The War in Ethiopia is No Longer Solely with the TPLF
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Bottom-Up Industrial Policy for Ethiopia
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ETHIOPIAN BUSINESS REVIEW

"I DON'T NEED TO CARRY CASH WHEN I GO TO JIGJIGA."

Abdiaziz Hassan,
CEO, Rays Microfinance

Wello
Livelihoods Lost in Fire

Will War-Economy
Shatter Private Sector Hope?


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Inflation, Fatal as Bullets, Should Be Treated Second to None

It has been one year since the Tigray People's Liberation Front (TPLF), labeled as a terrorist group by Parliament, attacked the National Defense Force stationed in Tigray Region. Ever since the attack and the ensuing military engagement and all its baggage, the state of the economy seems to have arguably missed the attention it deserves.

The election held last June, the second phase filling of the Grand Ethiopian Renaissance Dam (GERD), and the inaugural event of the new government premiered by Abiy Ahmed (PhD) in the capital's Meskel Square, were major undertakings that captured the attention of both the general public and the ruling party. However, scenes showing the ruling party's chief inaugurating or visiting project sites have faded away as security is now top on the government's agenda.

As much as the security concern appears to be understandable, it comes on the backdrop of skyrocketing inflation, which shot up exceptionally higher than the single-digit target set by the government—reaching 42Pct in October. Demonetization of the local currency, targeting the reduction of money circulating outside of the banking system and giving more leverage to the central bank's efforts to control money supply, failed to bring inflation to single digits. Inflation has been growing alongside the spread between official and parallel exchange market rates.

Food prices continue to accelerate, reflecting the compounded effects of drought, flood, locust infestation, and war in Tigray and other parts of the country. The unrelenting ascent of inflation is occurring regardless of domestic and federal authorities' attempts to manage the pressures. The government's objective has been to ease inflation, cost of living, as well as to reduce unemployment. On a monthly basis, consumer prices went up 4Pct, following a 3.6Pct rise in the previous month.

Controlling the unbearably growing cost of living and maintaining promises made for a more robust private sector must be integral parts of the conflict management process. As the stage for the military engagement has shifted from Tigray to Amhara and Afar regions, more work needs to be done in other relatively more stable states. Government must push for surplus production in Oromia, Sidama, Gambela, South, South Western, and Somali regions.

The administration must also plan to utilize the private sector not just to fund the military engagement, but also to curb inflation and sustain the economy during and beyond the time of war. A revitalized effort must be sought in relatively more peaceful states to bring in more private sector investment into the economy.

Taking inflation, or the struggling economy, for granted is as fatal as the bullets on the battleground. As much as it feels understandable that conflict management is the top priority of the time, curbing inflation and bringing in more private sector investment must be of equal priority. **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.

Public Wi-Fi to Arrive

The first public Wi-Fi in Ethiopia is nearing fruition by the state giant, Ethio telecom, and will open at four sites: Unity Park, Meskel Square, Entoto Park, and Friendship Square. Currently under testing, the service will be fully operational in few weeks' time. Customers will pay ETB5 for one hour, ETB8 for two hours, and ETB10 for three hours for a 4mbps connection.

Vaccination Income Shrinks

The National Veterinary Institute reported diminished earnings from animal vaccinations in the first quarter of 2014 to reach ETB5.34 million compared to the same period in 2020/21. Doses supply has also reduced to 21.52. Foreign exchange, instability and war, power outages are causes. The institute has built a vaccine factory to better handle shocks and control its business model.

Textile Industry Gets USD45 million

The sector earned USD45 Million in the first quarter of 2021/22. The plan was to earn USD45.78 million from textile and apparels. Actual earnings were USD44.67 million, marking 98Pct achievement. This quarter's performance has shown an increase in excess of USD3 million compared to the same period of last year. Cotton plantations were planned to cover 60,452 hectares of land, with 52,528 hectares being achieved.

Dashen Bank On A High Again

The 25-year-old private bank announced its record-high gross profit of ETB2.4 billion from ETB10 billion in gross earnings. Moreover, it has mobilized deposits over ETB21 billion during the last fiscal year, a 39.4Pct growth compared to the previous fiscal year. Total savings of Dashen are now at ETB74.6 billion, of which close to ETB5 billion was secured from interest-free or Islamic banking.

ዳሽን ባንክ Dashen Bank

ETB 80.1 billion

Annual budget of Amhara Region for the 2021/22 fiscal year. The budget has been entirely reallocated to support the military campaign. Yilikal Kefale (PhD), the region's new Chief Administrator, said that this would be his priority upon election back in September.

Global Telecom Conference in Doubt

The World Telecommunications Development Conference, scheduled to take place in Addis Ababa, faces uncertainty following the nationwide state of emergency. The conference is organized by the International Telecommunication Union and Ethiopia was selected to host the eighth global conference, and first in Africa. Close to 2,500 participants are expected to attend the event traditionally conducted every four years since 1985.

ETB280 Billion Destruction in Amhara

Amhara Region declared destruction amounting to ETB280 billion that occured as a result of the military engagement with the outlawed TPLF. The group is accused of causing destruction in areas it occupied and left behind. Animut Belete, Head of the region's Planning Commission Bureau, said the study was conducted in the 45 districts where invasion took place but doesn't include Dessie and Kombolcha.

Local Spareparts Manufacturing Soon

Dubbed ZY, the first spare parts manufacturer has started operations in Addis Ababa, founded by a Chinese-Ethiopian partnership and established with over ETB10 million. The manufacturer is currently undertaking machine testing before fully launching. Located around Bihere Tsige in Nifas Silk Lafto District, the factory is importing the necessary raw materials to manufacture air filters, oil filters, and other spare parts.

PVH Quits Hawassa Production

US-based Philip Van Heusen (PVH), producer of Tommy Hilfiger and Calvin Klein, quit its production at Hawassa Industrial Park (HIP). The company has cited the speed and escalating situation of the war as its reason. Notices have been placed inside its factory sheds and employees are expected to be fully compensated. However, the company was already in the process of transferring over the facility to a partner in Ethiopia before tensions escalated.

ETB 5.9 billion

Ethio Telecom's reported gross profit for the first quarter of 2021/22. The state-owned giant has claimed a loss of ETB1.9 billion due to the war.

Top 10 Imports of Ethiopia

Rank	Import Item	Volumes Imported in USD – Proportion of Total Imports
1.	Machinery including computers	1.8 billion – 13Pct
2.	Mineral fuels including oil	1.7 billion – 12.2Pct
3.	Electrical machinery, equipment	1.1 billion – 7.7Pct
4.	Vehicles	1 billion – 7.3Pct
5.	Animal & vegetable fats, oils, & waxes	898.9 million – 6.4Pct
6.	Cereals	863.7 million – 6.1Pct
7.	Iron & steel	707.1 million – 5Pct
8.	Plastics & plastic articles	638.8 million – 4.5Pct
9.	Pharmaceuticals	580.5 million – 4.1Pct
10.	Fertilizers	507.4 million – 3.6Pct

Source: : (WTEx) World Top Exports

Ethiopia's imports amounted to USD14.1 billion in 2020, 13.9Pct lower than in 2016 and 9.3Pct lower than in 2019 and 2020. Based on average exchange rates for 2020, the Ethiopian Birr has depreciated 60.7Pct against the US dollar since 2016 and by 7Pct between 2019 and 2020. Imports paid in relatively stronger US dollars are thus more expensive for Ethiopian buyers. From a continental perspective, nearly three quarters (72.7Pct) of Ethiopia's total imports by value are purchased from Asian countries. European trading partners supply 14.4Pct while 6Pct arrives from other African countries. Only 5.7Pct arrives from North American shores. From other regions, 1.1Pct comes from Latin America excluding Mexico but including the Caribbean, as well as 0.1Pct from Oceania including Australia. Given Ethiopia's population, its total of USD14.1 billion in 2020 imports translates to roughly USD150 in yearly product demand from every person in the country. **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.

Next Africa: One Step Forward, Two Steps Back for Eskom

Just when South Africa appeared to have charted a way forward for embattled power utility Eskom, the waters have been muddied. Finance Minister Enoch Godongwana suggested selling the utility's coal-fired power plants and has blamed its managers for record blackouts this year after a series of electricity outages disrupted the economy ahead of municipal elections.

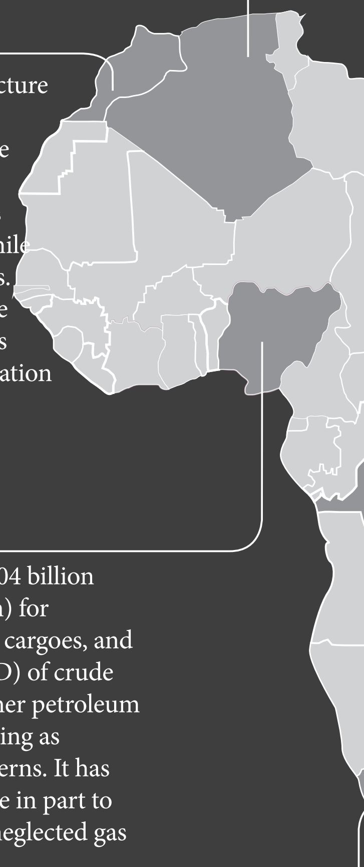
His comments came just days after developed nations offered South Africa USD8.5 billion in loans and grants at the COP26 climate talks. Most of that money would likely help Eskom implement a plan to convert its coal-power sites over to green energy. The company hasn't commented on the idea to sell plants and prefers a government takeover of half of its debt.

The schism between Godongwana's proposals and those of Eskom show how politically charged the utility's fate is and the difficulty in resolving its woes. Chief Executive Officer Andre de Ruyter says the company's poor performance is due to years of corruption and mismanagement.

The coal plants are unlikely to be sold. Potential buyers would be discouraged by the liabilities and the inability to secure funding from banks that have largely forsworn financing for fossil-fuel projects. Still, in South Africa, the coal lobby is important within the ruling African National Congress.

Algeria

Algeria expects its 2021 budget deficit to reach 13.57Pct of gross domestic product, up from a 10.4Pct forecast for this year, after a 10.04Pct rise in public spending and as the pandemic has a deep impact on the oil-reliant economy. Algeria's economy is predicted to grow by 4Pct next year based on hopes the country's oil and gas exports, which account for 60Pct of the state budget, will rise by 9.9Pct compared with 2020. But foreign exchange reserves, depleted by high import expenditure, will fall to USD46.84 billion from a USD50.4 billion forecast for the end of this year. Purchases of goods and services are expected to cost USD28.21 billion, down 19.34Pct from projected 2020 import spending.



Morocco

The Moroccan government is preparing port infrastructure for imports of liquefied natural gas to boost reserves after Algeria ended gas supplies through a pipeline. The infrastructure will help lower the cost of LNG imports for private operators. Morocco's local gas production is expected to reach 110 million cubic meters in 2021, while its annual consumption stands at 1 billion cubic meters. Most of it was once supplied by the halted pipeline. The Energy Department is also examining financial and gas supply details for a future floating storage and regasification unit (FSRU) that would guarantee all of Morocco's gas needs. Morocco plans to increase its renewable energy target to over 52Pct of the energy mix by 2025.

Nigeria

Nigerian state oil company NNPC has signed a USD1.04 billion facility with the African Export-Import Bank (Afrexim) for petroleum exploration. The agreement is backed by oil cargoes, and under it NNPC will deliver 35,000 barrels per day (BPD) of crude oil. Nigeria, Africa's top oil exporter, has along with other petroleum producers struggled to find attractive exploration funding as lenders shift away from fossil fuels due to climate concerns. It has struggled to boost oil production in recent months, due in part to underinvestment, while developing its comparatively neglected gas sector is a top priority.

South Africa

Woolworths Holdings expects first-half profit to fall by more than 20Pct due to extended lockdowns in Australia and civil unrest at home. For the majority of the 20 weeks up to Nov. 14, Woolworths was unable to open stores in the Australian states of Victoria and New South Wales, losing up to 75Pct of the trading days. Food sales rose 3.2Pct in the 20-week period from a year ago, when demand for groceries was particularly high, while the fashion, beauty, and home business continued to recover under the company's turnaround plan with sales up 7.4Pct.

REUTERS

Bloomberg Business

Egypt

Egypt plans to reduce a series of fees on trading in Egyptian securities as a means of improving the country's investment environment. The reductions include fees on trades on the stock market, payments to the Financial Regulatory Authority, fees to the state-run Misr for Central Clearing, Depository and Registry and fees to the Investor Protection Fund. Security associations have been lobbying the government for months to get the fees reduced, arguing that they dampen trade to the extent that they actually lower government revenue. The plan also includes cutting taxes on realized profit from new offerings by 50Pct for two years, abolishing a stamp duty on securities exchange trades for resident investors and lowering taxes for retail investors participating in stock funds to 5Pct.

Kenya

Kenya's biggest lender by assets, KCB Group, said its pre-tax profit for the first nine months of the year doubled compared to the same period last year as the economy recovers from the Covid-19 pandemic. The bank's pre-tax profit hit USD320 million from USD153 million in the same period of last year. Net interest income was USD504 million, compared to USD428 million in 2020. The bank, which also operates in Tanzania, Uganda, Rwanda, South Sudan, and Burundi, said loan loss provisions fell to USD83 million compared to USD179 million last year. The ratio of non-performing loans (NPL) decreased from 15.1Pct to 13.7Pct.

Burundi

Burundi's parliament passed the government's planned budget of USD869.7 million for the financial year starting July, up 8Pct from the expenditure for the current fiscal year. The economy of the central African nation, which relies on exports of coffee and tea, is seen expanding at 3.6Pct in the next fiscal year. The budget of 76.4Pct would be funded from tax revenues while the rest would be from aid. Burundi's economy is reeling from the impact of pandemics and years of violence and lawlessness.

Zimbabwe

A subsidiary of Zimbabwe's state-owned power company has signed a USD110 million syndicated loan with continental trade finance bank Afreximbank. "The funds will help Zimbabwe Electricity Transmission & Distribution Company (ZETDC) improve revenue collection through smart meters and pre-paid meters and thus pay off regional creditors' accounts. Many electricity users in Zimbabwe are on a post-pay system and rack up large debts, which is bad for ZETDC's books and hurts its ability to supply power. It had signed financing deals worth another USD78 million with three other Zimbabwean.

Africa Central Banks to Hold Rates with Price Spike Seen Limited

Central banks in six of seven major African economies will likely look past a temporary spike in inflation and leave interest rates unchanged this month to support economies that remain vulnerable to the effects of the Covid-19 pandemic. Since the region's rate-setting committees last met, domestic food costs have been driving up price growth, with average annual food-price inflation in sub-Saharan Africa accelerating to about 11Pct so far in 2021 from 2Pct in 2019, according to the International Monetary Fund. Higher oil prices are also adding to inflationary pressures in nations that are net fuel importers. Still, rising prices are "not necessarily a departure from the norm in terms of the kind of inflation ranges we see," said Razia Khan, head of research for Africa and the Middle East at Standard Chartered Bank. Most central banks in the region can "probably take their time to react to what's going as it isn't immediately clear that there's a big need for very rapid tightening," she said.

Only in South Africa is there a risk of imminent tightening. That's because the nation's liquid capital markets make it less insulated than the continent's frontier economies from plans by developed economies to start reducing stimulus measures. That may force the central bank to lift rates to help keep local assets attractive to offshore investors.

Déjà vu:

Will War-Economy Status Prolong to Shatter Private Sector Hope?

The coming of Abiy Ahmed (PhD) to the helm was received with great enthusiasm and hope among the public. The expectation that it carried was that of a stronger private sector, a deviation from the administration of his predecessors. Now after a military engagement with his former bosses, the TPLFites—now designated as terrorists—many are wondering if he could perhaps end up in a similar déjà vu moment like that of his ally to the north, Isaias Afwerki. Will Abiy keep his promise of a strong private sector? Will the current war-economy status totally shatter the glimpse of hope for a vibrant private sector? EBR's Bamlak Fekadu investigates.

It was with a promise of a divine-like future with which Eritrea seceded from Ethiopia back in 1991. Isaias Afwerki, the secession's mastermind, promised a booming private sector, the liberalization of the tiny nation's rich natural reserves, and the lifting of millions out of poverty. Many in Africa and the West saw a rising star-nation to the East. Well, it ended with disappointment for many Eritreans. Now, 30 years after the much sought-after independence, Eritrea has ended up being the second highest source of migrants in the world only after Syria, a war-torn civilization besieged by ISIS militants and at risk of losing its timeless human civilization to war.

