

ETHIOPIA

AN ATTRACTIVE DESTINATION FOR EUROPEAN DIRECT INVESTMENT

EUROPEAN UNION BUSINESS FORUM ETHIOPIA

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Photo: Wikimedia © Donald Macauley

ETHIOPIA AT A GLANCE

Population:
95,000,000 (2014 Estimate)

Life expectancy at birth:
60.75 years

Urban population:
17% of total population (2011)

Ethnic Groups: Oromo 34.4%, Amhara (Amara) 27%, Somali (Somalie) 6.2%, Tigray (Tigrinya) 6.1%, Sidama 4%, Gurage 2.5%, Welaita 2.3%, Hadiya 1.7%, Afar (Affar) 1.7%, Gamo 1.5%, Gedeo 1.3%, Silte 1.3%, Kefficho 1.2%, other 10.5% (2007 est.).

Religion:
Ethiopian Orthodox 43.5%, Muslim 33.9%, Protestant 18.5%, traditional 2.7%, Catholic 0.7%, other 0.6% (2007 est.).

Literacy: 39%

GDP: $55 billion (2014 est.)

GDP - real growth rate:
10.3% (2014 est.), 8.5% (2012 est.), 11.4% (2011 est.)

GDP - composition, by sector of origin: agriculture: 40%; industry: 14.2%; services: 46% (2014 est.).

Agriculture products: cereals, pulses, coffee, oilseed, cotton, sugar cane, potatoes, chat, cut flowers; hides, cattle, sheep, goats; fish.

Industries: food processing, beverages, textiles, leather, chemicals, metals processing, cement.

Industrial production growth rate:
9% (2013 est.)

Labour force:
45.65 million (2013 est.)

Labour force - by occupation:
agriculture: 85%; industry: 5%; services: 10% (2009 est.)

ETHIOPIA'S OPEN ECONOMY SEEKS INVESTORS

Ethiopia is on the move - Investors will help Ethiopia become a middle income country

Ethiopia's Prime Minister, Hailemariam Dessalegn, believes that Ethiopia's rapid economic growth can reach even higher levels with the support of foreign investments.

He stated that *"Ethiopia should be assisted in its effort to introduce broad-based industrial development and in attracting direct foreign investment [...] the nation is under transformation from agriculture to an industry-led economy in its endeavour to become a middle income country."* To support this major transformation, the government is encouraging Foreign Direct Investment (FDI) in various sectors, for the mutual benefit of both local and international investors.

In order to advance its economic development strategy, the government has put in place several incentives to encourage foreign investment (p.19 - 20) When these incentives are considered alongside the significant natural advantages of Ethiopia's varied landscape, and the abundance of unexploited water and natural resources, we can appreciate why Ethiopia is rated by many international investors as an attractive business destination.

In addition, the government has dedicated significant resources to make the case for investing in Ethiopia. According to the Ethiopian Ministry of Foreign Affairs (MoFA), *"Ethiopia's economic diplomacy has made the country a desirable investment destination."*

By taking advantage of the incentives and of the real business opportunities offered by this vast and beautiful country, foreign investors make good profits while helping the country's economic development.



EU Delegation's foreword:

the time is right to boost the potential of private sector as an engine for growth



H.E. Ambassador Chantal Hebberecht
Head of the EU Delegation to Ethiopia

Ethiopia is at a cornerstone of its modern development history and has set itself the ambitious aim of reaching middle income status by 2025. The current GTP is coming to an end this year and a new one is being prepared for the period 2015-2020.

While a lot has already been achieved, the next GTP agenda will undoubtedly require a significant contribution of the private sector which depends upon appropriate measures to encourage operating companies, and SMEs in particular, to expand, as well as new private sector actors to settle in Ethiopia and stay.

We all agree that Ethiopia is a country of opportunity with one of the highest growth rates in Africa, a large potential market, cheap labor force, as well as strong public investments in economic and social infrastructure. Yet, while more and more EU companies show a strong interest in investing in Ethiopia, still too few of them actually stay for the longer run.

Addressing the key challenges faced by the private sector requires a truly enabling business environment, an enhanced coordination within the Ethiopian administration, an effective forum for the private sector to voice its concerns as well as some policy adjustments. But first and foremost, it requires a clear acknowledgement that private sector is indeed the engine of future economic growth.

I trust that the time is right and the EU, as a key partner of the Government of Ethiopia, is ready to work further on these challenges in the framework of our longstanding commitment to Ethiopia with the aim of contributing to the development and transformation of this great country.

The work undertaken in the framework of the EUBFE is part of that commitment together with our development cooperation instruments, our deep and historical trade relations with Ethiopia, as well as our cooperation in the areas of research, higher education and science.

From a trade point of view, the EU remains the first trading partner of Ethiopia as well as an important investor in Ethiopia as was illustrated last year with the organization of the first EU Joint Investment Mission.

EU investments generate the highest permanent jobs ratio in the key GTP sectors of manufacturing and agriculture, they also work more with joint ventures and they are renowned for the quality of their production as well as for the technology and know-how transfer they inject in the Ethiopian economy.

I believe that the 300 EU companies present and operating in Ethiopia should be listened to as they are the best ambassadors and in a position to influence the decision to invest of the increasingly frequent trade and investment missions coming from Europe.

I have witnessed the efforts undertaken by the group of committed EU entrepreneurs who, for the past two years and together with Member States Embassies, have worked to make the EUBFE a reality under the effective and committed leadership of its President.

I'm confident that this continuous, open and constructive dialogue with the Government of Ethiopia placed under the effective guidance of Deputy Prime Minister Dr Debretsion and with the active participation of the Ethiopian Investment Commission will indeed lead to further improvements of the country's business climate to the ultimate benefit of the Ethiopian people.

A new country

Mark Lowcock, Permanent Secretary, Department for International Development, United Kingdom

"It's always a source of wonder for me how much Ethiopia has changed. Yours is a country of incredible achievements and diversity. From the green and fertile plains of the highland regions. To the dry camel-filled Somali Regional State. From the almost supernatural landscape of the Danakil. To the jaw-dropping vistas of the Simien Mountains [...] One of the things that has brought this most diverse of nations together has been the singularity of vision. Ethiopia's success, over the past decade in particular, has been to maintain that vision. And turn it from a dream into a living, breathing, and forward looking reality.

In the last 30 years life expectancy here has increased by 50%. Ethiopia is on track to meet most of the Millennium Development Goals. You have achieved the infant mortality goal 2 years early. Economic growth, in double digits, has been impressive. All the more so because, unlike other parts of the continent, it hasn't been driven by commodities alone. Per capita income has doubled.

I spoke to farmers whose land tenure is being made more secure, to small shopkeepers benefiting from micro-finance in Addis's outskirts and to workers at a state-of-the-art leather factory.

I have heard first hand from a range of Ethiopian firms and foreign investors about the increasing attraction of Ethiopia as a place to do business. Drawn by Ethiopia's sustained economic success, the size of its growing market, and its potential as a location for production, a range of industries are emerging that barely existed when I first visited.

I have seen, for example, a successful vegetable producer, who exports produce to the EU. And I've met with a host of UK firms who are being drawn here, from leather glove makers, to clothes retailers to drinks manufacturers. This is both to their benefit, and that of Ethiopia, which stands to gain from their financial investment, creation of jobs and sharing of best practice. I think that that the strides that you have made towards development and shared prosperity make Ethiopia one of the world's great development success stories of the last twenty years." (From a speech delivered in December 2013).

