"Government should craft a directive that regulates mortgage banking."

Zemedeneh Negatu, Founding Member, Selam Bank, under-formation

"Lack of tenure security is the biggest problem in the mining sector."

Nejib Ababiya, Chairman of Rift Geothermal

ETHIOPIAN BUSINESS REVIEW

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"IS IDEOLOGY RELEVANT FOR AFRICA'S DEVELOPMENT?"

Vera Songwe

Executive Secretary of the Economic Commission for Africa

Reviving Mortgage Banking, the Bumpy Road Ahead

Conflict, Displacement Hinders Agriculture

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Dialogue, Reconciliation:

THE REAL CURE FOR THE TIGRAY CRISIS

Throughout history, Ethiopians have fought with external enemies numerous times but also frequently with each other. Even after the birth of modern Ethiopia, war, insurrection, and rebellion has continued. This infighting has drained the nation's resources and withheld it from development and progress. Not long ago, Ethiopia hosted one of the bloodiest civil wars in history. The military spending during in the 1970s and 1980s drained the national budget and left Ethiopians to crawl into the poverty trap.

It seems like we have learned nothing from our recent violent and shameful history. Since 2016, Ethiopians have been bogged down with further internal conflicts. In fact, recurring violence and instability seems to be an enduring characteristic of the second most populous African nation.

In an environment in which war is regular business, it is certainly Ethiopia that is losing, and its citizens suffering. The recent conflict in Tigray between the federal government and the Tigray People's Liberation Front (TPLF) is the latest recurrence.

Although both sides may claim that they have won the battle, none have won the war. They only complicated the conflict's dynamics. The conflict in northern Ethiopia has opened the gate wide open for foreign powers' interference. What happens in the Horn of Africa is not only on the radar of regional players, but also on superpowers. Close to 10Pct of the global trade passes through the Suez Canal located on the northern end of the Red Sea. Due to its global significance, interest in the area expands beyond its long shorelines to the Horn of Africa. Already, a multitude of foreign nations have established military bases in Djibouti.

Recent moves initiated by Prime Minister Abiy Ahmed (PhD) to unite East African countries such as Eritrea and Somalia have alarmed superpowers which have a vested interest in the region. The actions of giants are primarily driven by the motive to protect their own national interest. Almost all countries in the Horn are already in a volatile situation. So, active interference from outside powers will be toxin for these fragile states. Looking at what happened to Yemen, a nation caught in the theater of intrusion by foreign nations since 2015, is enough to indicate what could happen if we continue to allow superpowers to meddle in the affairs of Ethiopia.

The conflict in Tigray also has the potential to change and reshape dynamics regarding the Grand Ethiopian Renaissance Dam. On top of involving indirectly to protect their national interest, Egypt and Sudan have invited superpowers and regional players to pressurize Ethiopia. The more Ethiopia becomes unstable, the stronger the influence of superpowers will be.

A lot is at stake. Not only to stop this catastrophic war and end the suffering, but also to save the entire nation, a solution must be sought and found sooner than later. Due to sanctions and pressure from superpowers, as well as difficult local dynamics of the war, the federal government recently declared a ceasefire and withdrew its forces from Tigray. The government also expressed its intentions for discussions two weeks ago. However, the war is not yet over.

Since the path of an extended and bitter struggle will be enormously costly for the entire nation, it is only through dialogue and reconciliation that both the federal government and TPLF can achieve sustainable peace. Narrowing differences in this manner does not mean the acquittal of those from both sides who have committed crimes against humanity. In fact, accountability is the necessary price to pay for the mistakes committed during the conflict.

There are many actors with divergent objectives involved in the conflict, making it hard to find agreement. Yet, experiences of African countries including Rwanda and South Africa tells that dialogue and reconciliation could happen in Ethiopia's context. Recently, the 6th national election was held with numerous exceptions including Tigray. Giving the same opportunity of electing the representatives they consider worthy and legitimate is not only a courtesy both sides owe to the people in Tigray but it is also their obligation. **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.

Ministry to Introduce Minimum Wage

The Ministry of Labor and Social Affairs (MoLSA) has finalized a new proclamation aiming to set a minimum wage for the first time in Ethiopia. A new board intended to assess the market and determine the wage is also in the pipeline. The move is targeted at private, public, and other organizations as well. Wages will be determined after studying the pressure of inflation on living costs and employers' paying capacity.

Awash, Oromia to Finance IPs

Awash Bank and the Cooperative Bank of Oromia are to provide long-term loans for the state-owned Industrial Parks Development Corporation (IPDC). The two were selected amongst 13 commercial banks in October 2020. The loans primarily cover housing programs for park employees as well as to finance other IPDC businesses. There are around 15 parks currently operating, and their number is expected to double.

Berbera Port Operationalized

Berbera Port has begun handling Ethiopian cargo after its inauguration by Ethiopian, Somalilander, and DP World officials who own 19, 30, and 51Pct stakes in the port, respectively. The port is equipped with modern cranes to harbor huge ships and is part of Ethiopia's eastern logistical corridor plans. In 2016, Somaliland signed a 30-year contract with the UAE's DP World to increase the terminal's capacity from 150,000 to 500,000 TEUs (twenty-foot equivalent units).

Wheat Procurement for SafetyNet

Dubai-based Promising International Trading Co. DMCC won the Ministry of Agriculture's floated bid for 30,000 metric tons of wheat for the SafetyNet program through a World Bank fund of ETB477 million, according to the Federal Public Procurement & Property Disposal Service. Ethiopia has been importing an average of 1.2 million metric tons of wheat annually and has over 8.5 million people under the SafetyNet program.

ETB 80 billion

The value of Ethio telecom after an evaluation by Deloitte. The valuation doesn't include future prospects of the parastatal but rather comprises of a physical asset valuation. The valuation marks the beginning of government's acceptance of expression of interest letters for the telecom giant's partial privatization.

Industry Projects Remain Idle

Even though 1,447 factory projects were finalized inside industrial parks in Amhara Region, only 225 are currently operational. Most of the factories remain idle lacking power, water, and road infrastructure. The regional government required investors deposit 10Pct of the project's costs in closed accounts to tackle those who involve themselves just to take land. The projects are financed 30Pct by the investor while 70Pct is provided by government.

BASF Enters Ethiopia's Seed Sector

The first seed exporting private company is licensed in Ethiopia. The multinational chemical giant BASF has invested ETB416 million on 15 hectares in Amhara Region to produce, multiply, and export mainly horticultural seeds. Implemented through Nunhems Ethiopia PLC, the plant is also engaged in the high-tech and sustainable production of vegetables including tomato and cucumber. BASF generated global sales of USD70 billion in 2020.

Ethiopia's Leather Exports Slump

Ethiopia earned USD19.4 million from leather and leather products export, just 53.4Pct of the USD36.6 million planned for the last ten months. The footwear subsector generated only 22.1Pct of the planned USD17.4 million. Huajian, Yobang, and George Shoe constitute 43Pct of the total performance even though their output has been substantially affected by COVID-19. Hyperinflated prices of raw materials in the domestic market has also been testing exporters.

Ethio Telecom Delists, Warns Defrauders

Ethio telecom has canceled the licenses of 62 businesses who have been found sending messages which do not abide to Ethio telecom's regulations. Companies were even found to be transferring airtime money from subscribers' phones without delivering the promised messaging services. Of 263 companies on which Ethio telecom took action, 199 received written warnings and 16 were given final warnings. The company has collected ETB980,000 in penalties from the businesses.

1 million tons

Oilseed requirement of local edible oil processors. Ethiopia produced 8.4 million tons of oilseeds last year but local industries processed only 18,159 tons of edible oil. This is mainly because oil seed exporters inflate the price of oilseed in domestic market.

Top 10

Most Connected African Capital Cities

Rank	City	Connectivity
1	Johannesburg	12,527
2	Addis Ababa	9,744
3	Nairobi	4,548
4	Algiers	1,829
5	Cairo	1,163
6	Zanzibar	1,162
7	Lomé	744
8	Abuja	648
9	Casablanca	632
10	Abidjan	493

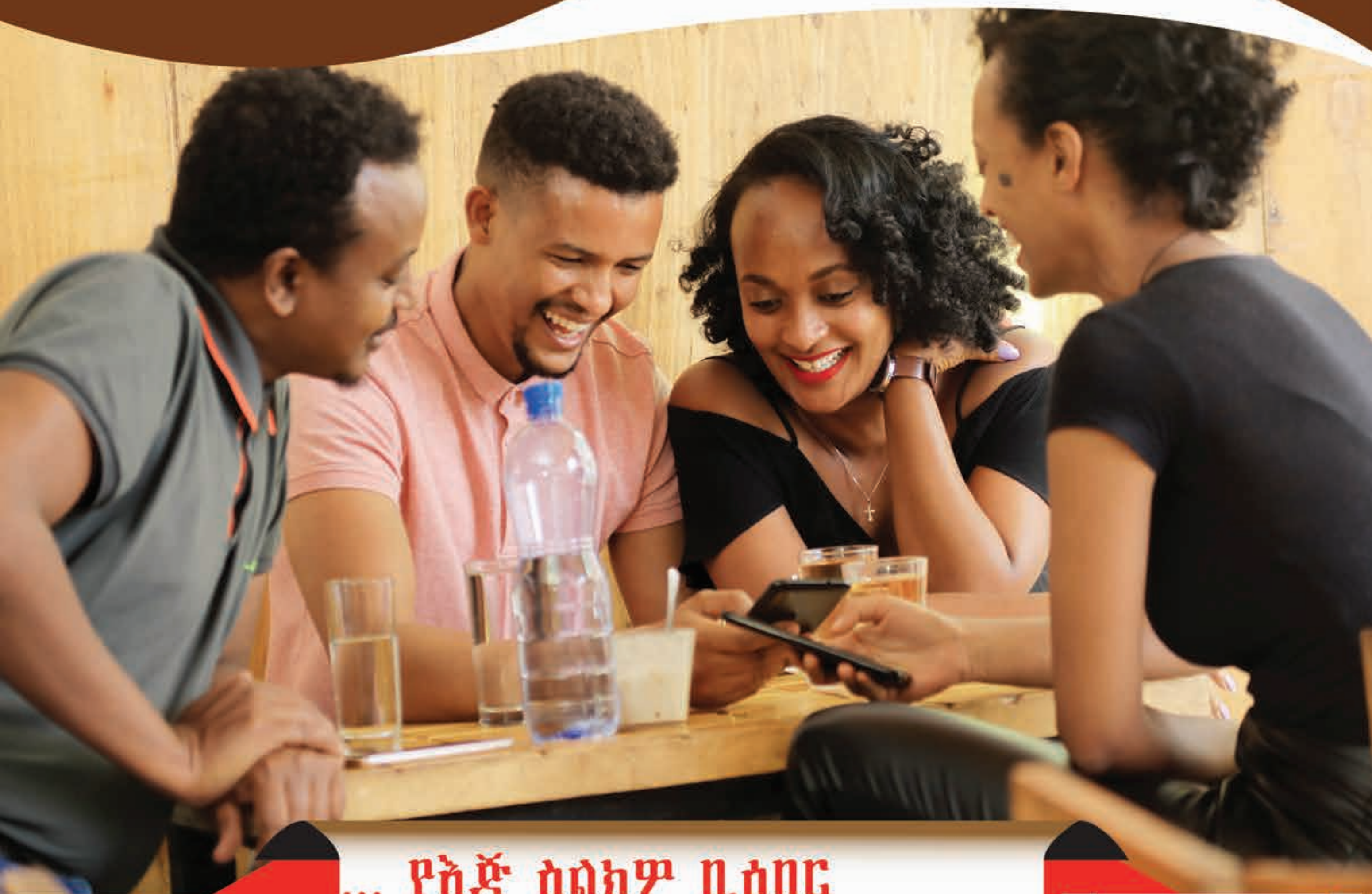
Source: Intra-African Connectivity Index, AFRAA

In 2020, regional traffic represented only 19Pct of African carriers' operations with domestic flights accounting for 43Pct and intercontinental travel contributing 38Pct. Ethiopian Airlines, Safair, Mango Airlines, and Air Algérie lead in domestic passenger numbers. South Africa features heavily in domestic travel comprising six of the top 10 routes.

Among the 54 African countries, 13 have direct flights to more than 20 African countries. Ethiopia and Kenya lead with 30 direct flights or more to other countries within Africa. The continental route with the most passengers is Tripoli – Tunis, with Harare – Johannesburg, Khartoum – Cairo, and Entebbe/ Kampala – Nairobi rounding out the top four. The busiest airports on the continent are in Johannesburg, Addis Ababa, Cairo, Cape Town, Lagos, and Nairobi.

The top connected African airports, charge the least prices. Lusaka has the highest level of charges while Seychelles International Airport has the lowest among the selected airports. Some of the busiest airports in Africa like Johannesburg, Addis, Algiers are among the least expensive.

While intra-connectivity is relatively high within northern Africa (more than 69Pct), we can see that connectivity across regions remains poor. The highest rate is between northern and western Africa at 41Pct. Southern Africa is less connected with other regions, particularly with the west at only 3Pct. **EBR**



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.

Calvin Klein Supplier Eyes Colombo IPO, Africa Growth

Apparel maker Hela Clothing plans an initial public offering on the Sri Lankan Colombo Stock Exchange within 12 months to raise capital for entry into North Africa and the expansion of its East African operations.

The Sri Lanka-based manufacturer for PVH Corp. -- the parent company of fashion brands Tommy Hilfiger and Calvin Klein -- will offload a 20Pct stake for USD20 million. Hela manufactures underwear, sleepwear, and children's apparel.

An entry into Egypt's USD1 billion apparel market will help to boost the company's revenue by about 11Pct to USD250 million by the end of the financial year in March. Hela will set up shop in Egypt by 2022 and work with existing manufacturers and value chains. From Egypt, it will ship to Europe in three to seven days, and to the U.S. within about 10 to 12 days.

Hela is scaling up its intimates business, which accounts for 70Pct of group revenue, and added more than 2,000 employees to facilities in Ethiopia and Kenya despite the coronavirus pandemic. It plans to expand its Kenyan facility, which churns out men's underwear, and boost bra-making at its four-year-old factory in Ethiopia.