In 1998, war broke out with Ethiopia. The West somehow sided with the then leader of the Tigrayan People's Liberation Front (TPLF) and Ethiopian Prime Minister—the late Meles Zenawi. Isaias'

fear and mistrust continued even after the war came to an end. Isaias expressed his anger by shutting down embassies and expelling diplomats. The West responded in kind—arms embargo, travel bans, economic sanctions, and others. Eritrea found itself on the receiving end of it all.

As the no-peace-no-war status remained for two decades between the two nations, Eritrea lived under the worst command economy for years induced by a war economy. The little hope for opening up the private sector was finally lost in vain. The economy's priority remained supporting and preparing for a potential war with its neighbor to the south.

"From 1993-98, development of the tiny private sector was a top goal, but with the outbreak of war in 1998, national security became the economic and political imperative," WikiLeaks reported in 1998, attributing the statement to the then Eritrean Economy Minister, Hagos Gebrehiwot, in his conversations with the then US Ambassador to Eritrea, Ronald McMullen.

When Prime Minister Abiy Ahmed came to power, many thought Ethiopia was on the path of building a more robust private sector with hopes of saving an economy that was alleged to have fallen under a state monopoly, among many other challenges. The young and ambitious Prime Minister went as far as entertaining the idea of liberalizing the giant monopolistic parastatals, Ethiopian Airlines and Ethio Telecom—an unthinkable move just a few years prior to his ascent to power.

His government also embarked on a series of policy reforms to allure private investors both at home and from abroad. Abiy has taken tentative steps to open-up Ethiopia's economy. His administration partly liberalized the logistics and telecom sectors and also allowed foreigners to invest in power distribution and industrial parks development.

The sale of the first private telecom license, in which The Global Partnership for Ethiopia, now operating under the name Safaricom Telecommunications Ethiopia PLC—a consortium of Safaricom, Vodacom, Sumitomo, and other financiers—acquired a telecom service license for ETB850 million, has been the major demonstrator of the Premier's commitment and progress towards liberalization.

Even though the planned privatization of Ethiopian Airlines has been canceled, the government has said it will go ahead with the partial privatization of Ethio Telecom and has already expressed interest to welcome bidders. The transport sector has also experienced some changes and private operators are now allowed to be involved in moving cargo shipments under free on board (FoB) shipping terms.

These are demonstrations of the government's commitment towards privatization. The ten-year perspective plan of the government has further taken private sector development at the center of the governments' growth and development plans. However, the peace and security problem in the country is feared to create a dent on this plan.

Although the conflict had a years-old background, the first bullet fired on the night of November 3, 2020, was not only the whistle launching the war; there is also fear that it might also mark the beginning of the end of hopes and expectations for a strong private sector. The already struggling economy slid to near rock bottom, forcing the government to deviate from original promises.

In what the government referred to as a conspiracy against it, the cost of goods and services shot up after the military engagement commenced. The habit of concealing large volumes of metal and other goods continues to make everyday headlines. The government slowly tightens its grip on the economy.

The National Bank of Ethiopia (NBE) set a series of restrictions including limits on withdrawals, transactions, and cash holdings. The central bank recently ordered the temporary freezing of all collateralized loans given by all commercial banks, through a simple text message. The notification had offered no official clarification on whether the same

Chief Administrator of Amhara Region, Yilikal Kefale (PhD) shifted the entire annual budget and public and private resources to fighting the insurgence in various towns.

rule applied to microfinance institutions (MFIs) with an outstanding credit disbursement of ETB69.4 billion. The banks suspended all lending pending further clarification from NBE at the time.

Later on September 20, 2021, the institutions were informed of their exemption from the freeze irrespective of the types of loans they issue, according to Asfaw Abera, Director of the Microfinance Institutions Supervision Directorate at NBE.

Officials of the central bank have justified their sudden decision as a move necessary to control the exchange rate in the parallel market after grey market rates were traded at the historic-high premium of 50Pct above the official rate. Commercial banks' outstanding credit to the private sector grew by 125Pct in July, four times the annual growth reported last fiscal year.

Prior to loan restrictions, NBE undertook a series of other limitations beginning in early 2020. This includes the prohibition of undertaking in excess of five weekly cash transfers from a single bank including via mobile, internet, and other electronic channels. Business owners' tradition of depositing on a daily basis drastically decreased owing to the limitations.

Property cane and other similar decisions are equivalent to violating a person's constitutional rights apart from discouraging private investments. The decision is highly indicative of the government's fear of the influence of laundered money tipping the odds of victory in the military confrontation with the outlawed TPLF.

Other than NBE, other ministerial entities have also put a price cap on retail cement imposed since June 2020—though recently rescinded. The government is also seen in the business of supplying some food items through the various facilities it set up.

Even though NBE has tried to loosen its tight grip, one only wishes it is not too little too late as it has already sent shock waves in the business community.

Tewodros Shiferaw, a serial entrepreneur, businessman, and Owner of Rosetta General Business, a conglomerate that includes Rosetta Real Estate, Nahoo Television, and Guzo Go, an application for online ticketing service, argues the directive has widely impacted real estate businesses established to profit by selling houses. For Tewodros, the new directive dampens sales and could result in loan defaults or the incapability of paying salaries.

"Such moves could lessen investors' appetite," Tewodros says.

Tewodros is not the only one who felt the shockwaves. The restrictions have affected 15Pct of coffee crops in the country's southwestern regions, according to Hussein Ambo (PhD), President of the Ethiopian Coffee Growers and Exporters Association, which has 150 members. Hussein went as far as expressing his fear that the proclivity of the government seems like it's diving into the command economic system.

Although the business community sees the worrisome consequences of the government's stringent policies aimed at controlling the movement of cash in the economy, there are experts who understand the root causes of these policy interventions. "We are in a war economy and the state is trying to handle the crises that the TPLF and its supporters have caused," Alemayehu Geda (PhD), Professor of macro and international economics at Addis Ababa University argues. "They were borrowing money from banks by collateralizing their assets and making off with foreign exchange after exchanging it in the parallel market,"

In a war economy, the public obligation is to do what is necessary: to support the military effort to protect and defend the home territory, and to especially maintain the physical well-being, solidarity, and morale of the people. These may not be easy tasks in the months ahead, indicates a paper published in 2001 by James K. Galbraith on JSTOR, a digital library.

Galbraith's assertion seems to perfectly fit the latest decision by the new Chief Administrator of Amhara Region, Yilikal Kefale (PhD). Yilkal, who during his inaugural speech said fighting TPLF out of his regional state would be his priority, shifted the entire annual budget and public and private resources to fighting the insurgence in various towns. The region that approved an annual budget of more than ETB80 Billion for the 2020/21 fiscal year is compelled to invest its entire annual budget in an integrated response to halt TPLF's military progression in the region.

The region's latest decision came at a backdrop of rising dreams of a more robust private sector in towns such as Debre Berhan, a historic town established in the 15th century by Emperor Zara Yaqob, now a fast-growing industrial city. In the three consecutive years following 2018, Debre Berhan saw a historic-record of investment licenses issued for private sector developers, among other economic advancements. Politicians in the region were once quoted saying they would build the "second Addis Ababa" referring to the promising growth of investment in the town.

The town of Gondar, which was prepping to see hotel investments by big private sector tycoons such as Haile Gebre Selassie, might now also be on second thought. Haile's ETB1 billion project at Gorgora, a town and peninsula south of Gondar on the northern shores of Lake Tana, will have to be put on hold for the foreseeable future. The government's plan of development at the same site will face similar fate.

A prolonged war not only undermines private sector development, but might also encourage foreign private sector profiteers.

Understanding the impact of war on a nation's economy has been attempted through the years. One such attempt was made by Clifford F. Thies and Christopher F. Baum, in their paper published in CATO Journal in 2020. The study analyzed data from the history of wars beginning mid-19th Century to the early 21st Century. To understand their economic impact, the study classified wars into two categories: Magnitude 1-5 and Magnitude 6 and 7.

Magnitude 6 and 7 wars, which the current Ethiopian war seems to be categorized into, have a defining criterion of at least 1000 battle deaths over a 12-month period. All variants of the model show that conflicts of Magnitude 7 reduce per capita GDP by 16 to 24Pct.

Measuring the total cost of war involves the opportunity cost of resources used to carry out the war, the loss, destruction of human capital, and a reduction in GDP per capita. According to Thies and Baum, careful measurement of war in the context of a large data set indicates that war is not good for business. Countries that suffer from war underperform in terms of production and consumption. GDP per capita falls because of lower labor and total factor productivity, presumably due to the destruction of existing physical and human capital, the lack of investment in new physical and human capital, and reduced gains from both internal and external trade.

Ethiopia, like most countries in the rest of the world, has already been under war economy status due to Covid-19. The pandemic has left visible bruises on the private sector. Conference tourism, once hope-filled service sector, has been hit so hard that no one seems to have a clear idea when it will get back up if it ever will. Due to Covid-19, Ethiopia's real GDP growth, which experienced double-digit growth for about 15 years, fell to 6.1Pct in 2018 and is predicted at 6.4Pct in 2021. Foreign direct investment (FDI) flows totaled USD2.1 billion in 2020, a 17Pct drop from 2019, according to the UN Conference on Trade and Development (UNCTAD), and includes investments in the manufacturing, agriculture, and hospitality sectors. The pandemic hit the once-thriving hospitality sector harder and like no other.

"The development of the private sector is not seen as a priority: this is a mistake," reads a document published by Lisa Curtis et al in 2010. The authors of the document argue Private Sector Development (PSD) in Conflict-Affected Environments (CAEs) must be taken seriously and shall not be done in a business as usual manner. A business as usual approach towards post-civil war response in Rwanda had an impact of its own on PSD.

PSD programming should be an integral part of the conflict management process and should not be introduced later. In fact, not adopting PSD programming early enough can seriously undermine conflict management efforts. Historically, PSD has only been considered to influence the economic development aspects of peacebuilding. This not only underestimates the value of PSD, but also leaves open the dangerous possibility that PSD programs could undermine other aspects of the conflict management process, according to Lisa and her colleagues.

"Three important points can potentially show us that this war will not lead us to a command economy," argues Endalkachew Sime, Private Sector Specialist and former State Minister for the Planning and Development Commission. "This type of war—a law enforcement engagement—which the government entered in response to the national security threat, is one reason." Endalkachew also seems to be confident in the attention given to the private sector as can be seen in the governmental programs of the Home-grown Economic Reform and Ten-year Development Plan—with both having private sector-led economic growth at their core.

"So, yes the war has a lot of negative impacts on previous intentions and plans, but I think these are only temporary detours and the government will bounce back to its roadmap," stresses Endalkachew.

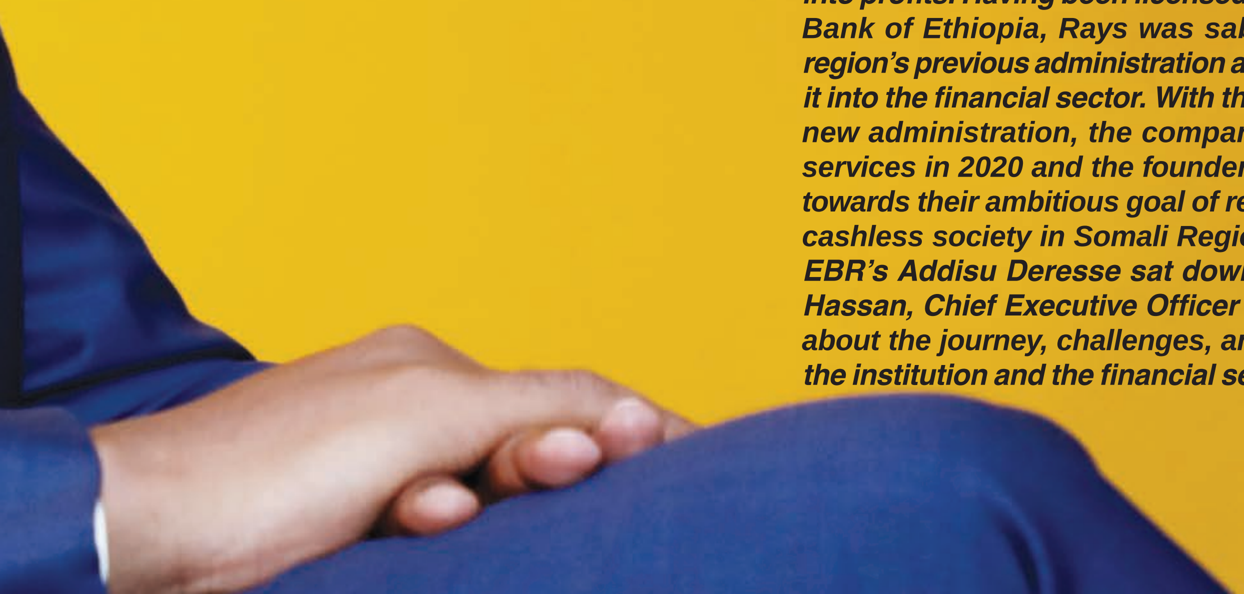
A prolonged war not only undermines PSD, but might also encourage foreign private-sector profiteers. As much as war economies are bad for local and law-abiding business people, it could also mean a profit bonanza for foreign businesses that even breed conflicts to make some economic advantages. Such merchants of death have contributed so much in the conflicts in Sudan, South Sudan, northern Nigeria, and the Democratic Republic of Congo. Criminal networks and gangs based in New York, London, Dubai, and other financial centers around the globe make their millions by providing arms to the warring factions while millions of innocent citizens suffer in the conflict.

There is no denying that war encourages fear and mistrust in leaders' minds and their policies. Open economic policies or thriving private sectors are not typical to countries with leaders in war. Whether Abiy will put in place work around the current war economy status and keeps on the track towards a stronger private sector or end up in a déjà vu moment with his Eritrean ally, is yet to be seen. **EBR**

“I DON’T NEED TO CARRY CASH WHEN I GO TO JIGJIGA.”

ABDIAZIZ HASSAN,
CEO, Rays Microfinance

Having grown up in Gode, in eastern Ethiopia’s Somali Region, a group of six men observed potential in the community that raised them. They saw a zeal for trade and an awareness that embraces technological change and other dynamics. In 2014, they would set out to establish Rays Microfinance to tap that potential and turn it into profits. Having been licensed by the National Bank of Ethiopia, Rays was sabotaged by the region’s previous administration and did not make it into the financial sector. With the coming of the new administration, the company launched its services in 2020 and the founders are marching towards their ambitious goal of realizing a totally cashless society in Somali Region and beyond. EBR’s Addisu Deresse sat down with Abdiaziz Hassan, Chief Executive Officer of Rays, to talk about the journey, challenges, and prospects of the institution and the financial sector in general.



Your website says that the idea of establishing a microfinance institution was inspired by what you witnessed growing up in Gode, Somali Region. How did your younger years inspire you today?

Though I am the Chief Executive Officer (CEO) of the institution, I am not the only founder. It was six of us led by Engineer Muktar Sheik Omer Adam. Others in the team had international exposure on the matter that they brought on board to help shape the idea into existence. Some in the team have socio-economic backgrounds, whilst others were involved in humanitarian works.

As far as what we witnessed in Gode, it is the potential of trade and other small businesses which could turn peoples' lives simply with the supply of finance. You see young men and women with ideas for trade and small businesses. And you witness how those ideas, in addition to the geographical advantage of the town and the region, can indeed be turned into something that can change many lives. Yet, you witness zero realization as there simply is no finance for these young people. That is the environment that contributed to the establishment of Rays Microfinance, apart from of course, the efforts, ideas, and backgrounds of the founding members.

to communicate. Yet, we understand the success of our financial products also requires working on financial literacy and the business climate that accommodates the idea.

How much is your institution worth as it stands right now?

The institution was established with ETB10 million in capital back in 2014. Now, the institution is worth ETB162 million as we expanded our operations both in product varieties as well as the locales in which we operate. We are still pushing for an even bigger capital base. In fact, ETB700 million in capital has already been positively voted on at the general assembly, and is pending for the central bank's approval.

"We hope our presence will bring up trade and business potential out from the underground."

Let's talk about the names. I know they have backing stories. Rays and Sahay. What do they mean?

I meet people confusing them for Amharic and English terms. This is not bad, but does not tell the full exact stories behind the name. Rays is a Somali word meaning that moment after early season's rain where the ground turns green and the grass begins to sprout out from the underground. That is the moment we call Rays. So, we hope our presence will bring up trade and business potential out from the underground. Sahay, one of our financial products, is also a Somali word for a kind of food storage which people carry when travelling. The appropriate Amharic word could be sinq. You can also see this item in our logo. Like sinq, you can carry our mobile payment service and get whichever service wherever you go—that is the idea we are trying

What are the financial services which you provide?

Basically, the institution has two broad services. First, are regular microfinance services under which we have deposits and loans. Due to the geographical area in which we are operating in, we have only provisioned interest-free loans thus far.

