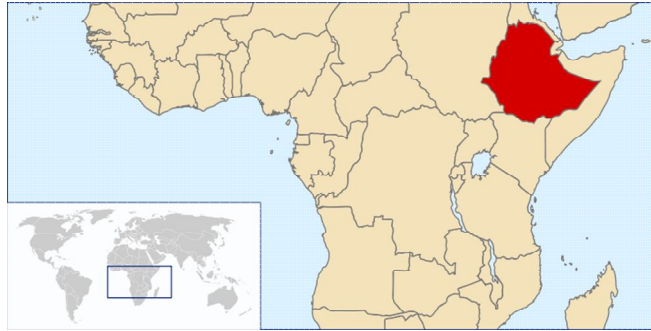


REGIONAL REPORT – ETHIOPIA – JULY 2009**Projects & Project Management in Ethiopia Today**

*By Getachew Teklemariam Alemu
International Correspondent for PMForum & PM World Today
Addis Ababa, Ethiopia*

**Project Management in Ethiopia amid the
Global Financial Crisis**

Globally, the economic and financial crisis is making life harder for more and more people. Many are losing jobs, becoming homeless and losing retirement holdings, as many more financial institutions are getting bankrupt. Stock markets are witnessing the plunge with historic declines of share values. The role of the state in the economy has increased with the coming into scene of multi-billion dollar stimulus plans, nationalizing toxic assets, injecting capital in bankrupt institutions, and restructuring financial regulations.

Continuous reports of different agencies are showing the grim situation of the state that we are in. Some even have gone far to portend that the crisis is a whistle to the end of neo-liberal capitalism. Increasing number of conferences, discussions, policy meetings, expert sessions, and academic gatherings are being held to brainstorm on the crisis.

Using the crisis as an influential moment, countries of the developing world (BRICs -Brazil, Russia, India, and China - being at the forefront) are asking for the re-structuring of the global economic and financial order as excerpts below show;



"we cannot live with a financial system that speculates paper on top of paper without generating one single job, without manufacturing one screw, one shoe, one shirt, one tie" *Lula Da Silva, Brazil's PM*



"The economic gains that we have made in the past are today threatened by the global financial and economic crisis" *Manmohan Singh, India's PM*



"Efforts should be made to achieve substantial progress in the reform of international financial institutions" *He Yafei, vice-foreign minister of PRC*



"We have had no role in the genesis of the crisis and are mere victims of its global reach" *Meles Zenawi, Ethiopian PM*

To underpin the examination with figures, United Nations has forecasted for the world GDP to grow only by 1% in 2009, significantly low as compared to 2.5% of 2008. Categorically, developed countries are expected to witness an output decline of 0.5%, while growth of transition and developing countries is said to slow by 2.1% and 1.3 % respectively. IMF, on the other hand, has projected for world activity to decline to 1.3% in 2009, with most countries experiencing negative growth rate. Accordingly, the fiscal deficit of advanced economies is expected to jump to 10.5% of GDP.

Despite African economies are weakly integrated with the global financial system, they did not escape the tide. Decreasing commodity price, foreign direct investment, export demand, and stock values have worsened the state of their

problems. They are losing more (in terms of marginal loss of welfare) by the crisis, even as compared to the developed world, as their loss is valued in years of hard work of poverty reduction.

Ethiopia, though small as compared to the largest nations of the world, is also shouldering its fair share of the pain. The balance of payment deficit of the nation has stayed high, \$142.2 million in the first quarter of 2008/09 fiscal year. External sector performance has seen a 23% decline in total exports by the second quarter of 2008/09 as compared to the first quarter. Imports have shown a 14.5% decline in second quarter of 2008/09 as compared to the first quarter, a clear indication to the shortage of foreign exchange in the country. Specifically, coffee export has shown a significant quarter to quarter decline, from \$133.3 million to \$41.7 million, a 68.7 decline, between first and second quarter of 2008/09.

Individual transfers have also decreased, from \$503,455 million to \$485,297 million between first and second quarters of 2008/09. As to the impact of the crisis on approved investment projects, recent data could not be accessed but the decline was being seen between September 2008 and December 2008 as the approved projects in these months plunge from 2,951 to 1,966 respectively with potential employment creation declining from 391,994 to 240,060 subsequently.