Nigeria

Nigeria's privatization agency recommended the state sell off the nation's electricity-transmission network. The agency will share its proposal "very shortly" with the National Council on Privatisation that the state-owned corporation be unbundled and then privatized. The sale of the transmission assets would be the biggest overhaul of Nigeria's power system since 2013, when the government disposed of the state power company's generation and distribution infrastructure. Although Nigeria has 13,000 megawatts of installed electricity-production capacity, only about 4,500 megawatts is dispatched to the grid daily, in part because of dilapidated transmission infrastructure.

Cameroon

Aliko Dangote, Africa's richest person, said he plans to diversify his group's investments in Cameroon, starting with energy. "We have plans to expand our investment to other sectors beginning with oil and gas," Dangote told reporters after meeting Cameroonian President Paul Biya. The Nigerian billionaire, founder of the multinational industrial conglomerate Dangote Group, also announced his company will double cement production in Cameroon. Dangote opened a 1.5 million-ton cement grinding facility in the central African nation in March 2015 that ended a 40-year French monopoly in the industry.

Gabon

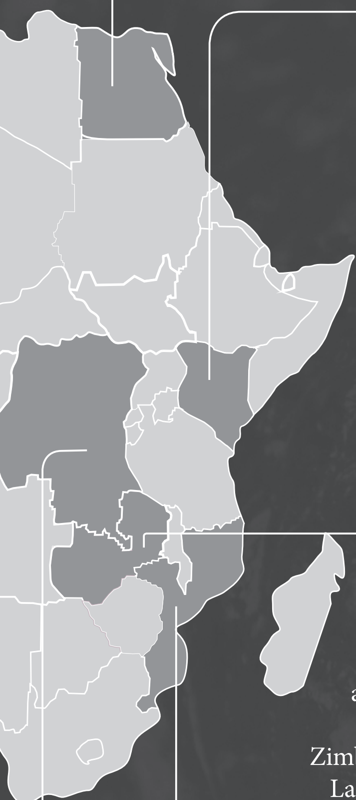
Gabon is exploring a novel way to replace oil revenue that accounts for more than half of its budget. The country has granted the African Conservation Development Group the right to sustainably develop a swathe of 700,000 hectares of land. The company plans to partially finance the project through bonds paid for by carbon credits earned from preserving its section of the vast Congo Basin rainforest. In return for the concession, Gabon hopes to host an eco-tourism industry and sustainable hardwood logging operations, activities that generate considerable earnings in some other tropical countries. As the world's second-most forested nation, Gabon has already received USD17 million in a week. Forests across central Africa alone absorb 4Pct of the world's annual emissions.

Democratic Republic of the Congo

The swiss Glencore PLC is to reopen its Mutanda Mining copper and cobalt project in DRC by the end of 2021, about two years after idling the mine. A reopening of Mutanda, one of the world's biggest cobalt mines, comes when there's renewed demand for battery metals as automakers focus on metal-intensive electric vehicles and global economies shift away from fossil fuels in favor of cleaner technologies that use electricity for energy. Cobalt and copper are key metals in that transition.

Egypt

Egypt for the first time set a minimum wage for private sector workers, moving toward bringing those employees under the protection of regulations long afforded to their public sector counterparts. The new wage was set at 2,400 Egyptian pounds ($135) per month, the Planning Ministry said, citing a decision by the National Council for Wages. The new minimum is on par with what was ordered by President Abdel-Fattah El-Sisi in March for the public sector. The push for a private sector minimum wage had largely stalled with the onset of the coronavirus pandemic and the impact it had on the economy.



Kenya

Kenya raised USD1 billion in its first Eurobond sale in two years as the east African nation balances between the need to fund its economic recovery and lower its debt burden. The 12-year bonds, priced to yield 6.3Pct, received more than USD5.4 billion in orders following a three-day virtual roadshow. The government forecasts economic growth of 6.6Pct this year from 0.6Pct in 2020 as it recovers from the impact of the pandemic. Kenya plans to borrow as much as USD7.3 billion in the Eurobond market over the next two years, according to the IMF. Kenya faces a gap of USD8.8 billion equivalent to 7.7Pct of gross domestic product, which it plans to fill with external and domestic borrowing.

Zimbabwe

China's biggest bank has dumped plans to fund a USD3 billion coal-fired power plant in Zimbabwe, in a blow to a two-decade effort to develop the project, according to a coalition of 32 environmental groups. Industrial and Commercial Bank of China Ltd. (ICBC) won't fund the 2,800-megawatt Sengwa coal project in Northern Zimbabwe. ICBC also confirmed that they will not fund the Lamu coal project in Kenya. The decision further narrows the funding options available to developers of coal projects in Africa as western and South African banks have come under increasing pressure from their shareholders.

Mozambique

Mozambique plans to sell a majority stake in the planned USD2.4 billion Mphanda Nkuwa hydropower dam that will be one of the biggest in southern Africa. The government will issue a request for proposals this year, and reach financial close by 2024 on the 1,500-megawatt facility and an associated transmission line that could increase the total project cost to as much as USD4.4 billion.

AFRICA FINANCE CORPORATION

Africa Finance Corp.

Africa's spiraling infrastructure needs are prompting one of the continent's key development finance institutions to seek out backing from beyond the region.

Africa Finance Corp., which already counts 31 nations, or more than half the continent, as members, is looking to bring new shareholders on board as part of a strategy to deliver fast-track growth.

AFC chiefs said the bank is courting sovereign entities in the Gulf and Europe to widen the scope for funding an infrastructure shortfall that it estimates at as much as USD170 billion across Africa each year.

Established by the Nigerian central bank in 2007, investment-grade AFC is on a mission to serve as an alternative to African Development Bank for finding solutions to the continent's infrastructure gap. Its current shareholders also include African member countries and some of the continent's lenders.

The urgency to widen the pool of investors is growing after Africa in 2020 suffered a 16% decline in foreign direct investment to $40 billion, a level last seen 15 years ago, according to UNCTAD.

REVIVING MORTGAGE BANKING, THE BUMPY ROAD AHEAD

Hope dawned when two banks—Goh and Selam—began selling shares to establish themselves to specifically serve housing demand. Ethiopia's dwelling gap has been an accumulation of generations onto which over 400,000 new demand is added annually. Yet only 100,000 units are supplied to the market through governmental schemes and private developers. Now, the expected two mortgage banks have given hope to the fulfillment of the dreams of millions of home seekers as they promise to affordably deliver hundreds of thousands of residences within a few years.

However, the mortgage model is risky especially in an inexperienced country like Ethiopia. An absence of strong and pertinent legal frameworks as well as the financing model pursued by the banks, where they plan to extend way more credit than their capital, pose challenges for their models pursued. But all these problems could be washed away if only the central bank introduced special regulations for mortgage banks. EBR's Ashenafi Endale evaluates the pros and cons of engaging in this specialized banking field.

Ever since the now defunct Construction and Business Bank changed its model from mortgage to universal banking two decades ago, lack of finance has been one of the major obstacles in the housing sector. Although some commercial banks are engaged in mortgage financing, housing loans currently constitute less than 10Pct of total credit disbursed by the banking sector. This has severely diminished the opportunity to secure a home loan, especially for the middle class and low-income households.

Resultantly, the unsatisfied demand for housing has kept climbing, especially in urban areas like Addis Ababa. The backlog of demand for housing is estimated to surpass one million, with an additional 400,000 units of new demand created annually. However, the annual housing

supply through the government's condo scheme and private developers is less than 100,000 units per year, according to the Ministry of Urban Development and Construction.

The subsidized condominium project implemented by the government has failed to address society's housing demand. On the other hand, close to 80Pct of real estate developers target the higher class, even while over 92Pct of Addis Ababa's residents are low-income families, according to studies. "Most homes built by the private sector target the diaspora and upper classes. This leaves the lower and middle classes vulnerable" argues Abebe Dinku (PhD), Head of the Civil Engineering Department at Addis Ababa University. "There needs to be a policy that addresses the needs of middle- and low-income citizens."

To satisfy the mounting demand for housing loans, Goh Betoch and Selam banks—both under establishment—are trying to revive the dying mortgage banking service in Ethiopia. Set up by top financial gurus including Getahun Nana, former vice governor of the central bank, Goh Betoch Bank plans to disburse up to ETB7 billion in mortgage loans during the fifth year of its operations.

The subscribed capital of Goh, expected to start operating in two months' time, is ETB1.2 billion while its paid-up capital has currently reached ETB540 million. "The buyer of the house must save 15 to 20Pct of the house's value as down payment into the bank's account," Mulugeta Alemayehu, CEO of Goh, explains. "Then Goh provides the remaining amount at lower lending interest rates and payback periods extending up to 30 years."

On the other hand, Selam Bank—under formation by heavyweight investors from a range of sectors—plans to finance 100,000 housing units in the next five years by disbursing mortgage loans amounting to ETB200 billion in its first five years. Selam requires 15Pct in down payment while the payback period spreads to 30 years.

"Initially, 80Pct of Selam Bank's operations will be to provide mortgage banking services while 20Pct will be dedicated to universal banking services," says Zemedeneh Negatu, one of the promoters of the bank. "But after five years, it will be a 100Pct mortgage bank."

Muluneh Aboyeh, Risk and Compliance Vice President of the Commercial Bank of Ethiopia (CBE), says the arrival of these new banks is a step forward towards solving the growing housing crisis across the country. "CBE has been providing loans to the government for the condominium housing project but wasn't able to provide similar offerings to the private sector aside from the bank's premium customers."

Although the moves by Goh and Selam are admirable, experts warn the road ahead will not be as simple as portrayed. Abdulmenan Mohammed, Financial Analyst based in London, is one of the experts questioning the feasibility of the two, as well as their choice to operate under the current financial system as a mortgage bank.

"The existing huge demand for housing is not sufficient enough to focus on mortgage banking and succeed. Mobilizing adequate funds to finance the housing sector is not a simple task that only requires attracting as many depositors as possible," argues Abdulmenan. "Since it involves long-term mortgage lending, these banks need to find long term sources of funds."

As can be easily gathered from the performance of current banks, mobilizing funds is a difficult task that takes time and requires abundant resources. The primary source of funds for commercial banks operating in Ethiopia is deposits. In 2019/20 alone, the 16 private and two public banks operating in Ethiopia mobilized ETB142 billion, according to the annual report of the National Bank of Ethiopia (NBE). Total deposits in the banking system have now surpassed ETB1trillion.

Other sources of funds available to banks come in the form of interest from loans and by borrowing themselves. Total resources mobilized through interest collections was ETB183.3 billion last fiscal year. Funds raised through borrowing remained insignificant.

Mobilizing such amounts, however, doesn't come easy. Banks' major costs pertain to the interest paid to depositors. Since NBE raised the minimum interest rate financial institutions pay on savings and time deposits to 7Pct In October 2017, it has been showing marginal increments. At the end of the fiscal year, the weighted average saving and time deposit rates increased to 8Pct.

> **The coming of these new banks would be a step forward in solving the growing housing crisis across the country."**
>
> Muluneh Aboyeh,
> Risk and Compliance Vice President at CBE

To compensate for the additional expense brought on by rising interest payments, banks have in turn been lifting the lending interest rates they charge. The maximum lending rate in the banking system jumped from 18Pct last year to its current 24Pct, which is above the 20.6Pct inflation rate.

Few banks, currently providing mortgage loans, charge reasonable rates. For instance, the Cooperative Bank of Oromia offered 7Pct—the lowest in the industry—when the Primary Labor Union of Ethiopian Airlines openly invited all Ethiopian commercial banks to bid mortgage packages to its members in February 2021.

The promotors of Goh and Selam banks also promise reasonable interest rates when they commence disbursing in the near future. "I would rather not specify the exact rate at this moment," says Zemedeneh. "But, I can guarantee it will be significantly less than what is asked by commercial banks today."

However, Abdulmenan says this

is a hard to keep promise as inflation is rapidly increasing. "High price increments are expected to continue for at least the coming few years," he anticipates. "This will force banks to increase their lending rates to counter inflation."

Owing to inflation, average prices of a unit of housing developed by real estate companies has almost doubled in the last five years. It is currently ETB20,000 per square meter in Addis Ababa. Inflation has also forced banks like CBE, which has been charging lesser rates in the industry, to change its lending policy. As a result, a few months ago CBE's average lending rates increased from 8.63 to 9.8Pct.

> **We will ensure the price of houses we finance is not inflated by the developer without valid reasons."**
>
> Mulugeta Alemayehu,
> CEO of Goh Betoch Bank

Mulugeta says inflation will not be a problem. "We will ensure the price of houses we finance is not inflated by the developer without valid reasons. We will make and use our own evaluations to make this happen."

To amass huge funds, banks also have to expand their branch outreach, which requires huge investment. In the last fiscal year alone, banks opened 947 new branches to raise the total number of branches to 6,511 from 5,564 a year ago. CBE with 247 new branches in 2019/20, followed by Abyssinia Bank with 226, and Awash Bank with 58 branches are the top expansive banks in this regard.

Zemedeneh says Selam Bank plans to pursue a massive branch expansion strategy to attract deposits. "To garner large deposits, Selam Bank will have branch offices in every regional capital."

However, the large portion of financial resources mobilized by banks is not suited for long-term lending. More than 90Pct of deposits are in accounts which allow withdrawals at any time. In the last fiscal year, out of the total deposits mobilized by banks, 56.6Pct and 34.2Pct were in saving and demand deposit accounts, respectively, while time deposits constitute only 9.2Pct.

Correspondingly, significant portions of loans disbursed by banks are short-term and their share of long-term loans remains small. During 2019/20, banks disbursed ETB271.2 billion in fresh loans with ETB121.2 billion (44.7Pct) provided by the 16 private banks and the remainder by the two parastatals. Out of the total fresh loans disbursed last year, only ETB11.4 billion—9.4Pct of the total—was disbursed to the housing and construction sub-sector.

