. For instance, factories located in the state of Tigrai seized operations after the federal government launched the law enforcement operation in the region in early November. “Exporting companies in Tigrai used to generate USD40 million every month, before the operation. This has currently totally stopped,” says Yohannes.

There are around 3,000 manufacturers in the region. But 50Pct to 90Pct of them were either damaged during the military operation or looted, according to Yohannes. “Even the factories that remained in good condition need at least four months to resume operations. The government will provide compensation to factories damaged during the law enforcement operation in the region.”

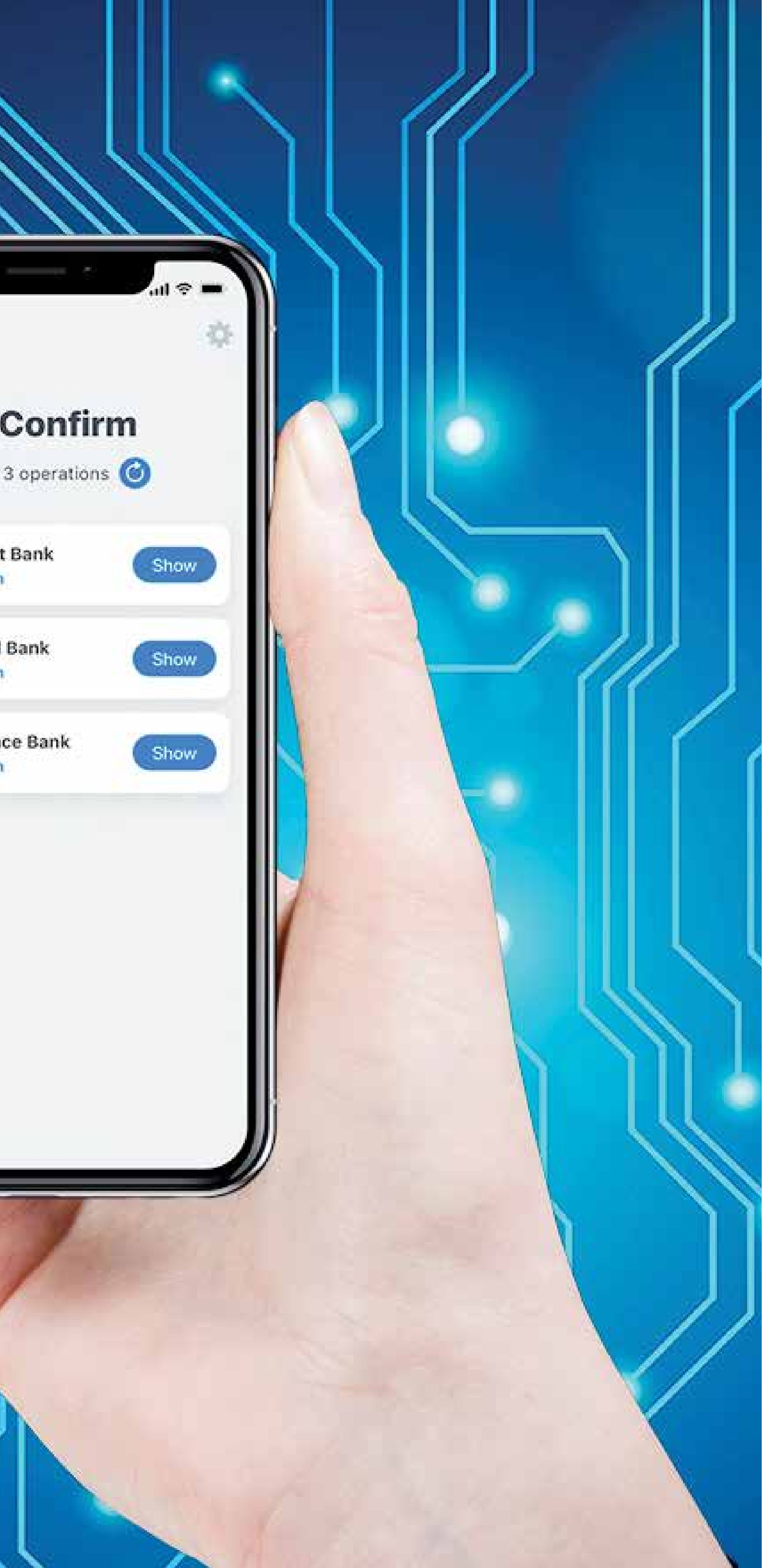
“Things are going back to normal. The effect of the pandemic on Ethiopia’s manufacturing export is not simple. But the government is working hard to provide every support required to bring them back on track, resume exporting, and recoup the losses incurred during the pandemic,” promises Teka.

Habtamu Simachew (PhD), Legal Advisor at the Ethiopian Investment Commission, says the government has identified 150 problems investors are facing in Ethiopia during the last eight months. “Out of total number of problems, 80 are already solved while cracking the remaining is underway currently.”

Liyu underscores that the government has been incapable in provisioning needed support in the past. The system and public institutions are not flexible in maneuvering fast and providing necessary support for manufacturers. “This has to change quickly,” Liyu concludes. **EBR**

DIGITAL TRANSACTION PROSPECTS AND VACUUMS

Reduced physical engagement with cash due to COVID-19 triggered an increased demand for digital transactions and was coupled with the central bank's measurements towards limiting cash withdrawals. The number of digital payment and online delivery companies has boomed to 35. Although the time is ripe for fintech companies and software developers, newly placed regulatory frameworks by the central bank are stunting the sector along with banks' stubbornness in sticking with bricks and mortar. Ashenafi Endale, explores how de facto payment and delivery companies are struggling to transform into independent operators under the new directives of the central bank.



In 2020, the coronavirus pandemic gave a devastating blow to the world economy. The shutdown measures taken to contain the pandemic have plunged the global economy into recession. The lives of billions has been affected by the pandemic and businesses were hit hard with a massive drop in revenue.

However, COVID-19 pushed more consumers online, resulting in a bump in sales for many e-commerce businesses. This can be attested by the experience of Bedilu Mekuria.