Secondly, we have different financial services to fit specific sectors. One financial package is the Murabaha, designed for the financing of goods, machinery, equipment, and livestock trade. There is also Salam to fund farming and manufacturing activities, amongst others. We use Istisna for the financing of agriculture, construction, small industry, machinery, etc. Finally, we use Ijara towards non-consumable assets.

Salam is a forward sale contract wherein our customer undertakes to deliver certain goods on a future date in return for the full price paid in advance. Ijara means leasing and is a transfer of usufruct of usable but non-consumable assets in exchange for rent.

The idea of creating a society that uses less and less cash is an agenda of the current government. Of course, private banks have also been pushing towards this by introducing various financial products. However, progress isn't as fast as hoped. People in many parts of the country still use cash even when its less convenient than digital means. What is so special about communities in the Somali region that they seem to have embraced the idea of these services faster than other parts of the country?

There are a couple of contributing factors. One is the limited access to other banking services. In many cases, mobile banking in these areas is the only mode of accessible banking. Second is the exposure they have to neighboring countries like Somalia and Kenya where cashless is well advanced, and digital money in some cases has totally replaced paper money. So, they get the exposure that mobile money can be a substitute for paper money. There are also studies that show that people in Somalia, Djibouti, and Kenya easily adapt to technologies.

People in Somali Region also like things to be very simple. It is in their genes, I suppose. They like simplicity. There is also this element of trust. They easily trust new products compared to when you come to the center of the country. When you introduce new products elsewhere, people usually tend to test the products from a distance. It's after a while that they start to use them. From personal experience, I don't need to carry cash whenever I go to Jigjiga. From the taxi that picks me up from the airport, there is a way to pay via my mobile phone. Somali people are quite different.

There are other reasons related to methods used to promote our new financial products. We do not launch them or promote them just because they are being used elsewhere. We put in a great deal of work on customizing them. We plan ahead on how we can advertise our products. Such things must be adjusted based on the target community's living ecosystem. Of course, these services are also in line with contemporary initiatives being taken by the government, which has been helpful.

I know many other financial institutions are introducing several of these digital services. Some are progressing well in some of these financial products while others are struggling. What is more important, from our experience, is the way in which we design and promote these services and products. The services must be customized and well harmonized in the context of the target community. What works in Somali Region may not work elsewhere. So, we cannot just promote it in such a way that dictates a community must use it just because other communities have done so. Or just because it is somehow a modern way of transaction.

"On a daily basis, we handle five to six thousand mobile money transactions amounting to about ETB100 million."

So, we know that Rays was first established in 2014, but went fully operational only in 2020. What were the challenges in the period in between.

That's a very important question. We got the license in June 2014 from the National Bank of Ethiopia (NBE) and launched with two branches—in Jigjiga and Gode—in February 2015. We invested in our offices and all the necessary resources to get it all started. But the regional administration then was not the kind to entertain such ideas, to say the least. Having fulfilled all the necessary requirements, our offices were closed and all our resources confiscated. The administration did not like people and businesses operating beyond their control. So, we stopped the process and waited until the new administration was put in place.

How many people use your services and how many daily transactions do you handle?

Last time I checked, we had 616,907 active customers with mobile money. On a daily basis, we handle five to six thousand transactions amounting to about ETB100 million—this is only mobile money. In the last couple of weeks, we have been doing a lot of promotion, and I am sure a lot has changed in the

numbers. During the month of October, we have handled total transactions of about ETB2.4 Billion, which is our average business volume.

We have also come to learn that you are planning to disperse loans via mobile phones. Given this country's little-to-none experience on easy access to loans, how do you expect it to play out?

That's a service that we are now finalizing and it has not launched yet. But we're very much enthusiastic and really looking forward to its implementation. You know we have services that allows customers to make deposits using their mobile phones. They can also transfer money. But, the lending element has been missing. So, we thought we can also integrate that into our services. We have visited a couple of countries like Kenya that have advanced in the mobile money business and have learned from them. We have taken their experience on credit scoring and other necessary elements of the system.

We first bought the systems, then the source code after which we set up a team of engineers to develop these new systems for us. So, we have deployed the system in-house. We are now testing, after which the services will be launched. The community we have served thus far is predominantly Muslim—requiring interest-free services. At least to my knowledge, these interest-free digital lending systems do not exist, even in advanced countries like Kenya which only provide conventional loans through digital systems. So, it took more time to navigate the digital path of lending in accommodation of all Shariah principles. This must be done to ensure that compliance with the interests of the majority of our target communities. Once it goes operational, though, it is going to be the first of its kind in East Africa.

> **Interest-free digital lending systems do not exist, even in advanced countries."**

How do you navigate around both compliance with Shariah law as well as local financial regulations?

Yes, making it workable with regulatory institutions is also one of our challenges and we are working on this. We still have not started issuing loans in the digital way yet. When we start the service, there are some loopholes that need to be fixed. Thus far, we have tried to accommodate all the required standards of the regulatory body. One of the key backbones of digital loans is a Credit Reference Bureau (CRB). In Ethiopia, we have one recently established at NBE, though not fully functional yet.

Currently, we entertain loans for customers that have been within our system for the last six months, at least. Then based on that, we enable the customer to be eligible for a certain amount of loan. So today, if you are a new customer to the system and we don't know you, it's difficult for us to lend to you. But, if the CRB is developed similar to Kenya's, we would have used that to help us get to know new customers. The credit history of each citizen from all financial institutions is collected and databased at the bureau and accessible to lenders. That will make it easier to provide loans for new customers.

So, there has been a long-standing belief among state officials that opening up the financial sector to foreign investment would only be a disadvantage to local financial companies for the fear of the big financial muscle that could push local ones out of the way. Also considering the obstacles around regulation, what is your view?

Personally, I agree with the government's policy on that aspect whilst at the same time disagreeing with some of the elements in place. I believe in the thought that local financial institutions should first be strengthened to an extent that they can compete with external foreign companies. The workings of international banks and our financial institutions are totally different. So, it's good that the government assures that, first, local institutions have the power and strength to match with the potential competition.

But the other aspect is that local financial institutions should be given the environment to grow and flourish as that is the only way to reach their full potential of being able to compete with the eventual foreign investors. Our working environment, as it is right now, is defined by high fear of risk, very much controlling and protective. Such an environment is not the ideal environment for innovation and creativity, which are required to grow stronger and be able to compete against big foreign banks.

So personally, I believe that innovation is not typical to operations in the financial sector. Though the argument is right that you should grow before others are allowed in, the environment should be one that allows innovation.

The telecom sector, on the other hand, is opening up. We already have one telecom company ready to commence operations in the Ethiopian market while another agreement seems to be in the making. What are the implications of this liberalization on your services?

Personally, I believe the market is enough for many players. We have a population of close to 120 million, of which most are unbanked. To us in particular, it will be helpful. You know SMS is vital for our services. But, sometimes in remote areas where we operate, even this basic service is challenging. As we only have one operator, we have to deal with them and push to get it fixed as soon as possible. With alternative telecom services, however, it is advantageous for both the state operator and our institution. On one hand, we will have an alternative service provider whenever one is down. On the other hand, the sense of competition will force the state operator to provide better services. So yes, more and more companies in the telecom sector will have a positive implication on the service we provide.

What are the current major challenges in your line of business?

As I said earlier, at the start we had a challenge from the Somali Region administration. Since 2020, thanks to the new government, we are enjoying a relatively stable and open market.

Yet we still have a couple of challenges. The first being community awareness, as we are operating in areas of low financial literacy. We should put

more time and effort into educating the people themselves. As stated, telecommunication services are also a challenge. There are some areas where we operate where there is no telecom access at all, even in areas with significant populations

Internet outages also occur. And for a company like ours, which relies on the service, a minute of shutdown or destruction might cause a loss of hundreds of thousands of birr as well as customer trust and convenience. We also have challenges with ID cards. Regulations don't permit banking services for those who do not carry IDs. We are mainly dealing with pastoralist communities and they don't carry IDs. But now we are working with NBE on ways we can use fingerprints as IDs. I believe a recent amendment has been made for this biometric issue. Regulations need to be inclusive enough.

Decisions at financial institutions are commonly based on economic theory. How does Shariah law play into this?

I know many people may misunderstand that. There was also a misunderstanding that we don't provide our services to Christians, which is not true. Shariah law is involved as far as the issue of making cash profits by lending cash. We don't make profits where we have not put in the work that made the profit. But there are so many other services. We lend money for a business and share in the profit. These services are administered based on economic theory and national regulations. The other aspect is that of sharing the loss. If we lend you money for a business and you lost it to a natural disaster, we share the loss. So, Shariah law is involved to that extent.

Induced by security concerns, NBE has been issuing regulations limiting access to loans, among other affected services. How has that impacted you, if at all?

The government has been announcing some directives which I understand from the security perspective. Even though we do not operate in the north of the country, we have been impacted by the policies starting from daily withdrawal limits. We were working towards the direction of creating a cashless society. But, the limitations also affect transactions on digital wallets and not only regular services. It has been a constraint, and not been very helpful. But we should work within the legal framework.

With all the reforms and changes arriving with the new government followed by growing security challenges, what do you feel when you see into the future?

We see the potential. We see big potential ahead of us. As a microfinance firm, we can say that we are a product of the change. Before the change came, we couldn't move one step forward. It was only after the change that we were really born and were able to initiate our businesses. There is a new opening. As a new company, the economy is going in the direction we like. Even with all the challenges we have up in the north, the economy is growing and the perception of people is also growing. The government is encouraging digital economy and financial inclusion. There are more and more promising things ahead. **EBR**

Wello: Livelihoods Lost in Fire

Ever since federal troops left Tigray in June 2021, the battleground of military engagement between the federal government and regional powers in Tigray has shifted. As Wello, particularly North Wello Zone, of Amhara Region has become the new stage for war, tens of thousands of livelihoods have been lost while economic activities in the various towns is nothing but bleak. EBR's Trualem Asmare delves into war-induced shattered hopes of small and medium businesses.

Mengiste Desalegn, a young man in his 20s, used to live in Sekota town of Wag Himra Zone in northern Amhara. He dwelled with a family of farmers and school-age siblings. As an employee for Food and the Hungry – Ethiopia (FHE), a nongovernmental organization working around gender and youth, Mengiste used to make a monthly wage of about USD249. Alongside, he had an electronics shop capitalized with ETB180,000 and supported family members.

"Business was going great, until it was not," Mengiste recalls the upending period when he was forced to flee his hometown.

On the 9th of September, 2021, as forces of the outlawed Tigray People's Liberation Front (TPLF) controlled Sekota town, he and his family had to flee to Bahir Dar, the capital of the Amhara Region. Leaving elderly parents who lacked the energy or will to escape, the family of six moved to the lakeside city carrying what little belongings they could afford. Bahir Dar received the family in a refugee camp, except for Mengiste's sister who had just given birth 40 days prior and for which they were forced to rent out a place.

"I had a career that was going great; a business that was blooming. I had high hopes for my would-be future," he revealed. "I supported my family and paid for my younger siblings' tuition expenses."

Mengiste worries if things could ever go back to the way they once were. He fears his shop's landowners could sell his belongings to make ends meet as they were surviving off of the rent income. Or even worse, his place could be looted or vandalized by warring forces or by opportunistic raiders. "I just have no words regarding what is going on."

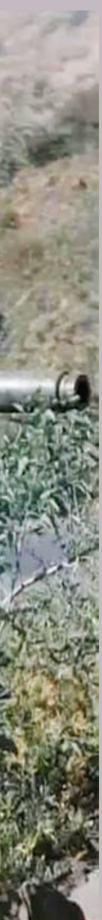
Such experiences are numerous. Getahun Wodaje, a middle-aged married man and father of three, used to live in Woldia, a major business town in North Wello Zone. He had a business selling window and door mirrors with an investment of around ETB500,000 whereas his wife owned a boutique worth around ETB400,000 by the time they had to leave the town. The couple paid around ETB60,000 in annual taxes and employed four workers and family members. It is all history now following the takeover of Woldia by TPLF forces, designated by Parliament as a terrorist organization in May 2021. Getahun had to move his family to Addis Ababa, abandoning his businesses, employees, and their families.

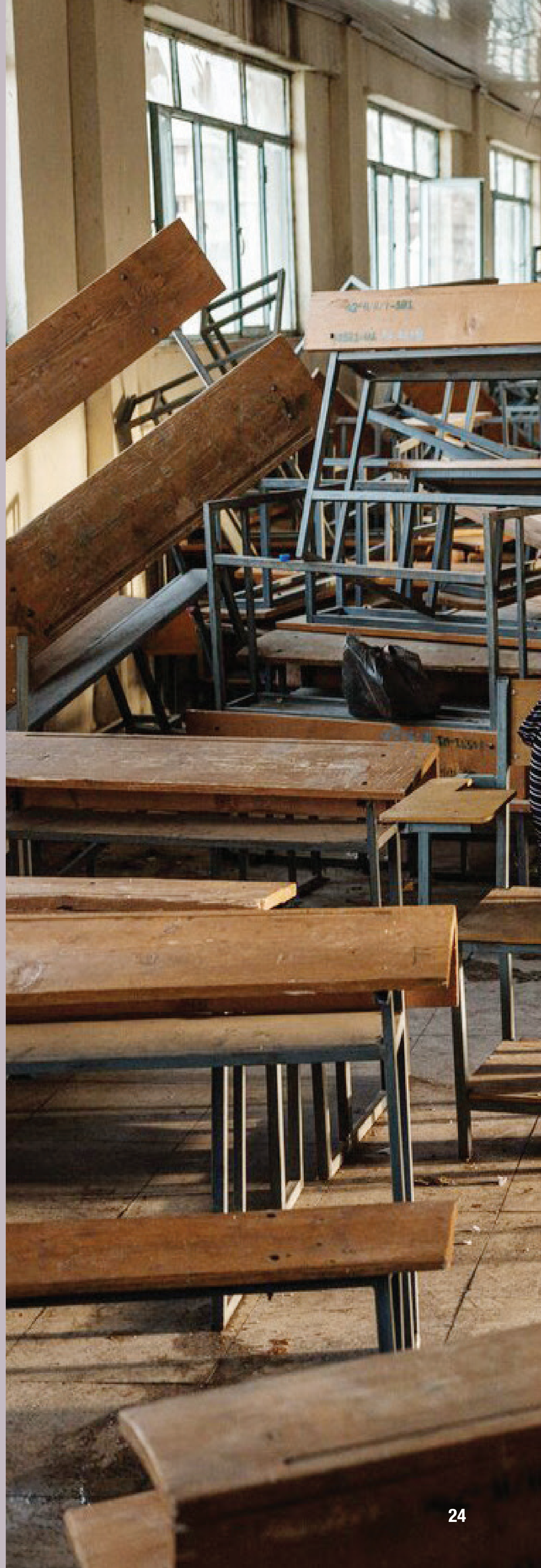
People like Getahun are the source of revenue for more than ETB233 million collected by Woldia in the 2019/20 fiscal year and part of 2020/21's plans to collect ETB300 million. The plan, however, was cut short after only collecting ETB15 million, according to Abate Assefa, Auditor at the Woldia City Administration Revenue Authority.

"My wife was pregnant in her ninth month," said Getahun, sharing the immediate cause behind his decision. "Nearby hospitals were damaged and closed. I wouldn't have had anywhere to take her if her water broke." He and 16 other family members who fled Woldia are now living with his aunt in a home previously only occupied by her and her husband.

"I paid only ETB7,000 when my wife gave birth to the first two children. Now, I was charged more than ETB40,000 in Addis," laments Getahun, feeling the cost of living in his new and supported life.

Dependence was unacceptable





Woldia was expected to be the northern hub for Ethiopia's railway infrastructure, connecting over a third of the country's population with the capital and seaports.

for Getahun just a few months back, as he was the one supporting some of his extended family members. His other aunt, whom he had to abandon back in Woldia, was one such person that he took care of. He covered her medical expenses and would frequently see her. Perhaps lacking his helping hand, his aunt passed away in September, just weeks after his evacuation.

"We are demoralized. My children are not going to school as we cannot afford the tuition fees here," said Getahun. "I was hoping I could be able to work here and support my family. Now, all I think about is when this war will end so that I can go back home."

Going back home may not be the same for Getahun, however. The Ministry of Education has reallocated the students of Woldia University, of which his business depended upon. Damage inflicted on other related public infrastructure could mean starting from scratch even if and when he can go back.

"The war will leave a scar in our livelihoods from which we won't be able to recover from anytime soon," says Getahun, fearing the wound will be on the entire town of Woldia—surrounded by a chain of mountains and on a strategic intersection between Tigray, Wello, and Gonder. The town has recently seen improved investment and economic attention owing to the construction of the ETB500-million Woldia Sheikh Mohammed Hussein Ali Al-Amoudi Stadium as well as railways infrastructure connecting it to Mekelle and Awash.