Zemedeneh aggress with the fact that saving and demand deposits cannot be the primary source of funding for longer-tenured mortgage lending. "Selam Bank intends to raise longer-term financing from various sources including bonds and equity offerings since they are more pertinent in availing affordable mortgages and making millions home owners. The other option we are exploring to raise more money is to partner with international financial institutions."

The reason sub-sectors like housing and construction are lent small amounts is that long-term loans, including housing loans that can span up to 30 years at fixed interest rates, entails significant risk, according to Abdulmenan. "For banks, loans are assets with risk. So, more deposits means more exposure to risks, especially credit risk."

To protect depositors and banks, as well as promote the stability and efficiency of the financial system, NBE requires all banks maintain a minimum capital to a risk-weighted assets ratio (Capital Adequacy Ratio) of 8Pct at all times. "Since it is difficult for banks that provide long-term loans to maintain the stated ratio, NBE must introduce special laws to regulate newly establishing specialized mortgage banks in Ethiopia," argues Abdulmenan. "Besides Capital Adequacy Ratio, other important areas that need special regulations are a provision for doubtful loans, foreclosure, formation of credit records for housing borrowers (credit history), borrowers' protection, and information provision."

Zemedeneh concurs with Abdulmenan. "The new mortgage banks cannot operate with the existing banking laws that were crafted mainly to regulate banks that follow the universal banking model," he explains. "Broad-based and timely financial services sector policy revisions are currently in the works by NBE including regulations for mortgage banking. Therefore, Selam Bank and others in the sector expect to be regulated under these upcoming new regulations."

However, Frezer Ayalew, Director of the Banking Supervision Directorate at NBE, says the central bank has no intention of introducing a directive concerning mortgage banks soon. "There are no banks providing specialized services in Ethiopia. Any bank licensed in Ethiopia operates under existing banking laws."**EBR**

“All we want from the government is to introduce the directive that regulates mortgage banking.”

Zemedeneh Negatu is currently Chairman of Fairfax Africa Fund, a US-based firm engaged in investment banking and private equity financing in sub-Sahara Africa, including Ethiopia. He is also one of the promoters of the under-establishment Selam Bank which intends to disburse ETB200 billion as mortgage loans to finance 100,000 housing units in its first five years of operations. EBR sat down with Zemedeneh to discuss the endeavors of Selam Bank and the challenges it expects to face.

How did the idea of establishing Selam Bank come about?

In January 2020, a group of friends got together and discussed the idea of establishing a mortgage bank for the simple reason that there is no such dedicated bank in Ethiopia. Unfortunately, about two months later, COVID-19 struck and halted activities around the world. This past January, we regrouped and managed to launch Selam Bank.

But the decision and motivation behind the establishment of the bank is the huge housing demand existing in Ethiopia. Currently, only 3.5Pct of Ethiopians can afford to buy a residence.

When will the bank start operating?

Selam Bank will start its operations within five months. We have set up our offices already.

What percentage of the bank's operations will be dedicated to mortgage banking?

Initially, 80Pct of Selam Bank's work will be to provide mortgage banking services while 20Pct will be dedicated to commercial banking packages. But in five years' time, Selam Bank will be a 100Pct mortgage bank.

What is its authorized capital?

For the moment, the authorized capital of Selam Bank is ETB2 billion. But after two years, we intend to increase it to ETB5 billion.

Have you started selling shares?

After receiving authorization from the National Bank of Ethiopia (NBE), we started selling shares. Currently, we are raising capital from institutional investors only. Once we raise enough capital from institutional investors, we will think about selling shares to the general public. Until now, we haven't made a definite decision on this.

Do you think it is possible to secure the NBE-mandated minimum requirement of ETB500 million within six months?

We're okay with the current minimum capital requirement set by NBE to establish a bank. Right now, we only need ETB500 million to launch our bank which is attainable.

Nonetheless, that threshold will rise to ETB5 billion after six months.

This will not be an issue for Selam Bank. We can mobilize enough capital even if NBE raises the current minimum capital requirement to ETB5 billion today.

Do you think it is possible to raise enough capital from institutional investors in a country like Ethiopia where there are very few big corporates?

The number of big corporate and institutional investors might be small but we can collect large outlays from each. The reason we are focusing on institutional investors is that their employees need housing. The big companies in Ethiopia have thousands of employees who need housing. By investing in Selam Bank, these institutions can achieve one of their goals: enabling home ownership for their employees to help them retain talent.

But a single shareholder cannot hold more than 5Pct of the bank's total shareholdings.

We have to comply with that law of the country. Since Selam Bank is authorized to raise ETB2 billion by NBE, a single shareholder can buy and own ETB100 million in shares. This is a significant enough amount.

What is Selam Bank's strategy in financing housing?

Selam Bank plans to finance 100,000 housing units over the next five years. Based on the calculation of an average price of ETB2 million for a single residence, the total mortgage loan we intend to disburse amounts to ETB200 billion. This is a significant sum of money, equivalent to 4.5Pct of Ethiopia's gross domestic product (GDP). However, the amount is actually very small considering the huge requirement for housing. In Addis Ababa alone, the demand is estimated at around 1.9 million.

Do you think it is possible to mobilize such large funds and disburse ETB200 billion in mortgages within such a short period of time for a newly established bank?

Selam Bank's balance sheet and financing structure was designed optimally so that the bank can finance at least 100,000 mortgages in the next 5 years totaling ETB200 billion. While this figure might seem large, in reality, it's relatively modest compared to the housing demand in Ethiopia—a country with 117 million people—and where urbanization is increasing by 5Pct annually.

What are the sources of finance for such a huge endeavor?

The first is deposits mobilized from savers. To garner vast deposits, Selam Bank will have branch offices in every regional capital, although its headquarters will be in Addis Ababa. But short-term customer deposits, which commercial

> **"Short-term customer deposits cannot be the primary source of funding for long-tenured mortgage lending."**

> **Selam Bank intends to raise long-term financing from various sources including bonds and equity offerings.”**

banks typically rely on for their lending activities, cannot be the primary source of funding for relatively long-tenured mortgage lending programs. So, Selam Bank intends to raise long-term financing from various sources including bonds and equity offerings as they are more pertinent towards providing affordable mortgages and making millions home owners.

We are going to have a stable, long-standing, and large deposit base. Selam Bank also plans to utilize the long-term bond market in Ethiopia. The secondary bond market is already operating in Ethiopia. Although it's open to private issuers, only the government is currently issuing bonds. So, we intend to exploit the bond market.

We aim to tap into opportunities offered by the securities exchange expected to be launched next year. We haven't decided exactly when, but in our five-year plan we plan to raise additional capital through equity offerings.

The other option we are exploring to raise additional funds is partnering with international financial institutions. In fact, we have already finalized negotiations with two international banks. The agreement will allow for both institutions to be investors as well as financers.

Do you have an alternative strategy in case the primary plan fails?

It sounds like a big deal but it has repeatedly been done throughout the world.

Who will be entitled to receive the mortgage loan that will be disbursed by Selam Bank?

The mortgage loan can be disbursed to anyone that has a steady and regular stream of income. But our main target are the middle and lower classes. Employees working at private, governmental, and at other institutions as well as the self-employed will be entitled. As long as we can verify their income, they qualify to access the mortgage loan. The down payment expected from the loanees will only be 15Pct of the total price of the house. Currently, commercial banks require up to 60Pct in down payment to disburse credit for home purchases. Customers are forced to save a large amount of money to qualify for a mortgage loan. This is very difficult for most Ethiopians. But in our case, purchasing a house becomes affordable as Selam Bank requires a reduced down payment and offers a much longer repayment period of up to 30 years. One can pay in five, 10, 20, or 30 years.

So how much will the lending interest rate be?

I would rather not specify the exact rate at this moment. But I can guarantee it will be significantly less than what is demanded by commercial banks today.

Did you select the developers the bank is going to partner with?

We have already identified developers such as BamaCon Engineering PLC. The developers will receive numerous incentives to deliver houses on time and with quality.

Currently, there is no specific legal framework that permits and regulates mortgage banking in Ethiopia. How can you be successful in its absence?

Broad-based and timely financial service sector policy revisions are currently in the works by NBE, including regulations for mortgage banking. Therefore, Selam Bank and others in the sector expect to be regulated under these upcoming regulations.

What kind of support do you expect from NBE?

We just want the government to introduce the directive that permits and regulates mortgage banking in Ethiopia. That's all we want.

Many buildings commence in Addis Ababa but become stuck owing to foreign currency shortages. How do you plan to solve this problem?

My knowledge is that the government is working to open up the exchange rate regime soon. Within the next two years, it's going to be market driven. There will be many other reforms in the financial sector. Forex shortages will not be a permanent problem in the Ethiopian economy. **EBR**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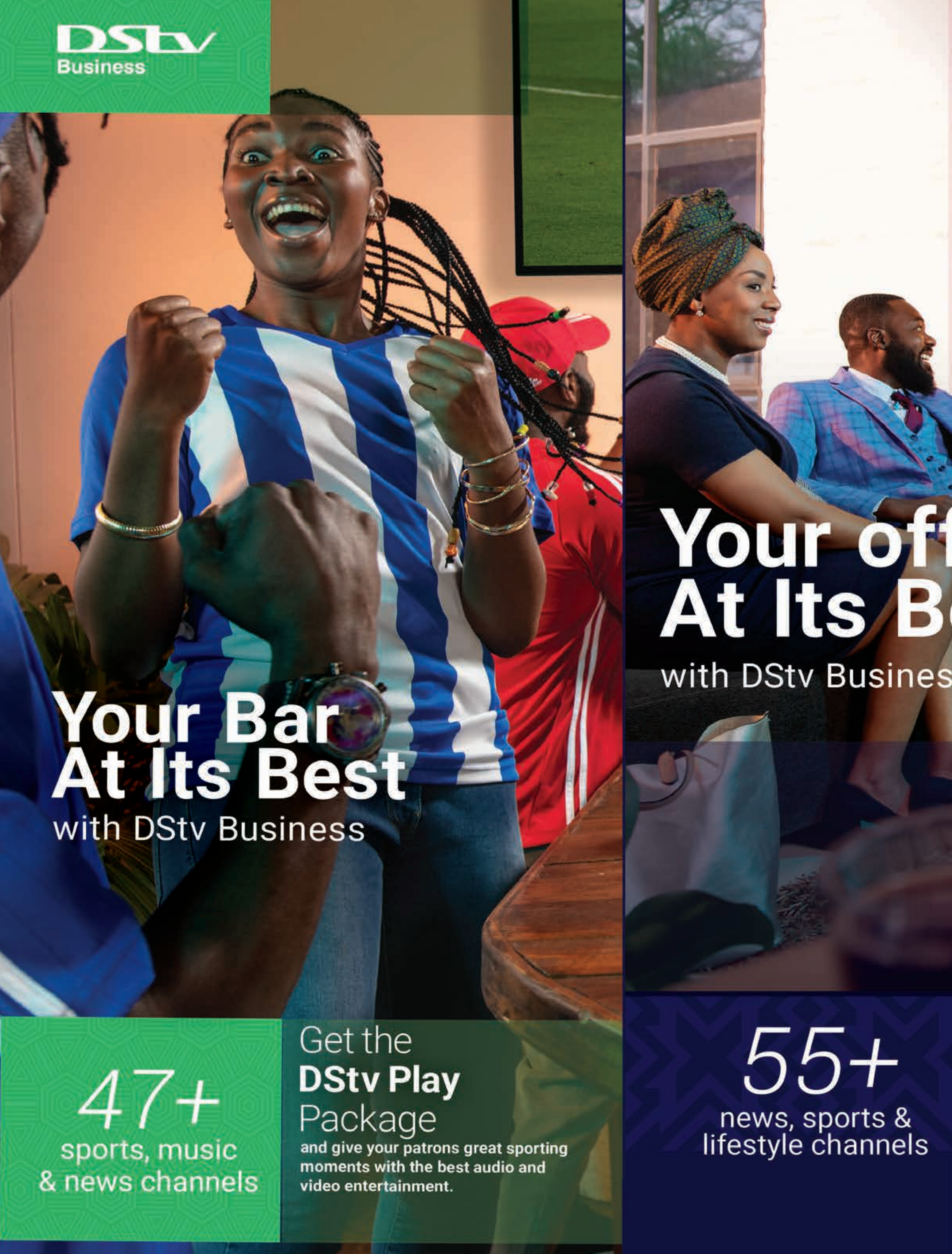
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Photo By: Daniel Getachew (UNECA)

IS IDEOLOGY RELEVANT FOR AFRICA'S DEVELOPMENT?

Vera Songwe is the UN Under-Secretary-General and 9th Executive Secretary of the Economic Commission for Africa (ECA), becoming the first woman to lead the institution in its 60-year history. Many portray her as a reliable ally and pathfinder as Africa aspires an economic union. Capable and hardworking, she is navigating uncharted territory while trying to mold a strong economy out of Africa's weak institutions and imperfect politics. She is also going the extra mile in convincing western nations to give pandemic relief.

The Cameroonian holds a PhD in mathematical economics from the Center for Operations Research and Econometrics, a master of arts in law and economics, and a diploma of advanced studies in economic science and politics from Université Catholique de Louvain in Belgium. She also holds a B.A. in economics and political science from the University of Michigan. Prior to ECA, she held a number of senior leadership roles with the International Finance Corporation (IFC) and the World Bank.

Featuring as Africa's 50 most powerful women by Forbes, '100 Most Influential Africans' by Jeune Afrique and New African Magazine, and '25 Africans to Watch' by the Financial Times, Songwe is acknowledged for her long-standing track record of providing policy advice and wealth of experience in delivering development results for Africa. She has written extensively on development and economic issues including on debt, infrastructure development, and fiscal and governance issues.

Songwe's reforms have brought to the fore critical issues of macroeconomic stability, development finance, private sector growth, poverty and inequality, digital transformation, trade, and competitiveness. EBR's Ashenafi Endale was granted an audience with the leading light of African economic thought and policy. The following are excerpts.

During the recently held ministerial meeting on the Lamu Port-South Sudan-Ethiopia-Transport (LAPSSET) Corridor project, you said Africa needs to grow at 10Pct and create 60 million jobs annually in order to compensate for COVID-19? Do you think this is possible?

