

ብርቱ BIRRITU

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OPINIONS EXPRESSED IN THE ARTICLE DO NOT NECESSAIRLY REFLECT THE POLICIES
AND STRAGIES OF THE NATIONAL BANK OF ETHIOPIA
for resources, please visit the NBE's official website: www.nbe.gov.et

Editors' Note

Our esteemed readers, we are blissful to meet you again with 118th issue of Birritu which consists of relevant and timely topics.

In the News and information column there is a news about E-Banking Services, and one information about Ethiopia's Macroeconomic Performance. The topic selected for the research article is "Export of coffee in Ethiopia: Medium Term Prospects and Challenges." It focuses on Performance of Ethiopian coffee export, world price volatility and Ethiopia's coffee export performance, and the challenges to producers and exporters of coffee in Ethiopia.

The Educational and informative Articles section contains an interview with Microfinance Institutions Supervision Directorate about Capital Goods Finance Companies, and an article about interest free banking service Both are the emerging services in the finance sector.

Finally, on the Miscellany Section we have the short biography of Dr.Mohammed Yunus who is the founder of Microfinance institutions. In our country, Microfinance Institutions are key players in the fight against poverty in such a way that they promote self-sufficiency and economic development among people who lack access to the classical financial sector. We do believe that his biography can be an inspiration and a model for fellow intellectuals in Ethiopia. At last there is a poem for entertainment.

Don't forget the value of your feedbacks and comments that contribute for enriching the coming issue of Birritu. So, please keep forwarding your comments and suggestions.

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Financial Institutions Poised to Provide E-Banking Service

Financial institutions are conducting a number of activities to provide E-Banking service, Microfinance and Bank Supervision Directorates at the National Bank of Ethiopia disclosed.

In an exclusive interview with Birritu, the Directorates announced that currently the legal framework has been designed and implemented so that E-Banking service can be delivered by different financial institutions.

Microfinance Supervision Directorate noted that a pilot project aimed at offering mobile banking service, has been conducted through agents in big and small financial institutions and the result was found fruitful.

Bank Supervision Directorate in addition disclosed that about 9 banks have introduced ATM and POS, 5 Banks mobile banking, 4 banks internet banking, and 2 banks agent banking.

The Microfinance Supervision Directorate explained that banks



and other financial institutions in the country are preparing to give mobile banking service in organized and accessible way. On top of that, the National Bank of Ethiopia is also moving in order to figure out and improve prospective challenges regarding the content of the legal framework, the Directorate added.

For the expansion and accessibility of mobile banking in the country enough attention from government, transparent and conducive legal framework, high quality and fast telecom infrastructure, awareness of the society concerning the service and the operation are vital ones, the Directorate said.



The Directorate underscored that as mobile banking service is new to Ethiopia, there are challenges like inadequate awareness and capacity, lack of clear and transparent consensus on the legal framework and, Telecom service related challenges are among others.

Mobile banking service is a system that enables customers of a financial institution to conduct a number of financial transactions through a mobile device such as mobile phone and other technologies.

The service includes accessing bank accounts; make fund transfers, payments and balance inquires and others.

On the other hand Internet banking is an electronic payment system that enables customers of a financial institution to conduct financial transactions on a website operated by the institution, such as a retail bank, virtual bank and credit union.

Agent banking is providing banking services to the bank customers

through the engaged agents under a valid agency agreement, rather than a teller/cashier.

It is the owner of an outlet who conducts banking transactions on behalf of the concerned bank

According to Bank Supervision Directorate, Commercial Bank of Ethiopia, Awash, Dashen, Wegagen, United, Nib, Berhan, Abyssinia and Zemen banks are giving ATM & POS service.

Regarding Mobile banking so far Commercial Bank of Ethiopia, Dashen, Wegagen, Abyssinia and United banks are giving the service.

Moreover, Zemen, United, Wegagen and Commercial Bank of Ethiopia are giving internet banking service. Dashen and United banks are giving agent banking service as well.

It was learnt that currently there are other banks that have requested for the approval of ATM, POS, and Mobile banking services.



IMF lauds Ethiopia's continuous Macroeconomic performance



International Monetary Fund /IMF/ lauds Ethiopia's macroeconomic performance

According to the press release posted on IMF website on October 3, 2014, the Executive Board of the International Monetary Fund (IMF) concluded the Article IV consultation with Ethiopia.

Ethiopia's recent macroeconomic performance continues to be strong, with robust economic growth supported by higher agricultural production, and large public sector and foreign direct investments. Inflation remains contained in single digits and the fiscal stance at the general government level is cautious, although public enterprises continue to provide an expansionary impulse.

The general government budget execution in 2013/14 reflects conservative spending. Recurrent spending is estimated to remain at 7.4 percent of Gross Domestic Product (GDP), and the capital spending-to-GDP ratio will only increase by about 0.3 percentage points to 11.0 percent of GDP.

The overall revenue-to-GDP ratio is estimated to fall from about 14.6 in 2012/13 to about 14.1 in 2013/14, mainly on account of decline in nontax revenue which more than offset the tax revenue improvement.

The general government budget deficit, including grants, is estimated to be 2.7 percent of GDP in 2013/14, compared to 2.0 percent of GDP a year ago.

Public enterprises continue to borrow heavily from the banking system and externally to finance their investments. The financing of the overall public sector is likely to have been on the order of 10 percent of GDP in 2013/14.



Public and publicly guaranteed (PPG) external debt is estimated to have increased to about 23 percent of GDP from 20.5 percent of GDP in 2012/13.

Tight monetary policy has supported achieving the National Bank of Ethiopia (NBE)'s inflation objective in 2013/14.

Inflation remained in the single digits throughout the year and was 8.5 percent in June 2014, with food prices rising by 6.2 percent and non-food inflation in the double-digits.

Base money, the nominal anchor of monetary policy, increased by 17.5 percent in April 2014, driven mainly by claims on government (by 19.6 percent) and to a lower degree by claims on non-government (by 11.2 percent).

Developments in the external sector have been mixed, with the deterioration in the trade balance offset by net inflows on services and transfers.

The current account deficit is estimated to have widened from US\$ 2.8 billion (6.0 percent of GDP) in 2012/13 to US\$ 3.5 billion in 2013/14 (7.1 percent of GDP).

It was financed largely by concessional and non-concessional inflows as well as by foreign direct investment (FDI). Substantial inflows on the capital account also facilitated a modest build up in the NBE's reserves.

The exchange rate adjusted only gradually, in line with the NBE's managed float policy. While the premium in the parallel market remained modest, the gradual nominal depreciation was insufficient to prevent an appreciation of the real effective exchange rate.

The economic outlook remains encouraging. The 2014/15 budget plan targets the general government deficit at 3 percent of GDP and maintains a strong pro-poor focus.

Monetary policy, anchored on base money, is geared toward maintaining inflation in single digits.

The public debt to GDP ratio is expected to rise, reflecting large disbursements associated with implementation of investment projects under the Growth and Transformation Plan.



Export of coffee in Ethiopia: Medium Term Prospects and Challenges

Abstract

The study is conducted with the objective to study the Ethiopian coffee export performance by specially focusing on the medium term prospect and challenges.

The study indicated that factors such as growing world demand for Coffee, favorable economic conditions in our coffee trading partners and world coffee price recovery in the coming years will be expected to encourage Ethiopia's coffee export, while world price of volatility, low productivity and production and lack of in-depth agricultural extension system are some of the major challenges prevail in the sector.

Finally, the paper recommends policy makers to take policies that focus on enhancing production and productivity which are highly likely to abet in enhancing coffee export of the country.

1. Introduction

There is a widespread belief among Ethiopians' that coffee plant is originated from Ethiopia. According to the Ministry of Finance and Economic Development (1995), coffee Arabica is deemed to have originated from the forests of the southern and south-western plateaus of Ethiopia. Furthermore, the Ethiopian investment agency (2013) pointed out that, as a result of the suitable climatic conditions that varies from the semi-savanna climate of the Gambela plain (500m.a.s.l) to the continuously wet highland



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forest zone of the south west (2200m.a.s.l), coffee can grow in almost all regional states of Ethiopia, and the country has a huge potential in the production and export of coffee.

Generally speaking, for developing countries like Ethiopia, enhancing the export sector is very salutary to bring economic growth. Moreover, a huge foreign exchange requirement has been witnessed in Ethiopia in the recent past years owing to the increasing need for capital goods import to speed up and sustain economic growth, and to meet the ever expanding appetite of consumers for imported consumer goods.

Consequently, the nation is urged to exert additional efforts to solve the foreign exchange bottlenecks the country has been facing for long.



Though, coffee has been playing a very important role as a source of foreign exchange earnings, there is still ample potential in the area.

Of course, there is an implicit governing rule that diversifying the export commodity base will certainly play an indispensable benefit in increasing total export earnings.

Yet, though Ethiopia has an immense potential in the production and export of different commodities such as flowers, fruits and Vegetables, they haven't still appear to be a strong alternative source of foreign exchange earnings that the country depends up on.

Their contribution to the total export earning still remains trivial.

On the contrary, the potential in the production and export of coffee still remains unspoiled. This coupled with the need to maximize export earning, will give rise to see ways to improve earning from the traditional export items as well.

However, enhancing export requires a constant follow up and conducting problem solving researches.

Thus, the general objective of the study is to show the medium term prospects and challenges in Ethiopian coffee export so that policy makers will get information on how to confront the problems and take action to ultimately raise the export earning of coffee in particular and the total export in general thereby to resolve the trade deficit

problem that the country has been experiencing for years and years.

Specifically, the study discussed about the global coffee market situation at a glance; coffee production and productivity and export performance; coffee export prospects and challenges in the medium term.

2. Overview of the world coffee market

2.1. World demand for coffee

Worldwide consumption of coffee has been increasing successively over the past several years.

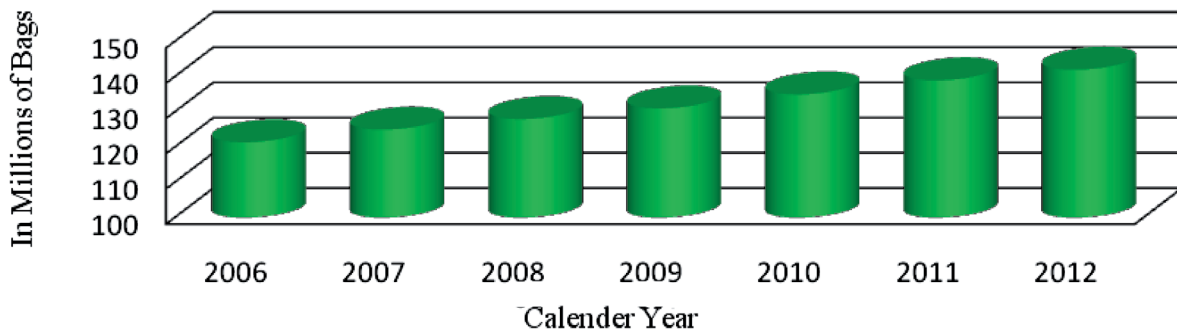
Generally speaking, the ascent in the world consumption of coffee is beneficial for exporting countries to enhance their export as far as they are able to solve their supply bottlenecks, quality and other related issues.

Between 2007-2012 calendar years, on average, world consumption of coffee has been increasing successively by annual average growth rate of 2.6 percent per annum.

The world consumption of coffee in 2006 calendar year was totaled around 121.4 million bags. It, however, continuously increases to reach 142 million bags in 2012 calendar year.



