



SMEs & Startups Under Ethiopia's New Investment Law  
*Mehrteab Leul, Principal, Mehrteab Leul & Associates*

"Foreign companies prefer bringing knowhow than capital."  
*Daniel Zemichael, CEO, Freighters International*



# ETHIOPIAN BUSINESS REVIEW

9<sup>th</sup> Year · Feb 16 - Mar 15 2021 · No. 95

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## THE WOMAN ACCELERATING DIGITAL ETHIOPIA

Myriam Said  
 Digital Advisor,  
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Logistics: Partial Open  
 Up, Partial Trophy

Fetching Underground to  
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# Protecting Human Rights Should Be Priority

Since Prime Minister Abiy Ahmed (PhD) seized power in April 2018, many political reforms targeting an improved human rights environment were introduced in Ethiopia. To this end, several oppressive laws, criticized for enabling human rights abuses in the past, have been revised.

During Abiy's tenure, crimes against humanity have reached new heights. Serious human rights violations including killings, torture, rape, abduction, and other ill-treatments have regularly occurred in different parts of the country including in Addis Ababa, Benishangul-Gumuz, West Wollega, Gedeo, West Guji, Benchi Sheko, Wolaita, and Konso. They have also occurred in border areas between Afar-Somali, Oromia-Somali, and Amhara-Tigray. However, little or no efforts were made to apprehend perpetrators and hold them liable.

The latest crisis in the state of Tigray further evidences Ethiopia is facing widespread violence against human rights that must be addressed. From the slaughtering of more than 500 people during the initial periods of the conflict to repeated allegations of abuses against local communities and sexual violence against women, such acts, anecdotal until recently, has now been confirmed by the Ethiopian Human Rights Commission (EHRC).

According to the report released by the commission recently, 108 cases of rape have been identified by conducting assessments in four hospitals operating in Tigray. EHRC also received reports of lost lives, body and mental injury, looting, and other human rights violations that have occurred in different parts of Tigray which it has not been able to duly investigate yet.

The assessment team also found 20 children in Aider Hospital with severe injuries on their bodies. This is despite the fact that the military has the moral and professional responsibility to ensure civilians' safety in post war activities.

Clearly the breach of human rights in Tigray is not just a matter of few 'bad apples'. The crisis in Tigray depicts a widening blindfold logic of legitimizing conflict in the name of political self-righteousness. Of the human rights abuses amidst continued ethnic turbulence and state military interventions to squash even the slightest extremism, little has been accounted for.

The acknowledgement of government officials, like Filsan Abdullahi Ahmed, Minister of Women, Children, and Youth, who wrote that rape has taken place conclusively and 'without doubt', is the first step. Verifying allegations and holding people to account is an important step the government must take to make sure such horrible deeds never happen again in Ethiopia.

Establishing effective, credible, and independent security and law enforcement establishments as well as building institutions strong enough to protect human rights should be government's priority. In fact, the institutional impartiality of law enforcement institutions and the judiciary is critical for Ethiopia, especially when one of the most consequential national elections is ahead. Otherwise, Ethiopia will remain in a precarious situation with further instability and violence against human rights looming. 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.



### Ethiopia's Coffee Nears Global Brand

The Ethiopian Coffee and Tea Authority disclosed it is finalizing processes to register and legalize Ethiopian coffee brands at an international level. The brand bears the name "Ethiopian Coffee" and will be launched within months. Once approved by parliament and international partners, coffee exporters can use the brand. UNIDO across Europe and USAID across the USA have promised to register the brands. The national brand will contain Ethiopia's map and spoken history of Ethiopia as coffee's origin.

### Kenticha Mining Awarded Away

Australia based African Mining and Energy (AME) announced it has been awarded the license to develop tantalum from the Kenticha site given years back to a state-owned and now bankrupt corporation. Consequently, AME won as the only bidder allocating USD25 million. However, officials at the Ministry of Mines & Petroleum are claiming the licensing award was not officially accorded even though AME briefed the media and laid a foundation stone at the site in Kenticha, Oromia state.



### Telecom in the North Needs Total Rebuilding

Ethio telecom disclosed the damage on telecom fiber lines in its northern district equates to total damage and cannot be restored by maintenance, but through rebuilding. The damage includes 98 kms of fiber cables as well as on data centers. Frehiwot Tamiru, CEO, said a full recovery of connectivity in the district will take a while. The damages followed the militaristic law enforcement campaign government launched in early November 2020.

### Israeli Drones Not Fighting Locusts

Israel sent drones and four experts to Ethiopia last year to support the fight against desert locust invasion. But, the drones are unused for the purpose. According to the Ministry of Agriculture, the drones use 200 liters of insecticide per hectare, requiring excessive water for mixing, and are impractical with the dryness of affected areas. Currently the ministry uses helicopters utilizing only one liter of insecticide per hectare.



Lost revenue and resources endured by state enterprises during the military conflict in Tigray. Federal Police Commission reported Ethio telecom lost ETB1.4 billion, CBE ETB800 million, Ethiopian Electric Power ETB329 million, Ethiopian Petroleum Supply Enterprise ETB258 million, Ethiopian Airlines ETB147 million, Bahir Dar and Gondar airports ETB43 million.

**ETB**  
**2.9**  
**billion**





## Dogs to Control Animal Trafficking

The Ethiopian Wildlife Conservation Authority is preparing to deploy trained dogs to trace and control illegal animal trafficking in the country. The trend to deploy trained dogs at customs stations is adopted from other African countries like Kenya, Uganda, Tanzania, and South Africa. A trained dog costs between USD20,000 and 25,000. The authority is planning to import four trained dogs funded by a Kenya-based NGO. The Ethiopian Airports Enterprise has provided around one hectare of land for housing and training purposes.

## Main Export Earners Shrink

Revenue from the exports of coffee and sesame, Ethiopia's staple agricultural export earners, declined by more than USD11 million over the last six months. The impact of political instability as well as COVID-19 on cooperatives and unions in Ethiopia are mentioned as reasons. The Federal Cooperatives Agency has established a committee to assess and rebuild coops and unions damaged during political unrest and conflict. Out of Ethiopia's sesame exports, 44Pct is produced in Amhara, 31Pct in Tigray, and 13Pct in Oromia states.



## Revenue Grows Thinner in Tigray

Ethiopian Customs Commission disclosed it has lost ETB1.2 billion in the last two months. The amount is the revenue uncollected from the the commission's branches in the region, closed since the federal government launched a military campaign beginning November 4, 2020. The Ministry of Trade and Industry also disclosed that it has lost USD40 million in export revenue expected from the region over the last two months.

## Debre Birhan to Electrify Industries

The city administration of Debre Birhan has allocated ETB9.6 billion for electrification after finding out 24 factories could not start operations due to the lack of power. Although they have finalized installing machinery, the factories could not start production after inauguration. The administration also readied 5,503 hectares for new investments, in all clusters. In the last six months, the city administration licensed 136 investors of which 90Pct are manufacturers.



**ETB  
12  
billion**

Potential customs revenue forecasted to be unattained owing to duty free privileges in the second half of 2020/21 fiscal year. Ethiopian Customs Commission also stated ETB36 billion was forgone in the last six months in similar fashion.





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# Top 10

## Leading Countries in Digital Currency Adaptation

Rank	Country	Score
1	Ukraine	1
2	Russia	0.931
3	Venezuela	0.799
4	China	0.672
5	Kenya	0.645
6	USA	0.627
7	South Africa	0.528
8	Nigeria	0.459
9	Colombia	0.444
10	Vietnam	0.443

Source: Global Crypto Adaptation Index

The first of its kind Global Crypto Adaptation Index launched in September 2020 assessed and ranked 154 countries on their level of adaptation and use of different digital currencies, in 12 months.

The ranking methodology used median of subindex parameters of on-chain cryptocurrency value received, transferred, exchange trade volume (weighed by PPP per capita) and deposited (weighed by number of internet users). countries scoring zero in any of the four metrics scored zero for its overall index score, indicting low cryptocurrency market. Of 154 countries studied, 12 countries scored zero and ranked 'among lowest'.

With 0.009 score, Ethiopia ranked 122<sup>nd</sup>. In the subindexes, Ethiopia better performed in on-chain value received. But deposit and trade exchange are far-flung. This indicates the demand for crypto currency is high but low supply, resulting in higher values.

Africa has the smallest cryptocurrency economy of any region, with just USD8 billion worth received and USD8.1 billion sent on-chain in the 12-month period studied. However, that relatively small amount is offering low-fee remittances and alternative saving in the region facing economic instability. Specially cryptocurrency is becoming viable saving alternative in countries such as Nigeria, Egypt, Algeria, Ethiopia, south Africa, and Ghana; which are suffering of currency devaluation and instability.

Yet, darknet markets and ransomware drive crypto crime also taking helm. With 1.4pct of its USD41 billion in total transaction volume sent to illicit entities, Eastern Europe is second only to Latin America with 1.6pct of its volume sent to illicit entities. Eastern Europe accounts for more than 23pct of funds received from ransomware addresses, indicating that Eastern Europe is home to the highest-earning ransomware network administrators and ransomware-as-a-service (RaaS) operators. 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.



## WTO Formally Picks Okonjo-Iweala as Its First Female Leader

The World Trade Organization selected Ngozi Okonjo-Iweala to be the first woman and first African as its leader, tasking the former Nigerian finance minister with restoring trust in a rules-based global trading system roiled by protectionism and the pandemic.

During a virtual meeting on Monday February 15, 2021, the WTO's 164 members unanimously selected the 66-year-old development economist to serve a four-year term as director-general beginning March 1. She can seek to renew her term after it ends on Aug. 31, 2025.

After withstanding a veto of her candidacy by the now-departed Trump administration, Okonjo-Iweala takes the helm of the Geneva-based WTO at a precarious time for the world economy and just as the organization itself is mired in a state of dysfunction.

Okonjo-Iweala said she "absolutely" feels the pressure of her historic selection to lead the organization, so now "one really has to perform." she pledged to serve as a mediator between U.S. and China, and revive an embattled WTO. Her first priority is to combat the Covid-19 by easing access to vaccines.

### Libya

Libya's cash-strapped National Oil Corp. (NOC) will receive part of 9 billion dinars (USD 2 billion) of stopgap funding that the government will provide to state institutions to cover wage bills and medicine. The central bank will transfer the funds under an interim financial arrangement for two months until a unified budget is approved for all of 2021. Libya's oil production has surged since a truce in the nation's civil war in mid-2020 to around 1.2 million barrels a day. But that resurgence is under threat because NOC lacks the funds to repair damaged and neglected oil fields, storage tanks, pipelines, and ports, the state-owned company has said.

### Nigeria

Mota-Engil Begins Work on the USD 1.8 billion Nigeria-Niger Railway. Mota-Engil SGPS SA, a Portuguese construction company, started work on the railway line that will connect neighbors. The 283-kilometer (176-mile) line connects the northern trading hub of Kano to the town of Maradi on the other side of the Nigeria-Niger border. Mota-Engil's local unit is a joint venture with Shoreline Group, an independent Nigerian oil producer. The nearly USD2 billion of financing required for the rail line will be sourced from Europe. Credit Suisse Group AG, Africa Finance Corp., and German state bank KfW are finalizing loans from export credit agencies, multilateral institutions, and commercial banks.

### Ivory Coast

Investors placed orders for more than triple the amount of Eurobonds offered by Ivory Coast in a reopened sale, evidence of the unrelenting appetite for higher returns on riskier frontier-market assets. The world's largest cocoa producer, issued 600 million euros (USD725 million) more of its existing euro-denominated 4.875Pct coupon bonds due in 2032, and 250 million euros more of the 6.625pct coupon securities maturing in 2048. The country received 2.8 billion euros in demand from investors.

### Gulf of Guinea

Record number of crew kidnapped in the Gulf of Guinea last year. The number of attacks on vessels globally jumped 20pct last year to 195, with 135 crew kidnapped, the International Maritime Bureau's Piracy Reporting Center said in a Jan. 13 report. The Gulf of Guinea accounted for 95Pct of hostages taken in 22 separate instances, and all three of the hijackings that occurred. The Gulf of Guinea encompasses a vast tract of the Atlantic Ocean that's traversed by more than 20,000 vessels a year. Global shipping giant Maersk warned of piracy risks in Africa after repetitive attacks on its cargo ships. Twenty-five African governments, including all those bordering on the gulf, signed the Yaoundé Code of Conduct in 2013 to tackle piracy.







REUTERS

**Bloomberg  
Business**

### Sudan

Any unilateral step by Ethiopia to fill its hydropower project, the Renaissance Dam, in July would directly threaten Sudan's national security, Sudanese Irrigation and Water Resources Minister said.

Sudan is also proposing a mediation role for the United States, European Union, United Nations, and African Union as a way of breaking the deadlock in talks about the dam between Sudan, Egypt, and Ethiopia, said the minister. His comments come at a time of increased tension between Sudan and Ethiopia over disputed farmland near their shared border.

### Eritrea

The European Union accused Eritrean troops of fueling the months-long conflict in Ethiopia's Tigray region and echoed a U.S. call for their withdrawal.

The presence of Eritrean forces is "exacerbating ethnic violence" in Tigray, the EU said in a statement Monday. Eritrea rejects the accusation and said the EU statement was "appalling." The U.S. said last month there were "credible reports" of Eritrean involvement in the violence in Tigray, which began on Nov. 4 when Ethiopian federal troops declared war on forces loyal to the dissident TPLF. The governments of both Ethiopia and Eritrea have previously denied Eritrean troops are involved in the fighting.