MACRO: getting to know Ethiopia as a growing economy

Ethiopia is a large country with an area of 1.14 million sq.km. It is strategically positioned in the Horn of Africa, close to important markets in Sudan, Egypt and, across the Red Sea, Saudi Arabia and the Gulf Countries. With more than 90 million inhabitants, Ethiopia has the second largest population of any African country, after Nigeria. The economy grows at a very fast clip; almost 9% GDP growth over the last four years. This impressive record makes Ethiopia one of the fastest-growing economies in the world. In fact, it was the fastest-growing non-oil-dependent African economy in the years 2007 and 2008.

Going forward, Ethiopia is planning to develop its significant water resources, the largest in Africa. Indeed, 14 major rivers pour off Ethiopian mountains. While much remains to be done in order to develop the irrigation systems that will help agriculture in a more significant way, the abundance of water is a major strategic asset for Ethiopia.

As a recent IMF Report put it: *"Ethiopia is pursuing a development strategy focused on promoting growth through high public investment. The strategy involves concentrating government expenditures on human capital and social sectors and a dominant role for public enterprises in undertaking critical infrastructure investments. The authorities adopted a 5–year Growth and Transformation Plan (GTP) in November 2010, which aimed at average annual GDP growth of over 11 percent and achieving the Millennium Development Goals (MDGs). Among its main pillars are raising agricultural output and productivity, promoting industrialization, and investing heavily in infrastructure.*

"Economic performance in recent years has been strong, with economic growth averaging in double-digits



since 2004. Although initially led by agriculture, growth has been broad-based, with a rising contribution from the services sector and some degree of export diversification."

Likewise, a USAID country report is rather optimistic on Ethiopia's future. *"On the economic front, the last seven years have witnessed accelerated reduction of poverty and increased economic growth…Growth figures reported by the World Bank and International Monetary Fund of over 8% are very good. The Economist magazine recently recognized Ethiopia as one of the fastest growing economies in the world.*

"Progress is particularly occurring in the critical finance and telecommunications sectors: private banks have grown to 40% of total financial assets held and are set to overtake state banks in size. The state monopoly telecommunications sector is temporarily handing over its management to France Telecom, although improvements have yet to be achieved.

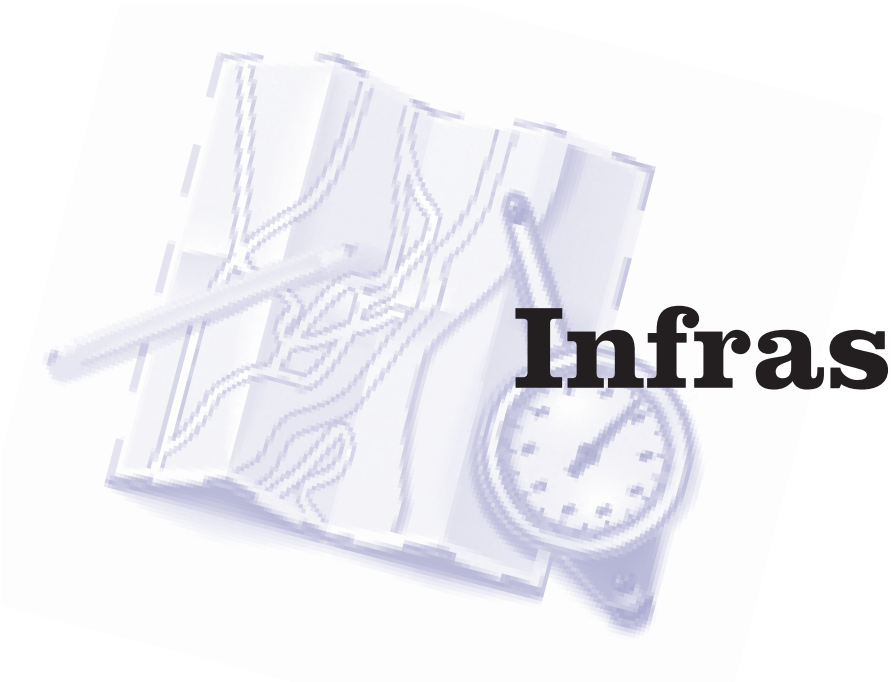
"A number of ambitious new programs have been launched, with the new 5-year Growth and Transformation Plan (GTP): 2011-2015 setting targets for annual economic growth rates of over 14% and concomitant rapid expansion of services and infrastructure. Achieving even a portion of these targets would be commendable…

"On economic growth, Ethiopia obtained commendable levels over the last five years, and the government has developed comprehensive agricultural and overall economic development plans, with the advantage of low wage rates and untapped savings outside of formal financial institutions to foster domestic and export growth.

"It has been truly remarkable that Ethiopia has achieved the growth levels that it has realized thus far. The opportunity exists to amplify more private sector investment in the economy, which would be instrumental in accelerating and reaching the growth targets."

Last but not least, it should be noted that Ethiopia in December 2014 successfully issued US $ 1 billion worth of bonds. As Reuters commented: *"The country's debut dollar bond may help fund future infrastructure projects."*

"There has been tremendous growth in the number, diversity and market share of private businesses in the Ethiopian economy."



Major Infrastructure Projects



In order to meet the challenges of growth, the government is engaged in major infrastructure projects. By far the most important is the Grand Ethiopian Renaissance Dam, (GERD) hydropower project now under construction (www.grandmillenniumdam.com). The builder is Salini Impregilo, a well-established Italian construction and civil-engineering firm headquartered in Milan, with a long track record of infrastructure building all over the world, including other major projects in Ethiopia. The estimated total cost is US $4.8 billion.

What is truly remarkable is that the Ethiopian Government is planning to finance almost the entire project by itself. The turbines and the equipment related to them (about US $1.8 billion) will be financed by China. Still, this leaves about US $3 billion that will be paid for by state, with the help of targeted bonds aimed at Ethiopians at home and abroad.

When completed, GERD will be the largest hydroelectric power plant in Africa and the eighth largest in the world, sharing the spot with the Krasnoyarsk Dam in Russia. At 63 billion cubic metres, the reservoir will be one of the largest of the continent. When completed (estimated date July 2017), GERD will deliver 6,000 megawatts.

Combined with the expansion of other power generation facilities, such as Gilgel Gibe III, GERD will allow Ethiopia to export power to its neighbours, (Sudan, Egypt and Kenya). Electricity exports will contribute in a significant way to offset the country's trade deficit.

It should be noted that Ethiopia is not investing only in hydropower. There are also geothermal projects (with Reykjavik Geothermal), wind (Ashegoda farms with the French company Vergnet) and also biomass ventures.



Water for agriculture

If abundant water resources are critical to develop hydroelectric projects, water is also a fundamental asset that will allow the development of Ethiopia's vast potential in agriculture. Ethiopia is very lucky in this respect. According to the Food and Agricultural Organisations of the United Nations (FAO), *"Ethiopia is endowed with a substantial amount of water resources. The surface water resource potential is impressive, but little developed. The country possesses twelve major river basins, which form four major drainage systems."*

Indeed, Ethiopia has plenty of water. However, only a small percentage of its water resources have been developed and adequately utilised. Doing so will require significant investments in new, state-of-the-art technologies. This represents an opportunity for European and other firms specialised in this critically important sector.