Figure - 1 - World consumption of coffee

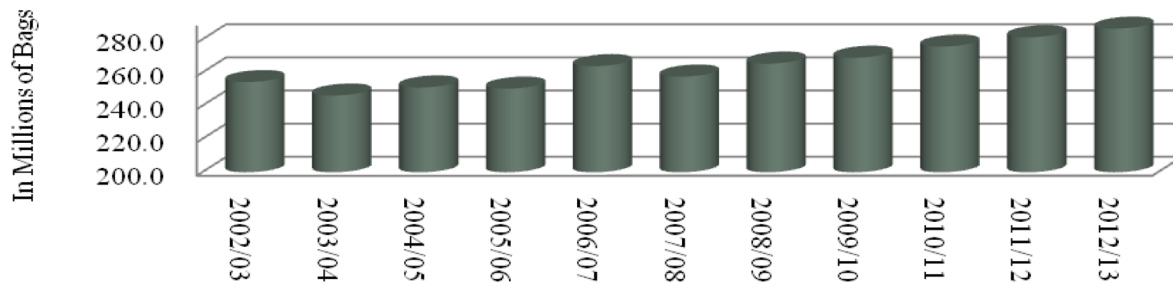


Source: ICO coffee Market Report of various years

2.2. Global Supply of Coffee

Similar to the world consumption of coffee, global supply has been showing progress over the past years. During the period 2007/08-2012/13, on average, it increased by 1.2 percent per annum. Moreover, in 2002/03, it amounted to 254.4 million bags. It gradually climbed up to reach 286.6 million bags in the year 2012/13. Nevertheless, in contrast to the world demand which has been showing a stable and positive trend, the supply of coffee has been fluctuating a little bit. Looking at the period 2002/03- 2012/13, it went down in the years 2003/04, 2005/06, 2007/08 vis-à-vis their respective prior years.

Figure - 2 - Global supply of coffee



Source: U.S. Foreign Agricultural Service (USDA), 2013

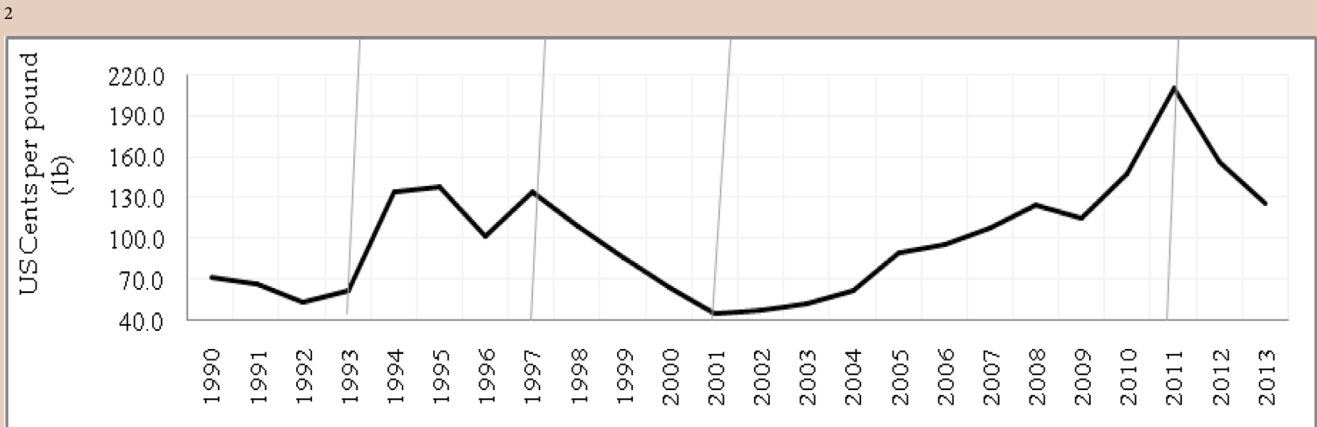
1 Represents the result of disappearance in importing members added to net-imports in non-members, but it does not include domestic consumption in exporting Members.



2.3 International coffee Price Trend

As shown in the figure below, at the early stage of the 1990's, specifically between the years 1990-1993, the world price of coffee was very low. However, though in the years following, the price has recovered much, starting from 1997 it again consistently fell to reach the lowest price recorded ever in more than two decades i.e. in 2001. On the contrary, during the period 2002-2011, with the exception of 2009, the world price of coffee was continually increasing. Similarly, starting 2012, price went down up to the current period.

Figure - 3 – coffee price trend



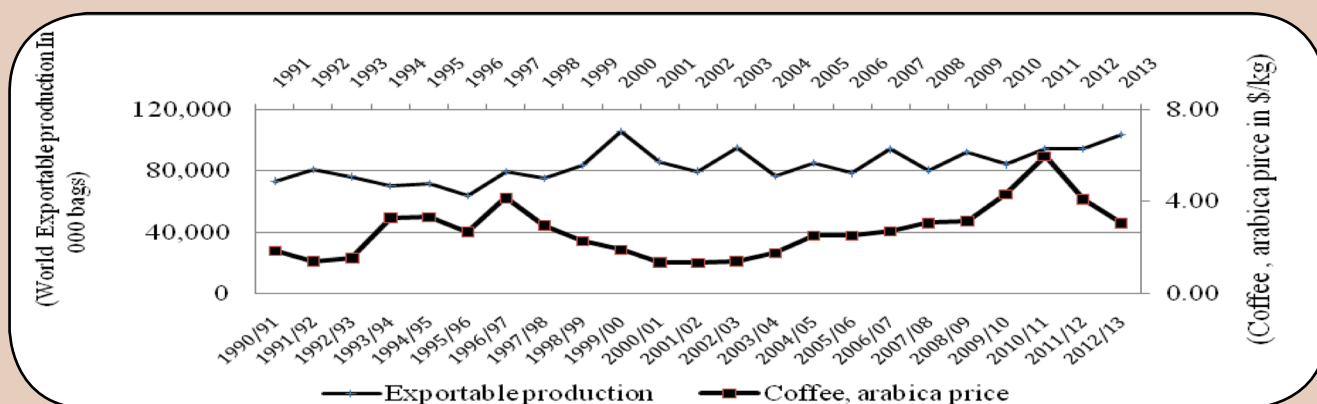
Source: International Coffee Organization

From the theory of demand and supply, recall that an increase/fall in the supply of one product will reduce/increase price, provided that the demand for that particular product remains sticky or changes insignificantly to compensate the rise and fall in the supply.

The figure below depicts trends in world Arabica coffee price and world exportable production. With a steady and stable rise in world demand for Coffee, a fall in the world supply of coffee /shortage/ has been resulting in a subsequent rise in price, and vice versa. In this regard, constituting the highest share in the world supply Coffee, countries such as Brazil, Colombia, and Vietnam will have a significant power in influencing the market price.

2 Annual data refers to monthly average and 2013 composite price index is the monthly average of the period Jan 2013- Aug 2013

Figure 4- world coffee supply and international price dynamics



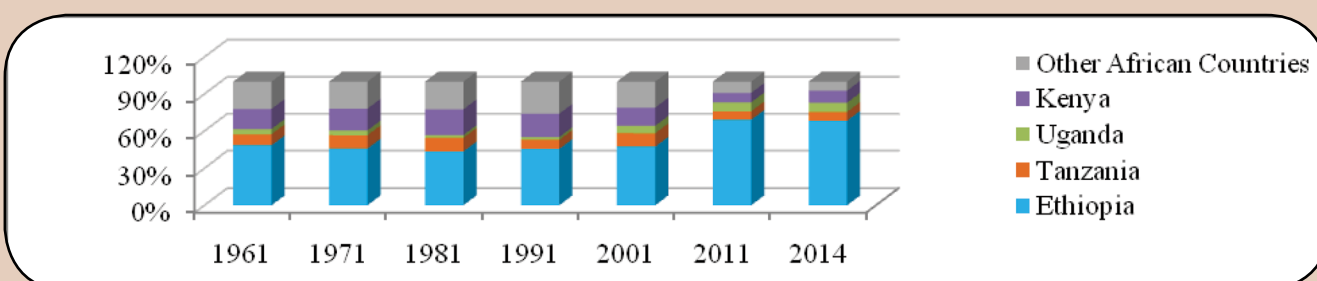
Sources: Arabica coffee price from WB Group, and Exportable production from ICO

3. Coffee Production, Consumption and Export performance in Ethiopia

3.1. Production and consumption of coffee in Ethiopia

Coffee Arabica and coffee Robusta are the dominant coffee varieties consumed worldwide. Studies indicated that with the existing agro climatic conditions, Ethiopia has huge potential to produce both types of coffee. However, the country has only been producing coffee Arabica. According to US Agricultural Service (USDA) database, in 2012, Ethiopia produced 38.6 percent and 4.4 percent of the total Africa's and global coffee production, respectively. The country is the leading Arabica coffee producer in Africa and it has also managed to raise its production share overtime. In the 1961, Ethiopia's Arabica production share in Africa was 48.5 percent. Currently, it climbed up to constitute 69.2 percent in 2013 marketing year and it is expected to constitute 68.4 percent in 2014 marketing year.

Figure - 5 - Ethiopia's Share from Africa's Total Arabica Production



Data Source: US Agricultural Service (USDA)



Except Afar region, coffee can grow in all regions of Ethiopia. The major producing areas are (taking into account the last three years average); Oromia which accounted over 66 percent of the total production, Southern Nations Nationalities and People (SNNP) constituted around 33 percent altogether accounted over 99 percent of the total production. Oromia, SNNP and Gambela regions by and large produce for export purpose, while Amhara, Benshangul and few parts of Tigray and others for local consumption. In Ethiopia, the production of Arabica coffee has been increasing overtime.

The average yearly Arabica production in 1960's was 2,120.6 thousand bags. In the 1970's, on the other hand, it amounted to 2,661.8 thousand bags which is 125.5 percent higher than the average yearly production in prior decade. In the subsequent decades, it reached 3,090.7 thousand bags, 3,610.1 thousand bags, 3,610.1 thousand bags, and 4,090.8 thousand bags in the 1980's, 1990's and 2000's, respectively. Similarly, the yearly average production of Arabica, over the period 2010-2014, amounted to 6,222.5 thousand bags. See figure 7 below

Figure - 6 - Green coffee production (Arabica) in Ethiopia



Data source: US Agricultural Service (USDA)

Ethiopia is one of the coffee producing countries whose domestic consumption is very significant. In 1970 calendar year, the total consumption of coffee in Ethiopia was 750 thousand bags, which constitute 39.8 percent of the total coffee supply of the country.

Domestic consumption in Ethiopia has been growing noticeably over time.

Currently, it amounted to 3100 thousands bags, which comprises about 47.2 percent of the total coffee supply. This growing domestic demand plus the need to surge export earning, call for enhancing the production level.

The table below, on the other hand, discloses yield level in seven coffee producing countries. Comparing with other African countries, coffee yield in Ethiopia has been relatively good. Yield in Ethiopia is noticeably higher than yield in Kenya and Venezuela, while marginally higher than yield in Uganda. However, comparing with the two giant coffee producing countries Brazil and Colombia, productivity in Ethiopia has been significantly low. According to Luis Genaro Munoz ³ (2010), Colombian coffee yield declined starting from 2009 owing to unfavorable weather condition (higher rainfall in coffee producing areas), low application of fertilizer, coffee disease (Coffee leaf rust) and coffee pest (Coffee berry borer).

Therefore, we need to compare Ethiopia with Colombia merely in those normal years i.e. from 2006-2009. During this period, on average, productivity in Colombia was 32.1 percent higher than productivity in Ethiopia. While, taking the period 2006-2012, yield in Brazil was, on average, 84.17 percent higher than yield in Ethiopia.