### Kenya

Non-performing loans and provisioning levels in Kenya have been driven higher by tighter enforcement from the Central Bank of Kenya, the introduction of IFRS 9 accounting standards, and liquidity shocks to the system from the introduction of interest-rate caps and payment delays by the government post-elections, according to Renaissance Capital. Average NPL ratio in Kenya is 14Pct with 54Pct of the system's loan book restructured. Banks in Kenya are more exposed to small- and medium-sized companies as well as retail businesses, which are more sensitive to economic shocks.

### Zimbabwe

Russian diamond producer Alrosa PJSC will buy and donate the Sputnik V coronavirus vaccines to Zimbabwe and Angola to help those nations' inoculation programs. Shipment is expected to start in March. The Sputnik V vaccine, once scorned by the West, has now been approved for use in at least 20 countries and shown to rival U.S. and European Union-produced shots with an efficacy of 92pct. Alrosa Zimbabwe, which holds 25 prospecting concessions, expects to receive another 15 by late February to early March.



## Rolls-Royce Eyes Africa as New Energy Market with Deals Push

Rolls-Royce Holdings PLC is betting on expanding in Africa to grow the power-systems division after its main business building and maintaining wide-body jet engines was derailed by the coronavirus.

The continent's abundant natural resources, fast-growing economies, and increasing urbanization make it a promising market for the unit, Rolls-Royce Strategic Marketing Director Ben Story stated.

The bid to grow in Africa comes as Rolls-Royce seeks to pivot away from a focus on aircraft engines, with Chief Executive Officer Warren East saying the company wants revenues to be more evenly split between all of its business segments. The company currently has a presence on the continent through its subsidiary MTU, as well as relationships with airlines such as Egypt Air and a deal to power South African trains.

Rolls-Royce employs 150 people across Africa, mostly in power systems, and sees an opportunity to develop hydrogen power and small nuclear reactors. The company made just 246 million pounds in sales from the continent in 2019, according to its annual report, compared with 4.7 billion pounds in the U.S. and 5.3 billion pounds in Europe.

# Waking the Sleeping Giant

The revision of the existing proclamation regulating different level chambers has caught the attention of the business community. In its final drafting stages, it will largely concern the organization and running of Ethiopian businesses under different chambers and sector-based associations. However, the changes offered in the draft proclamation have garnered stiff reservations and displeasure from the private sector. EBR's Ashenafi Endale explores the business community's concerns on the draft proclamation.



**I**n the current era of globalization, organizations known as chambers of commerce play an important role towards the creation of a vibrant private sector by representing the interests of the business community and promoting healthy competition.

The importance of such chambers is even higher in developing countries like Ethiopia, where the role of the private sector is low. Although privately-owned enterprises like banks and other companies started to flourish in Ethiopia after socialism ended, the development of the private sector and its contribution to the national economy has improved unsatisfactorily in the last three decades.

The share of the private sector in the nation's gross domestic product (GDP), which was 23.5Pct in 2003, showed a marginal increment to its current 25.3Pct, according to studies by the Addis Ababa Chamber of Commerce and Sectoral Associations (AACCSA). On the other hand, GDP more than doubled during this period.

Of course, many factors can be raised explaining the weak state of the private sector in Ethiopia. Among the causes, key and foremost is the absence of efficient and effective institutions that protect the private sector's interest for the last 30 years. Although it has been 17 years since the proclamation allowing the establishment of chambers of commerce was approved, chambers operating at national, regional, and city levels still remain dormant.

Many argue that for the last two decades the government subdued chambers intentionally to hinder the private sector's growth. "Although some business leaders used to have the privilege of contacting top officials for problem solving solutions, the majority had little or no voice," recalls Kebour Ghenna, former President of both the Addis Ababa and national chambers. "Basically, chambers are established to do what government cannot do by itself. Government has no skill-set to solve daily business problems."

Mesenbet Shenkute, President of AACCSA also believes that chambers established at the national, regional, and city levels have not been successful in terms of protecting the interests of the business sector. "Because of the existing legal proclamation, chambers are too weakened to function at their optimum power."

The leaders of the chambers couldn't do their job for the past two decades. "Representatives





of chambers of commerce were not active enough to protect the interests of the private sector by exploiting the privileges provided in the existing law,” argues Kebour.

In a bid to change this situation, the administration of Prime Minister Abiy Ahmed (PhD), which took power in April 2018, initiated the revision of the 17-year-old controversial proclamation. In December 2020, the Ministry of Trade and Industry (MoTI) sent the highly anticipated draft proclamation to replace the one introduced in 2003 to selected private sector leaders. “The government has initiated the revision with a view of building a private sector capable of influencing public policy and accelerating the country’s export and industrial growth,” said Eshete Asfaw, State Minister of Trade and Industry during the

consultation workshop held on December 25, 2020.

The experiences of Germany, Russia, and other countries were taken into consideration while crafting the draft proclamation, according to Eshete. “Various economic activities, such as online trading, are now expanding globally. Ethiopia also joined the continental free trade agreement, AfCFTA, and the country is in the process of joining the World Trade Organization. These are the reasons behind revising the current proclamation besides elevating the private sector to cope up with upcoming changes,” said Eshete.

Mesenbet says the amendment was necessitated for two reasons. “The existing proclamation does not consider the current international situation. Secondly, it does not accommodate manufacturers

and traders on an equal basis.”

The draft proclamation, dubbed ‘Chambers of Commerce and Industry Establishment Proclamation’, has three parts and 35 provisions. One of the major changes is the inclusion of sole proprietorships alongside private limited and share companies. Under the existing law, only representatives of city chambers and sectoral associations, regional sectoral associations, and woreda sectoral associations are allowed to be members of regional chambers of commerce and sectoral associations. But, according to the new draft proclamation, sole proprietorships, private limited, and share companies will be allowed to be members of chambers established at the regional level.

“The existing proclamation does not represent manufacturers,” explains Tek-



zational structures. For instance, in all the provisions of the draft proclamation, nothing is mentioned about the establishment of chambers at a city level. “Against the experiences of other countries, the draft proclamation rejects city chambers,” explains Yohannes Woldegebriel, Director of the Arbitration Institute at AACCSA. “Cities are the starting point for the formation of a national chamber.”

In its 11-page long recommendations sent to the MoTI regarding issues that should be considered, AACCSA echoed that chambers should be established near its members. It went even further by recommending that the draft proclamation should allow chambers to be formed at major economic centers like industrial parks and economic zones.

Gesseste Teshome, a private sector representative argues that trade has no

chambers and then licensed by trade bureaus before going operational. When chambers are allowed to provide such services, their membership as well as revenue will increase dramatically,” he says. “Currently, the majority of firms do not access chambers’ services, although they pay a membership fee.”

Membership is the major issue in chambers at all levels. Businesses and producers operating in Ethiopia are reluctant to join chambers. Even the oldest and largest chamber in the country, AACCSA currently has only 17,000 members, although there are over 300,000 businesses in the capital and 1.6 million active businesses nationally.

The other area of disagreement is on the basic status and model chambers are operating. Globally, there are three types of models. In the first, continental model, chambers are created through national legislation. The current and expected proclamations are crafted based on this model. In addition to Ethiopia, African countries like Egypt, Algeria, and Morocco as well as European nations such as Germany, France, and Italy follow this model.

The second sort is the Anglo-Saxon model where there is no government legislation to regulate the affairs of chambers. This model is followed by countries like South Africa, Zimbabwe, Namibia, the United Kingdom, Sweden, and Denmark.

The third type, known as the mixed model, borrows vital concepts and principles from both the continental and Anglo-Saxon models to guide chambers’ operations. This model can serve Ethiopia better, according to Kebour.

An expert on chambers, Kebour argues it is wrong for MoTI to craft the chamber’s entablement proclamation alone. “Only one representative was included from chambers. This cannot represent the interests of all private operators in the country.”

“After the private sector crafts its own version, it can merge with the draft proclamation prepared by the government,” he explains. “A better proclamation blended from both versions could be ratified finally, if government really wants to empower the private sector.”EBR



## Because of the existing legal proclamation, chambers are weakened to function at full power.”

Mesenbet Shenkute  
President of AACCSA, former President of Abay Bank

align Kedir, who led the crafting team at MoTI.

Another bone of contention is that only company owners are permitted for membership, in contrast to reality as it is managers that are closely involved in the day-to-day activities of companies.

Kebour also argues that grouping traders and manufacturers together, with their differing interests, is not a wise move. “Currently, there are big divisions within the chambers established at the national, regional, and city levels. The rifts even extend to personal feuding amongst members. That is why chambers have been inactive and inefficient in past years.”

The draft proclamation also ignores the bottom-up and grassroots organi-

boundaries. “So, chambers should not be limited by administrative boundaries. Structuring chambers only along regional administrative structures is meaningless.”

Another major issue regards the income generating activities to be conducted by chambers, seen by many private sector representatives as against the value of the bodies.

While some say that the main objective of chambers should be provisioning services for the business community rather than operating like a profit-oriented organization, Kebour states that fees paid by members for services rendered can be a source of income. “Globally, there is a mechanism where private enterprises are trained and certified by



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# THE WOMAN ACCELERATING DIGITAL ETHIOPIA

Myriam Said, Digital Advisor to the prime minister, is the leading personality behind Ethiopia's stride towards the digital economy. She coordinates initiatives implemented to advance digital technology throughout the economy, currently at an early stage of development. Myriam's promotion to advisor to the prime minister in February 2020 came as a result of her dedicated work when serving for nine months as Director of the National Digital Transformation Program at the Ministry of Innovation and Technology. While working as a director, Myriam led a team of experts who developed Digital Ethiopia 2025, an inclusive strategy guiding Ethiopia's journey from analogue practices where government, business, and social interactions took place in person, to a fully integrated inclusive digital economy and society where exchanges are made faster, cheaper, and more securely through digital technology.

The experience she gained serving as Director at Kifiya Financial Technologies for ten years helped her understand the working environment and motives of the private sector, which is expected to be at the center of the digital revolution. These experiences make Myriam, born in Addis Ababa from an Ethiopian father and French mother, the ideal candidate to coordinate and strengthen initiatives currently underway by the private sector with government driven digitalization enterprises.

But the road ahead is not smooth for Myriam who holds a BSc in mathematics and physics and a masters in theoretical physics. For instance, reliable and cheap telecom infrastructure still remains the most binding constraint for Ethiopia's fledgling IT-enabled sectors. Although internet coverage has grown at an annual rate of 45Pct in Ethiopia, it is still slower compared to other Sub-Saharan African countries. Access coverage of broadband internet services is 7.1Pct in Ethiopia, compared to the regional average of 24.8Pct. But Myriam says this will be changed after the partial privatization and liberalization of the telecom sector is finalized.

Factors such as poor government regulation and supervision as well as lack of skilled manpower in the area also hinder the nation's journey towards building a vibrant digitally enabled economy. Myriam agrees with the attestation that the conventional education system is very stiff and does not give students the liberty to be creative.

EBR's Ashenafi Endale sat down with her to discuss in detail the steps Ethiopia is taking towards a digital economy and the factors dragging the country back.





What are the enabling factors that will help to realize the objectives of the national digital transformation strategy known as Digital Ethiopia 2025?

Digital Ethiopia 2025 has three enabling systems: digital ID, electronic payment, and cybersecurity. The digital ID system is a platform that helps to identify and authenticate the identity of people. The second pillar—a digital payment system—enables government, private institutions, and the populace to interact with each other.

Conducting an assessment of Ethiopia's cybersecurity stance and developing a roadmap for the adoption of cloud solutions and data centers are needed to improve Ethiopia's digital readiness. Alongside, it is also necessary to address critical gaps and strengthen existing infrastructure; develop enabling systems; and facilitate digital interactions between the government, private sector actors, and citizens.

What progress has been achieved thus far in this regard?

Progressions are at different stages. For instance, the digital ID system will be piloted soon.

To achieve the objectives of the strategy, different institutions are assigned to perform certain activities. Does this create issues?

The strategy is a cross-sectoral umbrella strategy setting out a roadmap for a national digital transformation. So, the motive was for each sector to come up with their own digital roadmap that enables them to use technology to achieve their sectoral objectives. The Ministry of Science and Higher Education came up with its own digital skills plan. We expect others to follow.

Since the task is cross-sectoral, it has to be led at the macro level. The Ministry of Innovation and Technology is assigned to coordinate the successful implementation of the national strategy.

Do you think the right ingredients are in place to achieve the objectives of the strategy?

The right ingredients are uninterrupted power and the availability of the right skills and products. The policies and reforms

the government is undertaking is leading the nation in the right direction. But the biggest progress will come after the telecom sector is liberalized.

Access to finance for tech startups is almost non-existent in Ethiopia. How can the private sector play a defining role in advancing the digital economy?

Access to finance has been a challenge thus far. Two major initiatives have been taken to resolve this problem. The first is a fund already allocated for startups by the government. The second measure is taken from a regulatory perspective. A proclamation regulating startups and incubation centers is now in the final stages. It will soon be approved. These two measures are expected to help tech startups launch their projects at full scale.

What major changes are expected after the ratification of this proclamation?

First, the proclamation allows incubators, accelerators, and startups to be recognized as businesses, as entities that can receive funding. There is going to be a series of incentives in place for entrepreneurs. It will encourage equity and angel investors to come to Ethiopia and invest in startups.

In recent times, the National Bank of Ethiopia (NBE) has introduced various



**The policies and reforms the government is taking is leading the nation in the right direction.”**

measures restricting digital transactions made with ATMs and mobile and online platforms to certain levels and frequencies. This runs contrary to the expansion of the digital payment sphere.