Bedilu established Akrabi Trading in 2017, providing a digital trading platform for the construction sector. But after a few months he closed the company due to low demand.

But when the pandemic halted human mobility and cash-based transactions became risky, Bedilu re-opened his company. Currently, Akrabi facilitates digital transactions worth ETB1 million monthly.

Bersufekad Getachew, Founder and General Manager of Guzogo Travel, also testifies that the demand for electronic payment is taking off in Ethiopia. "Although business activity slowed down due to the pandemic in 2020, the need for digital transactions is increasing," explains Bersufekad. Guzogo Travel in partnership with the Commercial Bank of Ethiopia (CBE) launched the electronic flight booking application in September 2020.

Although late compared to the rest of the world, e-commerce and electronic payment are expanding in Ethiopia, especially in recent times. The number of companies in the digital transactions sphere is now around 35. Some of these companies are launched or operated by a single financial institution. Amole Payment Services and CBE-Birr are examples in this regard.

EthSwitch and Premium Switch Solutions were established as a consortium of financial institutions. On the other hand, HelloCash and M-Birr were established by foreign firms partnering with financial institutions. Still others such as YenePay and Hisab are launched independently without the involvement of financial institutions.

The types of services given to customers of financial institutions varies amongst these companies. Their offerings range from enabling regular transactions digitally like withdrawals, deposits, and transfers; to the purchasing of goods, services, and airplane tickets; and the payment of bills of utility providers and Ethio Telecom.

The electronic payment system allowing funds to be transferred through an electronic signal exchange between institutions, rather than through an exchange of cash, is expanding worldwide. Especially in the developed world, these systems have changed the traditional way of exchanging goods and services by creating a flexible, convenient, and inexpensive platform integrated with the banking system.

The brick and mortar system is no longer viable."

Dereje Zebene,
President of Zemen Bank.

In Ethiopia, the history of electronic payment goes back to 2001 when CBE installed the first Automated Teller Machine (ATM) to serve its clients. But digitizing banking remained in its infancy for many years thereafter.

The slow progress, however, has started to accelerate in recent years after commercial banks operating in Ethiopia started to embrace technology and invest more on digital banking platforms. Especially in the last three years, the electronic payment landscape has seen a steady growth in Ethiopia, according to data obtained from the National Bank of Ethiopia (NBE).

Currently, there are 5,059 ATMs, 9,983 Point of Sale (PoS) terminals, and 15 million payment card users in Ethiopia. The value of transactions conducted through ATMs reached ETB87 billion in 2019/20, showing an increase of a staggering 796Pct compared with 2017/18. A significant jump in the use of PoS was also registered.

The use of mobile and internet banking increased in a similar manner during the period. For instance, in 2019/20 transactions worth ETB15 billion have been conducted using internet banking, an increase from ETB1.8 billion in 2017/18.

Despite such progress, the economy largely remains cash based. Out of Ethiopia's 20 million total account holders, close to 98Pct still transact with cash. In addition, 83Pct still go to banks to withdraw money, according to data of the Ministry of Innovation and Technology.

"This should be changed," says Dereje Zebene, President of Zemen Bank. "The brick and mortar system is no longer viable for the financial industry and country."

According to Dereje, additional works on bank-to-bank interoperability is critical to boost digital transactions. "In this digital era, a single bank cannot provide an efficient service for its clients without integrating with others."

Because of this limited interoperability, the use of electronic payment and digital transaction is very low in Ethiopia, even compared with neighboring countries. Under current circumstances banks only serve their own clients on their digital platforms, except for ATM cash withdrawals.

Dereje argues banks don't want digital transaction interoperability fearing it will drain their deposits. "So, they only allow digital transactions amongst their own branches."

In a bid to expand the system, NBE amended the proclamation regulating the banking sector in 2020 by enabling financial technology institutions (fintech) to offer payment processing services. This was followed by four directives introduced to facilitate the proper implementation of the new law.

Based on the new law, existing companies that offer digital payment platforms must be re-established as an independent operator. Companies can apply for a switch, ATM, PoS and other payment operator licenses. Applying for multiple operator licenses is possible. The national switch operator license is exclusively reserved for EthSwitch.

NBE stresses that due to the high cost of doing business and the lack of ability or willingness of financial institutions to invest more on digital channels, the

expansion of the electronic payment system has been hampered. So, the recent move is intended to take the digital channel business to the next level by involving new players committed to inputting the necessary investment.

Yilebes Addis, CEO of EthSwitch, says non-bank operators are coming to the scene after NBE introduced the new legal framework. "After the new law passed, 10 companies are in the process of securing licenses from the national bank."

The latest law ended the marriage between banks and payment companies by forcing existing companies to be re-established as independent operators.

> **Non-financial companies are coming to the scene after NBE introduced the new law."**
>
> Yilebes Addis,
> CEO of EthSwitch

Bersufekad says this will kill the existing payment companies since they cannot operate without banks' deposits. "The minimum paid up capital requirement is not enough to be an independent operator."

In addition, industry players say the sector needs various incentives in a country like Ethiopia. "Only banks have the resources to provide such incentives for clients. If we have to be independent operators, we need our own deposits," argues Bersufekad.

However, Dereje stresses banks should not be allowed to play the role of fintechs. "The duties of banks are to mobilize savings and disburse credit. Digital payment services should be left to independent and fintech companies.

Yilebes stresses that the recent law does not allow fintechs to excel. "Ethiopia uses a bank-based payment model. This is unlike Kenya, which uses a telecom-led payment system."

Baheru Zeyenu, Founder and CEO of AFRICOM Technologies, also agrees that the new approach is rigid and does not enable fintechs to excel like M-Pesa in Kenya. "Ethiopia can create successful firms like M-Pesa. But they must be allowed to operate under the existing bank-led model."

The new law also allows foreign operators to engage as gateway operators and offer online payment processing services. This will allow renowned international companies to enter the market, according to NBE.