Fully aware of this valuable asset represented by a large water potential, the Ethiopian Government is offering incentives to foreign companies willing to invest in this high value, promising sector. Indeed, through the construction of new dams and modern irrigation systems there will be new ways to exploit Ethiopia's water for various purposes, such as agriculture. For instance, the increasing demand for electricity for crop cultivation as well as manufacturing could be in part met through additional hydropower.

Given all this, foreign companies with the necessary know-how in water management and hydropower technologies will find major business opportunities in Ethiopia, while at the same time greatly contributing to the country's economic development. This is a classic "win-win" proposition.

In its efforts to support agriculture and economic development, the Ethiopian Government is planning to build 5,000 km of railroad track. The goal is to connect agricultural production areas and new planned industrial areas to cities and key regional ports.

Agriculture

Agriculture, employing more than 80% of the population, plays a key role in Ethiopia's economy, with great opportunities for an even greater expansion. Agriculture accounts for more than 40% of national GDP and 90% of exports.

Improved use of land and greater productivity mean higher standards of living for all Ethiopians, and increased food security for the poor. With support from the Bill and Melinda Gates Foundation, the Ethiopian Government established the Ethiopian Agricultural Transformation Agency (ATA) as the state agency in charge of spearheading agricultural growth and the introduction of innovative practices in the sector. Here is how the ATA describes its mission:

"Building on the impressive gains of the preceding decade, Ethiopia's Five Year Growth and Transformation Plan (GTP) established ambitious targets for the agriculture sector for 2011-2015. The Plan's objectives focus on enhancing productivity and production of smallholder farmers and pastoralists, strengthening market systems, improving participation and engagement of the private sector, expanding the amount of land under irrigation, and reducing the number of chronically food insecure households. By collaborating with a strategic array of related partners, the Agricultural Transformation Agency is committed to helping achieve the targets of the GTP through its three primary focus areas: value chains, systems, and special initiatives."

The ATA strategy is articulated through Value Chain Programmes and System Programmes. Projects include the Ethiopian Information System, Public Private Partnerships (PPPs) and Financial Inclusion initiatives. (For more details, see www.ata.gov.et).

About 66% of the Ethiopian land is well suited for agriculture, and 3.7 million hectares are perfect for irrigated agriculture. In Ethiopia, there are 18 major agro-ecological zones, and 62 sub-zones. These areas are suitable for planting 146 different crops, ranging from cereals to pulses.

However, out of the total potentially irrigable land, as of today, only 5% or 107,265.65 hectares are irrigated. Therefore there is a great opportunity for new foreign businesses interested in developing this vast agriculture potential.

More broadly, the Government of Ethiopia (GoE) is focusing on supporting agriculture by constructing farm-to-market roads, by enacting laws aimed at securing title to land, and by the creation of business packages aimed at supporting export crops. This will include fruits and vegetables, fresh cut flowers and a variety of spices.



Photo: © USAID Africa Bureau

Main Agricultural Products

Ethiopia's main crops are cereals, pulses, oilseeds, vegetables, root and tubers, fruits, fibres, stimulants and sugar cane.

- Cereals include teff, wheat, barley and maize.
- Pulses include faba bean, field pea, chickpea, haricot bean and lentils.
- Oilseeds include sesame, groundnut, linseed, noug and gomenzer.
- Vegetable, roots, and tubers include onion, tomato, cabbage, potato, pepper, carrot, enset, sweet potato and yams.
- Fibre includes cotton.
- Stimulants include coffee and tea.

Ethiopia is Coffee

More than 90% of the nation's harvested coffee is organically produced. The inherently superior quality of Ethiopian highland Arabica coffee is unmatched, particularly in flavour and aroma.



Ethiopian Coffee: The First and Still the Best

The coffee plant, Coffea arabica is a species of coffee originally indigenous to the south-western highlands of Ethiopia. It is also known as the "coffee shrub of Arabia", "mountain coffee", or "arabica coffee". Coffea arabica is believed to be the first species of coffee to be cultivated, being grown in southwest Ethiopia for well over 1,000 years. Coffee grows wild in Ethiopia and this is the reason why there are many more varieties than those found in other producing countries, where coffee was introduced much later.

Production

Ethiopia is the world's seventh largest producer of coffee, and Africa's top producer, with 260,000 metric tons in 2006. Half of the coffee is consumed by Ethiopians, and the country leads the continent in domestic consumption. The major markets for Ethiopian coffee are the EU (about half of total exports), East Asia (about a quarter) and North America.

A Bloomberg news item (2014) indicated that there are good prospects for export growth. In fact, "Arabica has surged 71 percent in New York since January after a drought hurt plantings in Brazil, the world's biggest exporter of the beans..."

"Ethiopia earned $719 million from sales abroad of the beans in the 12 months through July 7...The country may produce about 500,000 tons of the beans this year, with about half of that crop sold outside the nation... The exporters' association wants to bring in new buyers and start making a bigger presence in the world market at its annual conference in Addis Ababa."

The total area used for coffee cultivation is estimated to be about 4,000 square km. However, the exact size is unknown due to the fragmented nature of the coffee farms. The way of production has not changed much since the 10th century, with nearly all work, cultivation and drying, still done by hand.

Regional varieties

Ethiopian coffee beans that are grown in the Harar, Sidamo, Yirgacheffe or Limu regions are kept apart and marketed under their regional names. These regional varieties are trademarked names with the rights owned by Ethiopia.

Ethiopian Tea

Ethiopian tea is perhaps less well known than coffee, but it is of equally high quality. Currently tea plantations cover 2,700 hectares and the annual production is approximately 7,000 tons. The areas that have high potential for the cultivation of tea are Southern Nations & Nationalities and Peoples (SNNP), Oromiya, Amhara and Gambella25. Although only black tea is currently produced, there is potential for growing all types of tea. Tea production is supported by proactive government action aimed at encouraging and increasing private investment in tea plantations.

Livestock and Fisheries

Ethiopian Livestock: Number One in Africa, Tenth in the World

With the largest livestock population in Africa and the tenth in the world, Ethiopia has a total of about 55.03 million cattle, 27.35 million sheep, and 28.16 million goats. These figures do not include poultry, camels, horses, mules and donkeys, which are also important resources. More than 70% of the Ethiopian population gains its income from livestock. Livestock accounts for 15-17% of total GDP and 35-49% of agricultural GDP.

The investment opportunities in the livestock sector are meat and milk processing, dairy farming, livestock raising, fattening and livestock veterinary products.

Additionally, livestock also plays an important role in Ethiopia's leather production, itself supported by a large number of tanneries. This potentially large sector attracted the attention of foreign investors.

Leather products

Between 2006 and 2012, the total value of Ethiopia's exports of leather and leather products grew from $66 million to $112 million. If we consider that the total number of Ethiopian livestock is more than 110 million (this includes cattle, sheep, and goats), creating leather products can be a highly profitable business for any foreign investors specialised in clothing products. At present the EU imports 60% of the Ethiopian exported output.