The caps on digital transactions are necessary to fight money laundering and ensure financial security in general. If we do not have a digital ID system, it is very difficult to identify and authenticate transactions and the people executing

them.

The NBE has been undertaking many reforms to expand digital payment systems. The new banking business proclamation allows non-financial institutions to provide digital payment services. I think the NBE is strengthening its regulatory capacity.

How do you evaluate the success of recent NBE measures to limit cash withdrawals



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Ethiopia can learn many things from such experiences. We can come up with new solutions that are adaptable to Ethiopia's condition. The first task is to understand the existing challenges. For instance, why rural people are not putting their money in banks. The second task is coming up with solutions.

Once the digital platform is opened up for foreign players, how is the government planning to ensure privacy and stop cyber-attacks?

This is the dark side of having a digital economy. Making sure we take cyber security at the strategic level, rather than seeing it as technical matter, is critical. Countries are losing billions because of cyber-attacks.

Especially when mobile money takes off, there will be a lot of scams, like what happened in Kenya. The Information Network Security Agency is currently helping financial institutions and others strengthen their digital platforms. Imbedding security in any software, device, or platform we develop is important.

Do you see foreign investors with the required technological capacity coming and investing in device manufacturing and software development?

Our infrastructure is improving. In Ethiopia, electricity and labor costs are very competitive. Foreign phone and tablet manufacturers as well as data centers, business process outsourcing companies, and call centers will come to Ethiopia soon.

What is the specific purpose of the recently established Artificial Intelligence (AI) Center by the government?

The main purpose of the center is to undertake research and development (R&D) and develop applications especially for health and agriculture amongst other sectors. AI is the future. If we do not catch up quickly through technology, the gap between poor and rich countries will get wider.

Ethiopian banks are the largest buyers of software and financial technologies. But they usually purchase from abroad. This discourages emerging local tech



## **The cap on digital transaction is necessary to fight money laundering and ensure financial security.”**

and reduce cash-based transactions overall?

The measures are very good incentives. Restrictions on cash withdrawals pushes more and more people to go digital. Even in rural Ethiopia, people are starting to do this. If you go to Somali region, it is amazing how mobile money is working. Still, building digital skills is needed to break the fear and anxiety that people have surrounding digital transactions.

The government is planning to launch a stock market in the next three years. How will this help create a vibrant digital economy?

Adopting an open data system is critical. After the stock market is launched, governmental institutions will start making financial and other information public. This will make collaborating and interacting with government institutions easier. The private sector can also use the data to arrive at new ideas and build businesses.

Transacting with government institutions digitally has been difficult due to problems related to the issuance of e-receipts.

Yes, the e-receipt issue has been a problem. But we have the Electronic Transaction Proclamation, approved by parliament about a year ago. It recognizes electronic signatures, stamps, and receipts. But we are still at a nascent stage when it comes to implementation. A lot of reforms and laws were introduced in the last two years. Even the private sector is yet to digest and internalize the new laws and directives rushing out to adjust themselves and catch up with us.

How can Ethiopia leapfrog and reach levels attained by advanced economies?

To make this reality, innovators must understand what markets demand. For instance, the digital literacy rate in China was not satisfactory when mobile money was introduced in the country. But they came up with innovative solutions such as QR codes and fingerprint usage.

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# LOGISTICS: PARTIAL OPEN UP, PARTIAL TROPHY

Ever since Ethiopia became landlocked after losing its access to the Port of Assab three decades ago, international trade has remained the Achilles heel of Ethiopia's economy. The country's dependency on imports could not be matched by efficient logistics services. Numerous service providers fight it out on one major route, the Ethio-Djibouti route, though it's primarily primed for the state-owned carrier.

Coupled with low support provisioned, the closure of the logistics sector to foreign investors has stunted its growth.

Following the partial opening-up of the sector since 2018, a number of global shipping groups and logistics service providers are inking deals with local firms. Though late, the move is highly expected to buffer financial and knowhow transfers, long and eagerly awaited for by local players. EBR's Ashenafi Endale looks into the trophies that could be won and persisting gaps haunting local logistics operators.



Characterized by poor technological adoption, inadequate infrastructure, and insufficient customs practices, the logistics sector in Ethiopia is one of the least developed in the world. Of course, the fact that Ethiopia is a landlocked country negatively impacts the performance of the sector. However, import-export transit times in Ethiopia are higher by more than two-fold relative to other landlocked sub-Saharan African nations such as Rwanda.

This stretched transit time—a result of inefficiency and backwardness—makes logistics services very expensive and costs the nation the equivalent of 26Pct of its GDP, annually, according to the new ten years plan document for transport sector.

Freight forwarders, transitters, and shipping agents are the major players in the sector by acting as intermediaries between the shipper/ receiver and the carrier. According to latest data, there are 241 licensed freight

forwarding firms, 30 shipping agents and freight forwarders, and 4 joint ventures with foreigners, according to data from Maritime Affairs Authority. These private companies, however, hold only 8Pct of the market. The majority of the market is dominated by the Ethiopian Shipping Lines and Logistics Service Enterprise (ESLSE).

Dagmawit Moges, Minister of Transport says the problem in Ethiopia's logistics partly emanates from the absence of technological capacity, alongside the lack of investment capital. "Freight forwarding firms and goods-transit and shipping agents operating in the country still rely on backward and manual systems," she explains. "The use of modern information technology is essential to transform the sector."

Teodros Abraham, Chairman of Bolloré Transport and Logistics Services Ethiopia, agrees. "Ethiopia must invest in logistics technology. More investments in value addition, distribution, and warehousing are also needed," he

stresses.

Understanding the need, the administration of Prime Minister Abiy Ahmed (PhD) gave the green light to foreign logistics firms to enter the domestic market in September 2018. Immediately after, the Ethiopian Investment Commission (EIC) introduced a law allowing foreign investors to own up to 49Pct in local logistics companies, in stark contrast to the 2012 investment regulation which restricted the involvement of foreign investors in the sector.

The government has specifically targeted garnering USD120 million by the end of 2021 from foreign investors through the privatization of minority stakes in local logistics companies.

On top of finance, the move is expected to bring management efficiencies, according to Dagmawit. "If foreign companies can help improve the efficiency of local logistics firms, the cost of logistics services will reduce," the minister tells EBR.

"Many foreign and local firms are highly interested in

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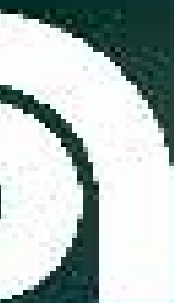
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and resources. “Since the partnership, we have invested in many areas and established stations in Addis Ababa and in major manufacturing hubs like the Hawassa and Bole Lemi industrial parks as well as in Modjo Dry Port,” Berhanu explains. “By locating operations close to our customers, it allowed us to achieve time and cost efficiencies.”

2019, the Marseille based global shipping group. With USD23.48 billion in revenue, CMA CGM ranks as the fourth largest global shipping line, following the Danish A.P. Moller-Maersk Group, Mediterranean Shipping Company S.A (MSC) and China Ocean Shipping Company (COSCO Group).

“We entered a partnership with CEVA



## **If foreign companies can help improve the efficiency of local logistics firms, the cost of these services will reduce.”**

Dagmawit Moges,  
Minister of Transport

joining Ethiopia’s logistics sector,” says Dagmawit. “Over the last six months, many foreign logistics firms have started undertaking feasibility studies while a few have already joined the sector.”

German based DHL Global Forwarding was first in this regard by inking a partnership deal with Ethiopian Airlines. The two formed DHL-Ethiopian Airlines Logistics Services, in which DHL holds a 49Pct stake. Based in Ethiopia, the new company undertakes business in Africa but with a specific focus on enhancing Ethiopia’s logistics infrastructure and connections.

Berhanu Kassa, General Manager of the venture, says the partnership availed the leverage to tap into more skills

MACCFA Freight Logistics PLC, a local company engaged in freight forwarding and customs clearing services, also recently sold 49Pct of its shares to CEVA Logistics. Re-established in New York in 2006 and listed on the Swiss Stock Exchange, CEVA Logistics was itself acquired by CMA CGM in

Logistics to bring modern and value-adding logistics solutions to Ethiopia,” says Mulugeta Assefa, Chairman of MACCFA Freight Logistics.

The French firm Bolloré Transport and Logistics also opened an office in Addis Ababa after sealing an agreement with CSL Logistics Services PLC, a



local firm with operations in sea and air freight, land transportation, cargo consolidation, chartering of vessels or flights, warehousing, distribution, and customs clearance.

Although a few foreign companies have joined the local market and a number of others have shown interest in creating joint ventures after the introduction of

done while goods are being transported, reduces the time of stay in Djibouti and uses the Modjo Dry Port. Multimodal service, which uses multiple means of transport like rail and road, under which the carrier is responsible for the goods, is monopolized by ESLSE, because private logistic companies lack the finance, land space and support to engage.



## The partnership availed the leverage to tap into more skills and resources.”

Berhanu Kassa,  
General Manager of DHL-Ethiopian Airlines Logistics Services

the new decree, Daniel Zemichael, CEO of Freighters International, one of the biggest private shipping companies in Ethiopia, says the benefit expected from this is the knowhow foreign companies bring to the table. “Foreign companies do not feel safe in investing their capital in developing countries, particularly in Africa. So, they limit their commitment. These foreign companies prefer to bring knowhow than capital.”

Although the reform is encouraging, stakeholders say the private sector must be further encouraged. The prevailing multimodal transport system, which consolidates the logistics sector around ESLSE, leaving out private companies, still remains a challenge. Under this system, private companies are allowed to operate under ESLSE as a subcontractor, if they meet certain requirements like ETB10 million in capital and 5,000 square meters of land for transit purposes.

The unimodal system, which aims to deliver goods directly to receivers and takes excessive time at the Port of Djibouti, uses a Kaliti warehouse as the final terminal. The multimodal system, where the documentation process is

Out of total cargo, 48Pct is transported through the multimodal system. The government plans to increase the share of cargo transported through this arrangement to 90Pct within the next ten years.

To facilitate this, the Council of Ministers is expected to ratify a regulation and “the government has decided to open up the multimodal system to private operators. We planned to have five private multimodal operators in the next ten years,” says Dagmawit.

Experts also argue more investments are necessary across the end-to-end logistics value chain. Freight transport operators are the major players in the value chain. There are 120 domestic, 105 cross-border, and 59 special freight carriers operating in Ethiopia. Of these, 155 are unions, constituting 55Pct, and 129 are share and privately owned companies.

A total of 2,482 domestic and 12,766 cross border vehicles are operating. Additionally, 3,107 tanker trucks are in service. Currently, each truck is able to serve 2.5 monthly trips. However, stakeholders say, either the number

of trips or trucks must increase. The government is planning to increase the number of freight vehicles from the current 14,000 to 22,000 by 2030.

Ethiopia’s total import volume is expected to almost double from 17.1 to 30 million metric tons within the next ten years, according to Dagmawit. Of this, freight transported by trucks will increase from 16.1 million MT in 2020 to 23.3 million by 2030. Loads transported by air cargo are expected to increase from 0.432 million to 1.157 million MT.

The other challenge observed in the logistics sector are the hurdles in Djibouti. “The major challenge we have is the inefficiency observed there,” says Daniel. “It never goes as planned even though we have an office to handle our business in Djibouti.”

Over 95Pct of Ethiopia’s foreign trade is via Djibouti. The logistics strategy recently approved by the Council of Ministers also states that Ethiopia should employ alternative port routes in Somalia, Eritrea, Kenya, and within Djibouti itself. The government plans to increase the number of functional sea ports from three to seven within the next ten years.

“Since August 2020, we started using the Port of Tadjoura, thereby maximizing options in Djibouti itself. We are also capitalizing on other neighboring countries’ ports,” adds Dagmawit.

Daniel says as a landlocked nation, we face this challenge. “However, port corridor management must be as clear as crystal. This means, Ethiopia needs ports she controls and runs.” EBR





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# “FOREIGN COMPANIES PREFER TO BRING KNOWHOW THAN CAPITAL.”

Daniel Zemichael, a father of three, is Founder and CEO of Freighters International, one of the biggest private shipping companies in Ethiopia. Established 35 years ago with ETB100,000 in capital, and growing to its current ETB20 million; Freighters International is the exclusive agent for Maersk, a Danish shipping company active in ocean and inland freight transportation. EBR sat down with the logistics guru, to converse on the expected impacts of recent governmental moves to allow foreign companies to own a minority stake in local logistics companies amongst other topics.





Recently, the government allowed foreign companies to own up to 49Pct of local logistics companies. How would local firms benefit?

A number of international companies have shown interest in creating joint ventures with local companies after the introduction of the new decree. The expected benefit is the knowhow foreign companies bring to the table.

Foreign companies do not feel safe in investing their capital in developing countries, particularly in Africa. So, they limit their commitment. They prefer to bring the knowhow than capital. Usually, they prefer the capital to be created by the partnering company. They are a bit reserved even on transferring technology, because technology itself is capital nowadays. But foreign companies can bring the knowhow.

Can foreign logistics companies provide solutions for the sector's hurdles in Ethiopia?

The majority of raw materials in Ethiopia are imported. The only local input available in the country is manpower. Without solving logistics problems and making the import of raw materials and goods easy and simple, Ethiopia cannot achieve industrialization. Therefore, by creating an end-to-end logistics value chain, foreign logistics companies can help.

The state-owned Ethiopian Shipping Lines and Logistics Service Enterprise (ESLSE) handles 95Pct of the logistics operations of the country while private actors play a small role. Why is that?

ESLSE has over sixty years of experience. A private logistics company can bring ten containers from Europe to Ethiopia. But ESLSE has the capacity to bring thousands of containers at once. Larger volumes determine the bargaining power in the global logistics industry.

This is true wherever you go. In the coming five to ten years, there will be only five to ten strong carriers in

the world. The rest will disappear and only the big operators will dominate the ocean, dictating consumers.

Ethiopia's annual import volume is forecasted to double to 30 million metric tons in the next ten years. Can private companies in the sector gain from this opportunity?

Such endeavors require investing billions to bring equipment and train staff, among other things. I do not think there is a single private company in Ethiopia able to come up with such capital.

The second most important thing the private investor cannot come up with is land. To effectively operate, a

better for Ethiopia to deal with companies or countries?

DP World, an Emirates-based port developer, negotiated with the Somalian government to develop Berbera Port and got a concession for 35 years. Ethiopia was also invited and holds a 19Pct share in the port. Ethiopia's share is strategic because the destination for most of the shipments coming through Berbera is Ethiopia. DP World is a company but also represents a semi-government interest.

Government to government dealing is risky in Africa. African states have fought each other in the past. I am not sure whether



## Foreign companies are a bit reserved in transferring technology.”

logistics company must have between 50,000 to 100,000 square meters of land. This is mainly for trucks and containers storage. Today, accessing even 20,000 square meters of land within the vicinities of Addis Ababa is practically impossible.

Freighters International is one of the oldest private logistics companies in Ethiopia. We had a project to develop a facility that would have allowed us to provide an all-rounded logistics service. But we could not succeed in getting the land. Without access to land we cannot take a step forward.

A number of private companies are investing and managing ports located along the Red Sea. Is it

negotiations and agreements can bear healthier fruit when done at government or company level. It might be easier to deal with a private company, but your investment might not be guaranteed.

What mechanisms are there for Ethiopia to use Assab Port?

We share a lot of values with Eritrea. If possible, I would attempt to control, develop, and use Assab Port for at least fifty to hundred years, even if we have to pay two or three times over. This is the best deal you can make for the port.

If the corridor management is left to Eritrea, our working procedures will be in a limbo, just like what is happening at the Port of Djibouti.



things do not happen as you wish due to various limitations. As a landlocked country, Ethiopia should have a say on what is going on in the Port of Djibouti.

**What is your company's experience in providing end-to-end logistics services?**

We started new services recently. In the Hawassa Industrial Park, textile manufacturers stuff the container with goods at the factory. The products will be packed, tagged, and priced there. We then ship it. It will be unpacked when it arrives at its final destination. Currently, we give door-to-door services for factories inside the Hawassa and Bole Lemi industrial parks.

The investment required to perform such an end-to-end service is not so much. You only invest in knowhow and manpower.

We have also recently leased a terminal operation space at the Modjo Dry Port from ESLSE. This allows us to carry out logistical operations where we place products from one or more exporter or importer in the same container. The receiver is usually one, however. This especially benefits exporters. In the past, an exporter could not send his goods until the container was full. But now this is possible as he can share the container with others.

**What type of agreement do you have with Maersk?**

We help Maersk find markets. We issue documents for exporters and the bill of lading. We are responsible for anything concerning Ethiopian shipping on behalf of Maersk.

**What is the annual delivery capacity of Freighters International?**

We have trucks that can carry up to 300 tons. We deliver large pieces of equipment to mega projects. In terms of project cargo, we move 20,000 to 22,000 tons. In terms of containers, we move 20,000 to 22,000 containers annually. We have our own fleet of trucks to transport shipments from Djibouti to destinations in Ethiopia. We have 55 trucks for our own internal use, exclusively. Additionally, we sublease additional trucks from the market. EBR



## **Ethiopia needs a port she controls and runs.”**

Port corridor management must be as clear as crystal, if we have to acquire Assab. Ethiopia needs a port she controls and runs.

**Can other ports along the Red Sea be beneficial for Ethiopia?**

Lamu Port could be cheaper, faster, and more convenient for southern parts of Ethiopia. Assab Port and the Port Sudan are easily accessible for northern parts. It is only one-and-a-half days between Assab and Kombolcha. Between Massawa and Mekele, it takes one day. Between Port Sudan and Bahir Dar or Gondar, it takes two days. This enables Ethiopia to spread its cargo regionally. Ports in Somalia are another option. Somalia has the longest coast line in the Red Sea area.

The African Continental Free Trade Agreement (AfCFTA) is expected to be realized soon. Do you think it will be easy for local logistics companies to operate and transport goods from one

African country to another?

I do not think it will be easy because each nation has its own culture. For instance, the system of many African countries is usually highly corrupted. It takes some time to adapt to such trends. It is especially difficult for trucking service providers. Air cargo can give effective services under AfCFTA.

**What is the most difficult job for a private domestic logistics company?**

The major challenge we have is the inefficiency at the Port of Djibouti. It never goes as planned. Fortunately, we have an office to handle our business in Djibouti. However, we are unable still to deliver goods according to plans. This frustrates us every day.

As a landlocked nation, we face this challenge. You can plan as much as you want but unless the administrators in Djibouti give you the green light to move the items, you are stuck. This is a serious challenge. Although the administrators there are cooperative,

◀◀ from P. 21

companies. What is the government doing about this?

The procurement proclamation is being updated. Incentivizing local sourcing is critical. The need for aftersales service will increase the demand for local IT developers.

Can e-commerce and e-government cut out the bureaucracy, public service inefficiency, and corruption in Ethiopia?

That is the big advantage of digital economy. But the right mindset is still critical. The steps citizens take to access digital service should be simple and clearly known.

The Ministry of Trade and Industry has already launched the e-trade platform. This will increase Ethiopia's ranking in the ease of doing business index. Opening a business used to take 32 days. With the new initiatives, it takes less than six days. Tax and all the issues businesses complain about are now under the lens.

The government is in the process of partially liberalizing the telecom sector. In the past it had been resisting, arguing private operators cannot ensure access in rural areas. What has changed now?

A law was introduced by the Ethiopian Telecommunications Authority (ETA) to ensure access to telecom services in rural areas. This law makes each operator responsible to serve underserved populations. Every operator will be assigned to the same role and they will have to obey and expand in rural areas.

What is the progress of the privatization and liberalization of the telecom sector? What benefits are expected from the result?

Around 12 companies are competing currently. The winners will not only be selected by the highest offered bid or price but also by the best services they expect to provide.

This process in the telecom sector will boost the competitiveness and quality of services provided in Ethiopia.

What is the agreement that will be reached with the operators that will join the telecom sector?

The operators that will be licensed can build their own infrastructure such as

towers, where there are none. But where there are towers, they can use Ethio telecom's infrastructure. The bid is closed for third party infrastructure developers.

Many local companies store their digital data abroad. Do you see any alternative to reverse this?

The only solution is to build efficient telecom infrastructure. This will be realized after the privatization process is completed.

How can the digital economy improve the lives of the rural population and increase productivity especially in the agricultural sector?

The minute people in rural areas are included into the financial system, they can access credit to expand their businesses, improve their lives, and transform agricultural productivity. There are many



## The private sector is yet to digest and internalize the new laws.”

technologies that can be deployed in the agriculture sector to boost productivity and avoid catastrophes.

E-commerce is ideal to make agriculture attractive to entrepreneurs. Farmers can easily access markets digitally to sell their products and increase their visibility to international consumers. Currently, farmers do not know or control the final selling price of their products. Empowering farmers with price information will increase their profit margin. Digital technology will also encourage the youth to go back to rural areas and invest in agriculture.

What is the potential of the digital economy in facilitating GDP growth?

Studies show a 10Pct improvement in the telecom sector can lead up to 2Pct growth in GDP. Financial inclusion can add between 6 to 7Pct growth to GDP.

But some argue automation and technological advances lead to job losses.

I do not believe that. Some professions might disappear but more new jobs will be created. In fact, more rewarding jobs will be created when the digital economy grows.

Can digital technology help create a more favorable working ecosystem for women?

The initiatives launched by the digital economy are already opening up new opportunities for women to work from home.

Do you think Ethiopia's education system is aligned with the needs of the digital economy?

Our conventional education system, like most in the world, is very stiff. It does not give students the liberty to be creative. So, efficient mechanisms are needed in the education system. EBR



# FETCHING Underground TO DEVELOP OVER GROUND

Ethiopia has vast water resources. However, only a fraction of the potential has been realized thus far. Access to fresh water is still a problem in both rural and urban parts of the country. Given the high population growth rate, Ethiopia should utilize groundwater for both agriculture and household use. However, little has been done to tap the huge groundwater resource in the country. EBR's Mubarek Jemal reports.





Ethiopia is endowed with substantial amounts of water resources. In addition to lakes, rivers, and other water bodies that cover 0.7Pct of land area, vast amounts of groundwater is available in the country.

According to an assessment by the Ethiopian Geological Survey, which only covered one third of the landmass, the total groundwater reserve of the studied areas in Ethiopia is estimated at 36 billion cubic meters per year. But the country lags behind in utilizing its underground water reserve to boost access to water.

Existing underground water projects are mainly financed by NGOs and governmental budget, according to Tedros Mergia, Communications Director at the Ministry of Water, Irrigation, and Energy. “The majority of the water wells are drilled manually. Modern drilling technology is only applied on few groundwater projects,” he explains. “The private sector has not even started investing on groundwater projects.”

The demand for underground water was scaled up especially after the severe drought brought on by El Nino in 2015. Yet, underground water usage is higher in Addis Ababa compared to other parts of the country, where the city administration recommends large establishments, especially hotels, real estate developers, and factories, to use their own groundwater where possible. Out of the total water supplied in the capital, one third is groundwater. Addis Ababa Water and Sewerage Authority is currently finalizing the drilling of 17 deep water wells, under the second phase of the Legedadi Underground Water Development Project, to generate 86,000 cubic meters of water daily.

Commercial bottled water companies are the main beneficiaries of groundwater resources. This is contrary to

other African countries where households are the major clients. For instance, in Tanzania, the major clients for water well drilling companies are individual homes.

Although the federal and regional governments as well as NGOs allocate huge funds for rural water projects each year, local drilling companies are not willing to go to remote areas and execute projects, according to Tedros. “They also lack the willingness to invest in capacity building as well as in new skills and machinery.”

According to stakeholders, the main reason for the low utilization of groundwater sources is the shortage of strong local drilling contractors. Currently, over 53 local and 15 Indian and Chinese groundwater well boring companies are operating in Ethiopia. In addition, regional governments have their own public companies engaged in the field.

“The drilling business is no more attractive,” says Mesfin Mamo, one of the founders of ECS Waterworks Construction. “Due to many hindrances, companies which have been in the business are currently shifting to other sectors, rather than expanding and specializing.”

ECS Waterworks Construction was established ten years ago with ETB10 million in capital growing to its current ETB52 million. It undertakes around fifteen shallow well projects, 10 medium depth, and six rehabilitation projects per year. The company has four rigs that can drill down to 600 meters, according to Mesfin.

However, Tedros argues that groundwater drilling business in Ethiopia is highly profitable but not exploited enough. “Most of the drilling contractors just want to amass profit with few projects and leave the sector. Most of them lack the commitment to stay in the business and develop capacity and expertise.”



Tedros admits a legal framework is lacking which can enable regulation and support local drillers. “The number of active drilling companies is not known. Over 60 businesses are licensed but most of them are not active. Others are operating without license”

The Basins Development Authority (BDA) licenses drilling contractors while regional offices provide drilling permits. The minimum paid-up capital for water well drilling companies which

which handles drilling projects above ETB200 million, can be established with ETB500,000. Rotary rigs that can drill down to 400 meters can be rented between ETB1,000 and 2,000 per hour.

“Government allows the duty-free import of machines but it is usually abused,” stresses Beshah Behailu (PhD), Commissioner of the newly established Water Development Commission (WDC). Recently, the WDC introduced strict criteria for reregistering drilling

supply water to customers. They can negotiate the tariff, install the pipelines, and supply groundwater to customers.”

However, stakeholders stress that there are many problems hindering the growth of local groundwater well drilling contractors. The first is poor project management. “Local contractors cannot finalize projects in the allocated time. Since they do not invest on themselves, local contractors are inefficient,” argues Shumet Kebede, Managing Director of Derba Drilling and Hydrology. Established with ETB138 million, the company owns three rigs that can drill down to 1,000 meters below ground.

For this reason, Indian and Chinese contractors are currently taking over the drilling business from local companies. The number of such companies operating in Ethiopia grew from five in 2006 to its current 15.

Mesfin agrees. “Although Indian companies have been dominant, Chinese firms are starting to engage on a large scale. Due to their poor work culture, local contractors are unable to cope up,” says Mesfin.

The second major problem is the unavailability of essential materials for drilling projects such as casing steel and PVC. “For instance, casing steel is supplied by importers who struggle to access foreign currency regularly. Due to this, we sit idle for more than six months after winning the project,” explains Mesfin.

Since materials are hard to find in the local market, their prices skyrocket. Especially casing steel and PVC currently take-up more than half of the drilling project’s cost, because they are hard to find in Ethiopia.

Abebe Dinku, Professor of civil engineering at Addis Ababa University, says local drilling contractors are not growing mainly because the system in Ethiopia does not allow the private sector to develop. “Government wants the private sector only when it needs it. Especially the drilling subsector is the least incentivized. Government must provide support and incentives in order to better utilize Ethiopia’s groundwater resources.” EBR

# 53

The number of local groundwater well drilling contractors currently operating in Ethiopia.

can handle drilling projects costing over ETB200 million, is ETB20 million, which is reduced to ETB10 million for companies executing projects worth between ETB100 million and 200 million. On a lower scale, a drilling company with ETB100,000 in paid-up capital can involve in drilling projects valued up to ETB1 million, according to a directive introduced by BDA, established in 2018 to promote

companies, mainly because companies list fake machinery and professionals to renew their license.

A drilling contractor must have two geologists, two hydrogeologists, and relevant machines, at least. However, companies usually rent licenses and degrees from professionals not actually working at the company.

Tedros says Ethiopia is very backward in terms of engaging the



## Government plans to engage private drillers to negotiate tariffs, install pipelines, and supply groundwater to customers.”

Tedros Mergia,  
Communications Director at the Ministry of Water, Irrigation, and Energy

integrated water resource management.

A level one drilling company is required to have at least two dozers, a truck-mounted crane, a loader, a grader, and an excavator hammer. But a grade one drilling supervising company,

private sector in water supply. “The government’s plan is to increase access to clean water to 100Pct coverage but cannot achieve this alone,” he explains. “So, the government is planning to engage private drilling companies to





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# DIGITAL HEALTH ERROR 404

Digital health is the provision of health care services using digitized health recordings and electronic mechanisms. In developed countries, it evolved into an ecosystem where even surgery operations are remotely operated, or blood is delivered by drones at emergency spots.

But recently, physical distancing measurements introduced under COVID-19 increased the demand for digital health services even in developing countries like Ethiopia, where even the concept of digital health is at an early stage.

A number of medical graduates and computer engineers are teaming up to design applications to solve the completely manual health services of Ethiopia. Newly established startup incubation centers are also targeting idea creation, nurturing, and linking digital health innovators with investors. Nevertheless, they can hardly find financiers as a startup, nor favorable support and policy environment from government. EBR explores the opportune moments knocking at the door for digital health innovators, and the monumental task ahead in digitizing Ethiopia's health system.

**K**aleab Girma, is a Medical Doctor that graduated from Gondar University last year. While working at a COVID-19 quarantine center, he observed how doctors themselves are exposed to the pandemic. "No mechanisms have been developed to digitally trace and monitor patients. Even other African countries have applications where patients can learn of their result online. Doctors can also trace every route the patient has taken, helpful in identifying the spread of the pandemic," said Kaleab.

He soon came up with ideas to

digitize health service deliveries. However, there was little room to translate his idea to the ground. "No institution could openly accept our idea and provide us with support. There is no accessible digitized health information. It is difficult to build a data server alone. Even if there is digitized data, there is no regulator to allow patients' data storage on cloud computing as well as oversee data accession. Everything is manual, so I almost gave up on my ideas."

The need for digitized healthcare exponentially increased particularly after COVID-19 spread with its



demands for reduced physical contact and for which digitized care delivery is an ideal solution.

Medhin Getaneh, another Medical Doctor that just graduated from Gondar University, faced a similar challenge. She dwelled on providing digital solutions for health problems that patients and hospitals frequently face. “Doctors and nurses in Ethiopian hospitals spend more than half of their time locating files and recordings, instead of treating patients. I came up with an idea that helps digitize recordings and enable online bookings, follow ups, and staff scheduling. For instance, there is no mechanism informing doctors and nurses in advance of a scheduled night shift. The application we envisioned digitally notifies them of shift programs, so that they can prepare psychologically for their night shifts.”

Although both have approached a number of institutions and individual investors to access finance and turn their ideas into reality, they have hardly succeeded.

“Many people emotionally supported our ideas, but not financially,” said Kaleab.

It was a eureka moment when the innovators found out of an innovation hub established in Addis Ababa to nurture digital health startups. They submitted their ideas to Orbit Innovation Hub, which just opened and started taking in its first applicants. “Some 51 ideas have been submitted in the first round and 15 reached the final round, of which half focus on digital health. We could not believe that there were so many people with shelved digital health business ideas due to lack of support. We have planned to finance the establishment of 15 digital health startups this year through two rounds,” said Saminas Belayneh, Mentor and Coordinator at the hub.

“The major challenge in linking startup ideas to investors is a lack of awareness. Local investors are not attracted towards investing in technology companies. Most of them do not think digital health solutions are profitable. That is a lack of knowledge. Local investors look for quick returns but it takes patience and hard work to create such tech companies,” he added.

“They taught us how to translate an innovative idea into an implementable one on the ground. They provided workstations and trained us using professionals. We are now working with various professionals to establish our own company, integrating health with technology,” said Medhin. Her team is currently working with software and electrical engineers, web designers, and marketing experts.

Orbit Innovation Hub is recently established through a cooperation between Orbit Health and funds from the Mastercard Foundation. “There are no digital health solution providers in Ethiopia, affecting us ourselves. We cannot do everything by ourselves, so we must create and nurture startups,” said Pazion Cherinet, CEO and Founder of Orbit





achieved a lot of development but we are beyond our dreams. We really need strong collaborative works to create a digital health industry. We have a number of new digital products in the pipeline.”

Apart from Orbit, there are very few public institutions working on digital health. The Ministry of Health launched the Digital Health Innovation and Learning Center in August 2020, in cooperation with St. Peter Specialized Hospital in Addis Ababa and with support from the Bill and Melinda Gates Foundation. However, the center trains practitioners on digital health but does not incubate and nurture startups. The Ministry of Innovation and Technology

(PhD), Minister of Health.

According to the World Health Organization’s (WHO) global digital health strategy, covering the years between 2020 and 2025, there is a growing need to ground digital foundations within national strategies and emphasize the need to work with all-level sectors and stakeholders. The “digital determinants of health, such as literacy in information and communication technologies and access to equipment and broadband internet, becomes more important as digital health becomes more prevalent,” states the document. The strategy also urges “every country to own, adapt, and strengthen its strategy on digital health in a way that best suits its vision, national context, health situation, and trends. Countries are also expected to include digital health into SDG targets and establish a quantifiable reporting system to WHO.”

The organization launched its first report on Digital Health Implementation Approach to Pandemic Management, recommending “collaboration of countries in developing data standards and interoperability specifications for all types of surveillance; open-source digital health applications to be compliant with interoperability standards and specifications; and sharing telemedicine tools and platforms for free/ open source during a state of emergency, among others.”

Digital health is the ability to streamline digital service delivery. That could be an improved way of meeting with doctors, booking schedules, and going as far as using drones to deliver blood. In this context, telemedicine and virtual consultation are also included. Digital health is a brainchild of medical, computer, and electrical professions.

“Patients are in remote areas as the majority of Ethiopia’s population lives in rural areas, whereas almost all specialists in the country are in Addis Ababa. The practicality of coming and going to Addis to visit doctors is burdensome. With telemedicine, the patient can now come to Addis for surgery or treatment, return to their hometown where they can still follow-up with their local doctor. Of course, this happens if they have access to video conferencing,” says Pazion.



## **Patients are in remote areas as majority of Ethiopia’s population lives in rural areas, where as almost all specialists in the country are in Addis Ababa.”**

Pazion Cherinet,  
CEO and Founder of Orbit Health and Orbit Innovation Hub.

Health and Orbit Innovation Hub. With a background in electrical and computer engineering, Pazion worked for Boeing as well as Ethiopian Airlines before he observed the digitization gap in Ethiopia’s health system.

Established four years ago, Orbit Health is a pioneer private company working on digital health care services in Ethiopia. It is currently digitizing the recording systems of Abet Hospital, Tirunesh Beijing Hospital, and other health facilities including outside of Addis Ababa in Adama. “Thus far we have inputted over 15,000 medical records into our systems. Over 2.5 million prescriptions are encompassed into our systems across several facilities. That is a substantial amount of data. Right now, we are working on seven projects with development partners to scale up our digital health systems, by building systems. We have

provides workstations for all innovators in general but has no specific team to nurture digital health startups.

The Addis Ababa City Administration recently inaugurated Abebech Gobena Maternal and Children’s Hospital at a cost of ETB700 million which operates paperless. Over 95Pct of health information in Ethiopia is not digitized according to studies. For instance, a severely ill patient will have to physically search from pharmacy to pharmacy in search of essential drugs because there is no digitally accessible information database on the stock situation of pharmacies. This absolutely needs to change.

“Developing and implementing data and demand-driven health systems is critical. Government is already working on building capacity in sustainable implementation and ownership of digital health systems,” informs Liya Tadesse

Digital health can also minimize medical tourism outflow, where a substantial number of Ethiopian patients have to visit Thailand, India, South Africa, Dubai, Kenya, or other countries for better care.

However, patients might fail to comprehend what specialists prescribe online. In a bid to solve this, a hybrid model of telemedicine is devised where local doctors participate. “Then local doctors can undertake examinations with the recommendations of the specialist in Addis, Dubai, Kenya, USA or any other part of the world. In Ethiopia’s context, I do not think we can implement telemedicine in full capacity. We have major barriers vis-à-vis telecom disconnection and power outages. But we are heading towards that direction. The full-fledged implementation of telemedicine is not practical yet. But with a hybrid concept it can be done as long as there is an internet connection,” adds Pazion.

Apart from the lack of digitalized health data, the absence of governmental regulation towards data is another challenge in Ethiopia, according to practitioners. Ethiopia also needs policies and a clear roadmap on digitization and effective data usage enabling hospitals, laboratories, health facilities, patients, and regulators electronic accessibility.

For Pazion, adoption is where developing countries can start the journey to a digital health ecosystem. “Adopting digitization is the rudimentary work before going to reap benefits of digital health. Policy, incentives, and the will to make digital service delivery mandatory are required. Ethiopia does not have the right incentives and support in place for the private sector to fully engage in digital health care. Technology adoption, from policy makers all the way to end users, is critical to form an ecosystem for digital health. Developed countries succeeded because they really believed digitized health improves the health system and helps in running a very smooth operation and business. Adoption is at a very early stage in Ethiopia.”

Although government is going in the right direction in terms of policy, practitioners say it is still difficult for any innovator with a brilliant idea to

easily communicate with hospitals and stakeholders to implement new ideas. Nevertheless, innovative companies must come up with digital health solutions. Digital health services can be easily adopted from developed nations, fulfilling international standards for safety, security, and interoperability.

Health sector tech is a long-term investment and cannot interest the Ethiopian private sector without incentives, according to Pazion. “The Ethiopian private sector is succumbed to making quick money. As for us, we are not expecting profits in the short run. Making money could have been very easy for us. But we are investing to be part of the future’s



## Digital health is best served when both public institutions and private innovators are aligned.”

Birhanu Gizaw (PhD),  
Industrial Engineer, Technologist, and President of Ethiopian Electrical  
Engineers Association

health care. Our motivation is providing value to health care. Business has a lot to do with values, rather than profitability, for me. We plan to start digital health services in Kenya and around Africa—wherever it is needed—in two years’ time. Ethiopia’s 4G telecom service is improving. No territory can be held back from digital health services. After two years, we will be working in three different countries outside of Ethiopia. In ten years, we will be one of the most successful digital health technology companies in sub-Saharan Africa. Innovative ecosystems are highly critical to motivate investors. As Orbit, we are creating an innovative ecosystem now.”

Birhanu Gizaw (PhD), is an Industrial Engineer, Technologist, and President of the Ethiopian Electrical Engineers Association with decades of experience in Germany and at the Addis Ababa Institute of Technology (AAiT). Recently, he initiated the establishment of a medical engineering department and production

facility for modified health technologies such as portable X-ray machines. “Universities have ample knowledge and resources but they are not working on digital health solutions. There is a bridge-break between government, universities, and the private sector. For instance, private companies can partner with universities to incubate, accelerate ideas, and establish a business by joint venturing. Universities can provide the knowledge, while the private sector does the production and business part. Legal frameworks are required to this end. Digital health is best served when both public institutions and private innovators are aligned.”

Birhanu also states government must train staff in public health institutions on digital health care to interface with the private sector and patients, apart from including digital health care in the health education system.

Kaleab agrees that “government institutions should at least be open to new ideas.” EBR

# Olympic Dreamers

For the sport community, the Olympics are almost a ritual coming every four years but taking a lifetime of preparation. There were only few unfortunate years including during the world wars that forced the world's greatest sporting festival to not be held. But this time, it is the invisible virus that forced the rescheduling of the Tokyo Olympic Games.

The cost was not only endured by Japan. Especially in track athletics, where Ethiopia beginning with Abebe Bikila had reigned supreme alongside its neighbor Kenya, Ethiopian athletes were dropping every sweat for the Tokyo tournament. EBR's Abiy Wendifraw witnessed the emotional breakdown hard-trained athletes faced upon the postponed, and possibly cancelled, Olympics.

While rumors this summer's Tokyo Olympic Games would be canceled due to COVID-19 are worrying Japan, Ethiopians show no sign of slowing down their preparations for the event. The Ethiopian Athletics Federation (EAF) has been busy working on the national team and organizing trials. The Ethiopian Olympic Committee (EOC) kicked off preparation activities almost eight months back and all athletes are now in the team hotel.

Globally, the fate of the event is still unknown. The possible cancellation of the already postponed games would be mind-blowingly impactful for Japan which has already invested over USD12 billion. Such a decision would definitely be disastrous for all involved, including participating nations and athletes. It would not only affect 11,000 Olympic and 4,400 Paralympic athletes but coaches, sport federations, broadcasters, fans, and others would be heavily impacted.

It would be no different for Ethiopia. The Olympics are perhaps the single most major global event that can uplift the spirit of the nation. When the Ethiopian national team travelled to the Barcelona Games in 1992, it was their first in 12 years after missing out owing to political reasons. The country is among very few countries to have boycotted three Olympic Games in 1976, 1984, and 1988 in joining protesting countries. These political decisions made top talents like Miruts Yifter and Belayneh Densamo pay dearly in their careers.

Gebregziabher Gebremariam, well remembered for his successes in world cross country championships, understands the disappointment in missing an event as big as the Olympics. "I hope the Tokyo Olympics will not be cancelled. For Ethiopian athletes, championships keep our careers alive. We cannot afford missing out on these big opportunities," he says. "Professional athletes in other countries have side businesses, sponsorship contracts, and other commercial revenue streams. Most of our athletes lack other sources of income if they do not make money from competitions. These athletes are already struggling because of globally cancelled competitions. The economic vulnerability may also force talent out of the athletics world."



Athletes with dreams of running at the Olympic Games might need to prepare throughout the four-year period. This affects almost every plan and engagement they might have during those years. "If you are going to be told that your preparations were for nothing, that would shatter you," explains Gebregziabher. "You know, sometimes you get injured after three months of mental and physical preparations for a marathon and you have to deal with the even greater emotional impact. Skipping an Olympic season doubles the four years that you had already waited for. And in eight years senior athletes may retire and even top performing younger athletes may move on to other disciplines. There are things you can never restore in a sportsperson's career."

Dagim Teshome, Operations Manager at the Great Ethiopian Run explains the potential damage of Tokyo 2020's cancellation in terms





of income. “There is no prize money in winning Olympic gold, but the legacy that comes with the medal gets you sponsors and races. It gives you bargaining power when dealing with race organizers for appearance fees. There will also always be gifts given by the government. One Olympic gold medal can be transformed into a lifelong income generating machine by athletes.”

As an athletics enthusiast, Dagim has concerns regarding the team’s psychological position while preparing for the event. National team athletes will obviously keep up-to-date on all updates, stories, and developments of Tokyo 2020. Every day, they train with these rumors in mind.

“Athletes will have many questions in mind like ‘Will the Olympics be held in a few months’ time? Am I going to get a race where I could evaluate my form? What if I contract the virus at the Olympics? Would the games still be cancelled after I have worked so hard training?’. All this

impacts their preparations. Although I will be happy to be proven otherwise, I fear we will witness some poor performances from our team if the Olympics take place,” says Dagim.

Gebregziabher agrees upon the importance of psychological readiness for the team. “I hear people saying sport preparations require 50Pct physical and 50Pct mental readiness. I always argue the mental preparation takes 75Pct. I know how much belief, certainty, and focus boost my performance.

According to Dagim, Ethiopians desperately need Tokyo 2020 beyond the Olympic medals that it might award. The country could take advantage of the event and its elite athletes to counter the current negative narration around its national brand and image.

“Since barefooted Abebe Bikila’s heroic marathon win in Rome 1960, Olympics have always been a prime source of national pride. Tokyo 2020 would be a great opportunity to counter less than

positive images following conflict and political unrest,” he believes. “During Olympics, athletes’ victory brings people together. These moments can generate the spirit of unity and togetherness to an entire nation. We may forget the ethnic backgrounds of the winning athletes while celebrating their victory in tears, under the national flag.”

EAF and EOC officials may need to consider contingency plans in case the Olympics are to be cancelled at last. “Psychological support might be needed for athletes, especially for the experienced elites who might not have another shot at Olympic gold. Having the World Athletics Championships in 2022 is one good reason to encourage athletes. Another uplifting arrangement could be to organize a domestic championship that could be dubbed ‘Olympic Memorial Race’. If they organize a week-long competition with the same format, it will inspire up and coming athletes and uplift the Olympic spirit and its participants.” EBR

# “The Telenovela Genre has not Caught on in Ethiopia.”



Producing a television drama series that airs daily is overambitious, especially considering the broadcast production capacity of Ethiopia. Yet, new approaches are emerging to capture the growing viewership of addictive TV series.

Sewmehon Yismah, 38, is Founder of Sewmehon Film Production. He recently reached an agreement with DStv to produce the first-of-its-kind daily show, titled Adey. The script of the series is contextually adapted from English and other foreign languages. Once produced with localized characters in Ethiopia, it will be aired on a new TV channel to be launched on DStv. DStv outsourced the production to Sewmehon, a new arrangement in Ethiopia's television drama series production history.

Sewmehon, a movie maker and cinematographer, has produced sensational music clips including Mar Eske Twaf and a number of Amharic movies like Balageru and Sewnetwa, displaying quality that DStv could not ignore. He is also currently producing a documentary on the life and work of Tilahun Gessesse. EBR's Samuel Habtab visited Sewmehon's studio to converse on his upcoming work.

**W**hat is the concept of the TV series production? Some say it is new to Ethiopia but has been done in other countries.

I was previously better known for creating advertisement productions. But as of recently, I have been working on dramatic television series, similar to the telenovela genre.

The telenovela genre has not caught on in Ethiopia. It is a daily television drama show common in Latin America. Brazil, Spain, and Argentina have especially produced many telenovela shows over several years. The actors become family because they work together daily. The story narration is kind of mellow dramatic.

We are working with Multichoice Ethiopia for this project. The show originally has 160 episodes and is written by Indians, I believe. It is also being produced in Kenya, Tanzania, Ghana, and many other countries. All the countries adapt the script's idea to their own context.

We have tailored it with indigenous Ethiopian knowledge. The plot line and characters are not changed but the movie will have an Ethiopian feel.

Is the script directly copied from abroad and rewritten in Ethiopia?

We first translated the script from English and modified it to Ethiopia's context. They bring the English script and we translate the idea. It is a contextual translation. There are nine writers working on this. Our company does the production. The name of the company is Sewmehon Film

Production.

If the movie is in Amharic, does it have subtitles?

The movie is made in Amharic and will have English subtitles.

The series will be streamed on a new DStv channel. So, it will have high visibility in other African nations. It will promote our culture and actors to other African countries. It is a different format with many advantages.

The format is completely different from weekly dramatic series, films, or daily shows. It has unique specifications and certain presentation standards. It has its own way of telling the story. It will be streamed every evening.

It is very challenging to produce such content especially regarding deadline issues.

What themes are common in telenovelas?

Telenovelas are novel stories written on various topics like love, but of longer duration. It is like a soap opera, but different at the same time. It can go on for up to two years. It is kind of like Cinderella stories in which a poor boy loves a girl from a rich family. Or maybe about the adventure of pursuing a criminal. The stories are very simplistic, non-complicated, and melodramatic.

It is also called 'middle class' because it is made for that sector of society. It is kind of a movie that everybody can watch.

How did DStv initially approach you and give our







company this opportunity? Was it through bidding or selection?

DStv conducted research for many years on the producers and movies in this country. They evaluated movies produced by us. We have good productions but have no experience with TV drama shows and usually take time to produce. This forced them to compromise but they wanted to capitalize on our strong side of quality production. So, they picked us after comparing our previous works with other producers.

They gave us ample time to create a backlog. The whole production time should take a year and nine months. It has been three months since we began with pre-production taking one month. We have currently shot around 21 episodes.

They bring people onboard using two mechanisms. They either commission actors to work on the movie or they rent the production license.

After first receiving payment from them we bring on the actors and production crew, then produce the movie and give them the content. It is their content and we have nothing to add. We do the casting and artistic works but they might forward suggestions. There are specifications on the type of HD camera and sound we have to use.

How much do they pay your company?

They work with many people, not only us. If I disclose the price, other people will quote me to negotiate with them. I do not know if it is big or small but they pay us nice.

The deal was initially awarded to others before they selected our company. While preparing with the previous group they saw our movie 'Sewnetwa'. That is when they said we need to see who produced this movie and came to us.

There is a rumor that they picked you through a bid.

It is difficult to find a good producer of cinematic art through bidding. If I want to hire a director, I do not float a bid. I look for an artist who has the quality I want. They tested us before hiring us and also saw our previous productions. We adapted the synopsis, produced a sample, and sent it to them. This took two months. It was not a simple process.

How many crew members do you have working on the cinematography?

We have 35 crew for now. We have a full-fledged production crew.

Can you tell us the name of the channel?

It is a new channel that is going to be launched on DStv. I cannot disclose the name of the channel now.

What about the title? Who came up with the title?

Adey. It is the name of one of the female characters in the movie. I gave it that title. The story itself starts in Meskerem, in the season where flowers bloom. Adey is a flower in Amharic. So, the title is associated with the character and the season. Plus, the flower's color yellow is our major color and theme. The story is simple so that house maids, the rich, the poor, and everybody can gather and watch with equal enjoyment. It has no complications. You just enjoy it.

Can you tell us the names of the actors?

The main actor, Israel, is actually a singer in a choir called Merewa. The main female actor is Bemnet and this is her first movie. All of the characters are fresh faces. Producing for television is challenging but we did our best.

How did you pick the locations?

Locations for telenovelas are very limited. There is a big house in which almost 80Pct is placed in. Characters move between the bedroom, living room, and kitchen. It is manageable because the production does not go to many places. It is shot around Entoto and Legetafo. It is mostly indoor shooting.

Does the original version or the adapted story prevail more? For instance, is Adey more foreign or Ethiopian?

She is Ethiopian.

Any last words?

Everything about this series is new. The genre, channel, and even the actors. We exerted big energy and emotion, despite challenges. Television has its own type of actors, just like it has its own kind of spectator. So, we tried to cast fresh actors so the viewer will not be irritated or bored too early. Of course, the story is also strong and very attractive. I urge people to buy DStv and watch this upcoming production. EBR



# TIGRAY IN CRISIS

If there is a primary concern of governments in a modern state, it is the wellbeing and safety of its residents. At the heart of all the political turf-wars, reforms, revolutions, and fights, is the improvement of Society's livelihoods. Nonetheless, the insecurity different social groups in Ethiopia face attests otherwise to the social contract.

Of all the social turbulences, none amount to the damages unleashed in the Tigray region in northern Ethiopia. Regime changes have brought less for the ordinary people of Tigray, usually mistaken for the elite rulers. After the launching of military operations in the region, society has found itself between a rock and a hard place. EBR talked to victims, witnesses, humanitarians, and officials on the social crisis ongoing in Tigray.

Throughout history the northern part of Ethiopia has been hit by food crises due to natural disasters like drought and war on multiple occasions. The region has once again crashed into crisis after war broke out between the federal government and the Tigray People's Liberation Front (TPLF), a political party which has been governing the state of Tigray until November 2020.

Although the war has now relatively ended, Tigray, a region with a population of around six million, remains isolated from the rest of Ethiopia, mostly unable to dependably connect by phone, internet, or road transport.

More than the catastrophe that occurred during the war, it is its aftermath that has devastated the society in Tigray.

Multiple sources from the region describe how major cities such as Mekele, the onetime vibrant capital of the region, and others are now transformed into ghost cities as market centers, bars, restaurants, hotels, and public institutions providing important services to the population remain closed. Life in rural areas is worse since mobility is severely obstructed and curfews are in place at 6pm.

"Parents have nothing to feed their children," EBR is told on the phone by a former lecturer at Mekele University living in the city.

Abraha Desta, Head of the Social Affairs

Bureau at the interim administration in Tigray, stated 4.5 million people in the region need emergency aid. "The people of the region are displaced, their homes looted, and most of the population is in dire need of emergency support."

However, Mitiku Kassa, Commissioner for the National Disaster Risk Management Commission, argues that only 700,000 people need emergency aid due to the war, on top of the 1.8 million people receiving aid under the Productive Safety-Net Program (PSNP) prior to the war.

In its report released February 4, 2021, the United Nations Office for the Coordination of Humanitarian Affairs (UNOCHA) stated 1.4 million new people in Tigray need emergency assistance, apart from the 1.8 million under PSNP. To this end, a total of USD116.5 million is required, of which 35Pct is unmet until mid-February.

The former lecturer at Mekele University says there are arbitrary killings and rapes. The Ethiopian Human Rights Commission has also reported that residents do not feel safe and the risk of human rights abuses are escalating because law and order bodies have not resumed regular operations in the region.

Reports of hunger, migration, and rape were especially high starting January 2021 when



phone connections were restored in some parts of the region.

Pramila Patten, UN Special Representative on Sexual Violence in Conflict, stated on January 22 that “there are disturbing reports from Tigray that individuals were forced to rape members of their family under threats of imminent violence. Women were forced by military elements to have sex in exchange for basic commodities, while medical centers indicated an increase in the demand for emergency contraception and testing for sexually transmitted diseases. There is also an increasing number of reports of sexual violence against women and girls living in refugee camps.”

“Banks are still mostly closed, rural households, the employed, and even the well-to-do families are equally in starvation,” explains the former lecturer and father of two. “What we are seeing is a total destruction of the social system in this part of the country.”

“Families are dispersed,” adds Hana

Kassa (name changed) who is trapped in Tigray after travelling to visit family. “Many people still do not know where their family members are.”

According to the United Nations High Commissioner for Refugees (UNHCR), 60,700 refugees crossed into Sudan from the region, with nearly 100 still arriving daily.

Mitiku says assessments are underway to determine the number of people in need of help since the start of the militaristic law enforcement operation. “An estimated 700,000 additional people are in dire need of aid. As of now, we are prepared to supply aid supplies to a total of 2.5 million people in the region, including the 1.8 million covered by PSNP before the conflict.”

“The government is using hunger as a policy against Tigray,” argues the former university lecturer. “For the last two years, government has been blocking the transportation of basic commodities to Tigray. As a result, prices have skyrocketed. So, even before the war, many people were

already living below the poverty line.”

Officials at the International Committee of the Red Cross and other concerned international institutions accuse the government of prohibiting access to the region. “Infrastructure is damaged,” explains Mitiku. “Delivering aid without the military’s protection is difficult in the region. So, we are even trying to use military aircraft to deliver aid and critical medicines.”

Mitiku says his commission is also sending psychosocial experts to Tigray. “Although the government has the responsibility of providing aid, we encourage the private sector and others to contribute to this end.”

However, the lecturer at Mekele University says the federal government should rather focus on maintaining law and order in the region. “Unless the Ethiopian government ensures that the people in Tigray are secure, it cannot win the war.” EBR



# SMEs and Startups Under Ethiopia's New Investment Law



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In today's globalized world, FDI follows higher earning rates, provided a conducive business ecosystem is in place. Although most developed countries do not have investment-specific legislations there is competition amongst developing countries to adopt a more market-friendly policy to attract the much-sought FDI for their economic development.

Ethiopia is not an exception in this regard. With the policy objectives of catching-up with changes, sending out a new message to the world that Ethiopia welcomes productive investments, and be competitive in a global market a taskforce, where I was one of the members, was set up to come up with a new investment law. The Ethiopian parliament and council of ministers passed the new investment proclamation and regulation recently, which culminated the work of the team. The new law shifted towards negative listing of investment areas, opening a wider space for foreign investors.

Requiring a minimum capital is a policy decision of governments and is generally perceived as one of the legal barriers to FDI and the ideal scenario is to abolish it entirely. However, many developing countries require minimum capital with the policy considerations being the monitoring of rent seeking behaviors and considering FDI as a source of FOREX for the country's economy. The new investment proclamation maintained the position of the previous legislation requiring a minimum of USD200,000 from foreign investors with some exceptions. I am of the opinion this should have been partly modified to attract FDI into the flourishing SMEs and Startups in Ethiopia.

The kind of equity investment envisaged in SMEs and startups is characterized as a portfolio (indirect) investment and is not usually the primary concern of investment laws. The investors might have a short-term interest and usually do not have control of the management of the business. It is common practice to leave the supervision and regulation of portfolio investments to monetary and financial authorities such as central banks,

ministries of finance or treasury departments, and security and exchange commissions. Under the Ethiopian context, we do not have an office equivalent to the Securities and Exchange Commission though the need is desperately there and MoF and NBE do not have a mandate on the subject. Until the regulatory environment improves, portfolio investors' cases, based on the practice and provisions of existing laws, are entertained by the Ethiopian Investment Commission although there seems to be inherent incongruity.

Depending on the size of the economy of a country, the specific definition of SMEs could differ. According to the World Bank study conducted some years back under the Ethiopian context, firms which have 20 or less employees would fall in this category. Across the globe there is no contention that SMEs outnumber large companies by a wide margin and employ more people. Despite these positive facts about SMEs, they face difficulty in access to finance, especially in developing countries. In developed economies, SMEs usually receive around USD50,000 in capital injections. Ethiopia's investment laws are still unwelcoming for foreign equity and angel investors, which are highly vital for SMEs' growth.

Banks usually focus on bigger businesses and SMEs are neglected because loan applicants lack qualified collateral, are short of financial and managerial knowledge, and have high default rates, among other reasons. Further, reliable historical data for SMEs is also absent.

Naturally, the sequence of financing would be to first get equity investment to be followed by debt financing. Young entrepreneurs in this situation face a dire reality where their innovative skills would not get a receptive potential investor and would eventually see her/ his novel business idea wither away.

The first big limitation is that Ethiopian banks do not have an investment arm. We do have 18, relatively small, banks in the market now but



none would entertain an equity investment request. The Ethiopian banking industry is insulated by a protective regulatory regime which might have contributed to Ethiopian banks' lack of zeal to expand their territory. The banks generate relatively better rates of return on investment for their shareholders and are growing fast, which might have made the industry leaders content. I am hopeful that sooner than later the industry will start to attract never-satisfied, ambitious, and well-educated leaders; and have exposure to developed financial markets who would start challenging the status quo and endeavor to create an investment arm for the industry.

In addition to the isolation of the banking industry from the global financial market, the National Bank of Ethiopia's regulatory framework is not enabling enough for Ethiopian banks to consider equity investment as part of their business. Banking business is defined under current laws in a very traditional way and if Ethiopian banks consider managing the equity investments of their customers, it would entail regulatory risk. Even using their own resources, there is a cap on the banks per "Limitations on Investment of Banks," of the amended 2015 directive, "not to exceed 10Pct of their net worth." Banks' basic role in any economy is the intermediary service they provide by mobilizing money and channeling it with a margin to a destination where it is needed. Ethiopian banks are playing a traditional and very limited intermediary role in the economy which needs to expand.

Another discouraging reality for startups and SMEs are Ethiopia's business corporates and high net worth individuals who do not have the culture and level of sophistication to have portfolio investments. Even if they have excess liquidity and could inject equity into other businesses, the norm is to refrain from doing so and the major explanation is the big doubt on portfolio investment success. Ethiopian business corporates and high net worth individuals are control freaks and not willing to put their money in businesses where they do not control or shine. Additional explanations could be Ethiopia not having a corporate governance code and a regulatory framework for public companies which would give confidence to investors.

When the need for minimum capital was discussed, paramount importance was given to its role in the generation of forex but the mistrust was also there. It is 'feared' that if the minimum capital requirement is reduced foreigners would flock to the country. There seems to be a very strong sense of control and not to be taken advantage of. Although there might be some grain of truth given that we are one of the weakest players in the global economy, the solution is to face the reality and to gradually integrate. Shying away and mistrust would unduly perpetuate our poverty which we cannot afford. Incidentally, our commitment to AfCFTA and WTO accession efforts should be with a genuine belief

that integrating with the global economy is not a choice but a must-do to realize the aspirations of young Ethiopians.

The minimum capital requirement of USD200,000 is not a magic number planked from thin air but is fixed with proper policy considerations. For SMEs and startups, the absence of local equity investment and the regrettable blocking again of foreign sources by the new investment proclamation leaves young Ethiopian entrepreneurs and SMEs to choke out their business innovation ideas.

In fact, having a minimum capital requirement would give some level of protection to smaller businesses in addition to the sectoral protection provided in the laws. However, the requirement should fully resonate with the policy objectives of the country. The requirement should not be implemented with a mis-fitness undermining the bigger development objectives of the country. One instance would be applying it to institutional investors. According to the Organization for Economic Co-operation and Development (OECD), "institutional investors are financial institutions that accept funds from third parties for investment in their own name but on such parties' behalf. They include pension funds, mutual funds, and insurance companies which are major forces in many capital markets. Under the new investment law such institutional investors are required to meet the minimum capital requirement both for direct and portfolio investments.

Although the root cause could be the omnibus nature of the law regulating both direct and portfolio investments, a temporary solution would have been to make exceptions to institutional investors. In my recent visits to London, I explored a private equity (PE) fund focused on technology startup companies channeling USD50,000U per target company. The fund is considering a series of investments across the country where the cumulative FDI would be much higher than the minimum capital requirement but it is not allowed to operate in this market. The exclusion of such funds from coming to Ethiopia is clearly against the policy objectives of the country. When a number of startups are desperately looking for such equity investment, we are becoming insensitive to their needs.

Under the present-day Ethiopian reality, the importance of economic development cannot be over-emphasized. All the endeavors of the government and other stakeholders are not carried out for the sake of doing but rather to realize the economic aspirations of millions of Ethiopians. It is a universal fact globally that SME's are big players in any economy, especially on job creation.

SMEs and startups have a big potential as scalable businesses especially in a country like Ethiopia where the median age is 20. It is my considered opinion the new investment law should have some exceptions to allow institutional investors to engage in portfolio investments without any minimum capital requirement.

# Ethiopia's Economy Needs New Thought and Policy Design



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The Ethiopian economy has been at the same level of growth and productivity for the last four decades. Economic growth, transformation, and development could not keep up with the speed and pressures of population growth. Unless population takeoff is backed by economic takeoff at the same time, the consequence is dire crisis. The population of the country has grown fast in these decades making Ethiopia the second-most populous country in Sub-Saharan Africa with a population of over 100 million. Currently, the Ethiopian population is increasing by over two million people a year.

Past and current economic policies could not provide a mechanism for the country to take advantage of its human and natural resource endowments. It is not fair to transfer the blame of poor performance on policy implementation alone. Large amounts of energy and resources are spent on implementation with little or no thought given to the subject of policy choices and design. Rather, Ethiopia's growth and development problems are related to approaches of economic policy analysis and economic thought used to shape choices and design.

There are at least three challenges related to policy choices and design: identification and definition of the problem; how to design solutions to the problem (missions, strategic goals, and means); and the actors leading and administering the policy. These questions are answered through the application of two branches of action theory and philosophy of economics: positive and normative economics. Policy makers look to these two branches of economics to conduct policy analysis (identify problems) and guide and design policy choices.

## Identification and definition of the economic problem

In economics problem definition, diagnosis and the finding of an optimal solution is often

explained using economic theories. This branch of economics which studies cause-and-effect behavioral relationships is called positive economics. The analysis of positive economics focuses on what it is and how it works. An example would be the production functions and mathematical models used in growth accounting theories and cross-country studies.

In a recent interview on the Ten-Year Perspective Plan (TYPP), Fitsum Assefa (PhD), Minister in Charge of the National Planning and Development Commission (NPDC), stated that 12 preparatory studies were conducted to "identify the current nature and level of Ethiopia's economy" (EBR № 94). It could be interesting to know the research issues, baseline models, and data used. These studies, however, do not tell by themselves right from wrong. As the minister said, the studies are used as inputs "to craft the pillars, visions, and targets of the economic plan." The question is what values NDPC used when considering alternative views.

The starting point (moral, values, and welfare thinking) matters for finding alternative outcomes. If policy-makers have no idea or principle of helping the people, then positive economics (theoretical investigation) is of no value whatsoever. If policy-makers start from the principle of helping the people (who know what ought to be done), then positive economics provides them with facts on what constitutes harmful actions.

In the case of Ethiopia, it is positive economics which is often used for problem identification. There are abundant theoretical model-based research works, and sector performance analysis used for economic problem identification. These research works explain how the economy currently functions and some tell policy choice consequences. As I see it, there is normative blindness. Policy makers do not share the same idea on what

the economy ought to be. For example, some emphasize industrialization, while others strive for expanding the tourism sector, and still others focus on expanding agriculture or infrastructure. Given resource limitations, there is no consensus among researchers and government policy makers on what ought to be done.

The experience of other countries shows that most policy disputes are resolved in normative economics, not through causal/ theoretical investigations (12 studies). The Ethiopian government needs normative thinking (well-being values or idea of what ought to be done) to determine which policies are most efficient—that is, which policies most increase welfare. For countries with a fast population growth, I propose Sustained Economic Growth, Transformation, and Development (SEGTD) as a solution. It is beyond the scope of this article to discuss justifications for and determinants of SEGTD.

#### Identification of missions, strategic goals, and policy means

The absence of normative analysis makes it difficult to design solutions to economic challenges. What is the overall purpose of economic growth, transformation, and development in the country? Again, this requires the application of normative economics which provides reasons for choosing a particular mission and the value that the mission serves. Depending on the ideology of the researcher or policy makers, there can be different missions that address different needs. Is the overall mission to raise living standards of the people, human development, protect the environment, cultural, and/ or political? The selection criteria for the areas of the mission depends on societal priorities and negotiation of stakeholders. What are the criteria used to identify mission statements of the Ten-Year Perspective Plan of the government?

I suggest using people-centered and place-based approaches to identify the missions of sustained economic growth, transformation, and development in Ethiopia. These are: increasing GDP per capita, job creation, regional development, macroeconomic stability, and environmental sustainability. I use population growth drivers and impacts as a framework to determine the missions.

Following the mission, there is a need to identify strategic goals, which answer the question “what should we do?” to achieve the respective missions. Strategic goals are the things that should be achieved to attain the overall purpose and they are accomplished over a long time frame. I suggest the following strategic goals:

industrialization, economic structural transformation, spatial transformation and integration, and stability. The TYPP is not only spatially blind, it does not clearly state which sector path to take for growth: services or manufacturing. Which matters more for growth and job creation?

#### Policy design procedure

Policy design procedure specifies who does what, how, and when. The procedure is launched after formulating the strategic goals. The sequence of steps includes a study of the functions of the identified strategic goals, underlying causes of their respective progress, identification of action plans at different levels, knowing responsible actors, study of organization capacity, and resource availability to implement chosen instruments. I have to conduct interviews on the procedures used to design economic policies. But my reflection on the inward/ outward orientation of the industrialization policy indicates problems of policy design (see EBR № 88).

The process of industrialization must be adapted to the particular situation of the country. In countries with fast population growth, industrialization has two basic functions. First, it supplies the internal economy with manufactured articles and capital goods required for economic development. But the export-oriented industrialization policy of the government encourages export trade and activities to supply the internal economy with imported manufactured articles. But a country cannot depend on export trade to import manufactured products and capital goods, since exports tend to increase less intensively than import requirements. The second function of industrialization is absorbing the surplus labor caused by population growth and stagnation of the agriculture economy. But the agricultural-led development strategy, which gives priority to smallholder agriculture, makes the country miss the opportunity for labor intensive industrialization. The industrialization strategies of the government show that there is no proper understanding and consensus on the functions of industrialization in Ethiopia. That means there is no agreement on the determinants of industrialization and consistency in the choice and use of industrial policy instruments. All roads do NOT lead to Rome.

#### The actors leading and administering the policy

Designing policy packages also requires a study on policy means.

