

MEKELLE

Invest in Ethiopia: **Focus MEKELLE** December 2012

Millennium Cities Initiative

EARTH INSTITUTE | COLUMBIA UNIVERSITY

INVEST IN ETHIOPIA: FOCUS MEKELLE

December 2012

Millennium Cities Initiative, The Earth Institute
Columbia University
New York, 2012

DISCLAIMER

This publication is for informational purposes only and is meant to be purely educational. While our objective is to provide useful, general information, the Millennium Cities Initiative and other participants to this publication make no representations or assurances as to the accuracy, completeness, or timeliness of the information. The information is provided without warranty of any kind, express or implied.

This publication does not constitute an offer, solicitation, or recommendation for the sale or purchase of any security, product, or service. Information, opinions and views contained in this publication should not be treated as investment, tax or legal advice. Before making any decision or taking any action, you should consult a professional advisor who has been informed of all facts relevant to your particular circumstances.



PREFACE

Ethiopia, along with 189 other countries, adopted the Millennium Declaration in 2000, which set out the millennium development goals (MDGs) to be achieved by 2015. The MDG process is spearheaded in Ethiopia by the Ministry of Finance and Economic Development.

This Guide is part of the Millennium effort and was prepared by the Millennium Cities Initiative (MCI), which is an initiative of The Earth Institute at Columbia University, undertaken in cooperation with the MDG Support Team at the United Nations Development Programme. The MCI is guided by Jeffrey D. Sachs and directed by Susan Blaustein. Its present efforts focus on helping eleven cities in eight African countries attract more foreign direct investment (FDI). The cities are: Mekelle, Ethiopia; Accra and Kumasi, Ghana; Kisumu, Kenya; Blantyre, Malawi; Bamako and Segou, Mali; Akure and Kaduna, Nigeria; Louga, Senegal; and Tabora, Tanzania. For more on the MCI, see the MCI website: <http://mci.ei.columbia.edu/>. The Guide to Mekelle is also partially funded by the City of Mekelle and the Government of Finland, in the context of the Regional Partnership to Promote Trade and Investment in sub-Saharan Africa.

The Millennium Cities were chosen in part for their proximity to the Millennium Villages (<http://www.earth.columbia.edu/millenniumvillages/>). In the case of Mekelle, the fourth Millennium City to have an investors' guide prepared for it, the Millennium Village is Koraro, in the neighbouring Hawzen district in northern Ethiopia.

The idea behind this Guide is to offer the reader a brief description of investment opportunities in the Mekelle area, supplemented by a description of the investment climate and of the broader context of Ethiopia and the Horn of Africa. The MCI does not believe that serious investors can be attracted to an area through a purely 'promotional' approach, one that promotes the positive while hiding the negative. So the Guide is written to be credible.

The challenges that potential investors would face are described along with the opportunities they may be missing if they ignore Mekelle.

The Guide is intended to make Mekelle and what Mekelle has to offer better known to investors worldwide. Although we have had the foreign investor primarily in mind, we believe that the Guide will be of use to domestic investors in Ethiopia as well. While by no means the sole driver of growth and development, foreign direct investment does have a distinctive contribution to make. Not only does it bring scarce capital, it also brings know-how, technology and access to foreign markets. Furthermore, it helps improve the competitiveness of *domestic* enterprises, which must be the foundation of all growth.

We hope that our investor readers find this Guide a useful practical tool.



ACKNOWLEDGEMENTS

This Guide was prepared by the Millennium Cities Initiative (MCI) of Columbia University (see Preface), under the responsibility of Susan Blaustein, Director; Joerg Simon, Senior Investment Adviser; and Karin Millett, Senior Researcher/Advisor, MCI. We are grateful to the Office of the Mayor of Mekelle city for its cooperation in this project and in the MCI's work in Mekelle more generally, and we thank the Mayor, Mayor Nigusse Gebre, and the Regional Vice-President, Beyene Mekru, for their participation. We thank Vishwas P. Govitrikar, our international consultant for the Guide, who drafted the guide and conducted the workshop in Mekelle, and Moges Mesfin Tessema, the MCI coordinator in Mekelle, who organized the feedback workshop and various related meetings in Mekelle and Addis Ababa.

Our thanks are also owed to the companies and government agencies that participated in the workshop in Mekelle, as well as to investors and government officials who provided further inputs to the Guide. While we cannot acknowledge all contributors individually, we should particularly like to thank Kebede Amare, Mohammed Seyed, Yemane Gedlu, David Ellis, Freweini Mebrahtu, Anish Avlani, Leul Kinfe, Jateen Patel, Daniel Gebremeskel, Freweini Mebrahtu, Addis Alem Balema,

A. Nafi Yurekli, Emrah Ilbay, Hadush G/Egziabher, Ataklti Hailemariam, Leykun Birhanu, Haregu Gebreselasie, Zewditu Kibrat, Kelali Adhana, Aberha Hailu, Samson Wondumu, Zelealem Mehretu, and Yohannes Abebe. We also acknowledge the feedback from several officers of the Ethiopian Revenues and Customs Authority.

The preparation of the Guide was helped very substantially by two MCI reports on investment opportunities in Mekelle: one prepared by KPMG International and the other by Bryant Cannon. Both reports are available at http://mci.ei.columbia.edu/?id=investment_working_papers. Also useful were reports on needs assessments in water and sanitation and in education, which are available at http://mci.ei.columbia.edu/?id=social_sector_papers. The United Nations Industrial Development Organization (UNIDO) provided the list of investors in Mekelle interested in foreign collaboration contained in Appendix A. The full UNIDO report on these firms is available at http://mci.ei.columbia.edu/?id=investment_working_papers.

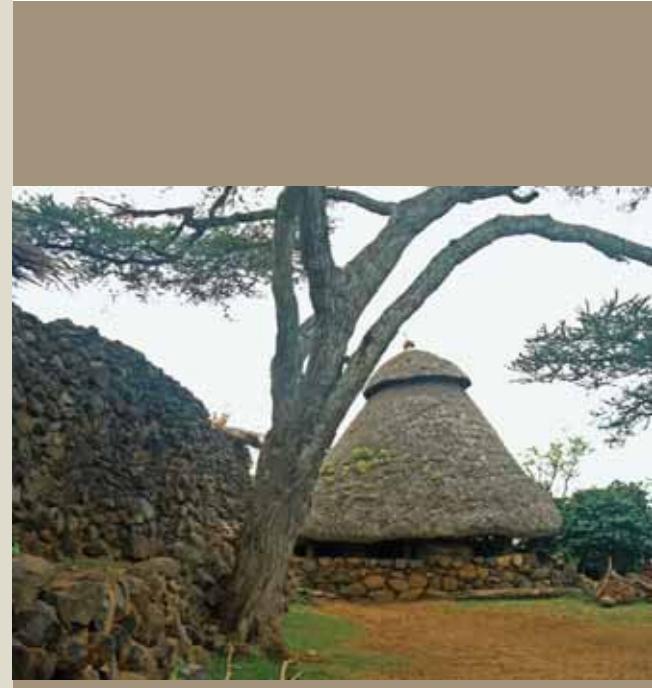
Photographs for the Guide were provided by the Ministry of Culture and Tourism, the Tigrai Culture and Tourism Agency, and Vishwas P. Govitrikar. Nelson Vigneault designed the Guide.

TABLE OF CONTENTS

ii	Disclaimer	57	III. Taxes and laws
iii	Preface	57	1. Taxation in Ethiopia
iv	Acknowledgements	57	• Taxes on profits and income
1	Table of contents	59	• Taxes on goods and services
3	Executive summary	61	• Taxes on international trade
4	Maps	62	• Other taxes
5	Ethiopia and Mekelle in brief	62	2. Legal framework for investment
7	I. The broader context	62	• Legal and judicial system
7	1. A sketch of Ethiopia and the Horn of Africa	63	• Investment law
7	• The country	65	• Incorporation and exit
10	• The region	66	• Priorities and restrictions
12	2. The economy	67	• Investment protection, investor treatment & dispute settlement
14	• Markets for investors	68	• Land
16	• Trade	69	• Foreign exchange and performance requirements
18	• Foreign direct investment		
18	• Aid, debt and reserves		
21	II. Investing in Mekelle	71	IV. Investors and investment climate
21	1. Introduction	71	1. Investor assessment of the investment climate
23	2. Opportunities for investors	73	2. Foreign investors in Ethiopia
23	• Main areas of interest to potential investors	75	Appendices
35	• Other areas of interest to potential investors	75	A. Mekelle firms interested in foreign collaboration
38	3. Incentives, special zones and related matters	76	B. Pointers to further information
38	• Incentives in Ethiopia	79	C. Public holidays in Ethiopia, 2012-2013
38	• Incentives in Tigray		
39	• Special zones	80	Sources consulted
40	• Investment and tax treaties		
41	4. The business environment		
41	• Infrastructure		
50	• Human resources		
51	• Doing business in Ethiopia and in Mekelle		
55	5. Mekelle as an investment location: A summary for investors		

Mekelle, one of the fastest-growing cities in Ethiopia, has made great progress in improving its social, political and economic environment. Owing to these efforts and the many investment opportunities it offers, the city has attracted the attention of local and foreign investors in a variety of sectors. The City Administration is dedicated to making Mekelle a leading investment destination in the Horn of Africa. I warmly invite you to Mekelle, a safe and stable place for your investment, and assure you in advance of our support and assistance.

Nigusse Gebre, Mayor of Mekelle



EXECUTIVE SUMMARY

Mekelle lies in Ethiopia's temperate highlands, nearly 800 km north of Addis Ababa. It is the capital of Tigray, the region of Ethiopia that borders on Eritrea, and was briefly the capital of Ethiopia in the late 19th century. For an African city of its size (about 275,000 people in 2012), Mekelle is remarkably well endowed with public and private institutions and facilities. There is an international airport with a cold-storage facility, a well-serviced industrial zone, and 15 *institutions of higher education*, including universities, medical and engineering colleges, and institutes of technology. Local officials, both urban and regional, are generally regarded as helpful even by foreign investors who have had their difficulties with the bureaucracy in Addis.

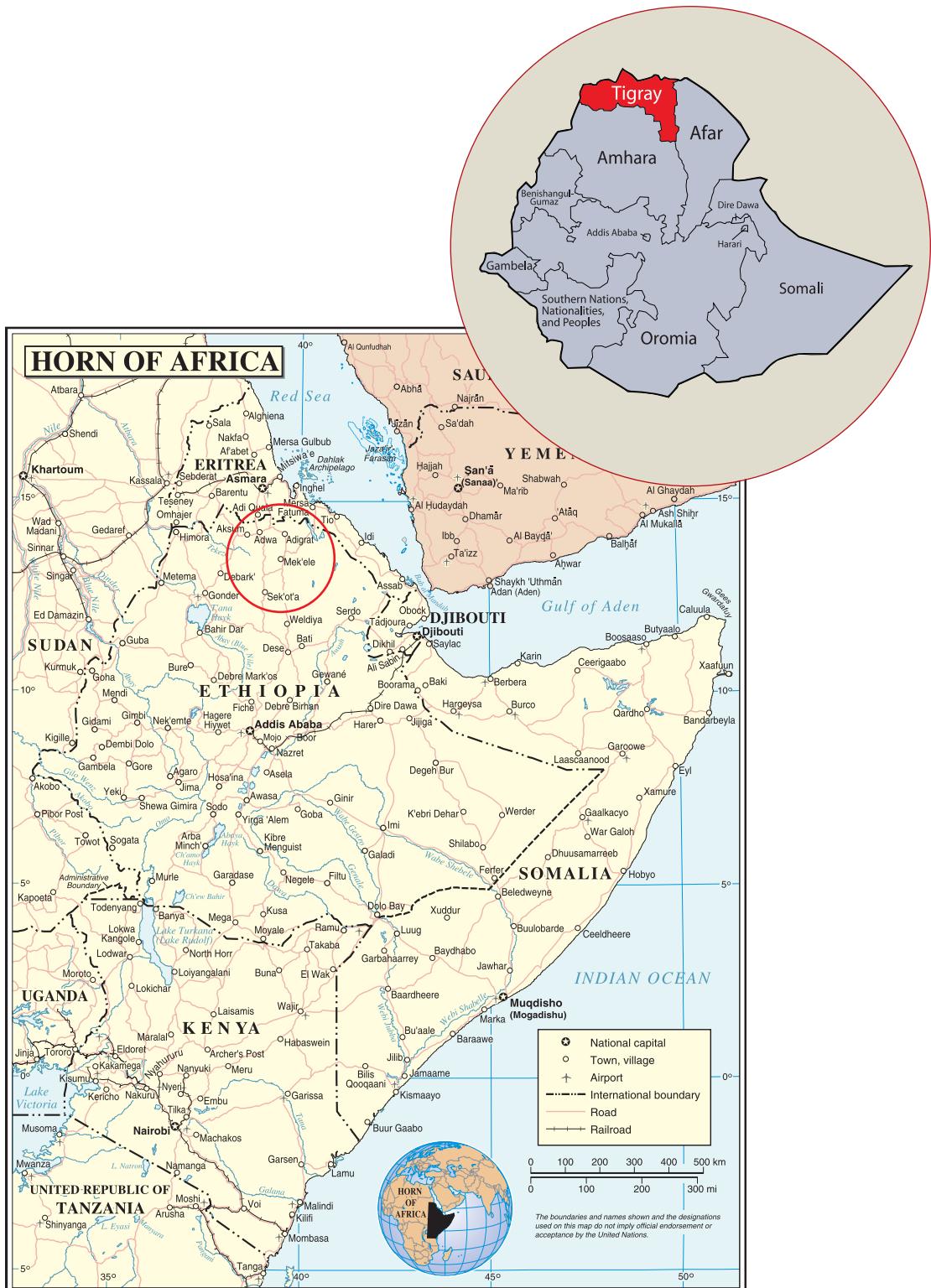
Mekelle is the economic hub of the regional state of Tigray. Within a 100 km radius of the city, there are fertile farmlands to the south, significant mineral deposits to the east and west, and many of the major tourist attractions of Ethiopia (such as rock-hewn churches, the historic city of Axum, and the active volcanic lake Erte Ale). Its range of existing business enterprises covers areas from mining and cement through agro-processing to leather and textiles. The leading investment opportunities are to be found in tourism, specifically in hospitality, transport and tour operating; agriculture and agro-processing, specifically in fruit, meat and honey for export; and mining and manufacturing of various kinds. There may be opportunities as well in such service areas as health, education and infrastructure. Among the advantages of investing in Mekelle are its temperate climate, its safe social environment, and an abundant and inexpensive workforce – in addition to the airport, the industrial zone, and the post-secondary institutions already mentioned.

When it comes to markets, there is the domestic market to begin with. Ethiopia may be a poor country but investors should note, first, that it is the second most populous country in Africa (nearly 85 million people in 2012) and, second, that it has been the fastest-growing African economy in recent years. Over the past half a decade,

its *real* gross domestic product has grown at about 11% p.a. Then there is the regional market provided by the 19-member Common Market for Eastern and Southern Africa (COMESA) and a yet larger regional market – combining COMESA, the East African Community (EAC) and the Southern African Development Community (SADC) – in the offing. Finally, there are the export markets – those of the European Union, the United States, the Middle East, and Emerging Asia. Special access to the EU and the US is guaranteed under two preferential trade arrangements: the Everything But Arms (EBA) initiative of the EU and the African Growth and Opportunity Act (AGOA) of the US.

The business environment has both pluses and minuses. On some dimensions of governance, for example, such as government effectiveness (quality of public services, quality of civil service, quality of policy formulation and implementation), Ethiopia is a clear leader in its neighbourhood. When investors do experience difficulties in dealing with the bureaucracy, the complaint is usually about rigidity rather than (as in many African countries) about corruption. The big challenge is infrastructure, which a recent report for the World Bank suggested may account for 50% of the productivity handicap faced by Ethiopian firms. Electricity shortages have been a major problem, with demand growing at 20-25% p.a. The trunk roads provide basic national connectivity but a shortage of rural feeder roads limits the numbers of those who can access the trunk network. Rail transport is the most challenged of all; however, an ambitious overhaul of the railways is under way, with 1,800 km of new track to be completed by 2015. Part of this will be a rail link connecting Mekelle to Port Djibouti, which will substantially ease the burdens borne by exporters.

All in all, Mekelle is a location that deserves very careful consideration by any investor interested in eastern Africa. There are not many cities of its size that can offer its combination of skills, safety, institutional base, and a supportive local government.



Ethiopia in brief

Official name:	Federal Democratic Republic of Ethiopia
Capital:	Addis Ababa
Form of government:	Federal republic, with nine regional states and two city administrations
Head of state:	President Girma Woldegiorgis
Head of government:	Prime Minister Hailemariam Desalegn ^a
Location:	East Africa, bordering Somalia, Kenya, South Sudan, Sudan, Eritrea and Djibouti.
Surface area:	1,104,300 sq. km, of which water 104,300 sq. km.
Climate:	Tropical and (in the highlands) sub-tropical, with temperatures and rainfall varying according to elevation. The rainfall occurs mainly from June to September and decreases as one moves northwards.
Population:	84.3 million (2012 projection from 2007 census).
Religions:	Christian (62%), Muslim (34%), traditional African and other (4%).
Languages:	Amharic is the official language and English is widely used. Many of Ethiopia's other languages have an official regional status.
GDP:	USD 30 billion – at purchasing power parity, USD 86 billion (2010)
GDP per capita:	USD 330 – at purchasing power parity, USD 1,000 (2010)
Currency:	Ethiopian birr (ETB)
Exchange rate:	USD 1 = ETB 17.72 (UN operational rate on 30 June 2012)

^a Deputy Prime Minister Hailemariam became head of government upon the death of former Prime Minister Meles Zenawi on 21 August 2012. He was formally sworn in as Prime Minister on 21 September 2012.

^b Several other spellings of the city name, 'Mek'ele', 'Mekelle' and 'Makale', also exist. This guide uses 'Mekelle' throughout, except when citing names that incorporate a variant spelling.

^c 'Tigray' is also spelt 'Tigrai'. This guide uses 'Tigray' throughout, except when citing names that incorporate a variant spelling.

Mekelle^b in brief

Location:	780 km north of Addis Ababa, Ethiopia's capital.
Climate:	Moderate tropical, 15° to 27° Celsius round the year. Rainfall mainly in July and August.
Notable features:	2,000 meters above sea level. Capital of the regional state of Tigray ^c .
Population:	City 273,601; Region 4.9 million (2012 projections from 2007 census).
Religion:	Ethiopian Orthodox Christian 93%, Protestant and Catholic 1%, and traditional African and other 6%.
Languages:	Tigrigna, Amharic and English. The main ethnic group is Tigrayan.
Economic activity:	Cement, timber, mining, light manufacturing (clothes, shoes, gloves), agriculture, agro-processing, and wholesale and retail trade.

Source:

Millennium Cities Initiative, The Earth Institute, Columbia University (hereafter 'Millennium Cities Initiative'), drawing on various sources.

Mekelle is an excellent entry point into Ethiopia's rapidly growing economy. With its modern infrastructure, ready workforce and supportive government, Mekelle offers foreign investors a low-risk launch-pad for investing in Ethiopia. We have been thrilled by our experience in Mekelle and look forward to building more businesses here in the coming years.

David Ellis, Managing Partner, Flow Equity



I. THE BROADER CONTEXT

1. A sketch of Ethiopia and the Horn of Africa

The country

Ethiopia is one of the larger countries in sub-Saharan Africa, with a surface area of about 1.1 million sq km. This is somewhat smaller than South Africa and almost twice the size of Kenya, which in turn is a bit larger than Spain. Ethiopia is a landlocked country that shares its borders with Eritrea to the north and, moving clockwise, with Djibouti and Somalia to the east and southeast, with Kenya to the south, with South Sudan to the southwest and Sudan to the northwest.

The country has a tropical climate with great variation. Three climatic zones can be distinguished: a cool zone consisting of the central parts of the high plateaux, a temperate zone between 1,500 m and 2,400 m above sea level, and the hot lowlands below 1,500 m. Mean annual temperature varies from less than 7-12°C in the cool zone to over 25°C in the hot lowlands. Average annual rainfall is 848 mm, with very high intensity and extreme spatial and temporal variability. The result is a high risk of annual droughts and intra-seasonal dry spells. Water resources are not lacking but the surface water resource potential is not well developed.¹

The population of Ethiopia in 2012 was projected to be around 84 million, over 80 per cent of it rural. The capital, Addis Ababa, is by far the largest city in the country, with a population of around 3 million. Other major cities, none of them approaching a tenth of the population of Addis Ababa, include Mekelle, Adama (or Nazaret), Dire Dawa and Gonder.

Ethiopia is one of two African countries never to have been colonized, barring a brief five-year occupation by Mussolini's Italy that ended in 1941.² (The other country is Liberia.) The political origins

of the country lie in the Aksumite kingdom of the early centuries of the Christian era. The central part of the kingdom was the area that is now the region of Tigray and the country of Eritrea. By the 13th century, the successor kingdom to Axum had expanded southward and the so-called Solomonic line had come to power. The modern state emerged in the 19th century, with the reign of the Emperor Tewodros, who began the effort to unify and modernize the Abyssinian Empire ('Abyssinia' being another name for Ethiopia). Menelik II (1889-1913) carried the effort further with advances in road construction, education and taxation, and the foundation of a new capital in Addis Ababa.

The imperial era continued with Haile Selassie, who came to the throne in 1930, and ended with his overthrow by the *Derg*, a committee of mutinous army officers headed by Mengistu Haile Mariam, in 1974. The *Derg* abolished feudalism, nationalized and redistributed land to peasant associations called *kebelle*, and went on to institute a broadly Marxist programme for a state-controlled economy. In place of the western democracies Haile Selassie had cultivated, the *Derg* chose close links with the Soviet Union. The political repression, economic failure and famine that followed led to an anti-*Derg* movement, eventually headed by the Ethiopian People's Revolutionary Democratic Front (EPRDF), a coalition of various regional groups. The EPRDF overthrew the *Derg* regime in 1991 and inaugurated the current federal system, which now includes nine ethnicity-based regional states – Tigray, Afar, Amhara, Oromiya, Somali, Benishangul-Gumuz, the Southern Nations, Gambella and Harar – and two chartered cities – Addis Ababa and Dire Dawa. The EPRDF remains the leading political party today.

The three tables that follow provide a comparative assessment of some major aspects of governance in Ethiopia.³

1 FAO, Aquastat, Ethiopia: Water and agriculture profile, http://www.fao.org/hr/water/aquastat/countries_regions/ethiopia/index.stm.

2 The capsule history that follows draws upon a number of sources, including the Crisis Group study and the Ofcansky and Berry study mentioned in **Sources consulted** at the end of this guide.

3 The source and notes for all three tables are given after table I.3.

Table I.1. Government effectiveness in Ethiopia's neighbourhood

Country	Sources ^a (number)	Year (days)	Rank ^b (%)	Sub-Saharan Africa average (%)	Governance score ^c (-2.5 to +2.5)
Eritrea	6	2010	6.2	26.5	-1.37
Ethiopia	10	2010	42.6	26.5	-0.35
Kenya	11	2010	35.9	26.5	-0.54
Somalia	6	2010	0	26.5	-2.24
Sudan	9	2010	6.7	26.5	-1.37

a The governance indicators summarize information from data sources that report the views and experiences of citizens, entrepreneurs, and experts in the public, private and NGO sectors. More specifically, these sources are:
 i) surveys of households and firms,
 ii) commercial business information providers,
 iii) non-governmental organizations, and
 iv) public-sector organizations.

b Percentile rank indicates the percentage of countries worldwide that rate below the selected country, so higher values indicate better governance ratings.

c Governance scores range from the worst at -2.5 to the best at +2.5.

Table I.2. Regulatory quality in Ethiopia's neighbourhood

Country	Sources ^a (number)	Year (days)	Rank ^b (%)	Sub-Saharan Africa average (%)	Governance score ^c (-2.5 to +2.5)
Eritrea	7	2010	1.4	29	-2.22
Ethiopia	10	2010	21.1	29	-0.88
Kenya	10	2010	48.8	29	-0.13
Somalia	5	2010	0.5	29	-2.38
Sudan	8	2010	7.2	29	-1.36

Table I.3. The rule of law in Ethiopia's neighbourhood

Country	Sources ^a (number)	Year (days)	Rank ^b (%)	Sub-Saharan Africa average (%)	Governance score ^c (-2.5 to +2.5)
Eritrea	10	2010	8.1	28.4	-1.29
Ethiopia	15	2010	27.5	28.4	-0.76
Kenya	16	2010	16.6	28.4	-1.01
Somalia	7	2010	0	28.4	-2.43
Sudan	11	2010	6.2	28.4	-1.32

Source: All three tables have been adapted from the *World Bank, Worldwide Governance Indicators*, http://info.worldbank.org/governance/wgi/mc_chart.asp#.



The comparators are five of the six countries that shared borders with Ethiopia in 2010 (before the creation of South Sudan). Information on the sixth, Djibouti, was not available. Governance in this context is the set of traditions and institutions by which authority is exercised in a country. The assessments reflect the views of citizens, enterprises and experts.

The first dimension of governance (table I.1) is *government effectiveness*, which covers such matters as the quality of public services, the quality of the civil service, the quality of policy formulation and implementation, etc. Ethiopia is the clear leader in its neighbourhood when it comes to government effectiveness. It does better than 40% (column on percentile rank) of the 213 economies surveyed⁴ by the World Bank project that provided the data. The runner-up is Kenya, a country at a perceptibly higher level of economic development. No other country comes close. Note that the average percentile rank for sub-Saharan Africa is also significantly lower than that of Ethiopia.

The next dimension of governance (table I.2) is *regulatory quality*, which is

the ability of the government to formulate and implement sound policies and regulations that permit and promote private-sector development. Here, Ethiopia does not do so well. Its percentile rank is lower than the regional average and far lower than that of Kenya. The latter is not surprising, given the generally much higher level of human capital development in Kenya, which is one of the leaders in this respect in all of sub-Saharan Africa. Note, however, that Ethiopia outstrips the other three countries in the table.

The last dimension of governance (table I.3) is the *rule of law*, a fundamental requirement of a functioning society. Table I. 3 captures perceptions of the extent to which people have confidence in and abide by the rules of society, and in particular the quality of contract enforcement, property rights, the police, and the courts, as well as the likelihood of crime and violence. Note that Ethiopia is again the leader in the neighbourhood, although nothing like as impressively as in table I.1 above. Its percentile rank is lower than the Sub-Saharan average but not by much. And it clearly outperforms every other country in the table, including Kenya.

4 Over the period 1996 - 2010.



In 2000, Ethiopia was one of the 189 countries that adopted the Millennium Declaration of the United Nations, which set out the Millennium Development Goals (MDGs) to be achieved by the year 2015. As shown in Table I.4 below, Ethiopia has made substantial progress towards reaching a number of these goals, such as reducing child and maternal mortality or improving the coverage of primary education. Progress has, however, been less conspicuous in other areas, such as reducing the incidence of tuberculosis or preserving and expanding forested areas.

The region

Ethiopia is a member of the Common Market for Eastern and Southern Africa (COMESA). Despite its name, COMESA reaches out well beyond south-eastern Africa, to include North African countries like Egypt and Libya.

The treaty establishing COMESA was signed on 5 November 1993 in Kampala, Uganda, and was ratified a year later in Lilongwe, Malawi, on 8 December 1994. The 19 COMESA member states are:

TABLE I.4. Ethiopia's progress towards the Millennium Development Goals

Goals	1990 ^b	2000 ^b	2010 ^b
1 Eradicate extreme poverty and hunger			
Employment to population ratio, 15+, total (%)	75	75	81
GDP per person employed (constant 1990 PPP \$)	1,239	1,372	1,883
2 Achieve universal primary education			
Primary completion rate, total (% of relevant age group)	23	23	72
Total enrolment, primary (% net)	30	41	84
3 Promote gender equality and empower women			
Proportion of seats held by women in parliament (%)	—	2	28
Ratio of female to male primary enrolment (%)	65	65	91
4 Reduce child mortality			
Mortality rate, infant (per 1,000 live births)	111	87	68
Mortality rate, under 5 (per 1,000)	184	141	106
5 Improve maternal health			
Adolescent fertility rate (births per 1,000 women ages 15-19)	—	103	63
Maternal mortality ratio (estimate, per 100,000 live births)	990	750	470
6 Combat HIV/AIDS, malaria, and other diseases			
Children with fever receiving anti-malarial drugs (% of children under age 5 with fever)	—	3	—
7 Ensure environmental sustainability			
Forest area (% of land area)	13.7	13.7	12.3
Improved sanitation facilities (% of population with access)	4	8	12
8 Develop a global partnership for development			
Debt service (PPG and IMF only, % of exports, workers' remittances)	38	15	2
Mobile cellular subscriptions (per 100 people)	0	0	8

a Only selected indicators appear under each goal.

b Figures in italics refer to periods other than those specified. Note too that the Government's own 2010 report on progress in reaching MDGs has somewhat different figures in some years – reference under Ministry of Finance in Sources consulted.

