"Our coal washing plant will significantly improve the quality of local coal."
Mekuanint Alemu, Board Chair, C&E Brothers Steel Factory

A New Insolvency Law for Ethiopia
Tadesse Lencho (PhD), Assistant Professor, AAU

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ETHIOPIAN BUSINESS REVIEW

"THE PRIVATE SECTOR IS NOT BOLD ENOUGH TO SET UP SPECIALIZED BANKS."

Fikadu Digafe
V/ Governor & Chief Economist, National Bank of Ethiopia

Can Halal Bailout Ethiopia's Exports?

A Bird's Eye View of The Revised Commercial Code

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Use different parameters to facilitate different banks!

Aiming to improve the stability of the banking industry by creating well capitalized banks that can mobilize massive financial resources that are needed to speed up economic growth, the National Bank of Ethiopia (NBE) recently raised the minimum paid-up capital requirement for banks ten-fold to ETB5 billion with various grace periods.

It is not just in Ethiopia where such a push for capital build-up is being implemented. Similar beefing-up has become commonplace globally since the 2007 financial crisis as regulators pursue a more stable banking sector.

Nonetheless, less-developed nations' experiences reveal the precise impacts of such moves on the banking industry are not as shiny as portrayed. Even where there are large unbanked populations, competition was reduced as new entrants were locked out and the big players got even fatter to the point small banks could not properly operate.

Ethiopian banks have built their capital in the capital and other urban areas where the costs of operation are lower than rural areas. That is how it will remain and there is no reason for these big banks to go rural even if they are capitalized to the tune of ETB5 billion as long as there is enough market where they are located. Add to this our nation's instability and slowdown of business activity and it becomes clear the difficulty in which younger banks find themselves in.

Who will be served by these well-capitalized banks?

As we know it today, the majority of credit-takers are rich individuals and their big businesses who meet the ever-present surety requirement. The less moneyed and poor will remain spectators in this highly collateralized banking industry. Enforced capitalization will overwhelm relatively younger banks and reduce their capacity to go rural as they will face higher operational costs. But this is where we find the backbone of Ethiopia's economy as well as the majority of its dwellers.

The new capital requirement sidelines financial inclusion by discouraging the existence of small banks and only supports giant banks, either on their own or through mergers. For a government claiming to implement a pro-poor economic policy, this move is contradictory and erroneous regarding the regulation of the banking industry.

The role of small banks in serving the poor cannot be overemphasized in countries like Ethiopia where the penetration of financial services is low. It is these smaller banks in developing countries that have the willingness and incentive to go to remote areas and serve rural populations. This happens because the market in urban areas is the primary playing field for bigger banks. Small banks would be crushed here and so, by design or for survival, would have to go other areas.

The central bank should end its practice of seeing banks through a single lens. It should rather place legal frameworks to govern banks based on their function and capacity. Specialization is needed. No positive result will arise from forcing large and small banks to be on same platform at the same time. The government should also reconsider its negative outlook regarding the role of small banks.

It is a shame that in Ethiopia, a country with more than 110 million, there are no specialized financial institutions serving the agriculture, retail investment, and mortgage sectors. This should be altered as soon as possible. The caretaker central bank should raise its banks to unique capacities as a mother would her children and not all to one standard. EBR

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

Bank Launches Loan Package for Farmers

The Cooperative Bank of Oromia launches credit schemes for farmers previously limited to cooperatives and unions. The bank now provides loans with low interest rates to farmers alongside coaching on financial management. The new loans are categorized under irrigation, crop, fruit and vegetables, mechanization, coffee, and livestock. With an excess of 7 million clients, CBO is working on specializing in agricultural financing while reporting a profit of ETB1.9 billion last year, doubling from the previous period.

Universities Demand Special Procuring

University presidents have asked Parliament's Human Resources and Technology Affairs Standing Committee to introduce particular procurement laws for the nation's universities. Over the years, billions of unaccounted expenses are present without justification or correction. University presidents have now informed Parliament that the existing procurement proclamation is not aligned with the special and spontaneous nature of procurement activities in public universities.

IFRS to Be Part of Curriculum

The Accounting and Auditing Board of Ethiopia is to table a draft document for the House of People's Representatives prepared with input from 12 institutions. Approved by the Ministry of Finance, it will enable higher education institutions to provide IFRS principles to their students enrolled in accounting and finance fields. Ethiopia is among 13 African and 60 global countries that have adopted IFRS.

First Private POS Operator Oncoming

Sunpay Solutions PLC, sister company of Sunshine Investment Group, becomes the first company to invest in privately-operated Point of Sales (POS) machines. Established with ETB100 million, it plans to install 1,800 machines. Two companies have requested similar licenses after NBE issued enabling directives. Thus far, only EthSwitch, a consortium of commercial banks, has been operating the machines.

Ethiopian Airlines operates 33,182 cargo flights in one year. The national flag carrier, fully owned by the government of Ethiopia, said it operated the flights in the year between March 25, 2020 and March 25, 2021.

33,182 Flights

Agency Finds Waste Worth a Billion Birr

The Public Procurement & Property Administration Agency uncovered undisposed waste worth ETB1 billion after conducting assessments in 189 public institutions excluding SOEs. Public institutions that are given budget allocations are expected to dispose of their own waste. The agency is looking to enact a new law which will allow institutions to dispose waste worth up to ETB500,000 by themselves, up from the previous cap of ETB100,000.

City to Standardize Taxi Hails

The Addis Ababa Transport Bureau has finalized a draft document aiming at standardizing technology-based taxi hailing companies. The draft mandates operators ensure taxis are fitted with security cameras, information recording systems, GPS, as awell as maintain the vehicles' cleanliness and post the automobile's vital information in a visible place. Taxi shuttle operators and drivers will also bear responsibility for problems passengers face. Experience has been drawn from Australia and Canada.

DBE's NPLs 80Pct in Unstable Regions

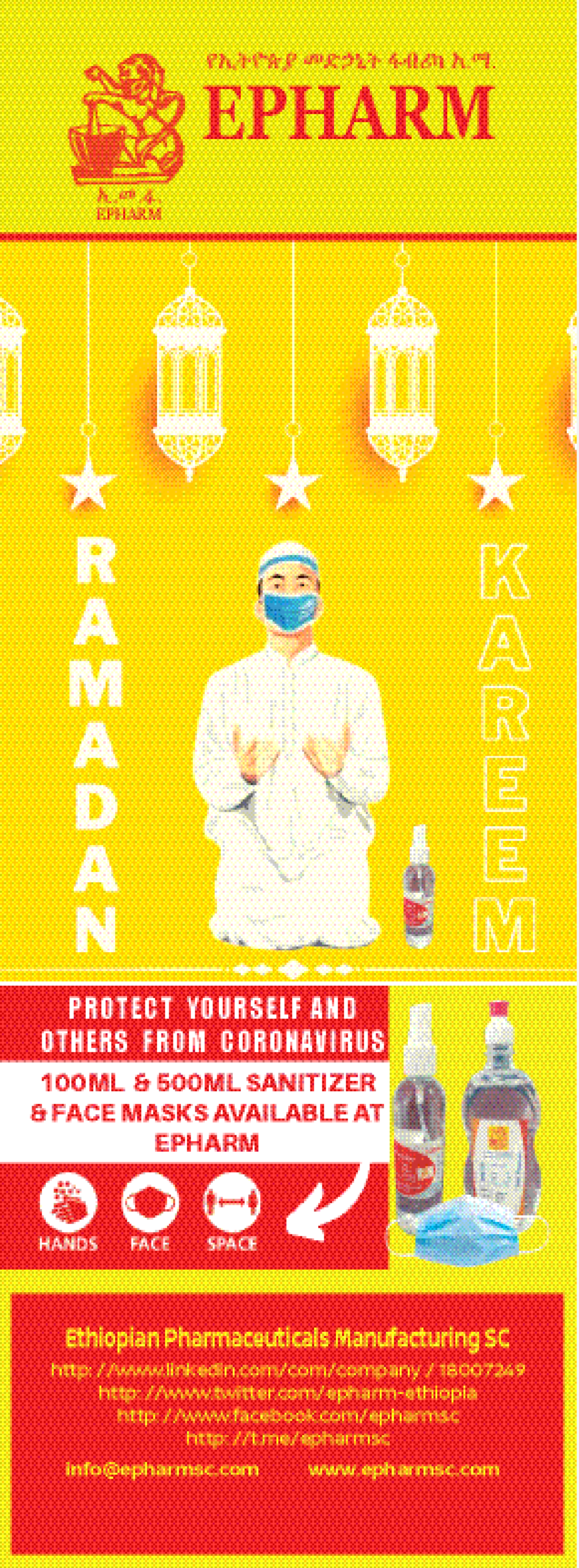
The Development Bank of Ethiopia (DBE) was unable to recover up to 80Pct of provisioned loans in unstable regional states. Collections from its capital goods financing program also declined from 21 to 17Pct, over the last three years, according to the Federal Auditor General's report. However, the bank announced it is undergoing reforms and has managed to reduce its NPLs from 39 to 25Pct within this year.

Homemade Int'l Transfer App Arriving

CashGo, the first local application facilitating international money transfers is launched by Solgate Travels PLC, the company behind the recently launched GuzoGo travel app. The company will charge 1.5Pct on international money transfers, much lower than the 5 to 7Pct existing in the industry. The application enables transfers of up to USD15,000 per day and also targets GoFundMe transfers, alongside remittance services.

2,195
Pct

Ethiopia exports 5.52 tons of gold over the last eight months, up from last year's 0.4 tons. Revenue also rocketed year-on-year to USD404 million from USD17.6 million, a 2,195Pct growth. The central bank improved its gold purchasing margin from artisanal miners and expanded its purchasing offices to previously uncharted regional mining sites.



Top 10

Countries' Savings from G-20's Debt Service Standstill Initiative (DSSI)

Rank	Country	Saving, Millions USD
1	Pakistan	3,645.4
2	Angola	1,782.9
3	Kenya	630.8
4	Ethiopia	472.9
5	Myanmar	379.9
6	Ghana	377.9
7	Cameroon	337.3
8	Bangladesh	331.9
9	Papua New Guinea	326.9
10	Lao PDR	315.0

Source: World Bank Group

The G-20 introduced the Debt Service Standstill Initiative (DSSI) early in 2020 to suspend sovereign debt repayments of least developed countries (LDCs), so they can redirect their resources to fight COVID-19. The suspension period, originally set to end on December 31, 2020, is now extended to December 2021.

There are 73 countries eligible for a temporary suspension of debt-service payments owed to their official bilateral creditors. The G-20 has also called on private creditors to participate in the initiative on comparable terms.

Of the 38 countries in sub-Saharan Africa eligible for relief under the G-20's DSSI, 31 have participated to some degree. The high participation reflects the fiscal challenges faced by the countries in the fight against the pandemic and its impact on economies. Some eligible countries, however, have been hesitant to defer payments on all eligible debt because of concerns about sovereign rating downgrades. For instance, Ghana, Nigeria, Liberia, and Benin are among countries not participating in DSSI.

All in all, DSSI implementation remains below expectations. As of the summer of 2020, the DSSI helped mobilize only USD4 billion, significantly below the target of USD12 billion for all participating countries. Furthermore, the impact of the debt freeze initiative has been rather limited due to the absence of creditor participation, including that of the private sector.

IMF estimates that Africa needs an additional USD345 billion through 2023. The G-20 and international financial arms are expected to introduce additional packages. EBR

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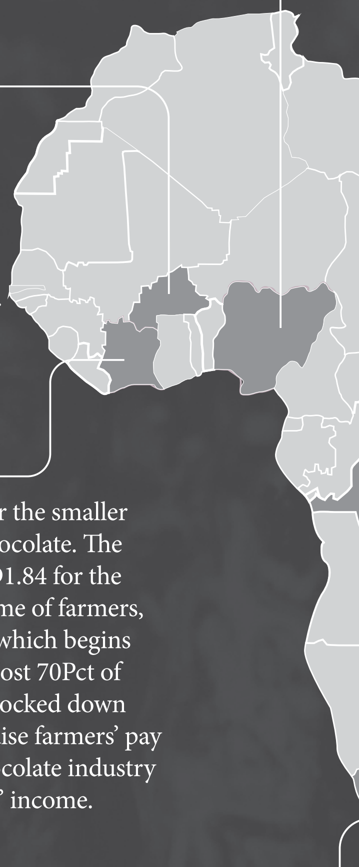
The following are a few of the biggest news stories that took place in Africa in the last month. The stories are sourced from Bloomberg and Reuters.

Coca-Cola Considers Options for USD6 Billion Africa Unit

Coca-Cola Co. is weighing options for its bottling business in Africa, including sale or initial public offering. The soft drinks giant holds 66.5Pct of Coca-Cola Beverages Africa and is speaking with advisers about its exit options. A sale or IPO of the stake could value the African business at about USD6 billion. Coca-Cola initially tried to offload the stake in 2017, when it drew interest from the likes of Heineken NV and Coca-Cola HBC AG. It had acquired the majority holding less than a year earlier, when it paid USD3.15 billion to buy Anheuser-Busch InBev out of the African bottling joint venture. The Coca-Cola Beverages Africa business serves 13 countries, including Kenya, Ethiopia, and Ghana. It accounts for about 40Pct of the Atlanta-based company's drinks sold on the continent. Coca-Cola concluded a deal earlier this year to increase local shareholding in its South Africa bottling unit.

Nigeria

Africa's largest crude producer says it won't phase out gasoline subsidies that are costing up to USD315 million per month until negotiations with trade unions are completed. While Nigeria produces 1.6 million barrels of crude a day, the state-owned Nigerian National Petroleum Corp. imports virtually all its fuel from abroad due to the country's low refining capacity, reselling it locally at a subsidized price. The state-owned energy company is absorbing monthly losses of between USD262 and 315 million on Nigeria's average daily consumption of around 60 million liters of gasoline.



Burkina Faso

A Burkina Faso military tribunal charged ex-President Blaise Compaore and other officials with the murder of Thomas Sankara, the iconic West African leader killed in a 1987 coup. Compaore, one of his top aides, Gilbert Diendere, and 12 others should face trial for the killing of the former president known as "Africa's Che Guevara," the tribunal said in Ouagadougou. After three decades in power, Compaore was ousted in a 2014 uprising and forced into exile in Ivory Coast.

Ivory Coast

Ivory Coast reduced cocoa farmers' pay by a quarter for the smaller of two harvests due to dwindling global demand for chocolate. The world's top producer, which increased pay rates to USD1.84 for the main harvest amid a commitment to improve the income of farmers, was unable to sustain the raise for the smaller harvest, which begins April 1. Ivory Coast and Ghana, which account for almost 70Pct of world supplies, expanded output just as the pandemic locked down cities, hurting demand. That's affected their ability to raise farmers' pay despite an agreement to charge the USD100 billion chocolate industry a premium of USD400 per metric ton to boost growers' income.

