



“If we are bending for the West, why hasn't GERD stopped?”
Brook Taye (PhD), Senior Economic Advisor, MoF



“The reform exacerbated the economic situation.”
Mekonen F. Kassa, Senior Director, Microsoft

ETHIOPIAN BUSINESS REVIEW

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 The Battle for Addis Ababa**

**Ethiopia's Thorny Quest for
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Abdulmenan Mohammed

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Make or Break Moment for Ethiopia

During the 5th national election held in 2015, the ruling Ethiopian People's Revolutionary Democratic Front (EPRDF) and its allies scored a landslide victory by winning all the seats in Parliament as well as in regional and city councils. A year after EPRDF achieved this clean sweep, however, a series of nonviolent protests sparked off in the nation, later turning deadly. Witnessing this in a country run by a government supposedly almost unanimously elected by voters just a year prior was surprising for Ethiopians and the international community alike.

The deadly violence and instability seemed over when Prime Minister Abiy Ahmed (PhD) came to power in 2018. The political transition altered many aspects of the political landscape: freedom of expression was allowed, opposition parties returned from exile, and political prisoners were freed. The government also gave institutional guarantees including the reinstatement of the National Electoral Board of Ethiopia's (NEBE) independence. However, the peace that accompanied the political transition was short lived. Breakdown of law and order together with conflict, displacement, and death became the new reality in Ethiopia. On top of political division, the country is also struggling with major macroeconomic problems like high levels of poverty, unemployment, and inflation.

The country now stands on the cusp of the 6th national election. With 47 parties finally approved to participate, the ballot promises to be highly decisive in shaping Ethiopia's future. Of course, there are many factors undermining the next general election. The country is still overwhelmed by ethnic tension, instability, and conflict, especially with the recent war in Tigray Region. Logistical hurdles and delays including the finalization of voter registration and timely distribution of ballot papers also pose as obstacles.

The election has been postponed multiple times and although 36 million voters have been listed nationwide, voter registration has not been conducted in areas affected by violence. Additionally, some opposition parties are boycotting the election raising complaints including the apprehending of their candidates. Some areas including the entire region of Tigray will be skipped in this election and will have no representatives. As inadequate as it seems, the election can be instrumental in taking the country at least a few steps towards an effective democratic political system. Peace is the major precondition for any election but peace cannot just be wished for.

Disagreements over the current federal system and the constitution are major issues. Such controversies can only be solved if the next election sets a legal base for these far-reaching political reforms. The winner must not aspire complete control but look to create a platform for national consensus and confer with all parties on how to bailout the country from the current deadlock. The newly formed government will be in a better position to introduce constitutional reforms and address issues related to ethnic rivalries in a relatively more acceptable manner.

However, the next election will not be a dress rehearsal on the red carpet. In a bid to conduct a successful election and avoid calamity, all stakeholders need to unquestionably discharge their duties in good faith. Political parties should refrain from inflammatory campaigning and complaints that drive their supporters to extremes. Government, itself a contestant in the election, should bequeath handling of post-election compliance to NEBE. The board, in turn, should deploy technology-based information collection mechanisms and expertise to fast-track data and provide a transparent and timely response to complaints.

As witnessed repeatedly, in volatile countries like Ethiopia where violence and conflicts are widespread, elections have the potential to either bring peace and democracy or drag the nation into mud. Given that all the previous elections were melodrama at the ballot box, this 6th national election should be the most transparent in Ethiopia's history. **EBR**



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

Quarter Billion in Salaries Without Sugar



Tendaho Sugar Factory in Afar Region has been paying ETB30 million in monthly salaries to its 7,000 employees, totaling ETB378 million annually. The factory's sugar cane farm on 21,000 hectares of land was devoured by livestock and farmers are currently cultivating wheat on the irrigated land. Tendaho's construction was given to an Indian company fifteen years ago, with expectations of producing 26,000 quintals of sugar daily. The project has consumed ETB25 billion with USD232 million in external loans, with its finalization long overdue.

Creditors, Employees Sue TACON



Governmental and private lenders, suppliers, and employees have sued Tekleberhan Ambaye Construction (TACON). The leading contractor of the last two years has been facing chronic financial shortages especially as of last year. Employees have requested company assets, already listed for sale by Dashen Bank, be sold to cover their salaries. Many TACON projects have been suspended and insiders claim the whereabouts of managers is unknown.

Ministry to Regulate Organ Transplant

The Ministry of Health has finalized a new proclamation to regulate health institutions. Apart from health service regulation standards, the new proclamation also includes regulations of previously unaddressed practices including organ transplant and procedures regarding brain dead patients. Kidney, stem cell, retina, and the transplant of other organs as well as blood donation cases had no legal framework and have also been prioritized in the bill. Special attention is to also be given for mental health, on par with other health issues.



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City Loses a Billion to Illegal Slaughter

Illegal slaughtering of livestock is causing ETB1 billion in losses to the Addis Ababa Abattoirs Enterprise. It is causing the diminishing of expected foreign currency earnings for the nation as animal skins used as raw material by leather tanneries are of inferior quality. The Urban Agriculture Commission and Trade and Investment Bureau of Addis Ababa have placed fines of ETB15,000 to 20,000 or two to three months imprisonment to those who indulge in the practice.



Proportion of transactions carried out on digital platforms in the Commercial Bank of Ethiopia this year, in complete contrast to last year where 62Pct of transactions were at the bank's teller counter, according to Abie Sano, President of CBE.

62
Pct

China Launches First Luban Workshop in Ethiopia



China launched the Luban Workshop in Addis Ababa to swell the country's manufacturing sector by introducing college students to the technologies of industrial sensors, mechatronics, industrial robotics and other high-end tech. Acclimatizing to 21st century skills and knowledge and improving the general teaching and learning process are targets alongside the enhancement of indigenous knowledge and practices.

New Cement Investment in the Pipeline

Lemi Green Building Materials, a consortium formed by domestic and UK investors, has secured an investment license to develop a cement factory in Ataye. The project costs USD600 million. The Ministry of Trade and Industry has also allocated USD20 million for Abay Cement, a project commenced in Dejen, Gojam in Amhara Region delayed by over two years owing to foreign currency shortages for the import of machineries.



Regions Halt Duty Free Service

Importers with duty free privileges can no longer access the service at regional investment offices as of April. Based on the restrictive letter the Ministry of Finance sent to the Ethiopian Customs Commission, provisioning of the incentives has now been centralized. Though the responsibility had been mandated to the ministerial office, regional states were delegated to approve requests on behalf of MoF. The delegation of work has now been rescinded.



Anti-corruption Implants in Private Companies

The Federal Ethics and Anti-corruption Commission drafted a bill enabling it to install units inside private companies to tackle corruption at the corporate level. Such practice had previously been limited only to state-owned enterprises. The directive to create anti-corruption systems in private companies is effective as of April 2021. Religious institutions, political entities, and international organizations are exempt.



ETB
16.2
Billion

Amount of money the federal government transferred to the ten regional states in the last nine months, according to the Ministry of Revenues. Following the readjusted revenue-sharing formula, the sum has increased from ETB3.6 billion from the same period last year, by 345Pct.





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Top 10

Readiness for Frontier Technology Index

| Africa Ranking | Country | Global Ranking |
|----------------|--------------|----------------|
| 1 | South Africa | 54 |
| 2 | Tunisia | 60 |
| 3 | Morocco | 76 |
| 4 | Mauritius | 77 |
| 5 | Egypt | 87 |
| 6 | Namibia | 91 |
| 7 | Gabon | 94 |
| 8 | Algeria | 98 |
| 9 | Ghana | 103 |
| 10 | Kenya | 105 |

Source: UNCTAD

Frontier technologies are being used to provide services via digital platforms that have spurred the creation of a 'gig economy'. Some of this work is locally based, but there is also 'cloud work' that can be performed anywhere via the Internet. Using, adopting, and adapting frontier technologies requires sufficient ICT infrastructure, especially since AI, IoT, big data, and blockchain are internet-based technologies.

Frontier technologies already represent a USD350 billion market, to reach over USD3.2 trillion by 2025. Among the frontier technologies, the largest by market revenue is internet of things (IoT). Market size of IoT is estimated to reach USD1.5 trillion by 2025, robotics USD499 billion, solar PV USD344 billion, 5G USD277 billion, AI USD191 billion, big data USD157 billion, and drones USD141 billion.

In the rank, African countries feature in the lower-middle and largely in low-ranking categories.

In fact, there have been some successes in attracting investment into Africa's tech startups. For instance, in 2018, annual equity funding for tech startups in Africa doubled to more than USD1 billion—around 2.5Pct of total FDI. Nine countries received more than USD10 million: Kenya received USD348 million, Nigeria USD306 million, South Africa USD250 million, Tanzania USD75 million, Egypt USD67 million, Malawi USD28 million, Senegal USD22 million, Rwanda USD19 million, and Ethiopia USD11 million.

Ethiopia is 150 out of 158 countries in the ranking. In the sub-indexes, Ethiopia ranked 152 in ICT, 155 in skills, 86 in R&D, 144 in industry, and 134 in access to finance. **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.



EU to Invest EUR1 Billion to Build Vaccine Production Hubs in Africa

The European Union will invest EUR1 billion to build vaccine manufacturing hubs in Africa, the head of the European Commission Ursula von der Leyen said. Africa imports 99Pct of its vaccines and 94Pct of its medicines. Europe for example has been able to manufacture 400 million doses of COVID-19 vaccines so far, and to export half of them. Together with the European Investment Bank (EIB) and other development banks, the initiative will incentivize and de-risk investment into local pharmaceutical and biotech companies. For example, the European Commission and EIB are announcing today a coordination platform for European development banks to facilitate investment in the health sector in Africa. The Team Europe initiative will support technology transfer and develop a number of regional manufacturing hubs in alignment with the African Union and the Africa Centers for Disease Control and Prevention (Africa CDC) which recently launched the Partnerships for African Vaccine Manufacturing. Together with several African and international counterparts, the Commission is already actively engaging in promising projects in South Africa, Senegal, Egypt, Morocco and Rwanda.

Morocco

Morocco's parliament voted to legalize the local cultivation of cannabis for medicinal and industrial use, in a potential victory for marginalized farmers in the world's top exporter of the drug. The country, where tens of thousands of people live off illegal marijuana cultivation, has debated legalization for the past decade, with advocates saying it would allow farmers to sell to the government instead of traffickers. There is 475 sq km planted with cannabis in Morocco. A total of 119 lawmakers cast ballots in favor of legalization and 48 against. King Mohammed VI has to approve the legislation before it can take effect. Recreational use, sale, and production will remain illegal.

Nigeria

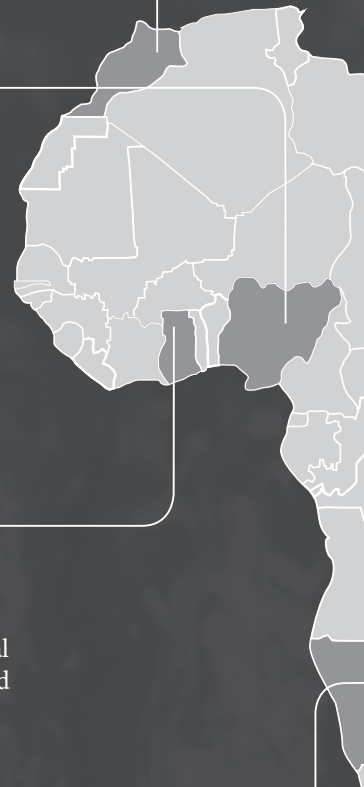
Nigeria's biggest data services firm, MainOne Cable Co., plans to almost double storage capacity over the next two years after demand for its services increased in West Africa. The Lagos-based company, which provides undersea cable and broadband connectivity, is building a 130-rack facility in Lagos that will be completed this year, and plans to add a 50-rack center in Cote de 'Ivoire in 2022 and 300 racks in Ghana by 2023. MainOne has built terrestrial fiber and interconnection facilities in about 10 West African countries.

Ghana

Ghana is planning to raise as much as USD1 billion through a sale of sustainable bonds, including Africa's first social debt to fund a flagship policy to broaden access to education. The sale, likely to be a mix of social and green bonds, would come months after Ghana sold four-year zero-coupon debt to international investors as part of a USD3.025 billion Eurobond deal that also included 20-year, 12-year, and seven-year securities. The use of social bonds has boomed since the coronavirus pandemic, yet so far only a few sovereign issuers have sold them, including Chile and Ecuador.

Namibia

Germany recognizes colonial-era mass killings in Namibia as genocide and offers EUR1.1 billion euros (USD1.3 billion) in aid as a gesture of atonement. German and Namibian negotiators concluded an agreement after more than five years of talks. Namibia accused German colonial rulers of committing genocide against the Herero and Nama between 1904 and 1908. Germany occupied Namibia from 1884 until 1915. As many as two-thirds of the estimated 80,000 Herero population died through murder, disease, and forced starvation, according to the German History Museum.





REUTERS

**Bloomberg
Business**

Ethiopia

Vodafone Group PLC's plans to expand in Ethiopia have been complicated by the U.S. state development agency's decision to pause investments in the country. A group including the UK's Vodafone, Safaricom Ltd., and Vodacom Group Ltd. were awarded a new mobile-phone license by the Ethiopian government on May 22, 2021, and had agreed to take a USD500 million loan from the U.S. International Development Finance Corporation to help with acquisition and development costs.

Sudan

Sudan expects relief for about USD45 billion—80Pct of its external debt. Prime Minister Abdalla Hamdok was speaking on his return from a conference on Sudan in Paris where the government sought to drum up international investment and support for settling its long-standing debts, estimated at about USD60 billion. France wiped USD5 billion and Saudi Arabia forgave USD4.5 billion of Sudan's debt. The World Bank delivered USD2 billion in ten months. Real GDP contracted 3.6Pct in 2020, according to the IMF, while inflation is running at over 300Pct, piling pressure on a transitional government that's an uneasy coalition of civilian and military figures.

Ethiopia

Ethiopia told the United Nations Security Council that Egypt and Sudan aren't negotiating in good faith and asked members to urge the governments to return to talks on a controversial Nile dam. In an April 16 letter, Foreign Minister Demeke Mekonnen said the Security Council had supported the African Union-led talks on the Grand Ethiopian Renaissance Dam but Egypt and Sudan were "scuttling" talks about the dam's filling and operations and "internationalizing" the issue to increase pressure on Ethiopia.

Malawi

Malawi burns nearly 20,000 expired COVID-19 shots despite the Africa Centers for Disease Control and Prevention (Africa CDC) assuring the shots could be used until July 13, based on a further analysis conducted by the manufacturers Serum Institute of India (SII). South Sudan is also not using 59,000 doses supplied by the AU because of the same expiration issue. India's drug regulator in March allowed the SII-produced AstraZeneca vaccine to be used for up to nine months from its manufacture date, as opposed to the earlier six months.