The stadium, featuring seats and a roof, was expected to host international matches and be a center for budding small and micro-enterprises. Further, a railway line linking Woldia south to Awash was nearing completion, whilst the line northwards to Mekelle was inching closer towards its building phase. The national railway plan even shows another line eastward towards Afar and onward to Djibouti. Woldia was expected to be the northern hub for Ethiopia's railway infrastructure, connecting over a third of the country's population with the capital and seaports. The USD1.7 billion 390 km-long Awash – Kombolcha – Woldia/ Hara Gebaya railway project is being constructed by the Turkish construction conglomerate Yapı Merkezi as a single track starting from the northeast of Awash town, extending north through Kombolcha and eventually reaching Woldia.

The project is highly important as it establishes a connection between northern and eastern Ethiopia and offers strategic support to passenger and freight traffic, including facilitating import and export via Djiboutian sea ports. The completion of the project is expected to be a game changer to the entire economic life of Woldia, and the nation at large.

Founded in 2011, Woldia University also had an awakening effect on the town, running with a budget of ETB770 million and 940 million in 2019 and 2020, respectively. Students numbering around 5,000 studied in 24 academic fields in a campus resting over 196 hectares. Now, the condition of these infrastructures is mostly unknown but the damage is expected, especially on the stadium.

Woldia was counting down the days to experience its own version of economic fireworks before it was set on a fire that dismantled lives and livelihoods. The economic costs are immense. "The war-damaged infrastructures like schools, clinics, bridges, and countless others. This will have long-term consequences," says Wasihun Belay, Economist and Business Consultant. The war will also deprive investments in the near and far future. Woldia is at the center of tourist flows towards Lalibela, Axum, Al Nejashi, and other religious tourist attractions—once the forerunner in fetching foreign exchange for the country.

The implications of the military engagement on the economies of North Wello and federal and regional governments at large, and Woldia in specific are yet to be studied.

"70Pct of the food aid is being delivered by the Ethiopian government; imagine how else we could have invested that," says Wasihun. He is also worried about disturbingly dwindling investor confidence and also blames the military engagement for the insurmountable nationwide inflation. "I see no end in sight, so that makes it difficult to set a time frame for rebuilding."

Indeed, no end in sight is really bad news for Mengiste, Getahun, and the more than half a million people displaced from North Wello, who have seen their livelihoods lost in fire. **EBR**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FINANCIAL SECTOR STRIVES TO SERVE COMMUNITIES WITH SPECIAL NEEDS

It has been one hundred years since Ethiopia witnessed the first bank that served as a whistle to the launching of the Ethiopian financial sector. Now, with 19 banks and USD20 Billion in assets, the banking sector still falls short in serving special needs communities including the visually impaired. Private financial service providers need to go the extra mile and effort in tandem with the regulatory body which needs to create an environment that encourages innovation for a wider scope of inclusiveness in the financial sector, writes Bamlak Fekadu.

Abebe Fite, Attorney and a 45-year-old father of five, has been working at the Ministry of Justice for over a decade. When EBR approached him—midday on November 13—he was crossing the commonly-known-as Bambis bridge, near Jomo Kenyatta Street in Addis Ababa. Walking up the hill towards Kazanchis, a popular business district in the metropolis, he was scanning and orientating himself using his white cane and searching for a nearby Commercial Bank of Ethiopia (CBE) branch. He looked tired walking the hill, but he needed to withdraw some pocket money.

"The service for blind people like myself used to be very inconvenient a few years back, but the thing has recently been easing up," Abebe said. "Visually impaired persons were requested to bring at least two people to witness transactions at banks." Abebe remembers how people would often help him filling out withdrawal or deposit forms and how this creates insecurity amongst blind people.

Over a century old, Ethiopia's banking industry tracks its origins with the establishment of the Bank of Abyssinia in 1905. It was established based on the agreement signed between the Imperial Government of Ethiopia and the National Bank of Egypt, which was owned by the British at the time. Emperor Menelik II, in his pursuit of accelerating the modernization of the Ethiopian state, signed an agreement with MacGillivray, representative of National Bank of Egypt. This moment is seen as the introduction of modern banking in Ethiopia. Following that agreement, the first modern bank, known as the Bank of Abyssinia, commenced operations on February 16, 1906 and was totally managed by the Egyptians.

Ethiopia currently has 19 operating commercial banks, including the giant state-owned CBE with its account holders in excess of 22 million and an estimated asset value of over USD20 Billion. Despite its age and growing private investment in the area, the Ethiopian banking sector is still short of appropriate innovations to ensure access and quality of banking services for

the blind and other similar communities. As much as attempts made by financial institutions to address these challenges are present, financial secrecy or banking discretion is not fully protected for the blind.

Alemu Gari, Teacher at a government high school, is among those who feel that banking services lack fairness towards serving minorities like the visually impaired—including him—who represent 1.6Pct of Ethiopia's population, according to the World Health Organization (WHO). Another 3.7Pct of Ethiopians have low vision according to the same report.

"I was once robbed by people who were behind me and saw me withdrawing cash from the bank," Alemu told EBR.

Deficiencies in access to banking services is also evident in the more modern services including mobile, internet, and ATM banking, amongst others.

The importance of developing a constraint-free and inclusive banking service has already been recognized by the financial services providers. However, in Ethiopia, numerous banking services are still plagued by the exclusion or restriction of visually impaired persons. This can frequently be traced to an extreme lack of knowledge of assistive technologies on the part of the banks. Ill-treatment of visually impaired customers, absence of sufficient legal frameworks, and improper application of existing laws remain bottlenecks yet to be addressed.

Financial inclusion is, of course, a global challenge. It is estimated that about 1 in 3 adults still do not have access to financial services, making up a total of 1.7 billion unbanked people, according to reports from the World Bank. However, the global experience also shows evidence of better sensitivity towards customers with special needs. After the 1970s, many visually impaired bank customers were lucky enough to be part of an inclusive era, rather than depending on trusted friends and family, or even strangers. A bank in Los Angeles, USA, pioneered a "Braille account" on which customers received an aluminum plate with holes and pens. Within the first year, more than 50 people had signed up for the program.


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> **I believe it is not even beginning to crawl to give equal opportunities for the disabled".**
>
> Bersufekad Getachew,
> CEO of EagleLion

Financial institutions, mainly banks, should consider the inclusiveness of disabled people and other communities with special needs, according to Bersufekad Getachew, Founder and CEO of EagleLion, a financial technologies developer. Bersufekad doubts that the central bank, which has the lion's share in regulating financial institutions, has paid enough attention to the issue, adding that "I believe it is not even beginning to crawl to give equal opportunities for the disabled".

Prioritizing knowledge and awareness at the central bank level, and easing some of the discouraging directives will add to efforts of filling the gap of financial inclusiveness, argues Bersufekad, whose team has been preparing to launch an inclusive e-commerce platform with hopes of easing some of the frustration experienced by unbanked communities.

"Even when experiences are brought from other neighboring countries, some local policies stand in the way," Bersufekad shares his experience in tackling the challenge.

The frustration of Abebe, Alemu, and their community seems to have garnered the attention of some private banks. Bank of Abyssinia (BoA), amongst the top three most profitable banks in the country, has recently broke a leg by installing automated teller machines (ATM) accessible to visually impaired customers. The pioneering move was officially launched in early November and features voice-assisted ATMs that offer a variety of banking services to any bank's customers.

"Inspiration of inclusiveness came up following the digitization strategy which our bank put in place two years ago," said Abay Sime, Director of Online Banking at BoA. The average price of a single ATM machine is around USD2,500 to 3,000, even reaching USD8,000 in some cases. The project took six months to implement.

According to Abay, the facilities were launched in 20 sites between Arat Kilo and Shiro Meda, where thousands of visually impaired citizens live. The software, fully developed by the bank's digital team, posed a challenge in regards to compatibility with already installed machines, according to the director.

"As much as the new system bridges the gap in terms of financial secrecy, it might not fully fill the gap, but can minimize their frustration," Abay told EBR.

Bersufekad welcomed the move by BoA and recommends enabling the system to include features like card-less services. Other banks should take a similar path, he said.

As of late, the visually impaired community is being accommodated through screen reading software, special talking, and Braille devices which are similar to elevator buttons. The software allows those unable to see the capability to independently use computers, cell phones, and other electronic devices including ATMs.

The inaccessibility of financial services is not only limited to the visually impaired community. Others, such as pastoralists and rural dwellers, also do not have easy and quality access to financial services in large parts of the country.

"Most pastoralists prefer not to visit banks as most transactions require ID cards." Abdiaziz Hassan, CEO of Rays Microfinance, told EBR. Quite a large number of pastoralists in Ethiopia do not possess national identity cards because of their mobile lifestyle. Moreover, as most interest-free or Sharia compliant banking services are recent developments in Ethiopia, a significant proportion of pastoralists haven't been beneficiaries of financial services in the country. This has exacerbated the poverty situation in these areas as most agricultural inputs are provided through the conventional interest-based financial services by microfinance institutions.

The recent steps by the government to allow the formation of interest-free banking services in tandem with conventional services will solve part of the problem of financial inclusion.

Women, in general, are another demographic category with far less reduced access to financial services, despite their significant share of the general population. Only 26Pct of women save their money at banks, whilst 38Pct use informal saving schemes, according to a recent World Bank study. Examples of informal schemes are Edir, local community-based social welfare associations, and Equib, communal saving and credit associations.

In the age of technology, it is not easy, feasible, and cost-effective for banks to pursue the brick-and-mortar model of banking to reach the vast majority of the unbanked population. Thus, convenient and suitable digital money services at affordable rates are required. These services can be rendered by equipping well-organized agent bankers.

According to the World Bank's report of 2018, 38Pct of adults worldwide now have access to financial access. In Kenya, for example, 82Pct of adults have an account, whilst in Rwanda, account ownership is 50Pct. In the East African region, 43Pct of adults have an account. Yet, Ethiopia lags far behind its African peers with 70Pct of its population still unbanked. **EBR**

"FINANCIAL INCLUSION IS IMPOSSIBLE WITHOUT INNOVATION."

With 18 years of financial sector experience under his belt, Abay Sime is Director of the Online Banking Department of the Bank of Abyssinia, which has over 6 million customers and 1,078 automated teller machines. The bank's recent growth shows a doubling of its deposit base from ETB32 billion to 82 billion within the past year. The number of customers has also blossomed to its current 6 million. Yet, wide-ranging inclusion remains difficult owing to a variety of reasons, key of which is financial and digital literacy to which he recommends institutionalizing the matter in the nation's education curriculum. EBR had an audience with Abay, who also argues that banks are competing for the same pie rather than reaching out to unbanked societies.

Tell us about the strategy you are implementing to include more people into the financial system? And how that is impacting your bank's performance?

The Bank of Abyssinia (BoA) uses a composite strategy to ensure financial inclusion. The first is to increase accessibility via expansion of our branch network and digital services. Our branch network has almost doubled in the past two years, creating more access to banking services for the public.

Accessibility through digital banking has also significantly grown after we revamped existing systems and brought new technologies into the market. Automated Teller Machines (ATMs), Point of Sales (POS) machines, mobile banking, internet banking, and agent banking including the GizePay wallet which is under licensing are among the mechanisms we use to leverage digital banking for accessibility.

Secondly, we have an aggressive customer acquisition campaign running every day to enable the public to have awareness about banking and its benefits. In these campaigns, we make sure that the public understands the importance of banking in everyday life and, where possible, make them open an account at a nearby branch and immediately start banking with us.

Financial inclusion is impossible without innovation. Part of our financial inclusion strategy is to create an enabling environment for innovation that will introduce problem-solving new products so that more people will be addressed. As a result, we continuously introduce new products which do not exist in our market. The e-commerce payment gateway which allowed Ethiopian businesses to go global and the cheap and convenient remittance services that we launched are few examples in this regard.

In other parts of the world, packages like microlending, peer-to-peer or social lending, crowdfunding, and other financial products are common towards including more and more people into the financial system. What are the major packages you are offering to that effect? What is your evaluation of their impact?

As I mentioned above, innovation is our core value and we keep on innovating all the time. To this effect, we have enabled crowdfunding with the in-house team and have partnered with other technology service providers.

BoA has a donation platform where any interested charity organization or anyone with a license to raise public funds can register and promote its cause. We have more than thirty charity organizations registered on our portal, collecting donations. Apart from that, it's in our strategy to partner with emerging fintech companies on financial inclusion and one of the success stories of these partnerships is remittance and crowdfunding. CashGo is both a remittance and donation platform which we have developed with an Ethiopian tech company. There are others in the pipeline soon to be announced.

Blind people, pastoralists, and other such groups are neglected when it comes to easy and accessible financial services. Do you have a study-based demographic analysis to implement your inclusion strategy? What financial products are there to include such groups?

Apart from creating accessibility to banking services, it is in the best interest of BoA's business model, as well as a corporate social responsibility, to be inclusive in the services we provide. In this regard, we have launched the first ATM service for the blind on the 4th of November 2021. The service enables blind people to transact on ATMs aided with voice guidance and earphones, without requiring them to be supported by other individuals.

In addition, expanding banking into the rural community using our agency banking services is another area where we are making an impact. This serves farmers, daily laborers, and low-income earners with minimal know your customer (KYC) protocols. More similar products aiming to address such communities are planned, which we will announce as preparations are finalized.

Studies show that women are significantly less embraced in the financial sector even though they make up half the population. What challenges are there in including and encouraging women to use financial services?

In my opinion, the number one challenge here is the social constraint that we have as a country towards women's participation in social and economic activities. This hinders the financial freedom of women, hence making inclusion more difficult. Digital literacy is also another issue, though this is a nationwide issue. Apart from this, the lack of incentives and innovative products tailored for women is also important to note when we discuss women's financial inclusion.

What packages do you have?

BoA is way ahead in creating banking opportunities for women. We have a women's special saving account—Adey Saving Account—with a 0.5Pct premium on top of normal saving accounts interest rates. We also provide a 'prominent customer' status for any woman with a balance in excess of ETB500,000 in their accounts to receive prioritized service at our service centers. Moreover, every Adey account holder will also get waivers on service charges including ATM card onboarding fee. It is also in our value proposition to give 3Pct cashback to all of our women customers when they shop in selected stores and service-providing institutions like hospitals and beauty salons. This is just to mention some of the attractive packages we have implemented to encourage women to be financially encompassed.

What should be the role of society, government, and private banks to encourage more and more women into the financial system?

As the issue remains deep-rooted and manifested in cultural barriers towards women empowerment, it needs a corresponding response from all involved stakeholders. Government should continue to work on women empowerment at different levels, particularly through the creation of an enabling environment and opportunities to enhance their participation in economic activities which lead to economic independence and thereby financial inclusion. Private banks need to be innovative enough to introduce new products for women and have packaged incentives so that more women participate in banking.

There is a preliminary theory that mobile and internet banking lead to financial inclusion. Recently, an equity bank in Kenya closed 90 of its branches claiming disuse owing to digital banking which better serves and attracts more customers. In contrast, Ethiopian banks are competing in the number of branches opened. How do you explain the role of tech-based financial services regarding inclusion? Are banks making the wrong investment in opening more and more branches when fintech offers easy and accessible services?

Different markets have different natures and experiences regarding banking business. The same is true for all sectors. Kenya is by far better than Ethiopia in terms of creating accessibility of banking services, both conventionally and digitally. The country is even cited as having the best mobile financial services experience globally. This tells us a lot in terms of where we stand with the banking experience we provide. In Ethiopia, we are just starting to create basic accessibility to banking.

There are lots of challenges to be addressed with creating financial literacy being the most significant. Our society needs to learn more about the importance of banking. Due to these unaddressed issues, our society is characterized as cash-heavy and still needing familiarization with banking. The efforts currently undertaken by banks need to be seen in this context. So, we are yet expected to create more accessibility via the bricks-and-mortar model so that people can learn and build trust. As the learning curve is maximized, there will be times when the current effort of expanding branch network will be minimized and eventually become irrelevant as we are witnessing in other markets. From this context, banks are investing correctly. But it doesn't mean the approach they are following now is fully on track. They need to also focus on reaching remote areas and leveraging digital technology to widen the options to society.

The role of fintech in this effort is significant but challenging. One of the reasons, in addition to what's mentioned previously, is the fact that the whole payments ecosystem needs to function in a comprehensive manner for a successful fintech operation to be viable. We have seen encouraging results thus far in person-to-person (P2P) and other bill payment services offered by BoA, as well as other commercial banks. This is an indication that fintech engagement could be even more successful as we progress on the challenges we are currently experiencing.