South Africa

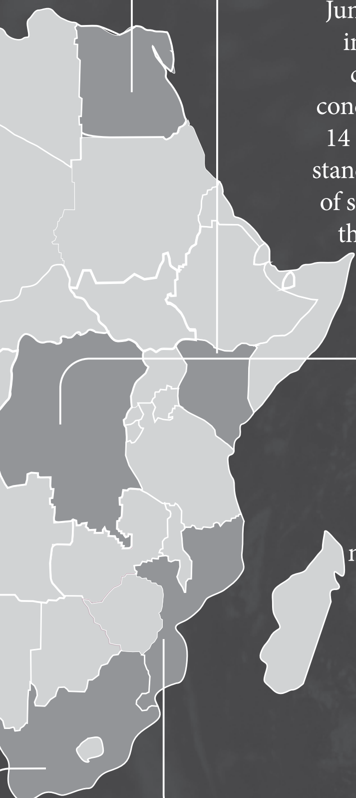
Sasol and its partner, Toyota Motor Corp., will install hydrogen refueling infrastructure along the highway connecting Johannesburg and the Port of Durban. The South African fuel maker plans to use a prototype truck that's being built in Japan in the pilot phase of the project. The partnership, which will include other partners over time, aims to build a sustainable end-to-end infrastructure for hydrogen mobility. Toyota's joint-venture with Sasol would help scale up investment in critical infrastructure such as charging stations and the fuel itself.

Egypt

EgyptAir is looking to expand in Africa as air traffic recovers from the pandemic, even as the carrier seeks more than USD300 million in additional government aid. The state-owned airline plans to help develop a new Ghanaian carrier and is weighing a joint venture with a Sudanese airline. EgyptAir will provide four Boeing Co. 737-800 aircraft to the Accra-based airline in which it will have a 75% share. The company is also in talks with Sudan Airways, the troubled state carrier of Egypt's southern neighbor, for an initiative that might involve establishing a transport hub.

Kenya

Kenya plans to borrow USD12.4 billion between now and June 2022 from foreign sources, the IMF said. The amount includes USD7.3 billion in Eurobonds, USD4.8 billion in concessionary borrowing, and USD282 million in semi-concessional loans. The external borrowing during the next 14 months amounts to about 6 to 7Pct of GDP. Public debt stands at USD67.5 billion. The IMF has walked into a storm of social-media criticism after approving a USD2.34 billion three-year financing package for Kenya in April. Kenyans protested the loans, arguing it will go to corruption..



Democratic Republic of Congo

Entreprise Generale du Cobalt, a newly formed state firm, will have a monopoly on all hand-dug cobalt, giving it power to improve working conditions and potential control of nearly 15Pct of the world's production. While it's dominated by huge industrial mines, about a fifth of its silvery-blue metal is still hand-dug, in often unregulated and dangerous conditions. Congo accounts for nearly 70Pct of the global supply of cobalt used in lithium-ion batteries that power most electric vehicles. Concerns about the industry have prompted miners and carmakers to reassure customers about ethically mined supplies of the metal.

Mozambique

Export-Import Bank of the U.S. decided to lend USD4.7 billion to a gas project in Mozambique despite its own analysis warning about security risks that have since forced Total SE to suspend work at the site. Ex-Im Bank approved the financing last year, outlining that it would support about 16,700 U.S. jobs over a five-year construction period. The funding accounted for the biggest share of about USD15 billion raised for the project and, according to the bank, displaced funding efforts by China and Russia as the U.S. government sought to deflect their growing influence in Africa. An Islamic militant insurgency is the "primary security threat" to the project's "schedule and costs, not to mention potential threats to life," the lender said in redacted documents on the Mozambique transaction.

African Banks May Lose USD48 Billion to Virus Rebound Risks

African banks need to improve operating efficiencies and mitigate other risks quickly to avoid a revenue slump of as much as USD48 billion over the next three years. If risks go unchecked, multiple years of low profitability will likely follow, according to a report by McKinsey. "Lessons from the 2008 economic crisis suggest that, in times of crisis, speed is everything." Banks must now begin focusing on post-pandemic growth and driving down costs through technology. McKinsey estimates lenders will need to increase efficiencies in their operations by at least 20 to 25Pct to restore returns due to shareholders to pre-crisis levels. The impact of the COVID-19 crisis was less severe on banks across the continent than initially expected as governments took steps to ease strain on businesses and interest rates fell. Lenders that aggressively built reserves to guard against souring loans in nations like South Africa and Kenya may see an improvement in results this year as provisioning levels relax.

FIVE BILLION OR MERGE!

Over the last two years the number of entrant banks has proliferated, almost equaling the amount of working banks. Nonetheless, a new directive issued by the caretaker National Bank of Ethiopia has shut the door on the further entrance of new banks, whilst also raising the bar on smaller banks and the close to 20 already in the pipeline.

Banks are now expected to raise their minimum paid-up capital to ETB5 billion within five years from the existing ETB500 million mandated in 2011. Although central bank authorities stress the intention is to discourage unbalanced proliferation and nurture few competitive banks, industry leaders and experts claim that this move is the interest of the leading banks. Up to six existing private banks are forecasted to consider merging, while a substantial number of under-formation banks will either abort their efforts or join hands. EBR's Ashenafi Endale investigates the implications of the new move.

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NATIONAL BANK OF ETHIOPIA
ADDIS ABABA

A wave of regulatory reforms has been introduced in Ethiopia since Prime Minister Abiy Ahmed (PhD) assumed power three years ago. Aiming to create a conducive environment for the private sector, expected to be the economy's primary engine, the administration has amended and enacted numerous laws.

The financial sector, in particular the banking industry, has also received its fair share of reforms ranging from allowing Ethiopian-born diaspora members to be shareholders in financial institutions to the sanctioning of Islamic banks.

But none compare with the decision of the National Bank of Ethiopia (NBE) to raise the minimum paid-up capital threshold for a banking business license to ETB5 billion on April 12, 2021—a tenfold increase.

Banks in operation are given a five-year transitory period to meet the new base, whilst under-formation banks are afforded seven years. "The new paid-up requirement will improve financial resilience and ensure the soundness of the banking industry," stresses Frezer Ayalew, Director of Bank Supervision at NBE. "Banks have a sufficient transition period before the deadline."

The bigger, the safer

The Commercial Bank of Ethiopia (CBE), with its 60Pct market share, is immune to the new capital threshold as its paid-up capital is ETB51.8 billion. The same applies to the other state bank, the Development Bank of Ethiopia (DBE), which raised its paid-up capital to ETB28.5 billion in 2020.

Besides CBE and DBE, the notion of "the bigger, the safer" also applies to a few current and under-formation private banks. Awash, the first private bank in Ethiopia established in 1997, is among few financial institutions with a paid-up capital above ETB5 billion even before the directive's introduction. By the end of 2019/2020, Awash's paid up capital reached ETB5.87 billion. Compared with the previous financial year, the bank's share capital grew by

33.4Pct or ETB1.46 billion.

During this year's annual meeting, shareholders even agreed to double the bank's paid-up capital to ETB12 billion in the next three years.

Awash is not exceptional in this regard. Surprisingly, Amhara Bank, now under-formation, managed to garner above ETB6 billion in paid-up capital, surpassing the new threshold form the outset. The pioneering Amhara Credit and Saving Institution, which has now transformed itself into Tseday Bank, is

> **"The new threshold is within our reach."**
>
> Dereje Zebene,
> President of Zemen Bank

also safe after registering ETB8 billion. However, some of the remaining 15 operating private banks and the more than 20 under formation will be tested by the new capital requirement.

Based on the year of establishment, private banks can be categorized into three groups. Pioneer banks which were formed between 1996 and 2001 are usually referred to as first-generation banks. This includes Awash, Dashen, Wegagen, Abyssina, Hibret, and Nib.

Second-generation banks, born between 2002 and 2008, includes the Cooperative Bank of Oromia (CBO), Lion, Zemen, and Oromia International Bank (OIB). Bunna, Berhan, Abay, Addis International Bank (AIB), Debub Global Bank (DBG), and Enat, established between 2009 and 2013 are known as third-generation banks.

Among first-generation banks below the new capital threshold, Dashen leads with ETB3.5 billion, while Wegagen has the least paid-up capital of ETB2.9 billion. To reach ETB5 billion by 2026, Dashen needs to increase its paid-up capital by at least ETB300 million annually while Wegagen needs to raise ETB420 million per year until 2026.

The extent to which banks could fulfil the new requirement depends on their size, earning power, and capital-raising capacity. Drawing from their previous performance, it is safe to conclude that reaching or perhaps surpassing the threshold seems easy for most first-generation banks. Even the youngest bank in this category, Nib, has managed to boost its share capital by ETB786.2 million in 2019/20 alone. Its current paid-up capital is ETB3.4 billion.

The way forward for second-generation banks also appears smooth. In fact, some including OIB and CBO stand better than first-generation banks with a paid-up capital of ETB3.7 billion and ETB3 billion, respectively.

These second-generation banks have been annually increasing their paid-up capital by an average of ETB300 million. To fulfill the requirement, they have to double their efforts.

Even the management of Zemen, the least capitalized bank in this category, is optimistic. "The new threshold is within our reach," says Dereje Zebene, President of Zemen. "In fact, our shareholders have already decided to raise the bank's capital to ETB5 billion last year."

The fate of some third-generation banks, however, looks uncertain. For instance, the paid-up capital of AIB and DGB is below ETB1 billion as of June 2020. Further, they have only been increasing their paid-up capital by ETB200 million annually in recent years. At this rate they will be unable to fulfill the requirement.

"Some third-generation banks might face an existential threat because of the difficulty of raising more than ETB700 million annually," argues Eshetu Fantaye, Founding Member of Goh Bank and former president of Bunna. "Especially for late comers, it will be hard to raise this amount of capital even if they sell additional shares and recapitalize dividends."

The directive states that any licensed bank unable to secure the ETB5 billion by June 30, 2026, will be dissolved and put under receivership, or the "NBE may take any measure it considers fit."

However, Wendifraw Tadese, Chief Strategic Officer at Abay Bank, claims the new threshold is easily achievable. "Most banks are already halfway to ETB5 billion."

The case of banks currently under formation is more complex. These banks currently selling shares can get licensed by the central bank only if they can collect ETB500 million within the next six months. Even if that is managed, they face a further and perhaps tougher task of reaching the ETB5 billion threshold in the ensuing seven years. Currently, there are 20 banks in the pipeline, of which four have fulfilled ETB500 million and have requested the NBE for an operational license.

Drawing from the past experience when a number of under-formation banks went defunct when the central bank raised the paid-up capital threshold from ETB75 to 500 million in 2011, stakeholders stress that the new

requirement will be devastating for banks selling initial shares.

Dawit Keno, President of Hijra Bank licensed last year but delayed due to COVID-19, says it is even difficult for under-formation banks which have already garnered ETB500 million. “Hijra Bank mobilized ETB600 million from its 9,000 shareholders but we are expected to increase our paid-up capital by an annual ETB1 billion from now on, which is difficult. We can raise our capital by selling shares to our existing shareholders but this will not be enough.”

The other option available for such banks is to sell shares to the public, according to Dawit. “But to do this, we first we have to prove the bank is profitable. However, it takes at least two years for a new bank to become profitable. Therefore, the transition period for banks under-formation should be extended to at least eight years.”

The end result

The central bank stresses the move is necessitated by the need to improve financial resilience and ensure the soundness of the banking industry. However, it didn’t link how the push for capital build-up improves the stability of the banking industry.

“As always, the directive lacks objective function,” says Tekie Alemu (PhD), Lecturer at Addis Ababa University. “We don’t know whether the intention of the central bank is to stabilize the industry or reduce competition.”

The experience of many developed and developing countries shows that capital build-up improves the banking industry’s stability by creating well-capitalized banks which can withstand financial instability. In fact, regulatory capital beef-up became globally common after the financial crisis began in 2007.

But experts stress there is another reason for enacting the new requirement. “The new threshold seems to reduce the influx of banks joining the industry,” argues Dawit. “More than 20 new banks are looking to enter the industry. This was way beyond the central bank’s expectations. Thus, the entry barrier was raised.”

If what Dawit is saying is true, the aim is the reduction of competition in the banking sector by locking out new entrants. Since there already is stiff competition among existing banks, the new requirement looks to prevent the likeliness of extreme competition that can lead to financial fragility.

“By raising the capital requirement, the central bank can ensure that there isn’t excessive competition amongst banks,” argues Abdulmenan Mohammed, Financial Expert and Accounts Manager at the London-based Portobello Group. “Thus far, any bank that could raise ETB500 million was allowed to become a bank, without any pressure to specialization. Now, only very few can meet the requirement and get licensed.”

“Some third-generation banks might face an existential threat.”

Eshetu Fantaye,
Founding Member of Goh Bank

“If discouraging new entrants was the intention, NBE could have just raised the minimum paid-up capital for banks under-formation. There is no reason to put in danger especially third-generation banks that have been struggling to even to meet the ETB500 million threshold,” Wendifraw stresses.

Proponents of the new level justify their argument in stating that ETB5 billion is still small in dollar terms—around USD125 million at current rates. Some experts even propose the central bank adopt a dollar-based capital requirement to make Ethiopian banks equal with their African peers.

On the other hand, opponents of the directive mention legitimate reasons for the unlikely outcome of the directive. The fact that most existing and oncoming banks are formed along ethnic lines is a self-made trap disabling them from selling shares to the wider market outside their circles. They also stress instability in several parts of the country makes raising more funds very difficult.

The need to raise more capital is vital for Dereje. “COVID-19 exposed how much our banks are unable to absorb shocks, because of their limited capital,” he stresses. “There are many corporate customers with more capital and shock-absorbing capacity than most existing banks.”

For Abdulmenan, the fundamental problem in Ethiopia’s banking is the dominance of CBE. “CBE controls over 60Pct of the market. Close to 40 banks have to compete for the remaining bit, if the new banks in the pipeline are to go operational.”

However, Tekie argues what matters is economic efficiency. “If a few banks can provide every banking service, then they are enough for Ethiopia.” EBR

“The private sector is not bold enough to set up specialized banks.”

Fikadu Digafe is Chief Economist and Vice Governor of the National Bank of Ethiopia (NBE). He strides in the most laboring job in the central bank ever since the bank started baptizing itself with reforms ensuing the landslide reshuffle of October 2019. He was previously in charge of external economic analysis and international relations at the bank. For many years, Fikadu has been engaged in the research works of the central bank, including scripting for the quarterly bulletin of the bank, Birritu.

As per his current position, Fikadu is central to many of the ongoings of the central bank and its policies shaping the banking industry and economy as a whole. With this responsibility, he looks to steer in turbulent waters disturbed by the pandemic, inflation, and distressing state-owned enterprises’ debt. In its caretaking role, NBE has enacted moves to strengthen the position of banks, root out illegal business activities with digitization, and foster strong but not excessive competition. The expected stock market and liberalization of exchange and interest rates further down the road are also a call for thought.

The central bank has undertaken a number of swift measures over the last six months including currency redemption and cash and transaction limits. Its latest move of raising banks’ minimum paid up capital from ETB500 million to ETB5 billion has become an existential threat to small and newly-forming banks. However, Fikadu says the objective of the directive is to rather create sound banks faced by an enlarged demand for credit as economic plans are getting bigger. He reflects on a range of issues raised by EBR. The following are excerpts.