Buy Out African Bondholders with IMF Tool, AfDB Chief Says

AfDB chief Akinwumi Adesina (PhD) stated IMF's special drawing rights (SDRs) resources should be used to buy out holders of African bonds, as many African nations gasp for debt relief. He proposed buying back foreign bonds with some of the USD650 billion SDR reserve assets IMF is planning to issue this year. Efforts of international lenders have so far focused on suspending debt-servicing costs, which does little to address the size of Africa's USD700 billion debt pile or involve the private sector, which holds more than half of that debt. Adesina said the G-20 Common Framework is unlikely to be used again in its current state as countries fear ratings downgrades if they apply. The framework is available to 73 poor countries, but only Chad, Ethiopia and Zambia have so far requested it. Moody's and Fitch downgraded Ethiopia's credit rating, saying the protracted deliberations over country's application to the Common Framework have increased the risk private-sector creditors will incur losses. The African continent's economic output would increase by only 3.2Pct in 2021, compared with 6Pct in the rest of the world.

ELECTION SHORT OF SOLUTIONS

At a sensitive time when the economy is suffering from inflation, unemployment, debt distress, poverty, conflict, and COVID-19, the nation prepares for the sixth national election to decide who rules for the next five years to end the transitional government that has been in power since April 2018.

Nonetheless, the political space is largely occupied by parties fanning and prioritizing ethnic quests instead of addressing underlying economic constraints. Ideology-based analysis and principled models for Ethiopia's vicious economic circle are brands scarcely seen in the political parties' campaigns. Out of the 47 political parties cleared to participate, 18 are competing for federal Parliament seats. While very few of the national parties have manifestos, even fewer have well-defined politico-economic policies to relieve voters of the ongoing economic strife.

While almost all national parties are centrist and generally claim to be social democrats, their policies on pressing issues concerning the private sector, factors of productions, structural transformation, and growth model are contradictory, not well digested, and full of arrears. Most of the parties have diminished their outlook of voters to ethnic lines, instead of creating a policy-conscious supporter. Will the upcoming national election bring along a competitive party that can bail out the economy, or will the voter bail out the parties? EBR's Ashenafi Endale explores.

In Ethiopia, where identity politics dominates and ethnic groups compete for power and influence, vital economic issues such as poverty reduction, job creation, inflation taming have barely gained the attention of political parties participating in the upcoming 6th national election.

As witnessed during campaigning, most of the 47 political parties vying for seats in the 547-seat Parliament, as well as in regional councils, have been bogged down with ethnic-driven politics instead of the crafting of a

rectifying path for the nation.

Driven by massive public-led investment, Ethiopia has recorded phenomenal economic growth of around 10Pct in the last decade. In the same period, the country has been plagued by poverty, massive unemployment, and galloping inflation. Poverty and unemployment are serious social problems in the country. Close to 20Pct of the population in Ethiopia now lives below the international poverty threshold while more than 10 million people remain unemployed. In the past decade, inflationary pressure has immensely affected the great majority of the population with studies indicating average annual inflation for the last fifteen years at 39Pct.

The major contributing factor for these economic



problems is the developmental state model adopted by the government which allowed the state economy to expand to such an extent that the private sector has become relatively irrelevant in the economy. With the government engaged in huge infrastructure projects, the development of the private sector has been constrained due to limited access to finance.

Without the active participation of the private sector, productivity levels of the economy have dramatically declined, efficiency has been lost, and inclusive economic growth has been elusive.

In a bid to sustain the 10Pct average annual growth, Ethiopia has been spending

huge chunks of money equivalent to 36Pct of annual GDP towards public investment. Nevertheless, the investments could not materialize and pay off debts. The major source of financing for governmental investment over the last decade has been public borrowings. By December 2020, external debt reached USD29 billion while total public debt including local dues grew fourfold over the decade to reach USD54.5 billion by the end of 2020. The massive external debt stock which especially accumulated during the last decade constitutes a quarter of Ethiopia's GDP.

The state's huge appetite for finance

coupled with resource wastage has deteriorated the country's credit rating leaving Ethiopia unable to access much-needed loans to finance development endeavors and tackle the major macroeconomic, political, and social problems challenging the survival of the country.

Solving these issues by finding a delicate balance between the roles which government and private sector should play in the economy should have been the major assignment of political parties hoping to govern the country for the next five years. But only few have bothered to come up with a pertinent strategy.



The incumbent is among those strategizing an economic roadmap. In a sharp departure from the state-led developmental strategy adopted by its predecessor, Prosperity Party (PP) advocates for a liberal economic doctrine that provides ample room for the private sector in the economy.

According to the development plan prepared by PP for the next ten years, government's role will be to empower the private sector. Creating a conducive investment climate and building friendly bureaucracy will be major tasks for the government. Privatization of public enterprises and the substitution of imported items like sugar, edible oil, and wheat with local production are also among objectives outlined in the plan.

"Prosperity is already working to create a favorable investment and business environment for the private sector," says Fitsum Assefa (PhD), Minister in Charge of the National Planning and Development Commission and Executive Member of PP. "The change ranges from cutting out bureaucratic hurdles to amending laws."

The ruling party envisions achieving an average annual growth rate of 10Pct up to 2030 in addition to classifying Ethiopia as a middle-income country in 2022 by raising per capita income to USD1,115, further projecting to reach USD2,220 by 2030. Crafted with the objective of laying down the foundation for the local manufacturing sector, the plan has been rolled out with the target of reducing the portion of the population below the poverty line from the current 19Pct to 7Pct in ten years' time. By annually creating 1.36 million new jobs, PP plans to reduce urban unemployment from the current 19.1Pct to less than 9Pct in the period. To achieve such targets, the incumbent plans on disbursing ETB2.9 trillion in loans to the private sector in the next decade.

Helping successful small-scale farmers become investors by expanding their landholdings, encouraging the participation of the private sector in large-scale agriculture, and expanding urban agriculture are some of the distinctive strategies PP plans to implement to improve agricultural productivity.

Just like the incumbent, Ethiopian Citizens for Social Justice (Ezema), one

of the nation's largest opposition parties, favors a free market economic system that allows for a private-public partnership only when necessary. In its election manifesto, Ezema states that both the capitalistic and socialist economic systems have caused damages on economies across the world. "While the private sector cannot properly function under socialism, micro and small businesses will be dwarfed in a free-market economy as the system serves the big



Prosperity is already working on creating a favorable investment and business environment for the private sector."

Fitsum Assefa (PhD),
Executive Member of Prosperity Party

and powerful," argues Kebour Ghenna, Ezema's Addis Ababa City Council candidate.

Ezema, running in 412 election districts out of the 547 nationwide, believes that the main driver of the economy should be agriculture with its potential to produce not only for local consumption but also for export and industry's raw material. As a favorable landholding system is essential to improve the productivity of the agricultural sector, Ezema proposes introducing a system that allows for private and communal land ownership alongside the existing system. The private sector will be encouraged to involve in agricultural input and technology supply and provide extension services to farmers.

"Ezema will work to transform subsistence farming by supporting and promoting commercial farming," says Aaron Seife, Executive Member of Ezema. "Commercial farming will be supported by research and extension work as well as with finance, technology, and skilled manpower."

When it comes to manufacturing, Ezema states that the government's policy that injudiciously focused on foreign

direct investment overshadowed domestic investors. As such, the party stresses that the local private sector should be the major actor in the productive sector with special attention to be given to import substitution. To facilitate this policy, tariff barriers will be imposed to protect and enable the competitiveness of local manufacturers on a temporary basis until they become capable enough to compete in the global arena.

"In order to boost the involvement of private investors in the manufacturing sector, financing will be provided," Kebour explains. "The collateral-based credit system will be reconfigured in order to accommodate those who only have feasible business ideas. We will also establish a secondary market that will encourage the formation of primary markets."

Unlike Ezema and PP, Enat Party believes there is no single economic philosophy that fits the country. So, the party proposes an economic ideology mix to solve the nation's existing macroeconomic problems. The party is the third largest, following Prosperity and Ezema, in terms of number of candidates listed.



sector. But in an underdeveloped country such as Ethiopia, state support is critical,” argues Mikias Seyoum, ENUP Vice President. “But the role of the state should be limited to the provision of support and building infrastructure.”

Mikias admits that avoiding capitalism is impossible. “Capitalism needs state intervention to avoid the accumulation of wealth in the hands of a few. This is why the country needs a mix of strategies from both capitalism and socialism.”

Forum (Medrek) supports a social democratic economic model and believes that only the private sector can save the national economy. Ethiopian Socialist Democratic Party, Arena for Sovereignty and Democracy, Sidama Liberation Movement, and Oromo Federalist Congress are the parties that form Medrek.

According to Medrek, the ruling party has been favoring few businesses which have connections with politicians. Such state favoritism has been negatively affecting the operations of those that play by the rules of the country. “Manufacturing and agriculture cannot grow without a competitive private sector. So, our core principle is that there cannot be a competitive private sector without political and economic freedom in the nation,” says Desta Dinka, Secretary of Medrek and Head of Oromo Federalist Congress (OFC). “We encourage the private sector to invest freely.”

The election manifesto of Medrek states that commercial agriculture is highly feasible in Ethiopia. But it has failed to live up to expectations because access to finance was controlled by politicians. Desta stresses that the opening up of the banking and telecom sectors along other key areas requires caution. “The closure of banks to foreigners has helped the growth of domestic banks. So, we will open these sectors gradually.”

In all, even though some individual experts try to defend their organizations’ possible approaches to existing economic challenges, the parties lack an organizationally proven, articulated and documented ideology and principle that can be a contractual promise which the voter can hold as guarantee should they win the election.

The parties’ policy alternatives for the upcoming national election are highly fragmented, shallow, flimsy, and barely qualify as hypothesis. They largely tend to be centrist. But it is difficult to define the parties as such, or with any ideology, due to their contradicting, overlapping, and similar policies. Either the parties’ diagnosis of the economic situation in Ethiopia is wrong, or they are purposely avoiding sticking to a single ideology to keep their options open and eat from different plates. **EBR**



We will open up the banking sector to foreign companies.”

Getachew Asfaw
National Planning Expert for Enat Party.

“The private sector in Ethiopia is still in its infant stage and needs more governmental support to grow,” says Getachew Asfaw, National Planning Expert for Enat Party. “Ever since the imperial regime, the private sector has just been an extension of the state and has not been given the chance to grow.”

According to the election manifesto of Enat Party, the expansion of large-scale farming and commercial animal rearing will be the focus of its agricultural policy. The party plans to adopt a private landholding system to realize its vision for the agriculture sector.

Taking industrialization to rural parts of the country is another strategy. “The party will focus on expanding cottage industries in rural Ethiopia as we see the reason for the failure of industrialization in Ethiopia in the past is due to government’s abandonment of the handicraft and cottage industries,” argues Getachew. “We will also open up the banking sector to foreign companies.”

Ethiopian National Unity Party (ENUP), which advocates for a social democracy stance, believes in government intervention in the economy to promote social justice within a framework of a capitalism-oriented mixed economy.

“We believe in the power of the private

ENUP states that poverty, unemployment, and inflation are the results of weak macroeconomic performance. To improve productivity, the involvement of the private sector in commercial farming and manufacturing is vital, according to ENUP. “Manufacturing could not grow because agriculture did not grow. The state has been crowding out and snatching finance from the private sector,” argues Mikias. “Supply side shortages occurred because the private sector, which is the production arm, was denied finance.”

However, ENUP believes the narration that depicts Ethiopia as the land of cheap labor must change. Since the government is building infrastructure, the party stresses that foreign investors should especially pay higher salaries. “But first, producing skilled labor is required. After achieving this, the salary of factory workers can be increased,” says Mikias.

ENUP also plans to leave the financial sector closed to foreign institutions. “Banks must have the autonomy to do business independently without being dictated to by the government,” says Mikias. “They must be given the freedom to finance only feasible businesses.”

A coalition of four political parties, Ethiopian Federal Democratic Unity



“The reform exacerbated the economic situation.”

Mekonen F. Kassa is Senior Director for cloud cyber security engineering at Microsoft company where he has worked for about 22 years now. Living in Seattle, he earned his first degree in mechanical engineering and second degree in information systems management from Washington University. Prior, he worked as a consultant and taxi driver.

After witnessing the politically-led massacre of nine of his teenage friends in his birthplace of Gondar 37 years ago, he fled to Sudan traveling on foot for fifteen days. Escaping from the Amracuba refugee camp in Sudan, he worked as a daily laborer on commercial farms, as a servant, and on other jobs in Algadari and Khartoum. After four years in Sudan, he found Ethiopians who sponsored his move to Seattle 33 years ago. He recently flew back to his hometown to inaugurate the library he built for his old elementary school.

Hard-working, and at times lucky, Mekonen found his way into Microsoft where he has served under various positions. He points out peculiarities that have resulted in Ethiopians' lack of relative success in high management posts in multinational companies. His experience also lends light on the relationship of the technological sphere and Ethiopian business and policymaking. Highly critical of governmental policy and traditional business practices, he suggests a fundamental shift is required in both manners to enable Ethiopia's successful leapfrogging into the digital industrial age.

He advocates for a deeper presence of American investment in the nation, pointing out the advantages this will have towards securing a positive American foreign policy, as these companies will do Ethiopia's bidding in front of lawmakers. In all, he is a deep supporter of a tech-led renaissance of the Ethiopian fabric. The following are excerpts from EBR's time with him.

How did you make it to Microsoft?

I was a taxi driver and about to graduate with a mechanical engineering degree. In a humble encounter, I got a job at a company that is today called Accenture Consulting.

My first assignment was to consult Microsoft. Our company had a contract with them for general advisement on better business practices. In three months' time I absorbed matters to do with business consulting, but especially more regarding computers and software programing.

I stayed with that consulting company for about ten years. I traveled all over the USA, consulting Microsoft, Toyota, Honda, Godier, and all kinds of other businesses. I then became a Microsoft employee in May 2006.

What consulting services did you give the companies?

In the 1990s and 2000s, there weren't any real technology-supported business. Few companies were using huge frame computers in the back of their office for their operations. The internet was just getting its start. We went to the businesses to assess how they operate their value chains, marketing, reporting systems, sales, and all else.

Once we got a grasp of their business processes, we point out opportunities for efficiency improvements, cost reductions, and customer experience enhancement. We persuade them to buy cutting-edge personal Microsoft computers for their employees, instead of the legacy systems they were using. Then, when the internet came along, we further advised our clients to transform and use ecommerce and online business instead of sitting in their offices and waiting for customers to come to them.

Did Bill Gates use these observations and external consultants' inputs to remodel Microsoft?

Absolutely. Microsoft is like any other business that sells products, software products in their case. Bill Gates was a good software engineer. Yet, he is not an expert on how to run a business. Microsoft is not just full of software engineers. We have lawyers, sales and marketing people, human resource officers, and other departments just like any other company. Microsoft has also abundantly leveraged

consultants and contractors to run its business.

Just because you have established a company does not mean you have all the expertise to handle the business. That is why you have to hire technocrats and skilled people.