Table 1: Green, coffee yield level in Ethiopia and other producing countries

Yield (Hg/Ha⁴)

| | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 |
|-----------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Brazil | 11,130 | 9,933 | 12,586 | 11,426 | 13,461 | 12,567 | 14,327 |
| Colombia | 9,226 | 9,491 | 9,400 | 6,124 | 6,881 | 7,432 | 5,972 |
| Ethiopia | 6,571 | 8,179 | 6,715 | 6,651 | 6,721 | 6,337 | 5,213 |
| Uganda | 6,060 | 6,152 | 6,137 | 6,121 | 6,184 | 5,980 | 6,004 |
| Venezuela | 3,929 | 3,810 | 3,863 | 3,784 | 3,895 | 3,828 | 3,846 |
| Mexico | 3,663 | 3,479 | 3,396 | 3,454 | 3,308 | 3,445 | 3,540 |
| Kenya | 2,841 | 3,274 | 2,710 | 3,375 | 2,625 | 2,266 | 2,875 |

Source: FAOSAT

Similarly, the area of coffee land harvested in Ethiopia each year rose noticeably over time. In 2006, the total area harvested was 261,175 hectors of land but, in 2012 it reached 528,571 hectors. On the other hand, comparing with other countries coffee area harvested is relatively larger than other African countries. But, it is very small area as compared to countries like Brazil. For example, in 2012, the total coffee area harvested in Brazil was 301.1 percent higher than that of coffee production in Ethiopia.

³General Manager of the National Federation of Coffee Growers of Colombia

⁴Hg stands for hectogram and 1 Hg=0.1 kilogram, while Ha is stands for hector and 1 Ha= 10000 square metres



Table 2: Area Harvested in Ethiopia and other producing countries

| | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 |
|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| Brazil | 2,312,157 | 2,264,129 | 2,222,224 | 2,135,508 | 2,159,785 | 2,148,775 | 2,120,080 |
| Colombia | 785,535 | 797,660 | 732,656 | 765,345 | 778,052 | 515,882 | 212,008 |
| Ethiopia | 261,175 | 295,238 | 407,147 | 391,296 | 395,003 | 498,618 | 528,571 |
| Uganda | 220,000 | 285,000 | 345,000 | 320,000 | 270,000 | 320,000 | 310,000 |
| Venezuela | 189,184 | 184,536 | 186,376 | 185,000 | 184,308 | 180,628 | 182,000 |
| Mexico | 763,418 | 772,036 | 766,984 | 765,697 | 741,410 | 688,208 | 695,350 |
| Kenya | 170,000 | 163,000 | 155,000 | 160,000 | 160,000 | 160,000 | 160,000 |

Source: FAOSAT

3.2. Coffee Export Market Chain

The diagram below is a simple representation of the Ethiopian coffee export market chain where markets are indicated by the blue color, processing industries by brown color while the red color corresponds to a place where coffee grading takes place.

The farmers supply red cherries /or after drying in the sun/ to the primary coffee transaction center. Suppliers (aqrabi) buy these red cherries, and process in the washing industry or primary hulling industry.

Then, ship this parchment coffee to the regional ECX center where cupping and grading of coffee enacted. At this market, actual monetary transaction will not be conducted rather; they merely receive a “goods receivable note” that

shows the type, quantity and quality of coffee.

Having this note, brokers on behalf of the suppliers will participate in the central ECX.

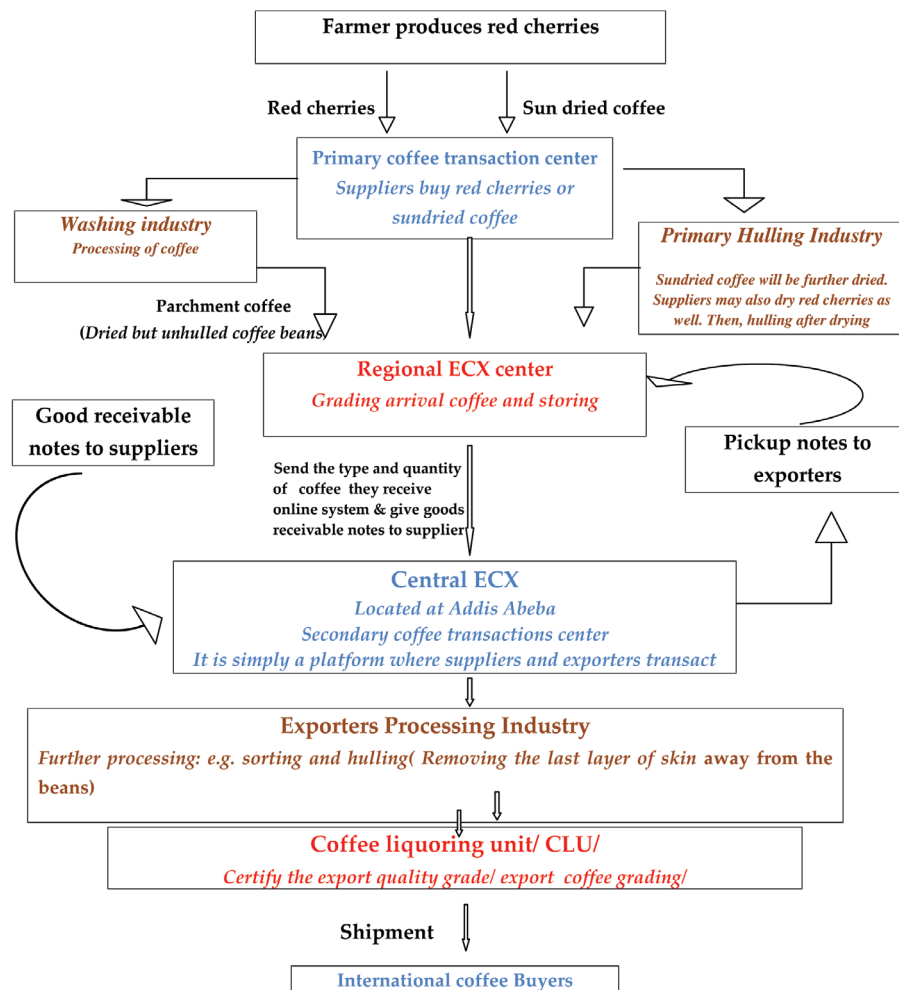
This market is simply a platform where exporters bid to buy the specific quality & quantity of product suppliers come up with.

After agreement is reached, exporters will get a “pickup notes” that enable to receive the specific coffee from there gional ECX center. After that, exporters further process the coffee. Finally, the coffee liquidity unit (CLU) of the Ministry of Agriculture will rate the coffee to check the consistency of the coffee grade and quality level.

Finally, exporters will ship the coffee based on the terms of agreement with their international buyer.



Figure - 7- Ethiopian Coffee Export Market Chain



Source: own compilation based on the information obtained from Ministry of Trade

4. Performance of Ethiopian Coffee Export

“Coffee is one of the most exported commodities worldwide. Nearly 95 percent of coffee is traded in its raw form (green, Coffee) and the remainder (approximately 5%) in a processed form (roasted or soluble)” (UNTAD, 2013).

Ethiopia, by and large, exports coffee in its raw form. Still, there is no export of soluble Coffee, but though insignificant, there was export of roasted Coffee. In 2012, for example, Ethiopia exported 14.9 thousand kg of roasted & decaffeinated Coffee, 8.7 thousand kg of roasted but not decaffeinated coffee and obtains a foreign exchange earning of USD 128.2 thousands and USD 84.6 thousands, respectively.

Asamtle of fact this raw Ethiopian coffee includes sundried coffee and wet processed (washed and semi-washed). According to Ethiopia Ministry of Trade (2011), 70 percent of the total export is sundried and the rest 30 percent is wet processed. Ethiopia produced and exported different varieties of coffee to the world market which has diverse flavor.

The most exported coffee in Ethiopia is Sidama coffee which comprises around 31.0 percent of the total export, followed by Djimma coffee (23.4 percent), Lekempt coffee (22.2 percent), Yirgachefe (5.7 percent), Limu (4.1 percent) and Harar coffee (3.7 percent) altogether accounted about 90.1 percent of the total export volume.

For so many decades, constituting the lion share of export proceeds, coffee has been playing a very

significant role as a source of foreign exchange earnings.

In the 1980's, the average yearly proceed from coffee was around 247.6 millions USD and on average this comprised around 63 percent of the total foreign exchange earnings. However, at the early stage of the 1990's or between the periods [1990/91-1994/95], the annual average coffee export earning shrike back to reach 132.3 USD millions i.e. 53 percent of the total annual average export proceeds of the period.

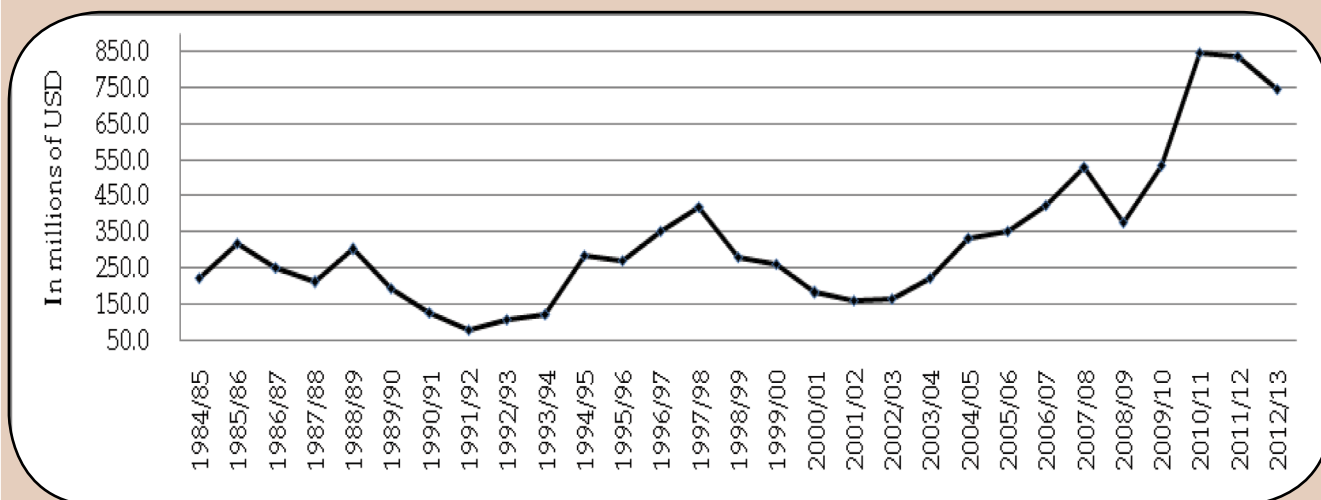
In the subsequent five years, the figure turned up to 312.9 USD millions which is around 61 percent of the total export proceeds.

Similarly, at the beginning of the 2000's [2000/01 – 2004/05], the average yearly export earning of the period reverted to USD 205.8 million which accounted for 37.2 percent of the total export earnings. In the next five years, [2005/06-2009/10], it stood at 438.2 million USD per annum, showing a 113 percent increments vis-à-vis the preceding period. But, despite the improvement in coffee export, the share of coffee declined to 34.4 percent owing to its, relatively, slower growth compared to the growth in the total export earnings.

This is because commodities such as oilseeds emerged as a significant contributor of export yield. Currently, the performance is improving rapidly and between the periods 2010/11-2012/13 the yearly average earning reached 807.6 million USD which comprises 33.7 percent of the total export.