Yet, Bersufekad argues Ethiopia should not allow foreign payment companies to operate in Ethiopia. "Local fintechs must grow first before allowing giant foreign companies that are likely to dominate the business."

There are additional hurdles hampering the creation of a successful local fintech industry in Ethiopia, according to stakeholders. The first is the limitation on the amount of money that can be transacted using digital payment channels.

For instance, an individual can only withdraw up to ETB10,000 using an ATM and e-wallet users cannot transact more than ETB6,000 per day. This amount of money is barely enough to buy an international travel ticket online.

The absence of infrastructure is also among the hurdles. "I doubt if it is possible to conduct efficient digital transactions under the existing telecom connectivity," argues Dereje.

"To store data, we rent servers from abroad that cost us large amounts of foreign currency as it is unavailable in Ethiopia," explains Bersufekad. "Digital payment systems cannot be expanded without the appropriate telecom infrastructure."

Bersufekad stresses developing local servers will have an immense contribution in expanding the electronic payment system. "But it will be useless if the power and telecom fluctuations continue."

Cyber security is another concern. "Ethiopia's financial industry is highly exposed to cyber security," argues Baheru. "Once Ethiopia's financial system integrates with foreign companies, it will be highly exposed to hackers."

To minimize such problems, the new law states that all payment operators are obliged to be certified by the Information Network Security Agency before integrating their systems with financial institutions. **EBR**

Private Football Academies

Sport managers of high-end teams usually uncover every stone to find outstanding performers from small fields around the global village. But now, private sport investors who cultivate and market talent are emerging. Private sport academies nurture budding talent and train them with qualities that grow their visibility in the eyes of elite teams. In Ethiopia, sport investment has been a state initiative for long and most football clubs have been dependent upon government funds until recently. The trend is shifting especially after DStv started airing Ethiopian football games, thus opening more opportunities for sport investors working on the grassroot level. Abiy Wendifraw, witnessed the commercialization taking shape in football.

Football investment in Ethiopia is all government business. Only two of the 16 clubs competing in the premier league are financed by non-governmental sources. In the lower leagues, the statistics are no different. Almost all football teams are run by city municipalities. The budget they secure from these sources does not go beyond covering salaries and other expenses. The grassroots football and development has long been a task with no ownership.

The Ethiopian Youth Sport Academy (EYSA) and the other state-owned sport centers in regional towns are trying to fill the gap. Government officials leading sport institutions, academies, and training centers complain that the private sector is not investing much on businesses related to grassroots development. In recent years, private training centers owned or founded by former footballers and football coaches are coming to business.

Andre Football Academy (AFA) is a private academy based in Addis Ababa showing promising progress a year after its establishment. We have an ambitious goal to nurture young and emerging footballers with sport discipline and physical activity. The multi-age play structure in the academy works to provide different training packages for talented and passionate children.

It all started in October 2019 when Biniam Sherif, Fitness Expert with a sport science educational background, and Yemisrach Ahmed, a public health graduate came together to generate ideas on starting a sport training service. Later, they met Andre, the former Footballer from Senegal who was visiting Ethiopia over a year ago. The man who had a professional career in Asia felt he had to contribute something to the kids and youth he saw playing football everywhere around Addis without proper facilities. Luckily, Andre met the two energetic young people who were already planning toward this. With technical support from the Senegalese, Biniam and Yemisrach lauched the service with a team of 20 children.

"We hired seven coaching staff and five certified coaches with two assistants. Since it is a strange startup business, we knew we had to finance it through our own personal resources," says Yemisrach, Manager of the academy. "This was a prototype move and the result was astonishing. Within a month, the number of kids registered for enrollment doubled. More requests were coming in from youngsters and parents, and that forced us to think the business has a potential beyond what we imagined. We started considering expanding. The age category, limited to 15-17, was stretched to include 18 year-olds, in line with high schoolers' age. And in three months, the number of trainees reached 70."

When the academy co-founders started enjoying the increasing demand for their services, another surprise awaited them in the near future. The global COVID-19 pandemic shut everything down. "That was so unfortunate for us, and for everyone. But we have learnt that we have the potential to grow. We know we have resources and man power," she says.

When sport events were allowed to reopen with all necessary precautions, the academy resumed the service by doubling its staff and efforts. Now they have 20 staff and trainees numbering 150.

The academy requires the trainees to pay at least 75 per cent of the cost the academy incurs for its operation. According to the manager, the academy sponsors 25Pct of the trainees as

they are recruited from disadvantaged neighborhoods. The sponsored trainees benefit from food and transport service packages allocated for them alongside technical football training.

The academy recruits the trainees in two general categories of below and above age 15. Those who are above 15 have to go through tryouts to convince coaches they have the talent potential. For under 15, the requirement is different. "The goal is not to make them take on technical and practical football exercises. We help them develop sport discipline and grow with it," reveals Yemisrach.

So far, the academy is using rental facilities. The Mexico Training center, located in Tegbareid Polytechnic College, is organized for the under-9, under-13 and under-15 category teams. The Commercial Bank of Ethiopia's (CBE) football training field is another center around CMC with trainees from under-17 and elite teams. Each category has four to five coaches. With a 1-to-10 trainer to trainees ratio, the academy endeavors to make sure everyone gets enough attention.

"It has been three months since we reopened after the sudden closure for COVID-19 and we are witnessing success. Doubling our staff, we have already accommodated 150 trainees while the demand is still growing. The progress we see on the trainees is really great. They are changing technically and physically," Yemisrach added. "Our academy is yet to fulfill the minimum requirements to claim the name academy. We are working on a project level now. But it is our vision to work hard to raise globally competing and disciplined footballers."

To reach their long-term goal, they believe they need support from the government. "We have a plan to build a large academy integrating regular scholastic education and international standard training grounds. We visited academies in West Africa and the UAE. We are working on a plan to raise funds for the building. Securing land for such a facility is a major resource we cannot secure without assistance from the government."

Holding on to its long-term goals, the academy is working hard to organize events where international football scouts come and recruit players. The academy was even expecting invited scouts in April 2020 until the pandemic changed every plan. "The plan was to recruit trainees who might find a scholarship to join international academies before returning home to serve domestic teams and the national team," says Yemisrach.