As much as internet and mobile use is helping ease of access and quality of services, challenges are reported in promoting the services to Ethiopian society. What are these challenges?

There are internal and external factors. Internal ones are mainly attributed to the business strategy of each institution. For example, BoA has digitalization as its pillar of doing business in its current strategy, as visible with all of our digital banking expansions of recent years. Additionally, internal capacity to execute such initiatives and the investment required to acquire necessary technologies and consultancy services are other challenges faced by banks.

> **"The whole payments ecosystem needs to function in a comprehensive manner for a successful fintech operation to be viable"**

On top of these, however, the external environment also contributes to banks' reluctance to invest in tech-based financial services. As mentioned above, our society is yet to learn enough about the importance of financial services and start trusting digital services. Even though it is believed that a joint effort is required from all, particularly the government, banks need to do their part in educating and creating awareness in and around financial and digital literacy.

With this background, the return on investment (ROI) on tech-based financial services is not expected to occur in the short run. Banks need to invest more to educate now and expect the result in the long run, and this is a concern from a profit-making perspective. Apart from this, an enabling regulatory environment and government support is highly crucial in driving successful tech-based financial services. This is just starting.

What should society and government do to uplift digital banking with the

speed that is required and seen in the contemporary world?

This, in my opinion, requires a big leap. If we intend to speedily catch up with the rest of the world, it would require major structural interventions to be implemented. Institutionalizing banking and financial literacy in our education curriculum, incentivizing banking services, creating an enabling environment for banking and financial innovation, supporting emerging fintech, and generally making a concerted effort to alleviate current challenges would be indispensable as the way forward.

Banks begging pedestrians to open bank accounts on the streets of Addis Ababa has become common in recent months and years. I have opened accounts in many banks but still use only the ones opened before these promotions. How effective is that strategy beyond just reporting increased numbers?

Financial inclusion parameters show that Ethiopia is far behind sub-Sahara African standards. We have a cash-heavy society that needs to be migrated to the modern banking system. Considering this fact, the above claim is far from true. Banks need to exert more exertions to make the unbanked population bankable. In fact, we understand banks are competing for the same pie to win customers into their domain and in that effort, the chance of having duplicate accounts is real. Nonetheless, additional works are expected from industry players.

In taking BoA's experience, we are more successful in our daily sales endeavors to acquire new customers, as deposits have almost doubled in less than two years' time. New customers' deposits take the lion's share in the recorded growth. The story may not be similar with other banks since we have seen some losing market share. Therefore, given these facts, the question remains how to run an impactful sales campaign where the unbanked population becomes banked and banking service reaches every corner of the country. The answer is still to create more accessibility, educate our society via different mechanisms, innovate more and more, and incentivize banking as a service.

> **"We are yet expected to create more accessibility via the bricks-and-mortar model so that people can learn and build trust."**

Around 70Pct of the country's population is believed to still be unbanked. What should be done by the government in terms of policy reforms and other assistance measures to financial institutions?

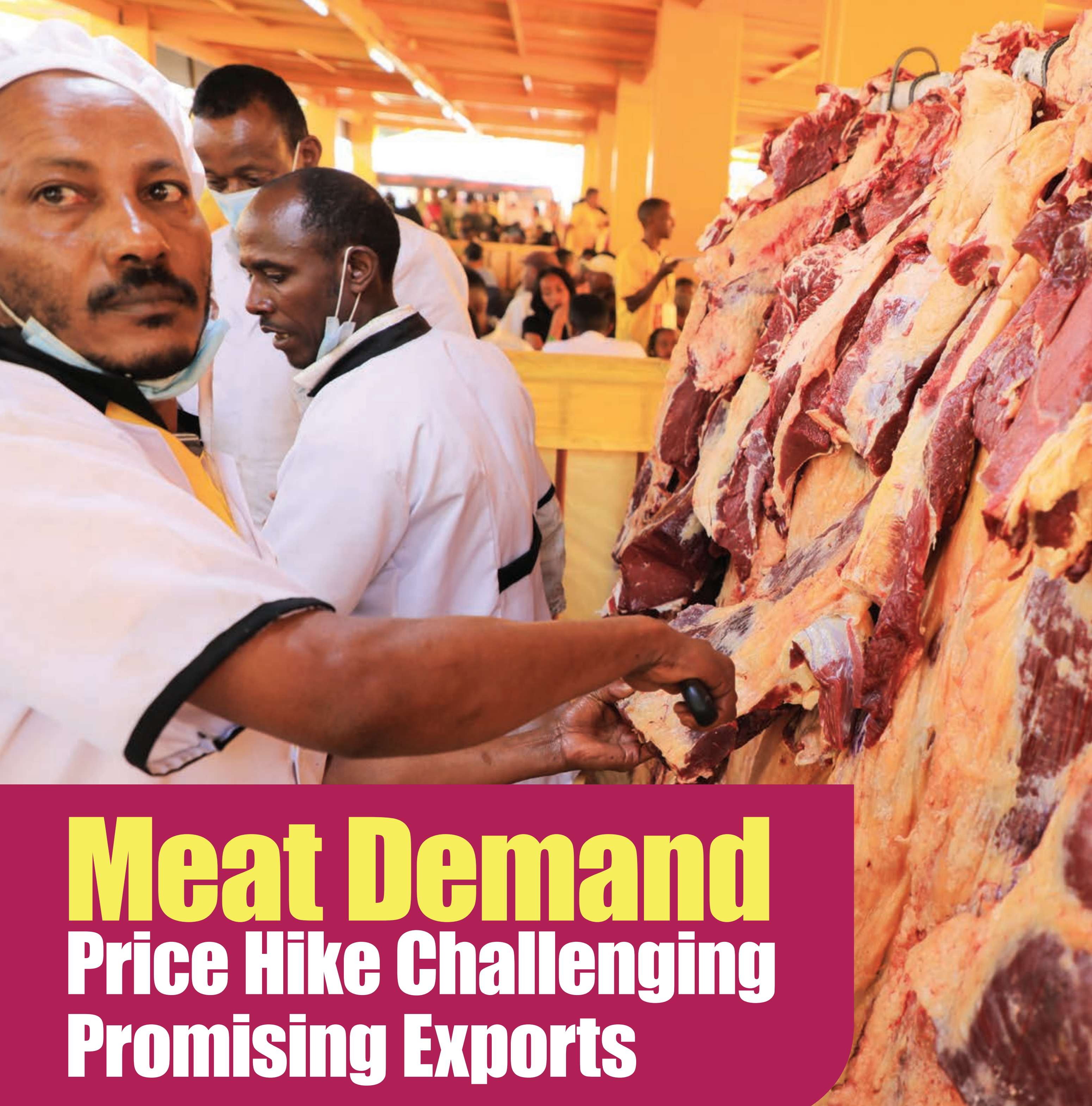
The government has already started implementing the financial inclusion strategy of Ethiopia as of 2017 with a vision of "achieving universal access to and usage of a range of affordable and high-quality financial products and services in Ethiopia by 2025." It is vital that we ensure the proper implementation of this and other recent undertakings such as the Digital Ethiopia 2025 and National Digital Payments strategies. If successful, I believe this will change a lot by itself.

What about private banks? What is expected from them in terms of strategy?

As stated above, private banks need to focus more on innovative products where they can make a difference in terms of solving problems in banking. This will also go towards the entrance into new and previously unreached markets. It is also important to expand accessibility by leveraging burgeoning digital capabilities on top of conventional mechanisms. Further, a concerted effort is required to educate society and create adequate awareness about banking and financial literacy. As a shared responsibility, banks could embark on this via their association. The fact remains that though each institution needs to play a proper role in its own domain to onboard more customers, more focus needs to be given to unreached areas.

What is expected of society in terms of awareness and related issues?

Our society needs to embrace change and innovation. **EBR**



Meat Demand
Price Hike Challenging Promising Exports

Meat exports in recent years have been sending promising signals to the export sector. Even though this new trend has shown potential to reverse the long-time narrative of how Ethiopia doesn't take full advantage of its abundance of live animals, it is still being challenged by a competitive local market. As Ethiopians' love affair with meat is pushing local prices higher and higher, more attention is advised to solve the hurdles of the sector to fully reap the benefits of meat production, writes EBR's Bamlak Fekadu.

Ethiopians' love affair with fresh raw meat began in the 16th century. As oral tradition has it, troops invented the manner of eating to avoid enemies who could trace their whereabouts by sniffing out meat being roasted or seeing the illumination or smoke of the cooking fire. Since then, the consumption of raw, as well as cooked, meat has also been associated with cultural and religious practices, being seen as indispensable to any celebration in Ethiopia.

In the past, the habit also denoted a certain social classification, one of belonging to the higher classes or becoming matured. Nowadays, seeing restaurants selling fresh goat meat and raw beef, as well as kitfo—the finely chopped traditional food of the Gurage people in southern Ethiopia—has become a defining scene for Addis Ababa's small and medium businesses. One can find these restaurants in almost every corner of the capital.

Such was the love affair that brought together thousands on a sunny and windy October Saturday. The gate of the Exhibition Center and Market Development Enterprise, sprawling over 10,000 square meters in the center of Addis Ababa, was congested with custodians wearing yellow shirts, and meat lovers queuing to buy entrance tickets. The exhibition center was hosting the sixth meat festivity in collaboration with BGI Ethiopia, one of the largest breweries in Ethiopia, and Century Promotion. The festival looked to celebrate the Ethiopian culture of eating together. That's why the organizers cut prices to half of market rates.

The central gate's scenes were full of hundreds of custodians hollering to attract entrants to their butcheries which were rushing to serve raw and fried meat. Families and friends gathered amongst the seven butchery pavilions where butchers were heard sharpening their blades despite loud music grooving from the disk jockey's stage.

Amongst the seven restaurants in the event was Noah Butchery, holding a corner of the main gate and where the family of Dawit Gebre and Tinsae Zewdie were present after being invited by their elder son Robel Dawit, a 32-year-old Accountant.

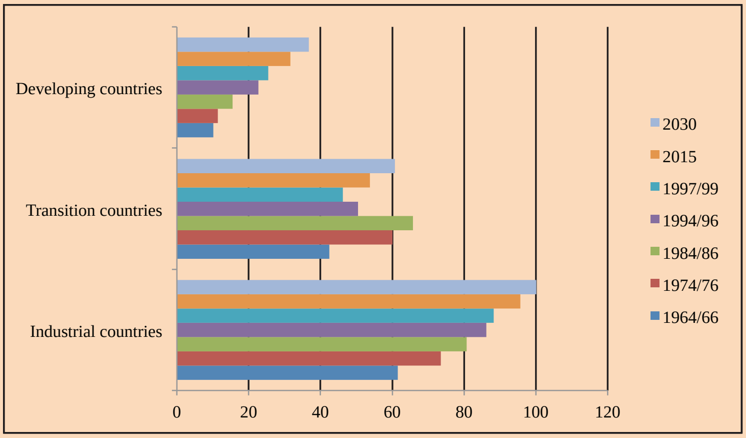
"I started eating raw meat when I was 16 years old, even though my father never supported it," said Robel. "It is a wonderful event that brings together families and beloved ones. I wonder how a nation with so many meat lovers doesn't have such a kind of national festival," he added.

"The love of raw meat is something that makes Ethiopians unique," says Edilawit Zewge, Project Manager at Century Promotion.

Ethiopians' love of meat, however, is not evident in national consumption figures. Per capita meat consumption is eight kilograms per annum, lower than the sub-Sahara

African average of 10.9kgs in 2015, which is expected to reach 13.4kgs in 2030, according to the United Nations Food and Agriculture Organization (FAO).

Meat consumption: kg per capita



Source: ***United Nations Food and Agricultural Organization (FAO)***

With a ten-year plan put in place to make the nation the top meat producer and exporter in Africa, Ethiopia currently exports around 12,000 metric tons per year. A kilogram of beef costs around USD5 on the open market, equating to around USD5,000 per ton, according to Selina Wamucii, a market-access solution for farmers that integrates with cooperatives, producer organizations, agro-processors, small and medium enterprises, and other organizations that work directly with family farmers. Prices at urban eateries are much higher—some in excess of USD20.

However, for exports, a kilogram of beef is capped at USD5.75 by the Ethiopian Meat Producers Exporters Association (EMPEA). However, the cost is no less than USD10. Moreover, the price for a kilo of goat meat is around ETB240 locally with global market prices above local rates by just less than USD0.50.

The UAE is one of the top importers of Ethiopian beef, followed by Saudi Arabia. Ethiopian beef is also imported by a number of African nations, including Egypt, Republic of the Congo, and Cote d'Ivoire. Ethiopia now controls around 12Pct of Africa's overall beef market.

Prices are set by the seasons. For example, during the wet seasons, which run from June to August, prices are at their highest since the animals are in full bloom.

A year ago, a single ox would typically consume up to ETB40 worth of feed a day, in contrast to the current ETB250—an explosion in excess of 500Pct.

Skyrocketing prices of meat in the domestic market have also made business difficult for companies like Frigorifico Boran Foods PLC, a subsidiary of the India-based Allana Group.

Frigorifico is erecting an abattoir with an investment of USD60million on 72 hectares of land. Established in 2018, the facility remains shuttered after well over a year, besieged by a host of problems from insufficient livestock supply due to contraband trade of cattle as well as the high local prices for meat.

Abyssinia Slaughter Service House (ASSH) is among exporting abattoirs in hot water following the skyrocketing price of live animals and red meat in the local market. ASSH was erected on four hectares of land with an initial investment of USD8 million in Bishoftu town, 47 km away from Addis.

In full capacity, it can slaughter and process over 500 heads of cattle and camel, and ten times that number of sheep and goats daily, mainly destined for export to Saudi Arabia, Kuwait, Qatar, and the United Arab Emirates (UAE), according to Tewodros Tadesse, General Manager of ASSH.

"The main problem with the meat export market is that it is impacted by supply shortages and local meat prices are higher than global market rates," said Tewodros. Global competitors like Pakistan, India, and Sudan have commercial farms and are somehow considered as price setters of the meat market in the Middle East.

"We are not even at breakeven level from exporting, as meat prices are locally higher than the global market. However, the foreign exchange pulled into the country could be an advantage." he added.

An official from Elfora Agro-Industries, a subsidiary of MIDROC Investment Group, agrees with Tewodros that the export of meat is not securing profits for slaughterhouses. "We are in hot water as export earnings couldn't even cover operational costs," an official from Elfora said.

The Ethiopian Meat and Milk Industries Development Institute (EMMIDI), along with the Ministry of Trade and Regional Cooperation, has the role of supporting meat processing industries through training, research, consultancy, investment facilitation, and market linkages and promotion. Currently, the government is focused more on market regulation. "The export price is fixed due to mal-certification of quality meat products and limited market destinations, despite the urge to obtain foreign currency as an exporter and nation." said Abraha Negash, Director of Meat Industry Development at EMMIDI.

Common interventions are to set

There are only 10 actively operational export abattoirs out of the 20 that were established.

a minimum selling price to minimize dumping in coordination with stakeholders, meat processors, and exporters' association. Local meat price interventions are common during holiday seasons when there is high demand for affordable meat. Export markets tell a different story: exporters are not at all happy about the ceiling. As of late, there are only 10 actively operational export abattoirs out of the 20 that were established, according to Abraha. These companies generated USD82 million in export revenues last year.

At first glance, the supply side of the explanation does not sit well as Ethiopia currently has the largest livestock population in Africa, with an estimated 65.35 million cattle, 39.9 million sheep, and 50.5 million goats. A closer look at the sector shows how due attention to develop the sector is missing. That's one of the many reasons that explains why and how contraband has become a widely established market practice, at times involving people in government.

According to Fantalem Mohammed, Cattle Trader in the capital, climbing prices are partly due to the growing popularity of contraband cattle trade, where traders earn more money by selling their livestock to buyers in neighboring Kenya and Djibouti, who in turn, sell onwards to Middle Eastern countries.

Essaye Ahmed, a resident of the border town of Togochale, argues that for foreign buyers Ethiopian cattle taste better. Goat meat can be sold for as much as USD25 a kilogram. "That may be because they feed them organic fodder," Essaye says. For Fantalem, the surtax levied on feedstuff is showing a significant effect on the escalating price of meat.

A year ago, a single ox would typically consume up to ETB40 worth of feed a day, in contrast to the current ETB250, while jute bags of fodder cost up to ETB3,500 a piece—both seeing an explosion in excess of 500Pct. Essaye's argument seems to be shared by the Ministry of Agriculture (MoA) which drafted a document requesting the Ministry of Finance to remove taxes imposed on all kinds of animal feed, arguing it is one driving factor for price hikes in the nation's livestock market.