One of the challenges I see in Ethiopian businesses is that the vast majority of them are traditional businesses. Most business owners in Ethiopia are running the operations by themselves, instead of letting the business be run by knowledge and skilled technocrats. This is why American businesses are succeeding and Ethiopian ones are not. Business owners should just be owners and not CEOs of their companies.

This is critical for Ethiopian businesses to stay competitive. Right now, Ethiopian companies are succeeding only because the environment is closed to foreign competition. Once reform policies take place and the economy opens, they will be eaten for lunch.

Is that the only reason for their lack of success?

Government policies are also detrimental to the business arena. Most of the government people who ratify policies are PhD holders and academicians, not necessarily technocrats. How many companies have the policymakers run? Which local or international company were they employed in? How many years of experience can they draw upon to draft the nation's economic and trade policies? This is the reason policies are not working as designed and desired on the ground.

Even if government brings in technocrats into the existing system, their success is uncertain. The way policies, the civil service, and public services are designed and provisioned in Ethiopia—where manual operations and corruption are rampant—makes it suitable for a person running a business traditionally and detrimental for those operating in a modern fashion. Furthermore, the economy has been closed to protect them at the cost of arresting the economy of Ethiopians and condemning them to live in poverty.

Just by virtue of policies designed to protect local bankers, the economy is suffering and not developing as much as



it should. If foreign banks entered and partnered with local ones, they will bring hard currency, technology, and more importantly, large capital. It is nearly impossible to access loans now as banks themselves do not have money. They take bribes to give out whatever little cash they have, request huge collateral, charge high interest rates, and give short repayment periods. Youths with bright ideas cannot start a business with these protected banks. If foreign banks come, they would value ideas and nurture it to success. But now, people bribe banks for loans and run away with the money. Foreign banks do not just give you the money, they monitor what you are doing with it. Your success is their success. This is how billions and billions is wasted in Ethiopia and causing all this political instability.

In which areas did you serve Microsoft since joining in 2006?

Microsoft sells software to Fortune 500 companies. If a computer system or software is disrupted for even a single minute, these big companies could lose millions of dollars. To avert this, the companies purchase an enterprise support agreement from Microsoft where our employee is immediately on the case to fix any problem that arises.

My first role was to analyze all the historical configurations with the customers' databases. We would start by correcting configuration problems in advance and thus prevent problems from happening. Through this process we improved user experience, avoided business disruption, and saved our clients' money. We were charging USD10,000 to

application downloaded on any device or computer has a certificate that is generated by a highly secure and protected system. If a hacker could get hold of that certificate, they can distribute their software as Microsoft's and can then do malicious things. For about two years, I was running this system.

I am currently running the cloud cyber security engineering team. The cloud is nothing but computing power provided virtually and requires thousands of computers and other infrastructure all found remotely and away from the user. Once you access the data centers online you can do whatever you want virtually.

What kind of customers use cloud computing? What is its applicability in Ethiopia?

computing also offers artificial intelligence capabilities which Microsoft develops and markets.

Ethiopians are not taking advantage of such technologies. The Ethiopian government has been preventing banks and other institutions and businesses from using the cloud. The entire universe is using and relying on them. Why is Ethiopia different?

Ethiopian policy makers have never known what a real company does. These officials probably purchased their degrees somewhere and are sitting in their ministerial positions because they are political cadres. They are making decisions that are condemning Ethiopians for generations to come. The problem is that the government thinks their data is too valuable and fear outsiders will use it to take advantage of them. But all nations are using the cloud. If we fear Western cloud providers, there are other options like the Chinese Alibaba.

We see Microsoft, Amazon, and Google always fighting the United States government for data privacy. They are fighting to prevent the government from having open access to private data. We have strong institutions abided by international laws.

What data does the Ethiopian government have that cannot be hacked into by a fifteen-year-old with a laptop? That is how insecure it is. The cloud is the most protected asset. Microsoft invests billions of dollars every year in hiring the best experts in the world to ensure the protection of its data centers from cyber risks. Microsoft can protect the government's data much more than the Information Network Security Agency (INSA). It is just fear mongering and illogical.

INSA says it defends against cyber-attacks.

You are up against the Russians and North Koreans which couldn't even be resisted by the Americans with their resources and skills. How INSA is going to defend itself? Who are the people at INSA? The sad thing is that they want to do everything. Now every country is becoming a hacker, including the Americans and even the Egyptians. INSA is far behind capacity to stop cyber-attacks.



Ethiopian banks could get rid of all server and software purchasing hustles if they utilized cloud infrastructure.”

assess and advise. Our operations not only helped save money, but ended up making hundreds of millions of dollars for our clients. That was my first role.

My second role was managing Microsoft's data center infrastructure. Microsoft had over 2,000 different applications to run its businesses used by 150,000 of its employees in over 100 countries. The infrastructure, networking, storage, and computing systems that supported all these applications and users were hosted across nine data centers installed in America, Europe, Singapore, and other places. As a public company, Microsoft presents quarterly financial reports and all that was run on this infrastructure. I was running this infrastructure for six years; all the servers, computers, networks and systems depended on me.

The certificate system—a highly secured structure that guarantees the genuineness of Microsoft software—was also my responsibility. Any software or

All types of customers like banks, governments, manufacturing companies and the like. The US government signed a USD10 billion contract with Microsoft to use its cloud services. Companies operating traditionally have a server, computers, and some connectors. But when you use the cloud you get rid of the server. Globally, Microsoft has 54 data centers. This is probably the size of Addis Ababa (54,000 hectares) with millions and millions of computers, all networked. Amazon, our competitor, is similar.

Ethiopian banks could get rid of all server and software purchasing hustles if they utilized cloud infrastructure. However, network access is critical. In such case you can have gigabytes or even exabytes of storage on the cloud where you can install software and keep data.

The cloud system is highly reliable. Imagine having a data center in a bank's basement compared to storing your data across 54 data centers around the world—if one goes down the other picks up. Cloud

A number of companies, both private and government-contracted, are currently building data centers and cloud computing systems inside Ethio ICT Park. Do you think they are viable investments?

The infrastructure is very poor. With the current connection network, you cannot even send a sizable file let alone service an online data center. Secondly, they do not have skilled labor. Thirdly, foreign currency is too scarce to bring in the necessary equipment. If they are really interested in the cloud and the policy is made conducive, they could have requested Microsoft or Amazon to come and build data centers here.

Racial discrimination seems present and prevents Africans from ascending to high management levels in multinational corporations. What challenges did you face going up the ladder in Microsoft?

Nothing is ever easy. It is even harder when you are foreigner, speaking with an accent. You do not have the cultural nuances and you might inadvertently offend colleagues. Unfortunately, black people are perceived as poor and ignorant. But one thing we Ethiopians have as a benefit, alongside the costs, of not being colonized is that our parents have instilled in us a sense of confidence. We believe we can do anything that we see others doing. This was very instrumental for me in navigating challenges. Also, not only are we expected to be experts on technical matters but to also be sound in our culture.

Growing up in Ethiopia, you see society is very hierarchal and has a command-based culture. If you are leading a team in America and act like a typical Ethiopian, you will be in trouble. Leaders in Ethiopia feel like they are God-sent and that everyone is beneath them. We do not see many Ethiopians in leadership positions in multinational firms and institutions because we lack those soft skills. But you do find Ethiopians in technical positions.

It is not common for Microsoft to hire talent from Ethiopia, as compared to South Africa, Kenya, and Nigeria. What are Microsoft's criteria in hiring Africans?

We recently hired fifteen people from Kenya and Nigeria when setting up a



nothing but reliable telecom infrastructure and good policies.

Microsoft is trying to train Ethiopians and we have recently trained 200 people. We are doing so at Wollo University and have also partnered with companies like Gebeya. But for Ethiopians to compete in the global market, the network infrastructure must first be reliable, available, and cheap.

Do you think the liberalization of the telecom industry can realize efficiency, especially given that the new operators have to rent out Ethio telecom's infrastructure?



Microsoft can protect the government's data much more than the Information Network Security Agency (INSA)."

software development center in the two nations. The three nations you mentioned attract American companies way more than other African countries. They have the infrastructure and open policies. For the last fifteen years, we have been asking the Ethiopian government to develop friendly policies that can attract tech companies and get rid of the archaic Ethio telecom monopoly. With this kind of network that struggles even on phone calls, how do you think Microsoft would come and invest? Where everything is closed, how can Ethiopian students get the visibility to compete in the world market. Ethiopian youths mostly open the internet to check Facebook. They are not using it to learn because it is expensive and not reliable.

I hired six people in Nigeria while in the US by interviewing them online. Try that in Ethiopia. With over 300,000 Ethiopians graduating with degrees every year, it is ridiculous Ethiopia does not have an active IT sector. Some 40 million Ethiopians are under 20—the youngest population in Africa. Ethiopia could have been competing with India, a nation synonymous with technology with

Why would any decent government, trying to provide the best service for its people, force telecom operators from building their own state-of-the-art infrastructure? Who is making this decision that Ethiopians do not deserve the best? This official should rather be telling foreign operators to bring the best telecom infrastructure and 5G. This is critical for Ethiopia to leapfrog into industrialization.

Why do you think government always want to keep and protect Ethio telecom?

Because if they control it, they can shut it down anytime they want. The source of all problems in Ethiopia is political control. Politics has priority over everything else. And yet, the politics has worsened. Government must prioritize economic development over politics. When economic benefits are maximized, the politics will stabilize.

In reality, if government opens up the telecom sector, it can make more money from the increased usage and economies of scale. People say Ethio telecom is the cash cow of the government. Had it been all about money, then it would have opened up the sector. But the real reason, I bet, is

political.

Africa has missed the first, second, third, and fourth industrial revolutions. Do you think we can leapfrog now?

Absolutely. As a matter of fact, all these African countries can leapfrog ahead of everybody else because they have not invested capital in existing infrastructure. For instance, electric cars are struggling to get hold of the American market because so many companies have invested trillions of dollars in combustible engine manufacturing. That is why they had been buying and killing all these electric car manufacturing companies until Tesla came. African countries are not shackled in this manner. All that African governments need to do is to create conducive policies and let loose. Ethiopia now has abundant electricity. Why would we continue building or importing petroleum-powered vehicles?

We can go directly to the 5G network. We can go directly to artificial intelligence and robotics. The only thing is to understand your data.

Google said it will launch a cheap and universal satellite-based network. Could that spell the end of the standard telecom company in the near future?

It all comes down to protective policies by governments. Do you think governments want American companies like Google to control the entirety of their communication systems?

Ethiopians should stop looking for free things. They have the resource and capital that can be marketed to help them earn money. All you need is good policy.

As I fly from Gondar to Addis Ababa, I cry. There lies the naturally provided water reservoir that is Lake Tana—90 by 60 kilometers wide—with flat land surrounding it. But you can hardly see a single plot of irrigated farmland. All that water and land, just wasted. Farmers are ploughing and praying for rain. Rich countries started by farming and then went on to industrialization. Why are Ethiopians starving while sitting on land and water? Ethiopia has the largest cattle population in Africa and seventh largest in the world. Why is meat so expensive, why is there no milk? It all comes down to stupid government policy.

The world knows us as poor people and beggars. There is no freedom without self-sufficiency.

You have a foundation. What does it do?

We publish children's books by partnering with an American NGO. We have published about 80 different titles based on Ethiopian folklore tales. We take good stories and publish them in local Ethiopian languages, as well as in English. We have published and distributed over 100,000 copies.

How do you see the ongoing reform in Ethiopia?

When Abiy Ahmed came along, I was enthusiastic and hoped he would effect reforms looked over by the EPRDF. Unfortunately, these reforms are not happening. The financial and telecom sectors and all other policies remain fundamentally unchanged. Little changes at a time could have worked. But these guys are trying to make it like a big bang. The reform is more like feet dragging instead of incremental. It has perhaps exacerbated the economic situation. Unemployment has increased.

Ethiopians are at a tipping point today because we are not empathetic. We are not understanding the position and feeling of others. We are too self-righteous and egotistic. We are not sitting down and dialoguing. We should choose words and sit down for discussions. This is the only way to get out of the current situation. It is not 'my Ethiopia and go to hell' or 'my Oromia and go to hell'. We can all have it together.

Even America, with the biggest military in the world, could not defeat Iraq and Afghanistan. There is no problem in the world that cannot be solved through discussion.

Ethiopians have to stick to their guns and complete their project. It is their natural right to use their natural water. The only power Ethiopia should have is economic power.

Are China and America fighting over Africa?

China used Ethiopia as a gateway to Africa as it is the seat of the continental body. America is doing whatever it can to drive them out. It is not personal nor political. It is about economy.



America has resources it needs from Africa, and so does China. Of course, Africans are not using the resources because they are too busy killing each other. America makes up 5Pct of the world's population but consumes 40Pct of global production and service. China has to feed 1.4 billion people.

Yet, 60Pct of global arable land is in Africa. With climate change, population growth, and loss of farmland, everyone is trying to control Africa. Africa needs to wake up.

It is not even about democracy. Africans cannot eat democracy. We have seen it in Libya and Iraq: give democracy to poor people and they will burn it down. The fundamental requirement for democracy is economic stability and development. America is supporting the most dictatorial regimes for their economic interests and to the detriment of democracy.

Will American companies invest in the Ethiopian telecom sector? Alibaba is already setting foot.

Had American companies invested in Ethiopia, they would have also protected Ethiopia. As America has minimal investments and vested interest in the nation, they do not protect Ethiopia as much as they do other countries. If the government puts the right policies in place, Americans will invest here. They will then advocate and lobby for Ethiopia in front of American lawmakers. **EBR**

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The 6th National Election The Battle for Addis Ababa

For any political power aspiring to rule Ethiopia, controlling Addis Ababa is the ultimate accomplishment. Not only does the capital house all essential government organs, but Addis Ababa is mini-Ethiopia. All languages, ethnic groups, and regional states are represented and living in Addis Ababa, making it unique from the ethnic and language-based federalism seen in all other cities bar Dire Dawa to a much lesser extent.

However, the very diversity of Addis Ababa has become an obstacle deterring a single party from outshining others. For any political party, it is not simple to craft a policy that satisfies divergent demands and claims on Addis Ababa, especially when the parties themselves are shaped by popular narratives rather than pragmatic scientific principles.

Addis Ababa is crucified across fundamental bottlenecks deterring it from becoming the international city it deserves, and the divisive ethnic politics of parties is infuriating voters of the capital of over five million residents. Vague and clashing articles of the constitution combined with historical narratives and current conditions have led parties affiliated to different groups looking to strengthen or loosen Oromia's special interest claim on Ethiopia's capital city. EBR's Mersha Tiruneh investigates the game-changing power Addis Ababa has on the outcomes of the upcoming sixth national election.

The race to hold the upper hand in Addis Ababa is intensifying among political parties as the sixth national election fast approaches. The importance of winning Addis Ababa emanates from the fact that the city serves as the political and economic center of the country, inhabited by all religions and

ethnicities.