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# The Quest for Robust and Inclusive Agricultural Policy in Ethiopia



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The negative impact on African economies of the COVID-19 pandemic was easily evidenced by the shrinking real GDP of all countries, according to reports released from international organizations. Reports further demonstrated that the extent of the economic slowdown in most countries is linked to the level of integration to the global value-chain, particularly to trade and tourism. A drop in world demand leads to a decline in prices for many of the primary commodities. Specifically, the economic contraction is bigger for exporters of fuel and horticultures. This hugely affected production and export of all economies. African countries through the African Union (AU) are calling to the world's creditors to reduce or cancel debt. The demand for debt reduction is mainly due to the pandemic that has a devastating effect on the continent's economy.

The occurrence of the pandemic has coincided with other problems, such as severe weather events and desert locusts, exacerbating the crisis and further reducing efforts to alleviate the impacts of the pandemic on the overall economy and human livelihoods in eastern Africa. The second wave of the pandemic is hitting the advanced nations hard and currently many of these countries are in serious lockdown measures. As a result, managing these crises on their own efforts brings an enormous challenge to African states which have already accumulated substantial amounts of external debt for many years into the future.

Given the role played by the agricultural sector to GDP contribution and employment opportunities, these African nations should design robust agricultural growth policies to strengthen resilient farming systems so as to realize agricultural growth in the short-term post-pandemic world and ignite sustainable agricultural development in the long-term. In this regard, developing and implementing context-specific policies that aim to increase agriculture investments will keep unemployment rates understandably low and trigger overall economic growth in many of the countries located in the sub-Saharan Africa region.

Ethiopia should also look for a new agricultural policy to transform the sector in order to catalyze the overall national economic development. This

is because agricultural development is vital for food and nutrition security, poverty reduction, rural development, and is a transformation vehicle for industrial expansion through backward and forward linkage. For Ethiopia's internal political challenges to be improved sustainably, it is not an easy task to find a long-term solution by only adopting political reform, as many politicians and activists are advocating. This is to mean that holding free and fair elections alone so as to improve the democratic environment will not bring the desired stability in the country. The bread question in Africa in general, and particularly in Ethiopia remains the major unresolved issue.

We do not need government officials to lecture us about economic crisis appearing in studios of state-owned propaganda machines, citing basic neoclassical economic theories and models. For that, we have enough experts to tell us, teaching at various universities in the country. The public wants to see action. We did not want to listen to empty talk from governmental authorities. This is because the situation in the future is to be more complex and difficult than today. Ethiopia's population is expected to be doubled by 2050. This booming population will result in an expanding urban population and will further lead to a decline in per capita land holdings. This is a demographic time bomb. Climate change is another global phenomenon with enormous impact on developing countries because their economies are hugely dependent on rainfed agricultural production. We cannot avoid the occurrence of climate change; however, it is imperative to put in place a timely agricultural policy that is capable of addressing the booming population and climate change challenges.

The Asian continent passed through a similar challenge (booming population) and managed to transform its agriculture and feed its growing population with the help of the green-revolution strategy. In the 1960s, research findings reported that serious food insecurity and famine plagued many Asian countries. However, agricultural yield and output doubled from the mid-1960s to the 1990s with the help of applications of improved varieties, increased fertilizer use, irrigation and

extensive public spending in infrastructure and agricultural research. With such a robust policy reform implemented, many of the Asian economies effectively managed to change the structures of their economies in a manner that is impossible to revert to an earlier stage of development. That achievement was one of the most transformative episodes in the history of agricultural development witnessed globally. The speed and scale with which it solved the food problem was remarkable, and it contributed to a substantial reduction in poverty and the launching of broader economic growth.

This has led to renewed calls to emulate the best practices from Asian achievements to promote agricultural investment in Africa since the 1990s. Most of the countries in sub-Saharan Africa have begun to show an urgent need for implementing a green revolution strategy. To counter the chronic food insecurity challenge of the continent, African policymakers have agreed that increased public investments in agriculture is a must to transform the traditional agriculture into one that uses modern technology and commercial practices. To this end, prominent initiatives such as the Comprehensive Africa Agriculture Development Program (CAADP) and the Alliance for Green Revolution in Africa (AGRA) were established in the 2000s in Africa. AGRA is an Africa-led organization established in 2006, with substantial funding support from the Bill and Melinda Gates Foundation as well as the Rockefeller Foundation, to deal with agricultural development in Africa.

However, many are criticizing AGRA for working to legalize the genetically modified (GM) crops in Africa given its connection to the philanthropists. The CAADP framework rooted in the 2003 Maputo Declaration calls for African agricultural research institutions, farmers' associations, African governments, and the private sector to collectively develop, heighten investment, and stimulate agricultural production and growth. The declaration urged AU Member States to invest at least 10Pct of their national budgets towards agricultural activities so as to generate approximately 6Pct annual agricultural growth rate.

In the early 1990s, Ethiopia launched the Agricultural Development-Led Industrialization strategy, in short known as ADLI, with the aim of generating fast agricultural growth in the country. The strategy aspires a 'technology first' approach to replicate the success of the Asian green revolution. Despite policy efforts to accelerate growth since the 1990s, various studies reported that rapid and remarkable agricultural expansion in Ethiopia were recorded mainly during 2004–14.

Studies further noted that Ethiopia is one of few African countries that meet the CAADP commitment to spend 10Pct of the national annual budget on agriculture using its various

five-year development plans put in place in the country for successive periods. Following this state-led substantial spending on agriculture, total production of all crops in Ethiopia increased significantly. However, this is largely dominated by cereal production. The sharp national production increase was mainly driven by intensification (yield increases) rather than extensification (bringing more land under cultivation). The most significant growth has taken place in Ethiopia's maize and wheat production. The maize revolution in Ethiopia is prominently linked to the increased adoption of hybrid maize varieties in potential maize surroundings.

Despite these achievements following the ADLI initiative, there are various issues in Ethiopia that have departed from the Asian green revolution way. The first concern is how budget allocation is prioritized. Despite the recognition of meeting CAADP targets, public expenditure was mainly done on expanding agricultural extension and infrastructural facilities (mainly connecting districts through rural road networking) as opposed to what has been done in the Asian green revolution: targeting research and development (R&D). The government has assigned extension workers (also known as development agents (DAs)) in all Kebele administrative structures across the countryside. To this end, three extension workers specialized in crop cultivation, animal production, and soil and water conservation practices were stationed at grassroot locations. The key mission of the extensionists is to provide training and education to smallholder farmers and provide information on how to adopt soil and water resource conservation and management practices.

Attracted by these fancy goals, a substantial amount of development funds was transferred to the Ethiopian government but ended up serving political interests of the ruling regime. According to studies, these extension workers were hugely involved in non-extension activities such as spending excessive time collecting data related to input demand and distribution all over the country similar to what private input dealers in other countries do. This is because the government had a strong desire to use the extension system as a political control mechanism. Therefore, the government hid the intention of using the extension program as an instrument for political control to secure electoral support in contradiction to the grand mission of the extension system.

The agricultural research and extension linkage is very weak in Ethiopia. Breeding centers are mainly mandated to develop uniform varieties aimed at providing high-yielding crop varieties for rainfall rich and favorable locations. The problem is that the same crop varieties were distributed to the drylands and areas affected by frequent drought, all based on the national initiative

of 'scaling up of best practices in technology adoption'. In general, this 'one-size-fits-all' strategy is a misguided approach because farmers have heterogeneous characteristics and hence, they need a wide range of diverse crop varieties to meet their varying demands that satisfy their specific household requirements and agroecological conditions. With the existing breeding practice, farmer households located in marginal and environmentally harsh areas are benefiting very little the breeding improvements.

Most importantly, ADLI neglected the livestock sub-sector. Given the potential of the livestock sub-sector in the lowlands and pastoralist economies, there is a need to revisit the existing agricultural policy with a goal to take into account the significant role played by the livestock sector

Linking Ethiopian smallholder farmers with the latest crop and livestock technologies requires a supportive policy environment. The government should intervene in input and output markets through subsidies and compensation measures to make sure that farmers are paid adequately each year for their produce, proving the technologies profitable. Big farmers located in the developed world such as Germany enjoy attractive subsidies from their governments annually and they also have access to unlimited credit facilities at lower interest rates. This boosted their agricultural investment and became highly productive (on average eight to ten metric tons of wheat per hectare). Accordingly, 1Pct of the German population who are totally engaged in farming is capable of feeding the entire population of the country with the remaining surplus produce exported mainly to Africa.

The new agricultural policy should take into account current developments in global agriculture and future contextual conditions as well as challenges. The most dominant challenge hindering sustainable agriculture is inadequate agricultural research and development (R&D). Thus, policymakers should convene to increase investment towards modern agricultural R&D and innovative activities to address the problem of food insecurity in an effective way. Modern agricultural technologies have the potential to make agriculture more productive, competitive, and sustainable. These technologies should also include state-of-the-art 4th industrial revolution technologies such as Artificial Intelligence (AI) enabled precision agriculture technologies, blockchain technologies, greenhouses, and modern livestock farming. Currently, international development organizations are using blockchain solutions to help farmers access quality agricultural inputs in the face of information asymmetry concerns by fostering digital and e-commerce marketplaces, micro-lending and financing platforms, and crop insurance services. For instance, neighboring countries like Kenya and Rwanda have utilized AI-enabled drone technologies to apply pesticides on crops, improve irrigation schedules, and field management.

In conclusion, sustainable intensification of crop and livestock production systems will have significant benefits in supporting food security, creating wealth and jobs, promoting trade, and competitiveness. To radically change Ethiopian agriculture, the country must focus to invest in cutting-edge modern agricultural technology R&D. Now, it is time for Ethiopia to address food security by utilizing appropriate modern technologies (including of modern irrigation techniques) to become the food basket for the African continent and the Middle East. The new agricultural policy should address these critical issues.

This includes courses of action gained from experience and favorable institutions, organizational capacity, and resource availability to implement the policy. By definition, policy means action and any intervention has objectives and actors, both public and private, who are involved in the process. There is a theoretical debate as to who promotes growth and development. The Ethiopian government argues for the importance of the state's role in promoting economic growth and development. Some economists favor a non-interventionist state, based on the assumption of the ability of the market to achieve efficiency and equilibrium. I advise the use of the cost-benefit approach to interventionism—compare the effectiveness of market intervention against state intervention. This means that the case for interventionism differs on the theoretical arguments and values of the researchers and policy makers.

### What is needed

Experiences from developed countries tells us that facts about how the economy works and beliefs about what policies are good are inherently connected. Even though both normative and positive economics are necessary for problem identification and design of solution, my observation is that in Ethiopia economic policy, design is based mainly on facts (12 studies as in the case of the Ten-Year Perspective Plan), not on explanation of reasons and values about what ought to be done (normative economics). The choice for policies is not justified by reasons about what policies are good for the country. The government does not take the effort (use normative economics) to explain and justify the kind of policies it decides to implement. There is normative theory blindness, lack of discussion on what the economy ought to be. Once again, all roads do NOT lead to Rome.

Consequently, the people of the country do not see incentives to participate in the policy. The government's economic policies have not yet convinced citizens to aim at the desired changes (prosperity and growth). The choice of policies does not provide incentives to carry out actions whose aggregate consequences brings about growth and prosperity. Citizens do not have an idea on what those aggregate (ambitious targets) consequences of policies may be. The policies do not provide and state clearly incentives for individuals to make a choice and act or be part of the policy.

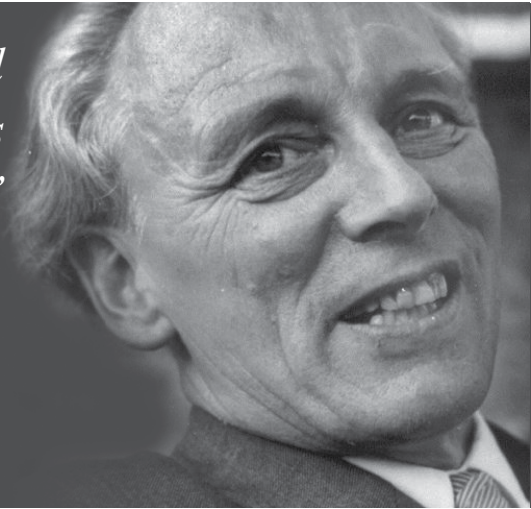
People understand the need to support the national defense force to thwart external aggression and ensure internal stability. There is a national consensus and agreement on this issue. Unfortunately, people do not find one that unites them on economic issues. For growth and development to happen, citizens should share a common guiding policy and direction.



“ Quote

*“Anyone who believes that exponential growth can go on forever in a finite world is either a madman or an economist.”*

Kenneth Boulding,  
American Economist and Philosopher  
(1910-1993)



From the Horse's Mouth

*“We cannot get all at once.”*



Liya Tadesse,  
Minister of Health

She announced Ethiopia has secured 9 million COVID-19 doses through COVAX, expected to arrive by April. Her ministry planned to vaccinate 20Pct of the 110 million population by end of this year. “We cannot vaccinate all of the population at once, even if we access the whole dose for entire population.”

*“In the near term, banks are likely to qualify quickly for listing,”*

Melesse Minale, Senior Macroeconomic Advisor at the central bank and Office of the Prime Minister

told Policy Matters. Banks are the closest to being listed on the much-expected Ethiopian Securities Exchange (ESE), which NBE plans to launch soon. The Council of Ministers recently approved a draft proclamation initiating the establishment of a secondary market through PPPs as well as the Capital Market Authority (CMA), the regulator.



# The Number

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MILLION

Amount of money Ethiopians sailors remit back annually. There are close to 4,200 sailors. But the share of Ethiopian sailors is only 0.23Pct of international sailors.

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