Photo: Wikimedia © United States Department of Agriculture, Author: Scott Bauer

A recent CNN (2014) story described the operations of a UK-based glove manufacturer in Ethiopia:

"The steady hum of sewing machines fills the air inside a large glove-making factory on the outskirts of Addis Ababa, the bustling Ethiopian capital. Patches of leather move through an array of working stations as busy labourers work feverishly to meet the company's export quota of 5,000 gloves a day. The operation belongs to Pittards, a UK-based company whose trading partnership with Ethiopia dates back to the early 1900s. Here, hardy, durable cowhide is made into work gloves. These are ideal for builders and gardeners and are mainly exported to the U.S."

"And then there are the stylish designs -- created from a different type of animal skin, these are made to keep fingers warm in Tokyo, Paris and Rome."

"The fashion glove is made of sheep skin which is unique to Ethiopia," explains Tsedenia Mekbib, general manager at Pittards Products Manufacturing. "The durability and the strength make it popular for gloving leather specifically. That has been the one strength of Ethiopia and the leather sector."

Sophisticated designs with decorative touches may be the hallmark of this type of glove, but they must also be practical. Ethiopia's climate makes this animal skin effective at withstanding the winter chill - an essential selling point. This effective material is in abundant supply. Ethiopia's 110 million cattle, sheep and goat population is one of the largest in the world, according to the United Nations Industrial Development Organization.

Raw hides export ban

According to the same CNN story, in a move to encourage value addition and increase revenue generated by the leather sector, the Ethiopian government banned all exports of raw hides and skins in 1989. Between 2006 and 2012, the total value of Ethiopia's exports of leather and leather products grew from $66 million to $112 million.

And it is not just Pittards that realised the opportunity to make gloves in Ethiopia. According to the Leather Industry Development Institute, two other factories in the country are focused on creating handwear.

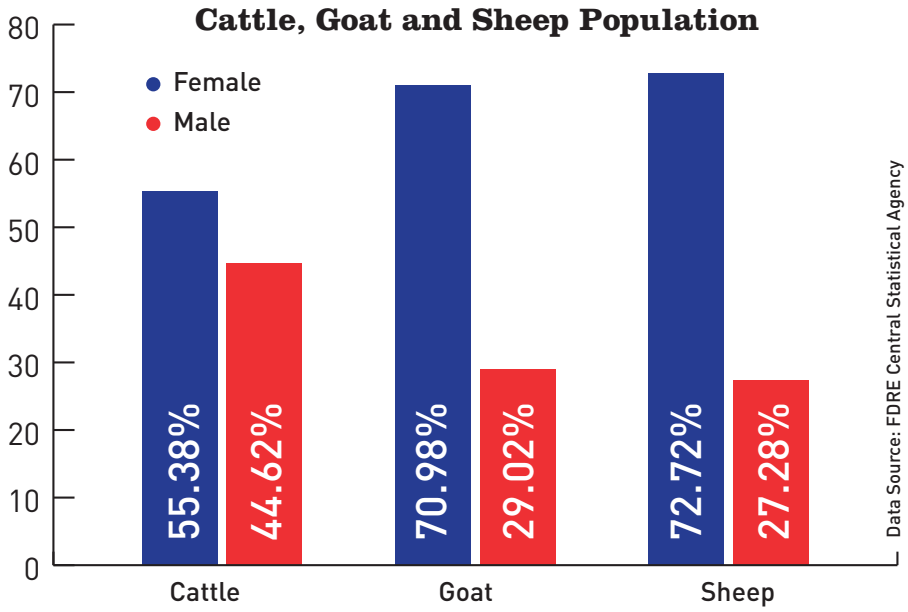
Ethiopian leather is also used extensively for the creation of footwear products. The country is home to dozens of shoemaking companies, including local names such as Oliberte, and international players like the Huajian Group, a Chinese company that has been exporting some 20,000 pairs of shoes a month since it launched its manufacturing facility outside Addis Ababa in 2012.

Another growth area is represented by new domestic consumers. There is a growing number of Ethiopians entering the middle class who show the desire to buy high quality clothes. In a late 2014 report, the IMF said the country is on track to achieve its goal of reaching middle income status by 2025.

The trend is so clear that producers are now also targeting consumers inside the country. With a potential customer base of 90 million people, there is good business potential for any company focusing on Ethiopia's growing domestic market.

Fish farming

Most of Ethiopia's lakes create the opportunity for fisheries' development for both the domestic market and exports. The total fish catch potential from these waters is estimated at 40,000 tons per year.



Horticulture and Flowers

Ethiopia is an ideal place for the production and export of flowers, vegetables, fruits and herbs. It is now the fourth largest supplier of flowers to the world market. A noticeable growth has also been observed in the export of vegetables, fruits and herbs.

Ethiopia has more than 122 billion cubic metres of ground and surface water. There are millions of hectares of fertile land. The country has a trainable and disciplined working force, diverse agro-ecological zones, and supportive investment policy frameworks. Ethiopia also has affordable electricity rates.

Besides, there is geographic proximity to Europe, the Middle East and other markets. Due to the high volumes, Ethiopian Airlines has cargo planes dedicated to flower exports.

Many of the investors (a vast number of them European) engaged in the horticulture sector have seen their business grow substantially, while also contributing to the economic development of the country. About 80 companies are involved in flower farming over an area of 1,200 hectares. Most of the workers are women.

The principal export fruits are avocado, banana, guava, lemon, mango, orange, papaya and pineapples. The Ethiopian climate is suitable for all types of vegetables. The main exports include green beans, okra, shallots, leeks, green chillies and lettuce.

Textiles

The textile industry accounts for 36% of all manufacturing in Ethiopia. Ethiopia identified 3 million hectares of land with good potential for cotton cultivation. However, the land currently used to grow cotton is a very small percentage of the total deemed to be suitable: only about 30 to 40,000 hectares.

Ethiopia grows some of the world's finest cotton. Ethiopia is now attracting international buyers and investors through several government incentives, through a priority given to developing the textile and clothing industry across the value chain, a viable business environment, and duty-free market access to both US and EU.

Some of the world's best known retailers, such as H&M and Primark, are among the brands that are producing clothing in Ethiopia, while Tesco from the UK is planning to do the same. This opportunity to produce for European markets is highly advantageous for the country's 60 garment factories, 15 mills, 28 leather tanneries and shoe factories.

One of Ethiopia's strategic objectives is to increase product diversity and categories across various parts of the value chain to build the backward integration and to open new market access opportunities. There are several Ethiopian designers making it into the regional and international fashion stage. Expect to see "Made in Ethiopia" emerging more and more over the coming years.

Spices

The fertility of the Ethiopian land is highly suitable for a huge variety of plants. Among the 6,000 types of known plants and trees 12% are found only in Ethiopia.

Ethiopia is also particularly suitable for growing spices. The leading spice cultivation areas are Amhara, Oromiya, SNNP, and Gambella regions. It is esti-



mated that the low lands have about 200,000 hectares suitable for cultivating spices. Spices are amongst the leading export products, with sesame seed leading the pack. In 2013, the International Fertility Development Center (IFDC) reported that *"Ethiopia is the world's second largest exporter of sesame – exports are currently U.S. $300 million per year and expected to increase to $500 million in the next two years. Ethiopian sesame farms employ over 500,000 workers during the peak season."*

In Ethiopia, the use of spices and herbs is not only culinary; it is also medicinal. According to many experts, almost 80% of the Ethiopian population relies on traditional remedies based on various medicinal herbs.

They also note that Western medicine has become more focused on "wellness" and preventative measures based on natural remedies. More and more people are seeking alternative curative practices that rely on indigenous medicine based on plants.