Now they are in a domestic tournament where different project teams compete and share competition experiences. Internationally, they are invited to the Mina Cup in Dubai that aims to become one of the leading youth football tournaments in the world.

"We plan to compete there in March with three different age categories," she confirms.

These opportunities seem to attract more youngsters to join the private training centers. For Andre Football Academy, there are concerning issues requiring attention and action. Teams and clubs are already on their way to hunt-down some of the talent about to bear fruit.

To counter such attempts, the academy tries to put in place binding contracts. Once new applicants make it through trials and medical examinations, both the trainee and parents will have an agreement to sign-on. The agreement includes responsibilities of both sides and the stake the academy needs to secure regarding potential opportunities the trainee may get in the future.

"Some of the trainees are already being requested by clubs to play for them. Especially goalkeepers trained by our goalkeeping coaches are being targeted by teams for their services. That concerns us because we do not believe the trainees are mentally ready for such exposure. To address this issue, we are trying to educate them as to what awaits them in the life of a player outside the playing field."**EBR**

City as a Canvas

Urban thinking is often shaped by artistic touches. A simple painting can change minds, more than lectures or politicians' speeches. A city with more artistic room can transform residents into civilized minds rather than modernization enthusiasts. For street artists thriving to bring such taste, Addis Ababa is rather a construction site than an inspirational neighborhood. Street art, an under formation concept in the capital, has to compete for space, amidst growing use for walls, buildings, structures, and outdoor spaces by commercial ads. Samuel Habtab, traveled around with groups of street artists rebranding the capital.

Traveling a lot as a Photographer and Industrial Designer, Solomon Kifle, 29, observed that though facelifting and rapid urbanization, the streets of Addis Ababa lack artistic inspiration.

"Buildings are growing but spaces and walls are used for commercial ads of beer and other companies. Public parks are growing but spaces are not left for street art. Addis Ababa is not experiencing the inspirational value of street art," he said.

To fill the vacuum, Solomon founded Addis Street Art (ASA) in 2018. It encompasses a group of artists specializing in street art, graffiti, mural art, and wall art. Street art refers to outdoor paintings on buildings, columns, and pieces of infrastructure.

ASA usually execute such paintings as an outsourced project from commercial building owners or government offices to communicate messages to the public. "Sometimes, we do street art for free if I like the concept and the venue. It helps for our portfolio," says Solomon. The group has realized a number of street art projects and has collaborated with the Goethe Institute, Italian Institute of Culture, and Alliance Ethio-Française.

Color, theme, equipment, and time required are considered to calculate prices. Street art costs between ETB3,000 and ETB5,000 per square meter, currently in Addis Ababa. The group uses its own materials.

Street art, especially graffiti, is believed to have started in New York when residents started writing and drawing on walls in different neighborhoods, usually depicting artistic icons, social issues, and political views. Gradually it evolved into an art form developing its own discipline. The main objective was to use street art as a medium to amplify timely political, social, philosophical, and generational issues. Graffiti and street art travel with time and generational inspirations.

Normal art is well understood in Ethiopia, but not graffiti art. In other parts of the world, the art boomed in the 1980s, growing with political and social movements. Especially in America, youth used street art to convey emotions on injustice, resistance, poverty, and distaste of rulers. Graffiti was the medium of expression.

There are many types of street art, including three-dimensional. Artists in ASA's team have the freedom to design unique ideas. Street art is always expected to establish an interaction with the environment. But concepts and designs are developed once the

client approves the proposed idea.

Graffiti art focuses more on writings and letterings to depict powerful messages in public areas. Mural art is closer to wall paintings and is difficult without practicing graffiti. Chalk art, using white texts and designs on a black background, is also a component of wall art.

Although not recognized and developed, Solomon believes street art in Ethiopia began almost 50 years ago, when people started chanting and posting 'Land to the Tiller' outdoors, a major driving theme behind Ethiopia's political revolution at the time.

"Street art has not grown in Ethiopia, compared to other countries. It is not even taught as a course in Ethiopian art schools. We learn it by ourselves. Many people ask me to draw wall art for them. They do not know graffiti art," added Solomon. "But we have many projects now."

The cofounders of the group work as a team. "When there is a project, we forward ideas and the best design will be painted. But when it comes to government projects, we design and paint based on the government's concept. We do not paint controversial political depictions but rather promote unity. For instance, it might be about Adwa or Women's Day," informs Solomon.

Graffiti art is currently picking up steam in Ethiopia, because the youth have better access to online courses and open spaces in urban areas. However, Solomon says spaces are predominantly occupied by advertisements.

"In other countries, buildings, walls, and public areas are left for street art. They are used as a medium and display of expression, beautification, social and political values, and entertainment. It uplifts the artistic value of the city and social consciousness of urbanites," claims Solomon.

He stresses a city without artistic inspiration cannot foster civilization but only modernization. "Growth is not only about constructing buildings. It is about changing the thoughts and outlooks of the population, creating shared values, and reflecting common social fabrics, dreams, and objectives. Thoughts are shaped by messages all around on walls and surfaces, rather than by speeches on television and radio. A good piece of street graffiti can teach the population about saving, for example.

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THE RISING OF **THE FULANI EMPIRE** IN ADDIS

Foreigners residing in Addis Ababa usually have no choice but to fit into the status quo. Irrespective of their social makeup and which continent they are from, they blend fast and move on with the existing spectra. This is mainly due to an absence of room to socialize. Especially Africans have less options since more venues emulate western cities than African values. Finding their original staple food and drink, authentic gestures, art, and language in Addis means ending homesickness. House of Fulani, is the pan-African make-believe unveiled in the heart of Addis Ababa, to serve the growing African community in the capital. Kiya Ali, paid a visit.

Homesickness is one of the common challenges many face when away from home. For some, the diversity and vibe found in Addis Ababa is not enough to forget their trails. People suffering from this condition are priorly occupied by thoughts of home, family, entertainment venues, their home country's staple food, and many more fabrics of human life from their home country. To relieve such distress, they frequently visit spots with similar vibes in Addis. Samuel Goddy, quenches his thirst for home through his taste buds.