Figure – 8 – Value of coffee export in Ethiopia



Source: National Bank of Ethiopia

Though the export of coffee was, and still continues, to dominate the export sector, it has been fluctuating over several periods.

This fluctuation in the payoff was mainly attributed to the vulnerability in the world price of Coffee.

Since Ethiopia cannot determine the world coffee market outcome, particularly world price, the market outcome affects our export performance.

The past 30 years have also witnessed that the performance in coffee export was a major determinants of the overall performance of the total export earnings.

Except 1999/00 and 2011/12, where total export surged up by 0.4 and 14.3 despite a fall in coffee export by 6.8 percent and 1 percent respectively, in all the years when the export of coffee goes down, the total export earning went down as well.

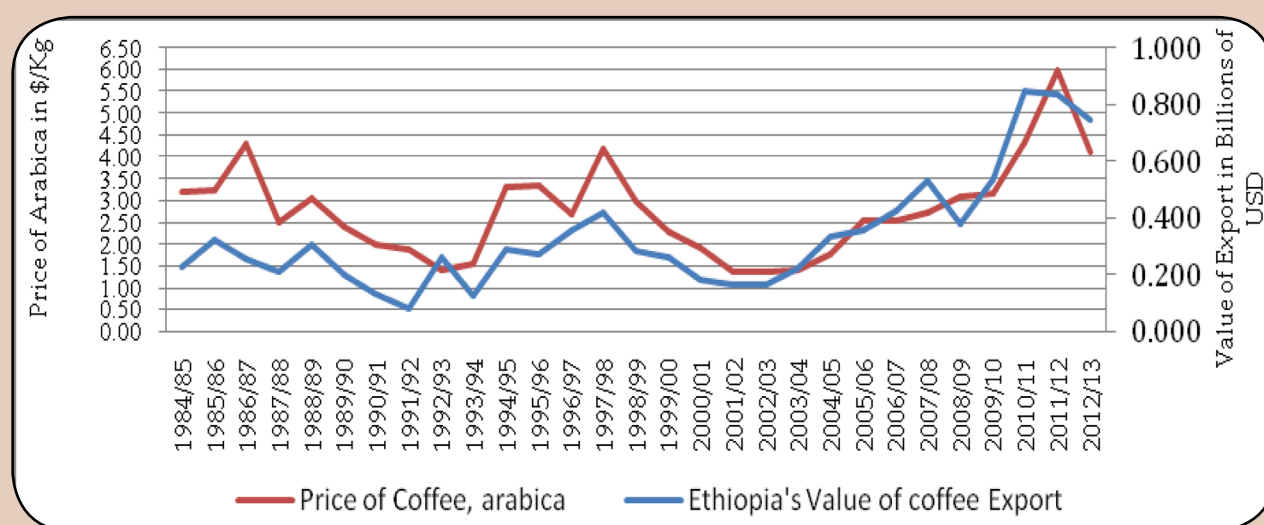
Specifically, in the year 1986/87, 1987/88, 1989/90, 1990/91, 1991/92, 1995/96, 1998/99, 2001/02, 2008/09 and 2012/13, the total export earnings declined following the fall in coffee export. By the same token, the total proceed doesn't decline in those years the export of coffee increased.



4.1. World Coffee Price Volatility and Ethiopia's Coffee Export Performance

One of the main factors for the rise and fall of coffee export earnings was the volatility in the international price of Coffee. The figure below depicts the relationship between world Arabica price and the foreign exchange earning obtained from the export of Coffee. As clearly shown in the graph below, the export earnings of coffee has been highly influenced by the instability in the world price of coffee.

Figure – 9 – world price of Arabica coffee and Ethiopia's coffee export



Sources: National Bank of Ethiopia;

on the value of coffee: World Bank group; on Arabica coffee price

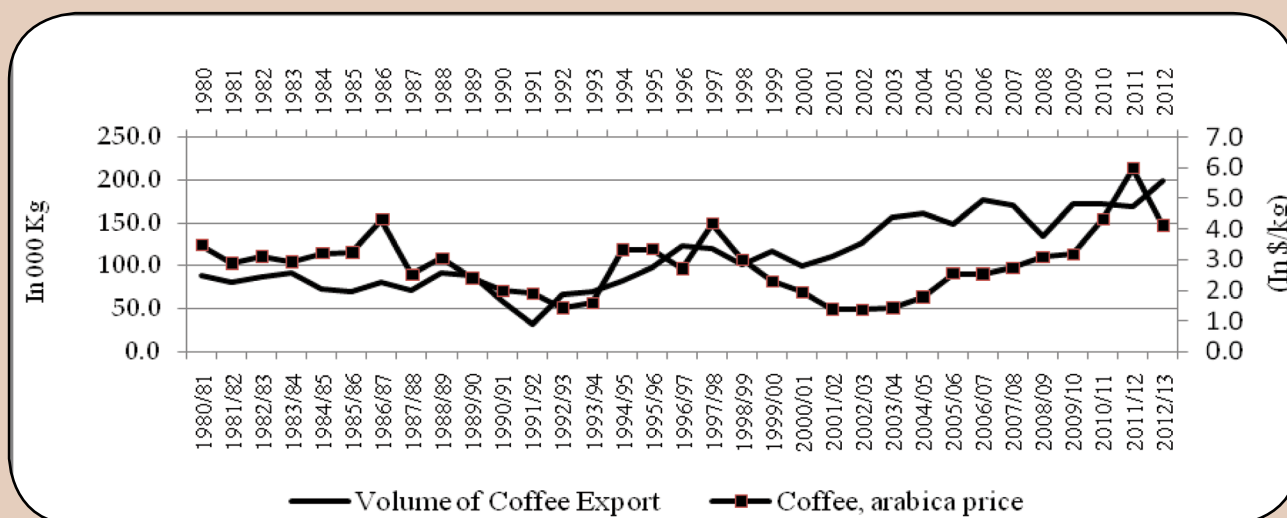
On the other hand, by roughly looking at trends in the volume of coffee export and world coffee price, we can see that, the collapse/boom in coffee price have been one of the major significant factors in influence the volume of export (see the figure below).

This is because, at the time of price collapse, the profit of exporters will significantly fall. As

a result, there will not be any strong economic reason for exporters to raise their volume export. In fact, in some years, such as 2012/13, the volume of export increased despite a fall in world price. This might be because; coffee market in Ethiopia is regulated by government owing to its immense role as a source of foreign exchange.

Consequently, exporters are not allowed to sell their coffee in the domestic market. In addition, by Ethiopian law, from grade 1 coffee up to grade 5 and grade UG should not be sold for the domestic market.

Figure – 10 – World price of Arabica coffee and Ethiopia's volume of coffee export



Sources: National Bank of Ethiopia: on the volume of coffee export: World Bank group: on Arabica coffee price

5. Medium Term Prospects

5.1. Coffee prospect in the medium term

5.1.1. Demand Side Prospects

a. Growing World demand for coffee

According to Food and Agricultural Organization (FAO), world consumption of coffee is expected to increase consistently in the next 6-7 years. It is estimated to grow at annual average growth rate of 1.8 percent.

Table 3: world coffee consumption forecast

| | | In millions of bags | | | | | |
|-----------------------------|-------|---------------------|-------|-------|-------|-------|-------|
| Years | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 |
| World consumption of Coffee | 145.3 | 146.3 | 149.2 | 151.4 | 154.0 | 159.0 | 162.2 |

Source: FAO projection adjusted by 2012 actual data

b. Bright economic future in Ethiopia's coffee trading partners

Moreover, the economic situation of our coffee trading partners will improve (in fact assuming that there is no significant change in Ethiopia's coffee trading partners). This is expected to contribute to the growth of demand for coffee, *ceteris paribus*.



Table 4: Economic growth forecast in major Ethiopia's coffee trading partners

| Ethiopian Coffee Importers | Export share in 2012/13 | Annual % change in real GDP | | | | | |
|----------------------------------|-------------------------------|-----------------------------|------|------|------|------|------|
| | | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 |
| Germany | 23.06 | 1.7 | 1.6 | 1.4 | 1.4 | 1.3 | 1.3 |
| Saudi Arabia | 12.64 | 4.1 | 4.2 | 4.2 | 4.2 | 4.2 | 4.3 |
| Japan | 10.15 | 1.4 | 1.0 | 0.7 | 1.0 | 1.0 | 1.1 |
| United States | 8.83 | 2.8 | 3.0 | 3.0 | 2.9 | 2.6 | 2.2 |
| Somalia | 8.60 | n.a | n.a | n.a | n.a | n.a | n.a |
| Belgium | 6.85 | 1.2 | 1.2 | 1.3 | 1.4 | 1.4 | 1.5 |
| Italy | 4.54 | 0.6 | 1.1 | 1.2 | 1.2 | 1.0 | 1.0 |
| France | 3.93 | 1.0 | 1.5 | 1.7 | 1.8 | 1.9 | 1.9 |
| United Kingdom | 2.52 | 2.9 | 2.5 | 2.4 | 2.3 | 2.4 | 2.4 |
| South Korea* | 2.36 | 3.7 | 3.8 | 3.8 | 3.8 | 3.8 | 3.8 |
| Sudan | 2.24 | 2.7 | 4.6 | 6.0 | 5.2 | 5.5 | 4.3 |
| Sweden | 2.17 | 2.8 | 2.6 | 2.5 | 2.4 | 2.4 | 2.4 |
| Altogether | 87.9 | | | | | | |

Source: World Economic Outlook Database, April 2014, IMF staff estimates

* GDP growth of Korea is used as a proxy for GDP growth of South Korea

c. Superior global demand for Arabica coffee over Robusta

For many years, Arabica coffee were the most demanded coffee species worldwide. One way to check this is to simply look at the prices at which the two species Arabica and Robusta have been sold.

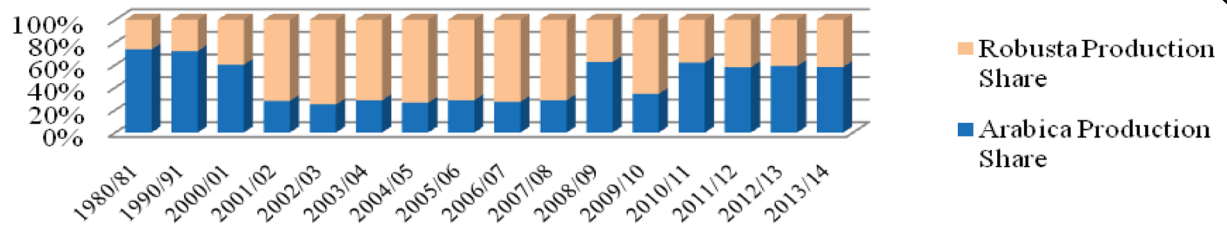
The price of Arabica coffee has been consistently higher than that of Robusta. Unless the consumer has higher demand for Arabica over Robusta, there is no justifiable reason to pay higher price. Consequently, Arabica coffee has been produced by larger quantity. In the 1980's, on average,

Arabica coffee production constituted 73.5 percent of the total coffee production.

Similarly, comprising 68.8 percent, its share in the 1990's was also very significant. However, in the recent past years, the share of Robusta had been increasing; the average share of Robusta went up to constitute 38.8 percent in 2000's while that of Arabica went down to 61.2 percent.



Figure – 11 – Share of Robusta and Arabica Overtime



Data source: US Agricultural Service (USDA)

The central question is, is this rise in the share of Robusta reflecting a shift in consumer demand to Robusta? Is production demand driven? Recall from the theory of consumer behavior that, when the demand for a certain commodity increases, there is a higher tendency for price to move upward, *ceteris paribus*.

However, what happened is, on average, the price of both Arabica and Robusta has been increasing. Furthermore, the growth in the price of Arabica and Robusta has not been significantly different. If the growth in the price of Robusta is significantly higher than the growth in Arabica, it might give us some hint that consumer is in favor of Robusta. In addition, though Robusta is very cheap, it has very bitter test.

Consequently, owing to the inherent quality and test preference of consumer, Arabica coffee is highly demanded globally. However, due to relatively higher price of Arabica Coffee, buyers sometimes might be interest for Robusta to blend with Arabica (especially when the price of Arabica moves up), which drag down the price of Arabica from moving up further.

To Summarize, the rise in production of Robusta doesn't reflect a shift of consumer demand away from Arabica. This skewed world demand for Arabica can be considered as an opportunity for Arabica coffee producer like Ethiopia.

5.1.2. Supply side prospects

a. Price recovery

Currently, the global coffee price is consistently falling noticeably. According to the World Bank Commodity Database, Arabica coffee price started to decline in 2012 where it dropped by 31.2 percent vis-à-vis the prior years. This decline in the price of Arabica coffee continued until the recent period.

Despite this gloomy outlook in the international coffee price in the past few periods, the World Bank Group estimated that the coffee price will recover soon. The table below illustrates World Bank Arabica coffee projection for the next 7-8 years, as we can see from the table, Arabica coffee price is forecasted to revive again. Consequently, coffee exporters are encouraged to supply relatively higher amount of coffee to the world market.



Table 7: Arabica coffee price forecast

US cents / lb

| Years | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
|----------------------|------|------|------|------|------|------|------|------|
| Arabica coffee price | 310 | 330 | 340 | 341 | 342 | 343 | 344 | 345 |

Source: World Bank projection**b. Rising domestic production of coffee**

Coffee Production is forecasted to mount successively over the next years as well. According to the Ethiopian Ministry of Agriculture latest projection, production is expected to continuously rise by average growth of 10 percent per annum over the next 5 years.

Table 8: Ethiopian coffee production forecast

In tone

| years | 2013/14 | 2014/15 | 2015/16 | 2016/17 | 2017/18 |
|-------------------|---------|---------|---------|---------|-----------|
| Coffee production | 731,600 | 815,000 | 896,500 | 986,150 | 1,084,765 |

Source: Ethiopian Ministry of Agriculture

By the end of Ethiopia's Growth and Transformation Plan / GTP /, coffee production is estimated to reach 815,000 tone. Similarly, following three years after the end of GTP, coffee production is forecasted to grow successively.

c. Growing coffee producers in the country

Currently, around 3.9 million small scale farmers are producing coffee in the country. Of which, over 57 percent of producers are located in Oromia region, 18.0 percent in Southern Nation Nationalities and People of Ethiopia (SNNP) and 8.9 percent in Amhara region , altogether

accounted about 84.7 percent.

These coffee procurers are expected to increase in the coming years which will positively contribute in securing the Ethiopia's supply of coffee to the world market.

By the end of the GTP, the number of small scale coffee producers are expected to reach, 3,981,342. Of which 2,336,042 are in Oromia region, 731,317 are in SNNP, 370,763 in Amhara, and the remaining 543,220 farmers are in regions like Gambella, Benshangul and others.

Table 9: Expected number of small scale producers of coffee, by region

| Region | 2015/16 | 2016/17 | 2017/18 |
|------------|-----------|-----------|-----------|
| Oromia | 2,362,762 | 2,390,017 | 2,417,817 |
| SNNP | 745,943 | 760,861 | 776,078 |
| Amhara | 370,763 | 378,178 | 385,741 |
| Gambella | 15,924 | 16,242 | 16,566 |
| Benshangul | 7,544 | 7,694 | 7,847 |
| Other | 53,8029 | 54,8789 | 55,9764 |
| Total | 4,040,965 | 4,101,781 | 4,163,813 |

Source: Ethiopian Ministry of Agriculture

6. Coffee Export Forecast

Assuming a lot of effort will be exerted in ensuring coffee quality, avoiding wastage during production, storage & transport, climbing up coffee supply to the Ethiopian Commodity Exchange, enhancing the service provided by the ECX, the Ethiopian Ministry of Trade projected that coffee export will increase for the next several years. The table below presents the forecasted coffee export.

Table 10: Ethiopian Coffee Export Forecast

In tones

| Years | 2014/15 | 2015/16 | 2016/17 | 2017/18 | 2017/18 |
|--------------------------|---------|---------|---------|---------|---------|
| Forecasted coffee export | 305,250 | 335,775 | 369,353 | 406,288 | 446,917 |

Source: Ministry of Trade

7. Package of incentives available for producers and exporters of Coffee

The main incentives available for producers and exporters of coffee are the following:

- Ethiopia poses varieties of coffee with different characteristics and unique tastes and flavor which has great quality reputation in the world.

This is one of the natural incentives for Ethiopian producers and exporters of Coffee. As Judith G.

(2013) put forwarded, there is a steady market for Ethiopian coffee, even in the challenging times, with the reward being prices received above the benchmark of C contract due to being a reliable supply of quality Coffee.

- Pre-shipment bank loan facility available by banks to coffee exporters when they produce a concrete contract sales agreement.



. Coffee exporters are exempted from export tax. As per “Tax on coffee Exported from Ethiopia Proclamation No. 99/1998”, export tax on coffee was 6.5 percent. But. “Tax on coffee Exported from Ethiopia (Amendment) Proclamation No. 287/2002 proclaimed that the rate shall be zero.

. Investors engaged in growing coffee are exempted from paying income tax for 5 year. In addition, investor who invests in Gambella, Somali, Oromia, Guji zone, SNNP, Ommo Zone, Segen, Bench Maji, Shaka, Dawro Zone, Konta, and Basketo shall be entitled to an income tax deduction of three consecutive years after the expiry of the exemption period.

However, growers will not be illegible for income tax exemption if the investment is in Addis Abeba.

Investors who invest in growing coffee can import capital goods and construction materials necessary for the establishment of new enterprise or the expansion or upgrading of an existing enterprise customs duty free.

Cooperatives, unions, coffee plantations and investors are free either to directly export their product without going through ECX or sell through ECX auction as they wish.

8. Challenges to producers and exporters of coffee in Ethiopia

Before looking at the specific problems encountered by Ethiopian coffee producers and exporters, let's take a look at the major barriers to penetrate the global coffee market, at a glance.

Ethiopia cannot determine the world coffee price, the country is simply a price takers. Consequently, the supply of other countries like Brazil which causes price volatility thereby will ultimately affect the export performance in Ethiopia.

- Our coffee poses inherent quality , but sometimes slight quality problems arise as a result of farmers inappropriate harvesting & post harvest handling (they may collect before it dried well), exporter's adulteration of different coffee origins, corruption at some coffee cuppers at the arrival coffee market grading which result in inconsistency between coffee grade and quality level, partly because the coffee liquor Unit (CLU) of the Ethiopian Ministry of Agriculture was not efficient due to timely delivery problem.



Some of the main challenges associated with coffee producers in the medium term are:-

- Low production and productivity
 - Coffee trees are generally too old on most of small scale holdings with traditional farming practice
 - Limited use of modern inputs such as improved seeds
 - Lack of sufficient man power that helps farmers during the production process, at the time of harvesting, post harvest handling and processing
 - Weak market information system e.g. lack of efficient information network on price
 - Lack of extensive agricultural extension system. Moreover, the existing agricultural extension system is not addressing on the basis of Agro-ecology.
 - Lack of timely and adequate access to credit
- On the other hand, the major challenges to coffee exporters are the following

- Word price volatility : This is a problem particularly in a situation where world coffee price falls , like what happened in the recent time, the profit margin of exporter is eroded which give disincentive to exporters
- Sometimes, exporters don't get the coffee quality they want with the required quantity
- Exporters have no access to traceable coffee that the world market is opt for
- Inadequate availability of empty containers in the port of Djibouti during peak season.
- Illicit trade which hampers the flow of coffees to the legal channels
- Poor promotion of coffee worldwide
- Financial constraint particularly during price collapse



9. Conclusions and Policy Recommendations

9.1. Conclusions

The study indicated that the performance in coffee export was a very significant determinant of the overall performance in the total export earnings.

If earning from coffee export falls, the total export of the country is highly likely to fall. Therefore, the government is required to keep a watchful eye on coffee export so as to increase the total export proceeds especially in the medium term.

However, since the above fact is an indication of the limited export commodity diversification, in the long run, the country should exert additional effort in diversifying the export commodity base away from dependence on few commodities.

On the other hand, the fluctuation in the payoff from coffee export was mainly attributed to the vulnerability in the world price of Coffee. Similarly, the swing in the price of coffee will also trigger an immediate fluctuation on the volume of coffee exported.

More importantly, the weak government follow-up in enforcing the law which prohibits exporters to sell export quality coffee to the domestic market, international price disincentive coupled with lack of introduction of timely incentives for

producers & exporters, the volume of export is highly likely to fall at the time of price collapse.

The study also showed that, in the recent past years, particularly after 2001/02, the foreign exchange earnings from coffee have been significantly rising. Similarly, coffee production in Ethiopia is growing successively over time. However, though Ethiopia has a potential to produce throughout the country, the production was merely dominated by Oromia and Southern Nations Nationalities and Peoples of Ethiopia region.

Partly due to this, the total coffee area harvested in Ethiopia is very low compared to other countries such as Mexico, Brazil and Colombia. On the other hand, looking at the yield level, it is relatively good as compared to countries like Kenya & Uganda, but it requires putting a lot of additional effort to cope up with countries like Brazil and Colombia.

Although the world supply of coffee has been consistently higher than the world demand, the performance in the recent past years witnessed that the demand for coffee was growing slightly higher than the growth in the supply of Coffee.

This growing demand for coffee is expected to help coffee exporters, by bringing about enough market for their produce.



Moreover, as the Ethiopian coffee poses a greater quality reputation worldwide, the demand for Ethiopia coffee will be expected to grow. Similarly, good economic conditions in our coffee trading partners, continuing mount in domestic production of coffee and the world coffee price recovery is expected to help our export of coffee to recover. However, slow-moving price recovery is odds-on to decrease coffee export in the year 2013/14. However, starting from the year following, coffee export is expected to recover as the international price is projected to revive.

Some of the medium term challenges that trickle-down the export earnings of coffee are: Low production and productivity (compared the vast and growing domestic & external demand, production is still low), world price volatility, domestic price distortion, lack of exhaustive agricultural extension system and lack of enough training to farmers.

9.2. Recommendations

There is no doubt that supporting participants in the coffee industry particularly producers, suppliers and exporters will shed light in the effort to enhance the foreign exchange earnings of Coffee. Consequently, to bring significant improvement in coffee export, it requires exerting continuous efforts to improve the capacity of all actors in the value chain starting from the farm level to exporters and from exporters to global market such as promoting our coffee in the international markets.