Divided into 11 districts, Addis Ababa, the primary gateway of the country and seat of the African Union, undisputedly serves as the major trade, transport, and investment hub of the nation. Currently, close to 60Pct of factories in the nation are located in or around the capital.





The degree to which Addis Ababa is driving the economic prospects of the country has been growing especially in recent decades. The capital presently accounts for half of national economic output. These features make Addis the main hotspot in the upcoming national election. The electoral politics of the capital also set the tone for the broader national election.

One of the major issues, which has been a bone of contention in recent years, is the ambiguity arising from the special interest Oromia Region raises over Addis, which also currently serves as the region's capital. Article 49 of the Constitution states that the special interest of Oromia in Addis Ababa regarding the provision of social services, utilization of natural resources, and administrative matters should be respected. This led certain politicians to claim Oromia has a particular right over the capital. Some even go as far as claiming ownership of the capital.

Oromia raises multiple demands over Addis Ababa including compensation for the disposal of solid and liquid waste to the drilling of water wells that supply the city. Although a draft law that sought to define and clarify the vague constitutional provision concerning Oromia's special interest was approved by the Council of Ministers in 2018, it failed to be ratified by Parliament.

The Constitution also grants Addis the right to full self-governance, in contradiction to Article 49. Stating the provision of the Constitution that the administration of Addis Ababa is accountable to the federal government, there is a rejection of the special right and ownership claims raised by Oromo activists by stressing

Oromia does not have any jurisdiction in the capital.

Beyond simple rivalry, the issue has been a source of conflict. When the federal government proposed a new master plan which would have expanded the boundaries of Addis further into Oromia a few years ago, without settling the special interest issue first, wide and persistent public protests erupted across Oromia, leaving hundreds dead and injuring thousands. Some would even have it as the beginning of the end of the then ruling party.

It is due to this intense magnitude and importance that the issue has become pivotal for residents of Addis, leading them to eagerly look to cast their ballot and make known their stance. It has also garnered immense attention from political parties that have fielded candidates for seats in Addis Ababa's city council as well as for its designated national parliament seats. According to the National Electoral Board of Ethiopia, 18 political parties are running for the upcoming election at the national level, with 33 competing at regional levels. All national parties are competing for Addis Ababa alongside Balderas, the only Addis-specific regional party.

One of the parties running only at the city's regional level is Balderas for True Democracy (Balderas). In its manifesto, Balderas rejects Article 49 of the Constitution. "Article 49 is irrelevant," says Getaneh Balcha, Political Affairs Head of the party. Addis Ababa should become an independent regional state, as it was during the transitional government between 1991 and 1995."

According to Balderas's manifesto, "Addis Ababa's exact landholding area when the 1994 Constitution was

ratified was 122,000 hectares and stretched to Sendafa, Sebeta, Sululta, Gefersa, Beseka, Welmera, and others. "Addis Ababa has lost its right to self-governance provided under the Constitution," argues Getaneh.

Initially, Balderas was established as a civic society to safeguard the interests of the residents of Addis, a city with more than five million inhabitants, from those claiming Oromia has a special right over the capital. To advance its struggle and enable Addis to secure its autonomy through the ballot box, Balderas reestablished itself as a political party.

To strengthen its position, Balderas formed an alliance with the National Movement of Amhara (NaMA), a political party also arguing against Oromia's special interest in Addis Ababa. To emerge victorious in the upcoming election, NaMA pulled out its candidates to prevent direct competition with Balderas in Addis Ababa, with Balderas doing the same in Amhara Region where NaMA enjoys strong support. The two parties also plan to form a full-fledged alliance and become a single party.

Ethiopian Citizens for Social Justice (Ezema) is another political party that denounces Oromia's claim on Addis Ababa. The party also proposes the reconfiguration of the current ethno-linguistic federal arrangement towards a setup with parameters promoting easy administration, settlement, and distribution of resources, "The claim is baseless, because it excludes the majority of the population," says Kebour Ghenna, one of Ezema's candidates running for the Addis Ababa City Council. "Addis Ababa belongs to all



for generations and has lost thousands of youths to realize the promise of Article 49,” stresses Takele Adugna, Head of Organizational Affairs at OLM.

According to Takele, Addis Ababa accesses public goods like water from surrounding areas but gives back nothing in return. “Even worse, the health of people living in the surrounding Oromia areas is affected due to waste discharged from the capital. As compensation, Addis Ababa should give a portion of its annual revenue to Oromia.”

However, Takele underscores that the issue is not only political, but economic also. “The majority of factories and businesses are located in and around Addis Ababa and there is a huge migration influx into the city searching for jobs, he



The shortage of housing is another hot topic in the upcoming election. Ezema and PP are among the few political parties that have prepared a roadmap to solve this crisis for dwellers of the capital.

Ezema plans to build 200,000 housing units in the coming five years to solve the housing shortage in Addis Ababa, as stated on its manifesto. This is far below the 2 million houses PP plans to build



Article 49 of the constitution is irrelevant.”

Getaneh Balcha,
political affairs head of Balderas

Ethiopians and not only to particular ethnic groups.”

Ezema, operating in 412 out of 547 nationwide election districts fielding 1,540 regional and federal candidates, proposes to economically integrate Addis Ababa with the surrounding Oromia special zones to neutralize the tension. “It is only through such an arrangement in which both the capital and Oromia can benefit,” argues Kebour.

Enat Party, with its 605 candidates, the highest next to Prosperity Party (PP) and Ezema, also recommends solving the controversy by taking a financial point of view. “From an economic perspective, land is one of the four factors of production. As such, its allocation must be governed by market forces,” argues Getachew Asfaw, National Planning Expert for Enat. “Based on this, the entirety of Ethiopian land, including Addis Ababa, must be open to all Ethiopians.”

Unlike many other political parties arguing against Oromia’s special interest over the capital, the Oromo Liberation Movement (OLM) underlies its commitment for the full implementation of Article 49. “Oromia has been fighting



Addis Ababa belongs to all Ethiopians and not only to particular ethnic groups.”

Kebour Ghenna
Ezema Candidate for Addis Ababa City Council

stresses. In a bid to reduce the pressure on Addis Ababa, additional economic capitals should be created.”

The incumbent PP, fielding the highest number of candidates among the 47 competing political parties at 2,799, is choosing silence instead of taking a stand on the constitutional provision concerning Addis. However, PP has been offering benefit packages to farmers displaced from Oromia special zones in the past two years including provisioning condominium title deeds in Addis Ababa. The ruling party has also opened schools in Addis Ababa that are teaching in Afan Oromo.

in the coming five years, though at the national level. The backlog of housing demand surpasses one million units in Addis Ababa.

Ezema and PP also have divergent approaches when it comes to kebele houses that are usually provided to poor households at affordable rental rates. While Ezema plans to transfer the ownership of kebele houses to people living in them within the next two years at reasonable prices, PP has stated that it will demolish kebele houses and use the land for other purposes. There are around 153,000 kebele houses in Addis Ababa. **EBR**

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“A strong Africa is important for Europe.”



Ambassador Birgitte N. Markussen, is Head of the European Union Delegation to the African Union as of September 2020. She has previously worked as Director at the European External Action Service (EEAS), beginning 2016 and also as Director of the Africa Department at the Danish Ministry of Foreign Affairs.

Her office in Addis Ababa is currently working on a range of packages introduced to strengthen the relationship between the two neighboring continents. With pressing issues such as the COVID-19 pandemic and migration, Markussen delves passionately into peace and security, investment and development, and even the future integration of the two continents. She argues a strong Africa is essential for a strong Europe. Addisu Derese, special to EBR, sat down with Ambassador Markussen. Excerpts follow.

What do you think are the major achievements of the European Union (EU) Delegation to the African Union (AU) over the past 10 years?

The EU Delegation to the AU was established towards the end of 2008, only about a year after the adoption of the Joint Africa-EU Strategy (JAES). This was the starting point of the deepening of our neighborly continent-to-continent partnership. Our work includes both dialogue on political and policy issues, longer-term cooperation, institution building, and the sharing of our unique EU experience of integration.

We have significantly increased the exchange of students through the Erasmus+ Program, in which, by the end of 2020, more than 35,000 students were studying. The aim is to triple this by 2027. Erasmus+ firstly includes important opportunities for African researchers to go to Europe and also travel across the African continent. Secondly, it comprises

to assist in the crucial work of prevention, surveillance, testing, and vaccine roll out. The latest achievement is the launch of an initiative to boost vaccine manufacturing capacities in Africa.


Through the African Peace Facility, the EU has supported AU peace-keeping troops in Somalia and ECOWAS troops in The Gambia, as well as the Multinational Joint Task Force in Benin, Cameroon, Chad, Niger, and Nigeria, in their fight against Boko Haram.

The flagship initiative driving this strategic priority in investments and structural transformation has been the Africa-Europe Alliance for Sustainable Investments and Jobs, launched in September 2018. Under the alliance, EUR4.6 billion of EU grants leveraged, via blending, EUR44 billion of public and private investments by the end of 2020. Since the Abidjan Summit in 2017, with the rapid emergence of the African Continental Free Trade Area (AfCFTA),

EU is very engaged in supporting the hardware delivery with, for instance, the “Multinational Trans-Saharan Backbone (TSB) Optical Fiber Project,” interconnecting Algeria, Niger, Nigeria, and Chad. Just to mention a few.

On migration and mobility, we have moved into constructive policy dialogue and successful joint operations in recent years. In the framework of the EU-AU-UN Libya Task Force, 100,000 people have been assisted in voluntary returns. We have also ensured evacuations from Libya and have worked 24/7 to protect vulnerable people affected by conflict and tackle irregular migration. In parallel, the Continent-to-Continent Policy Dialogue on Migration and Mobility has become regular and is making progress on joint challenges, such as combatting trafficking, improving conditions for the transfer of remittances, safe returns and reintegration.

In our globalized world it is only through multilateral action that the challenges of our times (climate change, digital transition, pandemics, migration, etc.) can be effectively addressed.



In any partnership with Africa, it is essential to have an honest and sincere conversation about our past.”

joint EU-African research projects, which have significantly increased and are expected to expand further under the new Horizon Europe Research Fund. Thirdly, an AU-EU Youth Cooperation Hub has been created and an EU Innovation Fund of EUR10 million was set-up to pilot projects with and for young people from both continents. Fourthly, policy exchange is happening in the context of the AU’s work on the harmonization of higher education systems, including the recognition of qualifications and mobility of students.

We play the leading role in debt relief and rollout of the COVAX Facility. COVAX deliveries have had a good start in March/ April with 18 million doses delivered to 43 African countries. We have also launched a Team Europe (the EU and our member states) initiative to support the AU continental COVID strategy under the leadership of the Africa Centers for Disease Control (Africa CDC), which aims

the EU has been actively engaged to share some of our own experiences and has supported the negotiations and the upcoming implementation of the AfCFTA with over EUR72 million thus far.

In energy, EU-supported projects have delivered more than 5 GW of renewable energy generation capacity in Africa. This work is being accompanied by sharing EU expertise towards the creation of the African Single Electricity Market.

Overall, the EU has over the last six years allocated approximately EUR1 billion annually to support infrastructure development across Africa. Since 2014, 50,000 kilometers of roads have been constructed, rehabilitated, or maintained.

EU and AU are also working closely together in sharing experiences and building the base for the future AU single digital market. One activity is through the EU-supported Policy and Regulation Initiative for Digital Africa. Besides the policy or software work, the

How have Europe-Africa relations progressed over the years?

Our relations have come a long way. Just look at what we have achieved over the past 10 years. To me, how we have cooperated on fighting the COVID crisis is an important example. I am very happy to see the delivery of concrete vaccine doses, our support to Africa CDC leadership, and the vaccine roll out in Africa. Another recent example that shows how our partnership has evolved is the Quartet meetings between AU, EU, UN, and IGAD on the situation in Somalia. Here AU and EU, together with other multilateral partners, have played an important role throughout the crisis.

The US and France’s decision, for example, to militarily intervene in Libya has turned that nation from an African economic powerhouse to a breeding ground for terrorism, which now is also a security threat to Europe itself. Wasn’t your institution supposed to take the lead for conversations before such historically disastrous decisions are made?

I must make a few comments to the premise of your question. Libya was an

important economic actor of the region, if not the continent, but faced serious issues related to democracy, protection of human rights, etc. Economically, more than 30Pct of the population was unemployed towards the end of the regime. When the Arab Spring spread across the region and protest broke out, we witnessed further difficulties. With the risk of chemical weapons, the situation risked turning very dark indeed. Had nobody intervened, perhaps I would be answering a question from you why the EU abandoned the Libyan people in their hour of need. It is a counterfactual, impossible to prove either way. What is important to note is that the situation was not as black and white as some may want to present. Dialogue and conversation are critical now, as ever.

The impact of the disintegration of Libya is still being felt on the continent and specifically in the Sahel. If anything, the example of Libya shows us the importance of preventive diplomacy, coherence, and consistency of the international community. Very often, in inter-state or intra-state conflicts, there is no easy answer.

On common foreign policy, since the Lisbon Treaty the EU made progress with the creation of the European External Action Service, the EEAS. This is the reason I am sitting here right now. Based on the Lisbon Treaty, the EEAS aims for further integration and coordination between our member states for the benefit of our citizens and the world at large. However, the organization is only 10 years old now, so still quite young.

Looking ahead, the Libya Quartet is an example, where our two organizations present a coordinated approach, jointly with the League of Arab States and the UN. Similarly, the AU Peace and Security Council has commended the work done by the AU-UN-EU Task Force to rescue stranded migrants and refugees in Libya, and we believe that the Task Force could be an avenue for the three organizations to also work jointly on other dimensions of the situation in Libya.

So, are you saying we hope that will never happen again?

It is very difficult in this changing world to predict the future. The EU is an institution based on multilateralism, on

discussion and conversation, and on the rule of law. The EU works for non-military solutions to crises around the globe. However, not everyone around the world shares this approach, and there are regions of the world where some prefer their might to speak for them.

Europe and Africa have had quite a bad history that has left a sour taste in the mouth of many Africans. Still, some countries like France are accused of continuing colonial-era economic arrangements with a dozen of African countries. Do you think the partnership you are seeking to achieve will succeed without addressing such an elephant in the room?

In any partnership with Africa, it is



No one will be safe until everyone is safe.”

essential to have an honest and sincere conversation about our past, including the most problematic aspects of our history. Specifically related to France, I suggest you ask the French ambassador here in Addis. However, you seem to refer to the “Franc Zone”, which has been reformed and many falsehoods have recently circulated about that. The countries that are currently using the CFA do so because they believe it serves their national interest, just like members of the Eurozone do.

Some of our member states have a problematic history on the continent. This cannot be denied, and is not being denied. However, while recognizing past atrocities, correcting mistakes is important. But narratives focused only on our negative history has only one goal: to divide Europe and Africa. Our fates are inextricably linked. Europe and Africa can together be a multilateral beacon for the future and the world. A strong Europe is good for Africa, just as a strong Africa is good for Europe.