Livestock production contributes a significant portion of farmers' income in Ethiopia. Its contribution to the national economy is also very measurable. According to some records, about 20Pct of agricultural GDP comes from livestock. Ethiopian traders have sold about 35,280 heads of cattle to their counterparts in Somalia in the first three months of 2021, exhibiting a 6Pct quarterly growth. This stems from a surge in the practice of re-exporting the same products by traders in Somalia to the Middle Eastern countries.

"We can say it is a neglected sector. Meat processors and slaughterhouses are like traders, nothing more," says Samuel Assefa (PhD), an Expert with over three decades of experience in livestock trade.

Exporters are not also interested in building commercial farms as they are supposed to in a country where the market is volatile and often sabotaged by intermediaries. No matter how encouraging it is, MoA's decision to lift taxes on imported feed cannot come soon enough. Meat processors must consider insemination of the best bull breeds from selected regions like Spain, the Netherlands, and Australia to boost their productivity and also obtain sustainable products, industry insiders also recommend. **EBR**

THE SLUGGISH FOOTBALL INTERMEDIARIES MARKET IN ETHIOPIA

Sports agents—legal representatives of sportspeople—facilitate contracts and generally consult players and act as middlemen dealing with club management. Globally common, these actors would like to dab into the growing largess of money circulating in Ethiopian football. Yet, reluctance from both players and club management has made their situation difficult. When properly done, football intermediation could lift all boats in the sector, writes EBR's Abiy Wendifraw.

In the 2011/12 football season, a 20-year-old young man, Tesfa Bihonegn (name changed to preserve anonymity), helped his team, Arba Minch Kenema, win promotion to the Ethiopian Premier League for the following season. After hearing the final whistle of the important playoff match with Ethiopian Insurance that went to penalty kicks, Tesfa was rushing to join his family members who were celebrating the success when he encountered a stranger.

He remembers how the man stopped him even before he left the field." I first thought he was just a happy fan wanting a warm hug. I was wrong. He started whispering in my ear that he could help me play for the most established teams in the league and gave me his number written on a piece of paper." That was not it. To Tesfa's surprise, another guy was already waiting for him in the tunnel to the dressing room. The second person had even better preparations to finish the business on the spot. He told me he had a draft agreement ready if I want to work with him.

Even a third person was waiting for me on my way to the stadium exit, trying to lure me in to speak with him about his network with teams abroad.

"That night I consulted with my brother and declined those offers. After witnessing what happened to other players who fell in the brokers' trap, I decided to not listen to any similar offers," says Tesfa. Even now, after 10 years, the more matured Tesfa struggles to recognize the relevance of having an agent in his career. And according to industry observers, Tesfa's experience is what most local current or previous footballers of the Ethiopian Premier League have gone through.

Now, this same perception is affecting football intermediaries in the country and the actors in business seem to have recently felt the burn. The number of agents who renewed their licenses at the Ethiopian Football Federation (EFF) demonstrates the fact. Almost 80Pct of agents have decided to leave the business.

After FIFA's decision to let national associations issue agent licenses in 2015, EFF made a registration call to those interested to provide professional services in football intermediary. 193 people responded by covering the ETB100 registration fee and 70 successfully passed the exam. In the end, 50 agents got their license after managing to pay ETB20,000—half for professional indemnity insurance and a ETB10,000 registration fee.

Zewdnesh Yirdaw, Head of Players

Transfer at EFF, confirms that this year only 11 agents renewed their license, out of 50. “The renewal deadline already expired on August 31,” she says.

“Studies have not been conducted, but there were issues and challenges which we observed. I can guess that some agents had unrealistic expectations on the number of clients they would secure when granted the license two years ago. And there were people who joined the football intermediary business even though they were not into it. People who never even attended football games tried to handle issues on the behavior of the footballers.”

The role of football agents in Ethiopia seems to be limited to player transfer negotiations. However, there are still few agents trying to accommodate counseling and sponsorship issues to maximize their client’s income and secure other opportunities.

According to Zewdnesh, almost all foreign footballers in the country have agents. “It is not just for the language barrier in negotiations. They believe that they need the professional support and want to pay for it.”

Local footballers showed some interest in hiring an agent after the league introduced the recently-lifted salary cap of ETB50,000. “The agents’ share was calculated from the ETB50,000 which was much lower than the actual salary of the player paid unofficially under the table. That made players comfortable even though most still do not seem convinced. When the salary cap was lifted and the official salaries reached the hundreds of thousands and millions, most players terminated their dealings with agents.”

When the players transfer window for the 2021/22 season closed last month, very few local players in the league reported of agents that represent them. “We witness players suffering from bad deals and unfair administrative issues—areas where they need agents’ support. Players sign contracts without reading. Some struggle to understand the terms of the agreement and later face the consequences,” adds Zewdnesh.

Zeray Eyasu, an Agent who recently left the business, explains that a lot has to be done if the sector is to revive. According to him, being an agent in the Ethiopian football industry is a tiresome engagement. “Football administrators, coaches, and brokers do not want unlicensed actors to influence transfer deals and the market,” says the man who followed the country’s football.

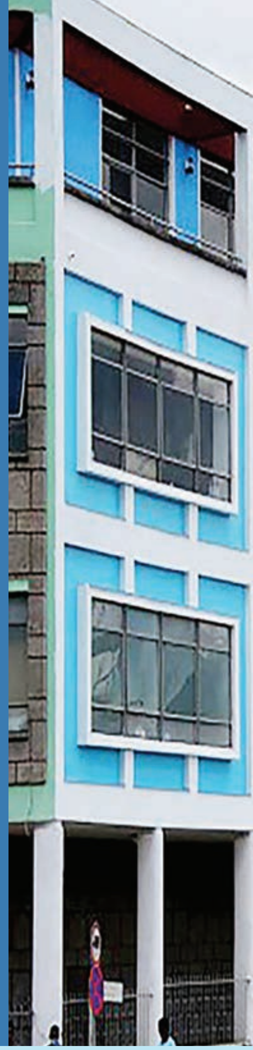
“Football administrators and players need to realize the benefits of working with agents. The more an agent fights for his/her client, the shorter the agent’s career life span becomes. Club administrators will mistreat and boycott the agent and even discourage other players of the team from employing that intermediary. At some point, the players think they need to choose between the agent and the ones that pay them.”

EFF cannot force players to hire agents. But officials in the sport’s national regulatory body believe players should get maximum service and protection in their engagements. Agents who earn 3 to 10Pct in fees from the clients are thus under pressure to upscale their services to gain players’ trust.

Mensur Abdulkeni, a renowned football Journalist, believes the area requires a lot of work to be functional. “I think we should find a way to prevent payments from going under the table. There is a lot of interest in those transactions.”

Football in Ethiopia has slowly moved forward in the past few years in terms of marketing. Clubs are now making more money from sponsorships and broadcasting rights. Unfortunately, agents who could have better facilitated and attained even greater progress have faded out. The bitterness can be felt from Zeray’s tone when asked if he considers returning to the agents’ world. “I will never come back to this business.” **EBR**

OLD FACE, NEW MINISTER TO FACE OLD CHALLENGES



Prime Minister Abiy Ahmed (PhD) invited opposition party leaders when he formed his new cabinet last October. Perhaps looking to freshen up the workings of the Ministry of Education, where many would agree infrastructure is relatively present but implementation and focus on quality have been highly lacking, Abiy installed Berhanu Nega (Prof.), a venerated educator and opposition figure. Such opposition leaders must see the appointment beyond its political implications and realize that the country faces real challenges that require their technocratic attention, writes EBR's Addisu Deresse.

Born in the town of Bishoftu, also known as Debre Zeit, in 1958, Berhanu Nega (PhD), is the most prominent opposition leader appointed as minister by Prime Minister Abiy Ahmed (PhD) in the new government formed in early October. The new Minister of Education is said to have come from a family that highly valued education. His late father, Nega Bonger, a self-made millionaire, sent his children abroad for education.

For Nega, education was a place for his kids to get away from the deadly politics of the Derg regime. He knew his children, who as young high schoolers were active in the country's politics, would otherwise end up in prison or dead. He was proven right as he lost Berhanu's elder sister, Askale Nega, after she was taken into custody by the Derg and then disappeared. Her death, together with many young and bright men and women who sacrificed their all for a free and democratic Ethiopia, was later reported in Addis Ababa by the military junta.

Sources close to the family say that Nega was determined to send his children abroad for education even when his vast commercial corn and soybean farms were confiscated by the socialist regime and its distaste for private investment.

His father's money and courage put Berhanu in the State University of New York at New Paltz, where he received his bachelor's degree in economics. He would also attend his master's and doctorate's education in the US. Quality education, which has been a luxury for most Ethiopians, was not just a hiding closet for Berhanu though, it was also a means for excellence. Berhanu's younger son, Iyassu, shared classes with the daughter of Donald Trump, America's former president, as well as the granddaughter of Joe Biden, America's current president.

Iyassu, who dropped out of medical school to study business administration at the undergraduate level at the University of Pennsylvania, became a Wall Street investment consultant in New York for a few years before going to Harvard Business School for his MBA. Noah, another son of Berhanu, is an engineering graduate from Carnegie Mellon University, an elite private research university based in Pittsburgh, Pennsylvania.

During his first public appearance as an appointed Minister of Education, Berhanu asserted how his ministry will not have room for challenges that could arise from political differences. He was referring to the differentiation between his political affiliations as leader of the Ethiopian Citizens for Social Justice (EZEMA) party and that of the minis-

try's workers, who are primarily affiliated with the incumbent Prosperity Party (PP).

For anyone with even the slightest insight into the nation's education sector, Berhanu's challenges will be much more demanding than in-house politics. He has taken the helm of a sector where quality has not been a virtue. Many would agree that the nation's education system is broken and the need to fix it is more critical now than ever before.

Of course, more kids have gotten the chance to go to school. The Ministry of Education (MoE) claimed that more than 95Pct of school-aged kids have been able to attend school during the regime of the Ethiopian People's Revolutionary Democratic Front (EPRDF). Voices on the other side have been debating that the number excludes dropouts. Some even say that political cadres in education bureaus forced parents to have their kids registered, not caring much for the follow up of their success.

A document from MoE indicates that enrollment in grades below the ninth has declined in 2016/17. Completion of grade eight for female students was about 52Pct, and 55Pct for their male counterparts in the same year. The dropout rate between grades one through eight was 11.9 and 11.4Pct for female and male students, respectively. The enrollment rate in grades nine and 10 was 45 and 48.9Pct for female and male school-goers, respectively, in the stated year. Enrollment rates for grades 11 and 12 are reported to be around 25Pct for both genders. The data is not indicative of the whole story, yet, there is strong evidence on the increasing number of schools opening at least in villages and major towns.

Data is not available at the ministry regarding teachers' appropriate qualifications for the respective grades they teach. There are figures stating that 80Pct of female and 66Pct of male teachers in grades one to four might be qualified. In 2013/14, only 21Pct of primary schools and 30Pct of secondary schools were considered level three or above—the baseline set through international inspections. In the same year, only 46Pct of schools are reported to have access to digital or broadcasting technologies and only 60Pct of Technical and Vocational Education and Training (TVET) completers were assessed to be competent. Recent report of students' reading performance and national exam promotion rate show a very bleak reality about the education sector's efficiency in bringing up competent citizens.

Why is Ethiopia suffering from poor education?

Discussions with industry observers indicate that private schools are doing whatever they want. There are reports of schools providing courses against national curriculum guide-

lines.

Also, whilst some schools use native languages in lower grades, others don't. Certain schools even have supplementary books in English in lower grades, way before English becomes a language of instruction. There are also some that offer two after-school classes on a daily basis to support main classes, whilst others have one and some don't even offer such classes.

"I am supposed to take 10 classes every day," Mahlet Ambachew, an 11th grader at a private school in Akaki Kality District told EBR. "If a teacher calls for a makeup class early in the morning, that makes it 11 classes and this is only typical to my school."

Many young educators never consider retiring as a teacher.

Discussions also reveal symptoms of reluctance towards extracurricular activities. MoE strictly recommends the implementation of extracurricular activities. Drama, sports, gender clubs, and arts, amongst others are highly urged to boost quality and student engagement—integral to their development. Many private schools that operate in rented residential compounds neither have the means nor the initiative to encourage students to engage in extracurricular activities. The same can be said for educational facilities. Science laboratories and libraries are usually only open when education regulators visit the schools for accreditation assessments.

The case for public school is even worse because the focus has always been in building low quality infrastructure. Further, teachers' education and benefits packages have long been an issue throughout the country. Accordingly, grey-haired teachers are missing in many schools. Many young educators never consider retiring as a teacher as a decent life isn't possible with the prevalent low wages in the face of high cost of living. Teaching has therefore become a transitory profession. An assessment once done by one of the Catholic schools in Addis Ababa shows that more than 70Pct of their teaching staff are pursuing another disciplines in higher education to change their profession.

The new Minister is facing such an ugly reality.

Berhanu was "a gregarious and active figure on campus, he rooted for the Philadelphia Eagles and the Cleveland Cavaliers…and was known as one of the best squash players on the Bucknell faculty," reads a 2016 New York Times report. As someone who reaped the benefits of not only curricular but also extra-curricular activities in a well-functioning education system, the new minister has out-of-classroom challenges, too.

Teachers' complaints on the size of textbooks are another factor to be looked at. Asrat Zelalem, Biology Teacher at a community school in Hawassa, the seat of the new Sidama Region, shared a story on how an American who once came to Ethiopia to train teachers was shocked to see the total number of pages a grade nine student has to study. "I have to be a professor if I read all this," Asrat recalls his foreign colleague saying.

According to discussions with teachers working for private and community schools, a Continuous Professional Development (CPD) package once introduced has more to do with administrative and political affiliation than imparting scientific skills. It only ended up being an instrument for administrative control rather than one that improves teachers' pedagogic and scientific skills. Compare that to a CPD program for health care workers and one would understand how a total failure it proved to be in the education sector.

Quality can be maintained through fair competition among players or through regulating control by the public sector, according to teachers. Private schools compete in two areas: how fluent in English their students are and how many students make it over the national pass mark. While the first criterion does not help maintain quality over the whole process, the second can be corrupted. Schools can corrupt their way out of quality controls over the implementation of the national curriculum and/ or extra-curricular activities.

"We hear stories of schools sabotaging the exam process to support their students," Berhanu said during a recent local television interview." Exams integrity is very important."

These teachers are also well aware of the scar Covid-19 is leaving in their sector. The pandemic forced about 27 million children to stay home for more than a year. This does not include those in higher education institutions. As senior public health officials have not yet agreed on the time frame for a total victory over the pandemic, there lays a lot of uncertainty in the future of education.

For Berhanu, being Minister of Education also means understanding that there are only very few parents who can pay expensive tuition fees as his parents did for him. The challenges he will have to face also entail bringing down unreasonably high tuition fees.

"Our school collects 150,000 Birr excluding textbook and uniform payments every year from each student's parents," said Asrat. **EBR**

PAINTING PAIN AWAY

ART EASES MENTAL ILLNESS RECOVERY

As mental illness continues to challenge society, government institutions and private citizens are contributing to possible remedies. Even when daunted by mistaken public awareness and infrastructure shortages, the use of art is lending a hand in the fight against the growing public health challenge, writes EBR's Trualem Asmare, where she finds dedicated individuals tackling the issue with their artistic hands and minds.

On October 29, 2021, the hall of the National Theater was filled with people from various walks of life. This time, however, it was not for a full theatrical event. It was art and mental health that brought people together. The event, organized by St. Amanuel General Hospital (SAGH), was meant to create awareness of the growing challenges of mental health in the city as well as nationwide. Attendees were seen throwing hands to grab brochures being handed out by the organizers. The little infographic pamphlet paints a rather grim picture.

With the objective of creating awareness among the public, the event brought together festivals, art, motivational speeches, and panel discussions. The panel discussion addressed the shortage of access to mental health services, among other issues where the panel sounded rather serious on how the public is taking mental illness for granted.

Established as a general hospital in 1940 during the Italian occupation, SAGH took in about 130,000 patients in 2020, while more than 125,000 visited the facility in 2021, according to Abiyu Yenealem, Communications Director at SAGH. "Many more patients have to be kept where they dwell due to the pandemic," says Abiyu. The facility is forced to deny access to its inpatient services to avert possible Covid-19 outbreaks.

At the facility, treatment is provided in three schemes. There is treatment for emergency cases, periodic care for patients who stay home but occasionally visit their doctors, and inpatient treatment for those with severe cases. No matter the scheme, all treatments involve psychotherapy and drugs.

"The hospital doesn't have media partners but tries to use its own budget to plan and administer events and other artistic outdoor activities to create awareness on the matter," said Abiyu. "Media and other stakeholders usually take the challenge of mental health for granted."