The African Continental Free Trade Area (AfCFTA) alone has the potential to create enough jobs that will make Africa's economy grow at 10Pct on average in the medium term.

Speaking of LAPSSET corridor projects, the private sector is waiting for the governments of Ethiopia, Kenya, and South Sudan to introduce the right policies and build infrastructure.

Do you think AfCFTA is progressing as expected?

Over 40 countries have ratified AfCFTA and conversations are underway to finalize the offers and rules of origin. I think countries have started to realize the benefits of AfCFTA. Yes, it is going to take some time because some countries are late. COVID-19 slowed everything down. But I think the momentum will pick up soon.

So far, only a few countries including Ghana, South Africa, and Guinea have started trading under AfCFTA, although it was operationalized on January 1st, 2021. Is the pandemic the only obstacle?

No. I think countries need to get ready. Countries are still working on offers as well as finalizing the rules of origin and different tariffs. After this, domesticating the rules and educating the private sector is needed. Once all this is done, we will have real trading on the ground.

How much will the pandemic delay Africa's progress with regards to the UN's Sustainable Development Goals (SDGs) and the AU's Agenda 2063 targets?

The whole world has been taken back because of the pandemic. The question is how fast will we recover. That is why we need additional resources, to recover faster.

African states are gasping for debt relief on top of the massive financing gap on the continent. What options are on the table in tackling this problem?

The IMF estimated the financing gap of Africa to be USD345 billion through 2023. In effect, Africa will require USD891 billion to write off its debt and fill the financing gap as its total debt was estimated at USD545bn in 2019. To date, Africa's debt relief has largely been in the form of postponing service obligations through the Debt Service Suspension Initiative (DSSI). However, participation in the DSSI has been plagued by concerns over credit rating downgrades. To date, African countries that have signed an MoU of participation in DSSI 1 and DSSI 2 will postpone a total of USD7.52 billion in payments, covering the period between May 2020 – June 2021.

Financing through private creditors has increased in the last decade and is a potential source of closing the financing gap. As of 2019, Africa's sovereign bond debt was equivalent to USD147 billion whilst total private creditor exposure was USD220 billion. Private credit is, however, costly for African sovereigns relative to non-African sovereigns with similar credit ratings. This African premium is due in part to the limited opportunities to off-load such debt instruments once they are acquired by investors.

Given the adverse debt service implications of high-cost credit, ECA is collaborating with PIMCO, the global investment management firm, to enhance the liquidity of sovereign bonds through the creation of the Liquidity and Sustainability Facility, a repurchase agreement facility for African sovereign bonds. We are also advocating for the on-lending of USD30 billion worth of Special Drawing Rights (SDRs) to the Liquidity and Sustainability Facility (LSF) for SDG-linked investments in Africa. The low interest rates on SDRs will further contribute to lowering the cost of private credit to African sovereigns.

> **The problem for Africa is not accessing finance, but the high cost of the finance."**

What is ECA doing to avail LSF to help lower the cost of borrowing for African governments by increasing demand for their sovereign bonds?

To operationalize the LSF, we have been in discussions with advanced countries and multilateral development institutions such as the IMF to secure political buy-in for the idea. What is currently needed is an advanced country, such as the US, to take the bold step of championing the idea.

Operationalizing the LSF will crowd in more institutional investors in the sovereign bond market and contribute significantly to the financing needs of African countries, as their funding needs related to achieving the SDGs and Agenda 2063 remain enormous.

Do you think the LSF will yield a better financing option?

LSF is Africa's sovereign bond and is inquiring for SDR restructuring. Total

SDRs issued amount to USD600 billion for the whole world. Africa is getting USD33.6 billion. This is Africa's share. What we are asking for the LSF is for an additional allocation from countries that are not going to use theirs. It is not a grant; it is not a gift; we are asking for a loan. So that we can be able to use it to raise more resources. We believe that there will be some positive responses. But I do not know how quickly it can materialize. Maybe we will have the chance to get it done soon.

How about financing for SDGs?

There is a lot of financing for SDGs. For instance, the African development Bank (AfDB) is financing infrastructure in the LAPSSET corridor. The problem for Africa is not accessing finance, but the cost of the finance. That is why we are working on the LSF to reduce the cost of finance.

Can developed countries that are struggling with the pandemic themselves, bailout Africa, or do you see any homegrown solutions?

Developed countries have expended USD12 trillion in stimulus financing to bail out their own economies using their unlimited supply of reserves. What Africa is requesting is concessional financing to spur its own recovery which is linked with the recovery of developed states. In an increasingly interlinked world, bottlenecks in Africa's economy can create ripple effects on the global economy. Furthermore, failure to address the pandemic through universal access to vaccines will spawn more resilient and potent variants threatening the global effort to fight the virus. It is therefore in the enlightened self-interest of developed countries to support Africa. In 2020, the G7 countries agreed to provide USD8.2 billion for vaccines. But we have not seen that finance yet.

> **"For many years, ECA has been advancing the developmental state model."**

You were pressing for ambitious financial packages for Africa during the latest G7 meeting. What was the outcome?

The G7 meeting was not productive. It was productive on the climate side. But it was not productive on the resource side. For COVID-19, they agreed to provide some vaccines. But remember, there already was a collectively agreed commitment in 2020 to provide USD8.2 billion for vaccines. But we have not seen that finance yet. There was a big commitment at the World Health Summit and the G7 was just a reaffirmation.

What type of policies and ideological approaches do you recommend for

"
Africa has the latecomer's advantage."

African countries?

For many years, ECA has been advancing the developmental state model, a principle that the central government has to take on the bulk of public interest planning, oversight, and direction as well as providing appropriate incentives for private actors to spur economic development. Is ideology, for their own sake, very relevant for Africa's development though?

The developmental state thinking has been practiced in varying degrees in capitalist, communist, and socialist economies irrespective of ideology. The main issue is around the strong autonomy of the state, the importance of relations between the state and private sector, and the manner in which this relationship is managed to promote industrialization and productive capacity development in a given country.

The developmental state model can leverage the regional opportunities provided by AfCFTA and facilitate the pooling of investments in critical areas such as energy, digital services, and transport. However, it will be important to establish and maintain the free movement of labor, capital, goods, and services within these areas, and by extension across the whole continent, to harness local demand but also leverage global continental demand base.

Within the framework of AfCFTA, it will be important to maintain and protect access routes between land-locked countries and outlets for trade and provide the political space to support investment in regional infrastructure and production processes. There is a need for a significant increase in funding for improved social services and other life-sustaining infrastructure aimed at raising living standards and the creation of portable human capital in lagging countries.

With all this taking place within the developmental state dispensation, there is also a requirement for preferential access to intra-African markets as well as middle and high-income countries for Africa's exports, without unduly strict rules of origin or eligibility criteria that impede rapid growth of trade.

Are you saying the developmental state approach is recommended for African countries?

I do not know what a developmental state is. I am not a fan of titles. All I know is Africa needs markets to work efficiently. We need governments to be transparent. We need policies to be credible and stable. We need transparent and efficient public resource utilization. You can call it as you like but these are the fundamental principles.

But there will not be the free movement of labor, capital, goods, and services when there are political interventions. Can we separate politics from the economy?

For any well-functioning system, these are the basic principles we need: good, stable, and credible policies as well as transparency and efficient use of public resources.

I do not think most of our concepts come from western economies. In the 1300s, Africans were already trading with China; we already had markets. All of this is a misnomer. We are fighting the wrong fight. The fight we need to fight is against corruption and joblessness, not fighting for whose ideology to implement.

Africa has missed the first, second, third, and fourth industrial revolutions. Do you think the continent can directly leapfrog into the next industrial stage?

Africa has the latecomer's advantage: it can design its industrial development without the need of expensive retrofitting or the uprooting of outdated technologies. The fourth industrial revolution is driven by advancements that are blurring the boundaries of the biological, physical, and digital worlds. Africa can build on the success in digital technology to ensure its manufacturing sector fully embraces digitized production technologies such as robotics, 3D printing, artificial intelligence, additive manufacturing, industrial internet of things, and big data analytics amongst others. 3D printing is already becoming a major tool in the manufacturing of medical devices, homes, and engines.

As COVID-19 has demonstrated, Africa has the capacity to meet challenges. For instance, we saw robotics in managing lockdowns on the streets of Tunis and screening of patients' health vital signs at clinics in Rwanda; 3D printing of face masks in Malawi and Cape Town; decoding the virus and designing testing kits in Nigeria and Senegal; and reusable medical-grade nanotech-based facemasks entering commercial production in Mauritius. In less than a year, countries that were classified as unable to test for the virus are now capable of tracking the genetic evolution of the virus. Ethiopia, Kenya, and Zambia are examples in this regard.

Africa's research and development (R&D) system remains small with expenditures estimated at about 0.5Pct of GDP and 120 researchers per million inhabitants—about 0.7Pct of global numbers. While far from the target set by AU of at least 1Pct of GDP, it has reached the level at which Asian countries commenced their rapid economic and social development. With the right policy environment, Africa's public and the private sector is capable of scaling up investment in higher education to boost the quality and availability of skills, funding for research, development and innovation, and promote entrepreneurship.

"There are positive signs that Africa's vision for industrialization can be met if supported."

There are positive signs that Africa's industrialization goals can be met if supported. Countries such as South Africa, Swaziland, and Zimbabwe are producing and exporting home electronic products; Ethiopia and Kenya, automobiles and textiles; Egypt, Tunisia, and Mauritius, medical devices; Morocco and South Africa, aeronautics; Cote d'Ivoire, Ghana, and Nigeria, pharmaceutical products.

Do you think Africa can industrialize while predominantly exporting raw materials?

If you take the case of Botswana, it is adding value to its diamonds by polishing. Other African countries can also increase their value addition. I think there is nothing stopping African countries from utilizing their resources.

In the past decade, Ethiopia has been trying to achieve structural transformation. But the country has failed to do so thus far. What critical challenges do you observe?

Ethiopia is not different from the rest of Africa. The biggest and premier challenge is infrastructure. Ethiopia needs more energy to power its industries, roads, ports, and other infrastructure. Then the country needs to improve its human capital. However, Ethiopia is making some strides in this direction. But it needs to continue doing so. **EBR**

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COLD GOLD

Conflict, Displacement Hinders Agriculture

Missing out on rain is equivalent to relinquishing the harvesting of crops in Ethiopia's rain-based agricultural system. As Ethiopia's chief cultivation season arrives alongside the major rainy season, over 2 million farmers have abandoned their farms to find shelter in safer areas. Ethiopia's internally displaced population is still out of control three years after the challenge started rising.

But the recent influx of dislodged people in high agricultural corridors including northern Shewa, Wello, western Oromia, Benishangul, and of course, Tigray comes at the crucial time of Ethiopia's major farming season. As farmers have not prepared the land for the tilling period that ends in June, the upcoming Meher harvest season is forecasted to experience substantial setbacks. The uncultivated lands will result not only in production reductions, but will also place its society in a cyclical fight against poverty. Humanitarian assistance for farmers is stressing the nation's coffers. Also, as farmers supply 30Pct of their production to markets, the reduction will also contribute to food inflation. EBR's Mersha Tiruneh assessed the disruption which conflict and farmers' displacement are pouring onto agriculture and the economy at large.

Harsh ethnic violence broke out on the night of April 14, 2021 in North Shewa Zone in Amhara Region. The incident took the lives of over 300 people and subsided after a state of emergency was declared and federal security forces were put in place. By the time peace was partially restored in the area, 225,000 people—mainly from farming communities—had already been displaced from towns including Ataye, Karakore, Majete, Antsokia, Mekoy, and Shewarobit. These areas are known for teff, wheat, sorghum, maize, vegetable, and mung bean production.

But it is not only in North Shewa where farmers have been displaced in recent times. Millions have been dislodged due to conflict in Tigray, Benishangul-Gumuz, and western Oromia. According to the Ethiopian Human Rights Commission (EHRC) report released in June 2021, there are 1.82 million internally displaced people (IDPs) in Ethiopia. However, the estimate by the International Organization for Migration (IOM) put the figure at 2.3 million. This is in addition to the 805,000 refugees that have fled the country.

The EHRC report indicates that rural areas are worse off than urban locales. In all, residents from 670 rural and 100 urban woredas are now displaced due to conflict. Of course, the current number of IDPs is lower than the almost 3 million recorded three years ago. However, the fact that farmers, in particular, are recently being displaced enacts substantial damage on the economy, due to the timing. Farmers have evacuated at the key moment in time where they would've been preparing their plot of land for the major Meher cultivating season, corresponding to Ethiopia's chief period of rain. The lesser farming season of Belg, which occurs just prior to Meher, was also not without disruption.

Due to conflict and displacement, 12Pct of land cultivated during the previous harvesting season now remains idle, equating to 1.5 million hectares. Farmers across Ethiopia are extremely busy during the months of April, May, and June preparing their land for the upcoming major harvesting season. If farmers skip this crucial preparation period, they are reserved to wait almost another year to farm. This has major repercussions on their food security and the economy at large.

As of mid-June 2021, only 8.3 million hectares has been cultivated. However, the Ministry of Agriculture (MoA) plans the cultivation of 12.78 million hectares of land for the arriving season. "Some areas have already missed the Belg harvesting season and if they miss the Meher period again, it will have a big impact," alerts Esayas Lemma, Director of Crop Development at the MoA.

As the major income and employment generator, the agricultural sector is undoubtedly the most vital in Ethiopia accounting for 32.7Pct of GDP and 23Pct of GDP growth. Agricultural production is dominated by smallholder farmers and consists of the crop, livestock, fishery, and forestry sub-sectors.

The dominant sub-sector within agriculture is crop production, accounting for 60Pct of agricultural GDP. The livestock sub-sector follows by contributing 20Pct while forestry, hunting, and fishing make up the balance.

In 2019/20, total agricultural production was 335.2 million quintals, of which cereal production accounted for 88.5Pct, while pulses and oil seeds contributed 11.5Pct. To produce this amount, 12.9 million hectares of land was cultivated with 81.5Pct covered by cereals and the rest with pulses and oilseeds.

Despite its immense contribution to the economy, the agriculture sector is under trying times. Many farmers in the Tigray Region, where 950,000 hectares of land was cultivated during the last Meher season, are now unable to till the land. "The entire population in Tigray has abandoned their farms. Their cattle and farming tools are looted. They cannot farm even if they returned on time," says Abadi Girmay (PhD), Head of the Agriculture Bureau of the Tigray interim government. Last Meher, 1.5 million farmers in Tigray produced 1.2 million quintals of grain.

However, Mitiku Kassa, Commissioner of the National Disaster Risk Management Commission (NDRMC), stated that 1.2 million displaced people in Tigray are re-established and cultivating their land. "Over 70Pct of the land is already cultivated in Tigray."

"From a total of 61 rural woredas, farmers in 46 of them have already started preparing the land for the Meher season," says Esayas. "The regional Agriculture and Natural Resource Bureau is ready to provide extension services in addition to replacing farmers' looted agricultural materials."

According to Sani Redi, State Minister for Agriculture, the regional agricultural bureau has allocated ETB1.8 billion to purchase and transport 800,000 quintals of fertilizer from Djibouti to Mekele. "This is 67Pct of the annual plan while ETB79 million has also been allocated to restock looted oxen. The food gap in Tigray is expected to be filled with the Productive SafetyNet program which is currently benefiting 1.5 million people in the region."

According to the government, various works are underway to bring back displaced people to their homes and farm lands. "Efforts are underway to bring back the displaced population to normal life," says Sisay Damte, Head of the Peace and Public Security Bureau in Amhara Region. MoA has similar anticipations. "We expect all displaced people to return to their homes by July," says Sani speaking of Ethiopia as a whole.

"When the national steering committee working on internally displaced people confirms people are back home and ready to farm, the government will provide them with the required agricultural inputs," explains Esayas.

1.5 million hectares

The size of land cultivated last year that currently remains idle.

Despite the work done by the government to improve the situation, Ayele Gelan (PhD), Agricultural Economist, stresses that conflict and displacement will have an adverse impact on the agricultural sector as well as on the national economy. "Ethiopia's economy and the majority of the population depends on agriculture. So, the conflicts erupting here and there will disturb and deteriorate the lives of many."

According to Esayas, conflict and displacement initiate three adverse impacts. "The first is the reduction of agricultural output," he explains. "Farmers use the majority of their harvest to feed their families. If they fail to cultivate, they cannot feed their families properly."

According to official data, out of the total cultivated grain, farmers themselves consume up to 60Pct. Of the 335 million quintals of total agricultural output in 2019/20, 206 million quintals were consumed by farmers and their kin and 38 million quintals was used as seed.

The second adverse impact of conflict is the mounting spend in the form of humanitarian assistance for displaced people. The amount of money spent for humanitarian assistance in North Shewa Zone alone was ETB2 billion, according to the Ethiopian Institution of the Ombudsman. The total cost of humanitarian assistance has exceeded ETB4.5 billion thus far in Tigray alone, according to Mitiku.

In total, there are currently 23.2 million people in Ethiopia in need of humanitarian assistance, according to the UN. As per UNICEF, which is appealing for USD188 million from the international community, 12.5 million children in Ethiopia are currently malnourished.

The third adverse impact, according to Esayas, is the reduced agricultural produce supply in the domestic market. "The ongoing conflict in Ethiopia has a big impact not only on the displaced farmers but also on the urban consumer that is negatively affected by supply shortages and subsequent inflation." From the 335 million quintals harvested in 2019/20, 22.53Pct or 75.5 million quintals went to the market.

Conflict and displacement are also expected to affect the nation's agriculture-dominated export performance by reducing volumes of export commodities. The recent conflict in North Shoa is expected to dwindle the production of some exportable agricultural items. Also, the conflicts in western Oromia, where Chinese mine workers were recently abducted, is also casting a shadow on coffee and minerals exports.

Similarly, conflict and instability in Benishangul-Gumuz and Tigray are also posing as obstacles to exports. "For instance, in the first two months of the Tigray conflict, Ethiopia lost an expected USD40 million from the export of gold and factory products," says Yohannes Dinkayehu, State Minister for Trade and Industry. **EBR**

"The lack of tenure security is the biggest problem in the mining sector."

Nejib Ababiya, Founder and Chairman of Rift Geothermal, is currently developing an initial 300 MGW power plant with TMGO and Corbetti in Ethiopia. With his over 30 years of leadership experience especially in the mining and energy sectors, he founded Allana Potash, a company engaged in potash production, which he later sold to Israel Chemical, one of the largest potash and specialty chemical companies in the world. Nejib, born in Jimma, Ethiopia and migrated to Canada in 1979, has also founded other companies engaged in mining and energy. His current project with the company TRI is due to start construction of its gold mine in northern Ethiopia. Ashenafi Endale of EBR spent time with the serial entrepreneur to gain insights.

You are an Ethiopian-Canadian. What route did you take to reside in Canada?

When I was young, I was communist. Then I was capitalist and now conservatist. I was a Marxist-Leninist and fought the Dergue. I was a student at the elite General Wingate high school. When the Dergue's Red Terror was at its peak, I escaped to be exiled in 1979.

What path has your professional life taken you on thus far?

While studying at Toronto University, one of the biggest challenges I observed in Canada was that immigrants from many countries, including Ethiopia, cannot get proper jobs. So, I set up an employment and training center. I got large funding from the government of Canada.

After graduating from university, I started off as a marketing officer at Toshiba and rose to the vice president level. After Toshiba, I bought a company called Office Solutions, a distributer of computers and technology products and services. I bought this company when it was on the verge of collapse. But I made it lucrative and sold it for considerable profit. I similarly bought other companies on the verge of collapse and made them profitable. After doing this repeatedly, I got bored.

I then joined a merchant and investment bank called Forbes and Manhattan. I was executive vice president. The bank invested in mining and technology. My first mining project was in Mali. We established a company called Avion Gold by investing USD20 million and after some time we sold it for USD240 million. After that I went to Guinea Conakry to establish a gold and bauxite company. Unfortunately, there was political unrest in the country and I left. That is when I focused on South America.

When did you come to Ethiopia?

I came to Ethiopia in 2006. At that time, there were few enterprises engaged in the mining sector. To see this in a vast country like Ethiopia defies logic. After reaching an agreement with the government, I received an exclusive right on the northern greenstone belt. I invested nearly USD12 million to undertake exploration works. In fact, this is the first airborne mining exploration conducted in Ethiopia. The exploration work and data compilation took six and three months, respectively. I gave the compiled data to the government.

What did you do after finishing the exploration work?

The exploration work was similar to a preliminary study, meaning further studies were needed to know exact reserves and commence operations. Out of the total land mass covered in the exploration work, I took only around a 7,000 square kilometer area with gold reserves in the regions of Tigray, Oromia, and Benishangul-Gumuz. Then we started work, under Aberdeen International.

Has Aberdeen International begun gold production?

Aberdeen merged with another company called TRI and does not exist now. That company is nearing gold production in Tigray.

The site's construction should have started in February 2020 but the pandemic happened and the contractor could not come. Then conflict erupted in Tigray last November. These factors delayed progress. But it will commence as soon as the region becomes peaceful again.

What's the quantity of TRI's gold reserves in Tigray?

The estimate is around one million ounces of gold. At current prices, this is worth around USD2 billion.

Barring the recent upsurge, Ethiopia's revenue from gold exports has nosedived for the last six years because artisan miners preferred selling in the black market. The government has made some successful corrective moves. What are your thoughts on this?

Artisanal miners are business people. They want to maximize their profits. If the informal market pays them better, they will go there whatever the risk.

The government needs to offer artisanal miners better prices to sell their gold in the formal market and to encourage them to produce more. The government must make markets accessible by establishing selling/ buying centers near gold sites.

How did you start your involvement in potash mining?

In 2008, the price of potash skyrocketed in the international market. After confirming the existence of huge potash reserves in Ethiopia, we took out a license under the company named Allana Potash and began work.

> **"Since I came to Ethiopia, seven ministers in charge of the mining sector have been appointed, showing discontinuity."**

Just when we were about to start production, prices declined. The company's value also fell. I then negotiated with a fertilizer heavyweight, Israel Chemical Ltd. (ICL), to takeover. After initially buying around 26Pct of the company, ICL bought all of the outstanding shares of Allana Potash and took over the company's liabilities and assets. They were very eager to get started in Ethiopia because potash reserves in Israel were depleting at the time. In fact, ICL was planning to invest USD1.5 billion in Ethiopia.

Why did ICL leave Ethiopia?

Tax authorities told ICL managers that their office will be closed and they will be imprisoned if they don't pay ETB155 million. After hearing this, the board of ICL decided to withdraw from Ethiopia immediately.

After conducting exploratory work, many foreign mining companies leave the country before becoming operational. What is the reason?

Since I came to Ethiopia 14 years ago, seven ministers in charge of the mining sector have been appointed. This shows there is discontinuity. But investors need continuity. Good governance and knowledgeable contract administration are also critical. Mining is a partnership between the investor and government. Companies engaged in the mining sector cannot do anything without governmental support. These are the reasons why many companies come and then leave Ethiopia before starting production.

For instance, ICL was planning to invest USD1.5 billion in Ethiopia. But the company left because it faced such undue problems. The UK-based Stratex International, which struck gold deposits in Afar, also left Ethiopia for similar reasons.

But the major problem is Ethiopia's legal system that provides very little tenure security. The tenure security is not attractive for big foreign investors because the government can revoke miner's license if the investor does not meet initial understandings.

Mining is a risky business especially in countries like Ethiopia where there is a lack of infrastructure. In other countries, the government does not snatch a license, but rather imposes additional license rent dues, fees, and penalties. After a certain period, the investor has the right to renew the license.

Do you see improvements in terms of governmental support after Prime Minister Abiy Ahmed (PhD) took office?

Now I see a lot of support. Our geothermal project, Tulu Moye Geothermal Operations (TMGO) and Corbetti, have been stuck for years due to minor issues related to tariffs. The problem was solved when Prime Minister Abiy assumed power. He understood the benefits of our geothermal projects. In 2020, the prime minister ordered his officials to sign the agreement. If it was not for him, we would have left Ethiopia.

But the lack of tenure security is still the biggest problem that has to be addressed.

Did you start a similar business after you sold Allana?

After selling Allana, I established another potash company in Ethiopia, called Circum. Currently, we are revising the feasibility study and we should be done by July. Outside of Ethiopia, I have established Lithium, a company engaged in potash and gold production.

When will Circum start production?

In less than a year we will raise the finance. Our initial plan was to produce around 2.7 million tons of potash annually. But after calculating the cost of logistics and warehouses, which is huge, we reduced the production capacity to 400,000 tons annually for the preliminary years. We will then scale up. The investment capital for the revised plan is USD1.6 billion.

What are your sources of finance?

I rely a lot on private equity. I also raise money from friends and family. If the prospect is good, you pump more money. If the prospect is very good, you list the project on the stock exchange, as a junior company. Otherwise, you merge the mining project with other strong mining firms willing to invest in your company. The big company gives you shares and takes control. For instance, I sold Allana Potash when the project reached this level to ICL, which is one of the biggest companies in the sector with USD12 billion annual revenue. This is how you operate in the mining sector.

> **In countries like Ethiopia where there is no culture of transparency, a stock market might bring devastating effect."**

How do you see the prospect of a stock market in Ethiopia?

A stock market is the best source for funding. But very transparent regulation is needed. In countries like Ethiopia where there is no culture of transparency, stock markets might bring devastating effect.

What are the main factors investors consider while deciding to invest in developing economies like Ethiopia?

Capital goes where it gets good return. If you have so much bureaucracy, investors will not come. Investors also prefer stability. Of course, they also go to unstable areas, provided the return is much higher than the usual. For instance, despite the instability observed in Ethiopia we are investing in the Tulu Moye and Corbetti geothermal projects.

While Tulu Moye is progressing, Corbeti is lagging behind. Why?

Regarding Corbetti, it has been long since we finalized pre-project works. But signing an agreement with the government is facing delays. **EBR**

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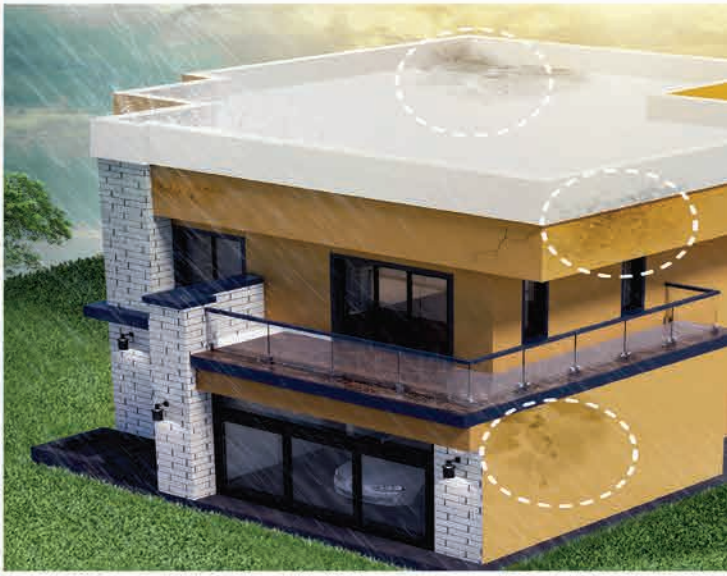

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INFLATION HITS LOWER INCOME FAMILIES HARD

The urban poor in Ethiopia are being hit by the invisible hammer that's getting larger in size day by day. It is hard to recall a time where inflation was so prevalent and unrelenting. Even salaried workers—most employed by the government—are falling below internationally accepted thresholds of poverty. Former middle-class residents are now slipping into the low-income bracket and are utilizing consumer association shops to access basic commodities at cheaper prices that were previously destined for the poor. Further down, those with low incomes are falling into the 'poor of the poor' level, which can only be handled through direct support including the SafetyNet program. The administration is exerting efforts to help with the pain, but the underlying causes are yet to be tackled. Subsidies and direct payments to urbanites can only go so far as the regime's pockets are getting shallower. EBR takes a close look at the toll inflation is inflicting upon urban residents and possible coping mechanisms both structurally and temporarily.