In this context I feel excited by the AU’s recent steps towards economic

integration, in particular the African Continental Free Trade Area (AfCFTA). We know what massive benefits the EU economic integration has delivered to our own formerly war-torn continent. A flourishing integrated Africa will provide more opportunities for the EU and help the neighboring continents integrate economically as equals, including through a future continent to continent free trade agreement.

Former French President Jacques Chirac famously once said, France would have been a very poor country, had it not been for Africa. Does the issue of continued colonial-era economic arrangements surface during your summits or at other times with your African colleagues?

If these perceptions are still there let us get them on the table and discuss. Europe’s colonial past is an important issue in today’s public debate and is examined critically and very openly by European historians and the public at large.

History however, is never linear. It would

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be a mistake to assign fixed identities. Our memory should not be selective. In fact, the EU was conceived on the ruins of two World Wars. The European Union itself represents a separation from the imperial mindset of might makes right, and instead our union has unleashed a cascade of inclusive institutions that form the essence of the EU.

We represent new generations and should look to the future, learning from our past. An important message from President Charles Michel during the AU Summit last year was that the changing Europe is looking at Africa with fresh eyes—with respect, optimism, and confidence. Today we have global issues to deal with that require our partnerships.

One of the things that the EU is known for is election observing, not only in Africa but globally. Ethiopia is nearing elections. The government is promising a relatively better election than seen previously. Yet, the EU has given pre-conditions seen as unacceptable by the government. Could you have taken another more friendly and accommodative approach?

I cannot comment on the situation in Ethiopia as I am EU ambassador to the African Union – and not to Ethiopia. What I can say is that we have a large engagement with the African Union on election observation across Africa. Over the years, the EU has developed strong links with the AU Commission Electoral Division, contributing with substantial training, inviting officials to exchange programs, and providing long-term substantial funding to support AU electoral assistance and observation

capacities. When being mandated to perform long-term observation missions with sufficient deployment of election observers, AU election observation missions nowadays deliver work of the highest quality.

Democratic values are the DNA of the EU. Therefore, the EU is also supporting Africa's Governance Architecture (AGA) through continued financial and technical assistance to AGA governance and human rights organs such as the Banjul African Commission for Human and Peoples Rights, or the African Governance Peer Review Mechanism (APRM) monitoring scheme, contributing to promote, protect, and document democratic processes across the continent.

Countries with muscular economies, like China, are investing a lot on Africa's infrastructural development. Where will that leave the economic, social, and political ties you are so keen to build with Africa?

The horizon of the EU's partnership with the AU and Africa is measured in generations. Europe is Africa's premier partner in terms of education, with 35,000 Erasmus+ students and, together with other EU member states' programs, there were well over 200,000 African students in the EU in 2020.

In terms of FDI, we are at almost EUR350 billion, while China is at the level of EUR35 billion. A continent the size of Africa needs a lot of partners with a lot of investments and a more integrated economy. The big issue is to ensure credible partners, good investments, and a transparent economic integration process. Peace through economic integration that delivers prosperity to its citizens is the ultimate purpose of the EU, and it is still as relevant today for the AU and Africa as for the EU and Europe.

Access to COVID-19 vaccines has exposed the line of injustice between the rich and poor. What role is your institution playing to help Africa in this regard?

Team Europe (the EU and our member states) has mobilized a global recovery package of over EUR40 billion to help our partners across the world address the immediate health emergency and

humanitarian needs, strengthen health systems, and support economic recovery and social protection.

As President von der Leyen said, "vaccination means freedom from fear." No one will be safe until everyone is safe.

COVAX, initiated and supported by the EU, is the best vehicle for delivering on international vaccine solidarity and we welcome the first batches of deliveries. To date, Team Europe has announced over EUR2.6 billion, including EUR1 billion from the EU's budget, for the COVAX Facility to help secure 1.3 billion doses for 92 low and lower middle-income countries by the end of the year. The EU continues to export half of its vaccine production.

COVAX deliveries have had a good start in March/ April with 18 million doses delivered to 43 African countries and the second wave of deliveries expected in June to allow for further acceleration of vaccinations around the continent. But the situation is changing as we speak. I can only say that the EU is investing as much as possible to support delivery of vaccines in Africa and around the globe.

The EU is also working on setting up an EU mechanism to facilitate the sharing of vaccines, procured by EU member states through the EU's advanced purchase agreements, to other countries, preferably through COVAX. That is leading our efforts to ensure fair and equitable access to vaccines.

A package of EUR100 million from our European Commission Humanitarian Office (ECHO) has been allocated to support the implementation of the Africa CDC vaccination roll out strategy.

Last but not least, based on an AU, Africa CDC, and African leaders request for boosting of pharmaceutical production in Africa a Team Europe initiative on manufacturing and access to vaccines, medicines, and health technologies in Africa has been initiated at the G20 Global Health Summit in Rome on 21 May 2021. It is backed by EUR1 billion from the EU's budget and European development finance institutions such as the European Investment Bank (EIB). This amount will be further enhanced by contributions from EU member states. This happens within the AU, Africa CDC and African leaders' launch of the Partnership for African Vaccine Manufacturing (PAVM). **EBR**

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ETHIOPIA'S THORNY QUEST FOR PUBLIC INVESTMENT FINANCE

Ethiopia's sources of finance are thinning, calling into question the sustainability of the large government-financed GDP expansion of the last fifteen years. The recent decision of the US to impose economic sanctions on Ethiopia has only worsened the situation of Ethiopia's external financial sources, already crippled with high debts.

In a bid to maintain the 10Pct average annual growth, government needs to invest 37Pct of GDP—very difficult to fulfill from only tax and FDIs weakened by conflict and COVID-19. Even the highly expected telecom license sale did not garner expected amounts.

New investments are critical to maintain the pace of growth and fulfill the demands of a fast-growing population and fend off soaring inflation and unemployment. Finalizing the megaprojects of the past decade needs further investment and starting new ones seems dreamy. EBR's Ashenafi Endale navigates alternative venues left for development financing.



By mid-May 2021, Moody's Investors Service (Moody's), a US-based credit rating agency, downgraded Ethiopia's credit worthiness for the third time on the heels of similar actions a few months back by Fitch as well as Standard & Poor's (S&P). The three rating agencies are picked and paid by the Ethiopian government for their services.

The major factor for the downgrading is the massive accumulated external debt stock, especially of the last decade, now constituting a quarter of Ethiopia's gross domestic product (GDP). As of December 2020, the nation's total debt reached USD54.5 billion—a fourfold growth within a decade—with USD29 billion owed to external debtors and USD25.5 billion locally. Out of the total outstanding public debt, 57Pct is owed by the central government with the balance of 43Pct attributable to state-owned enterprises (SOEs). Particularly the government-guaranteed debt of Ethiopian Electric Power surpassed ETB500

billion. Sugar, railway, industrial parks, fertilizer complex, and many other projects stuck after consuming sums of debt, need additional finance to be finalized, become productive and service their debts.

Due to the deteriorating credit rating, it has become difficult for Ethiopia to access much-needed loans to finance development endeavors as well as mitigate the negative impacts of the COVID-19 pandemic. "Now, every foreign creditor is thinking twice before loaning to Ethiopia," explains Kiflu Gedefe (PhD), Lead Researcher and Coordinator in the Trade Policy Research Center of the Policy Studies Institute (PSI). "Ethiopia is ineligible for further loans because the default probability is high."

However, Eyob Tekalign (PhD), State Minister for Finance downplays the impact of Ethiopia's deteriorating credit ranking. "The downgrading has no big impact apart from pushing creditors to slightly increase their lending interest rates. This increment

only adds just a few thousand dollars to the total debt stock.”

Public debt has been the major source of financing public investment for the past decade. In a bid to sustain the 10Pct average annual growth, Ethiopia has been spending a huge chunk of money—equivalent to 36Pct of its GDP—towards public investments. Nevertheless, the ventures could not fully materialize to repay their debt. For instance, 14 sugar

determine how Ethiopia surfs the storm of the coming years. Given the critical needs of job creation, stabilization of galloping inflation, settling of macro-economic distortions, and recovery from both political and pandemic-induced crises, Ethiopia needs other sources of finance.

“Ethiopia can no longer maintain huge public investments seen in the past. Government investment has been largely financed by borrowing and the country

government has begun employing Public Private Partnership (PPP) arrangements to bridge the financing gap—the prime shift from previously trending governmental investment models. The new scheme allows the private sector to mobilize capital and execute public projects.

Seventeen mega projects were prioritized and shortlisted to be built under the PPP scheme in the next five years, including a USD3.36 billion hydropower plant in Gambela Region. To date however, government has only managed to sign two solar power projects with private investors.

“The PPP program is currently stuck due to systemic problems which need further analysis and especially communication, awareness creation, and coordination between the government and the private sector,” says Teshome Tafesse (PhD), who was the state minister in charge of the then newly minted PPP department at the Ministry of Finance (MoF) in 2018. However, Teshome resigned a few months back and has returned as Lecturer at Assela University. “After shifting from public financing to PPP, the government faced a big problem. Contract negotiations with private investors were extremely tedious and complicated. Over 25,000 pages are negotiated and ratified for a single PPP project.”

“I believe this will be solved in time,” says Mehrteab, leading contract drafter and advisor to the government on issues relating to the PPP investment model.

Another option of finance—domestic resource mobilization—is incapable of satisfactorily financing public investments. Though government says tax revenues are significantly improving, business activities have slowed down following instability and the pandemic. The Addis Ababa Trade Bureau has recorded over 20,600 returned licenses by businesses over the past nine months declaring bankruptcy primarily owing to COVID-19. Yet, the Ministry of Revenues has announced a tax revenue surge of 13Pct to ETB191.4 billion from last year. This mixed picture does not guarantee domestic sources can replace beefy foreign creditors.

Improved savings can narrow the widening saving-investment gap in Ethiopia, according to Amin. “NBE’s measures in allowing interest-free banking are showing positive results. Many such



projects financed by borrowing from China have been stuck after consuming around USD4.6 billion. This is just the tip of the iceberg compared to the huge capital wasted on other public projects across various economic sectors. Most of the debt taken out starts maturing by 2023 and the high servicing period stretches to 2029 with no viable foreign currency source in sight to service obligations.

The dwindling window of access to external financial sources will have a massive impact on Ethiopia’s economy in the coming years. As such, the degree to which the country diversifies into other sources of investment capital will

has now reached its debt limit,” tells Mehrteab Leul, Principal at Mehrteab Leul and Associates (MLA), a leading law firm specialized in consulting foreign companies in Ethiopia.

Amin Abdella (PhD), Head of the Trade and Industry Department at the Ethiopian Economics Association (EEA), stresses that the government’s assumption of investing in infrastructure helps attract more private investors is valid. “But in reality, debt distress and the failure of the projects coupled with low export earnings has diminished the country’s financial capacity moving forward.”

In light of such limitations, the

banks are now forming and this will significantly increase saving rates.”

Kiflu argues that sustainable sources of finance come from savings and private investment. “When possible, government can raise funds from concessional loans and aid but that should not be the major source.”

When the Ethiopian Investment Commission disclosed its newly crafted investment regulations in 2020, officials were vowing that foreign investors would salivate for Ethiopia. Nonetheless, FDI inflow for the last nine months was USD2 billion, higher by 6.7Pct compared with the same period last year but down by 50Pct from the record-high FDI flow of 2017.

“Investors globally are currently in survival mode. No investor is aggressively working to expand their business. But this will improve once the pandemic is over,” argues Mehrteab, who also participated in the drafting of the new investment proclamation and regulation.

Another source of capital Ethiopia has not tapped into thus far is the stock market, where government has been dragging its feet regarding its establishment. “A share market can be started with few products and limited institutions,” Amin explains. “It can commence with banks as their financial reporting systems are sound. International brand hotels can follow suit on the listing.”

Though the National Bank of Ethiopia (NBE) initially claimed it will setup a stock market by 2020, this is yet to materialize. It is currently preparing to launch a bond market but it is unclear when it will start.

Mehrteab believes the ongoing privatization and liberalization will generate sufficient foreign currency stock to payoff overdue public debt and boost Ethiopia’s credit rating to access fresh loans. “Privatization will generate a large sum of capital for Ethiopia. Some ten sugar factories are up for sale alongside the partial sale of Ethio telecom and other projects,” explains the lawyer.

Some experts roughly estimate Ethiopia can raise a combined minimum of USD10 billion by selling or partially privatizing state owned enterprises.

However, Amin argues privatization will have adverse impacts on Ethiopia’s economy even though it can help in the short run by generating much-needed

foreign currency. “The approach will have a devastating effect in the long run. Privatization is linked to national economic sovereignty. If Ethiopia transfers the telecom sector to foreign operators, it would just be shifting from a state monopoly to a corporate monopoly.”

Amin stresses Ethiopia should decide by itself on which sectors to open-up and which enterprises to sell shares in. “The deregulation and privatization push under the Washington consensus focuses on policy adjustments and structural transformation. It is Western pressure on developing countries,” argues Amin.



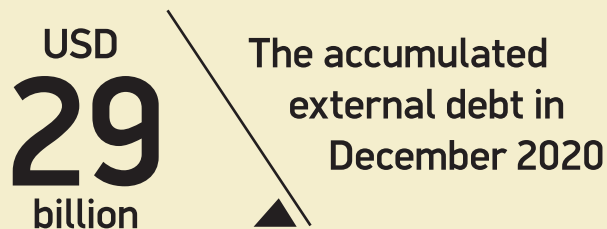
The downgrading has no big impact.”

Eyob Tekalign (PhD)
state Minister for finance

Other experts further argue that ongoing reforms and privatization in Ethiopia totally favors Western investors to the detriment of the Chinese, a reliable source of finance for Ethiopia’s economic progress since the 2000s. Half of Ethiopia’s

to bridge the gap in finance. For Amin, the magic bullet for Ethiopia is private investment. “Domestic investors should focus on import substitution while foreign investors should concentrate on export.”

Kiflu also agrees that private



USD29 billion in external debt is owed to China.

“Ethiopia has not excluded China from participating in the ongoing privatization process,” argues Eyob. “Ethiopia should not craft its policy to favor China just because they were our top investors before. Policy should be crafted to serve Ethiopia’s interests and should treat all countries openly and equally.”

Be that as it may, experts stress that revitalizing FDI and swiftly adopting digitization can be important avenues

investment is the solution but expresses his reservations. “There is mounting instability across Ethiopia. Insecurity is the biggest inhibitor to both domestic and foreign investors. Stability needs to be restored in the country as soon as possible.”

He further stresses that the government can raise additional revenue by expanding the tax base rather than only overwhelming taxpayers already in the tax net. “The administration should focus on reducing tax evasion and illicit financial flows as well as tackling corruption.” **EBR**



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"IF WE ARE BENDING FOR THE WEST'S INTEREST, WHY HASN'T GERD STOPPED?"

Brook Taye (PhD), Senior Economic Advisor to the Minister of Finance



Brook Taye (PhD) is part of the pragmatist team serving Ethiopia's swift economic reform and privatization process with great zeal. After concluding his education in comparative law and economics and high growth firms in three European universities, he worked as a regulatory analyst for an equity firm in Miami and other companies.

He argues that the telecom privatization which garnered a lot of interest only ended up with two bidders mainly because they failed to fulfil the requirements. He in fact claims that only four of the 12 interested bidders fulfilled requirements. He also argues the shift from state-led growth to a private-led one is not the result of Western pressure to liberalize the economy but a dire necessity to revamp and create a sound economy. The following are excerpts from EBR's time with him.

When the Ten-Year Perspective Plan (TYPP) recently launched, both the Growth and Transformation Plan II and Homegrown Economic Reform (HGER) programs were not evaluated. What were the baselines for TYPP?

In the last fifteen years, SOEs were the major drivers of economic growth. The state has had a crucial role in the economy. But this came by highly suppressing the private sector. So HGER targeted liberalization and privatization. Now, the share of credit and finance going to the private sector has exponentially increased. HGER was a pragmatic answer to economic problems that rolled down from the last two decades.

Do you think macroeconomic distortions, supply shortages, and import substitution can be solved with pragmatism? How can factors of production be balanced without a model?

Pragmatism is about capitalizing on potentials and bridging shortcomings. Import substitution was the leading recommendation since the 1960s. The question is what do we want to substitute? We do not have the knowledge and material required to locally manufacture cars. So, we started with wheat—a low hanging fruit. We will substitute sugar, edible oil, and other agro-industrial products soon. We can also look at the

use that for other projects.

Is liberalization or privatization better?

Liberalization ends monopoly. But privatization is a political decision, usually done when a government needs money to fill its budget deficit. Ethio telecom is being partially privatized and the sector is being liberalized.

Ten sugar factories are being privatized to make them productive under the private sector. The technical assessment and marketing strategy have already been undertaken. The sugar proclamation is at a draft stage and we are processing to hire a transactional advisor.

In the energy sector, partial privatization is underway. Studies are ongoing to determine whether to liberalize the sector or which parts should be privatized.

For the railway division, we are looking at whether to privatize the wagons, lines, or service management. We are exploring how foreign companies can be engaged and which modality is preferred by looking at partial or full privatization, concession, and other modalities. This includes the Addis Ababa light railway and others.

As a strategic asset, shipping lines will never be privatized. It is Ethiopia's port door. Yet, the sector needs further liberalization. Freight forwarding, dry port warehouse management, and other subsectors that have been closed to domestic and foreign investors should be opened.

Ordering goods from abroad, shipping, and delivery to your warehouse takes 140 days. So, an importer cannot import more than twice or three times a year. This constraint must be halved.

Studies undertaken have determined that privatization does not work for logistics, but liberalization does. For sugar, transferring to the private sector is better than the government again investing billions of dollars. The windfall revenue is also much better.

How much revenue is government expecting from these privatizations?

Government expects big revenue but the implications are more important than the numbers. Specific evaluations



We do not concur that this shift from state to private should be bound by ideology.”

The government's role is still high in the economy and the new administration has not adopted an ideology for the new approach. Is it still a developmental state model?

The question is who should drive growth in Ethiopia, private or state. We are a developing country so we cannot have a different concept outside of the developmental state approach. But government has numerous other pressing issues.

We do not concur that this shift from state to private should be bound by ideology. Ideology is a fragment. It narrows your perspective. There are many venues to achieve growth. But once you stick to an ideology, it is difficult to be flexible or correct your mistakes in time. So, pragmatism is essentially necessary for Ethiopia. Plus, the economic potential and dynamism of the regional states in Ethiopia varies and the same prescription would not work for all.

IT sector immediately but this requires a perfect network connection. We cannot substitute manufacturing products at once. The know-how gap is wide and it takes time.

Inflation has worsened over the last two years. Which tenets of HGER have you achieved relatively better?

The economy thrived even under COVID-19 because we structurally solved underlying problems in the financial sector. Even the IMF has projected Ethiopia to achieve growth of 8.2Pct in 2021. Inflation has many tentacles and it cannot be solved with one stone.

We minimized debt distress because government unilaterally decided to stop taking commercial loans two years ago. Currently, the debt-to-GDP ratio is 51Pct, down from 56Pct two years ago. We reached an agreement with Chinese banks to extend debt repayment deadlines. That is actual saving. We can



privatization will be put into the IDF by the government. This is earmarked to pay off debts through LAMC, both domestic and external debt.

What are the direct and indirect benefits expected from the partial privatization of Ethio telecom? Why 40Pct?

In a country where 2 million new job seekers enter the labor market every year, we cannot employ them all in industrial parks. We cannot have 70 million factory workers aged under 30. If we have to encourage entrepreneurship, investment, and private job creation, the communication service sector must be

Ethio telecom's existing infrastructure, however, they can share maintenance expenses. This will generate additional revenue for Ethio telecom but it is highly likely that the new operators will prefer their own.

Many potential bidders did not participate mainly because the Ethiopian government forced the international operators to rent out Ethio telecom's towers. Does this complaint hold water?

Up to 60Pct of telecom operators in the USA and other countries do not have their own towers. There are companies specialized in developing towers. The operators just rent the infrastructure from the builders. This is the global trend in telecom. Somebody builds the towers and the operator will then come and initiate their telecom service.

In terms of a business model, it is a transfer from capital expenditure to operational expenditure. If it is capital extensive, you need to rent land, develop the infrastructure, deploy backup generators, guards, and endure other costs. If it is an operational expenditure, you just pay your license rent. You do not carry any cost related to the infrastructure. This is what telecom operators used to do.

But in Ethiopia, we have already developed 7,000 towers 30,000 kilometers of fiber optics. We told them they should use this infrastructure. There is no need for another third-party infrastructure developer for Ethiopia. We decided to push the bidders in this direction using a policy framework. This move has resulted in certain perceptions and conflicts. But we cannot change this law. This is our policy, for now.

What caused the diminished number of bidders?

There were 12 companies which showed interest in the bid. The technical requirement demanded bidding companies have at least 30 million subscribers. The assumption here is that even after Ethio telecom secures its market share, the new operator will have up to 30 million customers. Unless they were previously experienced in handling so many customers, it would have been



As a strategic asset, shipping lines will never be privatized."

are still underway.

SOEs are carrying huge debt. Are they feasible enough to sell?

All SOEs' debts have now been consolidated through the Liability and Asset Management Company (LAMC). The buying company will not inherit the debt, but will buy a clean asset that can easily be turned to profit. For example, railways is only using six pairs of train per day. Its operations can be doubled if privatized. But as of now, it is not able to purchase additional locomotives because it is carrying crippling debt. A private owner can inject more capital and make it highly efficient.

The debts are absorbed by LAMC, which will have its own revenue streams. Income generated from the sales will be injected into LAMC to pay off the debts it absorbed.

Especially for the sugar factories, we are receiving letters of interest almost every day.

Speculation is rife as to the exact destination of the revenue generated from the privatization program.

There is the Industrial Development Fund (IDF). All proceeds from

efficient and competitive.

Two additional telecom operators can stimulate good competition in the Ethiopian telecom market along with Ethio telecom. But if we continue with only the incumbent with its inefficiencies and unlimited debt financing, competition and efficiency would be difficult to secure.

The 40Pct was decided after several simulations and considerations of alternatives. The one given was that government wanted to keep a majority holding in the company.

MTN, Africa's largest telecom operator and the Global Partnership for Ethiopia, a consortium led by Kenya's Safaricom, submitted bid documents to acquire the new licenses. Are the two new operators allowed to build their own infrastructure including towers?

We have not permitted the entrance of third parties that solely build infrastructure in order to encourage the operators to rent out Ethio telecom's towers. The bid is only for telecom operators and not for tower builders.

They can still bring their own infrastructure. If the new operators share

difficult in Ethiopia's huge market. Most of the interested companies failed this requirement.

Others expressed their interest just out of excitement. For instance, one of the 12 was a call center company. Another had no telecom service experience at all. Some were expecting the permitting of telecom infrastructure and digital financial services licenses.

Realistically, only four of the 12 were qualified enough to bid. Out of the four, two participated. MTN is the largest African operator and the winning consortium has over 1 billion subscribers globally. They use the best of the best technologies in the UK, South Africa, Kenya, and most of Europe. So, we are not bothered about the number of participating companies. The best operators offered their bids.

Why didn't the two others bid?

One of the potential bidders left because we refused to open the mobile financial service business. Ethiopia's financial sector is closed-off to foreigners and we cannot change this for them. Government policy is stubborn. It opens when it opens. The other one, a big company in Africa, has no success story. In every country it entered, it left with failure. Their business perception and model is in contrast to the reality on the ground.

Vodafone, Vodacom, and Safaricom formed a consortium with other parties to submit a single bid. How are they going to operate?

These companies are somehow interconnected through parent companies. As a consortium, their interest in Ethiopia is very high. They also brought financing from the United States' International Development Finance Corporation (DFC), the UK's CDC, and Japan's Sumitomo to maximize their capital offer. They will come to Ethiopia as one company. They might use one of the three names, or even create another name. But their Ethiopian operations will be under a new company.

China has provided over USD3 billion in loans to Ethio telecom's infrastructure development. Has it been repaid? What

is the interest of Western companies in the sector and does it clash with China's interest? What is the competition between the two like?

I see their interest from the angle of their interest in Ethio telecom, not from an ideological perspective. The telecom bid was open to all. Both Western and Chinese companies participated. I do not think they are in an ideological war in Ethiopia.

Ethio telecom is servicing its loans for the supply credits it took. Even after the privatization, the debt will remain with the company.

Is there a probability one license is given to a Western bidder and another to a Chinese one?

We will license two operators in



Especially for the sugar factories, we are receiving letters of interest almost every day.”

general, not for east and west. The cold war is over.

Corruption is usually present during the privatization of big state-owned enterprises. Is the telecom sector's privatization clean of corruption?

I can tell you that the privatization process is 100Pct clean.

Some of the companies who expressed their initial interest but refrained from bidding complained the process was unclear.

There isn't a single complaint that can be verified. They complained that the process was opaque. I do not understand their reason. They complained about the infrastructure. We clarified our policy from the beginning. If they say it is opaque because we are not willing to change our policy, that is another point.

The participants have complained, for instance, that the government has said that infrastructure is to be rented out

from Ethio telecom without informing of the price.

That is false. We told them the price at first. They negotiated. Then it was revised. They also conferred with the Ethiopian Communications Authority. This is not a verifiable complaint and is fabricated.

The Safaricom consortium offered USD850 million to MTN's rejected USD600 million. Under what parameters was this determination made?

It is a very big gap, USD250 million is not small money. It is big money. It can build another Omo Kuraz sugar project. Two telecom operators competed for similar licenses but one was too small. Why would we undercut our target?

The next bid for the remaining license will be floated in three to six months' time. We will make the next bid more attractive by introducing different policy adjustments. For instance, we will allow



GOLF'S RESURRECTION?

Though birthed during the period of Ethiopia's last emperor, the sport of golf was dealt an almost deadly blow ensuing the revolution as it was classified as bourgeoisie. Slowly resuscitating for the past three decades, the infant sport is looking for a revival in these new-normal pandemic and post-pandemic times. It is being courted not only for its mental and physical health benefits, but also as a medicine for the economy through sport tourism. Two recent tournaments have given energy to the sport and its backers and believers. EBR's Abiy Wendifraw takes a swing at the sport and its potential.

On Saturday, May 22, Addis Ababa hosted the Indonesia-Ethiopia Invitational and Friendship Golf Tournament 2021, organized by the Embassy of the Republic of Indonesia. The tournament was part of the celebrations of 60 years of Indonesia-Ethiopia relations and showed great promise to transform into an annual event.

This was the second major golf tournament Ethiopia hosted within a month. The Ethiopian Golf Association, the sport's administrative organ, held the inaugural Ethiopian Open Golf Championship at the end of April. "We are making moves to make golf popular in Ethiopia," said Teshome Mosisa, Vice President of the association.

Golf might not be something Ethiopians are familiar with. But, "the history of golf in Ethiopia dates back to the 1940's, to His Majesty Haile Selassie's era," according to Teshome. There are sources indicating the emperor was in attendance at the formal inauguration of the Addis Ababa Golf Course in 1955. It is also reported that golf was played at Alemaya Agricultural



College in the early 1950's.

The country's political transition following the 1974 socialist revolution was not so kind to the infant sport. Classified as "the game of the capitalist/bourgeoisie" in the political narrative of that period, golf died in its infancy.

When its resurrection came after 20 years, things were not the same. The golf course where people used to enjoy the sport was transformed into the Russian military camp. Golf was not part of the agenda in efforts to restore the country's sports sector. But there were still enthusiasts who played the game in the two golf courses in Addis Ababa. Golf Club, the only golf course with 18 holes, is also the only field open to lovers of the game. The other, Old Legation Golf Course (OLGC), with six holes, is located inside the British Embassy.

Teshome believes that the foundation has been laid to popularize the sport of golf. "Ethiopia is pursuing the development of golf throughout the country and we have seen progress in the last seven years. But that has to be supported by all relevant stakeholders to realize the full benefits of the sport."

Research indicates that golf is likely to improve cardiovascular, respiratory, and metabolic health. People who play golf regularly, or at least once a month, could also have a lower risk of death. Playing golf could also help those who suffer chronic diseases including heart disease, type 2 diabetes, and colon and breast cancer, studies have found.

Apart from physical and mental health benefits, the game provides over USD80 billion worth of economic impact globally while generating close to USD4 billion for charity annually. The environmental benefits of golf courses to protect and keep green spaces and natural areas can also not be undermined.

Though reports indicate that golf is in a steady decline globally, some industry experts are now arguing that the future is not so gloomy. Countries are considering golf as among the potential economic forces capable of driving sport tourism. Recently, India's Ministry of Tourism drafted a guideline to support and promote golf tourism. It has also been reported that Thailand's tourism minister

proposed the country's golf courses be used as quarantine areas for foreigners to boost the struggling tourism sector during the coronavirus pandemic.

The Ministry of Tourism and Wildlife in Kenya, Ethiopia's neighbor, has given additional emphasis on promoting golf as one of the country's tourist drawers under the country's tourism development strategy. "Golf generates tourism revenue and also creates market opportunities for the travel and hospitality sector. We are now having great public parks in Addis which give comprehensive services to visitors. We can create a few golf courses in regional cities as well. With great year-round climate, Ethiopia can become a golfing destination with the required infrastructure put in place," says Teshome.

Sport tourism is listed among the products considered towards the diversification strategy and widening of revenue from the sector. The Ethiopian Sustainable Tourism Master Plan (2015 – 2025) identifies golf tourism as a great opportunity to tap into the high-end tourist market. Though construction of international-standard golf clubs/resorts in different parts of the country is a prerequisite to the program, little progress has been made thus far.