Abiyu also raises the fear of stigma which is causing a serious lack of awareness. People don't want to know as they fear they might be taken away. Only a few seem to understand the fatality of the challenge. "90Pct of suicides have mental illness profiles behind them." Art is a vital tool to get the message across, and in such a powerful way too, according to Abiyu.

Studies show that 27 out of 100 Ethiopians are affected by the challenges of mental health. The country also spends ETB2.5 million on mental health every year. One in five families are affected and USD2.3 trillion is spent worldwide. The same studies show that people who have been displaced from their homes due to conflict and other natural disasters are highly likely to be affected by mental illness. They indicate that those displaced, as well as those giving shelter owing to conflict, environmental disasters, and other reasons have an increased chance of being inflicted as stress is the main cause for mental illness. In such cases, one in four are affected.

One person who seems to have understood both the prevalence and fatality of the challenge as well as the significance of art to address it is Meron Sisay. Aged 29, she is involved in arts medicine and is Country Director of Arts in Medicine Africa. Having graduated in performing and visual arts from Addis Ababa University, she has received a certificate in dementia and the arts from UCL, England.

"Arts medicine is treating patients through art without medicine," explains Meron. It includes listening to music, storytelling, handcraft painting, working art journals, gardening, and other creative outdoor and indoor activities. It is very important to keep the patients occupied away from their worries and pain." It does the trick in getting their health back quickly.

According to Meron, the arts medicine project started in 2015 and provides training for various institutions such as Desta Mender of the Catherine Hamlin Fistula Foundation, Charity Brothers which is a center for Autism in Gefersa just outside Addis Ababa, and SAGH. However, the trainings are not bringing about intended results as society takes the concept of arts medicine for granted.

"There seems to be little appetite as our society has no mental health

awareness and more work is needed in that regard," noted Meron.

By the time EBR visited Meron, she was finishing off a training session as per her agreement with Gefersa Mental Health Rehabilitation Center (GMHF), which has 86 patients. Meron is happy that the center welcomed her idea.

"I know it is good for patients and it is believed that it will have a positive outcome if they keep working hard," points out Meron. She urges society to avoid the misunderstanding and possible stigmatization if one speaks out about mental illness.

Yonatan Surafel studied traditional art painting at the school of the famous Lemma Guya as well as art at Abyssinia Arts School, where he became informed about how art could be utilized beyond aesthetics. The books there made him realize how painting pictures could be used to treat people with mental health challenges.

So, Yonatan and his friends founded art therapy at Mekedonia Home for the Elderly and Mentally Disabled in 2017 and have since been working there as part-time volunteers. Their art therapy contains literature, theater, drama, painting, and other arts. The center brings people together from various mental health challenges including those with speaking disabilities. Thus, the inability to express inner feelings are everyday challenges at the center. Yonathan and his colleagues are challenging the obstacles by putting together their artistic tools and knowledge.

"We have had various experience-sharing platforms," says Yonathan. In 2016 and 2017, him and his colleagues offered their services at the Black Lion Hospital's children's ward. "The children would forget their pain as we took their souls away through our paintings and other performances."

Forgetting pain for a short period of time is not the only result, according to Yonathan. The process helps people teach themselves to slowly integrate with those around them and survive the dire conditions which they have endured. Four children, who attended the services of Yonathan and his colleagues at Black Lion Hospital, have even sold their works of art for ETB100,000 at an event held at the Sheraton Addis Hotel.

"Art saves lives in lots of ways," he adds. **EBR**

The War in Northern Ethiopia is No Longer Solely with the TPLF

Zeresenay Zeleke (PhD), name changed upon request, is a highly distinguished professor in an acclaimed US university.

The recent coordinated move by the Biden-led US government and its Western allies against the Ethiopian people has proven, once again, how far they will go in their attempts to restore their fading global hegemony.

It is no surprise that Ethiopia, a sovereign nation with a history of independence and resistance to colonial authority, is considered a threat to the status of the Western block.

Ethiopia has always been a strong symbol of African liberation and freedom. Because of this status, the West and other global powers believe that leaving Ethiopia's power unchecked sets a dangerous precedence for the rest of Africa and black people everywhere.

Historically, America and its allies have turned deaf ears to the Ethiopian people, who endured the unimaginable hardships for three decades under the dictatorial regime of the Tigray People's Liberation Front (TPLF).

After the regime was toppled by a popular resistance movement of the youth and lost its federal power, its leaders fled to Mekelle, the seat of the State of Tigray. Since then, neither the new federal government under the premiership of Abiy Ahmed, nor the Ethiopians who were evicted from their land or torched and killed by the group have retaliated against the group. On the contrary, the group didn't spare a day without proliferating hate and violence to destabilize the country.

This situation has culminated into a full-scale war against the Ethiopian Defense Force as of November 4, 2020 (guilty per its own admittance) and a genocidal act against non-Tegaru people living in the town of Maykadra, (according to the joint UN and Ethiopian Human Rights Commission's report). It's under these circumstances that the Ethiopian government has had to enforce law and order and stop the atrocities.

As early as December 2020, weeks after the war had broken, American politicians introduced a visa ban on Ethiopian government officials under Senate Resolution 97-117TH (2021-2022). This was followed by several other official and unofficial actions ranging from denouncing and blackmailing the Ethiopian government and those who have been victims of the TPLF's intensive atrocities (Ethiopians in the states of Amhara and Afar) to extending diplomatic and technical support to the group's efforts to destabilize the country.

It is worth noting that it is not the first time that American politicians have unlawfully intervened in Ethiopian internal affairs and shamelessly told Ethiopians how to run their government, even though Ethiopia has upheld a government for thousands of years longer than America has.

US politicians have betrayed the Ethiopian people at least three times in the last fifty years. Firstly, there is former President Jimmy Carter, who breached the agreed-upon arms contract between the US and Ethiopia in 1977 by declining to deliver arms, which were already been paid for, to Ethiopia, ultimately leading to the Somalia invasion of the nation—a conflict in which tens of thousands of people lost their lives.

There is also the famous London peace negotiation orchestrated by the notorious US diplomat Herman Cohen that endorsed the power of the TPLF and handed over Ethiopia to the fascist regime that balkanized the country into different ethnic and language groups. While Ethiopians continued to fight the America-sanctioned and installed regime, President Barack Obama arrived in Ethiopia in the wake of the 2015 pseudo-election that handed a hundred percent of Ethiopian parliamentarian seats to the TPLF-dominated Ethiopian People's Revolutionary Democratic Front (EPRDF)and deemed the election fair and democratic; this government lasted no longer than a year and was ousted by a popular uprising of the

Ethiopian people.

Now, there is an opportunity of perhaps of an unprecedented scale and manner for Americans to balkanize and destroy the country by taking advantage of the internal political chaos. The real objective for them remains to please Ethiopia's enemies, who—out of sheer envy and false claims to the nation's natural resources—are relentlessly sabotaging the country 's interest with unwavering support of their western allies.

Recently, the situation has evolved to a new level, confirming what most Ethiopians already knew—that the TPLF terrorists have not only earned diplomatic and media support from their America buddies, but also rigorous technical and intelligence supplies to help them advance into Amhara and Afar states. Though not many Ethiopians expected things to go that far, allegedly there were mercenaries fighting along with TPLF terrorists in recent fighting at the Wollo front, as confirmed by the Ethiopian Prime Minister.

The situation has also been made worse by the western media: CNN, BBC, AP, F24, NYT, WP, and Aljazeera, whom in their reporting are openly fanning TPLF's talking points and recently continued to release the false narrative of a TPLF advancement into the capital and signal false alarms so that foreign and international agencies evacuate their citizens from the country. The conductor of the western orchestra against Ethiopia, Jefferey D. Feltman and his team, even relocated themselves to East Africa to bear witness to and celebrate the TPLF victory as well as to assume a strategic position to coordinate the "last phase of the war."

It is time to say it boldly, whether to friends or enemies, that war in Ethiopia is no longer between the federal government forces and the TPLF, who have been escalating these tensions for close to five decades as a political organization and for over 27 years while exclusively running the country. Rather, the war now is between the Ethiopian people, who by no means will be willing to surrender their natural rights, and the new, western colonial interests, whose critical networks in the region have been disrupted and put in danger and who will do anything it takes, including using the Trojan TPLF, to restore their dominance. Nothing short of this reasoning can explain the level of support and commitment the Americans have put shamelessly behind the group. This is the strategy that the US government is using to hold on to power and prevent the humiliation it recently faced in Afghanistan, Venezuela, Haiti, and other such places.

When will America refrain from meddling in other countries' affairs? When will they stop terrorizing citizens in foreign countries? Do US politicians feel the consequences of their actions in Libya, Syria, Yemen, and Afghanistan, where hundreds of millions of refugees have became country-less? Are human rights, democracy, peace, and security a necessity only for US citizens but a luxury for the rest of humanity? When will America begin to live out its principles?

If America and its allies are genuinely committed to Ethiopia's peace and stability, the most obvious, best solution is to respect the sovereign, elected government of the country and work with the government to solve these issues cordially. If America is not willing to help the nation, it should stay out of Ethiopia.

History has repeatedly demonstrated that, despite political and ethnic differences amongst themselves, Ethiopians will always stand together to defend their country, just as they did in the battle of Adwa in 1896 against the Italian colonial aggression. Against all odds and the meddling of the West, I believe Ethiopia will soon be victorious and a sign of hope to other nations and black people. Hopefully, the western world will learn from the consequences of its meddling actions and understand that these actions only diminish America's global status.

How Africa Should Approach Trade and Industrialization

Nimrod Zalk, an Industrial Development Advisor, is an Adjunct Associate Professor at the University of Cape Town's Nelson Mandela School of Public Governance.

EBR received the article from Project Syndicate

The African Continental Free Trade Area (AfCFTA), launched on January 1, 2021 has been hailed as a "game changer." By bringing together 55 countries – with a total population of 1.3 billion and a combined GDP of USD3.4 trillion – in a single market, many believe AfCFTA could fuel Africa's recovery from the COVID-19 crisis, spur structural transformation, and drive rapid industrialization. The World Bank estimates that trade integration could raise Africa's income by 7Pct by 2035, lifting 30 million people out of extreme poverty.

Those are lofty expectations. Unfortunately, lowering trade barriers alone will not enable Africa to fulfil them.

The AfCFTA will eliminate tariffs on 90Pct of goods and reduce non-tariff barriers. Liberalization, the logic goes, will lead to a sharp increase in continental trade, with production – especially of manufactured goods – rising to meet growing export demand. And higher exports would encourage longer-term industrialization, by bringing about more efficient allocation of resources and economies of scale.

But there is a fundamental flaw in this logic. Tariffs are not the main impediment to continental trade, faster industrialization, and structural transformation in Africa. In fact, trade tariffs are already low. Thus, much emphasis is placed on addressing non-tariff barriers, particularly infrastructure gaps and customs-related transaction costs.

AfCFTA-linked steps to streamline customs procedures and curb rent-seeking at borders will go some way toward boosting efficiency. But what is really needed is large-scale investment in physical customs infrastructure and modernization of information-technology systems. The continent's real problem is its underdeveloped production capacity.

Africa's fixed investment, share of manufacturing in GDP, and agricultural productivity lag behind other developing regions, albeit with considerable cross-country variation. Moreover, the continent's persistently low share in global exports exacerbates the balance-of-payments constraint to structural transformation, which depends on rising imports, particularly of the capital goods needed to upgrade agriculture and manufacturing.

Likewise, the mismatch between what African countries export (chiefly commodities and semi-processed goods) and import (primarily consumer and capital goods) significantly impedes continental trade. Why would Ghana trade cocoa with Ivory Coast, if neither country can process it? Why would Zambia export its copper to the Democratic Republic of the Congo, which also produces – but does not process – copper?

Thus, at least as important as the AfCFTA's trade-related provisions are macroeconomic and industrial policies that aim explicitly to accelerate structural transformation in agriculture and manufacturing and associated infrastructure investment. Some experts, including International Monetary Fund researchers, recognize that industrial policies are needed to make the most of the AfCFTA.

But these measures are regarded as ancillary, rather than a prerequisite for progress that must be accompanied by broader investment in energy, water and sanitation, and transport infrastructure (roads, rails, and ports). Only then can intraregional trade really take off. Yet, as it stands, the African Development Bank estimates the continent's annual infrastructure funding gap to be between USD68 billion and USD108 billion.

To be clear, Africa can achieve industrialization and structural transformation, despite what naysayers claim. In fact, since 1990, manufacturing's share of employment has grown in a number of African countries (though it has been accompanied by only modest value-added growth). African countries can build on their accumulated manufacturing experience to seize opportunities to produce for one another and the rest of the world.

Heavy industries like basic metals, chemicals, and cement production can benefit from proximity to regional markets. There is considerable scope for processing agricultural output into food and beverage products for the region and beyond. Global shifts and shocks create opportunities for Africa to expand its participation in value chains, from apparel to automotive assembly and pharmaceutical products.

Structural transformation is not limited to manufacturing. As three eminent Africa scholars argue, the continent must also reverse its relative neglect of agricultural output and exports and close the agricultural productivity gap with other regions. This is essential to raise incomes in rural areas, where extreme poverty is concentrated, and to boost agricultural exports (thereby loosening the balance-of-payments constraint to growth).

In particular, high-value agriculture such as horticulture is labor-intensive and has the scope for the kinds of productivity gains traditionally associated with manufacturing. Ethiopia and Kenya have already proved this with their exports of fresh flowers and vegetables, and South Africa has done the same with citrus.

For any of this to work, however, African leaders must look beyond the trade-related elements of the AfCFTA and implement a broader strategy, based on developmental regionalism, that aims explicitly to upgrade productive capacity. Only then can Africa achieve the structural transformation it so badly needs and kick-start trade in the process.

Clarification & Correction:

In our previous publication, 9th Year, June 16 – July 15, 2021 No. 99 edition of EBR, in the article headlined "Reviving Mortgage Banking, the Bumpy Road Ahead," in a piece written by EBR's Staff Writer, Ashenafi Endale, we used the picture and name of Mr. Mulugeta Alemayehu, CEO of Bunna International Bank SC, mistakenly, while we should have used the picture of Mr. Mulugeta Asmare, President-elect of Goh Betoch Bank SC. EBR apologizes to both executives and banks for the mistake. We sincerely apologize our esteemed readers for confusion we caused.

Editor's Note: ***In a media environment, mistakes can happen at any level of the editorial process. It's our policy to correct them as soon as we know of the mistakes or they are brought to our attention.***

Bottom-Up Industrial Policy for Ethiopia

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Rerun from EBR 64.

The current democratic movement that has engulfed Ethiopia must be supported by economic reforms and democratic system. The two are intimately connected: you can't have one without the others. Democracy is the best form of government for economic progress. But if the economy is not improving, the flag-bearers of democracy among the populace will make U- Turn. The Ethiopian youth do not "eat democracy"; at the end of the day they need jobs, income, food and housing for themselves and their dependants.

What can the Ethiopian government do to power economic growth? There are short and long-term solutions. In the short term, scholars recommend measures related to short run macro policies such as fiscal/monetary policy, helping markets work efficiently and raising/lowering interest rates can be implemented. In the long-run, they advise structural reforms related to the supply side of the economy, the institutional and regulatory framework in which economic actors and stakeholders operate to be employed.

The purpose of this article is to advise the government to consider a new approach that accelerates structural transformation and ways to create more and better jobs. Before proceeding to a performance assessment and judgment, it is essential to discuss the use of terms and my framework of understanding the problem. In this article, industrialization is defined as resource allocation from low productivity growth sectors to sectors with high productivity growth. The experiences of many countries show that there is no industrialization without industrial policy. Although sector-specific, the term industrial policy means different things to different researchers and practitioners. In this article, industrial policy refers to the type of government selective intervention, choice of activities, instruments and measures aimed at promoting the manufacturing sector.

Industrial policymaking and modelling comprises players, objectives, processes and tools. At risk of simplification, I can say that there are three different theoretical approaches used to identify a winning or unsuccessful industrial policymaking and modelling. The first theory advocates free market roles in industrialization. The pro-market approach is based on neoliberal theories, which advocates the intensification and expansion of the market, "by increasing the number, frequency, repeatability, and formalization of transactions". Since industrial policy is about "picking winners", the free market-centre approach claims that government is ill-placed to assess chances of commercial success more effectively than the market.

Government intervention in "picking winners and saving losers" involves not only the risk of misjudgement (distorting competition); it also exposes the state to capture by the interests that benefit from its intervention.

The second theory emphasizes the significance of state intervention in the design and implementation of industrial policy. The argument in favour of a state-centred approach is based on the notion of market failures, whereby a competitive market system does not yield a socially efficient outcome.