Selamawit Tigabu, a 35-year-old mother of two, leaves her house early in the morning to buy bread from a Sheger Bakery outlet near her house. If she is lucky, the resident of Kotebe in Yeka District buys eight pieces of bread for ETB10. Prices fluctuate based on the price of bread at other bakeries.

Many low-income residents like Selamawit who cannot afford bread from other outlets lineup at Sheger Bakery spots as early as six in the morning. The store only opens at 8am. Heavy queues are a daily occurrence at outlets. "If I buy eight pieces, it is sufficient for my family for the day," Selamawit tells EBR. However, she usually returns home empty-handed as there is no bread at the outlet.

Established last year with the intent of availing affordable bread for the humble, Sheger Bakery has the capacity to produce 80,000 pieces of bread per hour. Although the bakery, which cost ETB900 million, was expected to relieve the poor from the pressures of continuous and high price increments, it has been functioning way below installed capacity.

Even if Selamawit manages to secure the cheaper bread, inflation still remains a serious concern for her as she has other food requirements of which prices are skyrocketing. "Basic items like edible oil, wheat, and sugar—subsidized by the government—are sold at inflated prices as they are not available at government outlets," she explains. "The price rises of recent times is really making my family's life unbearable."

The price of commodities, especially food items, is climbing to incessant new heights this year. In fact, the current inflation spike is the second-highest after the record year of 2008. Since February 2021, prices of major food commodities, which constitute more than half of a household's expenditure, have doubled. General inflation has grown by 20.2Pct this year. More specifically, food inflation has increased by 22.6Pct while non-food inflation grew by 18.9Pct.

Although the government claims the yearly average inflation rate to be at 16Pct for the last decade, independent experts say otherwise. "My intensive research indicates the average annual inflation rate of the last fifteen years was 39Pct," reveals Atnafu Gebremeskel (PhD) Assistant Professor of economics at Addis Ababa University.

The nature of inflation in Ethiopia, which largely arises from food inflation, has a devastating effect on the low- and middle-income population. "Most of the population is unable to afford inflation," argues Dejene Bekele, Director

of Employment and Labor Market at Ministry of Labor and Social Affairs (MoLSA).

The impact of inflation differs from one segment of the population to the other. While the middle- and upper-class segments of the population can afford price increases in goods and services, it becomes much harder or impossible for the poor with limited and inelastic incomes to afford the same. In simple terms, inflation hits poorer families with fixed wages much harder than the rich.

Since February 2021, the prices of major commodities especially food items, has doubled.

Selamawit, who earns a fixed monthly salary of ETB500 by working as a cleaner at a government institution, is among 1.8 million civil servants working in Ethiopia. The majority of people working at government institutions and state-owned enterprises live in urban areas where 20Pct of the nation resides. On the other hand, 1.49 million people in urban areas are employed by private organizations. There are also 74,388 NGO and international organization employees and 374,602 domestic workers.

Out of the total 3.7 million paid employees in urban areas, 1.5 million get less than ETB2,000 per month.

From the total of 3.7 million paid employees, 546,595 have a gross monthly wage ranging between ETB500 and ETB999, while 177,381 people earn less than ETB500 per month, according to data from MoLSA. Additionally, 1.5 million people are paid between ETB999 and 2,000 per month and 1.58 million people earn salaries from ETB2,000 to 5,000. There are 3.8 million urban people who are self-employed with elastic earnings.

Based on the minimum daily income of USD1.5 set as the internationally-accepted line of poverty, people in Ethiopia need to earn at least ETB2,000 per month to be above the threshold. However, given the piling-up year upon year inflation in Ethiopia, experts argue that ETB5,000 is the minimum monthly income a person needs to earn just to get by. For lower income families living in urban areas, inflation is a very serious and growing concern.

Those with salaries between ETB5,000 and 7,000 are 473,810 in number whilst only 305,035 urbanites earn more than ETB7,000 per month.

South and Oromia regions have been the most hit by price hikes with inflation rates at 30.5Pct since last year. The next hardest hit region is Tigray, seeing a 23.3Pct price rise. Inflation rates in Dire Dawa, Harari, Addis Ababa, and Afar were around 20Pct. The least inflation affected region is Amhara at 12.1Pct.

Due to galloping inflation in urban areas, more and more people are plummeting into the poverty trap. Although there are many other factors that may cause poverty, the price upsurge of commodities in general, and food in particular, is considered as the major factor. Inflation increases poverty by lowering the real value of fixed wages, thus reducing the purchasing power of lower-income families.

Dejene says the government is devising policy tools to help the low-income segment of the population cope better with high inflation. "The ministry has established an independent board of 40 members to study inflation and set a minimum wage for public and private workers," he says. "The government also included unemployment benefits into the new social security policy."

Government is currently providing ETB200 to 300 monthly per head under the SafetyNet program, while others receive support upon offering their labor for manual and social works. Currently there are 93,120 people receiving SafetyNet support in urban areas, while there are close to nine million under the rural SafetyNet. "Currently, the government is working to initiate urban SafetyNet schemes in 70 regional cities and towns, up from the current 11," Dejene explains.

Kiflu Gedefe (PhD), Lead Researcher and Coordinator of the Trade Policy Research Center at the Policy Studies Institute (PSI) advises that providing decent jobs and income are critical to lastingly pull the populace out of poverty. "Subsidies and support for low-income earners might work in the short run. But to solve the problem permanently, creating decent jobs by attracting investment is highly critical."

"In a bid to attract sufficient investment that can create enough decent jobs, ensuring peace and stability is indispensable," Kiflu argues. "Inflation cannot be averted only through restructuring income, but also by improving productivity."

Atnafu recommends introducing new support packages for the poor to cope up with the exploding inflation. "But for the long term, the government needs to reduce money supply, restrict budget deficit, and boost productivity." **EBR**

WILL HISTORY REPEAT ITSELF IN TOKYO?

Abebe Bikila is a household name in Japan. Ethiopians have been preparing heavily to maintain Abebe's legacy sixty years on. Of course, Ethiopians' winning spirit is not a rare commodity at any athletics tournament. Yet, the delaying of the Tokyo Olympics by a year owing to COVID-19 pressures, financial strains, as well as personalized bickering and conflict amongst sport officials have affected preparations for the upcoming tournament and given discomfort to athletes. EBR's Abiy Wendifraw delves in.

For Ethiopians, preparations for the Tokyo Olympics was not only about the sporting event. The sporting festival is considered an opportune moment to celebrate the nation's Olympic legacy. Though Ethiopian athletes were wining Olympic medals regularly in almost every Summer Games they competed in since 1960, Tokyo is one of those memorable places closely linked with the country's history in the Olympics.

Abebe Bikila, who won his second Olympic gold medal at the Tokyo Olympic Games in 1964, is still a household name in Japan where he is being celebrated as a great athlete that inspired the nation. Tokyo named a road and built a statue after him. In 2014, Prime Minister of Japan, Shinzo Abe, recalled his childhood memory of Abebe. "My name is Abe, but everybody teased me at school, calling me Abebe," he said. "Many Japanese marathon runners collapsed after the race but when I saw Mr. Abebe stretching afterwards, it was such a surprise, even for a 10-year-old."

Niway Yimer, TV Sports Presenter and Editor at the Ethiopian Broadcasting Corporation, travelled to Tokyo two years ago as Kasama City of Japan hosted the annual Abebe Bikila Memorial Half Marathon. He had the chance to witness the significance of the historic ties between Ethiopia and Japan.

"The Japanese see Tokyo 1964 as their rebirth after the devastation of World War II and were eager to see heroes at their Olympics. Abebe came to Tokyo after his heroic Rome 1960 Olympics victory running barefoot. They wanted him to do it again. Abebe granted their wish and won the marathon gold just 40 days after an appendicitis surgery—becoming an inspiring figure and great symbol of reemergence," says Niway. "In their educational curriculum now, they recount Abebe's story to show the kids that a disadvantaged background can never be a barrier to success. They tell them that hard work pays off using Abebe's success."

When Olympic preparations began two years ago, the Ethiopian Olympic

Committee (EOC) tried to take advantage of the historic sentiment and symbolism of Tokyo 1964. In collaboration with the Ethiopian Sports Commission and government, EOC designed a number of programs with a campaign dubbed "From Tokyo to Tokyo," which aimed for influence beyond assisting the federations and athletes.

Until the International Olympic Committee and Japan announced the postponement of the games in March 2020, there were plans for mega events to raise up to ETB3 billion to build an Olympic village. However, plans didn't go as planned as the pandemic swept over the world and other internal and external reasons resulted in the planned Olympic Village being left in limbo.

The delaying of the Olympic and Paralympic games by one year have reportedly cost Japan close to USD2 billion. In Ethiopia, financial details of the extended preparation phase are yet to be officially disclosed by EOC. But sources close to the organization indicate that the committee, which recently secured ETB15 million in financial support from the Commercial Bank of Ethiopia, was facing financial limitations which hindered its ambitious preparations.

The national team of 34 members was announced on July 1, 2021, three weeks before the start of the Olympics. Dr. Ashebir and Derartu Tulu, presidents of EOC and the Ethiopian Athletics Federation (EAF), respectively, briefed the media regarding administrative issues and of the team's adequate technical preparations for Tokyo. "We will have a strong team of athletes in Tokyo," Dr. Ashebir emphasized.

Asfaw Dagne, Director of Competition and Participation at EAF, who has closely followed the team's eight-month-old preparations, feels optimistic on Ethiopia's expected results. For the official who has served the federation for over 10 years, there are positives this time around.

"Yes, COVID-19 made everything difficult. We were unable to find international races where we could evaluate the current form of athletes while they were training for months on end," he says. "But I feel that the same challenge created opportunities for athletes to focus on their training and have adequate recovery time."

Sydney 2000 was the most successful Summer Olympics for Ethiopians with four gold out of eight total medals. In the consecutive four games in Athens, Beijing, London, and Rio, results were not as successful.

In Tokyo, Ethiopian stars will see if the spirit of the great Abebe Bikila will help them return victorious in the most different Olympics ever seen. **EBR**

BLOOD DINARS

One of the most highly overlooked, but increasingly concerning, social crisis is the mental illness of Ethiopian migrants. Especially returnees from Gulf nations fall victim to the illness. After enduring aggressive and abusive employers in these oil-rich countries, the illegality and lower educational preparations of the young migrants is taking a toll on their mental health. Ensuing deportation or fleeing, returnees are too embarrassed to return emptyhanded to their families, further adding to their mental woes.

Despite generating close to a billion dollars in remittances, the Ethiopian government is unable to provide adequate treatment for returnees as well as secure their safe and fair employment status. EBR's Samira Suleiman delves into the ordeal Ethiopian migrants face to win a dinar in a foreign, hostile culture as well as upon their return to unwelcoming hands.

Nima Ahmed (name changed upon request), 22, was among the first migrants expelled from Saudi Arabia in October 2020 when around 10,000 Ethiopians were deported monthly, following the panic that spread around immigrants during COVID-19.

"I had no time to process my salary or even pack my clothes properly. I left the employer's house where I worked for almost two years without a thing. We were in terror of being imprisoned or even killed by the door-to-door search for foreign migrants," she remembers.

Upon arrival in Ethiopia, Nima did not even have the courage to visit her family outside of Jimma. "I live in Addis Ababa with my friends. I left to help elderly family members and my younger siblings. I cannot go back to them without a thing in my hand. I broke down after learning of the raping and killing of two of my friends. Even if my family welcomes me, I cannot stand what the society will say."

Nima is among house workers who were attracted by better payment in the Gulf nations, but only ended up with post-migration trauma and mental illness. "She left illegally and faced multiple problems. She was not lucky," says Saliya Kedir, a friend of Nima who has more experience and stamina and has worked for six years as a housemaid in Saudi Arabia.

Saliya categorizes the abuses Ethiopian migrants face into three: while enroute, at employers' hand, and after returning to Ethiopia. "Many unimaginable abuses are done especially onto Ethiopians. The traffickers even kill for their organs or sell them into slavery. The Arabs also consider Ethiopians as dirty in order to downgrade their self-esteem and not pay sufficient salary. They even give their houseworkers leftovers to eat. If you cooperate when they take away your mobile phone, then you have no way of reaching your agent when you are in trouble. Smarter Ethiopians hide their SIM cards."

"I was one of two maids working at my employer's house and we used to be yelled at and insulted by our employer and his wife. There were times where we would be denied food because one of us didn't do our job right," says Hanan, another returnee. "Sexual assault by employers is also extremely stressful."

Saliya says that especially the cultural differences and abuses are major reasons for some women to become mentally ill after

working in the Gulf countries. "If the Ethiopians are knowledgeable and are self-confident, the Arabs are afraid and will respect your rights."

Prevalence of physical, mental, sexual, and economic abuses on Ethiopian domestic workers in the Gulf countries is exceptionally high, while the abuse takes on the magnitude of xenophobia in other destinations such as South Africa.

In a survey recently conducted on 1,036 migrants returning from the Middle East, 27.6Pct of respondents reported symptoms of common mental disorders. In another survey, 78Pct of returnees reported inabilities in engaging in productive work due to health problems, while 16Pct stated various health issues including 6.7Pct enduring psychological trauma, 4Pct chronic illness, and 2.9Pct physical disability. An International Labor Organization (ILO) assessment conducted with 1,152 returnees also highlighted high levels of verbal abuse on 52Pct, discrimination on 39Pct, physical violence on 23Pct, theft on 22Pct, and rape on 5Pct.

"Most of the returnees are coming with either bipolar disorder or schizophrenia and are usually outpatients. But we have those that are admitted as well," says Selamawit Mengiste, Resident Psychiatrist at St. Amanuel Hospital. "Most of the migrants that return home are treated for severe mental health disorders."