Source: Adapted from the World Bank, World Development Indicators database, http://ddp-ext.worldbank.org/ext/ddpreports/ViewSharedReport?&CF=&REPORT_ID=1336&REQUEST_TYPE=VIEWADVANCED.

Burundi, Comoros, D.R. Congo, Djibouti, Egypt, Eritrea, Ethiopia, Kenya, Libya, Madagascar, Malawi, Mauritius, Rwanda, Seychelles, Sudan, Swaziland, Uganda, Zambia and Zimbabwe. The total population was around 430 million and the total exports and imports were each over USD 150 billion in 2008. A COMESA customs union was officially launched in June 2009.

In May 2007, the twelfth Summit of COMESA Heads of State and Government also adopted an Investment Agreement for the COMESA Common Investment Area (CCIA), which includes provisions for national treatment, the protection of investors against expropriation and nationalization, and the settlement of disputes through negotiation and arbitration.⁵ Most recently, negotiations for a Tripartite Free Trade Area – involving the members of COMESA, the East African Community (EAC) and the Southern African Development Community (SADC) – were launched on 12 June 2011 in Johannesburg, South Africa.⁶

While efforts to bring about greater economic integration have not always moved at great speed in sub-Saharan Africa, there is now a clear awareness among policy-makers that Africa's small, fragmented markets are a major obstacle to economic development and one that needs to be overcome. Ethiopia's trade with COMESA is thus far much smaller than its trade with countries outside Africa, especially in the Middle East and Europe.

Security issues

The Horn of Africa has had its share of security problems, including political instability, civil strife and interstate conflict – the last of these including conflicts between Ethiopia and Eritrea, Ethiopia and Somalia, and northern and southern Sudan. (What is now South Sudan became independent in July 2011, following a referendum in January 2011.)⁷

There are, however, some promising signs of the region's governments showing their commitment to building regional peace, security and economic integration. Djibouti, Ethiopia and South Sudan, for example, recently concluded a number of agreements in the power, telecom and transport sectors. Ethiopia has also been playing a leading role in engaging the African Union (AU) and the Inter-governmental Authority on Development (IGAD) – both headquartered in Addis Ababa – in strengthening the region's security and promoting its economic integration.

5 The source for this information is the COMESA website: <http://www.comesa.int/>.

6 Final Communiqué of the Fifteenth Summit of the Comesa Authority of Heads of State and Government, http://comesa3.comesa.int/attachments/article/189/111015_FINAL_COMMUNIQUE_OF_THE_FIFTEENTH_SUMMIT_FINAL%20.pdf.

7 The CIA's *World Factbook*, <https://www.cia.gov/library/publications/the-world-factbook/geos/od.html>.



2. The economy

Ethiopia has produced remarkable growth in its gross domestic product (GDP) over the past half a decade. Between 2005 and 2010, real GDP growth averaged 11%.⁸ Although the share of agriculture in GDP declined somewhat, from about 47% in 2005 to just over 41% in 2010, agriculture remains the foundation of the Ethiopian economy and accounts for over 80% of employment. The contribution of the service sector to GDP rose during the same period from just under 40% to 46%. The significant increase in the share of industry that the government had planned for by 2010 did not materialize (figure I.1 below). All three sectors contributed to GDP growth over 2005-2010. Agriculture grew at an average of over 8%, industry at 10% and services at over 14%.⁹

Table I.5 below provides some major economic indicators – note that the numbers in the 2011 and 2012 columns are projections by the IMF. GDP per capita grows at about 7% p.a. until 2012, when the growth drops to just over 4%. Inflation was brought down to just under 3% by 2010 but picked up significantly in 2011.¹⁰ Exports are expected to grow more robustly than imports but the current account deficit is expected to worsen nonetheless, as Ethiopia's imports are far greater than its exports (see **Trade** below).

The Government has adopted an ambitious economic strategy over the next few years, outlined in its Growth and Transformation Plan 2010/11–2014/15 (GTP), which was finalized in November

2010.¹¹ The GTP aims to achieve the Millennium Development Goals in Ethiopia by 2015 and middle-income status for Ethiopia by 2020–23. One of the pillars of the strategy is infrastructure, which is discussed in Chapter II below.

As for privatization, which can offer substantial opportunities for investors, the Ethiopian Privatization Agency (EPA) was established in February 1994 and was the leading agency in carrying out the process of privatization of public enterprises over the next decade. It began by privatizing small retail trade outlets and hotels as well as small-scale manufacturing and agro-processing enterprises. By 2004, some 200 enterprises had been privatized and transferred to domestic and foreign investors including such major entities as the Lega Dembi Gold Mine (USD 172 million), the National Tobacco Enterprise (51% for USD 35.7 million), Pepsi-Cola (USD 16 million), the St George Brewery (USD 10 million), and eight agro-industry companies (USD 54 million).¹²

In 2004, the EPA was merged with the Public Enterprises Supervising Authority, creating the Privatization and Public Enterprises Supervising Agency (PPESA). The rationale was that privatization was the ultimate goal but, in the meanwhile, public enterprises needed appropriate guidance and support, among other things to help them be competitive and profitable.¹³ Information about current bids and invitations can be found at <http://www.ppesa.gov.et/Bids.aspx>. The only privatization opportunity in Tigray at the moment is the Abreha Castle hotel, which is owned by the regional government.

8 This is the Government's estimate. The IMF's estimate is 7 to 8%. See the IMF Country Reports No. 11/303 and No. 11/304 (Sources consulted).

9 Ibid.

10 Actual inflation in 2011 far exceeded the figure shown in table I.5, peaking at just over 40% in August 2011. By January 2012, however, it was down to 32%, close to the 2012 projection in the table. (See *Mekelle Times* in Sources consulted.)

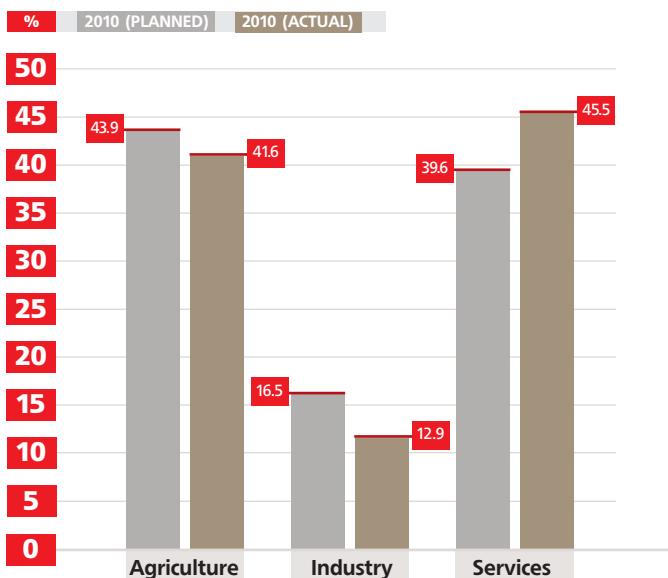
11 See Ministry of Finance and Economic Development in Sources consulted.

12 See the EPA website: http://www.ethiomarket.com/epa/about_epa_status.htm.

13 See the PPESA website: <http://www.ppesa.gov.et/AgencyProfile.aspx>



FIGURE I.1. Contributions to GDP by sector, planned and actual, 2010 (%)



Source: International Monetary Fund (IMF), Country Report No. 11/304 (see Sources consulted).

TABLE I.5. GDP, inflation and trade, 2009-2012

Category	Unit	2009	2010	2011 ^b	2012 ^b
GDP per capita (PPP) ^a	Current international dollars	955	1,019	1,093	1,138
Inflation, average consumer prices	Percent change	36.4	2.8	18.1	31.2
Volume of merchandise imports	Percent change	-7.1	-1.3	8.2	4.4
Volume of merchandise exports	Percent change	9.1	-6.3	14.5	8.8
Current account balance	Percent of GDP	-5.0	-4.4	-6.3	-8.6

Source: Adapted from the IMF, *World Economic Outlook Database*, September 2011, <http://www.imf.org/external/pubs/ft/weo/2011/02/weodata/index.aspx>

a 'GDP' is 'gross domestic product' and 'PPP' is 'purchasing power parity'.

b Figures for 2011 and 2012 in this table are projections.



Markets for investors

The domestic market in Ethiopia is significant in sub-Saharan Africa, given its population of over 80 million people, although still limited by the purchasing power of the population. This market is nonetheless growing, as indicated by the strong GDP growth for a number of years noted above. There are opportunities in import substitution. It is also important to note that there are consumers with relatively high incomes, especially in Addis. The regional market is provided by the 19-member COMESA (see **The region** above). There is also a still larger regional market in the offing, as noted above under **The region**: the tripartite free trade area for the members of COMESA, EAC and SADC. These three entities have a total of 26 countries as members,¹⁴ with a population around 530 million and a GDP of approximately USD 630 billion.¹⁵

It should be noted, however, that Ethiopia's trade with COMESA is still quite limited, perhaps because Ethiopia has not

yet joined the COMESA free trade area, created in the year 2000, which currently has a membership of 14.¹⁶ In 2007, Ethiopia had only a 2.8% share of the COMESA export market and a 4.7% share of the COMESA import market. As compared to Ethiopia's global trade, its exports to COMESA were small – about USD 125 million out of the world total of around USD 1,150 million – and its imports from COMESA smaller yet – about USD 214 million out of the world total of USD 5,573 million.¹⁷ Its top export partners in COMESA were Djibouti & Sudan, while its top import partners in COMESA were Egypt, Kenya & Sudan. (For more on Ethiopia's global exports and imports, see **Trade** below.)

When it comes to markets further abroad, there are two schemes of preferential trade arrangements that are of special interest. One is the African Growth and Opportunity Act (AGOA) of the United States and the other is the Everything But Arms (EBA) initiative of the European Union. See box I.1 on AGOA and EBA below.

14 There is considerable overlap in membership.

15 See the TFTA website: <http://www.comesa-eac-sadc-tripartite.org/about/background>.

16 According to the Kenyan Ministry of Trade, http://www.trade.go.ke/index.php?option=com_content&task=view&id=107&Itemid=137.

17 COMESA, Ethiopia's Trade Statistics Profile – 2007, <http://comstat.comesa.int/>.



Box I.1. AGOA and EBA

African Growth and Opportunity Act (AGOA)

AGOA was signed into law on 18 May 2000. It is meant to encourage market forces in African countries by offering them the best access to the US market available outside of free-trade agreements. The Act covers some 6,400 items, including textiles and apparel. The AGOA Acceleration Act, signed into law on 12 July 2004 and known as AGOA III, extends this preferential access until 30 September 2015.

Eligibility for AGOA benefits is determined annually on the basis of a review by a committee chaired by the United States Trade Representative (USTR). The criteria require that the country have established, or be making progress towards establishing, a market economy, the rule of law, policies to reduce poverty, and a system to combat corruption. Currently, 38 sub-Saharan countries qualify as eligible, including Ethiopia, which became AGOA eligible on 2 October 2000.

AGOA eligibility is not the same as eligibility under the provisions applying to apparel (ready-made garments), an item of special interest to a number of African countries. Ethiopia became apparel eligible on 2 August 2001. Apparel preference under AGOA is intended to apply mainly to garments made of yarns and fabrics produced in the United States or in sub-Saharan African countries. Special allowance is made, however, for 'lesser developed countries' like Ethiopia, which may use third-country yarns and fabrics until 2012. In 2010, apparel exports under AGOA were about USD 6.5 million.^a (Ethiopia's total exports to the US in 2010 were USD 127.3 million, of which agricultural exports were USD 101.2 million. AGOA exports were only USD 10.4 million or less than 10% of the total.)

Everything But Arms (EBA) initiative

The EBA is one of five arrangements available under the Generalised System of Preferences (GSP) of the European Union, which grants trade preferences to developing countries. The EBA, which is restricted to a subset of these countries known as 'least developed countries' (LDCs), is the most favourable regime available under the GSP. Most countries in sub-Saharan Africa are LDCs^b and Ethiopia is one of them.

Roughly 2100 products already enter the EU market duty-free for all countries. Practically all other products are covered by EBA and are granted duty-free access to the EU market if they fulfil the *rules of origin* requirements (see below). The exclusions are arms and ammunition.

Preferences under the EBA apply to imports into the EU of products originating in least developed countries. While products wholly obtained in the exporting country are considered as originating there, products manufactured with inputs from other countries are so considered only if they have undergone sufficient working or processing in the exporting country. A guide on how to interpret and implement the rules of origin is available from the European Commission.

Source: Based on information from the AGOA website (www.agoa.gov/index.html), the EBA website (http://ec.europa.eu/comm/trade/issues/global/gsp/eba/index_en.htm) and other sources

a According to the AGOA website section on trade with individual sub-Saharan African countries, http://reportweb.usitc.gov/africa/by_country.jsp.

b LDCs are low-income, economically vulnerable countries with poorly developed human resources. Of the 54 countries in sub-Saharan Africa, 33 are LDCs. Of the six countries that share borders with Ethiopia (see the first paragraph of this chapter), only Kenya is not an LDC.



Trade

From 2006 to 2010, Ethiopia's exports increased on average by about 25% a year and amounted to a record USD 2.6 billion at the end of the period. Imports rose less robustly but still at an average rate of 16.8% a year to reach the much higher figure of nearly USD 9.7 billion in 2010. The trade deficit was thus a very substantial USD 7.1 billion that year, nearly a quarter of the GDP. Except for sub-Saharan Africa (where Ethiopia had a surplus of USD 337 million in 2010), trade was in deficit with all regions. Large deficits were recorded with East Asia (USD -2.2 billion), West Asia (USD -1.8 billion) and South Asia (USD -0.7 billion).¹⁸

As one can see from table I.6 below, Ethiopia's exports are predominantly agricultural. The only item that did not fall under agriculture (and related activities like livestock-keeping) among the top 10 exports in 2010 was gold, which accounted for 8% of exports that year. Coffee retains its pride of place, while vegetables and flowers have grown steadily in value. Imports (table I.7) are dominated by oil and then mostly by things that Ethiopia does not itself produce, such as electrical apparatus, motor vehicles and pharmaceuticals.

Tables I.8 and I.9 below make it clear that Ethiopia's trade is wide-ranging. Destinations and sources are to be found

18 UNStats, 2010 International Trade Statistics Yearbook, <http://comtrade.un.org/pb/CountryPagesNew.aspx?y=2010>.

Table I.6. Top 10 export commodities, 2008-2010^a (USD million)

Item	2008	2009	2010
Coffee, whether or not roasted or decaffeinated	562.3	369.8	774.2
Other oil seeds and oleaginous fruits	250.3	380.3	375.2
Other vegetables, fresh or chilled	83.5	168.5	271.4
Gold (including gold plated with platinum)	79.9	92.5	201.9
Cut flowers and flower buds	104.7	131.5	159.3
Dried leguminous vegetables, shelled	117.0	104.1	151.2
Live bovine animals	26.6	36.7	86.0
Other live animals	15.9	17.4	54.1
Meat of sheep or goats, fresh, chilled or frozen	28.1	22.8	43.8
Tanned or crust skins of sheep or lambs	23.6	20.7	37.3
Total merchandise exports (not just those listed above)	1,601.8	1,618.2	2,580.1

^a Ordered by 2010 values.

Table I.7. Top 10 import commodities, 2008-2010^a (USD million)

Item	2008	2009	2010
Petroleum oils, other than crude	1,971.3	1,222.5	1,740.2
Electrical apparatus for line telephony or telegraphy	448.7	414.0	596.4
Motor vehicles for the transport of goods	202.6	206.0	430.7
Wheat and meslin	465.2	321.6	342.9
Palm oil and its fractions	201.6	204.8	251.0
Medicaments	144.2	256.5	230.0
Motor vehicles for the transport of persons	136.3	141.5	222.5
Mineral or chemical fertilisers	209.9	250.3	190.3
Structures of iron and steel	102.5	159.4	168.3
Self-propelled bulldozers, graders, levellers, etc.	230.4	183.4	165.5
Total merchandise imports (not just those listed above)	8,680.3	7,973.9	9,692.2

^a Ordered by 2010 values.

Source (for both tables above): Adapted from UN Comtrade, 2010 International Trade Statistics Yearbook, International Merchandise Trade Statistics, <http://comtrade.un.org/pb/CountryPagesNew.aspx?y=2010>.

in all regions of the world: North America, Europe, the Middle East, East and South Asia, and Africa itself. Note that China accounts for 10% of imports, although it does not supply any of the oil that accounts for some 18% of imports. Note also that trade with Somalia and Sudan is likely to be understated, given the porosity of the borders. Ethiopia's exports to Somalia consist mainly of chat, fruits and vegetables, live animals, and flour and pasta, while those to Sudan consist mainly of pulses, live animals, coffee, fruits and vegetables, footwear, and honey.¹⁹

Ethiopia is not a member of the World Trade Organization (WTO), although talks on its accession to the WTO have been going on for nearly nine years. The General Council of the WTO established a Working Party to examine the application of Ethiopia on 10 February 2003. Ethiopia's Memorandum on its Foreign Trade Regime was circulated in January 2007. The Working Party on the Accession of Ethiopia held its first meeting in May 2008 to begin the examination of Ethiopia's foreign trade regime. And most recently, after a three-year break, the accession talks were re-launched at a meeting on 6 May 2011.²⁰

19 Ethiopia Revenue and Custom Authority, 2010 Export Data: http://www.erca.gov.et/index.jsp?year=2010&data_type=export&id=import_export_info.

20 WTO, Accessions: Ethiopia, http://www.wto.org/english/thewto_e/acc_e/a1_ethiopia_e.htm.

Table I.8. Top 10 merchandise export destinations, 2010 (EUR million)

Economy	Value
Germany	293.8
China	267.7
Somalia	248.2
Netherlands	192.0
Sudan	167.6
Saudi Arabia	162.2
Switzerland	140.5
United Arab Emirates	123.3
United States	113.3
South Africa	81.6
Total merchandise exports to all countries (not just those listed above)	2,580.1

Source: Adapted from UN Comtrade, 2010 International Trade Statistics Yearbook, International Merchandise Trade Statistics, <http://comtrade.un.org/pb/CountryPagesNew.aspx?y=2010>

a Note that these values, unlike those in nearly every other table and figure, are in euros. On 30 December 2010, the (IMF) exchange rate was EUR 1 = USD 1.328. The total import figure in this table, when converted into US dollars using this rate, is not quite the same as that in table I.7 above.

b A breakdown by country was unavailable from this source.

Table I.9. Top 10 merchandise import sources, 2010 (EUR million)

Economy	Value ^a
China	1002.9
EU27 ^b	761.4
United States	626.5
Saudi Arabia	541.1
India	216.4
Turkey	145.2
Canada	142.9
Russia	105.0
Sudan	93.7
Japan	70.7
Total merchandise imports from all sources (not just those listed above)	6 482.5

Source: Adapted from the European Commission, *Ethiopia: Trade statistics*, http://trade.ec.europa.eu/doclib/docs/2011/january/tradoc_147265.pdf.

Foreign direct investment (FDI)

Foreign investment was on a generally upward path in Ethiopia during the 1990s and the early 2000s. It was negligible until 1997, when it jumped from USD 22 million the preceding year to USD 288 million. Since 2000, it has never fallen below USD 100 million. However, growth appears to have stalled since 2006 (table I.10 below), although part of this was no doubt a function of the global financial and economic crisis of 2008 and 2009.

FDI has gone mainly into manufacturing and agriculture. The Turkish company AYKA, the largest textile investor in sub-Saharan Africa, was approached by Ethiopian representatives and convinced to include the country in a comparative study of China and India when making its location decision. The initial investment was in 2007/08 for \$140 million. At present, it employs 1,200 people with plans to

increase to 10,000.²¹ In agriculture and floriculture, the Indian firm Karuturi Global Ltd., which began operations in Ethiopia as a flower producer, has since expanded into the cultivation and processing of sugarcane, cereals, vegetables and palm oil. In the leather sector, two of the better known investors are Pittards Tannery, a United Kingdom firm, and the German footwear manufacturer Ara AG. Besides these large investments, FDI inflows have also been characterized, during the 2000s, by an increase in small projects that were more diversified.²²

Aid, debt & reserves

Ethiopia's external debt in 2010 was USD 5,634 million, nearly 18% of GDP, while its debt service was about USD 95 million.²³ Its foreign reserves (excluding gold) were about USD 1.8 billion in 2010.²⁴ Foreign aid, from bilateral as well as multilateral sources, was USD 3.5 billion in 2010.²⁵

TABLE I.10. Ethiopia: FDI inflows, 2001-2010 (USD million)

2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
349	255	465	545	265	545	222	109	221	184

TABLE I.11. Ethiopia: FDI inward stock, 2001-2010 (USD million)

2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
349	255	465	545	265	545	222	109	221	184

Source: (for both tables above): UNCTADStat, <http://unctadstat.unctad.org/TableViewer/tableView.aspx>

21 UNCTAD, *Report on the Implementation of the Investment Policy Review*, 2011 (Sources consulted).

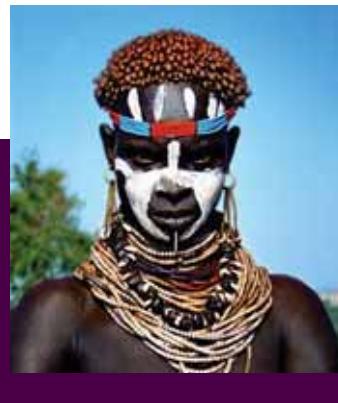
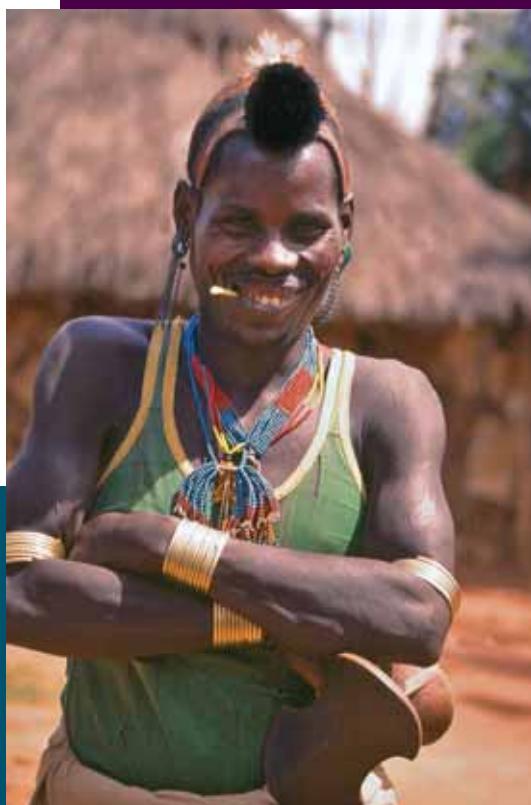
22 Ibid.

23 National Bank of Ethiopia, *Annual Report 2009-2010, 2011 (Sources consulted)*.

24 AfricanEconomicOutlook.org, <http://www.africaneconomicoutlook.org/en/data-statistics/table-5-monetary-indicators/>.

25 World Bank, *World Development Indicators*, <http://databank.worldbank.org/ddp/home.do?Step=3&id=4>.





The wise investor should look beyond the economic benefits of his investment and consider also its social and environmental impacts, global as well as regional. Beekeeping is a form of investment well known for its positive contribution to job creation, food security, ecological balancing, and so forth. So let's make some wise investment in a viable area of Tigray and much of the work will be done by that hard-working little creature: the honeybee.

Daniel Gebremeskel, Managing Director,
COMEL Pvt. Ltd. Co.



II. INVESTING IN MEKELLE

1. Introduction

Mekelle²⁶ is the largest city in Tigray, the northernmost region of Ethiopia and the regional capital. It is said to have been founded in the 13th century.²⁷ In the 1880s, Yohannes IV, whose palace still stands in the city, made it his capital. The city lies in Ethiopia's temperate highlands, some 780 km north of Addis Ababa, and has an elevation of over 2,000 metres, which accounts for its moderate climate and low incidence of malaria. Mekelle served as the headquarters of the United Nations Mission in Ethiopia and Eritrea (UNMEE) between 2000, when the two countries agreed on a ceasefire, and 2008, when UNMEE's mandate was terminated by the UN Security Council.

Despite its historic importance, Mekelle was somewhat neglected during much of the 20th century. Beginning with the overthrow of the Derg regime (see Chapter I) and its replacement by a government that was a coalition of various regional parties (among them the Tigray People's Liberation Front or TPLF), the city has experienced something of a renaissance. Mekelle has a number of natural advantages going for it. The climate is pleasant, with temperatures ranging between 15° and 27° Celsius (59° to 81° Fahrenheit) all the year round. It is centrally located in the region that hosts most of the main tourist attractions of Ethiopia, such as rock-hewn churches, the active volcanic lake Erte Ale, and the historic city of Axum. It is also relatively close, closer than Addis Ababa, to the port in Djibouti, which is the exit point for all Ethiopian exports not transported by air.²⁸

The population of Mekelle was projected by the Central Statistical Agency to reach 273,601 in 2012.²⁹ This is a nearly seven-fold increase over the past 40 years³⁰ which suggests how robust the city's growth has been in recent decades. Since its establishment in 1872, Mekelle

City has expanded by engulfing many surrounding villages and towns. In 2006 the areas known as Quiha (also Qwiha or Kuha) and Aynalem were incorporated within Mekelle City limits. Villages recently incorporated include Lachi, Adikenfero, Feleg Daero, Endamariam Dehan, Adi Daero, Adi Kolomey, Serawat, Adi Wolel, Adi Ha and May Alem.³¹ Today, the city consists of seven local administrative areas.

The city is home to several institutions of higher education, including Mekelle University – which has a Medical School and a University Hospital – and the Mekelle Institute of Technology. (For more information, see Table II.12 under Human resources below.) It has also recently seen the opening of an international school, the fifth branch of the Nejashi Ethio-Turkish International Schools. (The other four branches are all in Addis Ababa.) The school has 32 classrooms; four science labs; a computer lab; music, chess and art rooms; a library; a dining hall; and offices for staff and administrators. Each classroom is designed to cater to a maximum of 22 students.

The city also has a relatively new airport, the Alula Aba Nega International Airport, which offers several daily flights to Addis Ababa and other locations in Ethiopia. Its international cargo service is expected to expand in the near future. It also has a new cold-storage facility that should be very useful for perishable export cargo.

Mekelle is the economic hub of the regional state of Tigray. Within a 100 km radius of the city, there are fertile farmlands to the south, significant mineral deposits to the east and west, and the various tourist attractions mentioned above. The Mekelle livestock and salt markets are said to be the largest in Ethiopia. The city hosts a number of livestock-related industries and is known for the superior leather produced from local sheep and goats.

26 As noted earlier, the name of the city is also spelt 'Mek'ele' and 'Mekelle'. This guide uses 'Mekelle' throughout, except when citing names that incorporate a variant spelling.

27 See the Mekelle University website: http://www.mu.edu.et/index.php?option=com_content&view=article&id=79&Itemid=29.

28 It is even closer to the Eritrean port of Massawa, which is likely to become quite important when relations between Ethiopia and Eritrea improve. One should add, incidentally, that the existing road to Djibouti is in poor repair, although this is being fixed.