The third theory is based on theories of local economic transformation and growth. The place-centred perspective tries to synthesise state and market approaches at the local level. The starting point of this approach is that the causes of industrial non-development lie at the regional and/or local level. Industrialization unfolds in space and produces space, and it can take place both in urban and rural areas in parallel. The context and role of different places should therefore be taken into account in industrial policy design and modelling. There is uneven spatial distribution of economic shortages, surplus labour and concentration of economic activities. State and market centered approaches are blind to this spatial heterogeneity, dependency, and uneven distribution.

Of the three alternative theories to industrial policy design and modelling, Ethiopia used the theoretical assumption and justification state intervention theory. At the global level there are different reasons for state intervention in industrialization: to address market failure (European countries), to protect infant industry (post-independent African countries), import substitution (Latin American countries), export promotion (Korea and Japan), and public-sector driven economy of a central planning (socialist countries) or central command economy. State intervention to accelerate industrial production and investment, as in the case of Korea, Latin America or socialist countries is often referred by the term "state-led industrialization". In all the example countries, the concept focuses on a significant expansion of the role of the state in the allocation of resources among sectors and appropriate choice of efficiency techniques.

In the case of Ethiopia, the motivation for state intervention was not related to market failure. Basically, the factor markets were missing for most of the time: exchange was stifled by subsistence households, market-making institutions were less developed, property rights were not clearly defined and there was a lack of public infrastructure to make exchange feasible. Governments intervened due to lack of or in the name of creating an enabling environment for industrialization.

State-led industrialization in Ethiopia has gone through different phases and priorities since the late 1950s. The industrial development policies can be split into four periods over the past six decades. The first period is between 1961 and 1974, when industrial policy focused on the development of light consumer goods catering to the domestic market. During this period, the government played a central role in the industrial development through investment and by creating an enabling environment for private sector involvement.

The second period belonged to the military socialist government, 1974-1991. The military government nationalized most of the medium and large manufacturing enterprises and declared 'a socialist economic policy'. Industrial activities were reserved exclusively for the state. There was a systematic restriction on private sector involvement in small-scale manufacturing activities.

The third phase of industrialization was started by EPRDF. In 1994 the government endorsed agriculture-led industrialization for the purposes of transforming smallholder agriculture and using their productivity and output as a base for industrialization. The policy of agriculture-led industrialization sought to leverage the country's existing endowment structure. At that time, 87Pct of the population lived in rural areas and the country had natural resource endowments which can be exploited for industrialization. The idea was that the manufacturing sector should complement and follow the growth of the country's dominant agricultural economy. However, the country could not seize its latent comparative advantage due to the fragmented and subsistence oriented nature of smallholder agriculture and the massive resources it required for transformation.

The fourth phase of industrialization began when the government development strategy started to show preference for export-led labour-intensive industrialization. The government aimed to add value to the raw materials it exported and planned manufacturing to take the lead in the economy. The focus was mainly on sectoral or targeted industrial policy, designed to improve the performance of particular industries. Among the favoured sub-sectors are textile and garment; the flower industry; meat and leather products; textile, and agro-processing industries such as sugar and sugar related industries.

60 Years to Nowhere: Performance Assessment

What have been the gains of state-led industrialization in Ethiopia? A country's industrial performance can be assessed using a number of statistical indicators reflecting the level, growth and structure of industrial activities. There is extensive literature and data related to the performance of the sector. According to the World Bank, the manufacturing sector in Ethiopia is nascent despite 60 years of state intervention. This is visible when measured and compared in terms of its contribution to gross domestic product (GDP). Industry value added is on average only about 5Pct of the GDP in Ethiopia, compared to more than 20Pct in sub-Saharan Africa.

The change in the country's industrial growth rate over different periods shows that the slight change that took place in the last 60 years is related mainly to ideological and political changes and external debt. Thus, industrial growth is not related to structural transformation. Industry is not a source of dynamism for the economy and has weak inter-sectoral and intra-sectoral linkages.

In a country like Ethiopia, where employment generation is one of the key policy issues, manufacturing sector has a multiplier effect of job creation. However, on the employment side, the total employment growth in Ethiopia is largely affected by the agriculture sector not by the manufacturing sector. Agriculture accounts for more than half of the total employment growth while services accounted for a quarter of aggregate employment. Manufacturing, on the other hand, play a very small role in employment growth. Wholesale and retail trade contributed more to employment growth than manufacturing over the past 60 years.

So the question is why 60 years of reform suggestions on regulation, input provision, linkage, productivity and infrastructure development did not bear fruit? In my commentary entitled '3D System Approach to Private Sector Development in Ethiopia' published in EBR's 55th edition, I argued that top-down government intervention, which was followed by the current as well as the previous governments, resulted mainly in the growth of the economy directed by the state (state and party owned businesses).

Industrialization is used as means for growth of state economy. According to the 3D system of accounting for GDP, the size of the economy controlled by the government has increased from 22Pct in 1992 to 39Pct in 2015. The size of this type economy increased at the expense of the market and the population economies (consisting mainly individuals, households and firms).

The experience of the last 60 years and 3D economic taxonomy approach convinced me to stop believing in the positive role of the state in promoting industrialization. There is path dependency, namely growth of the economy controlled by the state for the state. Policy recommendation and improvement suggestion matters; but it doesn't if it is more of the same theoretical assumption and implementation approach.

Beyond More of Same: Bottom-up Industrial Policy

Bottom-up industrialization means the establishment, operation and agglomeration of light and small-scale manufacturing industries by market forces with the aggressive support of local governments at the district level. In Ethiopia there are 769 district governments responsible for education, health, agriculture extension, water supply and social sectors. Of these district governments, 671 are labelled as rural districts and 98 as urban districts or administrations. The districts vary in their local endowment structures, namely labour supply, natural resources (farm land, agricultural products and minerals), capital resources (both finance and human capital), types of economic shortages and activities. The idea of a bottom-up industrial policy is to make districts rely on domestic economic growth factors (entrepreneurial talent, independent technology and free capital accumulation) to drive industrialization. Domestic economic driving forces are cultivated by market oriented reforms and local institutional innovations.

Surplus labour cannot be absorbed without endogenous technical change and agglomeration. District governments do not wait for technology to progress through the acquisition of equipment and machines from abroad. Instead, they help firms and enterprises explore existing local comparative advantages and identify key local competencies. District governments focus on building industrial and technological capacities and take the responsibility to upgrade the local endowment structure to endogenize industrialization.

Bottom-up is not only hierarchical. It is a concept which refers to place (the question of where to industrialize and why there). The rationale for industrialization is not based on "one size fit all" as in the case of state-led industrialization. The analytical case and model for industrial policy differ from district to district. The bottom-up policy stresses local specific interventions that are necessary for exploiting the full potential of the local endowment structure. To upgrade the local endowment structure, to uncover opportunities and risks, the local government conducts feasibility studies. This study helps the local government to figure out which industries to support within the districts for the purpose of local economic transformation. Bottom-up industrial policy targets not sectors but firms, which do the trading.

In addition to feasibility studies, the bottom up policy focuses on the ways and means of establishing industrial parks in the so-called rural districts and formation of clusters for existing firms in urban districts. An industrial park is a delimited territory with technical and production infrastructure, where manufacturing production, service provision and technological development takes place for the purpose of transforming the local economy. Clusters are groups of inter-related industries starting from suppliers to end products that drive wealth creation in the district. Companies that start on their own will have a hard battle to fight and need to have huge investment to get the advantages provided by industrial parks and cluster.

Over and above the establishment of industrial parks and cluster promotion, the bottom-up industrial policy identifies instruments that promote systematic and harmonious relationships between local stakeholders (private sector, the local government, and the youth or part of the population that is growing rapidly). The formation of associations of local entrepreneurs, workers and youth helps to build relationships of trust and interdependence among stakeholders. Unexpected consequences of interventions can easily be understood and rectified through applying a systematic and networked relationship among local actors.

For a bottom up policy to work, it is necessary to get top-down support. Local economic transformation has to be integrated with national and regional development programs particularly in the areas of private sector and financial development. Privatization of rural land is necessary for agriculture specialization and creation of industrial linkages. The attempted state support for smallholder farmers has made agriculture productivity precarious and food security vulnerable. In the Ethiopian context, specialization in agriculture should be left to the market economy, but there should be a law and procedure on the power of local administration in enacting land ownership.

In addition to addressing the issues of land privatization, the central government has an important role in financial development. It is important to continue to scale up public investment in infrastructure by exploring new sources of finance including domestic and external private borrowing. The central government has to ensure domestic macro-economic and financial stability and sustainable public debt positions.

In order to help local efforts of economic transformation, the central government has to adopt a new law regarding the establishment of industrial parks at district levels. This law should specify legal and organizational frameworks for the creation and functioning of the industrial parks in the districts. The law, among others, should aim to provide tax and customs incentives for the manufacturing enterprises that occupy the district industrial parks.

Finally, the central government providing industrial park law and enabling environments is not enough for starting industrialization from scratch. For good local institutional and organizational performance, the central government has to design a program that builds the capacity of local governments particularly in the area of engineering skills. Industrial park feasibility studies, value chain analysis, "picking winners" among heterogeneous firms, choice of champion activities/products, deepening local linkages, fostering strategic collaboration between local public and private sector, and other principles related to effective industrial policy require programs of local capacity building and development. The central government has a role in building the bureaucracy capacity of the district governments.

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CALL FOR TALENT/VACANCY

Position: Executive Editor

CHAMPiON Communications, publisher of the Ethiopian Business Review (EBR), a leading business publication; and Addis Maleda, an up-and-coming newspaper, would like to recruit a competent executive editor, the highest editorial decision making position in the company.

The executive editor has strategic and functional responsibilities. She/he will be the face and leader of the publications; and oversee the content of the publications together with the respective editor-in-chiefs. She/he needs to have the flexibility and competence to effectively develop and manage the editorial teams and ensure that the publications' content is in line with their missions.
Competent applicants can send their CV along with supporting documents via email to info@championethiopia.com or in person to CHAMPiON's Office in the Tsehay Messay Building, Fourth Floor, Office No. F4.

Staff Development

The executive editor leads the process and approves the hiring of newsroom staff members, conducts periodic performance appraisals and is responsible for the editorial staff professional discipline and integrity in their works.
He/she needs to have a strong background in reporting, editing (content and copy), design and pagination. He/she will have to come into play if other staff members are unable or not available due to emergency or any other factors. The work usually necessitates stepping in and taking on more duties within the newsroom.
Making sure that everyone working in the newsroom has the necessary mix and set of skills, knowledge, attitude and professional integrity is the executive editor's responsibility. That is why training and staff development is crucial to constantly sharpen the critical faculties of the newsroom members. The training will, in particular, be useful to interns and entry level employees to provide them a strong grounding in the basic journalism skills. Leadership and professional development programs are also important to make sure that the publications always deliver quality, investigative reporting. The executive editor must, therefore, be capable to organize and provide such trainings.

Task Master

The executive editor must be able to handle multiple planning, scheduling and budgeting duties under stressful and limited resource base. Planning includes conducting regular meetings. Meeting publications deadlines falls under scheduling. In addition, the executive editor is called to work with other departments such as creative arts, photography, advertising, production and IT to ensure deadlines are met. Keeping the editorial expenses (e.g., staff salaries and supplies) to a certain amount are budgeting necessities that the executive editor needs to work with the top management.

Knowledge of Media Law

The newsroom leader must have a firm understanding of Ethiopia's media, communication and advertising laws. Many times, she/he is the end-all on stories that run in the publications. She/he also has the duty to update and strictly maintain the in-house style guide for both publications in the company. The executive editor must ensure that editorials reflect the mission of the publications and that columns align with the readership portfolio. She/he needs to ensure that the content at all times comply the country's media, communications and advertising laws.

Qualifications

A master's degree in Media studies, MBA, Economics, Political Science, Development Studies, and Literature with at least 10 years of experience in media leadership.

Salary & Benefits

Negotiable

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VACANCY ANNOUNCEMENT

Ethiopian Business Review (EBR) would like to strengthen its research wing – **the EBR Economic Research & Business Intelligence Unit (ERBI)**. The Unit aspires to be recognised as the nation's foremost source of independent and balanced information and research on issues concerning the Ethiopian economy and the private sector. It promotes and facilitates the scholarly exchange of ideas for an informed public debate through the convening of symposia and conferences on strategic issues facing the Ethiopian economy in general and the private sector in particular.

To execute this mission, EBR would like to fill the following posts with competent professional as quickly as possible. Applicants can send their CV along with supporting documents via email to info@ethiopianbusinessreview.net or present their applications in person to EBR's Office in the Messay Tsehay Building, Office No. F4.1

Job Title	Job Description	Educational Background	Preferred Experience	Salary and Benefits
Director/ Lead Researcher *Economic Research & Business Intelligence Unit*	• Study the trends of fiscal and monetary policy changes and how they affect the country's macroeconomic performance. • The ideal candidate possesses a mix of knowledge that includes translating business and economic trends; and a strong command of the tools, applications and methodologies that enable corporate entities to collect data from internal systems and external sources to prepare analysis, develop and run queries and create reports, and data visualisations for corporate decision-makers as well as operational workers. • The preferred candidate has a developed global mind-set and possesses the intellectual curiosity to support and eventually develop insights across business and economic frontiers. He or she will be responsible for leading/coordinating research reports through market knowledge and observation supported by data and analysis. The successful candidate will have the ability to link research results to policy issues in a timely, topical fashion via quantitative research and fundamental macro insights./ • Work with research data, statistics, and travel to collect information that will be analysed, interpreted and written in the form of articles for EBR and other publications. • Contact EBR for further details.	**MSc/ PhD:** *Macro/Monetary Economics/ Business Administration, Preferably from A European or American university*	*Candidates with work experience at a central bank, finance ministry, planning commission, universities, research and/or consultancy agencies are strongly preferred.* *Applicants with a minimum of 15 years of experience are strongly encouraged to apply.*	**Baseline Salary + Allowances for a PhD holder:** *ETB500,000/ annum.* *75 Litres of Fuel/ month.* *ETB1,000 mobile/month.* **Other Benefits:** *negotiable* *Contact EBR for details.*
Research Assistant	• A passion for understanding global financial markets and the factors that drive them – including macroeconomics, currencies, commodities, trading, global geopolitical events, central banks and regulations and how each affects local economies – is essential. • Work with research data, statistics, and travel to collect information that will be analysed, interpreted and written in the form of articles for EBR and other publications. • Monitor and research trends of unemployment, inflation, foreign exchange and other topics in Ethiopia. • Contact EBR for further details.	**MSc:** *Macro/Monetary Economics, Preferably from A European or American university*	*Candidates with work experience at a central bank, finance ministry, planning commission, universities, research and/or consultancy agencies are strongly preferred.*	**Baseline Salary:** *ETB300,000/ annum.* **Other Benefits:** *negotiable* *Contact EBR for details.*

Other Essential Skills:

- Intellectual curiosity, maturity and the ability to work with others.
- Researching and following trends of a particular field on a continuous basis in order to understand changing dynamics, problems and emerging issues. This will help the researchers write one or two highly authoritative articles per month for EBR in addition to working on more consolidated research.
- The capacity to work independently and in a group on long- and short-term projects.
- Written and oral presentation skills, econometric skills and proficiency with Microsoft Office, including Word, Excel, and SPSS.
- The ability to explain thoughts, findings, and complex concepts in a clear, concise manner for delivery to team members, clients, workshop and conference attendants.
- Exceptional data analysis skills and abilities to understand and work with complex economic and financial data are important.

Additional Information:

- Master's level graduates of business administration, marketing, international trade and related disciplines from preferably from western universities and with experience in foreign companies as interns and/or professionals are encouraged to send their CVs for positions not included in this announcement.

Quote

"The stability we all depend on is breaking, this story is one of inequality as well as instability."

David Attenborough,
Climate Scientist and Advocate, at COP26

From the Horse's Mouth

"Adwa is freedom; AGOA is charity"

Adanech Abiebie,
Mayor of Addis Ababa

said at a Meskel Square rally on November 7, 2021 aimed at showing solidarity with the military and against international media misinformation.

"We will not accept charity at the expense of our sover

"We have faith in the people of Ethiopia to stay united at this critical juncture, resolve their differences from within, and bring the country back on the right track,"

Zhang Jun,
Chinese Ambassador to the UN

said at the UNSC meeting on November 5, 2021, during the unprecedented 11th session on Ethiopia's war in the north.

The Number

ETB 1 BILLION

Amount of money raised for the military campaign in northern Ethiopia during a fundraising event at the Sheraton Addis Hotel, on November 8, 2021.