Asmeret Amdebirhan (MD, Psychiatry), is Owner of Lebeza Psychiatric Clinic based in Addis Ababa. The clinic threats hundreds of mentally ill returnees every year. "Some come with common mental disorders such as trauma, depression, anxiety, and psychological stress or are unable to communicate effectively with others. And then there are the severe cases such as bipolar and schizophrenia patients. The fact that these migrants are unable to adjust to the change in culture and environment causes them to be under an immense amount of stress. Some even want to return home after staying for a couple of months and being unable to cope. "The expectations their families have of them will often make them wonder if they would be accepted back if they returned."

Asmeret opened the private psychiatry clinic specific to returnees from Gulf countries, after conducting a study on the area. "The IOM evaluates these migrants before sending them to a psychiatric center. The aim of bringing these migrants to a psychiatric center is to evaluate and treat them so that they can safely integrate back into society.

About 26.2Pct of returnees suffer from PTSD (post-traumatic stress disorder), according to Atinkut Zewdu (PhD), Clinical Psychologist. "The migrants often develop PTSD as a result of the long harsh working hours, dehumanizing treatment, physical and sexual abuse placed by their employees or employees' family, and financial abuse as well. The repetitive trauma they face during their journey and upon arriving at their destination country leads to the development of various mental health disorders. Most of them have no choice. The deportation of various undocumented migrants follows severe human rights violations such as rape, beatings, arbitrary detention, theft of belongings, and death, causing trauma on those who return." Over 60Pct of the mentally affected returnees are women. Migrants return to their country with this traumatizing memory and resentment.

"There is a lack of services in Ethiopia, especially in the mental health department, as well as a dearth of awareness and psycho education in the community. This in turn stigmatizes migrants with further mental health problems,

use informal remittance channels since they have no legal documents to remit legally.

The majority of Ethiopian domestic workers earn USD150 to USD200 per month, according to Bulti Gutema (PhD), in his research 'Report on Migration, Return and Remittances of Ethiopian Domestic Workers from Lebanon'. In January 2019, Kenya signed an agreement with Saudi Arabia specifying a minimum wage of USD400., while Ethiopia did not negotiate.

According to World Bank estimation, although Ethiopians are living in 85 countries, the USA and Saudi Arabia are the top remittance sources for Ethiopia, followed by Israel, Italy, Sudan, Canada, the UK, and South Africa.

The government of Saudi Arabia decided to expel undocumented migrants since 2013, as part of the "Saudization" of the labor market aimed at creating job opportunities for young unemployed Saudis and a regularization of the labor market. Between November 2013 and March 2014, over 163,018 Ethiopian migrants were expelled, followed by over 360,000 that were ejected up until 2018. The deportation strategy worsened and shifted to detentions of up to 300 migrants in small rooms, as the Saudi government's crackdown over migrants in fear of COVID-19 spread.

Even after the massive deportations, there were over 750,000 undocumented Ethiopians working in Saudi Arabia and nearly 250,000 in South Africa.

Just after the Saudization started, the Ethiopian government banned migration to the Middle East for work in 2013. Yet, in 2018 the Ethiopian government lifted the ban with new legislation placing minimum age and education requirements as well as mandatory training programs for the migrant workers before departure. Further, the government signed bilateral labor agreements with the UAE, Saudi Arabia, Jordan, Qatar, and Kuwait.

making them unable to reintegrate with society. The stigma that surrounds mental health affects the patient's willingness to cooperate. Most of the returnees do not share their worst experiences with their families or friends," says Atinkut.

"Some prefer to see spiritual leaders or elders, rather than talking to psychiatrists. Spirituality can provide protection to people suffering with mental disorders but the religious leader should be trained on how to handle people with such disorders," says Asmeret.

"Often times the returnees, that aren't getting proper mental services, use substances as a coping mechanism. Substance abuse is majorly seen in returnees who try to escape the trauma they faced during their stay in the Middle East. Most males are seen with khat or cigarettes, while women use hookah/shisha. The substances keep the users far from society and makes them unable to integrate with their environment. They often become dependent and eventually turn into addicts incapable of functioning properly in their day-to-day lives, thus keeping them further away from society," said Atinkut.

Over 126,000 Ethiopians cross into the Gulf countries through illegal routes every year, especially since 2005. Some attribute the massive migration from regional corners of Ethiopia to conflicts, ethnic-political frictions, and internal displacement, alongside unemployment and economic issues.

According to an ILO and Addis Ababa University study, more than 30Pct of respondents did not receive information regarding the nature of their jobs and 54Pct left to travel without any prior information about their employer.

"There were 400,000 legal migrant Ethiopians working in Gulf countries just before COVID-19," said Dejene Bekele, Employment and Labor Market Director at MoLSA. "We have no exact figure for informal migrants."

Studies indicate that there are about 2.5 million Ethiopians outside the country who cannot be verified. Over 80Pct of the migrants are female.

International institutions concerned of human rights abuses in Middle East countries attribute the problem to the 'Kafala' sponsorship system which governs entry, stay, and exit of migrants in the region. As this system is filling the vacuum left by the absence of institutional regulation, it has escalated the magnitude of abusive treatment upon low skilled migrant workers.

Ethiopia generates over USD800 million from migrants' remittance from Gulf countries. Although a National Bank of Ethiopia (NBE) report indicates annual remittances at USD6 billion on average, the figure includes both formal and informal means. Illegal migrants usually

"In addition to this, I think a psychological fitness test should be performed before travel to see if they can cope with the change in environment and different cultural aspects" says Asmeret. She recommends evaluating migrants' psychological history and fitness. "Even

To P. 55

BEYOND THE

Pursuing one's artistic call is a luxury even for healthy people with decent jobs, let alone for those with disabilities. That is why all great art communities flourish when civilizations peak and citizens have secured their basic needs. When these basic needs are fulfilled, human beings tend to pursue higher values in life.

However, there are people with disabilities defying this fact. Not only are they pursuing art, but they are also using it to heal others. EBR's Lidya Yohannes has explored the growing power of art on healing people with disabilities and their successes in the face of challenges and obstacles.

Abel Mulugeta, 12, is among students at the special needs class at Lebne Dingil Public School when Katim Disability Dance and Artistry, an inclusive dance team, came to the school two years ago. The team embarked on treating students with disabilities using unique tools like dance therapy. Abel, who was initially very aloof, had a speech impairment problem, and became emotionally disturbed whenever communicating with people, has now changed by leaps and bounds. Over a year into the dance therapy with Katim's team, he has significantly improved speech, friends, communicates more clearly, and is actively engaged in the classroom. Abel is one example of how using art and creative teaching methodologies can play a significant role in teaching children with disabilities. But beyond using art to heal, a number of persons with disability are pushing the boundaries to become artists.

Amanuel Solomon is Leader of Katim, an inclusive group with 43 disabled and non-disabled members. Amanuel mentioned Abel as an example of how using music and dance to teach children with disabilities brings impressive improvement both physically and mentally. "These activities boost their confidence, minimize the time it takes to train with the assistive devices, inspires to dream bigger, and work to attain those dreams. Society perceives people with disabilities as unable to perform art. We are proving that that perception is wrong." The team plans to work with both public and private schools, rehabilitation centers, government institutions, and NGOs by creating inclusive workshops and programs.

Amanuel has organized two editions of the inclusive art

festival Enchilalen, which translates to "we can," in December 2019 and April 2021. One of the major goals of these festivals is to create awareness. In the first edition, 90Pct of the invited guests were non-disabled. Over 700 people were in audience to enjoy greetings in different languages by deaf children, followed by music, poetry, theater, short story performances, and speeches. One of the most intriguing parts of the festival was that members

BARRIERS

of the audience and honored guests, including renowned artists like Serawit Fikre and Fantu Mandoye, used wheelchairs and different assistive devices during the event to familiarize themselves, albeit for moments, with the experiences of persons with disabilities (PwDs).

The second edition of the festival also had diversified performances. But an additional important message was relayed by organizers on the streets of Addis regarding the negative effect illegal markets have on people with disabilities, the elderly, and pregnant women as well as on our environment. On top of the inadequate infrastructure within Ethiopia, illegal markets in Addis Ababa hoard pedestrian walkways, hindering PwDs' movement. This crisis was artfully displayed through a contemporary dance performance in Megenangna and Piassa, two of the most crowded and illegal market prone areas of the city. Similar to the first festival, organizers encouraged non-disabled pedestrians to try out wheelchairs to get an insight into the daily life of a PwD, be aware of the differences, and gain a new perspective.

Amanuel says their team came to life because of the training they received from their mentor and teacher, Tadese Gebriel, also known as Jackson. Jackson is a renowned dancer and impersonator of Michael Jackson's moves. Amanuel says "he was the one who trained us, believed in us, and supported us in many ways, even covering our transportation costs from his pocket at times." Jackson also used to organize inclusive festivals a few years back in collaboration with the National Cultural Center. These festivals were discontinued when the center dissolved into other departments.

Amanuel and his team generate their own funding from different events and sponsors. One organization they previously worked with in regards to sports and school activities is Dires for Development Charitable Association which focuses on using sports as a tool to improve the lives of PwDs and help them integrate with society. Previously, the association used to get funding from different international organizations but only one remains currently, pushing them to work on making their organization sustainable.

"The main challenge that people with disabilities face is accessibility issues, especially when it comes to cultural and art centers. Many PwDs engage in different arts but have no outlet venues to perform or showcase their works. Lack of funds is another major issue," said Mamo Tesema, General Manager of Dires.

Another well-renowned figure who has travelled far in the Ethiopian art industry is Brook Yeshitila, whose disability allows him to only move his hands. He uses mixed media like paint, broken glasses, eggshells, and many more to make his deep and expressive artworks. Since his first exhibition in 2018/9, Brook has had seven solo exhibitions, fifteen group exhibitions, and one international exhibition.

To P. 52 »

Hardly Any Room for External Debt Restructuring

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The Ethiopian economy has been suffering from external debt distress for the past few years as has been observed in many developing countries. In the poorest countries, the debt distress arrived before COVID-19 as confirmed by the World Bank International Debt Statistics of 2021. In the wake of the COVID-19 outbreak, many countries demanded debt restructuring, motivating the World Bank and International Monetary Fund (IMF) to call for the Debt Service Suspension Initiative (DSSI), endorsed in April 2020. This initiative has benefited many countries in sub-Sahara Africa including Ethiopia, Kenya, Angola, Nigeria, Namibia, Chad, and Ghana, as they were eligible to borrow from the International Development Association (IDA).

What makes the Ethiopian case different is that the risk of both total debt and external debt distress, already high since few years ago, has been exacerbated by the economic slowdown caused by the pandemic, political instability, the war in Tigray Region, severe forex shortages, and high levels of inflation. This forced Ethiopia to seek debt relief under the G20 Common Framework, an agreement of the G20 and Paris Club of countries to coordinate the debt treatments of low-income countries eligible for the DSSI. This application for debt relief, particularly the commercial ones, led to the downgrading of the sovereign credit standing of Ethiopia by the major global rating agencies.

In general, the severity of external debt is determined by the composition of the debt, the interest rates, trade deficit, and high inflation. For instance, a relatively high level of short-term debt in the total debt portfolio causes considerable distress on the economy.

The DSSI eligible countries are heavily indebted as a result of the bloating of state and state-guaranteed debt combined with an increase of commercial borrowing. What is striking is that they have significant obligations to private creditors. In contrast to this, the share of private external creditors over the total external debt is much smaller in Ethiopia in comparison to Kenya, Nigeria, Ghana, and others.

Although Ethiopia's debt seems sustainable as shown by the total external debt stock of 29.68Pct of gross national income (GNI) in 2019, there are still lingering vulnerabilities as the debt servicing costs are increasing, while export proceeds have remained stagnant for a decade as manifested by total debt servicing as percentage of export ratio of 28.94 in 2019.

Under normal circumstances, external borrowings are refinanced through new borrowings. However, an economy defined by a number of economic woes including external and domestic debt accumulation, severe foreign exchange shortages, and inflationary pressures combined with political instability would find it difficult to secure additional borrowings, particularly from private creditors. This situation has left Ethiopia at the mercy of its creditors for debt relief.

Ethiopia sought debt relief under the G20 Common Framework as debt service suspension under DSSI only helps tackle immediate liquidity problems until the end of December 2021. The G20 Framework aims to address the debt burdens of many low-income countries by using debt restructuring including the reduction of the net present value of debt and deferral of a portion of debt payments, amongst others.

When using the G20 Common Framework, Ethiopia should consider it as a matter of expediency while taking extra caution when dealing with the case of commercial obligations as they affect Ethiopia's credit standing as observed in the recent drop in the credit rating of the nation. Lower credit standing entails higher interest rates when borrowing from the market.

To help address the problem of debt distress, special drawing rights (SDRs) may be used to some extent. With an IMF SDR quota of 428.63 million, and an additional fund of SDR of 1.2028 billion and 751.75 million which was approved under the Extended Credit Facility (ECF) and Extended Fund Facility (EFF), respectively, following the economic reform agreement in December 2019, Ethiopia has some room to address its external debt problem. However, in the past couple of years, the SDR quota has been used massively, increasing the SDR purchases and loans to 524.55 million (May 21) from 46.13 million (December 2018). Yet, there is a significant SDR balance pertaining to the economic reforms that could be used to alleviate the debt problem for a while provided that Ethiopia is on track with the IMF agreement.

Ethiopia has utilized the available means to get relief from external debt distress. There is hardly any room left pertaining to debt restructuring. Over the coming years, proceeds from the telecom licenses, sale of partial ownership of Ethio telecom, and privatization moves might bring some relief to the external debt problem. However, Ethiopia's sustainable solution rests on improving its export performance, instituting fiscal discipline, and establishing effective external debt management by taking a lesson from previous borrowings, particularly commercial ones.

from P. 50

Brook's work, life, and achievements are inspiring for all, with or without disabilities.

Brook says being a youngster in this time has many challenges and advises to not let the challenges change our core identity. "The main challenge to artists with disabilities comes from the prejudice and stigma in society. Many attach a sense of sympathy and charity when they experience and buy their artwork. It becomes about their disability instead of the artwork which is the most important thing for any artist." Even though Brook had the support of his family, he believes that most families in society don't support their children with disabilities to be involved in creative and artistic activities as they fear the judgment of others.