- **Enhancing yields and production level:**
Enhancing extension service, in-depth training to farmers

o The researcher advises the Ministry of Agriculture to establish a training center particularly in high potential areas. The trainers shall comprise agricultural expertise and model farmers. Then, show farmers how to prepare their land, how to handle the coffee after planting, how to handle after post harvesting etc practically with demonstration plot of land. In the mean time, farmers can easily and practically recognize the difference in yield and production possibly obtained through adopting appropriate scientific methodology instead of old and traditional farming practice they have been adopting. In addition, the training might help farmers to learn a lot from the experience of model farmers as well.

o Taking care of the old trees can also be one way of enhancing the production and productivity. We should give farmer's advice to timely cut back the stems of the old trees to make them young so that the tree will produce more cherries than before.

o Use of modern inputs, such as use of improved seed, is essential

o To solve the presence of limited expertise that can assist farmers in the production process, the government may organize a group of youths, give them a short-term training on appropriate harvesting, post harvest handling, on how to access timely market information etc, this group will give advice to farmers with a reasonable price



. This will have a lot of advantage. One, we are creating job to the youths thereby enhancing the production and productivity of coffee. In addition, this is a system once it is employed and adopted by the people, production and productive will sustainably increase without a break.

- **Enhancing quality:** Stakeholders in coffee shall extend their effort to maintain the inherent coffee quality starting from the farm level throughout the production process. In addition, those who give coffee quality grade (ECX, CLU) should always put additional effort to improve their efficiency, and they have to make sure that there is no any corruption.

- **Government needs to rescue Coffee farmers and exporters** by providing them with support particularly at the difficult time, for example at the time of price collapse, through introducing different incentives

o As coffee is the backbone of the export earnings for decades, considering a different foreign exchange conversion rate for coffee exporters might be feasible. In other word, allowing coffee exporters to convert their export proceed between the mid-rate of selling and buying exchange rate. Though banks may seem to lose by paying higher price for a dollar, on the other side, they benefit from the rise in the inflow of foreign currency.

o Credit to farmers: providing loan to farmers, particularly at the time of hardship, will help them to go on their life without frustration which enables them to continue supplying which will ultimately help the country to raise the volume

of export. If there is enough supply then the domestic price of coffee is highly likely to fall, so that, exporters will get a profit margin to supply even at the time of price collapse.

o At the time of international coffee price collapse, Ethiopia's supply of coffee to the world market falls considerably. To solve this, the government, possibly using ECX, may buy coffee from either suppliers or producer when suppliers or producers price of coffee in Ethiopia is low then made readily available to exporters at a reasonably price when the international price of coffee falls. This will reduce the possible decline in profit margin of exporters thereby ensure a sustainable supply of coffee to the world market. In addition, by creating stabilization fund the government may buy coffee from farmers at a relatively modest price particularly during a massive drop in international price then store the coffee to resale to farmers or exporters when international price of coffee recovers. This will minimize the adverse effects of price drop on farmers.

- To alleviate the problem of lack of empty container at the Djibouti port during peak time, the country should enhance its empty container management system. The concerned body has to make sure the availability of enough stock of container in each line.



- **In the long run**, we should exploit the potential in all regions through diversifying the production area away from dependence on traditional growing areas of Oromia and SNNP to all regions. Moreover, value addition in coffee should be considered in the future.

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Educational & Informative Articles

Capital Goods Finance Companies in Ethiopia: Overview

Microfinance Institutions Supervision Directorate (MISD), at the National Bank of Ethiopia, carries the mandate and the duty to supervise the operations of Capital Goods Finance companies (CGFC) in Ethiopia. BIRRITU has had an exchange with the Directorate regarding the current status of Capital Goods Finance Companies in Ethiopia.

BIRRITU: What are Capital Goods?

MISD: Capital Goods are durable goods (ones that do not quickly wear out) that are used for the production of more capital goods as well as consumer goods. According to Capital Goods Leasing Business (Amendment) Proclamation No. 807/2013 Art. 2(3), a Capital Good is defined as any equipment or machine that may be used to produce products or to provide services and includes accessories.

BIRRITU: What is Capital Goods Finance Company? Currently how many companies are in operation? How do you explain their services in equipment financing and their role in distribution and supply?

MISD: Capital Goods Finance Companies are established with the aim of providing financial services through finance lease and/or hire purchase that is equated with bank loans where physical assets in the form of machinery, equipment are disbursed in return for periodic rental payments to the lender. Lease financing enables manufactures and other producers to use

equipment and machineries without having to pay the full costs of the investment goods upfront.

In the case of Ethiopia, Capital Goods Finance Company (CGFC) is a company that is licensed by the National Bank of Ethiopia to undertake capital Goods Finance Business. UP to July 16, 2014, five companies have been granted Capital Goods Finance Business License to operate in different regions of the country. Namely:

- Addis Capital Goods Finance Company – Addis Ababa City Administration;
- Debub Capital. Goods business Company – SNNPRS;
- Kaza Capital Goods Finance Company – Tigray region;
- Oromiya Capital Goods Finance Company – Oromiya region; and
- Waliya Capital Goods Finance Company – Amhara region;

Besides, request for license of one private institution is being processed. Currently, most of the companies are finalizing preparations to commence leasing operations as per NBE directives and some have actually commenced same.

BIRRITU: Please give us explanation on the importance and use of Capital Goods Finance Business for Small and Medium enterprises (SMEs) in Ethiopia

MISD: Basically, CGFC are established with the aim of providing financial service to individuals and/or enterprises that have the desire, knowledge and profession to participate in various investment activities but could not act due to lack of capital. It is intended to create an enable environment for the establishment of alternative sources of financing. In this regard, the SMEs will be the primary beneficiaries of these companies because they lack collateral to access loan from classical banks.

Leasing is particularly advantageous for SMEs that do not have a lengthy credit history or a significant asset base for collateral. Because, leasing is based on the proposition that profits are earned through the use of assets, rather than from their ownership. It focuses on the lessee's ability to generate cash flow from business operations to service the lease payment, rather than on the balance sheet or past credit history. In general, leasing has the following benefits.

- Adds Credit Availability: provides additional financial service without affecting bank credit lines. So SMEs may retain bank borrowing capacity for other needs.

- Conserves Working Capital: equipment leasing finances 100% of the equipment cost, leaving precious working capital for other needs.

- Improves Cash Flow: equipment leasing allows you to payment for the equipment as income are earned from its use.

- Tax Deductible: In many cases, equipment lease payments can be treated as a

fully tax deductible expense.

- Quick, Easy and Less Expensive: The whole equipment leasing process is faster, simpler, and often less costly than other equipment financing alternatives.

BIRRITU: What role Capital Goods Companies play in the Economy?

MISD: The role of CGFC in the economy of a given country basically emanates from its contribution towards provision of finance service of SMEs Sector. SMEs are considered as a springboard for economic development of developing countries like Ethiopia. The Growth and Transformation Plan (GTP) also considered this sector as a potential resource to boost employment, increase production of import substitute in goods, and accelerate a transition from agricultural led to industrial led economy. However, this sector was challenged to bring about expected transformation due to critical lack of capital for owning manufacturing machineries that help in increasing the quality and quantity of their products. Hence, CGFCs bridge this gap and provides opportunity for SMEs sector to get service without the requirement of pledge to any collateral.

Besides, it plays an important role in enhancing financial intermediation, induces competition in the financial sector, and hence promotes investment and economic growth. Furthermore, it ensures well developed, diversified, and efficient financial system that can spread risk and



provide a sound base for sustainable economic development which is more resilient to shocks. Hence developing the CGFCs sector as a means of delivering finance to SMEs increases the range of financial products in the marketplace and provides a room for accessing finance to business that would otherwise not have it, thus promoting domestic production, economic growth and job creation.

BIRRITU: Would you explain the criteria for licensing of Capital Goods Finance Companies?

MISD: the criteria for licensing of Capital Goods Finance Companies are clearly stipulated in different directives issued by NBE. Generally, to process a license for Capital Goods Finance Business, the following criteria should be fulfilled at a minimum:

- **Capital requirement:** According to “Minimum paid-up capital Requirement Directives No.CGFB/01/2013”, a company should have minimum paid-up capital of Birr 200 million to obtain capital goods finance business license.

- **Formation of the company:** Capital Goods Finance Company should be established in the form of share Company pursuant to the Commercial Code of Ethiopia.

- **Designation of promoters, Board of Directors (BODs) and Chief Executive Officer (CEO)**

: “Requirements for licensing of Capital Goods Finance Business Directives No CGF/02/2013” describes detailed requirements

to be fulfilled by promoters (organizers), project managers, Board of Directors (BODs), and Chief Executives Officers (CEO) of envisaged CGFC.

- **Promoters/Organizers:** should possess the integrity, financial soundness and competence and capacity to fulfill the responsibilities of their positions.

- **Project Manager:** is a person who is designated by the promoters or organizing committee to overlook every activity during licensing process. The person to be a project manager shall have first degree and business experience preferably in capital goods finance related project and he/she shall be honest, reputable and diligent.

- **Board of Directors:** a person nominated to be a member of BOD of CGFC shall hold a minimum of diploma, three years of work experience, and shall be at least 25 years old.

- **Other Required Documents:** the envisaged company should prepare and submit comprehensive business plan, Article of Association (AOA), Memorandum of Association (MOA) as per the standard format or outlines provided by NBE. Besides, promoters (Organizers) minutes and subscribers shall be submitted to the Bank. Furthermore, policy and procedure manuals including internal audit manual, risk management guidelines, operation manual, and finance manual should be prepared and submitted to the Bank.

BIRRITU: How does the NBE/Microfinance Institutions Supervision Directorate supervise



these companies? What are the tools and methods applied?

MISD: Lease finance is a new phenomenon to Ethiopia in general and to NBE in particular. Hence, its operation and regulation would be a challenge to all stakeholders involved. However, the supervision of these companies will be based on prudential regulations that help to ensure the stability and soundness of the financial institutions in general and leasing sector in particular.

The regulation of these companies primarily involves issuance of prudential regulations, directives, and guidelines augmented by regular follow up made through off-site surveillance and on-site inspection.

□ Off-site surveillance: under the off-site surveillance system, the financial conditions of CGFC are monitored on the basis of periodic information provided by the companies.

□ On-site inspection: is carried out based on the finding of off-site surveillance or regular inspection program.

On-site inspection is conducted using CAMEL model (Capital Adequacy, Asset Quality, Management, Earnings and Liquidity).

Accordingly, the company's compliance with applicable laws and regulations, internal controls and the standards of corporate are duly examined.

BIRRITU: Would you please enlighten us on the global trend as far as Capital Goods Finance Companies are concerned?

MISD: In recent years, leasing has become the most popular form of financing capital assets. Because, it plays important role in developing financial markets and providing finance to enterprises, especially small-scale-ones that face problems in obtaining credit from banks. Leasing of plant and equipment has been extensively used in many countries as a means of expanding enterprises' access to credit. According to IFC report, the global leasing market was worth 643.8 billion US dollar in 2008. Europe and North America accounted for 79.1% of this volume.

The total lease portfolio of Africa stood at 1.8% of the total volume. Besides, one-eighth of world's total private investment is financed through leasing. The proportion is as high as one-third in some developed economies. Despite its contribution to provide financial service for SMEs sector that are marginalized or underserved by classical banking system due to lack of collateral, leasing sector has not significantly progressed in Africa to address the needs of SMEs sector and bridge the gaps of financial services being offered by classical bank.



ከወለድ ነጻ የባንክ አገልግሎት ምንድን ነው?