The growing demand in Europe, America and elsewhere for new therapies that rely on spices and herbs makes Ethiopia an ideal and profitable country for any company engaged in alternative medicine.

Tourism

Ethiopia has a variety of attractions, ranging from the natural beauty of the Simyen Mountains to the historic rock churches of Lalibela.

Ethiopia has been ranked among the top ideal tourist destinations for the year 2014. Due to its mild climate and varied landscape, with mountains, highlands, rivers and lakes, Ethiopia has abundant wildlife and many varieties of plants and trees.

These natural gifts will bring into the country an even larger number of visitors. Indeed, figures indicate increasing number of tourists in areas such as the Simyen Mountains. Many foreigners travel there in order to see the Gelada baboons, found only in that area.



Holy Trinity Cathedral, Addis Ababa

Ethiopia also attracts different types of visitors. It hosts the headquarters of the African Union (AU), of the United Nations Economic Commission for Africa (UNECA) and other major international organisations. The large number of international meetings and conferences organised by these institutions fuel an expanding hospitality sector. Likewise, a growing number of tourists visiting cultural and historical sites will need the attention and care of many more specialised tour operators.

The Ethiopian Government is determined to make tourism one of the country's leading economic sectors, and to make Ethiopia a top destination in Africa. It is currently implementing a number of strategic measures to develop the country's tourism sector further, including investment in infrastructure, through the recently established Tourism Transformation Council, a new promotion body sponsored by the Government.

"Ethiopia is endowed with rich historical relics which, combined with the hospitality of our people, make it viable for tourism. The government has lined up abled (sic) professionals to work within the industry and there is the right political will in place to contribute towards tourism," said President Mulatu to an official gathering in 2014.

During a recent visit, a World Tourism Organization official commended Ethiopia for the political support awarded to the tourism sector. *"Tourism is a key tool to lift people out of poverty and create new opportunities,"* he said. *"The steps being taken by Ethiopia, namely enhancing the protection and conservation of tourist attractions, expanding the tourism infrastructure, establishing a tourism marketing organization and a national tourism council as well as increasing education and training institutions in the field of tourism, will surely make tourism a pillar of the development of Ethiopia."*

WHY INVEST IN ETHIOPIA



Photo: Flickr © 401(K) 2012

Large population, low labour cost, huge opportunities

Ethiopia has a population now exceeding 95 million. This creates a huge market, with a very large number of consumers. Besides, because of its very large workforce, the Ethiopian cost of labour is much lower than in the rest of Africa. In fact, it compares favourably with many Asian countries. On top of that, the Ethiopian economy is expanding at a rapid pace, with growth rates around 9%.

When these factors – a large internal market, low labour costs and an expanding economy – are combined with the significant array of natural resources and the considerable amount of available land (arable land alone accounts for more than 66% of the entire country), it becomes clear that there is room for additional growth.

Ethiopia's economic boom has led to new demand for goods and services, affecting all sectors, thereby increasing the need to bring to fruition existing natural resources. All these trends create ideal opportunities for new investors.

Ethiopian Airlines

Additionally, Ethiopian Airlines, Africa's biggest airline, provides modern connections with the entire world. The airline has been operating for more than 67 years. It flies to more than 80 international and 20 domestic destinations. Its impressive cargo service moves goods to about 40 destinations.

This broad connectivity, ensured by a modern airline with extensive passenger and cargo services, makes it easy for Ethiopian businesses and for foreign corporations operating in Ethiopia to be ever more important players in the global economy.

A very safe country

In addition, compared to other countries in the African continent and also many other emerging markets, Ethiopia is a very safe country. Visitors feel safe.

Safety is one of the reasons why Ethiopia has become a preferred venue for many international conferences and conventions. Foreign visitors feel comfortable and at home while in Ethiopia.

Local Welcome and Support:

Strong policies to enhance investment climate



Ethiopian Foreign Minister, Dr. Tedros Adhanom



Former MoFA Spokesperson, Ambassador Dina Mufti



Former MoFA Diplomacy Director General, Kebede Abera

Eight good reasons for investing in Ethiopia

According to the Ethiopian Foreign Minister, Dr. Tedros Adhanom, there are eight reasons why foreigners ought to invest in Ethiopia:

"Political and social stability, a supportive macroeconomic policy, strategic geographic position, abundant labour force, appropriate legal framework, competitive incentives, lowest corruption levels, and a supportive environment for foreign direct investment."

Ethiopia's main advantages

Ethiopia has opened its doors to foreign investors, and the government has rolled out several attractive incentives to encourage foreign investment in Ethiopia.

Former MoFA spokesperson, Ambassador Dina Mufti explains that Ethiopia's main advantages are based on "export, investment, tourism, technology transfer, and development assistance."

Foreign leaders are accompanied by investors

Additionally, former MoFA Diplomacy Director General Kebede Abera stated that, in order to facilitate foreign direct investment, MoFA is working closely with the Ethiopian Investment Commission (EIC) and the Ethiopian Chamber of Commerce and Sectorial Association.

He also highlighted that the very fact that various world leaders come on official visits accompanied by groups of investors is evidence that Ethiopia's diplomatic efforts are working, and the figures prove this. As Mr. Abera indicated, the number of foreign investors in Ethiopia was about 365 in 2012; but in 2013 it had increased to more than 1,000.



ATTRACTING FOREIGN INVESTMENT:

The Ethiopian Investment Commission

The Ethiopian Investment Agency (EIA), a government agency, was established in 1992 to promote private investment, primarily foreign direct investment.

The EIA mission was stated as follows:

"To enhance investment, both foreign and local, in the country by promoting its resource potentials and investment opportunities, initiating policy and implementation measures to create conducive investment climate and providing efficient services to investors so as to bring fast and sustainable economic development in the country."

The new Ethiopian Investment Commission (EIC), launched in October 2014, will continue the good promotion and marketing work performed by the EIA, but on a larger scale.

Indeed, the EIC has an expanded mandate that includes broader marketing strategies and serving as a "one stop shop" for foreign investors, this way expediting all procedures necessary to get a new business venture funded by foreign investors off the ground. As a story in Addis Fortune stated: *"Besides having better promotional value, the EIC also offers never-before-given services, such as work permits to foreigners, duty free privileges, centralised trading services and additional notarisation services that lessen the strenuous process of investing. This means that processes that previously took weeks, even months, will now take a week or less."*

The EIC aims to increase its investment promotion efforts, so that Ethiopia will soon become one of the ten leading investment destinations in sub-Saharan Africa countries.

A brand new website for the EIC has been developed, with technical assistance provided by the European Union through BizClim. (See: www.investethiopia.gov.et). The new site provides easy to use information about Ethiopia and about investment opportunities. The new site will attract more visitors and additional investments.

The main services provided by the EIC include:

- Promoting the country's investment opportunities and conditions to foreign and domestic investors;
- Issuing investment permits, business licenses and construction permits;
- Notarizing memorandum and articles of association and amendments;
- Issuing commercial registration certificates as well as renewals, amendments, replacements or cancellations;
- Effecting registration of trade or firm name and amendment, as well as replacements or cancellations;
- Issuing work permits, including renewals, replacements, suspensions or cancellations;
- Grading first grade construction contractors;

- Registering technology transfer agreements and export-oriented non-equity-based foreign enterprise collaborations with domestic investors;

- Negotiating and, upon government approval, signing bilateral investment promotion and protection treaties with other countries; and

- Advising the government on policy measures needed to create an attractive investment climate for investors.