29 Central Statistical Agency of Ethiopia, 2011 *National Statistics* (details in Sources consulted).

30 Haddis, G/Giorgis and Murutse Desta, *Mekelle City Profile* (details in Sources consulted).

31 Castro and Maoulidi, *A Water and Sanitation Needs Assessment for Mekelle City* (details in Sources consulted).

It also hosts one of the largest cement plants in Ethiopia. Potential export products that draw on local resources include high-quality honey and spices. Land is available nearby as well for floriculture and horticulture, which are of growing significance as foreign-exchange earners (especially the former – see **Trade in Chapter I**). In addition, the city offers a well-serviced industrial zone, intended mainly for manufacturers targeting export markets or engaging in import substitution.

Mekelle is governed by its own city council, which is elected every five years and is accountable to both the city electorate and to the regional administration. The mayor, elected from the council, is the city's chief executive. The sectoral offices of the city administration are responsible for infrastructural development, investment promotion, economic and social services, and various regulatory functions. The city is divided into seven local (sub-urban) administrations.

The highest administrative body of the Tigray state is the regional state council, which is made up of 152 members elected every five years and is responsible to the state electorate. The regional president, elected from the state council, serves as the head of the regional government.

The advantages of investing in Mekelle include:

- a climate suitable for both tourism and agriculture,
- a safe environment with little crime,
- an inexpensive and easily trainable workforce,
- a source of skills in the local institutions of higher education,
- an international airport, with cold-storage facilities and relative proximity to the port in Djibouti,
- an industrial zone, furnished with utilities, with space at very reasonable prices, and
- private hospitals and an international school.

Box II.1. Tigray

Tigray is Ethiopia's northernmost region. It borders Ethiopia's Afar region to the east, the Amhara region to the south, and the countries of Sudan and Eritrea to the west and the north respectively. The surface area of the region is 53,638 km². The topography of the region is a combination of highland plateaux, mountains and lowland plains. The elevation ranges from 500 meters above sea level in the west (Humera) to nearly 4,000 meters above sea level in the Tsibet Mountains in the south. As elsewhere in Ethiopia, the climate varies somewhat in accordance with the altitude, the lowland areas of Humera being notably warmer than the highlands of Mekelle.

The population of the region was somewhat under 4.5 million when the last census was carried out in 2007-2008.^a About 20% of the population is urban and 80% rural. The ethnic composition is overwhelmingly Tigrayan (about 95%).

Much economic progress has occurred in recent years. Over the past half a dozen years, real regional GDP has grown at the same pace as the national GDP, close to 11% per annum.^b As with the country as a whole, agriculture is the mainstay of the economy, accounting for nearly half the region's GDP. Crops such as sorghum, sesame, cotton, barley, wheat and teff (from which the famous Ethiopian flatbread *injera* is made) account for over 70% of the sector's production value, livestock for around 20%, and forestry and fishing for the rest. The industrial sector, which consists of mining and quarrying, small- and large-scale manufacturing, cottage/handicraft industries, construction, and water and electricity accounts for about 20% of the regional GDP. The service sector, which includes wholesale and retail trade, transport and communication, hotels and restaurants, health, education, banking and insurance, real estate, etc. contributes a bit over 30% to the region's GDP.

Among the attractions of the Tigray region as a location for investment are the following: deposits of metallic and industrial minerals, dimension stones, and gemstones; the presence of many tourist attractions, including Axum; suitable agro-climatic conditions for a variety of crops; and relative proximity to the port at Djibouti and to the Middle East more broadly.

Source: Drawing on various sources, including the Tigray Investment Office.

^a See the report on Tigray at the Central Statistical Agency, http://www.csa.gov.et/index.php?option=com_wrapper&view=wrapper&Itemid=590.

^b This, as noted earlier, is the Federal Government's estimate. The IMF puts it at 7-8%.

2. Opportunities for investors

Opportunities for investment in Mekelle and the surrounding area are mainly to be found in tourism (in particular, hospitality and related services), agriculture and agro-processing (in particular, processing meat and honey for export), mining (specifically, dimension stones) and manufacturing (in particular, leather and leather goods). These are described in the first part of the present section. There are also possibilities in some other fields, such as dairy – including the production of milk, cheese and yoghurt for the domestic market – and various services such as health and education, which are described more briefly in the second part of this section. It is important to note that any specific opportunities described below are meant to be *illustrative*. These are by no means the only opportunities for investment in Mekelle.

This section draws extensively on two reports on investment opportunities in Mekelle prepared for the MCI.³² It also draws on further discussions with business and government representatives in Mekelle and Addis Ababa, including discussions at a workshop in Mekelle held on 19-20 June 2012.



Main areas of interest to potential investors

Tourism

Tourism is the area in which the Mekelle region has the most obvious advantages: climate, history, culture and architecture. Axum, where the history of Ethiopia as a nation may be said to have begun, is located 240 km from Mekelle, with good asphalt road connections. In addition to being a UNESCO World Heritage Cultural Site, it is also the spiritual center of Orthodox Christianity in Ethiopia. The northern tourist circuit or the 'Historic Route', which includes the most important tourist sites in Ethiopia – both Axum and the Al Negashi mosque at Wukro, considered the most important Islamic site in Africa, among them – is located almost entirely in Tigray and its border regions. Many of the rock-hewn churches for which Ethiopia is famous are to be found in large numbers in Tigray, within 80-150 km from Mekelle. The most widely known examples of these monolithic structures are in Lalibela in Amhara State but the ones in Tigray are older (the 7th to the 11th century rather than the 11th to the 16th century) and more numerous. These are found in the clusters of Gheralta, Tsaeda Embe, Atsbi Wemberta and Tembien.

Despite its high potential and continuous growth, the tourism industry in Tigray remains underdeveloped. A consultant has been hired by the Tigray regional government to produce a tourism development plan that would strengthen both the image of the region and access to it. The effectiveness of the consultant's product has been tested on a pilot basis in Axum and, as a result, a Thematic Master Plan for the Historic Town has been developed.

The number of visitors to Tigray has been growing rapidly, although in 2007 the state accounted for only seven percent of the foreign tourists visiting Ethiopia.

³² One by Bryant Cannon, titled *Investment Opportunities in Mekelle*, and the other by KPMG International, titled *Mekelle, Ethiopia: Potential opportunities for investors* (details in Sources consulted).

(We should note, however, that this share is larger than it appears, as nearly half the international visitors come for very specific and not particularly ‘touristy’ purposes, such as conferences, and spend their limited time in the country entirely in Addis Ababa.) Tigray received some 15,000 tourists in 2002 and around 29,000 tourists in 2011. Total receipts from foreign visitors reached USD 50 million in 2007. There is some indication as well that tourists are increasing both the range of their activities (beyond Axum) and the length of their stay. The latter has gone up from under two days in 1994 to five days in 2011.

The tourists fall into three categories: expatriates, retired people from Europe, and visitors from Addis. Germans are the largest group among the Europeans, followed by the Italians and the French. The visitors from Addis come for the weekend or short vacations. The main purchasing criteria for this group are an appropriate level of service and some additional services at a reasonable price, such as car rental or guard services. The European retirees tend to be price-sensitive and want to see a combination of moderate accommodation costs and a high level of service. There is potential demand as well from a younger group interested in adventure tourism. For them, the priorities are low-cost accommodation and easy access to natural attractions.

Opportunities for investment in this area are varied. They include hospitality (hotels, lodges, restaurants), rental cars, special activities (community-centered ecotourism), guided tours, and training for tourism personnel. The opportunities are interlinked. For example, ecotourism is dependent on lodging facilities of a certain standard and these facilities in turn depend on the availability of trained personnel.

One specific hospitality opportunity, identified by KPMG International,³³ is to build and operate a high-quality lodge within 80-100 km of Mekelle. At the moment, there are only two such lodges in the area, one of them being the Gheralta Lodge in the Hawzien district ('woreda' in Amharic), which is operated by an Italian investor. According to KPMG, the lodge is fully occupied in the high season, i.e., September to March, following the rainy season, with some rooms booked months in advance. There is thus no shortage of demand. As for supply, there are a number of motel-style lodges in the Mekelle region but the services they provide are not of a sufficiently high quality. There is already some investor interest in the opportunity. A Swiss investor has acquired seven hectares and a joint venture formed by domestic investors and Ethiopian diaspora investors 30 hectares for lodge development around Hawzien.

33 KPMG International, Mekelle, *Ethiopia: Potential opportunities for investors* (details in Sources consulted).

Box II.2. **Gheralta Lodge**

The Gheralta Lodge began operating in 2006. Owned by an Italian investor, the lodge offers a number of comfortable cottages with excellent views, built to high specifications in the local style. There are five bungalows and six traditional Tigrayan residences (*hidmos*). The price range is USD 35-70 per night. The land plot was provided free to the investor for 70 years. During its first year of operation, the lodge hosted about 3,000 guests. It hosted more than 4,000 the following year. The typical guest spends one or two days in the lodge. The occupancy rate varies from around 100% in high season (September-March) to about 30% in low season (June-July).

The challenges the lodge has had to deal with include access to water, low skill levels among lodge employees, and poor construction skills in the local crew. All have been successfully met by the experienced management. Two wells were drilled on the land, one to furnish drinking water and the other to provide water for all other purposes. Lodge employees were carefully selected, intensively trained and offered special incentives such as a bonus for learning English. Salaries are several times higher than the area average. As for construction, the local crew worked under an Italian architect and experienced supervisors hired from Addis Ababa.

Source: Adapted from KPMG International (see Sources consulted)..

The Tigrai Culture and Tourism Agency believes that a high-quality lodge would be best placed in one of two districts: Hawzien and Atsbi. Both have potential for religious and cultural tourism. Hawzien has some 40 rock-hewn churches, while Atsbi has four particularly famous ones: Mikael Imba, Mikael Debreselam, Mikael Barka, and Ghergos Agebo. Close to Atsbi also is the depression area of Afar, which has the Erte Ale volcano, salt lakes, and salt-carrying camel caravans. The road connections to both Hawzien and Atsbi go through Wukro. From Mekelle to Wukro, about 50 km, the road is paved. From Wukro to Atsbi or to Hawzien, an additional 25 to 80 km, the road is unpaved. Electricity is available in both areas but water supply needs to be looked into before starting construction.

There are similar opportunities elsewhere in the northern circuit. In Mekelle itself, there are opportunities to provide hotel and restaurant services that cater to international tastes.

The chief constraints facing investors in tourism, some of which have already been mentioned, may be summarized as follows:

- Poor skills among tourism personnel: KPMG³⁴ identified this as the main factor hampering the development of the tourism industry in Mekelle and in Tigray more broadly. It is not obvious that this is due to a lack of institutional support since, according to the Tigrai Culture and Tourism Agency, there are at present five public universities and one college providing tourism-related training.³⁵ The college, a long-established Addis-based institution, is the Catering and Tourism Training Institute (CTTI), which takes in about 400 students a year. Despite this, hotels often have to run their own training programmes for their employees.
- Insufficient marketing: There is no aggressive marketing of tourism assets, although the Tigrai Culture and Tourism Agency has participated in a number of trade fairs (in Berlin, Madrid and Moscow) over the last four years.³⁶ In particular, there is no focussed effort to attract the diaspora, which may reasonably be expected to show the most interest in cultural tourism.
- Poor image of northern Ethiopia: This is a function of the conflict with Eritrea in the late 1990s, which received wide publicity abroad. Tigray was, of course, the front-line state in this conflict. Although hostilities ended in 2000, relations between the two countries have not reverted to normal, leaving the impression among some abroad that conflict may resume at any time.
- Inadequate infrastructure: Despite the new airport, there are still no international flights to Mekelle, except via Addis Ababa. And although roads are improving across Ethiopia, most roads to the main tourist attractions near Mekelle remain unpaved, calling for four-wheel-drive vehicles. These are in short supply and come at a high cost (USD 100 or more per day). One might also mention here the inadequacy of the telecom infrastructure. Although mobile subscriptions have been increasing rapidly, they remain well below the norm in East African countries. Access to the Internet remains limited and uneven as well.³⁷

The process of acquiring a licence for a lodge in Tigray is fairly straightforward. Details can be obtained from the TIO.

34 Op. cit.

35 The Tigrai Culture and Tourism Agency, personal communication.

36 The Tigrai Culture and Tourism Agency, personal communication.

37 See Infrastructure under 4. The business environment below.

Meat production for export

Livestock is central to the Ethiopian economy, contributing 20% of the GDP, supporting the livelihoods of 70 % of the population, and generating about 11% of annual export earnings.³⁸ The export earnings come from the export of meat as well as of live animals (cattle, sheep, camels and goats), mainly to the United Arab Emirates (UAE), Saudi Arabia, Yemen and Egypt.

Export volumes and earnings from the export of meat and live animals have been increasing steadily in Ethiopia. Meat export volume was 870 tons in 2000/01 and the number of live animals exported was under 5,000. Receipts from both were just under USD 2 million. In contrast, in just the first quarter of 2010 (January – March), Ethiopia earned USD 31 million by exporting over 2,650 tons of meat and over 60,000 head of live animals. Annualized, that is USD 120 million in earnings for over 10,000 tons of meat and 250,000 head of live animals.

The current proportion of live animals to meat by value is something like 70% to 30%. Camels and cattle account for over 95% of the value of animal exports, with sheep making up the rest. The meat exports are mostly sheep and goat meat (over 90%). The UAE and Saudi Arabia are the overwhelmingly dominant destinations for meat and animal exports (over 95% of the value).

The main reason meat lags behind live animals in exports is the shortage of appropriately qualified meat-processing facilities. In 2009, there were only five slaughterhouses in Ethiopia exporting meat to other countries and none was in Tigray, although the state has advantages in the area. The livestock population in Tigray accounts for 7% of the total livestock population in Ethiopia³⁹ and the region is known for its special breed, the Raya-Azebo, which is more profitable than other Ethiopian breeds on account of its larger size.⁴⁰ This is now changing, with the Abergelle slaughterhouse in Mekelle commencing operations in 2010 (see box II.3 below).

38 The source for the information in this and the next two paragraphs is *Focus on Ethiopia's Meat and Live Animal Export, Trade Bulletin Issue 1, June 2010*, published by the Ethiopia Sanitary & Phytosanitary Standards and Livestock & Meat Marketing Program – <http://www.spslmm.org/>.

39 KPMG International, op. cit.

40 For general information on the breed, see the International Livestock Research Institute (ILRI), <http://dagris.ilri.cgiar.org/display.asp?ID=92>.

Box II.3. A modern slaughterhouse in Mekelle

The export abattoir of the Abergelle International Livestock Development PLC in Mekelle began operating in February 2010. The slaughterhouse was constructed with an investment outlay of USD 15 million and is the first of its kind to use many advanced slaughtering techniques and to be fully equipped with large cold rooms, vacuum packing, solid and liquid waste treatment, and a rendering plant for bone, meat, and blood processing.

Nearly all meat production at Abergelle is meant to be exported to the Middle East and North Africa. At full capacity, the slaughterhouse can process 30 tons of beef and 9 tons of sheep and goat meat per day. In June 2012, it was still operating at less than 50% capacity. Animals for slaughter are obtained from co-operatives, unions, individuals and Abergelle's own fattening centres in Humera, Shire, Agbe, Mekelle and Alamata. In addition to increasing Ethiopia's meat export capacity, the company is also expected to provide a market to those engaged in animal husbandry and fattening.

All components of the process are monitored and certified according to international standards and through routine inspections by independent federal inspectors. Land transport is used to ship more than 80 percent of production, as frozen meat, with the remainder exported as fresh meat by air cargo. Abergelle has negotiated an arrangement with Ethiopian Airlines to provide free transport from Mekelle to Addis for cargo destined for foreign locations, thus easing somewhat the constraint of a lack of direct international flights from Mekelle.

Abergelle is an EFFORT company. As part of an integrated livestock product chain, leather from Abergelle is sold to Sheba Leather of the EFFORT group (box II.7 below).

Source: Drawing on *Focus on Ethiopia's Meat and Live Animal Export, Trade Bulletin Issue 1, June 2010*, cited above, Cannon, and KPMG International, both also cited above.

Opportunities for the sale of meat in the local market may be limited, given the market characteristics: meat sold locally does not require certification, entry barriers are very low, much competition is already in place, and the local price is significantly lower than the export price (by about 15%).⁴¹

Opportunities for meat exports, on the other hand, are very substantial. As noted above, most current exports of meat go the UAE and Saudi Arabia. But the share of these in the total imports of these countries is insignificant: less than 1%.⁴² These markets have a high potential for Ethiopian sheep and goat meat, mainly because of the expatriate population from Asian and African countries in the UAE and Saudi Arabia. These customers' priority is reasonable price, not top-quality meat. There are also under-explored opportunities to export Ethiopian meat to other countries in the Middle East and North Africa, such as Jordan, Oman, Qatar, Egypt, Tunisia and Morocco. Opportunities in Europe are thus far non-existent, as Ethiopia cannot yet meet the European animal health requirements.

Apart from the lack of meat-processing facilities, now being partially remedied by Abergelle, the main challenge in this area is animal supply, especially during the rainy season, June through August. Since unpaved roads are washed away during the rainy season, animal collectors find it hard to reach many rural areas. In addition, private households have a lot of feed available for their animals in the rainy season and are less likely to sell them as they are aware that a well-fed, fattened animal will fetch a higher price. Finally, livestock is not usually kept by households for marketing purposes and animals tend to be sold only to meet unforeseen need. All of this means that exporters can either buy animals at animal markets or set up their own sources of supply.

Despite the supply challenge, meat-processing remains a very attractive opportunity in Mekelle. In addition to the established markets nearby, substantial new markets may be accessible. A noteworthy news item in this context was a report in *Capital Ethiopia*, dated 14

41 KPMG International, *op. cit.*

42 KPMG International, *op. cit.*, drawing on Comtrade.

Box II.4. Investing in poultry: Flow Equity

Flow Equity is a new entrepreneurial group based in the United States that aims to invest in (and manage) mainly agricultural businesses in Africa, focussing on East Africa. Its first venture is a poultry farm in Mekelle in the Tigray region of Ethiopia. The 56-employee set-up on the outskirts of Mekelle breeds and hatches day-old chicks and sells them to small and medium-sized farms throughout the country. The chickens cost ETB 17 each and are sold to some 40,000 smallholders several times a year through its own network of distributors. The buyers benefit by acquiring a better breed of fowl, which increases their income from selling eggs and also improves their access to protein through the consumption of meat and eggs in the household. The current annual production is about 300,000 chickens and the annual turnover is about ETB 6 million.

The Ethiopian operation began in late 2010, once the group had put together the capital needed for investment. The US partner has the majority share in the venture, while the Regional State of Tigray and a local investor have minority shares. The total investment today is about ETB 44 million or just under USD 2.5 million. In 2012, the company reported a profit for the first time.

The company has found the regional government co-operative and helpful. It sees the main weaknesses in the business environment as being weak banks and a shortage of legal and financial professionals. It would also like to see the government streamline investor registration. Its own main challenge was a lack of understanding of the local market, which it has met through experience and the help of its partners.

Flow Equity believes that there are many opportunities for foreign investors in Tigray, in particular for firms that can target smallholders as customers. Its own future plans are to expand into neighbouring countries. Over time, its ambition, as Managing Partner David Ellis puts it, is to become the Cargill of East Africa.

Source: Millennium Cities Initiative, drawing on information provided by Flow Equity.

February 2011, that announced that Iran (not an existing export destination) had agreed to buy 10,000 tons of cattle, sheep and goat meat from Ethiopia.⁴³ According to KPMG, the indicative costs of setting up a medium-sized slaughterhouse in Mekelle would be in the range of USD 1.5 – 1.7 million. KPMG also reported that Ethiopian Airlines had indicated its willingness to duplicate the Abergelle arrangement for other exporters, so that the airline flew meat exports via Addis Ababa without charging for the Mekelle-to-Addis leg.

Honey-processing for export

Ethiopia is the leading producer of honey and beeswax in Africa. Globally, it ranks 4th in beeswax and 10th in honey production. The country's ecological diversity allows it to produce diverse honey plants in different flowering seasons, which in turn means that fresh honey can be produced throughout the year. The range of colours goes from dark blue to extra white and the honey types include Geteme honey, Tebeb honey, coffee honey, Vernonia honey, acacia honey and eucalyptus honey.⁴⁴

Beekeeping is a traditionally important off-farm activity in Ethiopia for rural people. Both forest and backyard beekeeping are common. It is a small-scale industry that provides a source of cash income for many peasant farmers. There are about 10 million bee colonies and at least 800 honey-source plants in the country with an annual honey and beeswax production of 24,700 and 3,200 tons, respectively.⁴⁵ More than 90 percent of the honey produced is consumed domestically, among other things to produce a version of mead, a mildly alcoholic liquor called *tej* in Amharic and *mes* in Tigrinya.

All districts of Tigray produce honey, ranging from white to red/dark in colour. The productivity of the traditional methods of apiculture in Tigray is perceptibly higher

than the national average. The Wukro district (45 km from Mekelle and adjacent to the Hawzien district and the Millennium Village) is the largest producer in Tigray.⁴⁶ The Mekelle region has a large bee population – about 37 thousand bee colonies or 20% of the Tigray total.⁴⁷ The region is known for its white honey, made from pollen from white flowers, which has a low moisture content and a distinctive aroma. (Not all Tigray honey is white honey.)

Ethiopia's export potential in honey is both significant and underexplored. Only very small quantities have ever been exported, almost entirely to Sudan and the Middle East. Besides, until very recently, the European market was closed to Ethiopian honey. This changed when Ethiopia joined a few other African countries as an accredited exporter to the European Union as of 1 March 2008. One reason this is important is that the EU collectively is the world's largest market for honey, with Germany the top consumer.

Beeswax, a natural product obtained from bee hives, may also have export potential but the best method for producing honey is *not* the best method for producing beeswax. Beeswax is best produced by traditional hives, which have a wax yield of around 10% of the honey yield. Modern hives, which the Ministry of Agriculture and several NGOs are now promoting in Tigray and other regions, yield far less in the way of beeswax though far more in the way of honey.

As global market preferences increasingly shift towards organic products, Ethiopian producers are well positioned to capitalize on their status as organic honey suppliers. Ethiopian honey is derived almost entirely from wild bees, and no chemicals are used in any part of its production. If it is certified to meet international organic standards, Ethiopia could become a significant exporter, especially given the recent access to European markets.

43 'Fresh meat New countries buy Ethiopian' (*sic*) by Muluken Yewondwossen, Monday, 14 February 2011, http://www.capitalethiopia.com/index.php?view=article&id=14136%3Afresh-meat-new-countries-buy-ethiopian&option=com_content&Itemid=4.

44 See the website of the Ethiopian Honey and Beeswax Producers and Exporters Association (EHBPEA): <http://ehbpea.com/index.php>. The EHBPEA now has 17 members, two of them from Tigray. See the membership list at <http://ehbpea.com/memberslist.php>.

45 Cannon, *op. cit.*

46 Cannon, *op. cit.*

47 KPMG International, *op. cit.*

A honey-processing plant employing modern methods thus offers a serious investment opportunity. KPMG (op. cit.) estimated the indicative cost for setting up a honey-processing plant at around USD 200,000, with an additional USD 80,000-100,000 as working capital.

One initiative promoting apiculture is described in box II.6 below. More such initiatives could reduce the supply constraint that firms like COMEL are most concerned about (box II.5).

Box II.5. Investing in honey-processing: COMEL

COMEL Private Limited Company is a firm engaged in several business activities in Mekelle and the Tigray region. One of these is the Welela Honey Processing Plant – which started its operations in January 2009. The general idea was to collect honey from smallholders, process it to meet international standards, and export most of it. Since Tigray honey is well regarded, export markets are accessible, and high-quality processing is presumably the main requirement for such an enterprise to succeed – or so COMEL thought.

COMEL began by setting up a small farm of 3 ha with 60 beehives. This was to be a demonstration site for training beekeepers and transferring technologies as well as a source of a certain core supply. The expectation was that supply would not be an issue since, in addition to honey from traditional hives, there would be larger quantities from the 135,000 modern hives the regional government was going to distribute to smallholders. In the end, the supply turned out to be inadequate while the price of raw honey shot up.

COMEL's processing plant was set up with an initial investment of ETB 8.7 million (somewhat less than USD 1 million at the 2008 exchange rate). The processing capacity installed was for 500 kg of raw honey per day, with it being expandable to 3,000 kg per day. It was to produce three grades of honey – in descending order, white, yellow and red. The yellow and red varieties are the best suited for export, while exporting the white variety calls for a niche market. As things stand, the plant is processing only 125 kg of honey per day, since the supply of raw honey has turned out to be far more limited than expected and the price of raw honey has made the processed product less competitive.

The plant has German machinery and is ISO-certified (ISO-9001:2008, Quality Management System and ISO-22000:2005, Food Safety Management System). There are 15 employees and a well-qualified management team. The company is exporting honey to a number of foreign markets, including the United States, Norway, Dubai, Yemen and South Africa. Demand continues to outrun supply. The Managing Director, Daniel Gebremeskel, would like to see more assistance from NGOs and similar organizations, as well as government organs such as the Ministry of Agriculture, in promoting modern apiculture in Tigray and attracting more investors into commercial farming.

As for opportunities for foreign investors, Mr Gebremeskel would be interested in foreign collaboration in modernizing COMEL's plant (both technology and training) and in expanding its bee farm to a level where it could fill the supply gap. He also welcomes expressions of interest in some of the company's other investment areas, such as rural tourist lodges and food processing.

Source: Millennium Cities Initiative, drawing on information provided by COMEL Pvt Ltd Co.

Box II.6. The Millennium Villages Project

The MVP project involves setting up a large-scale honey and beeswax production system across its 11 villages in Tigray. The aim is to support beekeepers by establishing cooperatives, providing inputs and hives, and facilitating the distribution of raw honey to customers. Ten cooperatives have been established, covering 1,500 households. The intended investment totals USD 450,000. When completed, the project will have put in place a collection and management system for 4,000 hives capable of producing 240 tons of honey annually, for revenue of over USD 1.5 million. From 2005 to 2008, the MVP provided free inputs to households producing honey. Since 2009, inputs have been provided on a credit basis. By 2009, 320 modern hives had been distributed to 200 farmers; by 2011, the number was 2,600. The substitution of modern for traditional hives is expected to increase honey yields from 8 kg per hive to 45 kg per hive over a four-year period.

Source: KPMG International, op. cit.

Out-of-season fruit for export

Ethiopia has been very successful over the past decade in attracting export-oriented horticulture (including floriculture) investments. Table II.1 below shows some of the leading enterprises in this area.

The Mekelle region has some major advantages for growing selected varieties of fruit and vegetables. It is a highland area (2,200 – 2,600 metres) with long hours of sunshine and moderate temperatures of around 25° C (75° F) during the day and around 12° C (55° F) at night. The soil, climate and altitude is thought to be just right for growing pomegranates, grapes, avocados and mangos, among other fruit.

Most of the fruits and vegetables grown in the region are grown for local consumption, but there is significant export to Djibouti, although this is dominated by small-scale traders supplying inexpensive but low-quality produce. Beyond Djibouti, there are the markets of the Middle East and Europe, which have significant buying power. Ethiopian suppliers can be very competitive suppliers to these markets during the low (or no) production periods in Europe and the Middle East. For example, the local supply of fruit and vegetables in the Middle East is low between June to September because of very high temperatures and droughts. Ethiopia also has a cost advantage for labour-intensive types of fruit such as grapes.

At the moment, Ethiopia is a minor supplier to the Middle East and European markets, primarily due to the inconsistent quality and unstable supply of fruit and vegetables. Ethiopian exports to these markets are negligible and fragmented, accounting for less than 1% of these regions' imports. A successful supplier of fruit and vegetables to the Middle East and EU should be able to ensure consistency in quality and supply, and provide recorded and demonstrated traceability of products and production.

There are a number of large (over 50 ha) plots of land available in the Mekelle region, with access to water, asphalted roads and power supply. Around 2,500 ha of land suitable for horticulture can be found within a 30 – 100 km distance from Mekelle. About 330 ha of this land has good water resources for surface irrigation, while the rest can be irrigated by a combination of underground and surface water resources.

Mekelle also has a favourable location for export, given its relative closeness to the Djibouti port via the Mekelle-Djibouti road. Key Ethiopian fruit and vegetable export markets – Djibouti, the Middle East and the EU – are accessible via the Djibouti port. Fruit can also be transported to the airport in refrigerated trucks and shipped as air cargo.