ከባንክ ሱፐርቪዥን ዳይሬክቶሬት
የኢትዮጵያ ብሔራዊ ባንክ

ከወለድ ነጻ የባንክ አገልግሎት ማለት በእስልምና የፋይናንስ መርሆዎች መሠረት የባንክ አገልግሎቶችን ማለትም ተቀማጭ ገንዘብን መሰብሰብ፣ ብድር መስጠትን እና ሌሎች አገልግሎቶችን ከወለድ ነጻ በሆነ መልኩ በትርፍ/ኪሣራ መጋራት ላይ ተመስርቶ መስጠት ነው። ከወለድ በተጨማሪ በሃይማኖቱ የተወገዙት እንደ ወሲብ፣ አልኮል መጠጥ ያሉ ንግዶችም በፋይናንስ አገልግሎቱ የታቀፉ አይደሉም።

የህዝቡ ከወለድ ነጻ የባንክ አገልግሎትን የመጠቀም ፍላጎት ከጊዜ ወደ ጊዜ እየጨመረ በመምጣቱና ይህን ፍላጎት ማሟላት አስፈላጊ በመሆኑ አገልግሎቱን በሚፈለገው መልኩ ተደራሽ ማድረግ ተገቢ ነው።

ከወለድ ነጻ የባንክ አገልግሎትም ለኢኮኖሚ እድገት የራሱ አስተዋጽኦ እንደሚኖረው ይታመናል። አንዳንድ መረጃዎች እንደሚጠቁሙት፣ አገልግሎቱን የሚሰጡ ተቋማት አጠቃላይ ሀብት በዓለም ላይ 230 ቢሊዮን ዶላር መድረሱ ለዚህ እንደማሳያ ሊወሰድ ይችላል።

በወለድ ነጻ የባንክ አገልግሎት መርሆ የሚሰጡ አገልግሎቶች በተለመደው የባንክ አገልግሎት የሚሰጡትን ማለትም ተቀማጭ ገንዘብ መሰብሰብ፣ ብድር መስጠትን፣ የሀዋላ አገልግሎት እና ዓለም አቀፍ የባንክ አገልግሎትን ያጠቃልላሉ። ነገር ግን እነዚህ አገልግሎቶች ከወለድ

ነፃ ሆነው በትርፍ/ኪሣራ መጋራት ወይም በአገልግሎት ክፍያ መሰረት የሚሰጡ ናቸው።

ዋና ዋና የፋይናንስ አገልግሎቶች ውስጥ ዋና ዋናዎቹ፡-

- ሀ) መራባሃ - የተገዛን ሽቀጥ በትርፍ መሸጥ፣
- ለ) መድራባ - የካፒታልና የጉልበት ሽርክና ውል፣
- ሐ) ኢስቲዝና - የግንባታ ውል፣
- መ) ኢጃራ - የኪራይ ውል፣
- ሠ) መሻራካ - የካፒታልና የጉልበት ሽርክና ውል ሆኖ ባለካፒታሉ ጭምር የሚተዳደር፣ ሲሆኑ ሌሎችም የአገልግሎት አይነቶች ይገኙበታል።

ባንኮች አገልግሎቱን ለመስጠት ማሟላት ያለባቸው ቅድመ ሁኔታዎች

ንግድ ባንኮች ከወለድ ነጻ የባንክ አገልግሎት ለመስጠት የሚያስችላቸውን ፍቃድ ለማግኘትና አገልግሎቱን ለመስጠት የሚችሉት በባንክ ሥራ አዋጅ ቁጥር 592/2000 አንቀጽ 22(2) የተፈቀደ ከመሆኑ በላይ ይህንኑ ለማስፈጸም መመሪያ ቁጥር SBB/51/2011 ወጥቷል።

ከዚህም ባሻገር ንግድ ባንኮች በኢንቨስትመንት መመሪያ ቁጥር SBB/12/1996 የተቀመጠውን ገደብ ባንኮች ጠብቀው መሥራት ይጠበቅባቸዋል።



ይህም መመሪያ የወለድ ነፃ የባንክ አገልግሎትን ታሳቢ ባደረገ መልኩ የመከለሱ ሥራ በሂደት ላይ ነው።

በዚህ መሠረት ባንኮቹ አገልግሎቱን ለመስጠት ማሟላት ያሉባቸው ቅድመ ሁኔታች በግልፅ የተቀመጡ ሲሆን፤ ባንኮች “ወለድ” አስመልክቶ ከወጣው የብሔራዊ ባንክ መመሪያ ቁጥር በስተቀር ሌሎች” መመሪያች በሙሉ ተከትለው አገልግሎቱን መስጠት ይኖርባቸዋል።

ከወለድ ነጻ የባንክ አገልግሎት ከመደበኛው የባንክ አገልግሎት በተጓዳኝ በባንክ ቅርንጫፍ ነገር ግን በተለየ መስኮት የሚሰጥ ነው።

ባንኮቹ አገልግሎቱን በእስልምና የፋይናንስ መርሆች እና የአደጋ ተጋለጭነትን በሚቀንስ መልኩ ለመስጠት የሚያስችል የውስጥ አደረጃጀትና የአሠራር ሥርዓት መፍጠር አለባቸው።

አገልግሎቱ የሚገኝበት ደረጃ

እስከ አሁን ሦስት ባንኮች አገልግሎቱን ለመስጠት ከብሔራዊ ባንክ ፈቃድ ያገኙ ሲሆን፤ የአንድ ተጨማሪ ባንክ የፈቃድ ጥያቄ በመታየት ላይ ነው። ሌሎችም ፈለጋቸውን እንደሚከተሉና በርካታ የፈቃድ ጥያቄዎች እንደሚቀርቡ ይጠበቃል።

በቅርብ የተገኘ መረጃ እንደሚያመለክተው እስከሁን ባንኮቹ ከህዝብ የሰበሰቡት ከወለድ ነጻ ተቀማጭ ገንዘብ ከ 91 ሚሊዮን ብር በላይ የደረሰ ሲሆን፤ በባንኮቹ የተሰጠ ፋይናንስ እና ኢንቨስትመንት መጠን ደግሞ ብር 800,000 ደርሷል።

የአገልግሎቱ ተጠቃሚዎችም ብዛት 9,559 የደረሰ ሲሆን፤ በጥቂት ወራት ውስጥ ብቻ አገልግሎቱ ምን ያህል እንዳደገ ከዚህ መረጃ ማየት ይቻላል።

አገልግሎቱን በመስጠት ረገድ ዋና ተግዳሮት የሆነው በወለድ ነፃ የባንክ አገልግሎት አሰጣጥ ወይም አሠራር ላይ በቂ የሆነ ዕውቀትና የሥራ ልምድ ያለው የሰው ኃይል አለመኖር ሲሆን፤ ችግሩን ለመፍታት አገልግሎቱን የሚሰጡት ባንኮችም ሆኑ ተቆጣጣሪው የኢትዮጵያ ብሔራዊ ባንክ የሠራተኞችን አቅም ለመገንባት አስፈላጊውን ስልጠና ለሚመለከታቸው ሠራተኞች በመስጠት ላይ ናቸው።

ከዚህም በተጨማሪ ለሕዝቡ ስለ አገልግሎቱ አስፈላጊውን የግንዛቤ ማስጨበጫ ሥራ መሥራት ያስፈልጋል።

Miscellany Section

“Banker to the poor”

Biography of Dr. Muhammad Yunus

Professor Muhammad Yunus, a Bangladeshi economist, was born in 28th June, 1940 in the village of Bathua, in Hathazari, Chittagong, the business centre of what was then Eastern Bengal.

He is the third of 14 children of whom five died in infancy. His father was a successful goldsmith who always encouraged his sons to seek higher education.

However, his biggest influence was his mother, Sufia Khatun, who always helped any poor that knocked on their door.

This inspired him to commit himself to eradication of poverty. He spent his early childhood years in the village. In 1947, his family moved to the city of Chittagong, where his father had the jewelry business.

Yunus earned a Ph.D. in economics at Vanderbilt University in 1969. He taught at Middle Tennessee State University before returning to Bangladesh in 1972 to teach economics at Chittagong University.

Small Loans Big Dreams



In 1974, Professor Muhammad Yunus, a Bangladeshi economist from Chittagong University, led his students on a field trip to a poor village.

They interviewed a woman who made bamboo stools, and learnt that she had to borrow the equivalent of 15p to buy raw bamboo for each stool made.

After repaying the intermediary, sometimes at rates as high as 10% a week, she was left with a penny profit margin.

Had she been able to borrow at more advantageous rates, she would have been able to amass an economic cushion and raise herself above subsistence level. Realizing that there must be something terribly wrong with the economics he was teaching, Yunus took matters into his own hands, and from his own

pocket lent the equivalent of \$17 to 42 basket-weavers.

He found that it was possible with this tiny amount not only to help them survive, but also to create the spark of personal initiative and enterprise necessary to pull themselves out of poverty.

Against the advice of banks and government, Yunus carried on giving out 'micro-loans', and in 1983 formed the Grameen Bank, meaning 'village bank' founded on principles of trust and solidarity.

In Bangladesh today, Grameen has 2,564 branches, with 19,800 staff serving 8.29 million borrowers in 81,367 villages.

The notion became known as microcredit, and as it spread to other countries, it gave millions of people the opportunity to pull themselves out of abject poverty.

On any working day Grameen collects an average of \$1.5 million in weekly installments. Of the borrowers, 97% are women and over 97% of the loans are paid back, a recovery rate higher than any other banking system.

Muhammad Yunus earned the nickname "banker to the poor" by giving tiny cash loans -- often the equivalent of a few dollars -- to the poorest of the poor in Bangladesh.

That simple idea grew into an international movement so vibrant that Yunus was awarded the 2006 Nobel Prize for Peace.

In awarding the prize, the Nobel Committee stated: "Lasting peace can not be achieved unless large population groups find ways in which to break out of poverty. Microcredit is one such means."

Yunus was given the Presidential Medal of Freedom by President Barack Obama in 2009.

Grameen methods are applied in projects in 58 countries, including the US, Canada, France, The Netherlands and Norway.

Source: www.grameenamerica.org
www.bankertothepoor.com



የልቤ ቀለማት

ልቤክ ሰማይ ነው

ግዛቱ የሰፋ

ሁሉን ጭፍራ የሚያኖር

ባንዱም ሳይከፋ

ልቤክ ደማቅ ነው

የብርሀን መሊት

ቀናቱንበፀደይ

ሌቱን በከዋክብት

ልቤክ መሬት ነው

ልስልስ ገራም ስፍራ

የሰጡትን ሰጪ

ካልሰጡትም ጋራ

ልቤክ ምንጭ ነው

መቼም የማይነጥፍ

ለሁሉ የሚፈስ

ሳይለይ ሜዳን ካፋፍ

ልቤክ ውበት ነው

ጥልቅ የጥበብ ስፍራ

ቅኔያትን የሚቀኝ

ከመልአክት ጋራ

ልቤክ ህይወት ነው

ምቹቱ የሚደላ

እንደ እናት እቅፍ

ዙሪያ ገቡ ጥላ

ልቤ እኮ ዛፍ ነው

የታሪክ ስልቻ

አንድ ቀን መስካሪ

ላጣ ነፍስ መፈቻ

ልቤክ ንጉስ ነው

የአገር ምስሶ

ታሪክን ዘጋቢ

ከብዝነት መልሶ

ልቤክ ፍቅር ነው

የጽጌያት ደለል

ዙሪያ ገቡ አበባ

የአደያት አክሊል

ልቤክ መቅደስ ነው

መናኒ ያጠነው

የቃሉ ማደሪያ

ዓለም የማይደፍረው

ልቤክ ፅናት ነው

የትእግስት መሀልቅ

ነቅቶ ተፋላሚ

ጎልቶ እስኪመጥቅ

ልቤክ ጭብጥ ነው

መጠነ ደቃቃ

ግንገሞራ ሀይሉ

ሁሉን የሚደቃ

ልቤክ ገነት ነው

ልክ የኤደን ግዛት

ገብቶ ኮብላይ እንጂ

ከትሞ ኗሪ የለበት።

ምንጭ፡- ርዕስ አልባ ግጥሞች እና.....