In addition, the EIC provides the following free, confidential and customized services to investors:

- Provision, through our website, various publications, or through direct response to investor's inquiries, of information on sector-specific business opportunities, business incorporation procedures and related regulations, employment regulations.

- Hand-holding and supporting the investor during the acquisition of land and utilities (water, electrical power and telecom services); the processing of loans and residence permit applications; the approval of environmental impact assessments studies for investment projects; and the issuance of a tax identification number (TIN).

The EIC is actively engaged in a fruitful dialogue with foreign investors. Most notably, the EIC is now leading a high level Technical Committee with representatives from both the Ethiopian Government and the European Union Delegation in Addis Ababa aimed at identifying and correcting impediments that may hinder the activities of European investors. On a related note, with the support of a BizClim funded project aimed at strengthening the European Business Forum in Ethiopia (EUBFE), a public event was held in Addis in October 2014 in which



a variety of issues linked to FDI and the domestic "business climate" were discussed by Government representatives, investors and international experts.

The Ethiopian Investment Commission's investment promotion efforts will further strengthen Ethiopia's good results when it comes to attracting foreign investments. According to Addis Fortune, *"The World Investment Report released on Tuesday, June 24, 2014, revealed that Ethiopia was the third largest recipient of foreign direct investment (FDI) in Africa in 2013, with a 240% increase from the amount in 2012. The report released by the United Nations Conference on Trade & Development (UNCTAD), stated that the FDI inflow to the country had reached 953 million dollars in 2014, up from the 279 million dollars it was in the previous year.*

"The net sales value of cross border merger and acquisition (M & A) in the country has also increased by more than double to 366 million dollar in 2013, from 146 million dollars in 2012.

"Though the amount of FDI inflow in the form of M & A has increased a considerable amount in the year, the major part of the country's investment inflow comes from green field projects, according to the report."

Public Led Economy

- Specific sectors are liberalised for investment and marketing
- Remittance out of Ethiopia from invested capital is permitted.
- Remittance for principal and interest payment on external loans, payments associated with technology transfer, proceeds from sales or liquidation of an enterprise, salaries and other payments are permitted.

Basic conditions

- 100% foreign ownership - $200,000 minimum initial investment required for a 100% foreign investment.
- $150,000 for foreign investor in a joint venture with a domestic partner.
- $50,000 for foreign investor in a joint venture with a domestic partner for consultancy or publishing businesses.
- $100,000 for 100% foreign investment in the areas of engineering, accountancy, architecture, auditing related consultancy services or publishing businesses.
- $50,000 for foreign investors working in partnership with a local investor in the areas of engineering, accountancy, architecture, auditing related consultancy services or publishing businesses.
- $100,000 for a Trade Representative Office (TRO), an entity with a scope limited to market studies, marketing and promotional activities.

Security of Investment

- Investment protection and guarantee.
- Constitutional protection from expropriation.
- Ethiopia is a signatory and member of the Multilateral Investment Guarantee Agency (MIGA).
- Ethiopia is a signatory of the Convention on the Settlement of Investment Disputes between States and Nationals of Other States.
- The Ethiopian Investment Commission (EIC) provides a professional one-stop-shop.

Conducive Tax Environment

- Corporate income tax (tax on profit) is 30%.
- Excise tax is levied (minimum 10%) on selected local or imported products.
- Turnover tax at 2% for priority sectors such as tractors, combine harvesting, grain mill etc. and 10% on other sectors.
- Customs duty on non-exempted imports ranges from 0-35%.
- Income tax ranges from 10-35% on monthly incomes of $16.50 and above.
- Withholding tax is payable on imports at 3% of cost, insurance and freight.
- 15% VAT is payable on businesses with a turnover above $54,000.
- Dividend tax (on income derived from dividends from a share company or withdrawals of profits from a private limited company) at 10%.
- Royalty tax (on income derived from technology and intellectual property rights) at 5%.
- Capital gains tax - share of companies 30%; business, factory or office buildings 15%; residences 0%.
- Rental income tax (on annual rental income) between 0% and 35% dependent on level of rental income.
- Stamp duty - Leasing 0.5% of value; registering title to property 2% of value; contract of employment 1% salary; bonds 1% of value, etc.
- Tax treaties to avoid double tax payment are signed with several countries, along with bilateral treaties for the protection and promotion of investments.
- Foreign contractor withholding tax ranging from 10% to 30%.

Other benefits

In addition, by investing in Ethiopia, a foreign company will also benefit from international trades agreements that Ethiopia is a party to. These include: Everything But Arms (EBA), the African Growth and Opportunity Act (AGOA), the Generalized System of Preferences, and soon the free trade agreement within COMESA. This would allow Ethiopia based companies to reach 19 African countries, with more than 400 million potential consumers.

Sectors

Many economic sectors are open to investors. Among them the Ethiopian Government stresses the relevance of manufacturing. Here is a broken down list drawn from an Ethiopian Government internet portal:

- **Food and Beverages**
- **Tannery, Leather Goods**
- **Textiles**
- **Glass and Ceramics**
- **Chemicals and Chemical Products**
- **Drugs and Pharmaceuticals**
- **Paper and Paper Products**
- **Building Materials**
- **Electrical and Electronic products**
- **Metallurgy**

Manufacturing

Manufacturing is now at an early stage of development. It covers about 145 state owned and 643 private manufacturing industries of all sizes. These industries are mainly engaged in the production of food products and beverages, tobacco products, textiles, wearing apparel, tanning and dressing of leather, footwear, luggage and handbags, manufacturing of wood and its products, manufacturing of

rubber and plastic products, manufacturing of chemicals and chemical products, manufacturing of other non-metallic mineral products, manufacturing of basic iron and steel, manufacturing of fabricated metal products, assembling of motor vehicles, trailers and semi-trailers. As part of the government effort to re-invigorate and revitalise the manufacturing sector, a new Industrialisation Development Strategy has recently been adopted. The Strategy clearly identifies the priority areas of the manufacturing sub-sectors and put in place strategies that ensure the development of vibrant industries in the country. Major manufacturing opportunities offering attractive potential benefits to prospective investors exist in the textile and garment, food and beverage, leather and electronic, building materials and non-metallic mineral and metallic industrial sub-sectors.

Challenges

Ethiopia is a country undergoing rapid change. While there is a clear policy consensus about the benefits of attracting and welcoming more and more foreign investors, the country's institutions are still in the process of being modernized. This shows in international rankings in which Ethiopia does not get high marks when it comes to the easiness of "doing business". (See the World Bank Doing Business Annual Report).

That said, the Government is aware of these shortcomings that affect Ethiopia's "business climate", and it is in the process of addressing them through necessary reforms. At the same time, The Ethiopian Investment Commission is proactively working with investors in order to minimize any inconvenience or delays that may result from red tape and/or bureaucratic bottlenecks.

STRONG EUROPEAN PRESENCE in Ethiopia

Europe has a strong presence in Ethiopia. It is a key partner in terms of economic and trade relations. It is the first export market and the second import market for Ethiopia, making it the first trading partner as well as an important investor.