The main constraint on fruit export is the Djibouti port. The Mekelle-Djibouti road also presents problems, since it is only partially paved, but exporters do not see this as inhibiting exports.⁴⁸ The main difficulties are the time-consuming handling procedures at the port, the poor port infrastructure and the infrequent vessel departures. The port procedures in Djibouti can take up to three days to clear cargo for shipping. This is aggravated by the fact that there are no cooling terminals at the port. And finally, there are only three or four departures for the Middle East per month, despite the presence of six international shipping lines operating at Djibouti.

An upgrading of the Djibouti port to a trans-shipment port is now under way.

On the basis of the interviews it conducted, KPMG concluded that it could take up to 15 days for goods from Mekelle to reach Dubai via Djibouti:

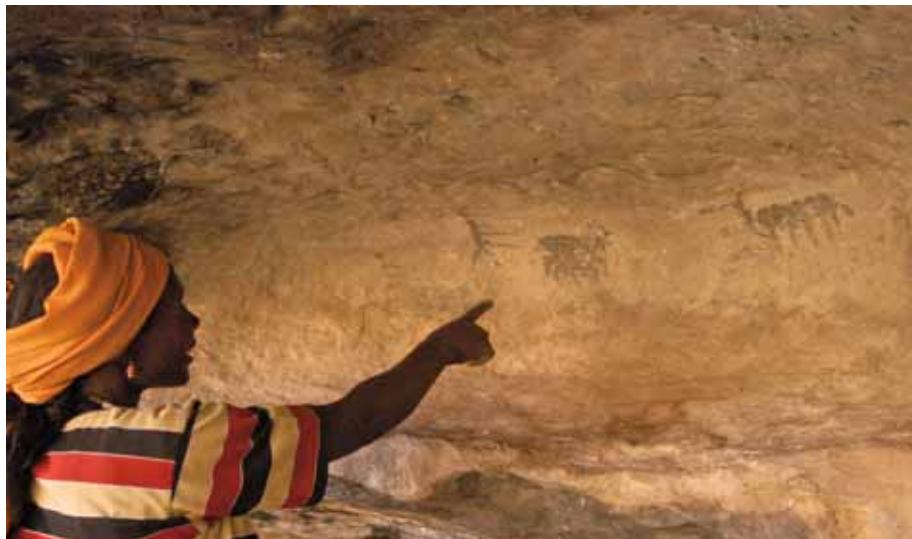
Mekelle to Djibouti by truck	2-2.5	days
Handling at Djibouti port	1-3	days
Djibouti port to Dubai port	6-14	days
Handling at Dubai port	1	day
Total	15	days

48 KPMG International, op. cit.

TABLE II.1. Major investors in horticulture and floriculture in Ethiopia

Company	Location/cluster	Produce type	Company nationality	Year started	Land developed (ha)
FLOWER FARMS					
Sher Ethiopia	Ziway	Roses	Netherlands	2005	240.0
Linssen Roses	Holeta	Roses	Netherlands	2003	57.0
Redfox Ethiopia	Koka	Cuttings	Germany	2003	39.0
Dugda Floriculture	Debre Zeit	Roses	Ethiopia	2003	23.0
Joy Tech plc	Debre Zeit	Roses and herbs	Israel	2004	29.5
FRUIT, VEGETABLE AND HERB FARMS					
Jittu Horticulture	Debre Zeit, Koka and Awassa	Vegetables	Saudi Arabia	2006	150.0
Almeta Impex	Koka	Fruit	Ethiopia	2005	23.0
Ethio Vegfru	Koka	Vegetables	Ethiopia	2006	90.0
Green Mark Herbs	Awassa	Herbs	Israel & USA	2011	22.4

Source: Ethiopian Horticulture Development Agency, personal communication, June 2012.



Leather and leather goods

Ethiopia has several advantages in the production and processing of leather. First, it has the largest livestock population in Africa – around 78 million cattle, sheep and goats.⁴⁹ Second, Ethiopian leather is valued for its quality and is in demand by foreign buyers. Two specific kinds that are highly valued are *Cabretta* and *Bati*. The former comes from the skin of highland hair sheep (sheep with hair rather than a wool coat covering the skin) and is notable for its strong, compact and flexible texture. The latter comes from goats and produces thin and soft suede. And third, there is, potentially, a very considerable export market. In 2010, world imports of hides and skins were worth USD 6.3 billion, with USD 2.4 billion worth of them going into China (including Hong Kong) and USD 1 billion into Italy. In the same year, world imports of leather were worth USD 19.9 billion, with USD 6.5 billion worth of them going into China (including Hong Kong), USD 2.3 billion into Italy and USD 1 billion into Vietnam.⁵⁰

Hides and skins have traditionally been an important part of Ethiopia's exports. For example, 'tanned or crust skins of sheep or lambs' were the last item among the country's top 10 exports in 2010, valued at USD 37.3 million (table I.6 in **Chapter I**). The Government is, however, trying to reduce the exports of raw and semi-processed hides and skins – it slapped a tariff of up to 150% on them in 2008 – and to persuade producers to turn more to value-added processing. Still, there are already links to a number of export markets: Italy, China, Britain, Russia and Hong Kong (China) account for about 75% of all skins and hides exported from Ethiopia.⁵¹

Semi-finished leather accounts for most of the leather exports. There are some exports of shoes,⁵² however, and the potential to increase these considerably.

There may also be a potential to export other leather goods that do not call for any especially sophisticated skills. A shift towards exporting leather goods, rather than even processed leather, could bring significant gains. According to KPMG's calculations, raw leather fetches a price of about USD 0.5 per sq ft, processed leather increases this to USD 2.5 per sq ft, and leather converted into a pair of shoes takes it to USD 7.0 per sq ft.⁵³

It should be noted too that, as far as shoes are concerned, there may be a domestic market as well. Ethiopia prohibits the import of secondhand shoes, which in effect creates a captive market for mid-range-quality shoes produced by the domestic shoe industry. Although Chinese shoes continue to be popular despite their 35% import duty, Ethiopian shoes are known to last and are gaining a greater market share as prices decrease and styles increase.⁵⁴

The main constraints for the leather and leather goods industry are two: first, the *supply* of hides and skins is inadequate and irregular and, second, the *quality* of the hides and skins is frequently poor. The two are interrelated. Livestock is kept by households and kept primarily for meat. Hides and skins thus become available when livestock is slaughtered for meat, which is not necessarily when they are needed by processors. Animal husbandry at the household level also means that there cannot be much in the way of quality control. Disease, parasites, and water shortages can all lower hide and skin quality. Flay cuts – knife marks caused by careless use of the knife during the removal of the skin from the carcass – are another major factor in quality downgrading. Even where they do not cut right through the skin, flay cuts can be seen from the outer side of the hide. Once quality has suffered for such reasons, there is little to be done at later stages to restore it.

49 Ethiopian Leather Industries Association, <http://ethiopianleather.org/sector.asp>.

50 United Nations International Merchandise Trade Statistics, <http://comtrade.un.org/pb/CommodityPagesNew.aspx?y=2010>.

51 KPMG International, Mekelle, *Ethiopia: Potential opportunities for investors* (see Sources consulted).

52 According to UN Comtrade, shoes worth about USD 3.5 million were exported in 2010: <http://comtrade.un.org/db/ce/ceSearch.aspx?it=leather+footware&rg=2&r=231&p=0&y=2010&px=HS>.

53 KPMG International, op. cit.

54 Cannon, *Investment Opportunities in Mekelle* (see Sources consulted).

The supply problems in the industry are illustrated by the situation of tanneries. There has been a considerable increase in the number of tanneries in recent years, which now stands at 25. This has increased demand for hides and skins and raised prices. There does not, however, seem to have been a corresponding increase in the supply of raw materials. The result is that most tanneries are operating well below capacity – at 65% capacity for skins and 80% for hides, according to an MCI report in 2009.⁵⁵

Various efforts are being made – by UNIDO, FAO, the Eastern and Southern Africa Leather Industry Association (ESALIA), and others – to address these issues.

Mining

There are significant opportunities for investment in the mining sector. Mineral exploration studies conducted so far indicate that there are significant deposits of:

- **Metallic minerals** such as gold, copper, zinc, lead, iron and nickel,
- **Industrial minerals** such as silica sand, kaolin, graphite, and gypsum,

- **Dimension stones** such as marble, granite, greenstone, limestone and slate, and
- **Gemstones** such as agate, jasper, and chalcedony.⁵⁶

55 Ibid.

56 Ibid.

In particular, there are significant untapped resources of limestone, granite, marble, slate, silica sand and greenstone to the north and northwest of Mekelle. One of the largest limestone-rich areas in Ethiopia is located in a 30-km radius of Mekelle. Reserves are located in close proximity to asphalted roads and are easily accessible. There are two deposits of silica sand located about 90 km north of Mekelle. These too are easily accessible by the Mekelle-Adigrat asphalted road.

Further away, there are substantial marble deposits. The largest marble deposit in Ethiopia, Naeder Marble, is located about 55 km from Axum, northwest of Mekelle. The colours vary from smoky white and pink to dark grey and black. The largest Ethiopian dimensional stone processing plant, Saba Dimensional Stone, is located in Adwa, also northwest of Mekelle.

The construction industries of Ethiopia and Sudan provide attractive opportunities for processed dimensional stones.

Box II.7. Sheba Tannery

Although established in 1993 as one of the EFFORT Group of companies (see box II.8 below), Sheba Tannery began operations only in 2003. Located in Wukro, about 40 km from Mekelle, Sheba is one of the leading tanneries in Ethiopia. It exports finished and semi-finished leather to Europe and Asia. In June 2012, it was operating at 70% capacity and had 673 employees. The company has lately expanded into leather goods, specifically shoes and gloves, the latter entirely for export and the former mostly so.

Sheba Leather has emphasized environmental management. Although it currently does only primary environmental treatment, it soon expects to begin secondary treatment as well. The investment undertaken over the last few years is expected to exceed USD 20 million when completed. Along with the difficulties associated with the supply of raw materials, Sheba has also faced problems in workforce skills. It is working on both sets of challenges and making progress.

At the moment, Sheba offers an *opportunity for investment*, as the firm is looking for a joint-venture partner who will bring capital and know-how to advance its plans to produce, brand and market its finished products, i.e., shoes and gloves. The company is also looking for technical support with respect to the waste water treatment plant in its factory and expertise in training its workforce, designing new products and reducing costs.

Source: A number of sources, including Cannon, KPMG International, UNIDO (for all of which see **Sources consulted**), and the EFFORT Group website, <http://www.effortgroup.org/companies.htm>.

There are opportunities to supply marble and granite tiles to the local construction industry and to export some products to Sudan. Foreign markets farther away (the Middle East or Europe) are not likely to be accessible at reasonable cost unless the tiles or slabs could go through the port at Massawa in Eritrea, which is not at present a possibility. It should be noted, however, that Saba Dimensional Stone has exported a substantial quantity of marble and granite in *raw blocks* to Italy, Saudi Arabia and the United States.⁵⁷

The largest Ethiopian dimensional stone processing plant is Saba Dimensional Stone, an EFFORT company. It is located in Adwa, about 100 km northwest of Mekelle. The annual processing capacity is around 85,000 sq m for marble and limestone, 40,000 sq m for granite and 100,000 sq m for terrazzo tiles.

Tiles and slabs are sold in Ethiopia, with about 50% of sales generated in Tigray.⁵⁸

According to KPMG, the indicative size of investment for a marble and granite processing plant with an annual capacity of 120,000 sq m would be in the range of USD 9 to 11 million.

By 2009, some foreign firms had obtained gold exploration licences in Tigray but no mining activities had started. Ashanti Gold of Ghana was one of these. Over the past year, there have been several news reports indicating discoveries or confirmations of significant gold deposits in Tigray. Mineweb reported on 21 Feb 2011 that Stratex International plc had announced a positive update with regard to its interests in Tigray State, which included the 967 sq km Abi-Adi Gichke Gold Project ('AbiAdi'), owned by Loz-Bez Mining Ltd, an Ethiopian firm.⁵⁹

57 Saba Dimensional Stones plc, <http://www.effortgroup.org/sds/index.htm>.

58 KPMG International, *Mekelle, Ethiopia: Potential opportunities for investors* (details in Sources consulted).

59 Mineweb, <http://www.mineweb.com/mineweb/view/mineweb/en/page674?oid=121106&sn=Detail&pid=102055>.

Box II.8. EFFORT

The Endowment Fund for the Rehabilitation of Tigray (EFFORT) is one of four 'endowment' entities in Ethiopia.* These are basically investment vehicles, set up in the early 1990s with the resources donated on behalf of the various fronts of the incoming Ethiopian ruling party in 1991, that gather a number of companies under their umbrella and are meant to promote economic development in the various regions of the country. The companies under these entities are engaged in a variety of businesses, from agriculture through manufacturing to services. The general idea is to provide a scale of commercial/industrial operations that would otherwise be lacking in an economy consisting for the most part of subsistence agriculture and small-scale informal service enterprises.

EFFORT was set up in 1995, to gather under its auspices a number of companies set up in the early 1990s, soon after the coming to power of EPRDF. As of 2008, EFFORT owned 12 companies, which included Mesebo Building Materials, Ezana Mining, Almeda Textiles & Garmenting, Addis Pharmaceuticals, Mesfin Industrial Engineering, Saba Dimensional Stones, Sheba Tannery, and Guna Trading. In 2009, EFFORT incorporated the Dejenna Endowment, which then had 11 generally much smaller companies, including Abergelle Livestock Development, Bruh Tesfa Plastic Products, Maichew Particleboard Factory and Romanat Flexible Packaging.

After various divestments, the EFFORT group now consists of 16 companies. The most important of these, judged by scale of investment and/or profits, are Mesebo Cement, Guna Trading House, Almeda Textiles & Garmenting, TransEthiopia, and Mesfin Industrial Engineering, along with Sur Construction and Addis Pharmaceuticals. EFFORT's business activities fall under five categories: engineering and construction, manufacturing, agro-processing, mining, and other services. The Fund focuses on businesses that utilize locally available raw and semi-processed materials and are labour-intensive. It is also seeking partnerships with foreign investors.

The independent private sector has periodically expressed its concerns over the 'special treatment' received by endowment-affiliated firms in such areas as access to credit and government procurement. The Funds deny that they receive any such special treatment. For a sympathetic but not uncritical assessment, see the paper by Vaughan and Gebremichael cited in **Sources consulted** at the end of this guide.

Source: Various sources, including the EFFORT website; Cannon, op cit.; and the paper by Vaughan and Gebremichael (see **Sources consulted**).

a The others are *Tirat* or *Endeavour* in Amhara, *Tumsa* in Oromia, and *Wendo* in the Southern Nations.

The AbiAdi licence is located approximately 55 km west-northwest of Mekelle. And a news item in Tigrai Online on 3 January 2012 reported that senior managers at the National Mining Corporation (NMiC) had just announced, after 15 years of exploration, the discovery of the largest gold reserves ever discovered in Oromia and Tigray.⁶⁰

(Gold is one of Ethiopia's major export items, ranking 4th in 2010 and accounting, at about USD 202 million, for 8% of exports that year – see table I.6 in **Chapter I**.)

A new investment in Mekelle in the mining sector is that by Mekelle Gemstone, a local company that is also in metalwork and retail. Its production facility is located in the Mekelle industrial zone and was completed in early 2009. The facility is expected to employ 20 technical staff. The actual mining of gemstones will occur in the neighbouring Afar region.

The major constraint on investment in mining in or near Mekelle is accessibility. Not all deposit sites are close to the city and some are harder to reach than others because of poor road conditions.

For details of the special regime on mining, see **Investment law in Chapter III**.

Other areas of interest to potential investors

Dairy

According to the Central Statistical Agency of Ethiopia, total milk production from about 10 million milking cows in the country was around 3.3 billion litres in 20011-12.⁶¹ The price of unpasteurized milk was USD 0.56 per litre in Mekelle in June 2012, while that of pasteurized milk was USD 1.84.⁶² Milk and milk products like butter and cheese are widely consumed in Ethiopia but are commercially unavailable in most stores outside Addis Ababa.⁶³

Processed milk and related products thus offer a lucrative opportunity for investment.

Ethiopia, as noted earlier, has the largest livestock population in Africa. However, its cattle breeds have evolved to cope with an environment that includes a shortage of feed and water, and greater exposure to disease. This evolution has also meant that these breeds are not the most productive as dairy cattle. One opportunity is thus to improve yield through *cross-breeding* cattle and providing better feed. Other opportunities include the provision of *milk collection centers* with cold storage facilities, the provision of *training* to raw-milk suppliers, the provision of superior *packaging* (local packaging is inadequate and imported packaging expensive), and the development of *branded* products suitably marketed to cater to local tastes.

The Government has aggressively targeted the constraints on commercial milk-processing in recent years. It has also created an extensive network of animal clinics with heavily subsidized services to help address these problems. Research into feed and nutrition technology has been prioritized as has been the increased use of productive breeds. Although problems still exist, recent improvements are noticeable.⁶⁴

Floriculture for export

Floriculture is a relatively new sub-sector for Ethiopia but it has grown rapidly. According to the Ethiopian Horticulture Producers and Exporter Association (EHPEA), which was established only in 2002, by 2006, Ethiopia had become the second largest exporter of large roses to the Dutch auctions (after Kenya) and the third largest supplier of small roses (after Kenya and Uganda).⁶⁵ In 2008 and 2009, *cut flowers and flower buds* was the 4th top export item. In 2010, it ranked 5th and earned USD 160 million (table I.6 in **Chapter I**).

60 Tigrai Online, <http://www.tigraionline.com/articles/article111201.html>.

61 Central Statistical Agency, http://www.csa.gov.et/surveys/Livestock/LiveStock_2011_2012/survey0/data/Doc/Report/Livestok-2011-12_Report.pdf.

62 Central Statistical Agency, 2011/12 Monthly Retail Price, June 2012, http://www.csa.gov.et/index.php?option=com_rubberdoc&view=category&id=78&Itemid=595.

63 Cannon, *Investment Opportunities in Mekelle* (see Sources consulted).

64 Ibid.

65 Ethiopian Horticulture Producers and Exporter Association, <http://www.ehpea.org.et/memb%20rev%202013.htm>.

Most flower growers in Ethiopia cultivate roses. The climate of the Ethiopian highlands, with its warm days and cool nights, is ideal for roses, encouraging large buds, long stems and vibrant colour. Floriculture is concentrated in the area around the capital, Addis Ababa. But the same agro-climatic features can be found near Mekelle.

One constraint is water, since Mekelle is relatively arid and floriculture needs to ensure consistent water access. The area around Aynalem, which has been identified as a potential area for floriculture development, serves as a source of potable water for Mekelle. Another constraint is the absence of direct flights to Europe. As an investor who had moved from Uganda to Ethiopia told UNCTAD in 2004, the country's relative closeness to the European and Middle Eastern markets was an important factor in the move, since a saving in time and airfreight cost makes a difference in the shipping of a voluminous and perishable product like roses.⁶⁶ (A flight from Addis to Amsterdam takes an hour less than a flight from Nairobi and two hours less than a flight from Kampala.)

Spices

Spices are commonly used in Ethiopian cuisine. *Berbere*, for example, is a widely used spice mixture produced primarily from the chilli, the hot variety of the *capsicum annuum*. (The sweet variety is generally called paprika.) The chilli also serves as an ideal source for the extraction of oleoresins, a naturally occurring mixture of oil and resin.

The world market for spices is huge. Spices worth USD 5.8 billion were imported in 2010.⁶⁷ The top importer is the United States, which imported over USD 843 million worth of spices in 2010. It is followed by Germany (USD 377 million) and Japan (USD 276 million).

Together, these three countries accounted for 26% of the world imports. Most imports are raw, with minimal processing.

Spices such as paprika and capsicum for oleoresin are eminently suitable crops for smallholder farms, as they require high labor inputs and have a limited risk of perishing. Ethiopia's long history of spice cultivation, appropriate climate, and large labor pool make it a market capable of producing significant quantities for export if developed further. Spices best suited for production and export in Ethiopia include pepper, chillies, nutmeg, ginger, marjoram, oregano, and basil.⁶⁸ In addition, there may be opportunities in value-added products, e.g., chilli sauce.

There are several constraints. One is that the market is highly competitive. The top five spice exporters are all Asian – India, China, Vietnam, Indonesia and Iran – and together have a near 50% world share. Another is that importers and consumers in the developed world are hesitant to accept spices processed and packed in many African countries because of their perceived reputation for poor quality and possible adulteration. Quality certification of finished products is essential in exporting to the United States and Europe.

The constraints are not, however, insurmountable and the potential gains substantial for both smallholders and exporters.

Miscellaneous

Other opportunities include those in various kinds of manufacturing, mostly light manufacturing. Note that, in the list of local firms seeking foreign partners that appears in Appendix A, all but one of the 17 firms are engaged in manufacturing or intend to start manufacturing projects. One example of light manufacturing in Mekelle is presented in box II.9 below.

66 UNCTAD, *An Investment Guide to Ethiopia* (see Sources consulted).

67 United Nations International Merchandise Trade Statistics, <http://comtrade.un.org/pb/CommodityPagesNew.aspx?y=2010>.

68 Cannon, *Investment Opportunities in Mekelle* (see Sources consulted).

Box II.9. Investing in personal products: MariamSeba

MariamSeba is a company that mainly produces sanitary pads for women, along with baby diapers and women's underwear. It was founded by Frewini Mebrahtu, who studied chemical engineering in the United States and returned to Ethiopia in 2005 after working in the US for a number of years. From her early years in Tigray, Ms Mebrahtu remembered the difficulties faced by menstruating women, especially in rural areas, and was determined to address the issue. MariamSeba, started in 2010, was her response.

Imported sanitary pads are available in Ethiopia but they tend to be expensive, especially since they are disposable pads. The pads MariamSeba produces are of the company's own design, for which Ms Mebrahtu holds an Ethiopian patent, and are reusable. They come in packages of four and cost ETB 28.75. The company had 35 employees in 2012, 33 of whom were women. The investment in the project thus far is ETB 5.5 million (around USD 310,000). The company hopes to more than double that in 2013. Its factory is located in the Mekelle Industrial Zone, where it occupies a plot of 1,500 sq m

At the moment, the number of customers using MariamSeba's product is small, with around 90,000 packs sold annually, but the potential is very considerable. The pads are currently bought mainly by NGOs and distributed to girls who might otherwise miss five days of school or even drop out. Their inexpensiveness means, however, that they would also be bought by village women once the firm starts more aggressive marketing and makes the product more widely available.

MariamSeba has not encountered any major problem in getting the project started and running, although bureaucracy can sometimes be trying. Among opportunities for foreign investors, Ms Mebrahtu thinks there are good prospects in agro-processing, textiles and mining. MariamSeba itself would be interested in a foreign partner, mainly as a source of additional capital to expand into the Ethiopian market as a whole over the next two years and then explore export markets in the region.

Source: Millennium Cities Initiative, drawing on information provided by MariamSeba.

Table II.2. Summary of main opportunities, with constraints

Area	Advantages	Constraints
Tourism	<ul style="list-style-type: none"> Moderate, dry climate Easy access to historic, religious and natural sites of Tigray and Afar states Shortage of adequate tourist facilities Potential in diaspora market 	<ul style="list-style-type: none"> Shortage of well-trained workforce Insufficient tourism infrastructure Insufficient marketing of region Poor image following Eritrea war
Meat production	<ul style="list-style-type: none"> Large livestock population Large livestock breed: Raya-Azebo 	<ul style="list-style-type: none"> Instability of live animal supply Instability of demand in export markets Quality certification required for export
Honey processing	<ul style="list-style-type: none"> Climate favourable to honey production Large bee population High-quality white honey 	<ul style="list-style-type: none"> Honey supply shortage in the short term
Leather processing	<ul style="list-style-type: none"> Largest livestock production in Africa Special quality leather (Cabretta and Bati) 	<ul style="list-style-type: none"> Instability of supply of hides and skins Variable quality of hides and skins Many tanneries running under capacity
Horticulture	<ul style="list-style-type: none"> Favourable agro-climatic conditions Availability of land Proximity to export markets 	<ul style="list-style-type: none"> Poor road and airport infrastructure
Mining	<ul style="list-style-type: none"> Abundant deposits of dimensional stones and industrial minerals 	<ul style="list-style-type: none"> Deposits can be difficult to access Poor road infrastructure
Milk processing	<ul style="list-style-type: none"> Large livestock population Suitable climate for high-yield animal breeds 	<ul style="list-style-type: none"> Shortage of feed Lack of high-yield dairy cows Seasonal fluctuations in consumption on account of religious observances
Floriculture	<ul style="list-style-type: none"> Availability of land Proximity to export markets Suitable agro-climatic conditions for growing rarities 	<ul style="list-style-type: none"> No international flights from Mekelle Poor road connections to land plots

Source: Adapted from KPMG International, *Mekelle, Ethiopia: Potential opportunities for investors (see Sources consulted)*.

3. Incentives, special zones and related matters

Incentives in Ethiopia⁶⁹

The following incentives are available to both domestic and foreign investors who qualify according to the relevant criterion, e.g., industry or location.

A. Exemption from import duties

Full exemption from the payment of import duties and other taxes levied on imports is granted to investors in various industries to allow them to import capital goods – such as plant, machinery and equipment, and construction materials – as well as spare parts worth up to 15% of the value of the capital goods. However, the following investment areas are *not eligible* for this exemption:

- Hotels (other than star-designated hotels), motels, tea rooms, coffee shops, bars, night clubs and restaurants that do not have international standards,
- Wholesale, retail and import trade,
- Maintenance services,
- Commercial road transport and car-hire services,
- Postal and courier services,
- Real estate development,
- Business and management consultancy services,
- Advertising services,
- Cinematography and similar activities,
- Radio and television broadcasting services,
- Theatre and cinema hall operations,
- Customs clearance services,
- Laundry services,
- Travel agency, trade auxiliary and ticket selling services, and
- Lottery and games of a similar nature.

Investment capital goods imported under this exemption may be transferred to another investor enjoying similar privileges.

Also available to exporters are three export incentive schemes: the Duty Draw-Back Scheme, the Voucher Scheme and the Bonded Manufacturing Warehouse Scheme.

69 This section draws on the investment regime section on the Ethiopian Investment Agency's website, http://www.ethioinvest.org/investment_Regime.php.

In addition, all Ethiopian products destined for export, with some exceptions (see *Export taxes* in **Chapter III** below), are exempted from the payment of any taxes levied on exports.

B. Exemption from income taxes

Any income derived from an approved investment in agriculture or in new manufacturing, agro-industry, or information and communication technology (ICT) development is exempted from the payment of income tax for the periods and under the conditions specified in table II.3 below.

C. Losses carried forward

A net operating loss may be carried forward and deducted for two periods of three years each.

Incentives in Tigray

Regional incentives in Tigray are available in the form of land leases at various preferential rates. (On the subject of land, see also the section on land under **2. Legal framework for investment** in **Chapter III**.)

Land for agricultural investment

For agricultural investment, or agro-processing investment outside the industrial zone, the current land rent ranges from ETB 60 to ETB 100 per ha. Lease periods can be up to 50 years if the land is rented from the Government and up to 20 years if rented from individual farmers.

Land as collateral	Special zones
An investor who has leased rural land may present his 'use right' as collateral (Proclamation No. 97/1998, Article 9) and may bequeath his investment land to his successors (Regulation No. 40/1999, Article 26m).	The Government of Tigray has established industrial zones with basic infrastructure (such as telephone, electric power, roads and water) in nine major towns in the region, one of these being Mekelle. The Mekelle Industrial Zone is located on the northern edge of Mekelle and occupies 82 ha of land. There are currently some 120 firms in the zone, occupying on average 1 ha each. Around 40 of these have begun production. The lease price for land in the Zone is ETB 1.25 per sq m per annum.
Grace period for lease	
Based on the type of project and the amount of investment capital, a grace period of 1-7 years is provided to any person who has leased urban land.	
Reduced lease price	
A lease price discount of up to 45% is available to real estate developers.	The Tigray Investment Office is also in the process of creating a much larger industrial zone of 1,000 ha that would be located in the area immediately southwest of the Messebo cement factory. About 100 ha have thus far been cleared for development into a zone. There are opportunities here for firms experienced in industrial zone development to enter into public-private partnerships. The Department for City Planning is expected to administer the area, while the Tigray Investment Office provides technical support.