በዳንኤል ታደሰ



| | | | |
|----|---|--|-----------------------------|
| 31 | Nisir Micro Finance Institution S.Co | 0116638094, | - |
| 32 | Meket Micro Finance Institution S.Co | 033-21100882/033 2110037/0911972404 | 033-211-11-19 0332110148 |
| 33 | Ghion Financing Institution S.Co | 504408/1238338 1226771 | 251-0115504409 |
| 34 | Rural Solar Microfinance Institution S.C. | 0920244298/0911228710 0116181462 | - |
| 35 | Afar Microfinance Institution S.C | 251-33-666-07-22 | 251-33-666-07-32 |

Capital Goods Finance Companies

| No | Name Of Company | Address | Phone | Fax |
|----|--|-------------|-------------|----------------|
| 1 | Waliya Capital Goods Finance Business S.Co | Bahirdar | 058-2206780 | - |
| 2 | Oromia Capital Goods Finance Business S.Co | Addis Ababa | 0115-571159 | 251-0115571152 |
| 3 | Addis Capital Goods Finance Business S.Co | Addis Ababa | 0111-567026 | 251-0111573124 |
| 4 | Debub Capital Goods Finance Business S.Co | Hawasa | 0462208091 | 251-0462202052 |
| 5 | Kaza Capital Goods Finance Business S.Co | Mekelle | 0344409306 | 251-0344406099 |

Capital Goods Finance Bussiness Licensing and Supervision Team



Micro Finance Institutions

| No. | Name of Institutions | Telephone No. | Fax No. |
|-----|---|--|------------------------------------|
| 1 | Amhara Credit and Saving Institution S.Co. | 058-2201652,0918340256 | 251-058-2201733 |
| 2 | Dedebit Credit and Saving Institution S.Co. | 034-4409306,0914702214 | 251-034-4406099 |
| 3 | Oromia Credit and Saving Institution S.Co. | 0115571158/18/33/0911771023 (GM) | 251-011-1571152 |
| 4 | Omo Micro Finance Institution S.Co. | 046-2202053,0462207384 | 251-046-220-20-52 |
| 5 | Gasha Micro Finance Institution S.Co. | 0118952389/90/91,0911240437 | - |
| 6 | Vision Fund Micro Finance Institution S.Co. | 6463569,0911211823 (GM) | 251-011-6293346 |
| 7 | Sidama Micro Finance Institution S.Co. | 046-2200850,0462206151, 0916836687 (GM) | 251-046-2204704 |
| 8 | Africa Village Financial Services S.Co. | 6532052,0113204732,0911296401 (GM) | - |
| 9 | Buusaa Gonofaa Micro Financing S.Co. | 0114162621,0114162210 0911223679(GM) | 251-011-4162501 |
| 10 | Poverty Eradication & Community Empowerment Micro Financing Institution S.co. | 6521541/42,0911219506(GM) | 251-011-4654088 |
| 11 | Addis Credit and Saving Instituion S.Co | 1572720,111512/13 0911406174(GM) | 251-011-15 73124 |
| 12 | Meklit Micro Finance Instituion S.Co | 0113484152,0113482183 0911318625(GM) | 251-011-5504941 |
| 13 | Eshet Micro Finance Institution S.Co | 3204451/52,0911677434(GM) | 251-011-3206452 |
| 14 | Wasasa Micro Finance Institution S.Co | 0911-67-38-22/0113384133 | - |
| 15 | Benishangul-Gumuz Micro Finance S.Co | 057-7750666,057-7752042 | 251-057-7751734 251-057-7750060 |
| 16 | Shaashemene Eddirs Yelimat Agar Micro Financing Institution S.Co | 0461105952/3831/5663 0913252247(GM) | 251-046-1101534 |
| 17 | Metemamen Micro Financing Institution S.Co | 6615398/6635801/0913460432(GM) | 251-011-6186140 |
| 18 | Dire Micro Finance Institution S.Co | 0251129702/1127072/1119246/47 0911353890(GM) | 251-025-1120246 |
| 19 | Aggar Micro Finance S.Co | 6183382/3104,0911689457(GM) | 251-011-6183383 |
| 20 | Letta Micro Finance Institution S.Co | 6636947,0911169263(FinanceGM) | - |
| 21 | Harbu Micro Financing Institution S.Co | 0116185510,0911512633(GM) | 251-011-6630294 |
| 22 | Digaf Micro Credit Provider S.Co | 0112787390/2782252/0910-27-25-34 | - |
| 23 | Harar Micro Finance Institution S.Co | 025-6663745,025-6664078 | 251-025-6661628 |
| 24 | Lefayeda Credit and Saving S.Co | 0116296976,0118237179 | - |
| 25 | Tesfa Micro Finance Institution S.C | 0115526205 | 251-011-5512763 |
| 26 | Gambella Micro Financing S.Co | 047-5511271,0917823153 | 251-047-5510892 51-02-77 |
| 27 | Dynamic Micro Finance S.Co (Approved 23/03/09) | 01155491585540390 0915766908(GM) | - |
| 28 | Somalia Micro Finance Institution S.Co | 0257752122257-756976/77 0915768505(GM) | 0257752099 0257752916 |
| 29 | Specialized Financial & Promotional Institution S.Co. | 0116622780,0911625576 | 251-011-6614804 |
| 30 | Lideta Micro Finance Institution S.Co | 0914788554,0344450064/32 | - |



ማዕከላዊ ባንክ

Center Bank

የኢትዮጵያ ብሔራዊ ባንክ

National Bank of Ethiopia

ጽሕፈት ቤት

Telephone 011-5-517430

ፎክስ

Fax 011 5-514588

| No | Name of Banks | Telephone No. | Fax No. |
|----|--|-----------------|---------------|
| 1 | የኢትዮጵያ ንግድ ባንክ Commercial Bank of Ethiopia | 011 551 12 71 | 011 551 45 22 |
| 2 | የኢትዮጵያ ልማት ባንክ Development Bank of Ethiopia | 011 551 31 20 | 011 551 16 06 |
| 3 | ኮንስትራክሽንና ቢዝነስ ባንክ Construction & Business Bank S.C | 011 551 81 71 | 011 551 51 03 |
| 4 | አዋሽ ኢንተርናሽናል ባንክ አ.ማ Awash International Bank S.C | 011 557 00 65 | 011 662 77 65 |
| 5 | ዳሽን ባንክ አ.ማ Dashen Bank S.C | 011 465 41 27 | 011 465 30 37 |
| 6 | አቢሲኒያ ባንክ Bank of Abyssinia S.C | 011 553 06 63 | 011 551 04 09 |
| 7 | ወጋገን ባንክ አ.ማ Wegagen Bank s.c | 011 552 35 26 | 011 552 35 26 |
| 8 | ሕብረት ባንክ አ.ማ United Bank s.c | 011 465 52 84 | 0114 65 52 43 |
| 9 | ንብ ኢንተርናሽናል ባንክ Nib International S.C | 011 550 33 04 | 011 550 43 49 |
| 10 | ኦሮሚያ ሕብረት ስራ ባንክ አ.ማ Cooperative Bank of oromia s.c | 011 550 60 25 | 011 515 04 89 |
| 11 | አንበሳ ኢንተርናሽናል ባንክ አ.ማ Lion International Bank S.C | 011 662 71 11 | 011 662 59 99 |
| 12 | ዘመን ባንክ አ.ማ Zemen Bank S.C | 011 554 00 57 | ---- |
| 13 | ኦሮሚያ ኢንተርናሽናል ባንክ አ.ማ Oromia International Bank S.C | 011 557 20 01 | 011 156 15 85 |
| 14 | ብርሃን ኢንተርናሽናል ባንክ አ.ማ Berhan International Bank S.C | 011 663 01 25 | --- |
| 15 | ቡና ኢንተርናሽናል ባንክ አ.ማ Bunna international Bank S.C | 011 158 08 31 | 011 515 83 14 |
| 16 | አባይ ኢንተርናሽናል ባንክ አ.ማ Abay international Bank S.c | 011 515 89 23 | 011 552 88 52 |
| 17 | አዲስ ኢንተርናሽናል ባንክ አ.ማ Addis International Bank S.C | 011 554 97 74 | |
| 18 | ደቡብ ግሎባል ባንክ Debub Global Bank | 011 850 12 07/8 | |
| 19 | ኦናት ባንክ Enat Bank | 011 515 74 75 | |

የኢንሹራንስ ኩባንያዎች ስም ዝርዝር አድራሻ

Insurance Companies Name & Address

| No | Name of Institutions | Telephone No. | Fax No. |
|----|--|--|--------------------------------|
| 1 | የኢትዮጵያ መድን ድርጅት Ethiopia Insurance Corporation | 011 551 24 00 | 011 551 74 99 |
| 2 | ብሔራዊ የኢትዮጵያ ኢንሹራንስ አ.ማ National Insurance Company of Ethiopia S.C | 011 466 11 29 | 011 465 06 60 |
| 3 | አዋሽ ኢንሹራንስ ኩባንያ አ.ማ Awash insurance compay S.C | 011 557 02 09 011 5 57 02 05 | 011 557 02 08 |
| 4 | ሕብረት ኢንሹራንስ አ.ማ United Insurance company | 011 465 56 56 | 011 465 32 58 011 467 19 34 |
| 5 | አፍሪካ ኢንሹራንስ ኩባንያ አ.ማ Africa Insurance Company S.C | 011 663 77 16/19 011 662 45 79 | 011 663 82 53 |
| 6 | ናይል ኢንሹራንስ ኩባንያ አ.ማ Nile insurance Company S.C | 011 442 60 00 011 442 57 57 | 011 442 60 08 |
| 7 | ኒያላ ኢንሹራንስ ኩባንያ አ.ማ Nyala Insurance Compay S.C | 011 662 66 67/69 011 662 67 07 | 011 662 67 06 |
| 8 | ግሎባል ኢንሹራንስ አ.ማ Global insurance Company S.C | 011156 74 00 011 156 04 83 | 011 156 62 00 |
| 9 | ንብ ኢንሹራንስ ኩባንያ አ.ማ Nib insurance Company S.C | 011 553 51 29/32 | 011 552 81 93 |
| 10 | አንበሳ ኢንሹራንስ ኩባንያ አ.ማ Lion insurance Company S.C | 011 618 70 00 011 663 29 36/47 | 011 663 29 40 |
| 11 | ኢትዮ ላይፍ ኢንዱ ጅንራል ኢንሹራንስ አ.ማ Ethio Life and General Insurance S.C | 011 554 96 50/ 52 | 011 554 96 53 |
| 12 | ኦሮሚያ ኢንሹራንስ ኩባንያ አ.ማ Oromia Insurance Company S.C | 011 550 31 38 011 554 51 31 / 011 895 95 80 | 011 550 31 92 |
| 13 | አባይ ኢንሹራንስ ኩባንያ አ.ማ Abay Insurance S.C | 011 553 53 00 011 553 55 50 | 011 515 76 90 |
| 14 | ብርሃን ኢንሹራንስ አ.ማ Berhan Insurance S.C | 011 467 44 31 011 467 44 23 | |
| 15 | ፀሐይ ኢንሹራንስ አ.ማ Tsehay Insurance S.C | 0111-11 98 27 | |
| 16 | ሉሲ ኢንሹራንስ አ.ማ Lucy insurance S.C | 011 4 67 17 84/ 011 8 96 59 67 /70 | |
| 17 | ቡና ኢንሹራንስ አ.ማ Bunna Insurance S.C | 011 157 60 54 011 111 96 35 | |