The leadership at the Ethiopia Golf Association vow to push harder to promote golf and the status of their governing body. Though they have a lot of work to do to claim the status of 'federation', they have already become a member of the East Africa Golf Association, Africa Golf Confederation, and the R&A—golf's global governing body. It is also nearing membership status at the World Golf Federation. While the association is mostly confident on the potential technical support from these continental and global golf organizations, it has to knock on the doors of potential sponsors and partners to ensure its viability.

For the association that plans close to 10 tournaments in a year, the budget subsidy from the government which just reached ETB600,000, is inadequate to cover operational costs. "We are approaching potential sponsors and we have seen promising responses thus far," says Teshome. **EBR**

UNLEASHING CIVIL ORGANIZATIONS TO BRIDGE ELECTION GAPS

Since the 2005 Ethiopian national election, Civil Society Organizations (CSOs) have themselves been victims of a brutal government proclamation that suppressed them from advocating for human, election, and even gender rights. The number of active CSOs has halved over the past fifteen years.

Following the amendment of the restrictive proclamation in 2019, the number of CSOs has currently reached 3,200, an increase of 1,400 new and reregistered organizations.

Nonetheless, the role of CSOs remains a drop in the ocean especially when witnessing the increasing number of conflicts, humanitarian crises, and widening gap between the state and society. Further, only 236 CSOs are registered by the National Electoral Board of Ethiopia (NEBE) to observe the upcoming national election. EBR's Mariamawit Gezahegn delves into the trajectory CSOs have endured and their persisting challenges.

The aftermath of the 2005 election was a doomsday scenario for civil society organizations (CSOs) in Ethiopia because they boldly declared the Coalition for Unity and Democracy (CUD/ Kinijit), an opposition party at the time, as victor in the national election by taking 84Pct of Addis Ababa seats. The authoritarian ruling party of the time, EPRDF, began cracking down on CSOs. The organizations at the time were strongly engaged in exposing human rights abuses by the ruling party, alongside performing humanitarian services and advocacy work for media freedom.

It is in this time in which the ruling party introduced various measurements to cripple active CSOs. The 2009 Charities and Societies Proclamation prohibited CSOs from receiving more than 10Pct of their funding from abroad, or were otherwise prevented from working on human rights, voter education, ethnic inclusion, and gender issues. This is mainly because EPRDF classified CSOs receiving external funds as entertainers of 'foreign interests' in Ethiopia. In clearer terms, they saw human rights and democratic principles as a cover for indirectly supporting opposition parties and plotting to overthrow the ruling party.

Most CSOs were foreign based and were forced to close down, or stop working on these critical areas. There were 3,822 CSOs

at the time, of which 2,300 were nationally registered, blossoming from just 70 in 1990 and 600 in 2001. The total figure of 3,800 included regionally registered CSOs but not traditional structures and informal associations.

While 1,741 NGOs closed down completely, many others were forced to withdraw from serving in crucial areas. This happened in the first two years after the proclamation, according to the Christian Relief and Development Association (CRDA) and Institute of Development Studies (IDS).

"The legislation effectively ceased autonomous human rights advocacy. Repressive laws of registration, resource mobilization, budget allocation, and intrusive government oversight significantly shrunk the human rights civil society space. CSOs were forced to reframe their missions away from human rights initiatives and self-censor to avoid dissolution," said Mesud Gebeyehu, Executive Director of the Consortium of Ethiopian Human Rights Organization (CEHRO), describing the legislation's legacy as "a society without the capacity for peaceful civil resistance and political discourse."

"The progressive stifling of dissent and the closing of space for civil society has resulted in periodic outbursts of uncivil society and periods of unruly politics. Following its electoral shock, the EPRDF became more authoritarian and intolerant of political



opposition or civic activism,” states a study by IDS.

As Ethiopia is nearing the sixth national election, it is apparent that the country does not have adequate and capable CSOs to fill gaps between the government and public. Civil societies are justice seekers, policy advocates, voices of the marginalized, and agents of democracy. During election periods, they provide support through voter rights advocacy, voter education, and voting process observation. Such services could not be more crucial for the upcoming election. Given Ethiopia’s complicated history with elections and political party transitions, the perception of a fair and democratic election is essential for peaceful post-election governance.

Of course, the new administration of Abiy Ahmed (PhD) has amended the former stifling proclamation with the new Civil Society Organizations Agency Proclamation ratified in 2019. It allows CSOs to ‘receive and utilize funds from any legal source to attain its objective.’

Yet, it also states “unless permitted with another law, foreign organizations and local organizations established by foreign citizens which are residents of Ethiopia may not engage in lobbying political parties, voters’ education, nor election observations.”

Since the new proclamation, some 1,400 new CSOs were formed, while 1,800 reregistered, according to data from the Agency for Civil Society Organizations. There are currently a total of 3,200, of

which 460 are international NGOs. The organizations are operating in a multitude of humanitarian, development, human rights, professional, religious, cultural, and traditional sectors.

According to the National Election Board of Ethiopia (NEBE), 236 CSOs have been accredited to observe the upcoming national election. Additionally, 155 CSOs are sanctioned to provide civic and ethical education as well as voter awareness creation education. International election-based organizations like the International Foundations for Electoral Systems (IFES) are supporting NEBE with election capacity building and developing a strategic implementation process.

CSOs’ strategy for human rights advocacy through this election process is focused mainly on civic engagement. “Election is a human rights issue not just a democratic issue,” said Gebeyehu. To secure such engagement, CSOs’ are creating an informed voter base, safeguarding voter rights, and promoting government accountability. Their election support strategy can be categorized into three consecutive stages: pre-election, election day, and post-election.

In the pre-election stage—during preparations for the election—CSOs engage with vulnerable populations like women, people with disabilities, and internally displaced people (IDPs). Significant work is being done to include these populations in the voting process as voters, as candidates, and in any other

capacity. Their rights and interests are also being promoted for inclusion in the competing parties’ campaign agenda. The focus has mainly shifted to marginalized populations due to the mainstream acceptance of other issues like land rights, foreign policy, and poverty alleviation.

Apart from advocacy, CSOs are extensively engaging in voter education. Based on their self-disclosed capability, there are over 170 CSOs and networks accredited to carry out voter education. This can take several forms including traditional voter mobilization, election observer training, and hosting candidate debate forums.

Some CSOs are holding education activities in hard-to-reach communities impacted by destabilization and insecurity. CSOs are also collaborating with media outlets like radio, TV, print, and social media to distribute election information. Sponsored debates are also a popular form of voter education.

NEBE provides a separate accreditation for debate organization. It has currently approved 12 organizations for the 2021 election of which nine are CSOs. These organizations can develop topics that allow candidates to expand on their manifesto and provide well thought out visions/policies for their post-election governance.

On the election day, CSOs involve polling station observation. NEBE has selected 36 domestic and 200 international CSOs to send observers to election stations. While most will serve as general



observers, some accredited CSOs will have a more specific monitoring purpose. For example, the Ethiopian Women Lawyers Association (EWLA) will monitor violence against women during elections in 89 zones across Ethiopia. CEHRO will monitor the voter rights of IDPs especially in polling stations that specifically serve these populations. They will also observe limitations of the process and put forth recommendations for post-election reform.

In the post-election stage, CSOs work in facilitating a peaceful transition of government. They will actively engage with those who have grievances and advocate for a peaceful and lawful contention of results. They will monitor the election challenge processes for transparency, fairness, and expediency.

An interesting post-election accountability concept is proposed by CEHRO. The organization is documenting candidate campaign promises and manifestos to hold them accountable for their actions once they take office. They plan to evaluate the gap between the needs of citizens and the response of the incumbent. The aim is to put pressure so government elects to fulfill the visions they sold to the voters.

CSOs' Limitations in Election Support

Despite the considerable effort exerted by the sector, there are still limitations it faces in securing a fair election process. One such limitation are the changes to the electoral calendar. Voter education is a sensitive matter. Voting needs to be fresh in the minds of voters while participating in voting activities. Postponements kill the momentum as a sense of urgency and interest die down with increasing gaps between voter education and election activities. In another election delay, NEBE postponed the general elections on May 15, 2021 over logistical issues of voter registration, adequate ballot paper distribution, and insufficient electoral staff training.

COVID-19 concerns measurements and the lack of security and enforcement in conflict areas have also made travels difficult. This has isolated these communities from accessing election information. This prompted CSOs to incorporate COVID-19 public health education within their voter education.

There were also limitations in the collaboration of CSOs with NEBE in election labor division, which would have omitted duplication of efforts and created a more streamlined intervention process. While the latter delegated its mandated voter education responsibility over to CSOs, it did not provide enough resources to implement the work. Lastly, funding security was impacted by foreign entities' perception of the government. Disapproval of policies and/or governing decisions have fended off some donations.

Beyond Election

The human rights sector has significant challenges to overcome. The sector has sustained damage to its credibility due to its fractured relationship with the previous government. CSOs need to restore the credibility of the sector and rebuild public trust in their purpose. They need to demonstrate their political impartiality and allyship to the interests of the people. Programs and initiatives need to be visibly promoted to combat any residual false narratives.

CSOs still have not regained their righteous power and role, although the legal frameworks are conducive now. The number of crisis events occurred in Ethiopia over the last couple of years are more frequent and multi-dimensional than any in the past. On November 30, 2020, Abiy Ahmed (PhD) reported to Parliament that there were 113 major conflicts that happened between 2018 and 2020 alone. The burden to solve crisis, provide humanitarian assistance, awareness creation, and filling of the gap between government and society, has largely remained unaddressed or left to the government.

Government is also not capitalizing on the potential of CSOs and delegating them to contribute to conflict resolution and development. For instance, government at first sidelined the need of CSOs during the months-long militaristic law enforcement operation in Tigray Region. The region was opened for CSOs following pressure from Western governments. Humanitarian assistance provision and the account of human rights breach were overdue. This indicates government still needs to consider CSOs as a vital independent arm. CSOs still

need to earn the uncompromisable power to influence governments. Even under the election observance, CSOs are not given equal credit as much as other observers such as European Union delegates.

Gebeyehu of CEHRO advises CSOs to use various media platforms to advocate for pressing issues and highlight program initiatives. Choosing platforms that are frequented by the public enhances organization visibility and credibility.

"The human rights sector is facing a difficult journey of moving the country away from ethnic violence and political conflicts. An essential step of peacebuilding is the facilitation of a national-scale political dialogue. Sustainable peacebuilding activities should also incorporate conflict mapping to document individual stakeholder influences and interests. Victims of violence should also be given a space to share their stories and receive a formal acknowledgement of the harm they experienced."

Peacebuilding competency trainings should be given to community leaders to create a cascading effect. Leaders should be trained on peaceful dialogue and public discourse to manage conflicts within their communities. CSO should also engage the government in peacebuilding efforts that go beyond legal accountability," argues Befekadu Hailu, Executive Director of the Center for Advancement and Rights (CARD). He suggests that developing comprehensive systems of transitional justice, violence prevention, and conflict-sensitive civil engagement platforms for a peaceful civil discourse participation are critical.

Optimistically, the future of CSOs in the human rights sector appears promising. With less legislative restrictions and renewed operational autonomy, CSOs can build a vibrant and innovative environment. They have experienced sizable successes in election support and vulnerable population advocacy. However, public expectations of their current capability remain idealistically high. It is important to remember that the civil society space is re-establishing a sector that has relatively been dormant. It might take a couple more years to operate at full capacity. **EBR**



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FENDIKA

THE NOAH'S ARK OF ART



In less than half a century, traditional arts which were the core of the fabric of Addis Ababans, shied away as the capital was flooded by Western cultures and negative governmental pressure. However, few like Fendika Cultural Center, surfed against the odds and have managed to become a museum of traditional art in the center of fast-urbanizing Addis Ababa. Fendika is a repository of genuine traditional music, art, poetry, books, and handicrafts. It is also a hub for tourism and enjoyment, for both foreigners and ethnographic enthusiasts.

Melaku Belay is Founder, Owner, and Manager of Fendika. He is also an acclaimed Dancer, Choreographer, and Founding President of the Ethiopian Dance Association. He made traditional art as strong as gravity in attracting audiences. He is planning on expanding his establishment even further. EBR's Samuel Habtab visited Fendika and chatted with Melaku and traditional art enthusiasts.

The room for the traditional singer particularly known as the Azmari was shrinking, especially in the fast-urbanizing Addis Ababa. With their unique traditional equipment, Azmaris are also narrators livening-up events and occasions. In the broader sense, other traditional music instruments like the washint (flute), kebero (drum), masinqo (single-stringed bowed lute), and krar (lyre) amongst other traditional instruments, have been replaced by keyboards and full modern bands.

Melaku Belay, the renowned and globally acclaimed dancer extraordinaire, decided to put his efforts towards saving traditional music from its path towards extinction. Five years ago, he bought Fendika Azmari Bet and changed it into Fendika Cultural Center. Located in the heart of Addis Ababa in Kazanchis, the spot first opened in the 1990s as a bar.

"I bought it for EUR200,000 (ETB5 million at the time). I took out loans from friends all around the world and am still repaying it," said Melaku. He was himself a dancer at Fendika for over two decades before buying the place. Fendika was known for its Azmaris but modernized and updated itself to accommodate all types of art. And for perhaps the first time, Azmaris began securing decent salaries and visibility.

Even when closed for seven months due to the COVID-19 pandemic, Fendika was working online posting over 270 videos, creating job opportunities for 80 artists, and organizing around 18 concerts and six art exhibitions and workshops in Africa, America, Asia, and Europe.

There are currently five local traditional bands based in Fendika: Fendika Azmari, Negarit, Ethio Color, Kinlove, and Awra bands. There are jam sessions when international bands are invited.

Genuine traditional music is explored from various and diverse ethnic groups in Ethiopia. The bands travel throughout Ethiopia to study genuine traditional music and dance practices, especially during traditional occasions and holidays. Original

customary dances are copied and improvised at Fendika. They also search for older Ethiopian music published in the 1950s and 1960s on vinyl discs.

"I usually improvise on new choreography because most of the dance routines in Ethiopia have been created some 40 years ago. The genuine dances and story narrations of the Konso, Gondar, and other styles in Ethiopia have been commonplace and need to be improvised for these modern times. For example, traditionally, rural males dance after killing hunted animals. But in my choreography, the hunters are women. So you find in that something about women empowerment and animal rights, also contemporized with the COVID-19 pandemic issue. So, it is a global dance. It is about making indigenous cultures alive globally," says Melaku.

Popular Ethiopian traditional instrument players such as Teferi Asefa, Henok Temesgen, Abiy Woldemariam, as well as the best drummers and trumpet players in Africa are stars at Fendika and probably compose the best traditional band collection in the whole of Ethiopia. Especially Negarit Band, which studies old Ethiopian compositions blended with modern music and is preparing to publish its first album, is filled with breathtaking traditional songs and dances.