Table II.3. Income tax exemptions: Conditions and periods

Conditions for eligibility	Exemption period	Exemption period for investment in underdeveloped areas
Exports at least 50% of his products or services	5 years	6 years
Supplies at least 75% of his products or services to an exporter, as a production or service input	5 years	6 years
Under special circumstance the board may grant	Up to 7 years	8 years
Exports less than 50% of his products or services, or supplies his products or services only to the domestic market	1 day	3 years
Under special circumstance the board may grant	Up to 5 years	6 years
Exports at least 50% of his products or services and increases his production or services by over 25% in value through the expansion or upgrading of an existing enterprise	2 years	2 years

Source: Ethiopian Investment Agency's website, http://www.ethioweb.org/Investment_Regime.php.

Investment and tax treaties

Table II.4. Ethiopia's bilateral investment treaties (BITs), as of 1 June 2011^a

Partner	Date of signature	Date of entry into force
Algeria	4-Jun-2002	1-Nov-2005
Austria	12-Nov-2004	1-Nov-2005
Belgium and Luxembourg	26-Oct-2006	–
China	11-May-1998	1-May-2000
Denmark	24-Apr-2001	–
Egypt	27-Jul-2006	–
Equatorial Guinea	11-Jun-2009	–
Finland	23-Feb-2006	3-May-2007
France	25-Jun-2003	7-Aug-2004
Germany	19-Jan-2004	4-May-2006
India	5-Jul-2007	–
Iran, Islamic Republic	21-Oct-2003	15-Dec-2004
Israel	26-Nov-2003	22-Mar-2004
Italy	23-Dec-1994	8-May-1997
Kuwait	14-Sep-1996	12-Nov-1998
Libyan Arab Jamahiriya	27-Jan-2004	25-Jun-2004
Malaysia	22-Oct-1998	4-Jun-1999
Netherlands	16-May-2003	1-Jul-2005
Nigeria	19-Jan-2004	–
Russian Federation	10-Feb-2000	6-Jun-2000
South Africa	1-Jan-2008	–
Spain	17-Mar-2009	–
Sudan	7-Mar-2000	15-May-2001
Sweden	10-Dec-2004	1-Oct-2005
Switzerland	26-Jun-1998	7-Dec-1998
Tunisia	14-Dec-2000	2-Oct-2004
Turkey	16-Nov-2000	10-Mar-2005
United Kingdom	19-Nov-2009	–
Yemen	15-Apr-1999	15-Apr-2000

Source: Adapted from UNCTAD, <http://www.unctad.org/Templates/Page.asp?intItemID=2344&lang=1>.

^a The information provided in this table may not be either complete or accurate in every detail. The investor is advised to confirm both the existence and the current status of any bilateral treaty of interest to the investor.

Table II.5. Ethiopia's double taxation treaties (DTTs), as of 1 June 2011^a

Partner	Type of agreement	Date of signature
Algeria	Income and capital	26-May-2002
China	Income	14-May-2009
Czech Republic	Income	25-Jul-2007
Iran	Income	12-Feb-2005
Israel	Income	2-Jun-2004
South Africa	Income	17-Mar-2004
Tunisia	Income	31-Jan-2003
Turkey	Income	2-Mar-2005
United Kingdom	Air & sea transport	1-Feb-1977

^a The information provided in this table may not be either complete or accurate in every detail. The investor is advised to confirm both the existence and the current status of any bilateral treaty of interest to the investor.

Source: Adapted from UNCTAD, <http://www.unctad.org/Templates/Page.asp?intItemID=4505&lang=1>.

4. The business environment

Infrastructure

Infrastructure has had its problems in Ethiopia, as in most sub-Saharan African countries. These were aggravated by the political upheavals associated with the beginning and the end of the Derg regime (see **Chapter 1**). A recent report for the World Bank suggested that infrastructure constraints may be responsible for an estimated 50% of the productivity handicap faced by Ethiopian firms.⁷⁰ Tigray in particular may have suffered more than other regions over the Derg period but the two decades since then have seen major improvements.

Air transport

A number of major airlines service Addis Ababa's Bole International Airport including Air China, Air France, Lufthansa, KLM, and Turkish Airways. Ethiopian Airlines is itself a regional leader in air transport, with a safety record up to international standards.⁷¹ It serves 56 international destinations with 210 weekly international departures from Addis Ababa and a total of 555 weekly international departures worldwide.⁷² The airline's eminence has also made the Bole Airport one of the three main international gateways for sub-Saharan Africa.

There are three private airlines that offer domestic air service: Abyssinian Flight Services, Addis Airlines and Teddy Air. They are restricted to using aircraft with a seating capacity of 20 or fewer, as transport in larger aircraft is reserved for the state-owned Ethiopian Airlines. (Foreign investment is not permitted in domestic air service.)

Mekelle has a new airport: the Alula Aba Nega International Airport. It does not yet offer direct flights to international locations, although a pilot project to offer Khartoum–Mekelle flights is under way. Discussions are under way as well to explore the prospect of Ethiopian Airlines offering export-bound cargo the same rates as departures from Addis Ababa.

There are currently (July 2012) three flights a day, seven days a week, between Addis and Mekelle.

⁷⁰ Foster, Vivien and Elvira Morella, *Ethiopia's Infrastructure: A Continental Perspective* (details in *Sources consulted*).

⁷¹ Ibid.

⁷² Department of Commerce (US), 2011 *Country Commercial Guide* (details in *Sources consulted*).

TABLE II.6. Air freight charges for selected items to selected destinations

	Export item	Weight (kg)	Price / kg (USD) ^a from Addis Ababa		
			JEDDAH	FRANKFURT	WASHINGTON
1	Coffee	100/500/1,000	–	1.35/1.15/1.00	2.00/1.25/1.10
2	Flowers, fruits & vegetables	100/500/1,000	0.80/0.45/0.37	–	–
3	Leather & leather products	1100/300/1,000	–	1.35/1.25/1.15	1.85/1.35/0.85
4	Textile products	100/300/1,000	–	1.35/ – / –	1.85/1.35/1.10

Source: Adapted from the Ethiopian Investment Agency, Factor Costs, March 2012, under 'Publications' at <http://www.ethioinvest.org/index.php>.

^a As noted above, Ethiopian Airlines may be persuaded to offer the same rates for flights from Mekelle as for those from Addis.

Surface transport

The World Bank paper cited above⁷³ noted that the length of the trunk network in Ethiopia was more than adequate. Ethiopia's road density indicators look relatively low by some standards, but the trunk network provides basic regional and national connectivity. It links the capital to the coast as well as the international border crossings and the internal provincial capitals. In recent years, Ethiopia has dedicated one of the highest shares of GDP in Africa (3%) to road investment. The main difficulty lies in the lack of enough feeder roads to allow the rural population to access the trunk roads.

This problem is being addressed through the latest phase of the Road Sector Development Programme, launched in 2011. RSDP IV plans to increase the road network from 49,000 kilometers

(33,000 miles) to 136,000 kilometers (91,000 miles) in five years.⁷⁴ And unlike earlier phases of the RSDP, the present phase emphasizes improved access for rural residents through new feeder roads.

In Tigray, there is a total of 5,900 km of roads, 1,419 km of which are administered by the Ethiopian Road Authority (ERA), 1,131 km administered by the Tigray Region Road Authority (TRRA), and the rest being dry weather community roads.⁷⁵ Mekelle itself has 263 km of roadways, of which 40 km are asphalt roads, 63 km are gravel roads and the rest unclassified dirt roads. An additional 88 km of asphalt roads are being planned. Only 24 km of the existing asphalt roads are rated as being in good condition by the Department of Roads. In addition, large-scale cobblestone projects are under way to convert 30-40 km of dirt roads into cobblestone streets in the heart of the city.

73 Foster and Morella (see Sources consulted).

74 Department of Commerce (US), 2011 *Country Commercial Guide* (details in Sources consulted).

75 Cannon, Bryant, *Investment Opportunities in Mekelle* (see Sources consulted).



Railways

Ethiopia's railway infrastructure needs major rehabilitation. The rail corridor between Addis Ababa and the Port of Djibouti has deteriorated and fallen into disuse. The government's Growth and Transformation Plan 2010 – 2015 (GTP)⁷⁶ has planned an ambitious overhaul. The GTP target for the rail transport sub-sector is a national network of nearly 2,400 km, of which just over 1,800 km are to be completed by 2015.

One critical part of this envisaged network is an Addis Ababa – Dire Dawa – Deweile standard-gauge (1.435 mm) line, which will be 656 km in length and will connect Addis to the port at Djibouti when the Deweile – Djibouti section is completed.

(The 100 km portion of the line from Deweile to the Doraleh Container Terminal in Djibouti is to be built by the Government of Djibouti.) The China Railway Group will be the main contractor for the Addis – Deweile line. It is reported that India has allocated USD 300 million for the first phase of the project, from Addis to Mieso, and the Government of Ethiopia is looking for a further USD 300 million.⁷⁷

Another part of the network will be the Awash – Weldiya – Mekelle line, 556 km in length, which will connect Mekelle by rail to the port at Djibouti, as Awash will be on the railway line from Addis to Deweile. In a second phase, after 2015, the Awash – Mekelle line will be extended to Shire, northwest of Mekelle, going through Axum.

76 See Ministry of Finance and Economic Development in Sources consulted.

77 See Railways Africa in Sources consulted.

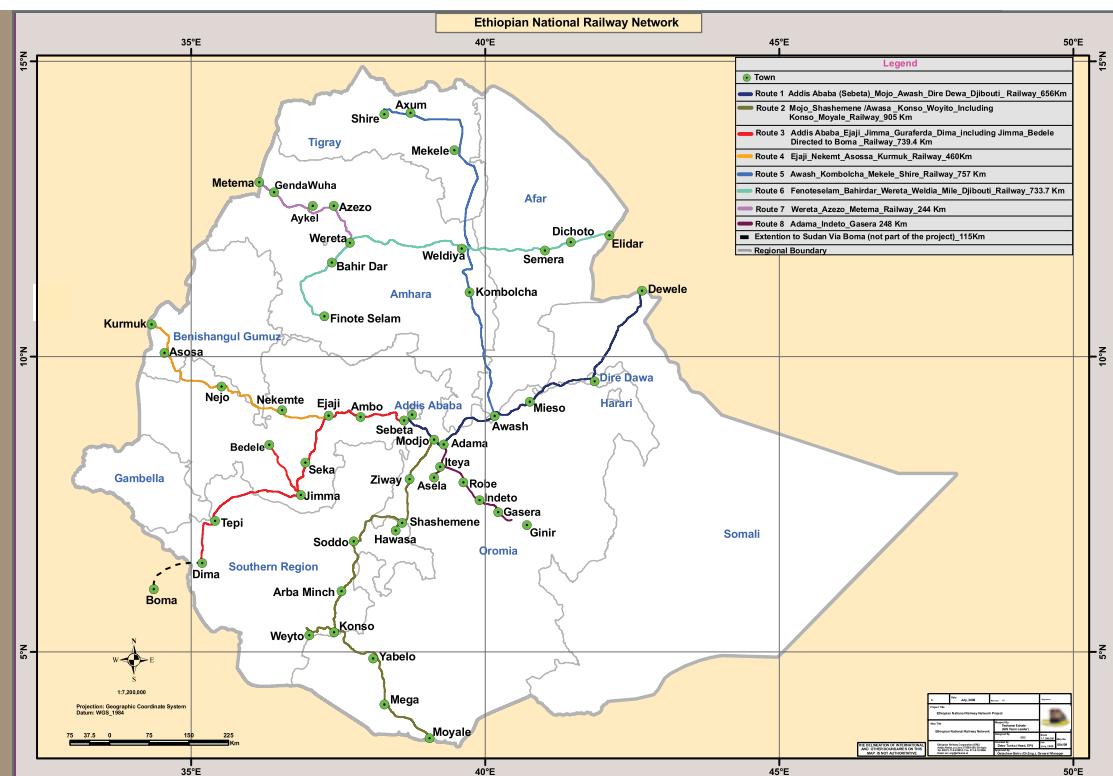


Table II.7. Djibouti port handling performance, 2006-2010

^a 'TEU' is 'twenty-foot equivalent unit'

Year	Container traffic handled (TEU) ^a	Total cargo handled (tonnes)
2006	230,000	1,781,278
2007	275,000	2,566,847
2008	350,000	3,650,112
2009	520,000	4,174,806
2010	450,000	2,815,946

Source: World Food Programme, WFP Logistics, *Djibouti – Logistics Infrastructure: Port Assessment*, <http://dlca.logcluster.org/DJL/logistics-infrastructure/index.html>, 18 July 2012.

Table II.8. Comparison of distances from Mekelle and Addis Ababa to ports in neighbouring countries

^a Ports in Eritrea are not currently accessible from Ethiopia, given the state of bilateral relations.

To port	from Mekelle	from Addis Ababa
Massawa (Eritrea) ^a	391 km, via Asmara & Adigrat 680 km, via Serdo, Afdera & Shiket	1163 km, via Mekelle, Weldai & Kombolcha
Djibouti	837 km, via Mile, Chifra & Alewha	910 km, via Gelafi
Assab (Eritrea) ^a	940 km, via Kombolcha 899 km, via Eli Dar, Kombolcha & Weldia	869 km, via Kombolcha
Berbera (Somalia)	1736 km, via Addis, Kombolcha & Weldia	964 km, via Dire Dawa
Port Sudan	1,339 km, via Kasala & Humera	1881 km, via Metema, Azero & Anjibara

Source: Tigray Investment Office, *Tigray Investment Guide* (Tigray, Ethiopia: Tigray Investment Office, 2008).



Port at Djibouti

As a landlocked country, Ethiopia depends on the Port of Djibouti to handle its imports and exports. The port is both a major transit port for Ethiopian cargo and a potential container trans-shipment hub in East Africa. In June 2000, DP World signed a 20-year concession with the Government of Djibouti to manage the port facility.⁷⁸ This has made the port more efficient, as the growth in cargo handled (at least till 2010) in table II.7 below suggests. Mekelle is closer to the Djibouti port than is Addis Ababa (table II.8 below), although the advantage can be negated by the condition of the roads.

Electricity

The Ethiopian Electric Power Corporation (EEPCO) is the national utility responsible for generating, transmitting, distributing and selling of electric energy throughout the country. The corporation has two electric energy supply systems: the Inter-Connected System (ICS) and the Self-Contained System (SCS). The ICS consists of 11 hydropower plants, 13 diesel standbys, and one geothermal plant, which have installed capacities of 1842.60 MW, 112.3 MW and 7.30 MW respectively.⁷⁹ The SCS consists of two small hydropower plants and several diesel ones, with the latter supplying most of the total capacity of about 42 MW. According to the World Bank paper cited earlier,⁸⁰ EEPCO performs well in terms of revenue collection (97 percent versus a regional benchmark of 88 percent) and distribution losses (22 percent, on par with the benchmark).

Ethiopia is experiencing energy shortages as it struggles to meet demand growing at 20-25% per annum, although EEPCO remains optimistic about meeting the Government's five-year target of 8,000 MW of generation capacity.

78 See DP World, http://webapps.dpworld.com/portal/page/portal/DP_WORLD_WEBSITE/Marine-Terminals/Locations/Middle-East-Europe-and-Africa/Africa-Overview/Djibouti-Djibouti.

79 EEPCO, 'Facts In Brief 2010/11', <http://www.eepco.gov.et/about%20EEPCO.php>.

80 Foster and Morella (see Sources consulted).

Box II.10. The Tekeze Hydropower Project

In 2010, the US-based *Power Engineering* magazine named the Tekeze Hydropower Project in Ethiopia the best renewable/sustainable power project of the year.

The USD 350 million project of the Ethiopian Electric Power Corporation (EEPCO), located on the Tekeze River, a tributary of the Nile, increases Ethiopia's energy supply by 40% and was the largest public works project in Ethiopia's history at the time of construction.

At 188 meters, the Tekeze project is the tallest arch dam in Africa. The 300 MW dam is a double curvature concrete arch dam, a method of design that minimizes the amount of concrete used and creates a reservoir that is 70 km in length. An underground powerhouse, containing four 75 MW Francis Turbines, is located approximately 500 meters downstream of the dam and fed by a 75-meter-high intake structure connected by a 500-meter-long concrete-lined power tunnel. A 230 KV, 105 km long, double-circuit transmission line was constructed through mountainous terrain to connect to the Ethiopian national grid.

In addition to power generation, the Tekeze dam also enables regulation of the river flow, allowing the downstream communities year-round access to the water supply.

Source: Lindsay Morris, 'Power Engineering names Projects of the Year', December 14, 2010, <http://www.newsdire.com/news/1519-ethiopia-tekeze-hydro-power-is-the-2010-best-renewable-sustainable-projects-award-winner.html>.

Potentially, Ethiopia could be one of the largest power exporters in Africa, as it is endowed with vast hydropower potential. Rough estimates place Ethiopia's hydropower generation potential at over 45,000 MW, with total renewable energy generation estimated at 60,000 MW.⁸¹

Electricity charges vary according to different categories of users, the main ones being 'domestic', 'general' and 'industry'.⁸² Electricity tariff rates varied between USD 0.04 (domestic) and 0.08 (commercial) per kwh in December 2009, according to a study by the Union of Producers, Transporters and Distributors of Electric Power in Africa (UPDEA).⁸³ According to the study, these were

among the lowest rates in Africa – especially in East Africa. In Sudan, they ranged between USD 0.03 and 0.12 per kwh, in Kenya between USD 0.10 and 0.16 per kwh, and in Uganda between USD 0.24 and 0.26 per kwh! Attractive as the Ethiopian rates are to customers, under-pricing is an issue, as these rates recover only 46% of the costs of the utility.⁸⁴

Mekelle and most urban centres in Tigray are supplied with 24-hour hydroelectric power. In Mekelle there is a substation. There is also a close relationship between the branches of the Tigray Investment Office and the northern branch of the Ethiopian Electric Power Corporation in supplying power to investors.

81 Department of Commerce (US), 2011 *Country Commercial Guide* (details in Sources consulted).

82 For more detail, see the Ethiopian Investment Agency, *Factor Costs*, <http://www.ethioinvest.org/index.php>.

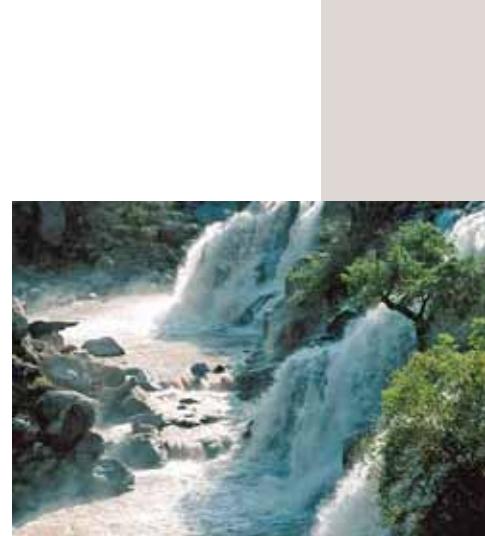
83 *Comparative Study of Electricity Tariffs Used in Africa*, December 2009, <http://www.updea-africa.org/updea/DocWord/TarifAng2010.pdf>.

84 Foster and Morella (see Sources consulted).

TABLE II.9. Energy tariff rates by user categories

User category		Tariff (ETB/kwh)
DOMESTIC		
Equivalent flat rate		0.4735
Block	Monthly consumption (kwh)	
1 st Block	0-50	0.2730
2 nd Block	51-100	0.3564
3 rd Block	101-200	0.4993
4 th Block	201-300	0.5500
5 th Block	301-400	0.5666
6 th Block	401-500	0.5880
7 th Block	Above 500	0.6943
GENERAL		
Equivalent flat rate		0.6723
1 st Block		0.6088
2 nd Block		0.6943
INDUSTRY, low voltage		
Equivalent flat rate		0.5778
Peak		0.7426
Off-peak		0.5453
INDUSTRY, high voltage @ 15 KV		
Equivalent flat rate		0.4086
Peak		0.5085
Off-peak		0.3933
INDUSTRY, high voltage @ 132 KV		
Equivalent flat rate		0.3805
Peak		0.4736
Off-peak		0.3664
Street light tariff		0.4843

Source: Adapted from the Ethiopian Investment Agency, *Factor Costs*, March 2012, under 'Publications' at <http://www.ethioinvest.org/index.php>.



Water and sanitation

Although the majority of Ethiopia's population still relies on unimproved water and sanitation, access to improved water and sanitation is rising rapidly. Approximately 2.4% of the population is gaining access to some form of improved water supply every year, while the rapid expansion of traditional latrines benefits 4.4 percent of Ethiopia's population each year.

Rapid population growth and the inclusion of formerly rural areas have put pressure on the existing water supply in Mekelle. The main source of the city's water supply is ground water from 17 boreholes that range from 32 to 250 meters deep. The distribution system depends primarily on

gravity, but the network also relies on 17 pumps. Water is pumped to surface reservoirs where it is treated with chlorine. The yield of the boreholes varies from 4 to 45 liters per second.⁸⁵ There are no piped sewage connections in the city, with the exception of the Ayder Referral Hospital.

While access to water and sanitation is improving in Mekelle, much remains to be done to halve the number of people without access to safe drinking water and sanitation by 2015, which is one of the MDGs (see **Chapter I**). However, according to the MCI paper just cited, this could be done at a relatively modest cost, by increasing investment from USD 10 per capita in 2010 to approximately USD 12 per capita by 2015.

85 Castro and Maoulidi, *A Water and Sanitation Needs Assessment for Mekelle City* (see Sources consulted).



Telecommunications

In 2010, the Ethiopian government 'corporatized' the state-owned Ethiopian Telecommunications Corporation by turning over 50% of its management to France Telecom in a two-year contract.⁸⁶ The new enterprise, known as Ethio Telecom (ET), operates all telecommunication services – fixed, mobile, and internet.

These services have suffered from insufficient infrastructure and frequent power outages but improved with Ethiopia's connection to the undersea/ground fibre optic cable built by Seacom via Djibouti.⁸⁷ Additional fibre optic connections are in the pipeline via the Kenyan border. Blackberry service does not currently work in the country, but ET has pledged to finalize an agreement with Blackberry soon. SIM cards and phone cards (for minutes) are available for sale through different outlets. Internet service is available at major hotels and at numerous Internet cafes throughout the capital and in some larger regional cities.

The Tigray region, for the most part, has reliable access to telecommunications (fax, internet, mobile, etc.). In addition, cooperation with Chinese technical assistance groups is improving saturation and service delivery.⁸⁸ Internally, direct microwave telephone links are available in most regional cities; a number of smaller towns also have automatic telephone services. International communication is maintained through two satellite earth stations that provide telephone, telex, and television services.

In an interview with World Folio, AFA Press, the CEO of Ethio Telecom, Jean-Michel Latute, noted that between 2010 and 2012 telecom penetration had gone from 8% (roughly the figure in table II.10) to 20%, representing 16 million customers.⁸⁹

Domestic call charges from fixed line to fixed line vary, from ETB 0.20 for 6 minutes within a town to ETB 0.72 for 1 minute between tariff zones. These charges are the same for residential and business customers and do not include the VAT charge of 15%.

⁸⁶ Department of Commerce (US), 2011 *Country Commercial Guide* (details in Sources consulted).

⁸⁷ Ibid.

⁸⁸ Cannon, Bryant, *Investment Opportunities in Mekelle* (see Sources consulted).

⁸⁹ The interview, 'Setting the IT bar ever higher,' may be found at <http://www.worldfolio.co.uk/region/africa/ethiopia/jean-michel-latute-ceo-of-ethio-telecom-ethiopia-n1179>. It carries no date but is clearly from 2012.

TABLE II.10. Telecommunications in Ethiopia, per 100 inhabitants, 2000-2010

	2000	2002	2004	2006	2008	2010
Fixed connections	0.35	0.51	0.67	0.95	1.13	1.10 ^a
Mobile subscribers	0.03	0.07	0.21	1.14	2.46	7.86
Internet users	0.02	0.07	0.16	0.31	0.45	0.75

^a Note that this number represents connections per 100 inhabitants. The actual number of telephone lines increased somewhat – from 897,287 in 2008 to 908,882 in 2010 – but so did the country's population. From 2009 (a year not included here) to 2010, the number of lines did fall – from 915,058 to 908,882 – but this fall of some 6,000 in fixed connections was, over the same year, overwhelmed by a jump of about 2.5 million in mobile connections.

Source: Adapted from the International Telecommunication Union, <http://www.itu.int/ITU-ict/statistics/index.html>.

^a Does not include the VAT charge of 15%.

TABLE II.11. Subscription and monthly rental charges for fixed-line service (ETB)

Category	Charge ^a
Subscription	242.0
<i>Monthly rent</i>	
Residential	8.0
Business	17.0

^a Does not include the VAT charge of 15%.

TABLE II.12. Mobile international calls (ETB/minute)

To	Charge ^a
Djibouti	7.72
Rest of the world	10.72

^a Does not include the VAT charge of 15%.

Source (TABLE II.11 & TABLE II.12): Adapted from the Ethio Telecom website, Residential Tariff, <http://www.ethiotelecom.et/products/residential-tariff.php>, and Enterprise Tariff, <http://www.ethiotelecom.et/products/enterprise-tariff.php#>.

The financial sector

The National Bank of Ethiopia (NBE) is the country's central bank. There are 17 commercial banks, of which by far the largest is the state-owned Commercial Bank of Ethiopia (CBE).⁹⁰ In mid-2011, the Commercial Bank of Ethiopia had more than 2 million account holders, 495 branches, total deposits of ETB 86.5 billion, total assets of ETB 114 billion, and total capital of ETB 6 billion.⁹¹ Of the 17, three (including the CBE) are state-owned and 14 are private. The CBE and the private commercial banks offer savings and checking accounts, short-term loans, foreign exchange transactions, and mail and cable money transfer services. They also participate in equity investments, provide guarantees and perform other commercial banking activities. Because of the NBE's more stringent recent supervision, the commercial banks' non-performing-loan ratio had declined to less than 15% by 2010.⁹²

There are two specialized banks, both state-owned, the Development Bank of Ethiopia (DBE) and the Construction and Business Bank (CBB). The DBE, with its 32 branches, makes short- to long-term loans to viable developmental, industrial and agricultural projects. It has an authorized capital of ETB 3 billion, of which paid-up capital is ETB 1.8 billion. The CBB provides long-term loans to real estate developers as well as funding the construction of private schools, clinics, hospitals, etc. There are also 14 insurance companies and 31 microfinance institutions.⁹³ The largest microfinance institution in Africa, the Dedebit Credit and Savings Institution (DECSI), is in fact based in Mekelle. It manages 98 savings and credit agencies and has a staff of over 2,000 people.⁹⁴

The NBE controls the minimum deposit rate paid by banks, which stood at 5% in early 2011, while loan interest rates are allowed to float.⁹⁵ Real interest rates have been negative in some years because of inflation. Ethiopia does not have a securities market, although the government is drafting private share trading legislation to better regulate the private share market. The Ethiopia Commodity Exchange (ECX) was launched in 2008 and offers trades in commodities such as coffee, sesame seeds, maize, wheat, and haricot beans.

Foreign enterprises formally registered in Ethiopia are entitled to access domestic credit on the same terms and conditions as Ethiopian companies. Exporters, including foreign enterprises, may also have access to external loans and suppliers' or foreign partners' credit in keeping with the directives of the NBE. Foreign investors must have their investment capital, external loans and suppliers' or foreign partners' credits registered with the NBE.⁹⁶

Foreign investment is not permitted in the financial sector.