For his first exhibition, in what Brook calls "life changing," he was supported by an NGO called Ethiopian National Disability Action Network (ENDAN). This organization organized an exhibition exclusively by artists with disability and included Brook and two other artists, Artist Afework Mengestu and Artist Alem Tesfaye. The exhibition held in 2018/9 was one of the first exhibitions exclusively presented by artists with disabilities. The exhibition had a huge impact and was an inspiration for many.

Brook sees international institutions like the British Council, Goethe Institute, Italian Cultural Institute, and Alliance Ethio-Francais as the ones providing significant support to artists in general. "The government should support artists with policies and subsidies as well as work with relevant NGOs and associations to set up a platform where artists can showcase their works. This will lead to developing an inclusive and fair artist community in Ethiopia which could be exemplary for the rest of Africa as well."

Brook always finds alternative ways of attaining his goals whenever faced with barriers and challenges. "They must find alternative ways to achieve their vision and not to change their vision every time they are faced with challenges. One of the positive things that technology has brought through social media is a medium to promote our works, attain visibility, and earn a living from the international market. We make our future by being in the present and working from the inside and emerging from our identity. Art lives in everything. Although many people consider it as a luxury and something secondary, art is in our daily lives and if accepted and used properly could heal us in many ways."

The national prevalence of PwDs in Ethiopia is at 17.6Pct, as per surveys conducted by the World Health Organization (WHO) and International Labor Organization (ILO). As per UNICEF's 2015/6 report, 2.2 million of the total PwDs in Ethiopia have very profound difficulties. Over 47,000 PwDs in Addis Ababa were also under a severe disability problem, while it is 342,000 in other urban areas of the country. The World Bank and WHO estimated that around 1 billion, 15Pct of the global population currently live with some form of disability, and about 80Pct of them live in developing countries where rehabilitation services are poor or non-existent. In Ethiopia, 95Pct of all persons with disabilities are estimated to live in poverty.

Government has been providing support to 412,867 PwDs as of 2019/20, according to the National Planning and Development Commission (NPDC) data. This is far from the close to 17 million PwDs in Ethiopia. The Ministry of Urban Development and Construction (MoUDC) states that it plans to include 689,195 PwDs into the urban SafetyNet program, up from the 78,739 as per an evaluation report in 2017.

At the federal level, the Ministry of Labor and Social Affairs (MoLSA) is the main governmental organ responsible for the provision of social and vocational rehabilitation of people with disabilities. "This directorate was only formed a couple of years ago with the new reform. The issue was previously overlooked for long and serious work needs to be done by all of the responsible offices," said Asalifew Ahmedin, Director of the Disability Affairs Directorate at MoLSA.

The main gaps in government institutions claiming to work with PwDs, is that there are no specific offices or officials allotted to work on the needs of people with disabilities. Service standards also lack. For example, accessibility of cultural and art centers is a major problem. One possible solution could be to dedicate an office or position that will focus on the required services for PwDs and report to the federal level. Policies, laws, and standards also have to be given due attention.

There are numerous domestic and foreign institutions and organizations claiming to work on PwDs in Ethiopia. But in actuality, very little action and funds are trickling down to the ground level. Government also needs to place standards and evaluation mechanisms to control their performance as per their pledges. **EBR**

Does Financial Liberalization Take Ethiopia to the Promised Land?

THE NEED TO TAKE NECESSARY PRECAUTIONS TO AVOID REGRET.

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Since the unveiling of the administration's Homegrown Economic Reform Plan and restart of the accession process with the World Trade Organization (WTO), talks of economic liberalization have been heating up in Ethiopia. Indeed, the liberalization process of the telecom sector is well underway and Prime Minister Abiy Ahmed (PhD) himself has indicated that the hitherto closed financial sector will be next in line. Speeding up of WTO accession is one of the plans in the plan. The government's aspirations of reforming the economy and WTO accession may imply that the government will inevitably open up the financial sector in the near future, with the ongoing deregulations set as good launching pads.

Many economists and people in domestic financial circles received the news with shock, predicting disaster for local financial players and the overall economy, while multilateral institutions such as the IMF, who have long demanded Ethiopia liberalize its finance sector, gave it a warm welcome. Questions are there. Is it too soon to open up the financial services sector? Should the financial sector remain closed forever?

My intention in this two-part article is to shed some light on the opportunities and challenges of the imminent opening-up of the financial sector, drawing on the experiences of other countries. In this first part, I begin by discussing the challenges Ethiopia can face during and after financial liberalization, illustrated with the experiences of two countries. In the second part, I will turn to the opportunities and review some success stories.

The process of financial sector liberalization is a broad concept that could feature complete freedom of finance to move within, into, and out of the economy; fully convertible currencies; market-determined interest rates; removal of restrictions on credit and ownership of financial institutions like banks, insurance companies, brokerage and investment companies, and savings and loan associations (including allowing foreign nationals full freedom to participate in the financial system of the hosting country); and privatization of parastatal financial institutions. It also gives the central bank real autonomy from the government to act just in response to economic and market conditions.

But in the real world, it is not a new thing to liberalize the financial sector and find oneself in real trouble. In this regard, I will present the examples of Argentina and Turkey, beginning with the former. Most notably in the 1980s and 1990s, many countries in Latin America went through financial sector liberalization. Argentina was a member of the General Agreement on Trade in Services (GATS), a precursor of the WTO. Its financial liberalization was applied by its own consent to fulfill GATS requirements and other targets.

Argentina undertook several reforms towards liberalizing finance: deregulation of the banking sector in 1976; the lifting of interest rate controls in 1977; and the replacement of publicly funded deposit insurance by a bank-funded partial coverage plan in 1979. However, these considerable reforms were followed by a banking crisis in 1980. Between 1980 and 1982, as most financial companies faced severe problems, studies confirmed that the financial liberalization induced banks' risk-taking behavior that led to a banking crisis. Another factor was liberalization through poor or non-transparent policy. The existing banks had huge debt which liberalization worsened as real interest rates grew during a lower inflation rate period.

In addition, the reform allowed deposits to increase as well as a massive inflow of capital, which provided the banking system with more supply to again loan further and resulted in the rocketing of non-performing loans. The building of strong institutions, legal frameworks, and reforms were taking place in a rush because of the high expectation that external financing would alleviate the scarcity of saving and thereby increase investment and growth.

Finally, the Argentina bank regulators intervened and the state-owned financial institutions re-entered the market as credit providers. The government had initially intended to defuse the crisis and hoped for a brief stay in the market, but its role grew and it even reintroduced interest rate controls in late 1982. Although these measures helped mitigate the effects of the crisis, the overall economy did not fully recover. Thus, the government took the additional measure of vacillating exchange rate regimes to combat inflationary surges and to be on a sustainable growth path.

Argentina then liberalized its equity market in 1989. It also adopted a currency board and implemented a foreign exchange convertibility plan in 1991. The latter measure initially resulted in stable inflation and currency by fixing the Argentine peso with the U.S. dollar, together with strong international reserves and opening up of the capital account. In addition, some state-owned banks downsized and some of them were privatized. Following this, the country's real GDP grew strongly between 1991 and 1995. The observed improvement was not without blemish, however, due to delays in reforming other aspects of the public sector and the country run significant fiscal deficit in 1994.

Although financial openness (involving the transfer of many local banks to foreign ownership) provided Argentina with large foreign capital and investment, it also made the country vulnerable to external shocks. For example, the Mexican peso crisis in 1994, the Russian and Asian economic crises in 1997, and the Brazilian devaluation in early 1999 had caused the Argentine economy to be affected by appreciating domestic currency, poor competitiveness, fiscal imbalance and overall recessions. The policy measures taken by the government, including devaluation of the peso, fiscal stimuli, and export promotion failed to initiate sustainable growth. So Argentina faced another massive economic downfall in 2001, resulting in civil unrest, fall of government, a major banking crisis, and default on government debt repayment. Finally, the currency board collapsed in 2002 and the result was a full-blown financial crisis.

The second real-world example that one can cite for Ethiopia to draw valuable lessons from is the experience of Turkey. In 1980, the Turkish government believed that the entry of foreign banks could enhance efficiency and competition in the domestic financial system. Thus, the government fully liberalized the financial sector by eliminating interest rate controls and reducing indirect credit programs. As expected, these measures enhanced competition in the domestic financial market and reduced market concentration. Further, the Istanbul stock exchange reopened in 1986 and, finally, the capital account was liberalized in 1989. These steps initially improved efficiency in the domestic banking business.

However, it did not take long for the economy to fall ill with the usual symptoms—chronic inflation, persistent fiscal imbalance, balance of payment crisis, and very high domestic interest rates, to go with political instability. Very high domestic interest rates in particular induced domestic banks to seek funding from foreign sources. This, together with a flexible exchange rate, resulted in large amounts of foreign capital inflows into the country, which, combined with high inflation rate, caused the real exchange rate to appreciate between 1990 and 1993. In 1993, the country's fiscal balance also highly deteriorated. But this was not the end of the story and a major financial crisis after liberalization occurred in 1994. The rapid deprecation of the Turkish lira led to depositors' loss of confidence and to a massive withdrawal of deposits. As a result three small banks went into liquidation.

To prevent further bank failure, the government announced 100Pct insurance (Could Ethiopia afford such a scenario?). During the financial sector crisis, three small banks failed. In order to prevent further panic, 100Pct deposit insurance was introduced. In response to the crisis, the Turkish central bank had also taken measures aimed at the real exchange rate, which again depreciated further. The amount of foreign borrowing grew huge, which made the country highly exposed to external shocks. These problems, plus unfair competition between state and private banks, riskier investment made by private banks due to capital inadequacy, and government's reluctance to deal with problematic banks in time, caused the second major financial crisis in the year 2000. This crisis got even worse in 2001 when one large bank failed due to chronic liquidity problems and some other failing banks were moved to the Saving Deposit Insurance Fund (SDIF) to be recapitalized.

In the aftermath of the second financial crisis, the Turkish government focused on restructuring the state and SDIF banks, strengthening private banking, and improving the legislative and regulatory environment. Indeed, these measures improved banks' nonperforming loans, profitability, and capital adequacy. However, until 2004, the banking sector remained vulnerable because they were quite concentrated and the state banks continued to finance the then non-viable favored sectors. In sum, the major reason for the banking crises in the Turkish economy was the full opening up of the financial sector amid high macroeconomic and political instability and serious structural problems in the banking sector.

So, for those who think Ethiopia should sprint towards financial liberalization, the examples of Argentina and Turkey discussed above should make them stop and think twice. The road to liberalization could indeed be bumpy, and the destination not the desired one. But, aren't there countries which benefited from financial liberalization without so much of the associated economic and political turmoil? And under what conditions could financial liberalization be a force for good? I will take up these questions in the next part of the article.

Deciding financial liberalization as good or bad based on few countries' cases is misleading. Financial liberalization needs enough time to think about how and when. I prefer to wind up with the grand summary at the end of the second edition on the basis of both the challenge and success stories of the practice of financial liberalization. I will forward my recommendations after analyzing cases of successful countries, in the next edition. The aim of this first part is not implying or predicting that Ethiopia will also fail, like Argentina and Turkey, but to give insight into financial liberalization, which requires a careful move because it has not only stipulated benefits but also repercussions when we assess other countries' experience.

from P. 47

after leaving, there should be a way for them to get the psychological help they could need if they find themselves in a traumatic situation".

"The situation in Saudi Arabia has recently worsened for Ethiopian migrants because the Saudi government has started to deport them due to concerns related with security, stability, and other various reasons. Deportation is high right now. If things go right, we will bring all Ethiopian migrants back soon. We are working on citizen diplomacy," said Dina Mufti, Spokesperson of MoFA.

However, many say the Ethiopian government could not even do anything for Ethiopians who are legally living in Saudi Arabia and other countries, let alone illegal migrants.

"We are normalizing relations with Arab countries. We are also introducing a strict proclamation that mandates private agencies sending employees abroad to have certificates of competence. They cannot send employees before training them for three months and must also have representative offices in the countries where they send employees to. The agencies are also required to store capital in closed accounts which MoLSA will use if the employee fails to secure their salaries, get sick, or face problems during their travel," said Dejene.

Further, Atinkut stresses that government must specify mental illness treatment for returnees in the National Mental Health Strategy. "The strategy has overlooked the massive mental illness cases observed in returnees."

"People need to understand mental health is curable/ treatable and this can be done by giving a community-based awareness program across the country. There needs to be more trained people in order to be able to care for those with mental health disorders carefully and help them integrate socially and economically back into society. There aren't any trained professionals and hospitals to treat mental illness cases of returnees. Their cases are deep, complicated, and require trained professionals," adds Asmeret.

Experts advise a revision of legal frameworks between Ethiopia and Gulf countries, creating safe routes, legalizing informal brokers, creating job opportunities inside Ethiopia, forming intensive awareness within communities, establishing focal points in Gulf countries and also on local migrant corridors, skills training and intensive orientation and certification before migrants leave Ethiopia, negotiating migrants' salaries at the national level, integration works for returnees, designing support schemes for the most vulnerable returnees, and channeling a proportion of migrants' remittances to establish pension funds to be used when they return to Ethiopia. **EBR**

Quote

"Free election of masters does not abolish the masters or the slaves."

Herbert Marcuse,
German-American Philosopher,
Sociologist, and Political Theorist

From the Horse's Mouth

"China is not a threat to Africa."

Raila A. Odinga, former Kenyan PM,

said this when in Ethiopia to attend the Lamu Port South Sudan and Ethiopia Transport (LAPSSET) corridor ministerial meeting. He envisions connecting the Indian and Atlantic oceans on the east and west coasts of Africa.

"Our withdrawal from Tigray is a political decision but based on humanitarian concerns,"

Anbassador Redwan Hussein, State Minister for Foreign Affairs

said this after the Ethiopian National Defense Force withdrew from Tigray Region and the insurgent forces entered the capital. "We will no longer be a reason for any atrocity to occur. We also have to mobilize our military forces and prepare for the mounting conflict in western Ethiopia. The conflict in Tigray increased our vulnerability of attack from Sudan."

The Number

ETB 100 BILLION

Amount of money the federal government of Ethiopia spent in Tigray Region during the military engagement of the last eight months.