What is the general objective of the latest augmentation to the minimum paid-up capital threshold?

As NBE is working on the implementation of a modern risk-based capital adequacy ratio prudential supervision, a bank with a low level of capital will not fulfill the required level of soundness indicators. Hence, increasing the minimum capital to be met over time is a vital and timely decision.

The government has recently launched the Ten-Year Perspective Plan where the level of the banking sector has been clearly indicated level by level with GDP-related indicators. This means financial markers like credit to GDP and deposit to GDP ratios must be significantly increased from today's levels so that the projected significant growth in GDP will accordingly be supported by financial sector development. Therefore, the minimum paid-up capital for newly entering and existing banks shall be improved upward to meet prudent GDP ratios.

Apart from buffering banks' lending capacities, financial inclusion should be part of the capital raising objective. The effort to make few giant banks, a causation of the new directive, ignores the importance of small banks. Global experience shows that few giant banks serve few big businesses, while the mass of small banks serve rural areas and SMEs. Is the aim to make relatively giant banks? Why does NBE consider them all as commercial banks without categorizing them according to specialization and set varying parameters conferring upon their sectoral performances?

Increasing the minimum capital to set up a new bank does not negatively affect the enhancement of financial inclusion. Is not a must to have many small banks. What is rather important is having strong banks that can invest in various technologies to reach every corner of the country through digital and physical means. We therefore cannot view this directive as discouraging financial inclusion. The objective is not to create few giant banks, but rather banks that can resist risk as measured from various points of view. Had the objective been the creation of few giant banks, NBE would not allot a five- and seven-year grace period in addition to the six months for under-establishment banks to meet the current threshold. All this is witness that the main objective is not to create few giants.

The argument that small banks serve rural areas contrary to big banks is a generalization. As long as there is enough competition amongst banks supported by digitalization efforts, there will be enough attention from banks to the rural areas in due time. Rural areas and small businesses are not properly served not because of the size of banks but rather because of the lack of adequate collateral. Having big banks with adequate capital can help them invest in project appraisal and enabling technology so that they lend to viable projects without collateral. We also have many microfinance institutions serving rural communities and small businesses. They are filling the gaps.

It is not NBE that categorizes all banks as commercial banks. NBE cannot control the type of banks the business community is setting up. Thus far, due to various unidentified reasons, almost all existing banks, including under-formation ones, are commercial with the one exception being Goh Betoch Bank. Therefore, the private sector needs to be looked at as to why specialized banks are not being set up, not NBE that will amiably welcome this.

> **The objective of the directive is not in fact creating few giant banks."**

The increased competition between banks could move them to lend to higher interest paying businesses. Won't this result in the exclusion of farmers, manufacturers, and SMEs?

The existing banks are already serving very few sectors and especially cater to traders. Increasing the minimum capital will not further the problem of unfair sectoral distribution. One of the reasons for the concentration on few sectors and thus inability of serving risky areas is banks' low capitalization. Enhancing banks' capital will not necessarily hold them from serving disadvantaged sectors. To the contrary, it will increase the sectoral coverage of banking services through investment in digitalization and project analysis by the banks.

Since last year, NBE has been encouraging the establishment of new banks. Why abruptly tighten the entry barrier now?

NBE does not discourage or encourage the establishment of banks. What is important from NBE's standpoint is having a prudent and developed banking sector that can fairly serve all economic sectors. Increasing the minimum capital requirement might reduce the number of banks but it will not negatively affect how the economy is serviced by the sector. It is important to have banks that can resist systemic risk and be efficient. This is attainable by having economies of scale via large strong banks.

What is the outcome of demonetization, in terms of reducing cash outside the banking system, boosting banks' liquidity, improving credit disbursement, and mitigating the informal economy?

The government undertook the demonetization measure in September 2020 mainly aiming to bring currency circulating in informal economies into formal systems. Additionally, the move is believed to have increased financial inclusion in the country, improved banks' liquidity levels, and discouraged illegal money transfers and transactions, amongst others.

Our assessment shows that the measure has produced the intended objectives on relative terms. The ETB107.4 billion outside of banks just a month prior to the change of legal tender, shrank to ETB64.7 billion in just one month. Further, 7 million new accounts brought in more than ETB106.6 billion in fresh deposits as of the end of February 2021. As a result, commercial

banks' liquidity levels have shown a significant improvement. Their improved position in this regard has led to bettered loan disbursements. During the first six months of FY 2020/21, banks loaned ETB155.4 billion, a growth of 43.4Pct to the previous year's corresponding period.

NBE's recent measures tightening cash withdrawal and holding thresholds, as well as transaction frequencies are criticized by cash-dependent businesses, including wholesalers, contractors, and agricultural commodity suppliers. Cash is restrained without availing sufficient alternatives, including digital ones. Businesses are holding cash in hand rather than in banks, mainly because they cannot sufficiently access their own cash. Many say this will create a liquidity crunch in the long run. Do you think NBE considered such outcomes when introducing limiting directives?

We understand the importance of cash in our cash-based economy more than anyone. However, given the drawbacks of cash as a dominant payment instrument, NBE aspires to move our economy away from relying heavily on cash. There are a lot of inefficiencies arising from this condition. Cash-based transactions also open doors for illegal activities, tax evasion, low levels of financial inclusion, etc. Thus, the national bank, in collaboration with other stakeholders, is working to modernize the country's payment systems.

The directives enacted by NBE to authorize and license technology providers to issue payment instruments as well as operate payment systems are good examples of NBE's efforts to digitalize the field. Thus, in addition to providing alternative payment instruments, NBE believes that cash-based transactions should be discouraged as a payment system, and this requires policy intervention.

Before issuing the directives limiting daily cash withdrawals and in hand, as well as weekly account to multiple account transfers, we have critically analyzed the potential impacts. The measures are being implemented because the positive impacts outweigh the negatives on the economy. The main objective is to tackle illegal money transfers that have especially fueled foreign exchange parallel market premiums and illegal business activities. There are several coping mechanisms to the limitations where legal and established businesses are given special treatment at banks' discretion without conferring with NBE. For example, coffee traders, live animal traders, government institutions, diplomatic communities, NGOs, and other established legal organizations and companies who can prove their source of income can be treated differently.

We aim to target illegal actors and serve legal businesses. Thus, even though there will be temporary side-effects, medium- to long-term upshots of the policies are very important as a nation. We knew demonizization would not be a permanent solution. These actions, however, will be proper remedies.

Inflation is currently in the double-digit zone. What is NBE doing to control inflation?

In most cases, inflation is again the result of supply and demand side factors as well as exogenous shocks or the combination of these factors. There is empirical evidence that inflation in Ethiopia ensues from a combination of demand-supply factors as well as occasionally occurring shocks. As a mandate, led by stable inflation, NBE is responsible to maintain macroeconomic stability, which is specifically insuring single digit inflation. However, NBE's role is limited to controlling only the demand side factors whereas inflation is caused by both supply side factors and demand management, which we effect by controlling the amount of money in circulation. The less money is in circulation, the less demand there is for products, and thus the lesser inflation will be.

Towards this, we have planned a very tight monetary policy stance measured by base money growth in 2020/21 relative to more than 22Pct expansion in 2019/20. Base money expansion is in turn affected by direct advances to finance budget deficits, among others. In this regard, the government has already started financing its budget deficit through market-based treasury bills since December 2019. Therefore, there will traditionally be the lowest direct advance to the government from NBE in 2020/21. Still, however, supply side constraints and exogenous shocks have considerable roles in fueling inflation in Ethiopia.

What measures is NBE taking to overcome increasing non-performing loans (NPL) resultant of the COVID-19 pandemic?

Since the first case of COVID-19 was discovered in Ethiopia in early March 2020, there was no evidence of declining loan repayments for the sector as a whole compared to similar months in 2018/19. Assuming current trends continue, we can be optimistic about the banking sector in 2020/21, albeit the impact of the pandemic shall not be undermined.

How effective are the 25Pct and 2Pct, respectively, banks are mandated to allocate for branch expansion and human capital development?

Regarding the 2Pct for human capital development, financial institutions were doing very well before COVID-19 broke out and affected training activities. With regards to the 25Pct for new branches, however, we need to make an assessment and see the data. Bank branches grew to over 6,500 in a decade.

Do you think NBE is discharging its duties duly to control capital flight?

There are various causes for capital flight, including macroeconomic imbalances, where we see a big gap between forex demand and supply. Capital flight will be the result of export under-invoicing and import over-invoicing where exporters and importers try to divert the forex from formal channels. The very reason for these actors to engage in this diversion is the big gap between supply and demand for forex that, in turn, increases the premium between official and parallel exchange rates.

NBE has tried to control capital flight through stringent forex directives. But as long as there is a huge gap between demand and supply, our efforts might not be sufficient. Capital flight might also result from corruption. Here, closing the gap cannot be a solution and hence political commitment is required rather than policies. NBE has several directives governing various activities involving forex, yet we are not in a good position to control capital flight due to the fact that it is resultant of a mismatch between supply and demand for foreign exchange.

Is there a magic bullet to improve Ethiopia's export performance? How do you evaluate the real impact of devaluation on exports? How can it shift the economic balance to tilt from demand to supply?

Devaluing nominal currency is one of the recommended remedies to encourage export earnings, it at least theoretically improves the current account position. The assumption is that currency devaluation makes local goods cheaper in the international market and imported goods more expensive locally, correspondingly affecting their demand.

To make exports cheaper and attract local-made demand—intended objectives of currency devaluation—two important issues must be evaluated. First, as the quality of goods will affect demand and not only relative price, improving this quality shall be a foremost issue. Second, there must be surplus production available for export in order to benefit from devaluation measures and meet the expected demand from abroad. In both cases, there aren't sufficient efforts.

In the case of making imports more expensive locally, there is no probability of stopping imports despite price increases as there are always necessary imports like capital goods, fuel, and medicine amongst others. This makes Ethiopia a net importer where imports are price inelastic. As a result, exchange rate increases pass on to domestic prices, overvalue the real exchange rate, and affect the nation's competitiveness the other way around. Therefore, as long as we are a net importer—due in part to poor import substitution schemes and structural bottlenecks to increase production—lacking productivity, quality of goods, and horizontal and vertical diversification, devaluation alone will not enhance export earnings and improve the current account situation. In the Home Grown Economic Reform Program (HGERP), import substitution, export diversification, production and productivity enhancements, logistics, and the general business environment will be significantly improved towards the supply side. On the demand side, prudent monetary and fiscal policies will be in place. Then, real exchange rate overvaluation is expected to be improved.

Therefore, by the end of the HGERP and beyond, there is hope that both supply and demand side factors will improve exports. This will be combined with reduced imports via import substitution schemes. To sum up, currency devaluation alone has never been successful enough to boost exports and will never be successful unless otherwise supported by effective demand-side management and supply-side improvements.

> **"Improving CBE's asset quality has been targeted through restructuring SOEs' debt."**

What are NBE's major targets in the Ten-Year Perspective Plan (TYPP)? What is the economic model?

NBE's target will be to modernize its monetary policy formulation using more indirect monetary policy instruments to create a stable macroeconomic environment; develop financial markets for efficient resource allocation through market-based interest rates and exchange rate policies; and digitalize the financial sector to enhance ease and outreach. On a specific case, improving financial sector development, measured by private sector credit to GDP ratio, will be our key target. We aim to at least increase it to levels of the current Sub-Sahara African average, from its lowest point of 16Pct in June 2020.

The economic model might be private sector led albeit government's participation in key sectors in collaboration with the private sector through Public Private Partnerships (PPPs) will be an important step.

Currently, the government is restructuring state-owned enterprises' (SOEs) distressed debt. This means SOEs will need more finance in the coming years. What will be the impact on the financial sector, particularly NBE and the Commercial Bank of Ethiopia (CBE)?

In the Growth and Transformation Plan (GTP) editions one and two, SOEs' mega projects were expected to be financed by CBE through long-term bonds issued by the institutions. As most of the mega projects were expected to be operational on schedule, no downside effects were anticipated on CBE. However, almost all mega projects are not finalized on time and expected revenues have not been realized while both external and local debt repayments are maturing. As a result, CBE's asset quality has been put under the question mark. Therefore, improving CBE's asset quality has been one of the comprehensive HGERP moves targeted through restructuring SOEs' debt, among other schemes. In this case, an assessment has been done with help from World Bank experts and its implementation will be in place from 2020/21 onwards. This, without doubt, will improve CBE's asset quality.

What is the secret behind the Ethiopian banking industry remaining highly profitable?

Banking sector profitability might be on account of various factors including economic growth creating demand for financial services, relatively less competition, resilient supervision from the central bank, and the good internal operations of the banks, amongst others.

Government is pledging to avail sufficient space to the private sector by reducing the state's hand in the economy and shifting from the past developmental state regime to a market-led economy. What is in store for the private sector in terms of accessing more finance and becoming internationally competitive?

This issue is properly addressed in the HGERP as well as in the recently introduced TYPP. We have already embarked on this broad objective of enhancing the role of the private sector by repealing the mandatory 27Pct NBE bill purchase in November 2019. Efforts underway to improve CBE's asset quality are also part of reducing state enterprise financing to increase the bank's role in lending to the private sector. The role of the government will be to limit possible market failures in a manner that will not create governmental failure as was the case under GTP I and II. The other major arrangement in our economic program is the enhancement of PPPs, especially in key areas like energy.

Currently, a number of new banks are under formation. Will this pressure NBE to extend the timing of the opening-up of the financial sector? Is liberalization or privatization better for Ethiopia? NBE encourages banks to merge and form larger banks with the new directive raising the minimum paid-up capital ten-fold a move in this direction. Still, the number of banks is expected to blossom. Will this affect the growth of banks?

The number of domestic banks might not have a direct relationship with the timing of the opening-up of the sector to foreign investors. Currently, there are 18 banks, including DBE, to service about 110 million people. One branch is serving about 17,000 people as of June 2020. In this case, the oncoming of additional banks might not be excessive for such a large population. Kenya, with a population half of Ethiopia's, has about 42 banks.

Regarding liberalization or privatization for Ethiopia, state-owned banks must be strengthened to compete with private banks instead of being privatized. Countries' experience reveals that having strong domestic banks is a pre-condition for the invitation of foreign banks. In this case, merging banks to create relatively big banks will be one of the preconditions for the opening up, albeit it is not a must as there will be chances for individual banks to be large enough own their own. As the merging of banks might not be affected by their number, a high growth in the number of banks in the near future might not necessarily be a down-side consequence. A larger number of banks might affect the forbearance of implementing merging activities, however.

> **"A market clearing exchange rate regime will be implemented by the end of HGERP."**

NBE recently disclosed it will liberalize the exchange rate regime as well as interest rates. What will be the exact prevailing exchange rate model after three years? Are NBE and the economy ready for floating? What will be the impact on banks and imports?

Currently, NBE's exchange rate policy is a managed floating regime where daily inter-bank exchange rates are decided by NBE. The plan is to have exchange rates settled by demand and supply factors instead of directly by NBE. Thus, a market clearing exchange rate regime will be implemented by the end of the HGERP. In that case, the role of NBE will be to signal the market rate through foreign exchange interventions done by increasing or decreasing foreign exchange holdings based on the situation on the ground.