Ethiopia's exports to the EU are over 43% of its total exports, and more than 21% of its imports. Through this large economic and trade partnership there have been significant technology transfers that have been mutually beneficial. This high level of EU investment has led to the creation of more than 100,000 new jobs for the Ethiopians. On a visit to Brussels in April 2013, Ethiopian Prime Minister Hailemariam Desalegn stated that "the quality of European investment is very good." Then EU Commission President Manuel Barroso said that "Europe is very proud of its contribution to Ethiopian development."

Many Europeans recognise that Ethiopia offers major business opportunities. It has one of the highest rates of growth in Africa, a large potential market, an inexpensive labour force, and strong government investments aimed at improving economic and social infrastructures.

Investments by EU companies generate many permanent jobs in the key GDP sectors of manufacturing and agriculture. EU companies often work with Ethiopian counterparts within joint ventures. They bring to Ethiopia important technologies and modern management systems. At this time, there are about 300 EU companies operating in the country.



Their success stories are among Ethiopia's best marketing tools to attract other potential investors. Indeed, by incentivizing a flow of trade missions from EU countries, these investors are in a position to influence future investment decisions.

The EU engages the Government and the private sectors via the EU Delegation, the Embassies of Member Countries, and through the European Business Forum in Ethiopia, (EUBFE), an organisation that brings together hundreds of European companies, large and small, that are currently operating in Ethiopia.

By and large the Europeans working in Ethiopia believe that they have established an open and constructive dialogue with the Government of Ethiopia at many different levels. In part because of this ongoing engagement, much has been done to improve the relationship which is getting stronger every year.

Even more will be achieved through appropriate measures to encourage private sector development and to create an environment conducive to additional FDI from Europe, so that even more European firms will consider establishing or expanding business activities in Ethiopia.

Many European observers expect that a strengthened business environment and enhanced coordination with Ethiopian public administration will encourage even more European companies seriously to consider Ethiopia as a good place to invest.

From this perspective, an effective forum for the private sector to voice its concerns and advocate some policy adjustments and other practical measures will help the Government and the private sector in the ongoing effort to create an even better environment for foreign investors.

As a key partner, the EU stands ready to continue to support Ethiopia in reaching its objectives throughout development cooperation instruments. The EU together with its member states is a key donor, contributing about 30% of the total development assistance to Ethiopia. The EU remains strongly committed to continue supporting the Government efforts to unleash the enormous power potential of the private sector.

More specifically, the EU is now funding a project worth €35 million that started in 2014. It is aimed at helping to trigger Ethiopia's economic transformation by policy fine-tuning and capacity building, as well as by supporting intermediary organisations and SMEs. The goal of this initiative is to help change the way in which the public and private sectors interact.

Recent examples of positive interactions between Europe and Ethiopia

Here are recent examples of the rich Europe – Ethiopia relationship. During the British Business Group (BBG) meeting, Greg Dorey, the United Kingdom's Ambassador to Ethiopia, said that *"Ethiopia has developed into our biggest bilateral development partner in the world. And, from a low base, we have seen our trade and investment relationship take off dramatically too."*

Furthermore, Ethiopia's Prime Minister Hailemariam Desalegn and Ireland's President Michael D. Higgins signed several agreements in November 2014 aimed at increasing bilateral business relations. One is on avoidance of double taxation in order to improve the investment relationship between the two countries. Then there is a separate trade agreement that will come into force in June 2015. There will also be direct Ethiopian Airlines flights linking Addis Ababa and Dublin.

Local support structure: The EU Business Forum in Ethiopia, EUBFE

The significant and growing EU business presence in Ethiopia has led to the creation of the EU Business Forum in Ethiopia, an important initiative promoted by the EU Delegation in Addis Ababa. As the EUBFE website explains:

"Economic relations between Ethiopia and the EU are strong, diversified and expanding. The EU has been, and continues to be, one of the main foreign investors in Ethiopia. There are currently several hundred EU companies active in Ethiopia. They have massively invested in the economy generating economic growth, quality employment and technology transfer.

"To further promote and enhance our economic ties, an EU Business Forum to Ethiopia was established in May 2012 under the patronage of the EU Delegation to Ethiopia.

"The EU Business Forum has since become a respected unified platform of EU investors in Ethiopia, an excellent source of information for existing and potential EU investors, and has become increasingly engaged in an open and constructive dialogue with the Ethiopian government on systemic issues affecting the business climate in the country.

"Indeed, the EU Business Forum allows EU investors to pool forces and speak with one voice and, as such, is fully in line with the vision of the EU to maximize synergies between EU Member States and strengthen the EU collective impact.

"The EUBFE was established in 2012 in response to the need for both a platform for networking and information exchange between EU businesses and a systematic dialogue channel with the Ethiopian authorities. This exchange is on-going and has already led to some concrete improvements in the business climate in the country. The EUBFE believes that a continuation and further deepening of this constructive relationship of cooperation, exchange and better mutual understanding between the public and private sector, will further improve the business enabling environment, and ultimately allowing the society to prosper.

Ethiopia has ambitious economic and social development targets, including the transformation of its economy. The EUBFE wishes to actively support and contribute to the country's development endeavour by bringing in and expanding high quality investments from EU companies and individuals, therewith creating jobs, transferring knowledge, earning foreign exchange and accelerating growth."



Photo: Wikimedia © Zaareo

CASES OF EUROPEAN COMPANIES ACTIVE IN ETHIOPIA

Ethiopian Steel Profiling & Building Plc (ESPBC)



1. COMPANY NAME

Ethiopian Steel Profiling & Building Plc - (ESPBC)

2. COUNTRY OF ORIGIN

The Netherlands

3. BUSINESS SECTOR- COMPANY PROFILE

Ethiopian Steel Profiling and Building Plc. (ESPBC) was established in 2003 by a Dutch foundation called World Wide Employment. ESPBC operates in the steel sector. It started with the production of hydraform blocks and pre-painted corrugated sheet. Later, cold formed profiles were added for a wide range of industries. Among all other applications of the cold formed profiles, they fit perfectly with the hydraform blocks in such a way that ESPBC is able to supply all building materials that are necessary for a building up to G+1.

In 2010, ESPBC invested in a slitting line, which is able to slit steel coils into small steel strips or to make any size flat sheet in full automatic mode. Throughout the years many advanced machines have been added to the factory floor in order to meet the customers' need for high quality products. Two years later an investment in an 'EGA line' was made in order to meet the demand for EGA sheets. Now the company produces a wide variety of roofing sheets as per the customers' needs. Main products: columns, rafters, purlins, flat sheets, formworks, roof sheets, EGA sheets, corrugated sheets and hydraform blocks are amongst ESPBC's products.

4. WHAT PROMPTED THE DECISION TO INVEST IN ETHIOPIA?

The main desire was to create job opportunities in Ethiopia and to transfer valuable technology and know-how, while stimulating the local economy.



5. SIZE OF THE COMPANY

ESPBC is one of the top ten steel companies and manufacturers in Ethiopia. The company's initial capital investment was $2.5 million; currently its total investment is $20 million and its profit after tax is 6-7% per year.

6. NUMBER OF EMPLOYEES

There are 90 employees. There are three managers, excluding the General Manager. Mr. Hans Walhoot is the only foreigner. For the time being the company is fully staffed, but new hiring is possible depending on market conditions.