90 See list on the NBE's website:
<http://www.nbe.gov.et/financial/banks.htm>.

91 CBE website:
<http://www.combanketh.com/home.php?id=55>.

92 Department of Commerce (US), 2011 *Country Commercial Guide* (details in Sources consulted).

93 See the NBE website for lists:
<http://www.nbe.gov.et/financial/microfinanceinstitutes.htm>.

94 Cannon, Bryant, *Investment Opportunities in Mekelle* (see Sources consulted).

95 Department of Commerce (US), 2011 *Country Commercial Guide* (details in Sources consulted).

96 Cannon, Bryant, *Investment Opportunities in Mekelle* (see Sources consulted).



Human resources

Some 80% percent of the Ethiopian workforce is employed in subsistence agriculture. The government and the armed forces are the most important sectors of employment outside agriculture. Unemployment is high in urban areas and is partially offset by an informal economy. While labor remains readily available and inexpensive throughout Ethiopia, skilled manpower is scarce in many fields. Knowledge of English is widespread among workers, especially those with high-school diplomas.

Education has been a priority in Mekelle over the past two decades. According to a working paper on education needs prepared for the MCI, the city is likely to achieve the Millennium Development Goals of universal primary education and gender parity in educational institutions by 2015.⁹⁷ There were more girls enrolled in primary schools than boys by 2008.

There are now five *public* institutions of higher education and 10 *private* ones in Mekelle (table II.13 below).

The labor law has fixed hours of work as eight hours a day and 39 hours a week. Work done in excess of these hours is deemed to be overtime. Labor disputes in Ethiopia are resolved through the application of the law, collective agreements, work rules, and employment contracts. There is no minimum wage and the non-wage costs of hiring workers are low. Private-sector salaries for university graduates usually range between ETB 2,000 and 3,000 per month. Daily wages for unskilled labour range between ETB 25 and 50. Strikes are rare.

Foreign investors obtain work permits for their expatriate employees directly from the Ethiopian Investment Agency (EIA). The EIA processes applications of work permits in an hour.⁹⁸

⁹⁷ Lopez and Maoulidi, *Education Needs Assessment for Mekelle City* (see Sources consulted).

⁹⁸ Ethiopian Investment Agency, *Investment Regime*, http://www.ethioinvest.org/Investment_Regime.php.

Table II.13. Post-secondary institutions in Mekelle, with numbers of instructors and students

Institutions	Instructors	Students	Core area
PUBLIC			
Mekelle University Ayder Campus	245	1,814	Medicine
Mekelle University Arid Campus	681	7,760	Agriculture, engineering and IT
Mekelle University Adihaki Campus	453	8,999	Business & economics, law, and the humanities & education
Dr. Tewelde Health Science College	42	982	Nursing
Mekelle Technical and Vocational Training Center	74	2,435	Technical & vocational
PRIVATE			
Poly Institute Technology College	68	1,062	Technology
Micro link Technology College	24	856	IT
Avicenna Medical College	29	208	Health
Nile College	22	1,003	Business & economics
Sheba University College	60	3,173	Business & economics, IT and health
Open Business Technology College	8	492	Water engineering
Mekelle Institute of Technology	57	423	IT
Mars Engineering College	11	1,265	Technology
Don Bosco Technical College	12	224	Building
New Millennium College	84	3,603	Business & economics, law and nursing

Source: Haddis, G/Giorgis and Murutse Desta, *Mekelle City Profile*, September 2011 (see Sources consulted for details).

Table II.14. Starting a business in Ethiopia's neighbourhood, 2011 ^a

Economy				
	11	37	169.8	434.0
	13	84	62.6	243.0
Ethiopia	5	9	12.8	333.5
	11	33	37.8	0.0
	10	36	31.4	0.0
	8	37	81.2	129.8

Table II.15. Dealing with construction permits in Ethiopia's neighbourhood, 2011 ^a

Economy			
	15	172	2,285.70
	no practice	no practice	no practice
Ethiopia	9	126	369.1
	8	125	160.9
	16	270	88.0
	15	211	823.78

in days from 44 to 9, the cost from 483.9% to 12.8% of income per capita, and the paid-in minimum capital requirement from 1,964.2 % to 333.5% of income per capita.⁹⁹

Ethiopia does better in *dealing with construction permits* than the regional average and than all countries except Kenya when it comes to the number of procedures required and time taken in days. (It is only slightly behind Kenya, a perceptibly more developed economy.) It does not do quite so well when it comes to cost, although even here it is well ahead of the region as a whole.

Unlike *starting a business*, *dealing with construction permits* showed no improvements between the World Bank's *Doing Business 2004* report and its *Doing Business 2012* report when it came to the number of procedures or the time taken in days, but the cost did drop very significantly, from 1,695.4% to 369.1% of income per capita.¹⁰⁰

In *paying taxes*, Ethiopia's number of payments is about half the regional average and strikingly lower than all other countries except Eritrea, which has one payment less (18 rather than 19).

⁹⁹ World Bank and International Finance Corporation, *Doing Business 2012: Economy profile: Ethiopia*, <http://www.doingbusiness.org/~media/fpdkm/doing%20business/documents/profiles/country/ETH.pdf>.

¹⁰⁰ *Ibid.*

Table II.16. Paying taxes in Ethiopia's neighbourhood, 2011^a

Economy	Payments (number per year)	Time (hours per year)	Profit tax (%)	Labor tax & contributions (%)	Other taxes (%)	Total tax rate (% profit)
Djibouti	35	82	17.7	17.7	3.3	38.7
Eritrea	18	216	8.8	0.0	75.8	84.5
Ethiopia	19	198	26.8	0.0	4.3	31.1
Kenya	41	393	33.1	6.8	9.7	49.6
Sudan	42	180	13.8	19.2	3.1	36.1
Sub-Saharan Africa	37	318	18.1	13.5	25.5	57.1

Source: Adapted from the World Bank, *Doing Business 2012 Report*, Data, <http://www.doingbusiness.org/data>.

^a The most recent round of data collection for the project was completed in June 2011.

Table II.17. Trading across borders in Ethiopia's neighbourhood, 2011^a

Economy	Export			Import		
	Documents (number)	Time (days)	Cost (USD per container)	Documents (number)	Time (days)	Cost (USD per container)
Djibouti	5	18	836	5	18	911
Eritrea	10	50	1,431	12	59	1,581
Ethiopia	7	42	1,760	9	44	2,660
Kenya	8	26	2,055	7	24	2,190
Sudan	7	32	2,050	7	46	2,900
Sub-Saharan Africa	8	31	1,960	8	37	2,502

Source: Adapted from the World Bank, *Doing Business 2012 Report*, Data, <http://www.doingbusiness.org/data>.

^a The most recent round of data collection for the project was completed in June 2011.

When it comes to time spent paying taxes, Ethiopia needs less than two-thirds the regional average and only about half as much as Kenya. It is in the total tax rate, however, that Ethiopia does better than all other countries. As compared to the regional average, Ethiopia's tax burden is just over *half* that of sub-Saharan Africa.

There were no improvements between the World Bank's *Doing Business* 2006 report and its *Doing Business* 2012 report when it came to the number of payments or the total tax rate. But there was a drop in the time taken in hours, from 212 to 198.¹⁰¹

In *trading across borders*, Ethiopia does not show to any great advantage. Its number of documents to export is about average, while the time to export is the second highest (after Eritrea) and the cost to export is middling. The story is similar with imports. There has been no great improvement under this heading over the past seven reports (2006–2012). The time to export has fallen by three days but this is counterbalanced by the time to import, which has increased by three days. The cost to import has fallen somewhat (from USD 2,790 to USD 2,660) but the cost to export has gone up, from USD 1,617 to USD 1,760.¹⁰²

101 Ibid.

102 Ibid.



Investment climate and specific constraints in Tigray

In 2006-2007, at the request of the Government, the World Bank carried out a survey of 600 managers in Ethiopia. Those surveyed saw the country as more open for business and the investment climate as having improved dramatically since an earlier survey in 2001.¹⁰³ There had been improvements in business registration, tax administration, and competition policy.

Nonetheless, the Bank noted that productivity remained low and exports uncompetitive, despite the fact that Ethiopian wages were one-third the average wages in sub-Saharan Africa and despite the substantial investment in infrastructure over the previous decade. Among the constraints on doing business cited by respondents were access to land, access to finance, unfair competition, tax rates, and policy uncertainty. The cost of finance had become less of a constraint but the average value of the *collateral* required (relative to loan size) had increased dramatically.

The survey also found that, when it came to constraints, there were marked differences among the various regions of Ethiopia. In Southern Ethiopia, corruption

was perceived by managers as the most important problem, whereas in Dire Dawa the issue was informal imports and in Tigray it was access to finance.

Weak access to finance in Tigray is caused by high collateral demand, low capacity of private banks to compete with state-owned banks and a lack of transparency in the lending policies of banks. Moreover, banks showed a preference for SOEs as clients. Another concern was the absence of a level playing field. Unfair competition concerns in Tigray include monopolistic suppliers, unlicensed firms, government-established cooperatives and endowment-owned enterprises.

Among the measures recommended by the report to improve the investment climate in Tigray were the introduction of inter-bank loans to help private banks; the introduction of easy and transparent procedures to process loans; and the establishment of an independent organization working with the chamber system to watch against anti-competitive practices. The regional government and the city administration have recently launched a public-private dialogue forum to improve the investment climate and the state-owned banks have undertaken some reforms.

103 The report on the survey was published in 2009. See World Bank, *Toward the Competitive Frontier: Strategies for Improving Ethiopia's Investment Climate*, in *Sources consulted* at the end of this guide.



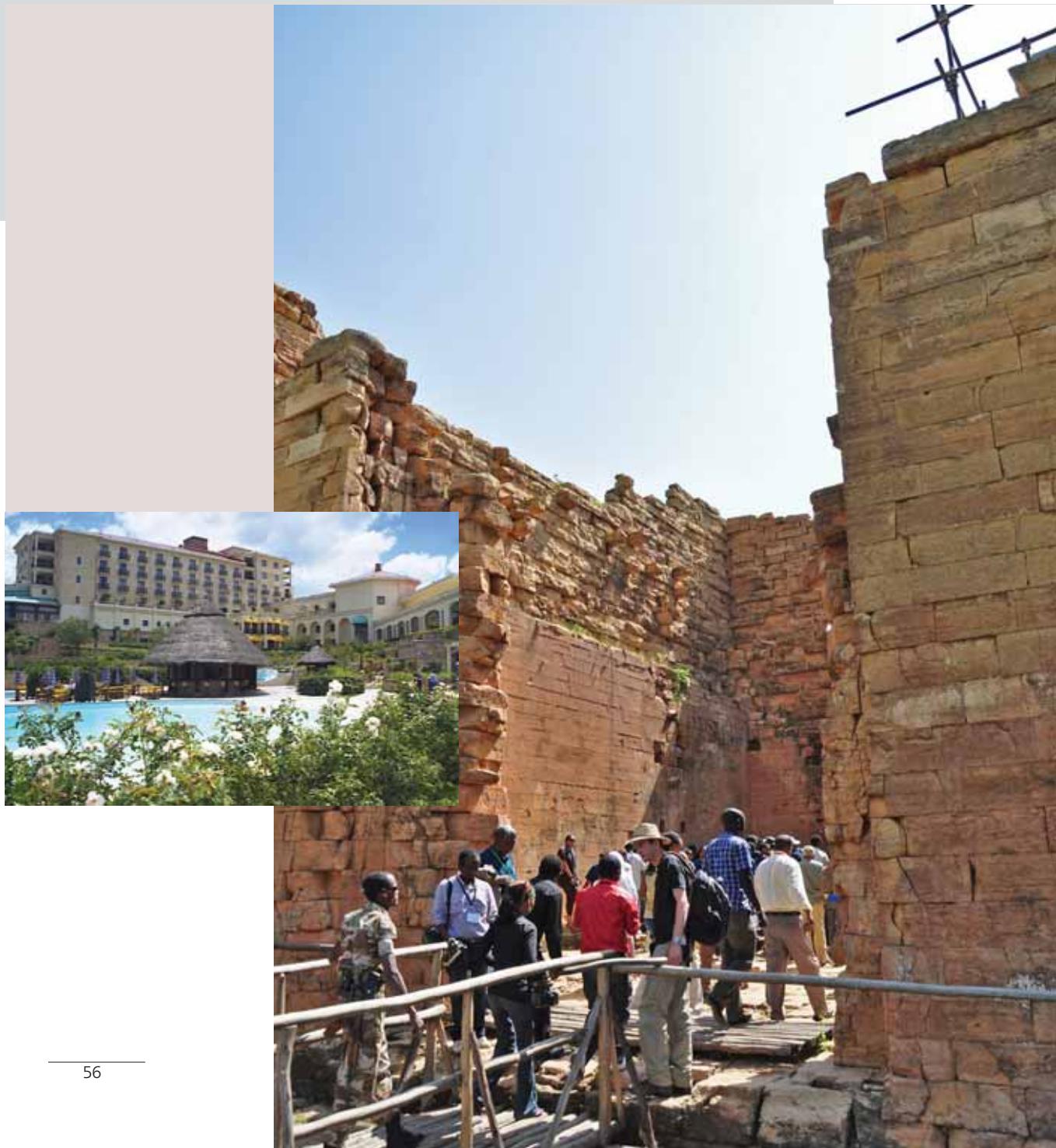
5. Mekelle as an investment location: A summary for investors

Strengths	Opportunities
<ul style="list-style-type: none"> • A climate suitable for both tourism and agriculture • Good governance and a safe environment with little crime • An international airport and relative proximity to the port in Djibouti • Substantial resources for tourism and mining in the surrounding area 	<ul style="list-style-type: none"> • Tourism, especially cultural tourism • Agricultural products for foreign markets: fruit, honey, spices, flowers • Agricultural product for domestic markets: edible oil • Meat-processing for export • Mining, in particular dimension stones
Weaknesses	Threats
<ul style="list-style-type: none"> • Poor infrastructure, especially for export-oriented investment • Lack of skills in the workforce, especially in tourism 	<ul style="list-style-type: none"> • Unsettled relations between Ethiopia and Eritrea



Mekelle is the economic hub of Northern Ethiopia and offers investors a great mix of opportunities and incentives. It has hospitable and hard-working people and a workforce easy to train. It is also a safe city that makes you feel at home in no time. We have been delighted that we chose to invest in Mekelle.

Freweini Mebrahtu, General Manager, MariamSeba Sanitary Products Factory



III. TAXES AND LAWS

1. Taxation in Ethiopia

Taxes on profits and income

Corporate tax

Corporate income tax or profit tax payable by business organizations or companies is 30% of their taxable income.

Unincorporated businesses pay a tax of 30% on an annual income of ETB 42,601 – 60,000 and of 35% on annual incomes that exceed ETB 60,000. Tax rates below ETB 42,601 begin at 10% on incomes of ETB 1,800 p.a. Tax on rental income is the same as the tax on unincorporated businesses.

On exemptions from corporate taxes, see Incentives in Chapter II.¹⁰⁴

Personal income tax

TABLE III.1. Personal income tax rates by income category

	Annual income (ETB)	Tax rate (%)
1	0 – 1,800	Exempt
2	1,801 – 7,800	10
3	7,801 – 16,800	15
4	16,801 – 28,200	20
5	28,201 – 42,600	25
6	42,601 – 60,000	30
7	Over 60,000	35

Source: Adapted from the Ethiopian Investment Agency, *Factor Costs*, March 2012, under 'Publications' at <http://www.ethioinvest.org/index.php>.

Other income taxes

TABLE III.2. Tax rates by types of other income

	Type of income	Tax rate (%)
1	Income from royalties	5
2	Income from technical services rendered outside Ethiopia	10
3	Income from games of chance	15
4	Income from dividends	10
5	Income from casual rental of property	15
6	Interest income	5
7	Gains from the transfer of property <ul style="list-style-type: none"> • on buildings, factories & offices • on shares of companies 	15 30

Source: Adapted from the Ethiopian Investment Agency, *Factor Costs*, March 2012, under 'Publications' at <http://www.ethioinvest.org/index.php>.

104 Unless otherwise indicated, all tax information comes from the Ethiopian Investment Agency's *Factor Costs*, March 2012, under 'Publications' at <http://www.ethioinvest.org/index.php>. It has been supplemented in some cases by information received from the Ethiopian Revenues and Customs Authority (ERCA) in the form of a personal communication.

Withholding tax

A withholding tax is a payment of tax on a) goods imported and b) payments made for the provision of goods and (some) services. This is a payment on account and may be refunded when a tax return is filed, if the withholding tax is found to constitute an overpayment of the tax due.

The withholding tax rates are a) 3% of the total (CIF) value of imported goods and b) 2% on the cost of i) supplying goods worth more than ETB 10,000 in a single transaction or ii) a single service transaction involving more than ETB 500.

The following services are subject to a withholding tax:¹⁰⁵

105 The source is the Ethiopian Investment Agency, *Factor Costs* (see Sources consulted).

- consultancy services;
- designs, written materials, lectures and dissemination of information;
- the services of lawyers, accountants and auditors, and other services of a similar nature;
- the services of salespersons, arts and sports professionals, brokers (including insurance brokers), and commissioned agents;
- advertisements and entertainment programmes for television and radio broadcasting services;
- construction services;
- advertising services;
- patents for scientific and intellectual works;
- the leasing of buildings, machinery and other equipment, including computers;
- maintenance services;
- tailoring services;
- printing services; and
- insurance services.



Taxes on goods and services

Value Added Tax (VAT)

The VAT rate is 15% of the value of every taxable transaction by a registered person and all imports of goods and services other than those exempted (see below).

Exemptions and zero-ratings

A. Exempted items¹⁰⁶

The following types of supplies of goods or rendering of services are exempt from the payment of VAT:

- the sale or transfer of a used dwelling, or its lease;
- financial services;
- the supply or import of national or foreign currency;
- the import of gold to be transferred to the National Bank of Ethiopia;
- the rendering of religious or church-related services by religious organizations;
- the import of prescription drugs specified in directives issued by the Ministry of Health and the rendering of medical services;
- the rendering of educational services by educational institutions, as well as child care services for children at preschool institutions;
- the supply of goods and rendering of services in the form of humanitarian aid, as well as the import of goods transferred to state agencies and public organizations for the purpose of rehabilitation after natural disasters, industrial accidents and catastrophes;
- the supply of electricity, kerosene, and water;
- goods imported by the government or by organizations, institutions or projects exempted from duties and other import taxes;

- supplies by the Post Office authorized under the Ethiopian Postal Service Proclamation, other than services rendered for a fee or commission;
- the provision of transport;
- the issuing of permits and licenses;
- the supply of goods or services by a workshop, 60% of whose employees are disabled individuals; and
- the import or supply of books and other printed materials to the extent provided in regulations.

106 Ibid.

107 Ibid.

B. Zero-rated items¹⁰⁷

The following transactions are charged with a rate of 0%:

- the export of goods and services to the extent provided in regulations;
- the rendering of transport or other services directly connected with the international transport of goods or passengers, as well as the supply of lubricants and other consumable technical supplies taken on board for consumption during international flights;
- the supply of gold to the National Bank of Ethiopia;
- the supply by a registered person to another person in a single transaction of substantially all of the assets of a taxable activity, or an independent functioning part of a taxable activity as a going concern, provided that a notice in writing signed by the transferor and transferee is furnished to the Ethiopian Revenue and Customs Authority (ERCA) within 21 days after the supply takes place and such notice includes the details of the supply; and
- goods and services supplied to or imported by accredited diplomats.

Excise tax

The excise tax is levied on selected items, whether produced locally or imported.

The rate ranges from 10% to 100%, depending on the nature of the goods.

The list of all goods currently liable to excise tax, along with their rates, is given below:

TABLE III.3. Excise tax rates by types of goods

Type of income	Tax rate (%)
1 Sugar in solid form, excluding molasses	33
2 Drinks <ul style="list-style-type: none"> • 2.1 Soft drinks, except fruit juices • 2.2 Powdered soft drinks • 2.3 Bottled or canned water • 2.4 Alcoholic drinks <ul style="list-style-type: none"> • 2.4.1 All types of beer and stout • 2.4.2 All types of wine • 2.4.3 Whisky • 2.4.4 Other alcoholic drinks 	30 30 20 50 50 50 100
3 All types of pure alcohol	75
4 Tobacco and tobacco products <ul style="list-style-type: none"> • 4.1 Tobacco leaf • 4.2 Cigarettes, cigars, snuff & other tobacco products 	20 75
5 Salt	30
6 Fuel, jet fuel, benzene, petrol, gasoline, & other motor spirits	30
7 Perfumes	100
8 Textiles & textile products produced in a factory	10
9 Personal adornment made of gold, silver or other materials	20
10 Dishwashing machines for domestic use	80
11 Washing machine for domestic purposes	30
12 Video decks, television or video cameras	40
13 Television broadcast receiver with or without other sound receivers & reproducers	10
14 Motor passenger cars, utility cars, etc. <ul style="list-style-type: none"> • 14.1 Up to 1,300 c.c. • 14.2 From 1,301 c.c. up to 1,800 c.c. • 14.3 Above 1,800 c.c. 	30 60 100
15 Carpets	30
16 Asbestos and asbestos products	20
17 Clocks and watches	20
18 Dolls and toys	20

Source: Adapted from the Ethiopian Investment Agency, *Factor Costs*, March 2012, under 'Publications' at <http://www.ethiowinvest.org/index.php>.

Taxes on international trade

Import duties

These range from 0% to 35% and are payable by all importers without duty-free privileges. (On exemptions from duty, see Incentives in Ethiopia in Chapter II above.) The duty rates of some selected goods are shown in the table below.

108 Department of Commerce (US), 2011 Country Commercial Guide (details in Sources consulted).

TABLE III.4. Import duties on selected items^a

Category	Tariff (%)
1 Live animals and related products	20
2 Vegetables, fruits and cereals	20
3 Prepared food products	30
4 Beverages	35
5 Pharmaceuticals	5
6 Organic chemicals	10
7 Wood and articles of wood	20
8 Tanning or dyeing extracts, etc.	10
9 Primary cells and primary batteries	20
10 Leather and leather articles	—
11 Plastic and articles thereof	30
12 Apparel and clothing accessories	35
13 Footwear, gaiters and the like	35
14 Articles of stone, plaster, etc.	20
15 Ceramic products	20
16 Glass and glassware	20
17 Optical, photographic, medical or surgical instruments & apparatus	20
18 Iron and steel and articles thereof	10
19 Wire, rods, tubes, plates, etc.	10
20 Boilers, machinery and mechanical appliances, parts thereof	10 20
21 Electrical machinery & equipment	20
22 Motor vehicles (to carry over 10 passengers or goods under 1,500 kg)	35 20
23 Paper and printed materials	10
24 Fertilizers	Nil

^a The rates are averages of multiple products under each category.

TABLE III.5. Special tariffs on COMESA imports

Tariff	Regular (%)	COMESA (%)
1	5	4.5
2	10	9
3	20	18
4	30	27
5	35	36

Source: Adapted from the Ethiopian Investment Agency, *Factor Costs*, March 2012, under 'Publications' at <http://www.ethioinvest.org/index.php>.

Source: Adapted from the Ethiopian Investment Agency, *Factor Costs*, March 2012, under 'Publications' at <http://www.ethioinvest.org/index.php>.

Export taxes

With some exceptions, Ethiopia does not impose taxes on export products. The following taxes, recently imposed, are still in place. In July 2008, the Government introduced an export tariff of up to 150% on raw and semi-processed hides and skins to get domestic producers to focus more on high-value finishing. And in October 2010, the Government applied similar tariffs to raw cotton to increase the supply of cotton to the domestic textile industry.¹⁰⁸

Other taxes

In general, note that Ethiopia does quite well in both the level of taxation and the relative ease of paying taxes when compared to neighbouring countries, as well as by the standards of sub-Saharan Africa as a whole – see table II.16 in the section **Doing business in Ethiopia in Chapter II** above.

2. Legal framework for investment

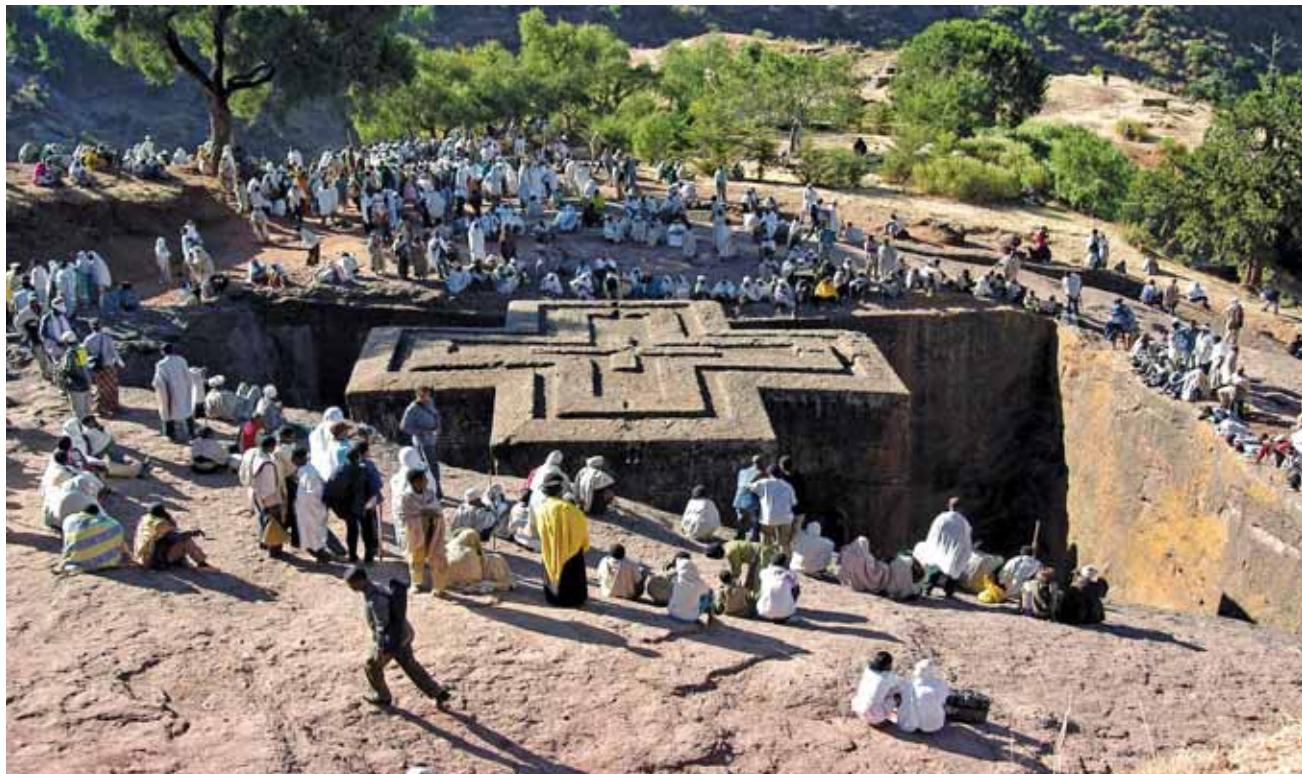
Legal and judicial system

Ethiopian law is essentially based on civil law, even though vestiges of the common law system are in evidence in some laws, notably the civil procedure code and the maritime code. Significantly, commercial and industrial laws are mainly influenced by the civil law.¹⁰⁹ There is a dual system of courts: a Federal Judiciary with the Supreme Court at the top, along with a separate and parallel judicial system in each Regional State.¹¹⁰ Although the Constitution forbids the establishment of special or ad hoc courts, it permits the House of Peoples' Representatives and State Councils to establish or give official recognition to customary and religious courts, especially where such courts have functioned with government recognition prior to the adoption of the present Constitution.¹¹¹

109 UNCTAD, *An Investment Guide to Ethiopia* (see Sources consulted).

110 Ethiopian Investment Agency, http://www.ethioinvest.org/legal_judicial_system.php.

111 UNCTAD, *An Investment Guide to Ethiopia* (see Sources consulted).



The Federal Constitution is the supreme law of the land, overriding all other legislation in the country. Second in the hierarchy are Proclamations, which are legislations enacted by the House of Peoples' Representatives (Parliament), the highest authority of the Federal Government. Third come Regulations (Council of Ministers Regulations), which are executive enactments. The lowest enactments are Directives, issued by Government Departments to execute Proclamations and Regulations.¹¹²

Investment law

The broad framework for investment in Ethiopia is furnished by the *Commercial Code of 1960*, the *Civil Code of 1960* and the *Maritime Code of 1960*, all of them still in force. The specific investment laws are *Investment Proclamation No.280/2002* and its *Amendment No. 375/2003* and *Investment Regulation No.84/2003* and its *Amendment No. 146/2008*.¹¹³

A list of other major laws (and regulations, etc.) related to investment can be found on the website of the Ethiopian Investment Agency.¹¹⁴

112 Ethiopian Investment Agency, http://www.ethioinvest.org/legal_judicial_system.php.

113 Ethiopian Investment Agency, http://www.ethioinvest.org/Legal_Framework.php.

114 *Ibid.*

115 Ministry of Mines and Energy, National Report on Mining, November 2009 (see Sources consulted).

Box III.1. Investment agencies

Ethiopian Investment Agency (EIA)

The EIA – formerly the 'Ethiopian Investment Authority' and the 'Ethiopian Investment Commission' – is a government agency established in 1992 to promote private investment, in particular foreign direct investment. Its governing body is the Investment Board, which is chaired by the Minister of Industry. The EIA is headed by a Director General who is also a member of the Board.