Samuel is a Nigerian Trainer working at the United Nations. He has been frequently visiting Ethiopia since 2018. In doing so, one of the challenges he deals with is the difficulty accessing affordably priced food that makes him feel at home. "When I came to Ethiopia, I had to stay at hotels and the price for lodging and food is very expensive. Also, it was not easy to get Nigerian food, even though I looked for it desperately," he said. But fortunately, this struggle is now getting better. "Currently, I can access Nigerian food at an affordable price thanks to House of Fulani, where authentic African cuisine is prepared," Samuel states.

House of Fulani Art Restaurant and Café, has just opened around the UNECA in Kazanchis, founded by an Ethiopian and Gambian entrepreneur with the objective of preparing various African traditional foods. Opened three months ago with a start-up capital of ETB1 million, it employs eight waiters and a chef specialized in African traditional dishes.

Tizeta Nidaw, Owner of the restaurant, had visited Kenya, Rwanda, Nigeria, The Gambia, and Uganda before founding House of Fulani, enchanted by their staple and traditional foods. "When I go to other countries, I'm confused as to what to order as I'm unaware of most of the foods listed on menus. Sometimes I wish I could find Ethiopian food or had the chance to experience some common African foods in Ethiopia so as to be better prepared for times like this. But I still enjoy most foods that I order randomly. This experience inspired me to open a restaurant serving African cuisines in the capital of the African Union, Addis Ababa. Also, it will help many people experience African dishes while in Ethiopia."

The main target is to make Africans feel at home when they encounter familiar food in Addis, the third-largest host of diplomatic establishments after New York and Geneva, with its significant number of residing African brothers and sisters.

Yet, there are challenges that affect the business of specialized food destinations catering to foreigners. "The rental cost of the restaurant, ETB80,000 monthly, is very expensive," Tizeta noted. In addition, finding a chef that could cook African food is rare in Ethiopia. "The local training centers do not give enough attention for African foods," she says. As a result, she is providing training for her employees. The training will help the chefs to not only do their jobs properly, but will also give them a competitive edge for possible employment at international hotels.

House of Fulani has a special menu for its customers. For example, the famous jollof rice, preferred in many West African countries, is made with tomatoes, onions, scotch bonnets, and chili peppers. "There are various combinations of the jollof rice recipe, but those five ingredients are usually constant," Tizeta said. It is a party dish brought out for celebrations, as well as being the signature regional dish. The much-loved recipe, with its variants, is much loved by many West African communities in The Gambia, Senegal, Ghana, Nigeria, Benin, Cameroon, Sierra Leone, Côte d'Ivoire, Liberia, Togo, and

Mali. "If I had to pick just one of my favorite foods from House of Fulani's entire menu, it would probably be jollof rice," remarks Samuel.

The price for white chicken jollof rice is ETB180, while the white mutton variant is ETB120, and ETB200 with fish, all excluding 15Pct VAT and 10Pct service charge. Other cultural foods such as dormodah, olele, shawama, and the house's meat pie are priced between ETB80 and ETB250. Just like West Africa, East African nations—Rwanda, Burundi, Kenya, Uganda, and Tanzania—also have their own national cuisines and share a variety of dishes across the region like ugali, cassava, tilapia, and chapati.

There are also Ethiopian foods at this African restaurant. "We are ordering shiro and fasting firfir as we are fasting today," Samrawit Yibeltal, an Ethiopian customer who usually visits the restaurant with her friends, said. "We are also tasting some of the delicious other African countries' staple foods," she added.

Diners are taken away by the soft music from all over Africa, as waiters serve African cuisines and deserts, with African gestures.

The name of the art restaurant is derived from the Fulani people. In short, the Fulani Empire began as Berbers migrated down from North Africa and mixed with the people of West Africa, around 700-1,000 AD. Over a thousand-year period, they spread out over most of West Africa, the Sahel region, and into some areas of Central Africa. Some groups of Fulani have been found in the western edges of Ethiopia. The Fulani are the largest nomadic ethnic group, travelling to wherever there is green grass to feed their cattle. They are a very beautiful people, fashioned with fascinating traditional clothes and dishes, and very proud of their heritage.

House of Fulani also has an art gallery in which it picks one African country each month to showcase specific art works, artifacts, and food. There are also African favorites from different regions available daily.

To aid with digestion, fruits sourced from African countries are made into traditional drinks, both good for your taste buds and health. Among the local African juices, wonjoh, ditah, baobab, and daharr are available at the House of Fulani with prices ranging from ETB45 to ETB80. As this restaurant is intended to showcase the African continent's culinary experience, like that of the Fulani, it focusses on foods prepared from fresh African produce, cooked in the ways of the old and tasty. "In the future, there will be an art gallery from all over Africa on display. Diners are welcome to buy some of the art pieces as a gift for themselves or their loved ones. But we haven't started selling art works and jewelry as there are some administrative procedures that should be fulfilled," Tizeta elaborates.

The restaurant also provides delivery service for customers within a mile radius, and is planning for online payments and delivery to further distances.

Availing the ecosystem and service quality for foreign communities, immensely contributes to attracting tourists, apart from marketing domestic values, according to the Journal of Tourism and Hospitality research findings conducted by Ayana Fiseha and Solomon Mequanent.

Tadele Jemal, Communications Director at the Ministry of Culture and Tourism agrees. "One of the benefits of having specialized restaurants that serve local as well as foreign foods is that it encourages tourists to stay longer in the country. If tourists can access convenient and familiar food and service, they are more likely to extend their trip, leading them to explore the natural, historical, and cultural heritages unique to Ethiopia. The private sector should capitalize on attracting foreigners who are numerous in Addis Ababa. Foreign residents can also feel at home, and spend more," Tadele remarks.

