



“Business for Development” as a means to boost internal revenue

Persuant to proclamation 621/2001 and guideline 07/2004, Charities and societies can establish businesses that can further their mission through generating additional income.

Accordingly Tigray Development Association has established few projects, one of which is “Hidmona tower”, a 2B+M+G+8 multipurpose building constructed at Bole sub-City, Addis Ababa. Hidmona Tower was inaugurated on 19 Nov.2016 with wide media coverage and this has attracted different reactions particularly among participants of the social media. While many expressed their appreciation to TDA’s effort to diversify its sources of internal income, significant number raised different questions.

Save those who lack decency, ideas forwarded by those who expressed their genuine concerns seem to emanate from three misunderstandings, namely **“why business for non-for-profit organizations like TDA?”**, **“What is the need for spending money in establishing business instead of using it to construct schools and health centers?”** and **“Why in Addis instead of Mekelle?”**. Thus, it seems worth providing brief explanation so that our common vision of working hand-in-glove to eradicate poverty will not be affected by minor misunderstanding.

1. Can NGO’s involve themselves in business activities? Over the last 28 years, Tigray Development Association has been successfully implementing various development projects such as construction of schools and health institutions; supplying books, computers and medical equipments to schools and health institution; and training education and health professionals.

Its flagship project, Kallamino Special Secondary School is being strengthened and expanded so that its annual enrollment capacity can be tripled from 360 to 1,000 students and so far has reached 521

TDA mobilizes resources required to implement those and other development activities mainly from three sources: (1) contribution from its over 1.4 million members, (2) international development partners and (3) internal revenue. Currently, in terms of volume, project based resources mobilized from development partners amounts about four times of what is collected from members and internal income combined.

TDA has developed a five year strategic plan that seeks, among other things, to boost its internal revenue to the extent of covering a third of its annual

budget and established a “Business for Development” directorate. This directorate re-organized previously started project such as Kallamino dairy had horticulture and embarked on establishing other new income generating projects. As one of previously started project but suspended due to financial constraints, the directorate had also to secure bank loan and provide matching fund to complete the just inaugurated “ Hidmona Tower”.

2. Locations for establishing business- Conventional knowledge shows that establishment of business mainly takes three factors into consideration, namely, inputs, market and beneficiaries. With this in mind, TDA currently has the following income generating projects.

- ✓ **Kallamino investment center-** As a center for TDA's Agri-business, Kallamino has witnessed appreciable changes in recent years. The 8.5 hectare modern drip irrigation system, green house and more than 10 hectare furrow irrigation installed with the help of Engineers Without Boarder-Israel (EWB-Israel) has transformed the horticulture not only into business center but also a demonstration and training center where model farmers and agricultural extension agents from all weredas of Tigray benefit. Efforts are also underway to modernize the live stock wing that has more than 100 milking cows and is supplying milk to urban dwellers at reasonable price.

Moreover, a 100 million Birr project to establish integrated poultry production and processing project that has a capacity of selling in excess of 1.2 million day old chicken to farmers and cooperatives annually as well as 10,000 eggs and chicken daily to Mekelle and its surrounding is under evaluation by Development Bank of Ethiopia for financing. Feasibility study and business plan to establish animal feed processing plant is also underway. An additional 15 hectare land is already secured and compensation paid to farmers.

June,2016 Kallamino Open Day Program



- ✓ **Multi-purpose Rental buildings-** Current demand for rental houses in general and that of multipurpose ones that comprise financial institutions, shops and offices in particular is high and studies show this will not soon be met with matching supply. Recognizing this fact, TDA has got permission from Charities and Societies agency in 2006 E.C (2014G.C) to invest on multipurpose building for renting, arranged bank loan and resumed construction of the long started but suspended building at Bole sub city. It has also prepared designs and business plan to develop the 11,700m² land it has in Mekelle (Agip) into G+7 multipurpose building, a G+2 car parking and recreation center and has started negotiating for bank loan.



- 3. Competition for limited resource-** As indicated earlier, resource required for development projects such as construction of schools and health institutions is mobilized from Chapters and development partners. On the other hand, finance required for establishing businesses mainly comes from bank loans while its matching fund is allocated from internal revenues. As bank loans are not allowed for constructing schools and health centers, the competition effect lies only on the matching fund and, the fact that income generated from businesses is used to **sustainably** implement development projects outweighs this effect.

In sum, it is worth noting that TDA is trying its best to strengthen its role of working at grass root level to help government and our people's effort to realize a nation free of poverty and backwardness. To do this, it is working hard to enhance its membership derive, increase collaboration with development partners and diversifying its sources of income generating activities.

“ LIMEAT ADI BIDEKI ADI !!”