Regarding the readiness to implement a floated exchange rate, the answer will be 'no' as of today, but if the preconditions indicated in the HGERP and other reform agendas are properly implemented, there will be no reason to fear a floating exchange rate. Preconditions include improvement of NBE's international reserve levels; employment of prudent monetary and fiscal policies; reduction of structural bottlenecks to boost export; and the substitution of key import items like wheat, edible oil, and sugar amongst others.

Regarding market-cleared interest rates, the key factors are a modern monetary policy formulation using more indirect monetary policy instruments and the development of capital markets. Currently, NBE's nominal anchor is base money growth i.e., we use operational quantitative target. We are working on modernizing the monetary policy framework where shifting our nominal anchor to interest rates is the key reform agenda. This will be supported by the introduction of effective liquidity forecasting, inter-bank money market development, and capital market development in general. To have a market-cleared interest rate, there shall be effective monetary policy transmission mechanisms where a change in the policy or discount rate will affect the inter-bank rate, treasury bill rate, and term loan rate. These in turn influence the ultimate target which is inflation.

Government also envisages opening a secondary market in the near future. What kind of secondary market will there be and what are the preparations underway?

Currently, a study has been finalized and sequentially presented to the bank's management and board of directors. The reform has three phases where developing a money market, capital market, and corporate bond market are to accordingly be in place. A secondary market will also be developed for securities and shares/equities. EBR

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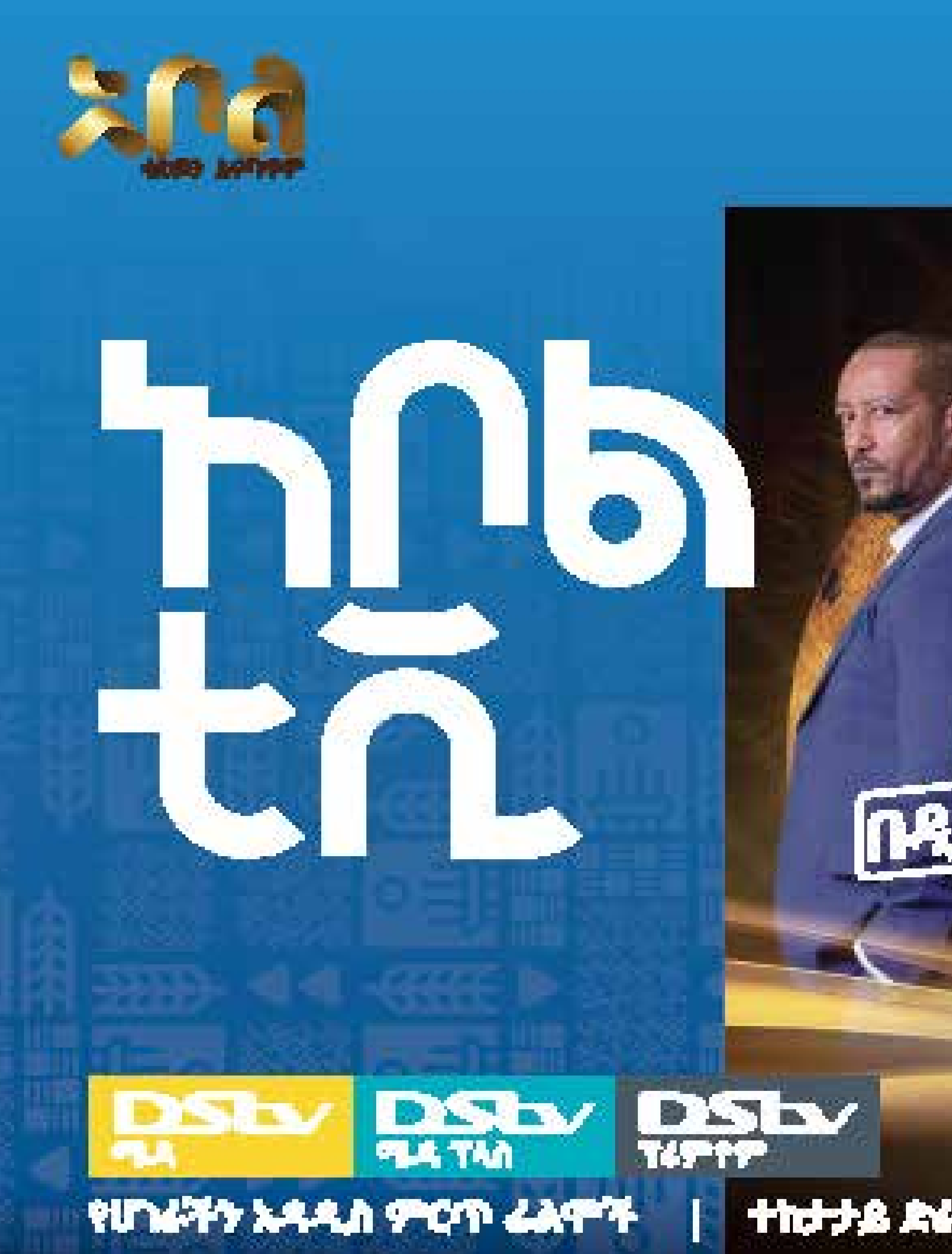

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Can Ethiopia's Coal Bonanza Substitute Imports?

Coal is the second-most used source of energy globally. Primarily used for power generation, it is the raw material of choice for 40Pct of electricity production worldwide. With an estimated 430 million metric tons of coal deposits in the country, the Ethiopian government is trying to utilize this resource by encouraging small- and large-scale coal producers and investors. As a result, the country has managed to satisfy 40Pct of its annual demand from the local market. However, the quality of the coal produced is of poorer quality compared with imports from countries like South Africa. Resultantly, manufacturers going local are incurring additional costs. EBR's Ashenafi Endale explores.

Pressured by the massive amounts of unemployed youth demanding more job opportunities, Oromia Region has started handing over coal mining concessions to organized youths three years ago. Close to 170 associations have since received coal mining rights in Yayu, Ilu Ababor Zone beginning June 2018. The site, which had been under the former Metals and Engineering Corporation (MetEC) for seven years, was planned to supply coal for the Yayu Fertilizer Factory. As the construction of the fertilizer plant lagged behind, officials in Oromia decided to cancel MetEC's right on the coal site.

Since then, the regional governments in Amhara and South have followed suit. However, Oromia leads by handing over coal mining rights to 500 youth-organized associations until June 2020. These associations and their investment partners earned ETB29 million in the last fiscal year.

"Thousands of associated youths are now mining and supplying to various industries," explains Tesfaye

Megersa, Mining Expert at the Oromia Mines and Resources Authority. "There is high demand for coal in the region as there are many cement plants."

Unsubstantiated estimates put Ethiopia's potential coal reserves at 430 million metric tons. Though not at the required level, the Ethiopian Geological Survey (EGS) and private companies have conducted detailed studies in some areas with results indicating that the country is greatly endowed in this regard. For instance, a study conducted by Changshi, a Chinese company, reveals that there are 179 million tons of coal reserves in Yayu. The coal production from this site alone can satisfy the nation's demand for over 40 years.

Abundant coal deposits have also been found in areas like Gojeb, Chinda, Kindo, Halul, and Wake in South Region, in Wuchale in Amhara Region, and in Arjo, Nejo, and Mendi in Oromia Region.

By expanding coal mining in these areas, the government hopes to save the precious foreign currency the country spends importing coal. Ethiopia annually spends USD220 million to import 670,000 tons of coal, mainly from South Africa. This covers only 60Pct of the estimated demand of 1.1 million tons, with the balance fulfilled by local small-scale producers.

The Ethiopian Petroleum Supply Enterprise is the major importer and supplier of coal to the economy. National Oil Ethiopia (NOC) is a private importer. Cement, textile, marble, and ceramic factories are among the majors using coal as a source of energy.

Habesha Cement is one of the factories with a huge appetite for coal. As of two years ago, the cement factory used to consume an annual 110,000 tons of imported South African coal. Since 2019, however, the factory is satisfying its coal appetite by procuring locally. "Only Habesha Cement uses 100Pct local cement," Frehiwot Fekadu, Communications Director at the Ministry of Mines and Petroleum, informs EBR. "Factories source up to 40Pct of their coal demand locally."

Yet, Mesfin Abi, CEO of Habesha Cement, says local coal has poor quality owing to its high content of impurities like ash. "As a result, its energy output is less than that of purified coal imported from South Africa," Mesfin explains. "This brings additional costs for the


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factory."

The average heating value of local coal is 4,500 to 5,000 kilocalories per kilogram. On the other hand, the average energy output of imported coal is 6,000 kilocalories per kilogram. The price of the imported coal is USD147 per ton and around USD230 including logistics cost. Whereas the local coal is sold for around USD67 per ton.

"After we started using local coal, we have been consuming 160,000 tons per year. This is 50,000 tons higher when compared to the time we used imported coal," says Mesfin. "As a result of the volume increment, the factory is forced to incur more cost, apart from high spare parts spending."

Frehiwot agrees with the fact that local coal contains rock fragments, sulfur, moisture, ash content, and other impurities. "If purified, it can generate higher energy, equivalent to imported coal. But as it is, we are receiving a lot of complaints from factories."

Coal resources appear to be quite widespread throughout Ethiopia, alongside the impurities. The solution for poor quality is the installation of coal washing plants in the country. This process eliminates impurities using water and mechanical techniques and is a widely used method to boost the efficiency and quality of coal.

Thus far nonexistent in Ethiopia, the owners of C&E Brothers Steel Factory who are engaged in the production of iron, steel and reinforcement bars, are installing a coal washing plant expected to begin operations within the next five months.

"By eliminating impure contents, this coal washing plant will give local coal an equivalent energy output level with South African imports," says Mekuanint Alemu, Founder and General Manager of C&E Brothers Steel.

In addition to the quality problem, local coal prices are dramatically increasing. Haile Assegide, CEO of Derba Cement and President of the Cement Industries Association, underlies that reliable coal supplies determine the actual output of cement factories. "Although Derba Cement is using more and more local coal, price hikes are putting pressure on the company," informs Haile. "Within the last two years, prices have rocketed from ETB3,200 to 4,975 per ton." The plant currently satisfies 80Pct of its coal demand locally, while importing the rest.

Lack of investment, low production, and supply shortages are the main reasons behind price increments. The government's strategy of handing over coal mining sites to youth associations could not bear fruit as they lack knowhow, machinery, technological, and managerial capacity to produce quality coal in bulk. Eyasu Mamo, Mining Expert at the Mines and Energy Agency in South Region, says the performance of the majority of small-scale coal mining sites located in the region is not satisfactory. "We have given many sites to local youth associations. This is because coal is considered a community resource and local people are allowed to extract at small-scale levels," he says. "However, they have not even undertaken feasibility studies, let alone started production."

USD
220
Million

Money Ethiopia spends annually to import coal.

"Industrial-level mining is a must if cement factories are to get consistent and quality coal," Mesfin argues. "The government must encourage large-scale investors who can extract in bulk, purify, and supply directly to cement plants."

According to Eyasu, small-scale coal miners do not have the required machinery to produce, store, and transport, let alone purify. "These associations cannot develop the necessary road, water, and other required infrastructure on the coal sites. They took the mining locations without preparations."

Small-scale coal miners are registered by regional governments whereas large-scale investments are licensed at the federal level. The only large-scale local investor in the sector is the owner of C&E Brothers Steel Factory with its investment of ETB600 million on five coal mining sites located in the state of Benishangul Gumuz.

The other large-scale investor is Crypto, an Indian company. Its request for a coal mining license in Dawro, South Region is currently under progress.

Although coal is an affordable source of energy accounting for 40Pct of total global energy production, various studies depict the hazardous impacts of coal mining on the environment. In Ethiopia, such licenses are given only after the Environment, Forest, and Climate Change Commission approves that the miner has enacted all safety standards. However, small-scale localized coal mining outfits usually sideline safety protocols.

Kassahun Kelifa (PhD), on his 2017 research publication "Balancing Coal Mining and Conservation in Southwest Ethiopia," argues that coal mining in Yayu, by the former MetEC, devastated the wild coffee arabica, naturally thick forest, and biodiversity on hundreds of hectares in the area.

Another research, "The Resource Potential of Coal in Ethiopia" published by Demeke Fantaw in 2019, maintains that raising the coal industry in Ethiopia without adopting state-of-the-art technologies first, would damage the environment. Using technology including integrated gas combined cycle, carbon capture and storage, and coal-to-liquids—all capable of absorbing and reducing large amounts of CO2 and other poisonous gases and elements—is critical, according to Demeke. EBR

"Our coal washing plant will signiFIcantly improve the quality of local coal."

Mekuanint Alemu is Founder and Board Chair of C&E Brothers Steel Factory, which has been engaged in the production of reinforcement bars for the last ten years and mining exploration over the last three years. He recently established YO Trade and Manufacturing PLC, a sister company and the only large-scale coal producer in Ethiopia. It is currently installing a coal washing plant in Ethiopia allowing it to eliminate coal impurities using water, some chemicals, and mechanical techniques. The plant is expected to start operations after five months. EBR sat down with Mekuanint to learn about his recent ventures.

Tell me about C&E Brothers Steel Factory?

Established in 2008, C&E Brothers Steel factory is engaged in the manufacturing of basic metals for the construction industry. Currently, the company employs around 1,000 people. We have invested over ETB1 billion in the company.

How did the idea of mining and producing coal come to mind?

In the past, we used to import raw material like billets from Ukraine, Russia, and Turkey. But in recent years, importing has become difficult due to the foreign currency scarcity in

Ethiopia. This affected the productivity and performance of the factory.

So, we came up with the solution of sourcing raw materials locally which requires mining iron ore. So, we started the exploration work for iron ore three years ago in areas like Borena and Mekaneselam in Wello. We found over 200 million metric tons of iron ore reserves in Mekaneselam. We are working on the iron mining through Agodo YO, a sister company.

In a bid to process the iron ore, we had to find a source of energy. For the metal factory, we have been importing coal from South Africa at very expensive rates, at around USD230 per ton. Changing a ton of iron ore into steel requires a ton of coal. We cannot afford to import large amounts of coal with existing prices. So, we decided to mine coal in Ethiopia and went on to undertake exploration works in different parts of the country.

Once we finalized the explorative stage and the testing of samples and selection of appropriate technology, we proceeded to acquire a mining license. Last year, we secured coal mining licenses in five sites located in the region of Benishangul-Gumuz. We are currently producing coal and supplying to cement factories like Dangote and negotiating with others.

Coal deposits in Ethiopia are of poor quality. What solution was devised to remedy this?

From the exploration work, we learned that impurity levels of Ethiopian coal vary by location. The average energy output from our locally produced coal is around 5,000 kilocalories per kilogram. For imported South African coal, it is close to 6,000 kilocalories.

So, we need to employ technology to cut out impurities to improve the quality and elevate the energy output of local coal to be on a par with imports. To achieve this, we needed to install a coal washing plant in Ethiopia.

What is the progress of this coal washing plant?