The service sector, one of the segments of the Ethiopian economy, accounts for as much as 40Pct of the country's GDP. Yet, the annual growth rate of close to 10Pct in the past ten years did not just come accidentally. It is a result of the expanding number of hotels and restaurants, mainly in Addis Ababa. But the majority were built with a focus on the urban market and European and American dishes. There are also some Chinese, Mexican, Italian, Korean, and Japanese—to name a few—restaurants. However, most of the restaurants found in Addis Ababa, the seat of the African Union, have failed to reflect the cultural diversity of Africa. They have been unable to portray the cultures and cuisines of Africa. So, House of Fulani will play a significant role in the sector as it serves African foods and displays her cultures via the art works and jewelry of various African countries.

Global and continental mobility to Addis was growing for business, enjoyment, conferences, exhibitions, and migration, until the global pandemic halted mobility. Countries with better tourism infrastructures are forecasted to benefit the most from tourism in the aftermath of COVID-19, which will be determined by access to vaccines. The operationalization of the African Continental Free Trade Area (AfCFTA), is also expected to Africanize Addis' tastes.

"House of Fulani Art Restaurant and Café in Addis Ababa is the first to be opened and will be followed by one in Nairobi, Kenya. Our long-term dream is to have at least one House of Fulani restaurant in each region in Africa," expects and envisions Tizeta. **EBR**

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For instance, the proclamation to establish a capital market was just enacted two weeks ago, by the Council of Ministers. There will be expansive potential for equity finance. Public Private Partnership (PPP) programs, remittances, and FDI are also among our sustainable development finance mechanisms. Past growth was not sustainable, because of the reliance on public investment in infrastructure ending up in macroeconomic instability. The source of growth this time must be on the productive side, addressing supply side problems. Sustainable development financing, shared prosperity, private-sector led economy, and institutional capacity are few of the ten major pillars of the TYPP.

In terms of the east and west blocks, just like ideology, Ethiopia's future won't categorize countries as 'these are our friends, those are our enemies'. Our principle creates friends. Our foreign policy commences with the creation of economic inclusion with neighboring countries through shared infrastructure in the transport and power fields. Also to be noted that there is a shift in global cooperation from aid to sustainable finance. Our views of our friends will not be dichotomized by the division into east and west blocks.

> **Industrialization, import substitution, structural transformation, and development are not easy to achieve under globalization. But it is not impossible.**

The government did not engage independent experts and scholars in preparing the TYPP. Why?

Experts working in different sectors and professional associations like the Ethiopia Economics Association were included. Those 12 studies mentioned earlier were undertaken by experts. Foreign and international consultants including the Korea Development Institute and one from the UK were engaged. Domestic research institutes, consultants, individuals, and personalities were also involved. All in all, over 100 experts partook. A lot of experts were given the plan and have forwarded their comments on the draft.

Government also established the independent Economic Advisory Council with which we will hold quarterly meetings.

What will be the exact task of this council?

Advising policy makers on economically relevant matters. They can pick an issue, discuss, and forward policy alternatives. The government might consider their advice or not.

But members of the council did not have a role during the crafting of the TYPP.

The council was established after the TYPP was finalized and approved by the Council of Ministers. But more than five of the 16 members were in the planning process of the TYPP. They participated separately, not at the capacity of the council.

When will Ethiopia join the World Trade Organization (WTO)?

Joining the WTO has taken us a very long time relative to other countries. We are fast-tracking it now. In the coming year or two, we will definitely be joining the organization.

Such opportunities unlock a lot of potential. But the WTO is of no use if we don't have something substantial to trade. There are a lot of bottlenecks regarding productivity and competitiveness in Ethiopia.

Government cannot protect local industries once it joins free market agreements. How difficult will it be for Ethiopia to achieve import substitution and industrialization under globalization?

It won't be easy in the era of globalization. But the model for ensuring structural transformation, development, import substitution, or any other economic developmental path is not 'one kind fits all'. Even in the developed world, governments are doing a lot to protect their domestic industries.

We know it will be difficult for us. But we will implement many workings to create new knowledge and acquire appropriate technology to enable low-cost production and sell better quality products to the world. Technology supports productivity and development. Industrialization, import substitution, structural transformation, and development are not easy to achieve under globalization. But it is not impossible.

While crafting the Homegrown Economic Reform and TYPP, we avoided allegiance to any specific ideology. There is no need for that. Most of the time, we are deceived into thinking any solution to a problem at hand should subscribe to a single ideology. We are rather following a pragmatic mode of doing things and the solution is dictated by the problem at hand. We set out the TYPP as an overall overarching goal to ensure sustainable development and shared prosperity. To grasp our goal, the policies crafted as well as the models used to engage the private and public sector all depend upon the problem at hand. **EBR**

Financing Long-term Development Plans

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Over the past decade-and-half, the drive for industrialization through infrastructural expansion and mega industrial projects called for significant resource requirements. Ethiopia has little mineral exports to take advantage of a commodity price boom, so it must mobilize resources from local and foreign sources.

Ethiopia has primarily leveraged external debt for financing development. External borrowings, both concessional and commercial, have been used heavily by the central government, SOEs, and mega private sector projects. For instance, between 2007 and 2019, external debt taken on by the government increased to ETB460.6 billion from ETB18.4 billion. Similarly, both government- and non-government-guaranteed loans drawn by SOEs increased to ETB 320.91 billion from ETB 2.7 billion. FDIs have also played a significant part in boosting the manufacturing investment. The building of industrial parks has attracted more FDI, particularly from China. Furthermore, the National Bank of Ethiopia (NBE), the state, and the private sector have been used heavily to support development. Besides borrowing from NBE, the government has used a captive treasury bills market to fill budget deficits.

The drive for development in the past decade was envisaged in two successive grand plans: GTP I and GTP II. The implementation of the plans (despite with limited success) has caused considerable economic imbalances: building up of debt—both domestic and external, high inflation, severe foreign exchange shortages, and a vulnerable financial sector.