7. GROWTH PROSPECTS

"If we could go back," says the General Manager, Mr. Hans Walhout, "we would have started on a much bigger scale, and we would have invested more. The boom started 5 years ago. Due to Ethiopia's high business potential, I would probably establish more business operations in the future." A plan to establish additional investment is currently under review. And there is a high probability of doing this in the future. For starters, it will be about adding capacity to the existing plant. There is no immediate plan to open new factories in other parts of the country in the near future.

8. OVERALL IMPRESSION ABOUT DOING BUSINESS IN ETHIOPIA

Ethiopia is a good market, "with a promising number of potential customers," says Walhout, "An important aspect about investing in Ethiopia is that the government has a good attitude towards foreign investors." Besides, there is a very good lifestyle in Ethiopia. "I have four children," he continued, "and here in Debrezeit there is an international school that meets international standards; therefore, it is very good for my children. The business is very good and it is growing. We are very satisfied!"

Walhout is very positive about this investment in Ethiopia. "I am optimistic about the Ethiopian business environment," he emphasised. "The economy and the market are growing, and the construction sector is booming. Our relations with government agencies are good. We are not concerned about other firms operating in our sector. There is plenty of room for more competition. I would definitely recommend investing in Ethiopia to companies from other EU countries, especially in the manufacturing sector, because almost everything is imported here. There is tremendous economic growth, and when you connect growth with 90 million potential customers, business activities hold huge promise. Besides, compared to other African countries, in Ethiopia you can run your business without any concerns about corruption. In the end, the Ethiopian economy and market are growing, and the construction sector is booming. Therefore, for us Ethiopia has an enormous potential."

Abyssinia Essential Oil Plc



1. COMPANY NAME

Abyssinia Essential Oil Plc

2. COUNTRY OF ORIGIN

Germany and Ethiopia

3. BUSINESS SECTOR- COMPANY PROFILE

Abyssinia Essential Oil produces essential oils from eucalyptus, rosemary, citronella, lemon grass and more. The company is a joint venture formed between two Ethiopians and one German. They have been successfully working together for seven years.

4. WHAT PROMPTED THE DECISION TO INVEST IN ETHIOPIA?

The partners saw a good business opportunity in this sector, because most oils used in Ethiopia are imported. Due to very high demand for its products Abyssinia Oil is very profitable.

5. SIZE OF THE COMPANY

Abyssinia Essential Oils is one of the biggest essential oils producers in the country. It ranks third in Ethiopia. The company's initial investment was €25,000.

6. NUMBER OF EMPLOYEES

Abyssinia Oil currently has seven employees. It is run by Mr. Behailu Kebede, the General Manger. There are no expats working directly for the company, except for Mr. Felix Ahelars, the German shareholder. The company is planning to hire more people, especially skilled workers who can operate the machineries.

7. GROWTH PROSPECTS

"The business is growing and the government is cooperative; we are very happy, stated Mr. Kedebe. "We started with a 200 distillation unit and due to increasing demand we are going to increase the distillation unit to 500," he continued. "There is a huge market for oil in the country. There are very few essential oil producers and these products' potential is high."

8. OVERALL IMPRESSION ABOUT DOING BUSINESS IN ETHIOPIA

According to management, Abyssinia Oil is doing very well. All its products are quickly sold out, while there is still unmet demand. There is room for other companies operating in this sector in Ethiopia.

In fact, this sector could benefit from the introduction of more sophisticated, state-of-the-art technologies and better "know-how". Foreign companies that are at the cutting edge in this essential oils business could make a very positive contribution, while doing well for themselves.

With 90 million people, the Ethiopian market is very large. "Working conditions in our company are very good," says Kedebe. "Overall," he concludes, "we also have good relations with government agencies. Besides, ours is a rather labour intensive business, and labour costs in Ethiopia are fairly low."



New Wing Addis Shoe Factory Plc/ New Wing Addis Shoe and Tannery



1. COMPANY NAME

New Wing Addis Shoe Factory Plc/ New Wing Addis Shoe and Tannery

2. COUNTRY OF ORIGIN

Italy

3. BUSINESS SECTOR- COMPANY PROFILE

Shoe and leather products from sheep, goat and cattle skins. There are two factories: one is located in Addis Ababa and the other in Akaki. They have been operating for four years.

4. WHAT PROMPTED THE DECISION TO INVEST IN ETHIOPIA?

The owners have their shoe factory in China; they contacted Mr. Evano Mesfin, now the General Manager, and they decided to get the operation started. Mr. Mesfin has nine years of experience in this field. Moccasins are not produced in China. When the owners saw how they are made in Ethiopia, they decided to buy a factory and set up machineries to produce shoes for women. Currently the factories undertake the finishing and production of shoes for women.

5. SIZE OF THE COMPANY

This is one of the biggest shoe factories in Ethiopia and its ranking is between second and third. The company has invested about three hundred million Birr so far (1 USD = 21 Birr). The operation is still rather new. More machinery will be purchased to expand operations.

6. NUMBER OF EMPLOYEES

There are 900 employees. Amongst these there are five Managers and a total of 25 foreign nationals working at the factories. Once the expansion is completed, there are prospects of hiring between 300 and 500 more people in the second factory. There is a good ongoing relationship with all the employees.

7. GROWTH PROSPECTS

"Manpower and electricity costs are low," says Mr. Mesfin. "Furthermore, the leather in Ethiopia is not expensive and the fibre's quality is one of the best in the world. We are planning to buy and open a third factory. The right time for investment in Ethiopia is now!"

8. OVERALL IMPRESSION ABOUT DOING BUSINESS IN ETHIOPIA

"The current opportunities offered by the Ethiopian government are attractive. The tax holiday (for green field new investors there is a five year tax exemption), and the duty free opportunity we have for all the materials we import for our productions are amongst the incentives we enjoy," added Mesfin. "The government agencies are very cooperative. Furthermore, the Leather Development Institute and the Industry Minister are very helpful. Ethiopia has a great potential in leather products. There are companies that operate on an even larger scale than we do in this field."

The EU Business Forum in Ethiopia (EUBFE)

The EU Business Forum in Ethiopia aims to assist EU companies active in Ethiopia to do business in the country, through:

- Improving the exchange of information on the Ethiopian business and regulatory environment,
- Developing a platform for networking and forging business linkages between EU companies, and
- Being an effective channel for dialogue with the various Ethiopian authorities.



Services to Members

EUBFE services to members fall into the following discrete but interconnected areas:

- **Information** – members are provided with standard and member-specific information on how to establish and operate an enterprise in Ethiopia – incentives, licensing, taxation, employment and customs issues etc. In addition, members are kept informed about developments, progress, initiatives and events through a quarterly EUBFE newsletter.
- **Dialogue** – a platform for members to debate specific issues and to agree on the most effective strategies and actions to mitigate the negative impact upon investment of sector-specific or horizontal impediments.
- **Advocacy** – the undertaking of specific studies on identified investment impediments and the development of position papers specifying the concerns of members and lobbying for mitigating actions to be taken. Facilitating high level discussions with senior government officials from relevant ministries and agencies and representatives of the EU Delegation and EU Member States. Commenting on proposed draft legislation and regulatory changes.
- **Events** – the EUBFE organises regular networking and issue-specific events, discussion forums, round tables, consultation meetings, workshops, seminars and conferences throughout each year. Facilitation of inward investment and business missions to Ethiopia from EU Member States.

Contact EUBFE secretary at: contact@eubfe.eu
Alternatively, visit: www.eubfe.eu

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