Machinery have already been shipped to Ethiopia. At the same time, we are developing the camp and laying the factory's foundation on the 13-hectare land that we secured in Benishangul. Close to 60 people are currently working on the site.

Within five months' time, the washing plant will be ready. We will then start supplying fully purified coal capable of entirely substituting its imported counterpart.

What is its capacity?

The washing plant will have the capacity to process 300 tons of coal per hour. In the first phase, our plan is to utilize 50Pct of the installed capacity. At this production level, we will be able to substitute the total volume of annual Ethiopian coal imports. The plant will satisfy Ethiopia's coal consumption.

Many cement factories complain of local coal impurities having a negative effect on their machinery and inflating their spare parts' expense. Does the coal washing plant solve this problem?

Our coal washing plant and the technology employed will solve the quality issue once and for all. Our machine is specifically designed to improve the quality of local coal.

How much of the coal produced will go to the iron ore plant?

It takes a ton of coal to process a ton of iron ore into steel. So, we need 700,000 tons of coal to process 700,000 tons of iron ore per year.

Does this mean you will not supply coal to the local market?

The production of iron ore will start three years from now but coal washing production will commence after five months. In the first phase of washed coal production, we will utilize 50Pct of the installed capacity, around 700,000 tons per year, and supply this amount to the local market. When the iron ore processing plant starts operating, we will utilize our full capacity and produce 1.4 million tons of coal annually. At this stage, half of the coal will go to the iron ore plant and the other half will be supplied to local industries.

How much did you spend on coal exploration?

The investment cost for coal exploration and mining is around ETB600 million. This includes the outlay for the washing plant as well.

Where did you get the finance?

The finance for the coal mining project comes from YO Holdings, which includes C&E, YO Trade and Manufacturing, Agodo YO, and 11 other companies engaged in real estate, import, export, and other businesses. We are currently processing to move them under YO Holdings and are waiting for the detailed implementation directives after Ethiopia's Commercial Code recently permitted the establishment of holding companies for the first time. The iron and coal plants will also be included into the holding company. So, the finance for the mining projects was sourced partly from other companies and partly from a Bank of Abyssinia loan. EBR

> **"We will be able to supply and substitute the total volume of annual Ethiopian coal imports."**

A BIRD'S EYE VIEW OF THE REVISED COMMERCIAL CODE

The House of People's Representatives recently unanimously approved the revised Commercial Code of Ethiopia, replacing the 61-year-old document which was in place since 1960. The revision sought to amend 825 sections of trade-related issues and is expected to serve intact for 30 years as up-to-date technological advancements have been considered, according to the government.

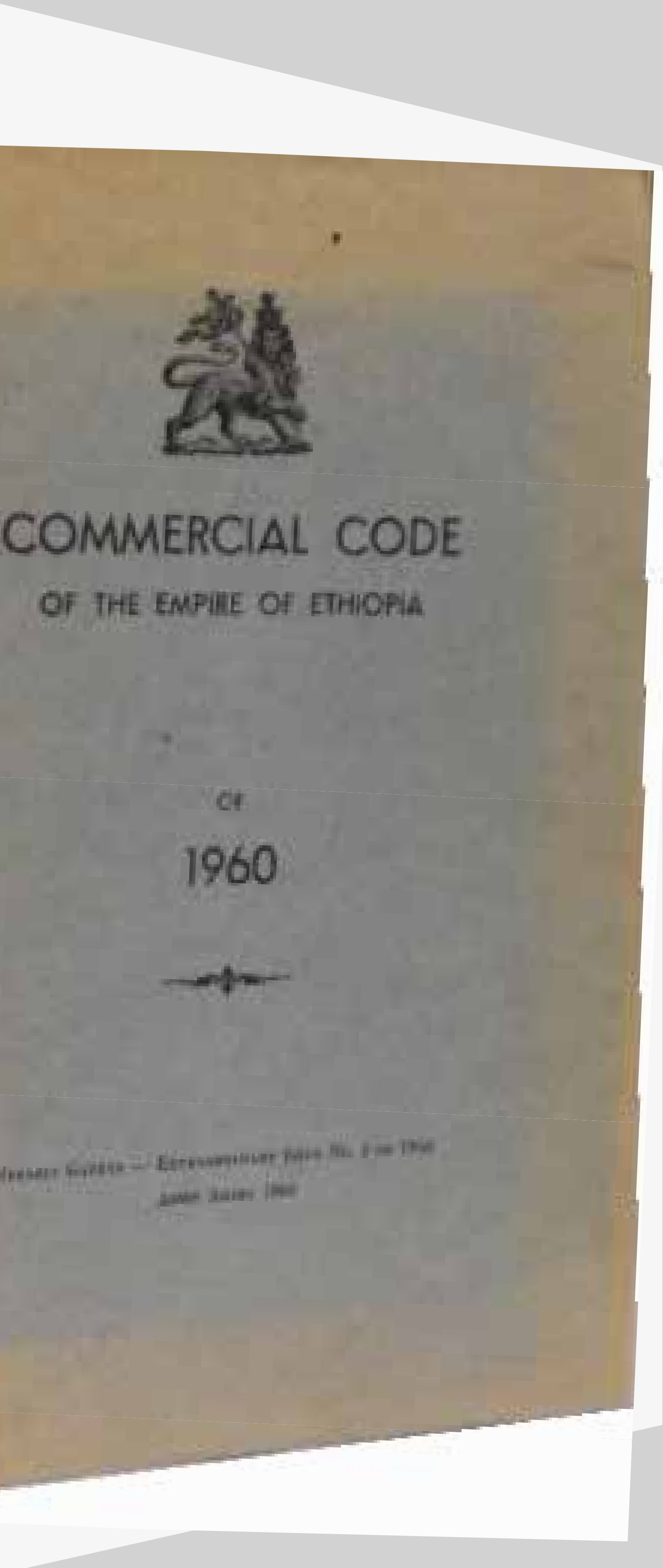
The amendment introduced two new organizational arrangements for a company's establishment while excluding ordinary partnership. It is now permitted to establish a one-person private limited company as well as a limited liability partnership. EBR's Ashenafi Endale assesses the new commercial code.

A new version of the 61-year-old Commercial Code was finally ratified by the Ethiopian House of People's Representatives on March 25, 2021. Taking into account that efforts to revise the old set of laws started 34 years ago, the amendment and ratification of the Commercial Code is good news for the country, yet one long overdue and expected.

Five years ago, the amendment almost reached the final stages but was never presented to the Council of Ministers for approval. But when Prime Minister Abiy Ahmed (PhD) came to power in 2018, the revisionary work recommenced to align with political and economic reforms underway in the nation.

"The amendment is necessitated to prompt innovation and nurture enterprises, essential in our aspirations to build a prosperous society." said Abiy after the Council of Ministers endorsed the draft to be sent for parliamentary approval back in June 2020.

A commercial code is a legal framework governing the rights, relations, and conducts of businesses and organizations engaged in trade. To this day, Ethiopia has been using a commercial code introduced in 1960. However, the nature of commerce and flow of capital has changed significantly in the ensuing six decades. As a result, the old Commercial



Code, consisting of five books, became inadequate to govern the economic activities conducted in Ethiopia today.

The new law only repeals the provisions of books one, two, and five of the previous proclamation. Books three and four of the code will remain intact pending the expected separate issuance of the Financial Code. Yet, experts similarize revising the Commercial Code alone to surfing without a compass, as Ethiopia does not have a trade policy.

The new set of laws for business activities is a collection of modifications, reductions, and additions. According to the old code, only six formalities were permitted for the establishment of a company. This has now been changed by excluding ordinary partnership from the list and adding limited liability partnership and one-person private limited company. A trader can now convert his enterprise from a sole proprietorship into a one-person PLC. The trader shall, however, remain jointly and severally liable with the company for all debts incurred prior to the formation of the one-person PLC through conversion.

A limited liability partnership is a business arrangement which allows partners to limit their liabilities to the amount which they have contributed to the business. Thus, if the partnership fails, creditors cannot claim on the partners' personal assets or income. This type of partnership is a preferred and common business arrangement in professional service-givers such as law, accounting, consulting, and investment management firms.

In Ethiopia, law professionals have been calling on the government to allow such a business arrangement for years. Previously, there was no law allowing and governing law firms established by two or more lawyers.

"The amendment will have a significant impact in promoting business and ensuring fair trade," said Meseret Abate, Chairperson of the Trade and Industry Affairs Standing Committee of Parliament, after the bill was passed.

The other new organizational arrangement is the one-person private limited company, i.e., a business organization incorporated by the unilateral declaration of a single person. By removing the requirement obliging multiple members for the establishment of a private limited company, the revised Commercial Code now allows a single person to form a company on her/his own.

"The rationale behind the previous requirement was the protection of third-party interests," explains Belayneh Yirga, Director General of the Legal Studies Drafting and Consolidation Directorate at the Office of Attorney General. "But now, there are other ways to protect these third parties."

"This is very good because many people do not want to establish a company together with other people because there is high risk involved in this arrangement," says a pioneer businessman. "A one-person private limited company is easy to manage and regulate."

Apart from methods of establishment, the new code exempts people engaged in small business, handicraft, agriculture, forestry, and animal rearing from provisions such as registration as a business and account keeping, applicable to other traders. professionals like Mahlet Fitsum, Consultant and Attorney at Law that argue that the new Commercial Code carries little change in terms of formalizing the informal economy. She claims that "capital requirements are still high, and this is pushing businesses from the formal sector. Since they have little or no capital, women are forced to engage in the grey sector."

> **The amendment is necessitated to prompt innovation and nurture enterprises, essential in our aspirations to build a prosperous society.**
>
> Abiy Ahmed (PhD)
> Prime Minister

Concerning the commencement of a business entity, preparing and publishing articles of association in newspapers is no longer required to establish a non-partnership company and a memorandum of association will suffice for the purpose. Further, share companies are no longer required to publish establishment documents in newspapers. This posting requirement has been moved onto the company's website. But memorandum of association is required when a business contributed to formation of new business.

Websites have been given recognition as it is now obligatory for a share company to have one. It shall contain the memorandum of association, notices regarding meetings, and any other information required to be made public. This requirement is only for share companies and arises for the fact that shareholders don't know each other like in other companies. So, there is a need to protect the rights of shareholders and third parties whose interests can be affected by the share company.

Regarding the board of directors of share companies, the new Commercial Code removes the existing requirement that they all be shareholders, paving the way for independent directors in line with global best practices. It also allows companies to conduct shareholder meetings via video conference or other means of telecommunication.

Additionally, the new law permits previously disallowed holding companies through two modalities. In the first modality, a holding company can be formed as an entity that does not itself conduct operations to produce goods or render service but holds shares in other business organizations. In the second mode, a holding company is allowed to directly manufacture and provide goods and services.

Foreign companies and their operations have also been addressed. It was previously difficult for them to come to Ethiopia and open branches because of confusing procedures. But the new code allows foreign business organizations or an entity incorporated abroad to operate via an Ethiopian branch.

The new Commercial Code recognizes a branch opened by a foreign firm as a new business entity. Thus far, they have just been opening offices in Ethiopia. This is difficult for tax issues. But now, they are considered a company the minute they are present in Ethiopia, meaning they have a legal personality.

Besides simplifying the commencement of businesses, the revised code incorporates new and additional provisions related to bankruptcy and insolvency procedures. This includes preventive restructuring proceedings, reorganization proceedings, and simplified reorganization proceedings to revive companies in distress. It also permits simplified bankruptcy proceedings for small and medium enterprises (SMEs). SMEs with assets less than ETB20 million and annual sales lower than ETB5 million can now use the law to declare bankruptcy as per simplified bankruptcy proceedings which are to be proven and closed within one year. This culminates with the discharging of all persons from debt, and the cancelling of the registered business, but only if debtor is not dishonest. Other businesses, including SOEs, are to follow the preventive restructuring, reorganization, and bankruptcy laws, before winding up a business' life. EBR

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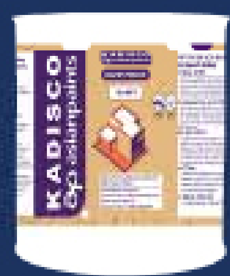

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Can Halal Bailout Ethiopia's Exports?

The Middle East is one of the leading consumer markets that relies heavily on imports due to its low agricultural capacity. Ethiopia, in close proximity, has one of the most robust agrarian economies with leading livestock numbers. Nonetheless, only countries that have adopted the halal certification framework are tapping into the Middle East's consumer market. Ethiopia is mostly absent in this regard. The linking of unapproved animal meat as the cause of COVID-19 has deepened the acceptance of halal certified foods, pharmaceuticals, cosmetics, and other products even in non-Muslim nations. Religion is leveling up to science.

In a bid to cutout the halal barrier to Ethiopia's exports to the Middle East and beyond, a new strategy of interlinking gulf countries' halal accreditation systems with Ethiopia's is taking root. To this end, Ethiopian slaughterhouses are working towards certification by the new system to export halal-certified food. Halal is expected to boost Ethiopia's exports and free it from the USD3 billion chokehold of the past decade. EBR's Ashenafi Endale explores

The global meat market is among industries reshaped by COVID-19, especially as the pandemic has been traced back to animals. As a result, consumers in many countries are increasingly demanding risk-free meat and other food items.

One of the major food quality standards instrumental in addressing such health concerns is halal certification. Previously only required by Muslim countries it is now becoming commonplace even in western nations. Exporting halal-conscious products requires a halal certification system accredited by the importing nation which in turn certifies slaughterhouses, factories, and other producers from the exporting country. It follows hundreds of rigorous standards on top of normally accepted quality and safety standards.

However, not all exporting countries are keeping up with this changing trend. Especially meat exporting countries like Ethiopia, with little institutional infrastructure to implement Sharia-conscious standards, are losing out.

Gulf countries are the primary export destination for Ethiopian meat. "Owing to proximity, most slaughterhouses in Ethiopia, including us, export to Middle Eastern countries. They like Ethiopia's organic meat for its taste," says Nuredin Abdu, Owner and General Manager of Alnujum Slaughterhouse, located in Dukem, Oromia Region. Alnujum was established four years ago to export processed meat to the gulf.

However, Nuredin could not export as much as planned mainly because Ethiopia's existing quality certification process is not interfaceable with the required standards of the gulf countries. The fact that Ethiopian meat was banned from the Middle East in 2002 and again in 2015 displays the continuous hindrance to

entry for Ethiopian meat exporters into the lucrative region.

Although even farther-off countries like Indonesia, Malaysia, Turkey, and India have a massive demand for meat and are keen to import in bulk from Ethiopia, they have been unable to do so thus far because Ethiopia does not have a halal certification system. The state regulatory body only implements international quality standards like ISO certifications.

Four years ago, Saudi Arabia and the UAE had requested the Oromia Islamic Council to ensure meat exported to them follows the laws of Sharia. These countries also send overseers at different time intervals.

"All gulf countries have a halal certification requirement system," says Nuredin. "We have only been exporting from Ethiopia thus far as they are allotting us time until such a framework is established."

However, this changed after Eatsafe, the first Ethiopian halal certifying company started operations. Eatsafe was established in 2018 after meeting certification standards placed by the Ethiopian National Accreditation Office. After passing rigorous tests and the fulfillment of over a thousand halal certification parameters, Eatsafe was in December 2020 given the green light by the Gulf Cooperation Council (GCC) Standardization Organization—halal accreditors for the region.

Thus far, Eatsafe has certified three slaughterhouses in Ethiopia including Alnujum. There are fourteen export-standard abattoirs in Ethiopia.

"Additionally, cereal and other processed food exporters are also asking us to certify them under halal standards," explains Binmelik Abdu, Director of Eatsafe Certification PLC.

"Food, pharmaceuticals, and cosmetics have pig fat and other derivatives from nonhalal animals including dog, donkey, and even humans. For instance, chocolate, gelatin, and candy on supermarket shelves across Ethiopia have pig derivatives. As a food microbiologist, I have seen microorganisms in pig meat surviving even ultra-high temperatures."

Binmelik argues top meat exporters to gulf countries like Brazil, Australia, South Africa, and others have highly benefited by adopting the halal certification system on top of basic standards. "More than half of food exports from Australia, South Africa, the UK, and Canada are halal certified. Consumers in non-Muslim countries are increasingly consuming halal-certified items due to health issues."

Eatsafe is currently finalizing an agreement with Ethiopian Airlines to verify its in-flight catering as per halal standards. "Ethiopian Airlines could not win over gulf passengers because it doesn't serve halal-certified foods and drinks," says Binmelik.

Brazil, a fifteen-hour flight away, exports over 300,000 tons of meat annually to gulf countries. Ethiopia, just two and a half hours away, exports 20,000 tons annually at most.

Although the absence of halal certification is one of the reasons limiting Ethiopian meat export volumes to the Middle East, other factors are also responsible. For instance, Ethiopian slaughterhouses face a persistent challenge in sourcing animals from the domestic market.

In the previous eight months 8,667 tons of meat was exported, down by 4Pct from the previous year's corresponding period. In terms of value, USD45 million was generated, a decline of 6.6Pct. Similarly, the export of live animals also declined from 372,476 to just 248,061 with revenues also dropping by 32.6Pct to USD26.6 million.

In the 2019/20 fiscal year, Ethiopia exported 12,659 tons of meat. From this total, 50.7Pct was exported to the UAE, followed by 44Pct to Saudi Arabia, 2.3Pct to Vietnam, and 1.76Pct to Bahrain at varying prices. On average in US Dollar terms, Saudi Arabia buys Ethiopian meat for 5.83 per kilogram whilst the UAE forks out 5.43 and Bahrain 4.85. Further afield, Vietnam pays only 2.51 for Ethiopian meat and Hong Kong outlays just 2.49.

"Consumers in non-Muslim countries are increasingly consuming halal certified items, due to health issues."

Binmelik Abdu,
Director of Eatsafe Certification

Besides the lack of certification systems, Debele Lemma, Researcher at the Ethiopian Meat and Dairy Industry Development Institute, says the major problem is the lack of animal traceability and absence of quality and sustainable meat supplies. "Ethiopia does not even have a "disease-free livestock zone." There are no modern ranches. Cattle bulls come to the market after ploughing for years. All this affects the quality of the meat."

Debele also says border contraband activities have inflated live animal prices in Ethiopia. "A cattle costs around ETB10,000 on average in central markets and ETB15,000 in border areas. So, pastoralists and farmers prefer to sell to traders in neighboring countries, even if far away. As a result, meat processing companies in and around Addis Ababa are not able to secure the required quality and quantity of cattle."

"Plus, the long animal supply chain in Ethiopia, involving up to four almost value-less brokers inflates domestic market prices to above export prices at times. This is handicapping Ethiopia's meat exports," explains Debele. "Brazil and Argentina dominate the Middle East meat market because they mainly manage to create a crystal-clear value chain and meat supply. They produce in bulk and quality."

Debele acknowledges Ethiopia has a large number of livestock. "But that is just a number," he argues. "For instance, Middle Eastern consumers usually prefer sheep meat aged nine months to three years. The sheep population at this age range is very small in Ethiopia." EBR


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Corporate Banking Still Infant

Corporate or institutional banking is a segment of the industry where specific deals and attention are provided in a specially designed way. These services include handling the loans as well as accounts of big economic players. Although corporate banking is one of the biggest business segments even in many developing countries, it is still in its infancy in Ethiopia. Almost all existing banks pursue mass marketing approaches and basically collect retail savings and lend to businesses. EBR's Ashenafi Endale investigates new developments in the banks' clientship landscape.

When the Primary Labor Union of Ethiopian Airlines recently openly invited all commercial banks operating in Ethiopia to provide a mortgage loan package at lower lending interest rates, the Cooperative Bank of Oromia (CBO) offered a rate of 7Pct, which was the lowest at less than half the industry's average of 14.5Pct.

"CBO is the only bank that offered a reasonable consumer loan arrangement for our employees," said Telila Deressa, President of the union, after signing the agreement with CBO on February 9, 2021. CBO, a member of the International Cooperative Banks Association, now provides low- interest loans to cover the purchase or construction of homes, automobiles, medical expenses, and household equipment for union members.

Following the agreement, the airline moved the union's account from the state-owned Commercial Bank of Ethiopia (CBE) to CBO. "However, CBE only lost some of the airline's accounts to CBO, others remain with CBE," says Muluneh Aboye, CBE's Vice President for Risk and Compliance.

Ethiopia's undisputed banking behemoth, which has been offering the lowest lending interest rates in the industry, recently changed its lending policy. As a result, CBE's average rate increased from 8.63 to 9.8Pct.

Ahbabu Abdela, Chairman of the organizing committee of the under-establishment interest-free Hijra Bank, argues that lending interest rates are increasing due to inflation. "For long, many banks were not considering the impact of inflation. But now, CBE has taken the lead to adjust its rates to inflation. This will create a domino effect throughout the industry."

The giant state-owned bank increased its lending rates despite the fact that its 2019/20 interest income jumped to ETB45.6 billion from ETB37.3 billion in the previous fiscal year—a growth of over 22Pct. On the other hand, however, its interest expense increased from ETB14.7 billion to ETB20 billion in the same period—a growth of 36Pct. Interest related expenses grew much faster, perhaps causing the bank to revisit its rates.

Abie Sano, President of CBE, agrees and provides data from a longer time frame. "Over the last five years, CBE's interest-related income grew by 26Pct on average, while its expenses grew by 39Pct. The bank has been providing some services free or for a minimal fee. We had to increase lending interest rates to assist the services we provide."

"It has been two years since CBO started working with Ethiopian Airlines, mainly owing to the latter's produce and service sourcing. For instance, it buys agricultural produce from the Meki-Batu Cooperative Union. All cooperatives and unions in Oromia region, including Meki-Batu, work with CBO. Hence, the national flag carrier had to work with the bank to work with cooperatives," says Tadele Tilahun, Director of Strategy and Business Communications at CBO.

It is not only CBO that is trying to expand its corporate customer base. As of the last two years, commercial banks have been investing time and effort to attract more institutional customers. Zemen Bank is perhaps the only bank in Ethiopia established with a distinctive business model that primarily provides a dedicated service to large corporates with high cash turnovers. Zemen even limited its account opening deposit to above ETB25,000,

when it started operation. Big corporates and embassies are its clients.

Dashen and Abyssinia banks have opened special branches with dedicated officers to handle big clients. Abyssinia has a comparatively better reputation of handling big clients such as USAID, the US Embassy, Sunshine Investment Group, while Dashen handles MIDROC Ethiopia Group. However, such branches have proven ineffective in attracting large clients. Rather, low lending rates, longer loan repayment periods, and informal networking seem more instrumental in creating and strengthening relations with the big players.

"Setting up specialized branches to attract corporate clients is an old model that doesn't currently work because these clients do not go to the banks," argues Muluneh. "Banks acquire institutional clients after knocking on their door daily."

Even CBE, the largest Ethiopian bank with the leverage and wherewithal to handle large state accounts, has limited command over heavy-hitter banking where arm-twisting features. CBE's institutional clients currently number around 100,000, a small fraction compared to the two million businesses licensed in the country or its 30 million individual clients.

"CBE finances almost all state-owned enterprises (SOEs) but their deposits are insignificant relative to CBE's total deposits. Close to 80Pct of CBE's deposits is from just 3Pct of its depositors," says Muluneh. "Out of that 3Pct, 70Pct are private firms while 30Pct are SOEs."

Currently, CBE's deposits total ETB700 billion, of which 20Pct or ETB140 billion, is from retail or small-scale savers. This is more than what all private banks combined have managed to collect from depositors.

"Following the surge in demand for institutional and corporate banking, CBE recently established a separate institutional banking department targeting these players," reveals Muluneh. However, the bank mainly follows the mass marketing approach as we have over 30 million accounts and 1,700 branches."

Although big organizations such as the World Food Program and Ethio Telecom have been working with CBO, Tadele informs that institutional banking has only found recent attention. "CBO just started to focus on corporate banking as of the last two years. So, our corporate clients are limited. Our client base is chiefly made up of retail customers."

In Ethiopia, lower lending rates and longer repayment periods are the major factors that attract big organizations. "Cost and settlement times are at the center, when selecting a bank to work with. Lower rates are preferable," says Dereje Atnafu, Export Manager at Belayneh Kinde Import Export Company.

But this is not the usual trend. "Since we need timely funds for investment and working capital, we pay whatever rates banks ask," Dereje argues. "Paying high lending rates is less costly than squandering big investment projects and businesses."

Muluneh agrees by saying lending interest rates do not have a big impact on big businesses. "The major problem is getting loans on time. People and businesses borrow money from usurers at high rates just to access timely funds. Banks currently charge around 20Pct, insignificant in the eyes of borrowers," said Muluneh.

The average saving rate in the banking system is 8Pct while loans are given out around 14.25Pct, according to the National Bank of Ethiopia. However, the maximum lending rate jumped to 24Pct from last year's 18Pct, above the prevailing 20.6Pct inflation rate.

The gap between saving and lending rates is continuously expanding. This is mainly because banks draw over 70Pct of their income from interest charges. The difference between saving and lending rates, is between five and seven percent, in most East African countries. But in Ethiopia, it reaches 16pct. Although Ethiopian banks remain highly profitable through high lending rates, industry players say banks' operating costs have increased exponentially. "Salaries have doubled while rent and other expenses have also surged," argues CBO's Tadele.

Banks are not competing to attract corporate clients by virtue of better-quality service, but rather by fractionally manipulating lending rates, according to Dereje. However, Tadele says this is not entirely true, arguing that "CBO is becoming the choice of many because it is providing services untapped by other banks."

Muluneh says institutional clients give significant benefit to banks. "Foreign currency mainly comes through corporate clients. NGOs and multilateral and bilateral institutions also significantly contribute to banks' deposits and foreign currency generation. Corporate saving is good for banks because they deposit for the future. But small-scale savers, mostly individuals, save only for short periods. Corporate saving is less volatile than retail."

Ahbabu from Hijra Bank, however, argues the biggest savers are retail customers rather than big companies. "The lion's share of banks' saving always comes from individual savers. Retail business is the best way for a bank to mobilize sufficient savings."

According to Ahbabu, institutional banking is risky. "If a bank disburses half a billion to a corporate that consequently goes bankrupt, the bank loses everything. But if that amount is disbursed to thousands of retail customers, the bank will not lose all at once." EBR

KEROD
RUNNING FOR PEACE

No doubt, the power of sport is among the least exploited capital in peacemaking as well as nation building. Sport is not ideological but can unarm every extremist. Sport heroes as well as events have been uniting people from all walks of life. But lately, this capital has been eroding.

Now, the sport community including businesses, universities, and government institutions, are joining arms to lay the foundation for a great public sporting series dubbed Kerod Running, under the theme of Running for Peace. EBR's Abiy Wendifraw looked past the making of Kerod Running, expected to be a more conceptual version of the Great Ethiopian Run.

Tessema Abshero

On March 30, 2021, Ethiopians were celebrating, singing, and dancing in the streets after their national football team qualified for the African Cup of Nations. It was easy to realize the unifying spirit of sport as people enjoy the moment together by putting differences aside. The Great Ethiopian Run (GER), the annual 10-kilometer flagship road running event in Addis, has always been an event demonstrating sport's unique power in bringing people together in one place to laugh, sing, dance, and be happy overall.

For months, some national team athletes were working on a new initiative alongside training for the Tokyo Olympics. Ironically, this was happening while officials of the Ethiopian Olympic Committee and Ethiopian Athletics Federation were busy with a prolonged feud.

The 5000-meter world champion Muktar Edris and emerging stars Solomon Barega, Tilahun Haile, and Anduamlak Belihu, are joined by the national team's Coach Tessema Abshero and his brother Ayele organizing the initiative "Running for Peace," which they plan to kick-off next month. At the press conference held March 31, "Kerod Running Ethiopia" was introduced as a new sports association to hold annual races in Ethiopia.

Tessema, now Chairman of the registered association, says "Kerod means peace and we gave the association this name because it is more than a race. We believe our people need more and more initiatives like this that can help us realize the things we share as a society. Yes, we are sport personalities but that should not keep us away from other important things."

The first race is planned to be held mid-May in Wolkite, Gurage Zone, 134km southwest of Addis Ababa. The 10km run with the message "Peace and Unity for Ethiopians" will be followed by a 5km race in Worabe, Muktar's hometown. Then, a 8km women's race will be hosted by Butajira, also in Gurage Zone.

The final race of the season, named Adabna, arrives in Addis at September's end. Adabna is a holiday celebrated by the Gurage community a week after Meskel, the finding of the True Cross. "Adabna is such a unique holiday. It is the last gathering of families before getting back to their businesses after being adorned with blessings from elders. This race will be like the final family gathering," Tessema explains.

Some might question why the ending is in Addis. "Addis Ababa is the best place to amplify the message we have for the whole nation and even for the continent. We also considered the business community we have in the city. The timing takes into consideration the other big event coming in November. We have to keep a distance of time with GER."

For the organizers, the lessons from GER will help in executing with COVID-19 protocols. "We will follow important protective measures in our events. Social distancing is the reason for the halving of the original number of 20,000 participants."

As a new race organizer, Tessema and his friends are open to advice and recommendations from international sport management institutions like Global Sport Communications, an organization involved in some of the world's biggest marathons and track and field events. "Working with organizations as experienced in the athletics industry as Global Sport Communications will help us grow faster."

To make the Wolkite race even bigger, Kerod is planning to invite elite athletes from neighboring countries like Kenya and Uganda. The race course has already been measured by local professionals and there are plans to bring an internationally certified measurer.

The association aims to encourage emerging athletes and teenagers in Gurage Zone where most of the founding members are from. The Kerod races will be a great opportunity for young hopefuls to show their potential to coaches, clubs, and the media.

"We want to recruit new elites from the area. Though the area has proven itself as a source of potential athletic greats, promising youngsters are not breaking through. The journey from schools to joining training centers and clubs and securing an athletics career is an uphill battle. We want to give them the chance to show their potential and find proper mentorship which is why we are working on establishing a training center. That is how we can recruit and bring better Solomons, Tilahuns, and Anduamlaks," says Tessema.