Recently, the government of Ethiopia has prepared a ten-year plan covering the period of 2020-2030. The current plan is as ambitious as its predecessors. For instance, in the current document 4.4 million houses are planned to be built. Similarly, other aspects of economic growth in the document—GDP growth of 10Pct and domestic revenue growth of 26.1Pct— are as wildly ambitious as the housing plan.

Keeping aside the practicality of achieving such highly ambitious targets, the new plan has considerable resource requirements. Over the next ten years, government expenditures are projected to reach ETB19.3 trillion. Out of which 88.7Pct is expected to be covered by governmental revenue and grants. The balance is a budget deficit. Apart from budget financing, domestic resource mobilization (bank and MFIs savings and loan collections, sale of treasury bills, and funds from capital markets) is expected to reach ETB18 trillion. 86.3Pct of this accounts for domestic savings mobilization and loan collections by the finance sector. These projections are too good to be true by past experiences. For instance, during the year ended 30 June 2020, the total savings mobilization and loan collections by the banks and MFIs is less than ETB350 billion. Planning to mobilize ETB15.53 trillion through banks and microfinance institutions over a ten year period requires a leap of faith. Considering the political instability, which could last for some time, the possibility of mobilizing such a large amount of resource is too unrealistic.

The trouble with these projections is that if the resources do not materialize as planned while expenditure plans are executed, considerable resource gaps will be created with serious repercussions as significant amounts are earmarked for the public sector. In such a case, project delays, inefficiencies, and cost build up will be inevitable. To fill the gap, the government may be forced to use ways of financing which have caused serious economic maladies in the past decade: massive borrowing from the central bank and foreign creditors and forcing the private sector to fund the public sector. For instance, borrowing from the central bank has caused repeated spells of high inflation. Persistent high inflation coupled with a range of administered interest rates has made real interest rates to be close to zero or negative for most of the period since 2006, causing distortion in resources allocation.

One of the most striking things about Ethiopian policy makers is that they often make wild projections despite repeated failures. A realistic resource and expenditure plan is extremely essential for running a healthy economy. It enables Ethiopia to practically leverage domestic revenue, foreign aid, domestic savings, external borrowing, and FDI for its development. A realistic resource plan will also avoid the kind of serious economic imbalances that Ethiopia experienced over the past decade and reduce unhealthy interventions in the financial sector.

Ethiopia needs to pay extra attention to domestic resource mobilization—both domestic government revenue and savings—as foreign aid and borrowings are unpredictable. The mobilization of savings entails rewarding savers with positive returns. The past decade's experience shows that savers have been punished due to persistent negative real interest rates caused by inflation. The negative interest rates have also caused a considerable distortion in resource allocation. Through tight monetary policy and other instruments, the government should create an economic situation where savers earn a real positive return to encourage more savings. Overhauling the tax system and stabilising the political situation will enable the tax authorities to collect more revenue as businesses will thrive.

The Age of Public Development Banks

Stephany Griffith-Jones, Régis Marodon, José Antonio Ocampo and Jiajun Xu. EBR received the article from Project Syndicate

Major global threats—including the COVID-19 pandemic, climate change, and rising inequality—call for large-scale concerted action. The challenge facing policymakers today is to support big structural transformations that can make economies simultaneously more productive, more inclusive, and less carbon-intensive. Public development banks (PDBs)—at the local, national, subregional, regional, or interregional level—are key to helping governments finance a rapid recovery from the COVID-19 crisis, and to ensure that economies serve people and the planet far better in the long run.

In providing direct public financing and mobilizing private finance, PDBs should select and support long-term productive investments, including those that emphasize low-carbon projects, and those benefiting poorer regions and populations. And they should base their selection on criteria that put development impact first, with financial returns an important but secondary objective.

The role of PDBs will be the focus of an important research conference on November 9-10 as part of the first Finance in Common Summit. This summit, which has the backing of French President Emmanuel Macron, United Nations Secretary-General António Guterres, and International Monetary Fund Managing Director Kristalina Georgieva, will bring together heads of state and the chief executives of many of the world's 450 existing PDBs.

At stake is nothing less than changing the way that financial services support the real economy in order to achieve more equitable and sustainable growth. PDBs can be crucial actors in that effort, including by financing the provision of public goods.

The international research prepared for the conference contains numerous recommendations to help decision-makers promote sustainable and inclusive structural transformation. Achieving these aims is a difficult but crucial task, and the researchers highlight several conditions that could enable PDBs to play a vital role.

First, governments should ensure that existing PDBs have sufficient scale to perform their functions. Given the COVID-19 crisis, regional and subregional multilateral development banks in particular urgently need significant new capitalization. National development banks also need additional capital. Countries without a PDB, meanwhile, should seriously consider establishing one.

Next, most PDBs need to improve the analytical tools they use to monitor and evaluate the impacts of their financing. These banks' safeguards, including on investments' environmental impact, are valuable. But they must do more to incorporate the imperative of the transition to equitable, low-carbon, and resilient economies into all financing decisions and project stages. As the saying goes, "What gets measured gets managed."

Third, PDBs should aim to shape the future, and move from being mere "project-takers" to "project-makers." Once they have defined goals—climate action, for example—they must play a proactive, first-mover role to help overcome uncertainties and risks, and define missions, programs, and projects.

As a fourth priority, PDBs should do more to combine their resources with those of the private sector, and help to mobilize commercial financing for projects that the market alone often will not fund. These include mitigating climate change, promoting innovation, building infrastructure, financing small businesses, and providing affordable housing. Such an approach can bring all actors together to maximize impact in the context of sustainable development objectives.

Fifth, financial regulators should consider tailoring their prudential rules to account for specific features of PDBs' contributions to development, and to encourage investments that mitigate climate change, because this will also improve future financial stability.

Sixth, PDBs should build a united, global coalition committed to the transition to equitable and sustainable development and the fulfillment of the Paris climate agreement. It is essential to go beyond isolated initiatives and tackle problems on a global scale. Improved cooperation among multilateral and national development banks is crucial, and will also secure better access to the international system of grants and global funds.