Ethio Color is another revolutionary band, following in the footsteps of the old Orchestra Ethiopia. They have proven their capability of working with any band in the world. Many older established Ethiopian artists are working with this band at Fendika, creating amazing energy. Fantu Mandoye, Tadele Bekele of Police Orchestra, Asnake Gebreyes, Eyayu Manyazewal, Hailu Disasa, Zeritu Enkutatash, Dereje Zemedu, Kidane Kunama, and many more are the icons of this band. Fendika has also collaborated with top singers like Mahmud Ahmed and others. Original arrangements of jazz music are also hosted at Fendika by Ethio Color and other invited bands.

Fendika also has a number of other art venues including an art gallery for painters. With spaces availed to painters for free,



exhibitions are organized frequently and attract international visibility for artists and their paintings.

Poetry Saturday is another intriguing event of Fendika. Poets from around the world light up the stage every weekend in numerous languages including Chinese, Oromifa, English, Amharic, and other African languages.

The establishment is also a repository of books of world art history regarding music, paint, theater, and others. "I brought art books from around the world offered to me by an American organization named Art for Africa. We have a complete library open for all. We also have handicraft markets. Azmari performances happen every day. Fendika is closed for only one day in a year. We also provide spaces for youths to rehearse music and dance whenever they have an ongoing project. Fendika is, I think, the only gallery open for 24 hours," adds Melaku.

Currently, Fendika is among the leading foreign tourist destinations in Ethiopia, almost on equal basis with Lalibela and Axum. Local artists are very happy and proud to participate at Fendika. The special events and regular Azmari events are all very well liked. Most of the audience are foreigners.

"We have 43 permanent employees and around 80 artists. The bands love Fendika for its energy and vibe, lacking in other houses in Addis Ababa. Addis Ababa night clubs usually only stage renowned singers. They have no place for traditional artists. Clubs and hotels also do not give the freedom to artists. They take advantage of the art and do not work for its advancement. At Fendika, artists are provisioned opportunities to publish their album, organize exhibitions, and get international visibility. An artist that passes through Fendika can be successful anywhere," claims Melaku.

Fendika has given Melaku the

opportunity to tour around the world with various bands, representing Ethiopia and Africa in global events and festivals. He even got the chance to dance with Usher, during a G7 event in Munich, Germany. Melaku, who passionately says, "I started dancing in my mother's womb," developed his skills at holiday events, mini-media groups, cultural carnivals, and at theater houses. Mercato, his clip choreographed based on the daily beats of the vast market, is one of his masterpieces. Now a father of three and 45 years old, the artist was born and raised in Addis Ababa. He collaborates with all types of musical bands from rock, jazz, heavy metal and others, both individually and also by representing Fendika.

One struggles to believe, however, that Fendika Cultural Center was on the verge of demolition several times as the government wanted to take over the piece of land on which it sat. "Fendika was saved with the help of its fans around the globe. We must keep the original Fendika as it is, including its existing compound and internal design. We expect the government to support our expansion plans. The freedom is critical to keep Fendika wedged into its philosophies and remain influential. Then, Fendika can generate income as a big tourist destination," says Melaku.

Fendika is currently planning to develop a recording studio, modern gallery, museum, residence for in-house artists, restaurant, and guest house for invited international guest artists. It is also planning for branches in regional cities. Even further, the center is forecasting the Fendika brand to be present in global cities like Paris in collaboration with international bands.

Apart from promoting itself on social media, Fendika relies heavily on its fans and enthusiasts abroad. "There are many foreigners who love the Fendika dance. They back me. There is a particular professor, a dance sociology teacher, based in Minnesota

who supports me a lot. Together, we are writing a book on Ethiopian dance with most of our expenses covered by her. There is also an American doctor teaching in Ethiopia helping us immensely with other doctors' groups in America," said Melaku.

Another foreign fan is Hui Wilcox, a professor of sociology teaching in universities in the USA with a special focus on ethnography. First traveling to Ethiopia in 2015 with a dance group for a festival, she recalls: "I visited Fendika and the rest is history."

"We had amazing energy performing at Fendika. It was a small place packed with people from all over the world as well as local and diaspora Ethiopians. You instantly forget where you are from and become one with the atmosphere and exchange ideas and energy. It is quite different now. The place is much smaller and packed. But I am very intrigued by the Azmari music as ever. I have never experienced anything like it. The interaction is amazing. I learned Amharic and am currently taking eskista lessons. The energy here is totally different and amazing," she said.

Currently, Hui is collaborating with Fendika in grant writing aimed towards international funding sources like UNESCO. "It is not much but I connect Fendika with international funding sources. The first project I did with the center is the UNESCO Azmari Festival."

UNESCO once awarded Melaku USD50,000 for his project on Azmaris. "I gathered Azmaris from the regions, brought them to Fendika, and offered them a working space. After many Azmari houses were closed, their numbers plummeted in Ethiopia. I have also recently been awarded USD100,000 for the Ethiopian Dancers Benefit Association from UNESCO. We will use the funds to build infrastructure and for data collection. UNESCO remains a big supporter of us." **EBR**

Interoperability and Telecoms for Inclusive Digital Finance



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Over the past few decades, financial inclusion has remained among the top global agendas. In 2011, public institutions in 40 countries signed the Maya Declaration of Alliance for Financial Inclusion aimed at broader access to financial services at lower costs. Similarly, the World Bank began publishing comprehensive reports on financial inclusion in 2011. Ethiopia developed “The National Financial Inclusion Strategy” in 2017, containing several targets.

Financial inclusion is the ability to access financial services at affordable prices. Having a basic account is the first step. However, according to the World Bank’s Global Findex Database (2017), 1.7 billion adults do not have a bank account. With the acceleration of digitalisation, the number of people accessing financial services is increasing even in developing countries. Despite this, Ethiopia fares behind many developing countries. In the nation, less than 9Pct of adults hold a mobile money account compared to the more than 40Pct in neighbouring Kenya and Uganda.

Lack of access to financial services mainly affects small business and the poor. Small and micro businesses are the backbone of the Ethiopian economy in creating employment yet, conventional financial institutions are reluctant to broaden access to these firms. The problem becomes pronounced when it comes to rural areas where the majority of the poor live.

Several factors are hampering financial inclusion in Ethiopia, from poor financial literacy to lack of savings and from the inaccessibility of financial services to the cost of obtaining those services.

Over the past decade, significant strides have been made. With the expansion of bank branches, the number of people accessing banking services have increased. The

monetization of the currency last year combined with several restrictive rules pertaining to cash holding have brought millions into the banking network. The introduction of Sharia-compliant financial products such as interest-free banking and Takaful insurance have brought large sections of the population, financially excluded for religious reasons, into the financial system. Currently, a bank aimed at funding small and medium enterprises is under deliberations.

Digitalization of the payment system has a considerable potential in fostering financial inclusion. Some steps have been taken over the past decade to enhance the use of digital payment systems. In 2012, a directive was issued to encourage banks and microfinance institutions to avail agent banking services with little success as the scheme was confined within the traditional financial services providers which were reluctant to expand mobile-based financial services.

In early 2020, the eligible providers of digital payment services were expanded beyond the traditional financial institutions through two significant directives. These directives set future rules regarding mobile money and other digital payment instruments. As a result, Ethio telecom launched telebirr which provides a platform for deposit, payment, and money transfers.

Digital payment systems like mobile money help the poor increase their income, reduce poverty, manage risks, and lower the cost and time of money transfers. They also increase the savings of the poor as observed in Kenya and Malawi. Apart from financial inclusion, these platforms help reduce corruption. A notable example is India. Switching pension payments from cash to a biometric card reduced leakages pension payments by almost half. Furthermore, by reducing the need for holding cash, mobile

money minimizes the printing cost of money.

Inclusion of non-financial institutions in the digital payment sphere is a step in the right direction in fostering financial inclusion. Nevertheless, compared to M-Pesa in Kenya, the setup in Ethiopia is still far behind. For instance, interoperability with the banking network is missing. Although it is laudable that the state-owned Commercial Bank of Ethiopia (CBE) is considering integrating its core banking with telebirr and is selected as a trusted account holder, private banks are left out of the loop. This not only leaves customers at the mercy of two state-owned giants—Ethio telecom and CBE—but it is also against the spirit of economic reforms which aim to place the private sector at the center. Acceleration of the interoperability and inclusion of private banks would enable the full benefits of the digital payment system, resulting in better financial inclusion.

One of the reasons that put off bidders for the new telecom licenses is the exclusion of mobile money. Perhaps, it is understandable that mobile money is a financial service not currently allowed for foreign investment. There is the expectation that mobile banking will be allowed a year after foreign telecom operators set foot in the country. This would make the competition for mobile money services just amongst a few giants, stifling the emergence of small local fintech companies. The encouragement of small local firms is essential for consumers' welfare and the furthering of financial inclusion.

With the entrance of the telecom giant to the digital payment system, a formidable competitor is emerging to challenge banks

and microfinance institutions. For example, within a week, more than a million customers have signed up for telebirr. Competition forces the banks to upgrade their services, innovate new products, and broaden their access. Banks will have to rethink the costly model of expanding their outreach through the brick-and-mortar approach.

The use of digital technology alone is not sufficient to foster financial inclusion. The National Bank of Ethiopia will have to deal with a number of challenges, from developing policies to implementation and from encouraging innovation to regulation and consumer protection.

Central banks often face a dilemma when it comes to the policy of financial inclusion as it falls outside of their mandates—monetary and financial sector stability—and the policy instruments at their disposal are not suitable for the purpose. This may result in a half-hearted approach to the issue. This can be addressed by tasking financial inclusion policies to other institutions which deal with social and economic policies. The other option is to dedicate a unit within the central bank. Here, it is important to make sure that financial inclusion policies are not in conflict with traditional tasks of the central bank.

The involvement of non-financial institutions in digital payment systems poses its own regulatory challenges pertaining to the handling of customers' funds, consumer protection (such as information provision), the regulation of innovations, and competitive conducts. This entails a broader approach to financial inclusion through the development of a wide stakeholder-inclusive framework.

foreign telecom operators to engage in mobile money services, starting from next year. We are not opening the entire financial sector, but just digital financial services will be permitted. However, we will not accept less than USD850 million from the next bidder.

Ethio telecom was a cash cow for the government. Noted that the government will secure lump sums ensuing the sale of licenses and shares as well as new revenue from infrastructure rentals. But will the government's revenue stream lessen?

The telecom and economic efficiency will change various sectors including agriculture, manufacturing, telemedicine, IT, education, and others.

We are currently working to adopt the Indian model of health extension workers through a digital foundation. In rural India, there are health centers with terabytes of cheap internet funded by the World Bank and others. With their tablets the health extension workers are literally like IT technicians. Specialists in top hospitals operate online and cure patients in the most remote rural areas using telemedicine. Most Ethiopians cannot go to Bangkok or even Addis Ababa for treatment. Telecom's development will end this.

In the education sector, many students complain that they do not understand calculus. If they have stable internet, there are more than 800,000 hours of calculus lectures on YouTube. You can educate yourself in an instant.

When is this efficiency in telecom going to be realized?

The services start as scheduled in the bid document once the license is awarded. The dates to start service, when to fully cover 3G, 4G, and evolve to 5G are all stated in the bid document. The coverage requirement states exact dates when the different types of network should reach certain urban and rural areas.

African governments are blamed for holding spectrum spaces in a bid to inflate prices on telecom operators. Is this true for Ethiopia?

We did it the other way around. We have allocated adequate spectrum for both operators. Usually, wide frequencies are used to reach rural and remote areas, with short ranges utilized for urban areas. We have

assigned sufficient blocks for all areas for the two operators. Telecom privatization is an imperative necessity to develop the economy.

Pressure from the IMF and World Bank was high during current reforms. Many agree that the West is making inroads into Ethiopia through liberalization and privatization. Has the Washington Consensus overshadowed the privatization process?

Nobody should tell us that our telecom industry should be liberalized. Policies coming out of those multilateral organizations has brought crisis to many countries before. If we are bending for their interest, why hasn't GERD stopped? Everyone from the World Bank to the USA is pushing Ethiopia to suspend the GERD project. But we have not bended to that pressure. These organizations are development partners. They have given us several concessional loans. But concerning Ethiopia's economic policy, only the Ethiopian government decides. Had we given them an ear, we would have had a totally different economy by now.

The government has been highly engaged in the economy, leaving the private sector in its infancy. Now the government is suddenly saying that the private sector should takeover. To be specific, would it be the domestic or foreign private sector?

Definitely the domestic private sector. Even the new investment regulation favors the domestic private sector in many places. But there are some sectors in which foreign participation is essential. This is not binary, we support both. It is inconsequential to some sectors whether it is opened or protected. Protecting courier services, for example, makes no difference. Protecting retail, on the other hand, is critical. Under the new investment regulation, the government tells you what you cannot do. What you can do is determined only by your innovative ideas.

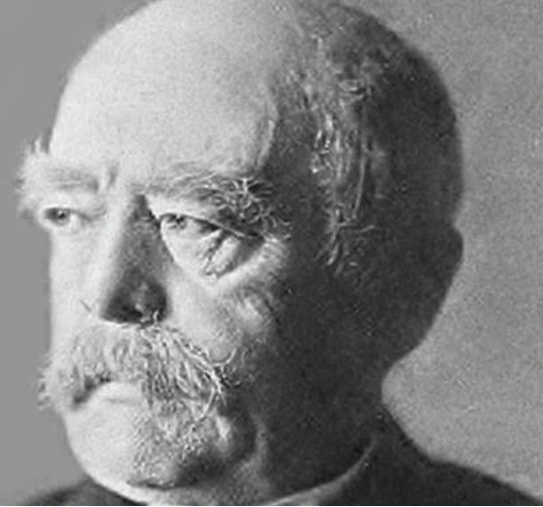
Many African countries are entrapped by foreign interests.

Partnership does not mean influence. For instance, The World Bank provides substantial amounts of finance for the Productive Social Safety Net program in Ethiopia. But is it influencing social safety in Ethiopia? It is a matter of setting the agenda. We are working for Ethiopia. **EBR**

“ Quote

“People never lie [as often] as [they do] after a hunt, during a war, or before an election.”

Otto von Bismarck, 1815-1898, German statesman



From the Horse's Mouth



“Nothing is being solved,”

Mussa Adem, Chairman at the Ethiopian Political Parties Joint Council and Lecturer at Jijiga University said in an interview.

“Many mistakes have been done by and upon parties. We could not solve the problem between TPLF and PP from the onset. A number of parties have been canceled or are boycotting the election. We asked the House of Federation whether the government’s military operation in Tigray was legal. Yet, issues haven’t been solved because the council lacks the capability. Parties are also not willing to adhere to the council’s covenant.”

“They never liked each other before,”

Republican Senator Jim Inhofe told the US senate,

adding that the nine regional governors in Ethiopia “have never been in the same room to pray together.” Inhofe, who has been to Ethiopia 19 times since 2005 and claims to know the history and current political situation of Ethiopia, tried to organize a prayer session for the regional heads during PM Hailemariam Desalegn’s reign but only two showed up.



The Number

23.8
MILLION

Number of people in Ethiopia in need of humanitarian assistance, according to a USAID report on May 18, 2021. The total humanitarian funding plan for 2021 by the US government is USD471 million.

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