The above glimpse of where we are in the economic side would leave a mixed signal to the overall project implementation environment, both globally and nationally. On the one hand, many more projects, especially infrastructure, telecommunication, renovation, capacity building and re-training projects, are getting a hit in the national stimulus plans, and in the global economic recovery scheme. On the flipside, the growing budget deficit, declining FDI and dwindling exchange reserves of many countries have negatively affected the cost and schedule of many projects. Hence, it might be challenging to be a project manager by this critical time in history. Yet, it is also the best time to uplift the status of PM profession against the odds. Who else will save the world by transforming the policy prescriptions into ground truths if not PMs?

Amid all the mentioned odds, there have been some project-related achievements in Ethiopia. To mention the important ones;

A Tripartite Agricultural Project by Ethiopia, Israel and Germany;

A pilot agricultural project is launched by Israel, Germany and Ethiopia on June 18, 2009. The project is expected to benefit 1,000 farmers in Amhara, Tigray, Oromia, and SNNP regional states. With its three components of Promoting sustainable water resource management, improving irrigation productivity and utilizing non-potable water resources, it is believed that the

project would help to improve the capacity of local farmers to adapt to changing climatic situations.

Indian Investors to Execute 439 Projects in Ethiopia;

Indian investors have received investment licenses to invest in 439 projects with an aggregate capital of \$4.2 billion. In response to the improving trade and investment ties between Ethiopian and India, the said investors will be investing in agriculture, human resource development, infrastructure and technology.

A Turkish Investor to Invest \$10 Billion in Industrial Zone in Ethiopia;

A Turkish investor, by the name Yusuf Akgun, is going to build an industrial zone comprising factories of textiles, leather and leather products, metal, food stuff processing and pharmaceuticals with an investment outlay of \$10 Billion. Upon finishing, the investment is expected to create 850,000 up to 1.5 Million jobs.

Ethiopia's Only Railway Restoration Project on Schedule;

The Ethio-Djibouti railway project is underway on schedule, as explored by BBC's Elizabeth Blunt. The project comprises of re-laying one third of the 781 Km track with 40 Kg weight rails. Up on completion after 18 months, it is said that the track could bear a burden of 10 trains a day.

Gibe II Hydropower Project 98% Completed after One Year Lag

Gibe II, one of the major hydropower projects that the country is undertaking to augment its expanding economy with electric power, was supposed to be completed by 2008. Even after one year lag time, however, it is not finished yet. Lately, it was announced that 98% of the project is completed. The project has a capacity of generating 420 MW, and has required 373 million Euros.

Controversy on Gibe III Hydropower Project

Gibe III, a hydropower project with a generating capacity of 1,870 MW is supposed to be operational by 2012. Yet, an international controversy is raised by a local Organization (Friends of Lake Turkana) in Kenya saying that the erection of the dam might decrease the water entering in to Lake Turkana challenging the implementation of the project. Ethiopian officials and experts, however, are saying that the construction of the dam will not have any effect

on the water entering Lake Turkana or the downstream community. In a way to ease the controversy, the Government of Ethiopia has availed the social and environmental impact assessment reports of the project on Ethiopian Electric Power Corporation's (EEEP Co.) website. Kenya and Ethiopia has inked a power selling agreement from this project by 2006.

Despite the many challenges in the macro-economic environment of Ethiopia, the accelerated economic growth that has been achieved in the past six consecutive years has made the economy resilient enough. But the resilience is not unbreakable if the challenges can not be countered by proportional policy reactions. Down at project level, the tasks of adopting the project plan to the overall dynamics and watching after the risks shall be where the eyes of PMs shall stare at.

Internationally, the global recovery plan has to be backed with articulated PM competence. With this in place, the ease of the pain that is being seen might soon transform to total relief.

About the Author:

Getachew Teklemariam Alemu

*International Correspondent – Ethiopia
Based in Addis Ababa*



Getachew Teklemariam Alemu is an International Correspondent for PMForum and *PM World Today* in Addis Ababa, Ethiopia. Mr. Alemu is also an Infrastructure Projects Expert in the Development Projects Department of the Ministry of Finance and Economic Development, government of Ethiopia. Getachew is responsible for monitoring, appraising and reporting on public sector infrastructure projects financed by the Ethiopian government and bilateral/multilateral donor agencies. He has a Bachelor's of Science degree in Land Resources Management and Environmental Protection from Mekelle University in Ethiopia. He has also been educated in macro economic development, infrastructure development in developing countries, national economic development and project management. Getachew is currently studying at Addis Ababa University for a Masters Degree in Regional and Local Development. More information about Getachew Alemu can be found at <http://www.pmforum.org/pm%20forum%20team/index.htm#5>. Getachew can be contacted at getdem2006@yahoo.com.