Finally, maximizing PDBs' effects on development requires them to focus on the real economy and invest in innovative, high-impact projects. Although PDBs mainly extend loans, guarantees may play a useful role in managing financial risk in times of high uncertainty such as now. And for innovative, high-risk technology projects with potentially high development and profit potential, PDBs should consider using more equity instruments in order to capture upside gains.

Policies and counter-cyclical financing to support recovery should be more explicitly aligned with the UN Sustainable Development Goals, with priority given to supporting equitable development and climate-change mitigation and adaptation. Governments should enhance PDBs' roles in supporting countries and regions that lag behind, by promoting innovation and structural transformation, funding social development, and increasing financial inclusion, adequate infrastructure, and the provision of global public goods.

With combined assets of more than USD11 trillion, PDBs already play a significant role in the global economy. They should now increase their individual and joint activities further, in order to finance infrastructure investment and support the provision of global public goods, especially climate mitigation and adaptation. A fair and green global recovery urgently needs all the help we can muster.

fromP. 48

But now, we see soap ads on building after building. It is indicative of nothing more than companies' competition which tends to nurture a capitalist mentality, if you are always seeing it. Cities must be entertaining and a place of knowledge."

Efrata Berhanu, 20, is a passionate Street Artist, specializing in developing concepts. She joined Addis Sweetheart, a collective of street artists, four months ago. She was a student of architecture at Adigrat University before returning to Addis Ababa when COVID-19 closed the university.

"Street art exposes the artist more to the public. In big cities like New York, street art brings society together. A single word is powerful enough to tell everything in graffiti. Graffiti and street art growth in Ethiopia is at a nascent stage. Graffiti is usually about text and is referred to as political or social art. You find writings on some Addis walls like the names of football clubs, usually Buna and Giorgis," said Efrata.

She says Megenagna and Stadium are usually good spots for street art. "The city administration does not give the space and freedom street art requires. We have to explain to administrators and law enforcers every time we craft street art. Accessing the required equipment is also difficult in Ethiopia because they are considered luxury materials and highly taxed. Government does not consider street art as a job. We work to make Addis a beautiful city, helping tourism in turn."

Maranata Tegegn worked for long as a Film Maker and Creative Art Director with various agencies and ad companies as well as on music clips, documentaries, short movies, and TV shows. He says the demand for street art is growing in Addis Ababa, not only as a medium of public messaging and commercial advertising, but also as a display of artistic expression. Additionally, film and music video producers increasingly look to use outdoor paintings as background for shootings.

Maranata was introduced to the ASA group when looking for artists who could paint the walls and premises of Shifta, a vegan and Caribbean influenced food establishment owned by Efrata and his wife.

"My wife and I are art enthusiasts. When we planned to open our cafés, we agreed to draw paintings on the walls, rather than having it white. It changes the mood of customers. We got good feedback from the first café. Addis Street Art suggested all of the walls should be painted, so we agreed," said Efrata.

He says street art and graffiti are essential to change the society. "It has an impact on residents. For instance, most of the constructed structures in Addis Ababa, including buildings, outdoor walls, railway columns, and others are empty. Had they been covered with street drawings, they could inspire, educate, entertain, and provoke people."

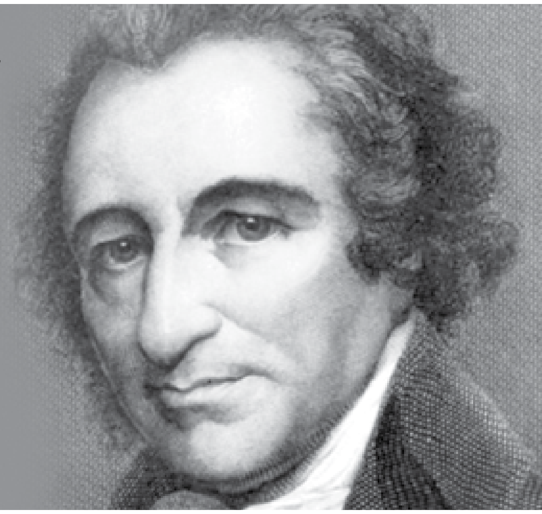
However, he stresses, graffiti and street artists in Ethiopia are not garnering any attention or support from the government nor society. "People think artists paint only on canvas. Today, art is more off canvas. There is installation, welding, wood art, and more. Our artists are also looking for different media to express their work and reflect on generational issues."

"Most people understand art as what's found in a gallery. But not many people have the opportunity to go to galleries. Street art is a public gallery but it must make people curious," added Maranata.

Solomon states that currently there are many artists attracted to street art. "They want opportunities and venues. Street art depicts the timely thoughts of cities. They are reflections of the generational spirit and changes. Companies, business people, and city administrations usually spend large monies on commercial issues but not on the artistic value of urban areas. It shapes the thoughts of the population. The main objective is to use street art as a medium to amplify politics, social philosophies, and generational but timely issues. For instance, street art can create awareness about COVID-19 and empower people during hopeless times."**EBR**

“ ” Quote

The duty of a patriot is to protect his country from his government.



Thomas Paine,
founding father, USA

From the Horse’s Mouth

“Any solution concerning national boundaries is attained only through negotiation and dialogue. War only damages the friendship of both countries,”

Wuhib Muluneh,
of Ethio-Sudan Joint Boundary Commission.

He argues Sudan trespassed the 1972 “Exchange of Notes,” which states nations should stay where they are until they reach an agreement on demarcation. “After its establishment, the commission has finalized relevant data using survey, reconnaissance, cartography, cultivation, and resettlement.”

“Quite innovative ways were used to avail more financing for the government than the private sector during the last fifteen years,”

Henok Assefa,
Managing Partner at Precise Consult,

said this while chairing the CEOs forum on December 18, 2020, at the Sheraton. “We have the lowest banked population. There is a very very long way to go if we have to grow fast.”

The Number

3.5 MILLION

Number of people who drink water containing fluoride. Consuming such water affects the teeth and is common in western and central parts of the country, including Adama, Metehara, and Ziway/ Batu towns. The Ten-Year Perspective Plan (TYPP) aims to reduce the figure to zero by 2030.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