The Agency's activities include:

- Promoting the country's investment opportunities to foreign and domestic investors;
- Issuing investment permits, work permits, trade registration certificates and business licenses;
- Registering technology transfer agreements and export-oriented non-equity-based foreign enterprise collaborations with domestic investors;
- Negotiating and, upon government approval, signing bilateral investment treaties;
- Advising the government on policy measures needed to create an attractive investment climate for investors; and
- Assisting investors in the acquisition of land, utilities, etc., and providing other pre- and post-approval services.

The EIA's significant gains in efficiency noted by UNCTAD in 2004 were noted again more recently by the US Department of Commerce: "the Ethiopian Investment Agency (EIA) has improved its services and provides an expedited 'one-stop shop' service that has significantly cut the time and cost of acquiring investment and business licenses."^a For the time and cost of the EIA's services to investors, see the 'Client Charter' in Appendix V of the EIA's Ethiopia Investment Guide 2012.^b

The Acting Director General of the EIA in June 2012 was Mohammed Seyed. For contact details, see Appendix B.

Tigray Investment Office (TIO)

The TIO was first set up in 1993 as the 'Tigray Region Investment Office'. Its activities include:

- Providing investors with up-to-date checklists of all clearances and approvals required by different authorities for the project;
- Working with investors to get the necessary permits and licenses and making the right contacts with service providers at both national and city levels;
- Organizing and facilitating site visits for investors;
- Ensuring fast access to land in industrial zone;
- Taking investor requests to relevant officials and legislators and arranging meetings with these officials and legislators to discuss them; and
- Holding regular public-private forums to build consensus.

Source: The EIA and TIO websites and other sources.

a UNCTAD, *An Investment Guide to Ethiopia*, and Department of Commerce, 2011 *Country Commercial Guide* (details in Sources consulted).

b Available on the EIA website, <http://www.ethioinvest.org/index.php>.

Special regimes (mining)¹¹⁵

Private investment was not allowed in the mining sector before 1991, when a new market-oriented policy was introduced to encourage the participation of private capital in mineral prospecting, exploration and development.

The Mining Proclamation No. 52/1993, Mining Regulation No. 182/1994 and Income Tax Proclamation No. 53/1993, subsequently amended to be more competitive internationally and more investor-friendly:

- Invite private investment in all kinds of mineral operations,
- Provide exclusive license rights (a one-year prospecting license, three-year exploration licenses, with two renewals of one year each, and mining licenses for 10 or 20 years with unlimited renewals of 10 years each),

- Require adequate safeguards for employee health and safety and for environmental protection,
- Guarantee the licensee's right to sell the minerals locally or abroad,
- Provide exemptions from import duties and taxes on equipment, machinery and vehicles
- Guarantee the opening and operation of a foreign currency account in Ethiopia, the retention of a portion of foreign-currency earnings and the remittance of profits, dividends, and principal and interest on foreign loans,
- Require relatively low royalties of 2% to 5% *ad valorem*,
- Provide for dispute settlement through negotiation and international arbitration, and
- Provide for the carrying forward of losses for ten years.



Incorporation and exit	Exit	
<p>Requirements for investment permit: Foreign investors</p> <p>Detailed information on the various forms, documents, photographs, etc. required can be found on the EIA website: http://www.ethioinvest.org/foreign_investor.php. The requirements vary somewhat depending on whether the applicant is an individual investor, the branch of a foreign corporation, a foreign-domestic joint venture and so forth.</p> <p>Note that all documents originating abroad need to be authenticated by the concerned notary office and the Ethiopian Embassy in the home country. The authentication of these documents by the Ministry of Foreign Affairs and their registration by the Document Registration and Authentication Office of Ethiopia are also required. All completed documents need to be submitted in two separately fastened copies.</p>	<p>The Commercial Code of Ethiopia (1960) provides for the dissolution and winding up of legally established business organizations. One legitimate reason for the dissolution of a share company, for example, may be the resolution of an extraordinary general assembly of shareholders. Having resolved to liquidate, the general meeting must appoint liquidators, where provisions are not made for such appointment in the memorandum or articles of association. The liquidators must follow the rules and procedures of the Commercial Code in liquidating the share company. Private limited companies and joint ventures may be voluntarily liquidated according to the provisions of their memorandum or articles of association and in keeping with the Commercial Code. The liquidation processes of joint ventures must also consider joint-venture agreements.</p> <p>Article 218 of the Commercial Code provides for the dissolution of a business organization "for good cause" by court order at the request of a partner. Foreign investors may also exit by selling or transferring their assets, shares or enterprises. Foreign investors have the right to remit proceeds from the sale or liquidation of an enterprise and from the transfer of shares or partial ownership of an enterprise to a domestic investor.¹¹⁶</p>	<p>116 UNCTAD, <i>An Investment Guide to Ethiopia</i> (see Sources consulted).</p>

TABLE III.6. Starting a business in Ethiopia: Steps, time and cost

Procedure	Time (Days)	Cost (ETB)
1 Check the company name for uniqueness	1	No charge
2 Authenticate company documents at the Office of Registration of Acts and Documents	2	390
3 Register the company document at the Commercial Register and obtain the trade license	1	85
4 Register with the Ethiopian Inland Revenue Authority and Customs for income tax and VAT	2	No charge
5 Make a company seal	3	100

Source: Adapted from the World Bank, <http://www.doingbusiness.org/data/exploreeconomies/ethiopia#starting-a-business>.

Priorities and restrictions

Priorities¹¹⁷

The priority investment areas for Ethiopia are:

- Agro-processing,
- Textiles and garments,
- Leather and leather products,
- Horticulture,
- Sugar,
- Chemicals,
- Pharmaceuticals, and
- Metals and engineering.

Restrictions¹¹⁸

All areas of investment are open to foreign investors with the following exceptions and conditions:

A. Areas reserved exclusively for the State

- Postal services with the exception of courier services,
- Transmission and supply of electrical energy through the national grid system, and
- Passenger air transport services using aircraft with seating capacity of more than 20 passengers.

B. Areas reserved for *joint ventures* with the State¹¹⁹

- Manufacturing of weapons and ammunitions, and
- Air transport services using aircraft with a seating capacity of up to 20 passengers.

C. Areas reserved for domestic investors

- Retail trade and brokerage,
- Wholesale trade (excluding supply of petroleum and its by-products as well as wholesale trade by foreign investors of their locally produced products),
- Import trade (excluding LPG, bitumen and, upon the approval of the Council of Ministers, material inputs for export products),
- Export trade in raw coffee, chat, oil seeds, pulses, hides and skins bought from the market, and live goats,

sheep and cattle not raised or fattened by the investor,

- Construction companies excluding those designated as Grade 1,
- Tanning of hides and skins up to crust level,
- Hotels (excluding star-designated hotels), motels, pensions, tea rooms, coffee shops, bars, night clubs, and restaurants (excluding international and specialized restaurants),
- Travel agency, trade auxiliary and ticket selling services,
- Car-hire and taxi-cab transport services,
- Commercial road transport and inland water transport services,
- Bakery products and pastries for the domestic market,
- Grinding mills,
- Barber shops, beauty salons, smithies, and tailoring services (except by garment factories),
- Building maintenance and the repair and maintenance of vehicles,
- Saw milling and timber making,
- Customs clearance services,
- Museums, theaters and cinema hall operations, and
- Printing industries.

¹¹⁷ *EIA Investment Brochure*, 2012.

¹¹⁸ All information on restrictions is from the Ethiopian Investment Agency, http://www.ethioinvest.org/Investment_Regime.php – with the exception of part B.

¹¹⁹ Department of Commerce (US), 2011 *Country Commercial Guide* (details in Sources consulted).

Minimum capital requirements

Under the Investment Proclamation No.280/2002 (as amended), a foreign investor, who invests on his own, except in consultancy services and publishing, is required to invest not less than USD 100,000 in cash or kind for a single project. The minimum capital requirement is reduced to USD 60,000 if the foreign investment is part of a joint venture with a domestic investor. The minimum capital required for a wholly foreign investment in consultancy services or publishing is USD 50,000 in cash or kind. This amount is lowered to USD 25,000 in the case of a joint venture with a domestic investor. A foreign investor reinvesting profit or dividends, or exporting at least 75% of his output, need not meet minimum capital requirements.

Investment protection, investor treatment & dispute settlement

Protection against expropriation

The Constitution protects private property. The Investment Proclamation also provides that measures of expropriation and nationalization may only occur for reasons of public interest and only in compliance with the requirements of the law. Where such expropriations are made, the Government provides adequate compensation corresponding to the prevailing market value of property and such payment is effected in advance.¹²⁰

Investor treatment

The government has eliminated most of the discriminatory tax, credit and foreign trade treatment of the private sector, simplified administrative procedures, and established guidelines regulating business activities. Foreign investors do not face unfavorable tax treatment, denial of licenses, discriminatory import or export policies, or inequitable tariff and non-tariff barriers.¹²¹

There are concerns over the lack of a level playing field in competing with state-owned and ruling-party-affiliated 'endowment' enterprises but these are voiced by domestic as well as foreign investors. There is state monopoly or dominance in such sectors as banking, insurance, power, telecommunications, air transport, shipping, and sugar, while endowment firms have a strong presence in the ground transport, fertilizer, and textile sectors. Both dominate the cement sector.

Dispute settlement

Ethiopia is a member of the Multilateral Investment Guarantee Agency (a part of the World Bank Group) which issues guarantees against non-commercial risks to enterprises that invest in signatory countries. The country has also concluded

bilateral investment agreements with a number of developed and developing countries (see **Investment and tax treaties** in Chapter II).

According to the Investment Proclamation, disputes arising out of foreign investment that involve a foreign investor or the state may be settled by means agreeable to both parties. A dispute that cannot be settled amicably may be submitted to a competent Ethiopian court or to international arbitration within the framework of any bilateral or multilateral agreement to which the government and the investor's state of origin are contracting parties. The Government recently created a separate court specifically to speed up the processing of commercial cases; however, arbitration still appears to be the most efficient means of dispute resolution.¹²²

The Addis Ababa Chamber of Commerce has an Arbitration Center dedicated to assisting investors with the arbitration process. There is no guarantee that the award of an international arbitral tribunal will be fully accepted and implemented by Ethiopian authorities.¹²³ While Ethiopia is a member of the International Centre for Settlement of Investment Disputes (ICSID) and has also signed the 1965 Convention on the Settlement of Investment Disputes between States and Nationals of Other States (under which ICSID was established), it has never ratified the convention and the convention has thus never entered into force.¹²⁴

Intellectual property

Ethiopia has yet to sign a number of major international intellectual property rights (IPR) treaties, such as the Paris Convention for the Protection of Industrial Property; the World Intellectual Property Organization (WIPO) copyright treaty; the Berne Convention for Literary and Artistic Works; and the Patent Cooperation Treaty.¹²⁵

120 Ethiopian Investment Agency, http://www.ethioinvest.org/Investment_Regime.php.

121 Department of Commerce (US), 2011 *Country Commercial Guide* (details in Sources consulted).

122 Department of Commerce (US), 2011 *Country Commercial Guide* (details in Sources consulted).

123 On arbitration and the courts, see Feyissa, 'The Role of Ethiopian Courts in Commercial Arbitration' (details in Sources consulted).

124 ICSID, List of Contracting States and Other Signatories of the Convention, <http://icsid.worldbank.org/ICSID/FrontServlet?requestType=ICSIDDocRH&actionVal=ContractingStates&ReqFrom=Main>.

125 Department of Commerce (US), 2011 *Country Commercial Guide* (details in Sources consulted).

Land ¹²⁶

All land in Ethiopia belongs to the State. Individuals, companies and other organizations have only a use right to land. Peasant farmers are in a special category and hold use rights for an indefinite period. They also have the right to transfer the use right to their heirs and to lease it to third parties. Their landholdings may not exceed 10 ha per household.

There are two broad classifications of land for lease purposes: rural land and urban land, of which rural land is leased mainly for agriculture. The lease price of rural land is low but its use is correspondingly limited by the lack of infrastructure. Although there is some rural land with developed infrastructure in proximity to markets, such land is usually only available to farmers living within 100 km of major cities. The Government does retain the right to relocate peasant farmers from land to which they have use rights. Although the process by which this occurs varies, all parties appear to be sensitive to the need to have just compensation and fair dealings when interacting with rural farmers.

The farmers are compensated by the Government on the basis of the price of their crops. The usual formula is the current market price of the annual crop multiplied by 10. This sort of land is provided to investors in floriculture and horticulture at very reasonable lease rates.

Urban land is divided into land for industrial use and land for other activities. Industrial land is often prioritized by the Government and the necessary infrastructure (roads, electricity, water, telephone) is facilitated. Industrial land in Addis Ababa and in parts of Tigray, Amhara and Oromia is available at low fixed prices.

Land for export-oriented industries is also generally available at very low rates. The Ethiopian Investment Agency now has the authority to facilitate the acquisition of land by FDI projects throughout the country. Urban land for other activities is available on an auction basis. In principle, the lease value of the land, as well as the fixed assets on it can be mortgaged or pledged as collateral and banks may accept such collateral, although typically at a discounted rate. In practice, these transactions are slow and not very efficient.

126 This section draws mainly on Cannon, *Investment Opportunities in Mekelle* (see Sources consulted).

In Mekelle, the Office of Land Administration is housed at the main municipal building. The Department Head oversees the transfer and title authorization of land. The Department Head at the City Planning Office oversees large land transfers. Individuals leasing land are given a certificate of possession for a fixed lease period. (Certificates can be of varying lengths.)

A manufacturing project in one of the areas specified by the TIO can expect to receive land within the industrial zone, if it meets certain other criteria.

These are:

- a) the project must be labor-intensive,
- b) the project must involve new technology, and
- c) the investor must possess a minimum starting capital equal to at least 30% of the projected investment.

The current price for a lease on land within the zone is ETB 1.25 per sq m per annum (as noted earlier). Leases are available for varying periods, up to a maximum of 70 years. Once an investment has been approved for land within the zone, leases are typically transferred by the city administration within two months.

An investment that does not fall within the category of manufacturing projects in specified areas must acquire land through an auction.

Foreign exchange and performance requirements

Foreign exchange

The National Bank of Ethiopia (NBE) regulates the entry and remittance of foreign currencies in Ethiopia through specific directives applicable to both Ethiopians and foreigners. The flow of foreign exchange is currently governed by Foreign Exchange Regulation Notice No. 1/1977 (as amended) and Directive No. Rel/005/2002. Virtually all outgoing and some incoming foreign currencies (such as foreign loans) are regulated. Foreign investors may, with NBE's approval, open foreign-exchange accounts in commercial banks. Eligible exporters of goods and recipients of inward remittances may also open foreign-exchange accounts without prior approval from the NBE. Subject to the exchange regulations of the NBE, a person with a foreign-exchange account can remit foreign currency abroad.¹²⁷

A foreign investor has the right to make the following remittances out of Ethiopia in convertible foreign currency at the prevailing exchange rate at the time of remittance:

- Profits and dividends accruing from investment,
- Principal and interest payments on external loans,
- Payments related to technology transfer agreements,
- Proceeds from the sale or liquidation of an enterprise, and
- Proceeds from the transfer of shares or of partial ownership of an enterprise to a domestic investor.

In addition, expatriates employed in an enterprise in Ethiopia may remit, in convertible foreign currency, salaries and other payments accruing from their employment in accordance with foreign-exchange regulations or directives.¹²⁸

The US Department of Commerce notes, however, that while these transfers are legally permitted, foreign companies can face significant delays in the repatriation of profits, as the NBE does not have enough hard currency to allocate to this process.¹²⁹ It adds that foreign investors also continue to face delays in importing equipment and spare parts, and businesses must apply for foreign exchange for imports at least six-to-nine months in advance of their intended need.

Performance requirements

Ethiopia does not impose any performance requirements such as local content, local employment, minimum exports, trade balancing, foreign-exchange balancing, or technology transfer – although it encourages joint ventures, the use of local raw materials, and labour-intensive methods in the manufacture of finished goods.¹³⁰ A number of incentives are, however, tied to export performance (see **Incentives in Chapter II**).

127 UNCTAD, *An Investment Guide to Ethiopia* (see Sources consulted).

128 Ethiopian Investment Agency, http://www.ethioinvest.org/Investment_Regime.php.

129 Department of Commerce (US), 2011 *Country Commercial Guide* (details in Sources consulted).

130 UNCTAD, *An Investment Guide to Ethiopia*, 2004 (see Sources consulted).



IV. INVESTORS & INVESTMENT CLIMATE

1. Investor assessment of the investment climate

This is a summary of investor opinions of Mekelle as an investment location. It is based mainly on a closed session with the business community held as part of a workshop in Mekelle on 19 June 2012. About 25 companies, most of them domestic but some either fully or partially foreign-owned, participated in the workshop. In addition, consultations were also carried out with a number of individual investors, both foreign and domestic. What follows should be taken as no more than broadly indicative of investor opinion in Mekelle.

Attractions and drawbacks

Investors were asked what they saw as Mekelle's most appealing features as a location for investment. There were two top favourites: safety and labour. Mekelle is widely seen as a safe place to live and to do business in. As for labour, there was an abundance of unskilled workers and also some availability of skilled workers. The relatively large number of post-secondary institutions in Mekelle (15) were seen as useful in producing the latter, although some concern was expressed about the mismatch between the training these institutions offered and the skills actually required by employers.

The next most attractive feature was seen as the proximity to the port at Djibouti, which is the main transit port for export cargo. This was followed by the new Alula Aba Nega International Airport. The airport was seen as a definite plus, although its potential had not yet been realized because it offered no direct international flights (beyond a pilot programme linking Mekelle with Khartoum, Sudan). Some investors also saw the availability of land plots in the Mekelle industrial zone as a particularly attractive feature.

When it came to the major drawbacks of Mekelle as an investment location, there was broad agreement on two areas of concern. At the top was infrastructure, within which it was water supply that was seen as the most problematic. Telecommunications were also an issue, with access to the Internet being particularly unsatisfactory. When asked which specific features of infrastructure were a matter of concern, reliability, quality and access were all mentioned, with quality regarded as the least satisfactory. Cost did not seem to be a problem. The second major drawback was the quality of government services, which were seen as bureaucratic and ill-informed. There was not much understanding of investor concerns and not enough of a serious public service culture.

Still, most investors thought there had been some progress over the past five years in the way the Government dealt with business in such matters as licensing, processing and certifying. Asked if it was easy to communicate with the Government in Mekelle, most thought it was. One common investor reaction was that it was not dialogue with the Government that was difficult but rather the lack of adequate follow-up. Some investors also thought that, while the Government was keen on attracting investors, it provided little or no 'aftercare' once the investors had arrived.



Some specific topics

Human resources

There had been definite progress in this area in recent years. Workforce skills in particular had improved noticeably. Industrial relations had not shown a similar improvement. Some investors thought that attitudes towards work were still not what they should be.

Taxation

A majority of investors thought that there had been some progress in this area. A minority thought there had been no change and a few actually saw regress. Transparency had increased according to a number of investors but the tax system remained complex and the administration was not as efficient as it might be. Levels of taxation generally did not seem to present a major problem, although there were concerns about the levels of import duties and of the VAT.

Monopolies and market dominance

A majority of investors thought there was no major issue here, although a minority thought there was. Some large enterprises (e.g., EFFORT) were seen as exercising market dominance.

Governance

This topic was meant to cover such issues as law and order, corruption and red tape. A large majority thought failures of governance did contribute to an unsatisfactory business environment in Mekelle. Corruption was mentioned as an issue by a number of investors. Bureaucratic inefficiencies were mentioned by some others.

Issues affecting foreign investors in particular

Most investors did not think there were any major issues creating special difficulties for foreign investors. Note, however, that most (though by no means all) of those consulted were domestic investors.

Conclusion

Current investors in Mekelle are definitely upbeat about their city, their region, and the investment potential of both. In their view, investment opportunities in Mekelle and Tigray are numerous and varied. While there are many improvements they would like to see, in areas ranging from the water supply to taxation, they are also aware that there has been steady improvement in recent years in most areas that matter to investors. They thus see Mekelle as already quite prepared to absorb new investment, and especially foreign investment that brings new technology and know-how, in a variety of fields. Some of them are a little concerned that Mekelle may have a poor image abroad, mainly on account of the past conflict with Eritrea, which borders on the Tigray region, and would like to see the Government take more active measures than it has thus far done to promote Mekelle as a location for investment.



2. Foreign investors in Ethiopia

The list that follows offers a sampling of foreign investors in Ethiopia, grouped by sector. It is not meant to be an exhaustive list. Companies with an **asterisk** after their names have invested in the Tigray region, some of them in Mekelle.

Company name	Major foreign ownership	Nature of business
Agriculture and agro-processing		
Africa Juice Tibila Share Company	Ireland, the Netherlands & the United Kingdom	Horticulture and agro-processing
Almicom Agricultural Development PLC *	Saudi Arabia	Cotton, grains & horticulture
Castel Winery PLC	Gibraltar	Vineyards & wine production
CLC Industries PLC	India	Cotton farming
Dessie Agro Industry PLC	United Arab Emirates	Dairy farming & processing
Flora Ecopower (Ethiopia) PLC	Germany & Israel	Oil seeds & oil processing
Mekelle Farms PLC *	United States	Poultry farm
Minaye flowers PLC	United States	Horticulture
New Age Biotech PLC	India	Oil seeds, grains & horticulture
S & P Energy Solution PLC	Mauritius	Oil seeds & other crops
Sathya Sai Farms (E) Ltd PLC	India	Horticulture
Surya Blossoms PLC	India	Horticulture
Unifruit Limited, Ethiopian Branch *	India	Horticulture
Woira Oil PLC *	Netherlands	Olive trees & olive oil
Yegenet Tebta Farming & Agro-processing PLC *	United States	Agro-processing
Mining, oil & gas		
Abredin International *	Canada	Natural resource exploration
African Crystal Ethiopia Business PLC	Sweden	Gemstone processing
Altas Strategic PLC *	United Kingdom	Natural resource exploration
A-Zeyneba Mining PLC	India	Dimension stone processing
Bona Ethio India Marble & Mining Factory PLC	India	Dimension stone processing
CKK Engineering Service PLC	Greece & the United Kingdom	Vulcanizing & re-treading tyres
Donia *	China	Natural resource exploration
ENGSKO Ethiopia Mfg & Trading	Denmark	Dimension stone processing
Harvest *	United Kingdom	Natural resource exploration
Luo Ruobin	China	Stone crushing plant
Makda *	China	Natural resource exploration
Min-Tech Ethiopia PLC	France	Mineral processing
Modern Building Industrial PLC	Saudi Arabia	Cultured marble plant
National Mining corporation *	Saudi Arabia	Natural resource exploration
Or Crope Mineral PLC *	Australia	Natural resource exploration
Sheba Exploration *	United Kingdom	Natural resource exploration
Sheba Gems And Jewellery Ethiopia PLC	Sweden	Gemstone processing
Shine Mininig *	China	Natural resource exploration
SMD Quarry PLC	Canada & Sudan	Stone crushing plant
Star tax International PLC *	United Kingdom	Natural resource exploration

Trans Africa Resource corporation	*	Canada	Natural resource exploration
United	*	China	Natural resource exploration
Z-Jin Quarry PLC		China	Stone crushing plant
Manufacturing			
Aarti Steel PLC		India	Metal products
Abyssinia Flat Products PLC	*	Kenya & the United Kingdom	Metal products
Access Bio-Inc. PLC – Ethiopia (Malaia RDT Kit)		United States	Access Bio-Inc. PLC – Ethiopia (Malaia RDT Kit)
Al-Mehadi Industry PLC		Pakistan	Textiles
Ara Shoes AG – Ethiopia		Germany	Leather & leather goods
Atec Investment PLC	*	China	Concrete & cement products
Ayka Addis Textile Investment Group		Turkey	Textiles
Cadila Pharmaceuticals (Ethiopia) PLC		India	Pharmaceuticals
China-Africa Overseas Leather Products SC		China	Leather & leather goods
Combolcha Steel Industrial PLC		Saudi Arabia	Metal products
Derba Cement Factory		Saudi Arabia	Cement
Eastern Industrial Cement Factory		Chinese	Cement
Else Addis Industrial Development PLC		Turkey	Textiles
Fanous Detergent Factory PLC	*	United Arab Emirates	Laundry detergents
Fanus Meditech PLC	*	Korea & the United Arab Emirates	Disposable syringes
Friendship Tannery PLC		China	Leather & leather goods
Inchini Cement Factory		China	Cement
Johannes Petrus Gerardus Van Rovenstein	*	Netherlands	Rubber and canvas shoes
Kebire Enterprise PLC	*	Saudi Arabia	Textiles & garments
MOHA Soft Drinks Industries SC	*	Saudi Arabia	Pepsi cola bottling plant
New Wing Shoe Factory		Italy	Leather & leather goods
Olberate Limited – Ethiopia		Canada	Leather & leather goods
Saygen Dimma Textile Share Company		Turkey	Textiles
Universal Metal & Mineral PLC		India	Metal products
Services			
Consolidated Contractors Company (Kuwait) WLL – Ethiopian Branch		Kuwait	General construction
ECC Engineering PLC	*	Australia & China	Water well drilling
Ethio Cement PLC		India & Kenya rental	Construction machinery
Huda Real Estate PLC		Saudi Arabia buildings	Office and residential
KMYT Construction Machinery Rental PLC	*	Sweden rental	Construction machinery
Mepo Contracting & Management Services PLC		Saudi Arabia	General construction
Midroc Construction Et. PLC		Saudi Arabia	General construction
Nature and Culture PLC		Italy	Hospitality
Norinco-Lalibela Engineering and Construction share Company		China	General construction
Roman Heyduk and Family Consultancy PLC	*	Czech Republic	Consultancy services
Ropack International PLC		United Kingdom	Real estate development
Salini Construttori PA – Ethiopian Branch		Italy	General construction
The Emerald Addis Hotels PLC		Ireland	Hospitality
Training for Development PLC		Germany	Consultancy services
Company name		Major foreign ownership	Nature of business

Source: Millennium Cities Initiative, drawing on information supplied by the Ethiopian Investment Agency and the Tigrai Investment Office.

APPENDICES

Appendix A

Mekelle firms interested in foreign collaboration

N.B. The firms listed below were interviewed by the United Nations Industrial Development Organization (UNIDO) in late 2009 and expressed an interest in foreign

collaboration. UNIDO's report on the opportunities they offered foreign investors, *Investment Opportunities for Development: Mekelle, Ethiopia*, is available at: http://www.unido.org/fileadmin/user_media/Publications/Pub_free/MCI_investment_opportunities_for_development_2009.pdf.