Muktar, well known for his consecutive 5000m wins at the World Championships in London and Doha, believes the Kerod initiative will have a great impact on how society perceives athletics and sport. "I do not want the next stars to face the hardships I had to face. Some of the challenges would have been avoidable had society appreciated the passion and talent in the youngsters. I believe the race we are doing in my hometown will help people value sport more and thus encourage our juniors," says Muktar.

The chairman, who owns a hotel employing over 70 workers, is confident that sponsorships will not be a challenge considering the response already coming in from businesses. Wolkite University is partnering with the association with in-kind support. Nib Bank, SENQ, and Fiker Water are among companies showing great interest.

"We are not in this to make money. Almost all of the founding members are from farming families. We have that important virtue found in farmers of being patient for the fruit of our efforts," says Tessema. EBR

Muktar Edris

BALE MOUNTAINS

The Height of Adventure

With its distinct ecoregions and vast range of fauna and flora, the area is home to Ethiopia's second-highest peak as well as otherworldly landscapes—the Harenna Forest and Sanetti Plateau. Religious tourism, also present at Sof Omar and Sheik Hussein's tomb, brings numerous Muslim pilgrims. With the recent advent of hiking groups making such travels more accessible to locals, the region stands to win if enabling infrastructures and sustainable development putting locals at the center are employed.

To break from the stressful life of Addis Ababa, Alazar Getachew, 30, traveled to Bale Mountains with number of visitors. . "I believe there is nothing like travelling outside the city to refresh the mind," he said.

During his stay, he visited the Bale Mountains National Park. Hosting distinct ecoregions including the Sanetti Plateau and peaks like Tulu Dimtu, the park is the largest Afro-Alpine habitat on the African continent and among the first in Ethiopia to be declared a World Heritage Site by UNESCO in 1978.

The best time to visit the Bale Mountains is between November and March, when the days are clear and the temperature is perfect. Yet nights are still often below freezing.

"Passing through the clouds across the plateau, watching several distinct and unique habitats, and watching Bale monkeys, giant forest hogs, and olive baboons along the road was an amazing experience. I was totally lost in happiness with the rich history and magnificent natural and cultural beauty of the park. It was an unforgettable discovery to last a life time," Alazar recalls.

Contrastingly, the life and daily experiences of Edris Sultan, who lives inside the park, is different from Alazar's. "There is no urban hustle and bustle here. We are living in a place full of numerous secrets yet to be discovered. Watching wild animals like the Ethiopian wolf and mountain nyala, birds like the Abyssinian ground hornbill (Erkum), rock hyrax (Shikoko), and diverse flora constitute my daily experiences. My life is deeply related to nature and is peaceful," he said.

For Edris, breathing the cold and fresh air of the area, listening to the beautiful songs of various birds, watching Africa's rarest canid hunt for giant mole rats on the vast Sanetti Plateau, standing amongst soaring birds of prey, watching the golden eagle swoop down and fly off with a meal in its talons, and chasing the endemic mountain nyala are his life's features at age 24 years.

Straddling across the heart of Ethiopia, Oromia is blessed with an abundance of cultural, traditional, and natural assets of high touristic value. It is the land of astonishing and majestic natural beauty offering all sorts of landscape scenery. The region is home to mountains, peaks, river gorges, moist tropical forests, waterfalls, and various lakes. The wonders of the land and vast range of fauna and flora make up its natural beauty to complement its cultural colors.

Bale, the second largest zone in Oromia after Borena, hosts cities like Dodola, Ginir, Goba, and Robe. Historically, Goba was connected to Addis Ababa via telegraph line in 1931 and served with Ethiopian Airlines DC-3 aircraft by 1950, according to a traveler's guide published by the Frankfurt Zoological Society and the Bale Mountains National Park. Bale is bordered on the south by the Ganale Dorya River which separates

it from Guji Zone, on the west by West Arsi, on the north by Arsi, on the northeast by the Shebelle River which separates it from West and East Hararghe, and on the east by the Somali Region. The highlands of Bale are one of the main sources of rain and rivers in Ethiopia.

Sof Omar, a massive and marvelous cave system, and the tomb of Sheikh Hussein, a Muslim saint of the 13th century are among other well-known tourist attraction sites in Bale alongside its peaks and plateaus. The area is visited by local and international tourists alike. The tomb of the Muslim proselytizer attracts great numbers of local pilgrims.

"Religious tourism is one of the fastest growing kinds in Ethiopia, as well as globally. However, in Ethiopia, its potential has not been effectively exploited yet. Yet, it can still be considered a leading section of local tourism," states Ashenafi Seleshi, Executive at the Ethiopian Professional Tour Guides Association with more than 15 years of experience.

Besides religious tourism, Bale's beauty is attractive and lures visitors. Currently, the proliferation of hiking groups makes the process easier and people are motivated to explore new places. Addis Hiking group is a case in point, travelling to the area about a year ago. "The weather was at its peak when we left Addis. But Bale surprised us with cold, pure, and fresh air," Kalkidan Taddesse, Content Producer at Addis Hiking, told EBR.

"It was a five-and-a-half day trip decorated with amazing endemic animals like the Ethiopian (red) fox, Walia, and Menelik's Bushbuck," according to Kalkidan. "Another delight was the lovely hospitality and originality of the local community. In addition, Harenna Forest's green surface was beautifully covered with fog and it was so sad to leave the forest in a short amount of time. The landscape was colorful and comfortable even for inexperienced hikers, making it more fun and enjoyable. In general, the Bale Mountains National Park is an ideal destination with both tourist attractions and natural amusement," she added. The Harenna forest is one of Ethiopia's last remaining natural forests and is an otherworldly beauty to behold.

It has been over 8 years since Addis Hiking was founded. Within 8 years, over 3,000 nature enthusiasts have traveled with them. When traveling to Bale, each person contributed ETB6,000 for transportation, food and drinks (including energy snacks), park entrance and scouting fees, tenting and lodging (sleeping bags provided for free if required), and other miscellaneous costs. Although there is a thrice-weekly flight to Bale, a daily flight is necessary to increase tourist flows.

The travelers' experience at the park was full of challenges and great moments. The challenge, for some, was the cold and foggy weather, to the point where vehicles couldn't travel safely. "We had to walk through the Harenna Forest, though some of us did enjoy that. The severe cold made it almost impossible to sleep, to the point where the grass would almost freeze. Yet, we got to see a group of Walias having breakfast around our camp site after a long, freezing evening. The best moments include being chased by a group of wild oxen during hiking, fun around the camp fire, mingling with total strangers and feeling at home with them, and the camaraderie amongst hikers," Kalkidan explains.

The park, located 400 kilometers southeast of Addis Ababa, was established in 1970 under the Dergue regime. The park covers an area of 2,150 square kilometers and is endowed with 1,600 flowering plant species of which 163 are endemic, 78 mammal species, and 310 different bird species. Also, it offers over 340 varieties of medicinal plants.

The Bale Mountains are the ancestral home of the Oromo, one of the largest ethnic groups in Africa, where they harvest coffee and honey, amongst other agrarian practices. Bale houses are circular in shape, have walls and roofs made with juniper and eucalyptus trees, and roofs covered with dried grain stalks. Supported by a central wooden pillar, houses are portioned off by walls made of bamboo or mud mixed with barley or grass stubble. Bamboo handicrafts are also used as decoration.

Bamboo is heavily

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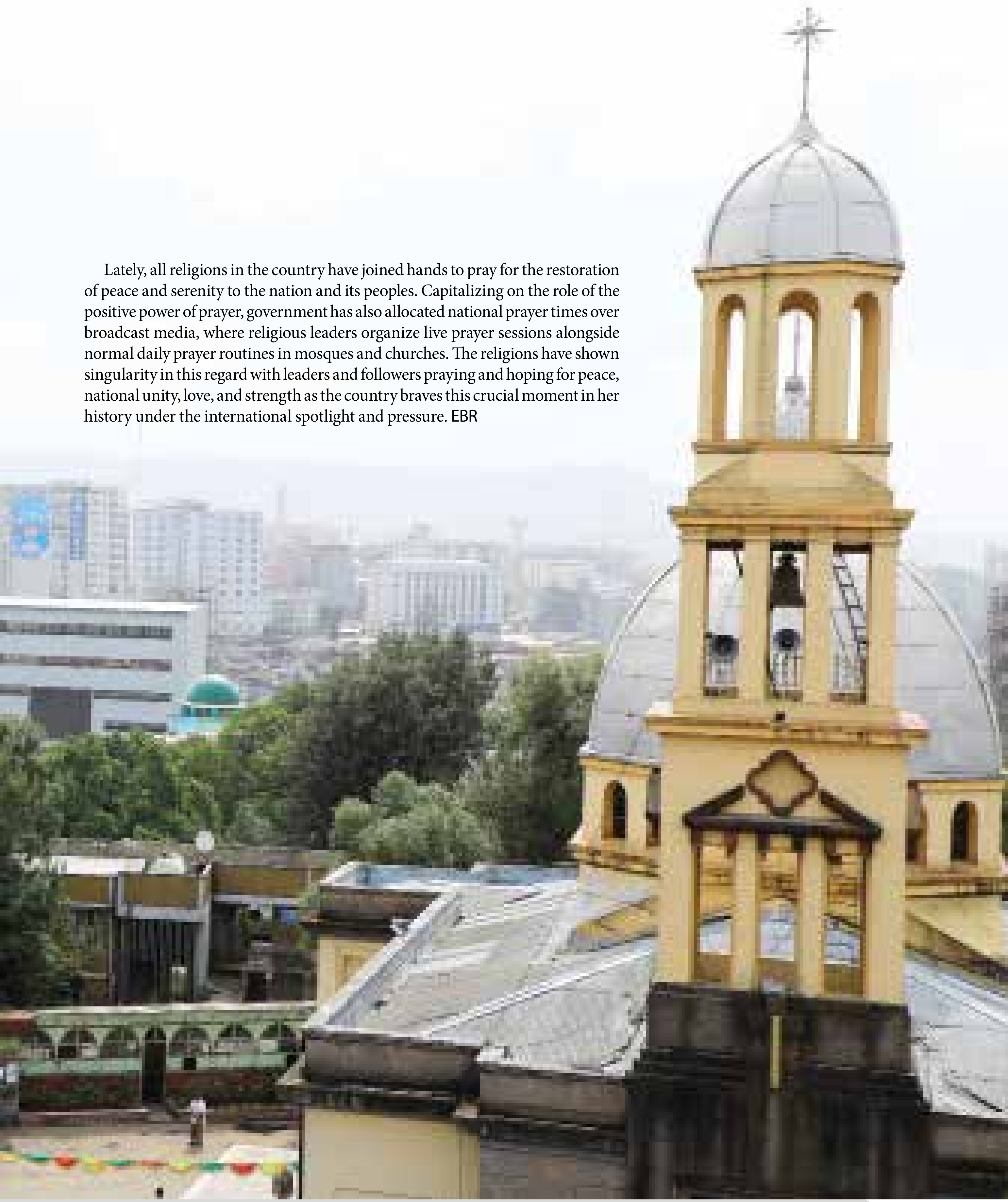
THE ENDURING WORTH OF NATIONAL PRAYER

This month hosts both Abiy Tsom and Ramadan, the biggest fasting seasons for Christians and Muslims in Ethiopia. Thousands pray longer and harder every day in this season, more restrained from worldly activities and more in tune with the purification of the body, mind, and soul. This remains Ethiopia's social capital for centuries gone and to come. Beyond a personal and spiritual experience, religion remains the frame embodying nationalism and a defining concept for unity, culture, art, and perseverance. Specially, the reputed St. Raguel Ethiopian Orthodox Church and Anwar Mosque, located next to each other in Mercato, Addis Ababa are symbols of harmony particularly in the crowded fasting seasons.

Lately, all religions in the country have joined hands to pray for the restoration of peace and serenity to the nation and its peoples. Capitalizing on the role of the positive power of prayer, government has also allocated national prayer times over broadcast media, where religious leaders organize live prayer sessions alongside normal daily prayer routines in mosques and churches. The religions have shown singularity in this regard with leaders and followers praying and hoping for peace, national unity, love, and strength as the country braves this crucial moment in her history under the international spotlight and pressure. EBR



A New Insolvency Law for Ethiopia

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After so many years of trials and setbacks during revisions, the Commercial Code has finally crossed the last legislative milestone, an approval by the Parliament on March 25, 2021, repealing the old Commercial Code of Ethiopia, which was in service for the last six decades. The revision started three decades ago, but partly because of the lack of institutional will and political instability, it has taken decades to get past the Parliament. The last two years of Ethiopia's political transition have seen a flurry of major legislative reforms, and it is perhaps no coincidence that the revision of the Commercial Code has been successful during this period. Now, Ethiopia has a new insolvency law.

Last promulgated in 1960 (its actual drafting was much earlier), the Commercial Code is nearly 70 years old. The countries from which the Code was derived, most notably France and Italy, have revised their commercial codes several times during this period. Measured in terms of only time, it is fair to say that the Commercial Code has long outlived its normal shelf life.

The Commercial Code, as its name implies, is a systematic collection of multiple laws. The Commercial Code of the 1960 (just repealed and replaced) consisted of five books: General Law of Traders (Book I), Law of Business Organizations (Book II), Law of Carriage and Insurance (Book III), Law of Negotiable Instruments and Banking (Book IV), and Law of Bankruptcy and Schemes of Arrangement (Book V). If it were not for the device of a "Code," which organizes multiple laws into one coherent law book, each of these laws could stand on its own and be revised and promulgated in isolation. It is important to remember that the just-approved Commercial Code is short of the two sector-related commercial laws of Books III and Book IV. The Commercial Code, in its current organization, mirrors the life cycle of a business from birth (Books I and II), to growth (Books I and II), to its decline, and resuscitation and/ or death (Book III). Books III and IV from 1960 will be revised and issued in a separate package as "Financial Code".

Forming the last leg of the Commercial Code, insolvency law is the least known in commercial practice and courts so much that the number of insolvency cases litigated before courts can be counted on the fingers of two hands.

Factual insolvencies occur every day but few of these insolvencies ever make it to formal bankruptcy proceedings in courts. The reasons for these are many, the most plausible being an unfamiliarity with the advantages of collective bankruptcy proceedings and the dread with which bankruptcy is generally viewed by insolvent businesses. Even members of the legal profession are often reluctant to contemplate bankruptcy proceedings when their clients are faced with the problem of a cessation of payment of debts and instead prefer the messy procedures of individual civil litigations in seeking an enforcement of debts against defaulting debtors. The result has been multiple civil proceedings against a single defaulting debtor and lengthy drawn-out court litigations involving multiple court orders and injunctions against execution of judgments. Orders for executions and injunctions against executions, opening of individual proceedings, and stay of executions are familiar incidents in many of the individual civil and/ or commercial court proceedings involving debt.

Other rival debt enforcement proceedings have also overshadowed collective bankruptcy proceedings. The creditors which deal professionally with debt default, the banks, have generally been able to avoid collective bankruptcy proceedings and instead have relied upon foreclosure laws that gives banks the power to unilaterally foreclose on the collateral of defaulting borrowers. This contributed to a state of affairs in which banks use foreclosure laws to deal with insolvencies, in many instances to the detriment of all other creditors of an insolvent business. When they could go at it alone, there was no reason for banks to opt for collective proceedings like bankruptcy in which they compete with multiple creditors of an insolvent business.

The few formal bankruptcy proceedings in courts are themselves fraught with problems discouraging both insolvent businesses and creditors from viewing bankruptcy proceedings as a viable option to other debt enforcement and settlement procedures. Formal bankruptcy procedures are notoriously litigious and slow, and contrary to the real intention of these proceedings, are flanked by multiple proceedings which undermine the very purpose of bankruptcy proceedings as collective proceedings. Formal bankruptcy proceedings are therefore preferred neither for the time they take, cost they save, rate of recovery or for the outcome. One of the most famous bankruptcies in Ethiopian history, the Holland Car saga, has taken more than nine years and its finality is not yet in sight.

Drafted in the context of all these problems of debt enforcement, the new insolvency law, placed as Book III of the new Commercial Code, is set to overcome these problems and more. The biggest reform in insolvency law is the introduction of pre-bankruptcy proceedings whose primary aim is the rescue of struggling businesses. It encourages businesses (managers, directors, and owners) to initiate business rescue proceedings as early as possible to enhance the chances of the business's rescue and prevent liquidation. In the past, only businesses with the most serious problems of financial default were involuntarily dragged through the bankruptcy process, by which time the chances of business rescue are so slim and liquidation and business closure all but inevitable. With the new friendly business rescue proceedings in the Code, it is hoped that more and more businesses will opt for such procedures and thereby forestall liquidation and closure.

The new insolvency law affords debtor businesses the opportunity to enter into court-supervised debt-restructuring negotiations and settlements with their major creditors without having to interrupt their normal course of business. This proceeding—called preventive restructuring—is entirely new in the Ethiopian insolvency regime and enables businesses to initiate rescue measures early and provides them with the best opportunity to negotiate and enter into a settlement for debt-restructuring. Preventive restructuring is the least intrusive proceeding as the ordinary business of the debtor continues unaffected and the restructuring plan is approved by the court only if all affected creditors have agreed to the plan. In other words, it is a court-supervised contractual debt-restructuring procedure.

Businesses facing financial difficulties can now also propose a reorganization plan which will, if voted favorably by a qualified majority of creditors and approved by a bankruptcy court, provide the businesses with the opportunity to clear their debts and return to a healthy bill of business life. In cases where it is unlikely for the reorganization plan to receive a qualified majority of creditors' approval, the new insolvency law provides for an alternative scheme of selling the business as a going concern in which the struggling business will have a new lease of life in the hands of third-party purchasers.

Successive doing business reports of the World Bank's Ease of Doing Business have given Ethiopia a low mark partly because of the wrong conclusion that Ethiopian law does not have provisions for "reorganization." The Commercial Code of 1960 has two insolvency plans which are akin to reorganization (simple debt adjustment schemes) known as "schemes of arrangements" and "composition." But since these procedures are rarely (if ever) used or invoked in practice, it is as good as if they never existed. The new insolvency law aims to correct this misunderstanding by calling the proceeding "reorganization" and providing for new rules which make these proceedings attractive, both for the struggling debtor businesses as well as creditors.

Modeled after the US Chapter 11 Reorganization rules, the "reorganization" proceedings of the new insolvency law of Ethiopia provide for more detailed procedures for the preparation and negotiation of a "reorganization plan," creation of "classes of creditors" for discussing, and voting on the "reorganization plan, and alternatives to a reorganization in cases where a reorganization plan is unlikely to be approved, called 'sale of business as a going concern.'" It is expected that with all these rules in place for the assurance of struggling debtor businesses and protection of all classes of creditors, businesses facing financial difficulties will opt for reorganization to prevent total liquidation of their businesses through straight bankruptcy proceedings.

Liquidation and closure of a business is not desirable but is unavoidable sometimes. Placed as the last option for businesses facing financial difficulty, the bankruptcy provisions of the new Commercial Code are procedurally similar in many respects to the bankruptcy provisions of the 1960 Commercial Code with only necessary changes in the organization of the rules and filling of the gaps in existing proceedings along with new rules which run with the times. The most important reform in the straight bankruptcy proceedings is the revamping of the rules on simplified bankruptcy proceedings for small and medium enterprises.

Called "summary bankruptcy proceedings" in the 1960 Commercial Code, the simplified bankruptcy proceedings are aimed at providing for less costly and time-bound proceedings and are intended to incentivize small and medium enterprises to follow formal bankruptcy proceedings when liquidating and closing their businesses. One of the most attractive features of simplified bankruptcy proceedings is that owners of small and medium enterprises will obtain a "discharge" if they meet certain conditions. In terms of numbers and perhaps even of cumulative volumes, the overwhelming majority of businesses in Ethiopia belong to the "small and medium enterprise" category, and if that is the case, it is expected that simplified bankruptcy proceedings will serve as a primary liquidation and clearing proceedings for an overwhelming number of businesses struggling with debt and unable to survive in a competitive market.

The new insolvency regime has also removed features of the old insolvency regime which made bankruptcy proceedings unattractive, particularly to debtors. One of these features is the absence of a "discharge" for innocent but hapless debtors. Innocent or not, the bankruptcy law of the old Commercial Code lacks provisions for a "discharge" of debtors. Not only do bankrupt debtors lose control of their businesses to third party independent administrators (trustees), the debtors do not have any prospect of ever freeing themselves from the deadweight of having once been declared bankrupt in their business lives.

In keeping with the times, the new insolvency law of the Commercial Code has a separate title for "discharge," under which debtors who have been declared bankrupt might apply to the court of bankruptcy and receive a "discharge" not only from the debt that remains unpaid after a formal bankruptcy but also from the unflattering status of "bankrupt." Bankrupt debtors can now apply to court for a "discharge" within three years from the date of the declaration of bankruptcy, and this is a fairly short period of time for debtors anxious to rejoin the business community, cleared from the heavy burden of having been declared bankrupt. "Discharge" is available for innocent debtors only, and only after a court proceeding in which creditors and trustees are afforded the opportunity to demonstrate to the court that the debtor was engaged in activities which precluded discharge.

As innocent debtors are protected from the permanent burden of bankruptcy, debtors and managers of debtors' businesses, as well as creditors found to be responsible for the bankruptcy of a business, are made liable both civilly and criminally for their actions. The Commercial Code of 1960, operating on the strict wall of separation between commercial and criminal matters left criminal offenses to the Criminal Code of the time. The new insolvency law removes this wall of separation and provides for civil and criminal liabilities for offences directly connected to bankruptcy. This was done to ensure that the civil and criminal liabilities associated with bankruptcy proceedings are not overlooked by the parties responsible for the conduct of bankruptcy proceedings.

Insolvency Reform and Ease of Doing Business

Successive indices of the WB's Ease of Doing Business (DB) Index have given Ethiopia a low ranking in the world, partly due to the nation's inability to revise its Commercial Code of 1960. Ethiopia's DB ranking has suffered in all areas where old laws haven't been revised. One category in which Ethiopia consistently scored low points is in the category of "Resolving Insolvency," which ranks countries on the basis of time, cost, outcome, and recovery rate of insolvency proceedings as well as the strength of the insolvency framework. Ethiopia's overall DB ranking for 2020 was 159th out of 190 countries, and its ranking in the area of "Resolving Insolvency" was 149th. In this regard, Ethiopia ranks quite unfavorably with some high-performing countries of Africa, like neighboring Kenya (50th) and Rwanda (62nd).

Ethiopia is expected to score high in such areas like a strong reorganization regime, robust creditor participation in insolvency proceedings, recognition of the principle of "best-interest-creditors' interest" and discharge of innocent debtors, not to speak of the greater confidence foreign investors and international financial institutions will have on the Ethiopian insolvency regime. It is hoped that with the passing of a new and modern insolvency law, Ethiopia's doing business ranking in the area of "strength of insolvency framework" will improve considerably and with the implementation of the new insolvency law, Ethiopia will also see a substantial improvement in its ranking in the areas of the time, cost, and recovery rate of insolvency proceedings.

Legislative Reform is good news, but…

If the more than 60 years of the Commercial Code have shown us anything, it is that legislative reform by itself is not enough in bringing about desired reforms on the ground. So much of the Commercial Code, particularly the insolvency law, remained virtually untested in practice for reasons unable to recount here due to time and space limitations. Legislative reforms are often greeted with euphoria at the time of passing. But if these reforms are not followed by robust implementation, apathy and frustration are likely to replace the euphoria .

Legislative reforms must be accompanied by institutional and cultural improvements to complete the circle of effective and immersive reform. This triumvirate of reforms—legislative reforms accompanied by institutional and deeper cultural reforms—is particularly critical in insolvency reform, as the involvement and knowledge of so many actors is necessary for the machinery of insolvency to work as desired. Institutions like commercial courts, members of legal and accounting professions, banks and other financial institutions, and many regulatory agencies need to have a clear and common understanding on the workings of insolvency proceedings.

Owners, managers, and directors of business organizations or proprietorships will need to properly understand their obligations towards their businesses and creditors in order to fully utilize the machinery of insolvency proceedings and initiate business rescue measures as early as possible, and in serious cases, pave the way for the smooth and proper liquidation of their businesses. Financial institutions need to be brought on board and be made to play by proactive rules in business rescue measures, if need be, by providing critical financial injections to struggling businesses as their absolute priority of payments from collateral is assured in the draft insolvency law.

In short, so much hangs now on the two prongs—institutional and cultural reforms. Legislative reform is a great step forward, no question about it, but it is one small step forward in the grand scheme of things, and those tasked with the implementation of the new laws must walk the giant steps.

And finally, a note on the pace of the revision of the Commercial Code. The revision was late at most by three and at least by two decades. Though long overdue, it is better late than never. The revision of the Commercial Code should not take this long again. Since it is a composite of several books, individual books should be revised as situations dictate, not as it has been done in the past, where the whole is revised at once. Just as individual proclamations are revised and issued "as amended," the Commercial Code should be revised from time to time and in real economic or commercial time and issued every so often "as amended" instead of "the Commercial Code of 1960 or 2021." If the long and delayed revision of the Commercial Code can teach us anything, it is this: we need a focused and institutionalized system of legislative reforms to undertake and complete legislative reforms in the time these reforms are needed.

from P. 48

present in the region and many visitors enjoy walks within bamboo forests, stopping by villages for delicacies made with fresh local produce including honey and coffee. The Harenna Forest is endowed with various tree species serving as excellent hives for great forest coffee. Alongside Ethiopia's favorite drink is honey, organically sourced from the forest. Ethiopia is the leading producer of honey in Africa where traditional beekeeping has been practiced since ancient times. The indigenous people of the area possess extensive knowledge of tree species and their value.

Kalkidan believes that local tourism is making its way up through hiking and tour groups. "People are learning to adopt a healthy lifestyle all the while discovering and rediscovering their homeland and building a culture of travel and exploration. We believe Addis Hiking has helped pave the way to introduce people to less-known spots in Ethiopia," she noted. Although the growth of local and foreign tourism is good news for the country as it will stimulate the economy and increase incomes, there are also challenges requiring stakeholder attention.

The booming human population within the Bale Mountains National Park's boundaries has amplified pressure upon the area's natural resources. Ashenafi sees this hardship in two different contexts. "The detrimental effects of residents who preceded the park's establishment is small, especially in certain areas. Even though demand for land increases alongside population numbers, by virtue of primarily being coffee and honey producers, their reliance on the forests to sustain production ensures the protection of the natural habitat. What is an issue, however, is the traditional transhumance system known as Godantu which is problematic and deserves serious attention," Ashenafi remarks. Godantu is where livestock, particularly cattle, are sent to higher grazing grounds at times when lower altitude lands are farmed or into the shady forests during the hot dry season. This has greatly affected the park.

In addition to population pressures, shortage of proper accommodation and accessibility issues take their own share in hindering the growth of the area's tourism sector. "Attraction sites, accommodation, and accessibility are the basics for the tourism industry. Sites are already there. But a lot of work has to be done to improve enabling infrastructures," Ashenafi states. The park also needs clear demarcation and signs to guide visitors.

"To mitigate the challenges and keep the park safe, local communities should be empowered and benefit from touristic activities," Ashenafi stresses. Agreeingly, Kalkidan adds that "national parks can bring dramatic change in the local community's economic status. Foreign and local tourists can visit en masse, with the earnings helping to create a stable environment for the area. So, engaging locals will benefit the community as well as the park, as it will create a sense of belongingness," she remarks.

Despite areas that need improvement to attract more tourists, the various traditional, cultural, and natural beauties of Oromia in general, and Bale in particular can make Oromia a preferred tourist destination in Ethiopia as well as the world. Also, the great 5-kilometer run in Bale, which started this year, is an additional reason to visit Bale. "The history of the Oromo people, their diverse culture, historical heritage, wisdom, tolerance, and hospitality make Oromia breathtakingly beautiful. Therefore, to get the best out of life, visit Bale—a land of diverse beauty," Alazar concludes. EBR

Quote

"The first panacea for a mismanaged nation is inflation of the currency; the second is war. Both bring a temporary prosperity; both bring a permanent ruin. But both are the refuge of political and economic opportunists."

Ernest Hemingway (1899-1961), novelist, short-story writer, journalist, and sportsman.

From the Horse's Mouth

"Cyber attackers will not excuse Ethiopia because it is not developed. We are already in the cyber world. There are many keen to attack Ethiopian institutions and infrastructure,"

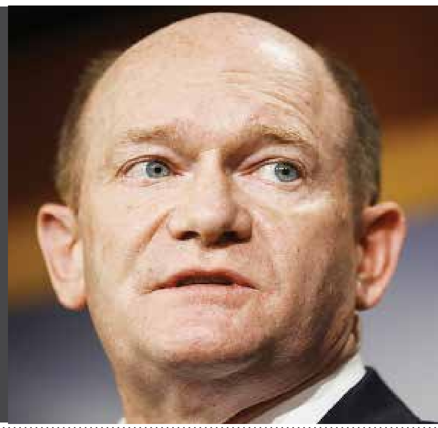
Shumete Gizaw (PhD), Director of INSA, told state TV station Fana.

"If security layers are not maintained for 24 hours, we can lose everything in minutes. Ethiopia is digitizing, through governance, ecommerce, electronic payment systems, and others. Using technology and protecting that technology are different things."

"He [PM Abiy] recognized there have been human rights violations committed by his own troops, by Eritrean troops, by Amhara militia, and by the TPLF," said

Senator Christopher Coons,
President Joe Biden's personal Ethiopia emissary.

"He took a trip to Asmara and talked to Isaias Afwerki on withdrawing his troops; that is the most significant step forward. But there is a lot more to be done with the issues in Tigray, GERD, and border issues with Sudan and I will make sure they are done," added the senator.



The Number

ETB 1.6 BILLION

Public contribution for GERD over the last ten years. Of the total, 82.3Pct was collected from bond sales to individuals in Ethiopia, 5.8Pct from the 8100 mobile message platform, and 5.4Pct from diaspora members.

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