	Local firm	Main activity
1	Axum Hotels plc	Hospitality services
2	Bruh-Tesfa Plastic Products plc	Polymer processing
3	Buruk Electromechanical	Producing construction machinery
4	COMEL Private Limited Company	Honey processing
5	Dawit Tadese Yae	Producing milk & related products
6	Desta Alcohol & Liquor Factory plc	Producing wines & industrial alcohol
7	Elias Gebre Mariam Gebre Egziagbhier	Producing construction machinery
8	Ethio-Fana General Trading plc	Producing tiles & other construction materials
9	Getachew Kebede	Trading construction materials
10	Lemlem Food Complex	Producing biscuits, pasta & macaroni
11	MariamSeba Sanitary Products Factory	Producing sanitary pads
12	Mesfin Industrial Engineering plc	Producing trailers, tanks & other equipment for the construction, energy and agriculture sectors
13	Misgina Dairy Development Project	Producing milk
14	Selam Tiles and Terrazzo Factory plc	Producing tiles and terrazzo products
15	Sheba Leather Industries plc	Producing skins, hides, shoes & gloves
16	Sofi chemical manufacturing & Trading plc	Producing gabions & related construction equipment
17	United Alpha Commercial plc	Producing gabions & related construction equipment



Appendix B

Pointers to further Information

Contacts in Addis Ababa

Ethiopian Investment Agency
P.O. Box 2313
Addis Ababa
Tel: 251-11-551-0033
Fax: 251-11-551-4396
E-mail: ethiopian.invest@ethionet.et

Other public sector

Ministry of Industry
P.O. Box 5641
Addis Ababa
Tel: 251-11-551-8025-29
Fax: 251-11-551-4288

Ministry of Trade
P.O. Box 704
Addis Ababa
Tel: 251-11-551-8025
Fax: 251-11-551-5411

Ministry of Foreign Affairs
P.O. Box 393
Addis Ababa
Tel: 251-11-551-7345
Fax: 251-11-551-4300/551-1244
E-mail: mfa.addis@telecom.net.et

Ministry of Culture and Tourism
P.O. Box 1907
Addis Ababa
Tel: 251-11-515-6711
Fax: 251-11-551-2889
E-mail: tour-com@ethionet.et

Ministry of Agriculture
P.O. Box 62347
Addis Ababa
Tel: 251-11-551-8040/551-7354
Fax: 251-11-551-1543
E-mail: vmoasc@ethionet.et

Ministry of Finance & Economic Development
P.O. Box 1905
Addis Ababa
Tel: 251-11-155-2400
Fax: 251-11-156-0124

Ministry of Mines
P.O. Box 486
Addis Ababa
Tel: 251-11-646-3166
Fax: 251-11-646-3364
E-mail: information@mom.gov.et

Ministry of Labor & Social Affairs
P.O. Box 2056
Addis Ababa
Tel: 251-11-551-7080
Fax: 251-11-551-8396
E-mail: molsa.comt@ethionet.et

Ethiopian Revenue and Customs Authority
P.O. Box 2559
Addis Ababa
Tel: 251-11-466-7666
Fax: 251-11-466-8244
E-mail: erca@ethionet.et

Ethiopian Horticulture Development Agency
P.O. Box 43450
Addis Ababa
Tel: 251-11-550-2483
Fax: 251-11-551-3881/550-5127
E-mail: ehdainvsup@yahoo.com;
ehdadg@ethionet.et

Ethiopian Telecommunication Corporation
P.O. Box 1047
Addis Ababa
Tel: 251-11-551-0500
Fax: 251-11-551-5777
E-mail: etc.commun@ethionet.et

National Bank of Ethiopia
P.O. Box 5550
Addis Ababa
Tel: 251-11-551-7430
Fax: 251-1-551-4588
E-mail: nbe.excd@ethionet.et

Ethiopian Electrical Power Corporation
P.O. Box 1233
Addis Ababa
Tel: 251-11-155-0811
Fax: 251-11-155-2345
E-mail: eelpa@ethionet.et

Ethiopian Privatization and Public Enterprise Supervising Agency
P.O. Box: 517
Addis Ababa
Tel: 251-11-552-1834
Fax: 251-11-551-3955
E-mail: pesa.et@ethionet.et

Central Statistical Agency
P.O. Box 1143
Addis Ababa
Tel: 251-11-155-3011
Fax: 251-11-155-0334
E-mail: csa@ethionet.et

Environmental Protection Authority
P.O. Box 12760
Addis Ababa
Tel: 251-11-646-5007
Fax: 251-11-646-4882
E-mail: esid@ethionet.et

Private sector

Ethiopian Chamber of Commerce and
Sectoral Associations
P.O. Box 517
Addis Ababa
Tel: 251-11-551-8240
Fax: 251-11-551-7699
E-mail: etchamb@ethionet.et

Addis Ababa Chamber of Commerce and
Sectoral Associations
P.O. Box 2458
Addis Ababa
Tel: 251-11-552-8120
Fax: 251-11-551-1479
E-mail: aachamber1@ethionet.et

Ethiopian Horticulture Producers and
Exporters Association (EHPEA)
P.O. Box
Addis Ababa
Tel: 251-11-663-6750/663-6751
Fax: 251-11-663-6753
E-mail: ehpea@ethionet.et

Ethiopian Leather Industries Association
(ELIA)
P.O. Box 12898
Addis Ababa
Tel: 251-11-515-6144
Fax: 251-11-550-8935
E-mail: elia@elia.org.et

Contacts in Mekelle

Tigrai Investment Office
P.O. Box 947
Mekelle
Tel: 251-34-440-8522
Fax: 251-34-440-8403
Email: invest@ethionet.et

Other public sector

Mekelle City Mayor's Office
P.O. Box 52
Mekelle
Tel: 251-34-441-0193
Fax: 251-34-441-6963

Mekelle Investment Process
P.O. Box 52
Mekelle
Tel: 251-34-441-0128
Fax: 251-34-441-6963

Tigrai Bureau of Trade,
Industry & Urban Development
P.O. Box 406
Mekelle
Tel: 251-34-441-5957
Fax: 251-34-441-5958
E-mail: ind.trade@ethionet.et

Tigrai Bureau of Agriculture &
Rural Development
P.O. Box 10
Mekelle
Tel: 251-34-440-0005/440-0342
Fax: 251-34-440-3710/441-0815

Tigrai Bureau of Water Resources
P.O. Box 520
Mekelle
Tel: 251-34-440-6677
Fax: 251-34-441-9637

Tigrai Bureau of Finance &
Economic Development
P.O. Box 280 (21)
Mekelle
Tel: 251-34-441-0517
Fax: 251-34-441-1538
E-mail: bofedtig@yahoo.com

Tigrai Bureau of Labour & Social Affairs
P.O. Box 475
Mekelle
Tel: 251-34-440-9899/440-9903
Fax: 251-34-440-8350
E-mail: bolsa@ethionet.et

Tigray Agricultural Marketing Promotion Agency
P.O. Box 523
Mekelle
Tel: 251-34-440-5029
Fax: 251-34-441-5060
E-mail: abraha22002@yahoo.com

Tigray Culture and Tourism Agency
P.O. Box 124
Mekelle
Tel: 251-34- 440-9360
Fax: 251-34-440-1032
E-mail: tigray.tourism@ethionet.et

Tigray Mining and Energy Agency
P.O. Box 520
Mekelle
Tel: 251-34-440-6930
Fax: 251-34-441-8042
E-mail: fish.gir2009@gmail.com

Tigray Land Use Administration & Environmental Protection Agency
P.O. Box 1234
Mekelle
Tel: 251-34-441-5460
Fax: 251-34-441-1697

Tigray Revenue Development Agency
P.O. Box 1391
Mekelle
Tel: 251-34-440-5778
Fax: 251-34-441-9836
E-mail: brhanetsegab@yahoo.com

Northern Region Branch Office of Ethiopian Revenue and Custom Authority
P.O. Box 516
Mekelle
Tel: 251-34-440-8132
Fax: 251-34-440-7309

Northern Region Branch Office of Ethiopian Telecommunication Corporation
P.O. Box 57
Mekelle
Tel: 251-34-440-0004
Fax: 251-34-441-0668
E-mail: etc.commun@ethionet.et

Northern Region Branch Office of Ethiopian Electrical Power Corporation
P.O. Box 472
Mekelle
Tel: 251-34-440-0289
Fax: 251-34-440-6477
E-mail: epconorthern@yahoo.com

Northern Region Branch Office of Ethiopian Development Bank
P.O. Box 474
Mekelle
Tel: 251-34-440-7439/441-0233
Fax: 251-34-441-8252
E-mail: nr_dbe@yahoo.com

Private sector

Tigray Chamber of Commerce and Sectoral Associations
P.O. Box: 1782
Mekelle
Tel: 251-34-440-1760
Fax: 251-34-440-1762
E-mail: tchamber@ethionet.et

Mekelle Chamber of Commerce and Sectoral Associations
P.O. Box 530
Mekelle
Tel: 251-34-441-0671
Fax: 251-34-440-8914
E-mail: mekchamber@ethionet.et



Appendix C

Public holidays in Ethiopia, 2012–2013

Public holidays in Ethiopia are celebrated according to the Ethiopian Calendar. The Ethiopian year 2005 corresponds *roughly* to the following period in the calendar used in most western (and a number of non-western) countries: September 2012 – August 2013.

Date	Day	Holiday
11 th September	Tuesday	Ethiopian New Year
27 th September	Thursday	Finding of the True Cross (Meskel)
26 th October	Friday	Eid-al Adha (Arafa) ^a
7 th January	Monday	Ethiopian Christmas
19 th January	Saturday	Ethiopian Epiphany (Timket)
24 th January	Monday	Prophet Mohamed's Birthday (Maulid)
2 nd March	Saturday	Victory of Adwa
1 st May	Wednesday	Labour Day
3 rd May	Friday	Ethiopian Good Friday
5 th May	Sunday	Ethiopian Patriots Victory Day
5 th May	Sunday	Ethiopian Easter
28 th May	Tuesday	Downfall of the Derg
8 th August	Thursday	Eid al-Fitr (Ramadan) ^a

^a The actual date is dependent upon the sighting of the moon.

Source: Millennium Cities Initiative.



Sources consulted

Access Capital, *Ethiopia's Export Performance Review*, October 2010, http://www.accesscapitalsc.com/components/com_acymailing/upload/ethiopias%20export%20performance%20review.pdf.

All Africa Global Media,
<http://allafrica.com/ethiopia/>.

Bienen, Derk, *Implications of Ethiopia's International Trade Negotiations and the Private Sector – An Overarching View*, bkp Development Research & Consulting, Trade and development discussion paper no. 03/2010, Munich, September 2010, http://www.bkp-development.com/discussion-papers/BKP_DP_2010-03-Bienen-Ethiopia-Trade-Strategy.pdf.

Cannon, Bryant, *Investment Opportunities in Mekelle, Tigray State, Ethiopia*, MCI and VCC Working Paper Series on Investment in the Millennium Cities, No 10/2009, December 2009, <http://mci.ei.columbia.edu/sitefiles/file/Mekelle-Investment-Opportunities-FINAL-11-Dec-09%5B1%5D.pdf>.

Castro, Andrea and Moumié Maoulidi, *A Water and Sanitation Needs Assessment for Mekelle City, Ethiopia*, MCI Social Sector Working Paper Series, N° 7/2009, November 2009.

Common Market for Eastern and Southern Africa (COMESA), <http://www.comesa.int/>.

Common Market for Eastern and Southern Africa (COMESA), *Ethiopia's Trade Statistics Profile – 2007*, <http://comstat.comesa.int/>.

Crisis Group (also International Crisis Group), *Ethiopia: Ethnic Federalism and Its Discontents*, Africa Report N°153 – 4 September 2009, <http://www.crisisgroup.org/>.

Demeke, Solomon, *Poultry sector country review*, report commissioned by the FAO, 2008, <ftp://ftp.fao.org/docrep/fao/011/ai320e/ai320e00.pdf>.

Devereux, Stephen and Bruce Guenther, *Social Protection and Agriculture in Ethiopia*, report commissioned by the FAO, 2007, http://www.fao.org/es/ESA/pdf/workshop_0108_ethiopia.pdf.

Dinh, Hinh T., Vincent Palmade, Vandana Chandra, and Frances Cossar, 'Chapter 8, Ethiopia as Exemplar', in *Light Manufacturing in Africa: Targeted Policies to Enhance Private Investment and Create Jobs*, A copublication of the Agence Française de Développement and the World Bank, Washington, DC, 2012, <http://siteresources.worldbank.org/DEC/Resources/LightManufacturingInAfrica-FullReport.pdf>.

Disenya, Tsidiso, *Towards an EAC, COMESA and SADC Free Trade Area: Issues and Challenges*, October 2009, <http://www.afdb.org/fileadmin/uploads/afdb/Documents/Knowledge/2009%20AEC-%20Towards%20an%20EAC%20COMESA%20and%20SADC%20Free%20Trade%20Area%20Issues%20and%20Challenges.pdf>.

European Commission, *Ethiopia: Trade statistics, 2011*, http://trade.ec.europa.eu/doclib/docs/2011/january/tradoc_147265.pdf.

Feyissa, Hailegabriel G., 'The Role of Ethiopian Courts in Commercial Arbitration,' *Mizan Law Review*, Vol 4, No. 2, 296-333 (2010).

Food and Agriculture Organization of the United Nations (FAO), *Ethiopia: Country profile*, last updated 7 July 2011, <http://www.fao.org/countries/55528/en/eth/>.

Food and Agriculture Organization of the United Nations (FAO), Aquastat, *Ethiopia: Water and agriculture profile*, http://www.fao.org/nr/water/aquastat/countries_regions/ethiopia/index.stm.

Food and Agriculture Organization of the United Nations (FAO), *Commodity exports: Ethiopia, 2008*, <http://faostat.fao.org/desktopdefault.aspx?pageid=342&lang=en&country=238>

Food and Agriculture Organization of the United Nations (FAO), *Commodity imports: Ethiopia, 2008*, <http://faostat.fao.org/desktopdefault.aspx?pageid=342&lang=en&country=238>

Foster, Vivien and Elvira Morella, *Ethiopia's Infrastructure: A Continental Perspective*, Policy Research Working Paper 5595, The World Bank, Africa Region, Sustainable Development Department, March 2011, at <http://econ.worldbank.org>.

Government of Ethiopia

Central Statistical Agency of Ethiopia, 2011
National Statistics, Section 11. Population, 2012,
http://www.csa.gov.et/index.php?option=com_rubberdoc&view=category&id=79&Itemid=606.

Central Statistical Agency of Ethiopia, Links to federal ministries: http://www.csa.gov.et/index.php?option=com_weblinks&view=category&id=19%3Agovernmental-offices&Itemid=48.

Ethiopian Investment Agency (EIA), *Ethiopia Investment Guide 2012*, under 'Publications' at <http://www.ethioinvest.org/index.php>.

Ethiopian Investment Agency (EIA), *Factor Costs, March 2012*, under 'Publications' at <http://www.ethioinvest.org/index.php>.

Ministry of Finance and Economic Development, *Ethiopia: 2010 MDGs Report*, Addis Ababa, September 2010.

Ministry of Finance and Economic Development, Financial Institutions, <http://www.mofed.gov.et/English/Information/Pages/FinancialInstitutions.aspx>.

Ministry of Finance and Economic Development, *Growth and Transformation Plan, 2010/11 – 2014/15, Volume 1: Main Text*, <http://www.mofed.gov.et/English/Resources/Documents/GTP%20English2.pdf>.

Ministry of Finance and Economic Development, Tax Synopsis, <http://www.mofed.gov.et/English/Information/Pages/TaxSynopsis.aspx>.

Ministry of Mines and Energy, *National Report on Mining to the United Nations Commission on Sustainable Development (UNCSD)*, Addis Ababa, November 2009, http://www.un.org/esa/dsd/dsd_aofw_ni/ni_pdfs/NationalReports/ethiopia/mining.pdf.

Ministry of Trade and Industry, <http://www.ethiopia.gov.et/English/MOTI/Pages/Home.aspx>.

National Bank of Ethiopia, *Annual Report 2009-2010*, 17 October 2011, http://www.nbe.gov.et/pdf/annualbulletin/Annual%20Report%202009_2010/Annual%20Report%202009_2010.pdf.

Government of the United States

African Growth and Opportunity Act (AGOA), <http://www.agoa.gov>.

Central Intelligence Agency, *The World Factbook*, <https://www.cia.gov/library/publications/the-world-factbook/geos/et.html>.

Department of Commerce, *Doing Business in Ethiopia: 2011 Country Commercial Guide for US Companies*, 2011, http://www.buyusainfo.net/docs/x_3331605.pdf.

Department of State, Bureau of African Affairs, Background Note: Ethiopia, <http://www.state.gov/r/pa/ei/bgn/2859.htm>.

Department of State, Bureau of Economic, Energy and Business Affairs, *2011 Investment Climate Statement: Ethiopia, March 2011*, <http://www.state.gov/e/eb/rls/othr/ics/2011/157275.htm>



Haddis, G/Giorgis and Murutse Desta, Talent Development Consultants, Mekelle City Profile, Prepared for the Tigray Regional Bureau of Plan and Finance, September 2011.

IMF – See International Monetary Fund.

International Livestock Research Institute (ILRI), Domestic Animal Genetic Resources Information System (DAGRIS), *General breed information on Raya-Azebo cattle*, <http://dagris.ilri.cgiar.org/display.asp?ID=92>.

International Monetary Fund (IMF), *The Federal Democratic Republic of Ethiopia: Joint Staff Advisory Note on the Growth and Transformation Plan 2010/11 – 2014/15*, IMF Country Report No. 11/303, 12 October 2011, <http://www.imf.org/external/country/ETH/index.htm>.

International Monetary Fund (IMF), *The Federal Democratic Republic of Ethiopia: Poverty Reduction Strategy Paper: Growth and Transformation Plan 2010/11-2014/15 – Volume I*, IMF Country Report No. 11/304, 12 October 2011, <http://www.imf.org/external/country/ETH/index.htm>.

International Monetary Fund (IMF), *The Federal Democratic Republic of Ethiopia: Poverty Reduction Strategy Paper: Growth and Transformation Plan 2010/11-2014/15 – Volume II*, IMF Country Report No. 11/305, 12 October 2011, <http://www.imf.org/external/country/ETH/index.htm>.

International Telecommunication Union (ITU), *ICT Statistics Database*, <http://www.itu.int/ITU-D/ict/statistics/index.html>.

Institute for Security Studies, <http://www.iss.co.za/default.php>.

Lopez , Jessica and Mounié Maoulidi, *Education Needs Assessment for Mekelle City, Ethiopia*, MCI Social Sector Working Paper Series, N° 5/2009, September 2009.

KPMG International, Mekelle, *Ethiopia: Potential opportunities for investors, June 2010*, <http://www.kpmg.com/Global/en/IssuesAndInsights/ArticlesPublications/Documents/Mekelle-august-2010.pdf>.

Mekelle Times, 'Ethiopia Jan inflation pulls back to 32 pct – Reuters Africa,' 07 February 2012, http://mekelletimes.com/index.php?option=com_content&view=article&id=3453:ethiopia-jan-inflation-pulls-back-to-32-pct-reuters-africa&catid=134:ethiopia-news1378990098&Itemid=589.

Morris, Lindsay, 'Power Engineering names Projects of the Year', December 14, 2010, <http://www.newsdire.com/news/1519-ethiopia-tekeze-hydro-power-is-the-2010-best-renewable-sustainable-projects-award-winner.html>.

Ofcansky, Thomas P., and LaVerle Berry, editors. *Ethiopia: A Country Study*. Washington: GPO for the Library of Congress, 1991.

Railways Africa, 'Ethiopia Seeks Funding', February 14, 2012, <http://www.railwaysafrica.com/blog/2012/02/ethiopia-seeks-funding/>.

UNCTAD – See United Nations Conference on Trade and Development.

UNIDO – See United Nations Industrial Development Organization.

Union of Producers, Transporters and Distributors of Electric Power in Africa (UPDEA), General Secretariat, *Comparative Study of Electricity Tariffs Used in Africa*, December 2009, <http://www.updea-africa.org/updea/DocWord/TarifAng2010.pdf>.

United Nations Conference on Trade and Development (UNCTAD), *An Investment Guide to Ethiopia, New York and Geneva, 2004*.

United Nations Conference on Trade and Development (UNCTAD), Country-specific Lists of Bilateral Investment Treaties, <http://www.unctad.org/Templates/Page.asp?intItemID=2344&lang=1>.

United Nations Conference on Trade and Development (UNCTAD), Country-specific Lists of Double Taxation Treaties, <http://www.unctad.org/Templates/Page.asp?intItemID=4505&lang=1>.

United Nations Conference on Trade and Development (UNCTAD), *Report on the Implementation of the Investment Policy Review: Ethiopia*, New York and Geneva, 2011.

United Nations Development Programme (UNDP), Ethiopia, *Millennium Development Goals in Ethiopia*, http://www.et.undp.org/index.php?option=com_content&task=view&id=30&Itemid=113.

United Nations Industrial Development Organization (UNIDO), *Investment Opportunities for Development: Mekelle, Ethiopia*, Vienna: UNIDO, 2009, http://www.unido.org/fileadmin/user_media/Publications/Pub_free/MCI_investment_opportunities_for_development_2009.pdf.

Vaughan, Sarah and Mesfin Gebremichael, *Rethinking business and politics in Ethiopia: The role of EFFORT, the Endowment Fund for the Rehabilitation of Tigray*, August 2011, London, UK: Overseas Development Institute, <http://www.institutions-africa.org/filestream/20110822-appp-rr02-rethinking-business-politics-in-ethiopia-by-sarah-vaughan-mesfin-gebremichael-august-2011>.

World Bank and International Finance Corporation, *Doing Business 2012 Report*, Data, <http://www.doingbusiness.org/data>.

World Bank and International Finance Corporation, *Doing Business 2011: Common Market for Eastern & Southern Africa (COMESA)*, Washington, DC: World Bank, 2011.

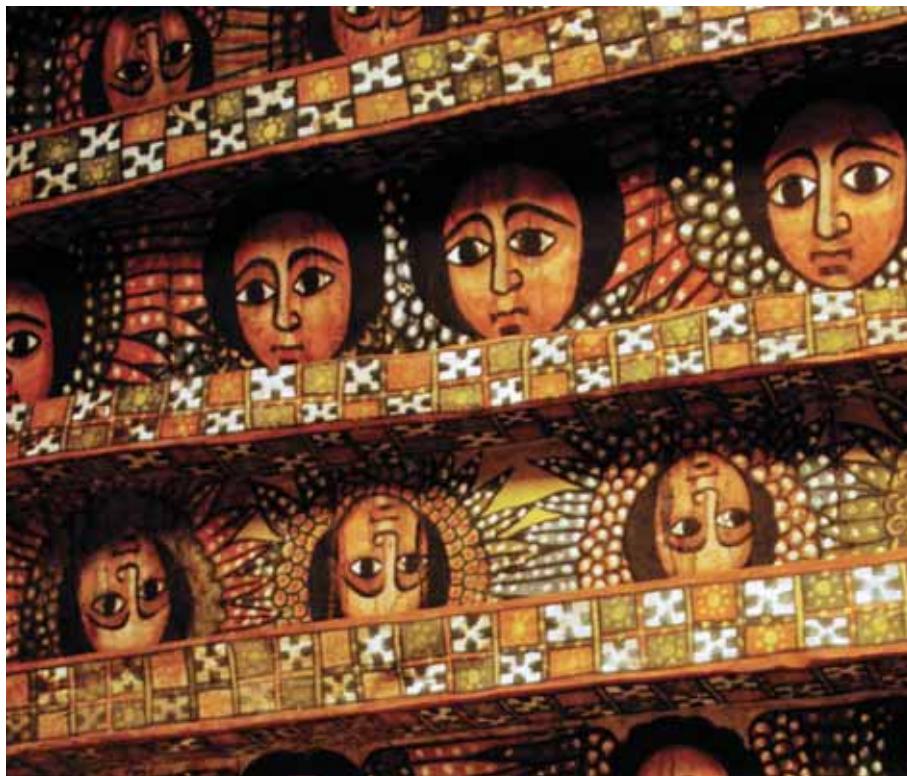
World Bank and International Finance Corporation, *Doing Business 2012: Economy Profile: Ethiopia*, Washington, DC: World Bank, 2011, <http://www.doingbusiness.org/~/media/FPDKM/Doing%20Business/Documents/Profiles/Country/ETH.pdf>.

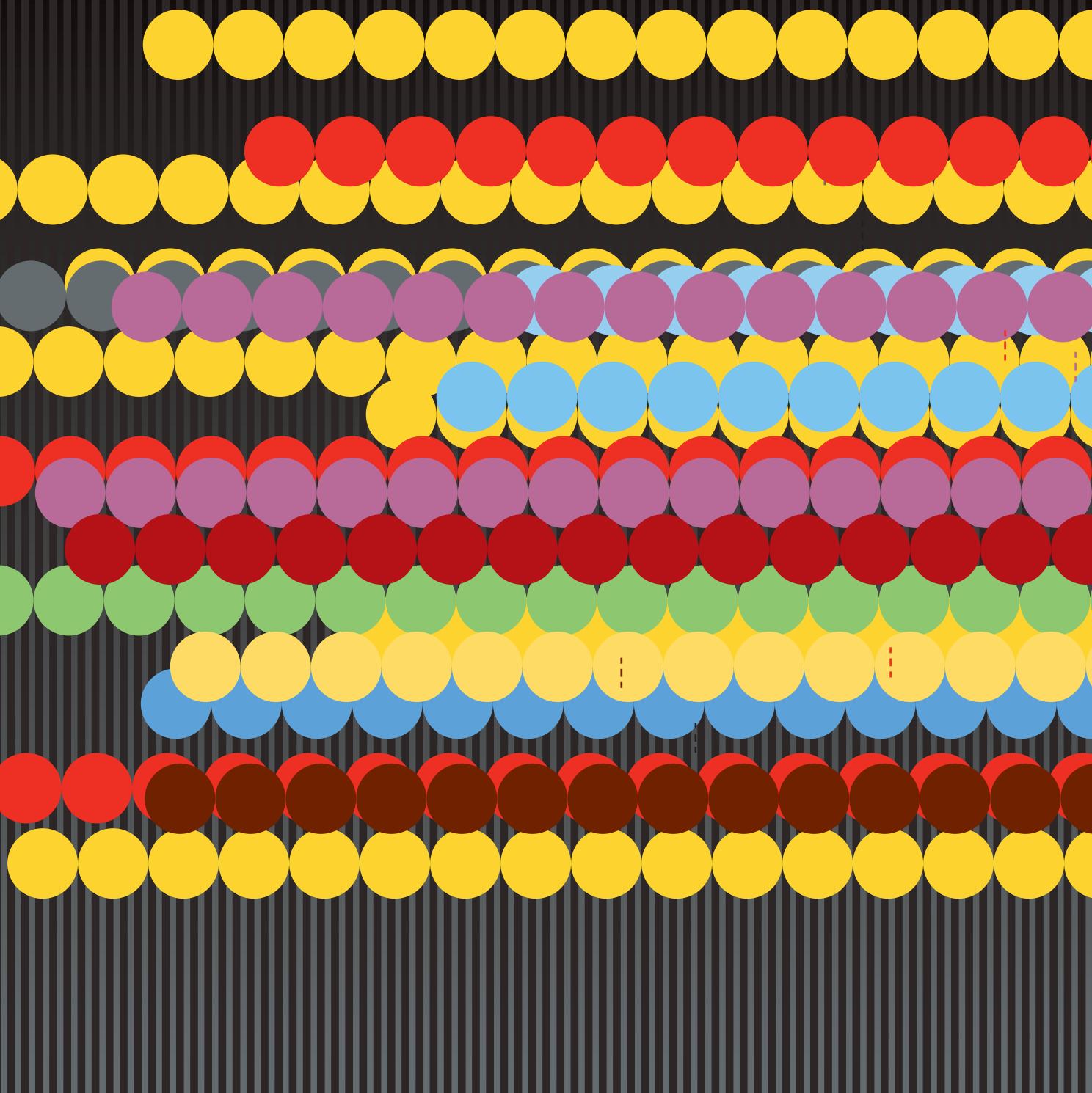
World Bank, See Dinh, et al. above.

World Bank, See Foster and Morella above.

World Bank, *Toward the Competitive Frontier: Strategies for Improving Ethiopia's Investment Climate*, Report No. 48472-ET, June 2009, <http://siteresources.worldbank.org/INTETHIOPIA/Data%20and%20Reference/22432643/Et-ICA-10-June-09.pdf>.

World Food Programme, WFP Logistics, *Djibouti – Logistics Infrastructure: Port Assessment*, <http://dlca.logcluster.org/DJI/logistics-infrastructure/index.html>, July 2012.





This publication was made possible due to the cooperation of:

