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Ethiopia's experience in reconciling foreign direct investment with small hold farming

By

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The views expressed are those of the author and do not necessarily reflect the views of UNCTAD.

Ethiopia's Experience in Reconciling Foreign Direct Investment With Small hold Farming



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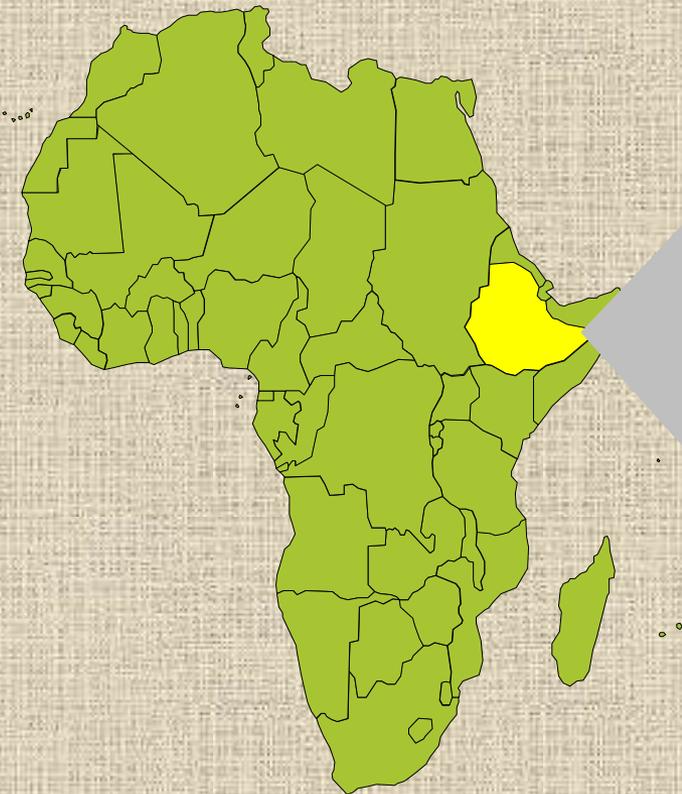
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1. INTRODUCTION: ETHIOPIA AT A GLANCE



Population – More than 90 mln.

Area - 1.14 million km²

The economy is growing by more than 11% since 2004

One of the fastest growing economy in the world.
(the Economist Intelligence Unit)



✓ **Land:**

- *74.3 million hectares of land suitable for agriculture
(out of which only about 24% are currently utilized)*
- *10 million hectares of irrigable land
(only 3% utilized)*

✓ **Climate:**

- *Climate suitable for growing over 146 types of crops*

✓ **Young labor force:**

- *more than 50% trainable young labor force.*

ETHIOPIA'S ECONOMIC POLICIES

- *Agricultural Development Led Industrialization (ADLI)*
- *Pro-Market (Export)*
- *Pro-Private Sector*
- *Pro- Liberalization*
- *Pro-/Small hold Farming*
- *Growth and Transformation Plan - (GTP II) as a central plank of its 5 years development Programme*

Pro- Small hold Farming

- Extension Support – Extension service is provided by Government
 - 60,200 Extension Agents (Agronomy, Husbandry & Natural Resource)
 - 12,400 Farmers Training Centers (Training with Practical Demonstrations)
 - 25 Extension Agents Training Institutions (To train Extension Agents)
 - Extension Package
 - Ratio: one Extension Agent for 500 Farmers
-

Pro- Small hold Farming ...

- Technology Support –
 - Ethiopian Agricultural Research Institutes
 - ESE and Regional Seed Enterprises
 - Availing Fertilizer with competitive bidding
 - Availing Credits for Farmers
 - Establishing & Strengthening soil testing laboratories
 - Irrigation Development
 - Natural Resource Conservation
-

Pro- Small hold Farming ...

- Marketing Support:
 - Primary Level Commodities Transaction Centers
 - Ethiopian Commodity Exchange
 - Modern Marketing System (ECX)
 - Quality Grading
 - Transparency
 - Fast Transaction
 - Arbitration in case of disputes
 - Marketing Facilities & Infrastructure Development
 - Incentives Packages for export
-

RATIONALITIES FOR INVESTING IN ETHIOPIA



Let us see!

- 1. Internal Conditions*
- 2. Natural Conditions*
- 3. Pro-Investment Conditions*
- 4. Market Access Conditions*

Reason 1: *Stability*



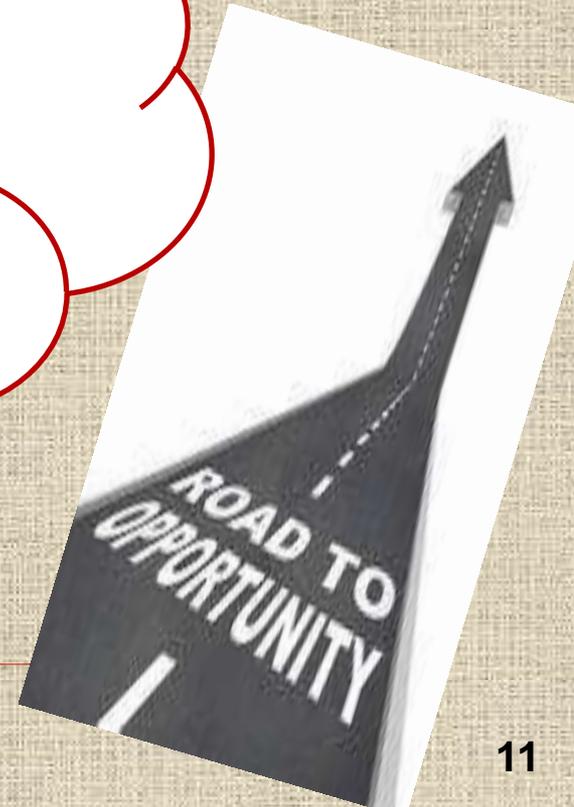
- ✓ ***Ethiopia is a country with quite social, political and economic stability.***

Reason 2: *Economic Growth*

- ✓ High economic growth has vast benefit



Ethiopia is among the fastest growing countries in the world.



Reason 3: *Corruption*

- ✓ Corruption is among the evils of growth.

**In Ethiopia, there is
ZERO tolerance to
corruption
In principle**



Reason 4: *Crime*

- ✓ Low crime rate is one of the determinants of good business environment



Ethiopia is fortunate enough to have the Lowest crime rate in Africa.



Reason 5: *Climate*

- ✓ Climate remains an important aspect in the lives of every living thing; .

Ethiopia is a country with excellent climate and fertile soils... The climate is suitable for growing over 146 types of crops

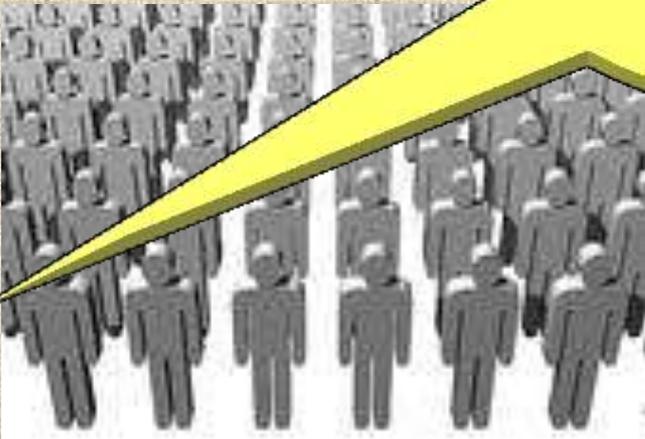


Reason 6: *Labor force*

- ✓ The labor force is one of the key components for Investment. **Ethiopia has large youth population**.

Ethiopia:
has abundant
labor force

Easley
trainable
Labor force



Reason 7: *Location*



Ethiopia:
***Naturally
located at the
crossroads -
Africa, the Middle
East, & Asia***

Reason 8: *Government Commitment*

- Introducing free market economy.

Ethiopia: has simple & transparent investment approval procedures

continuously improved Investment Law

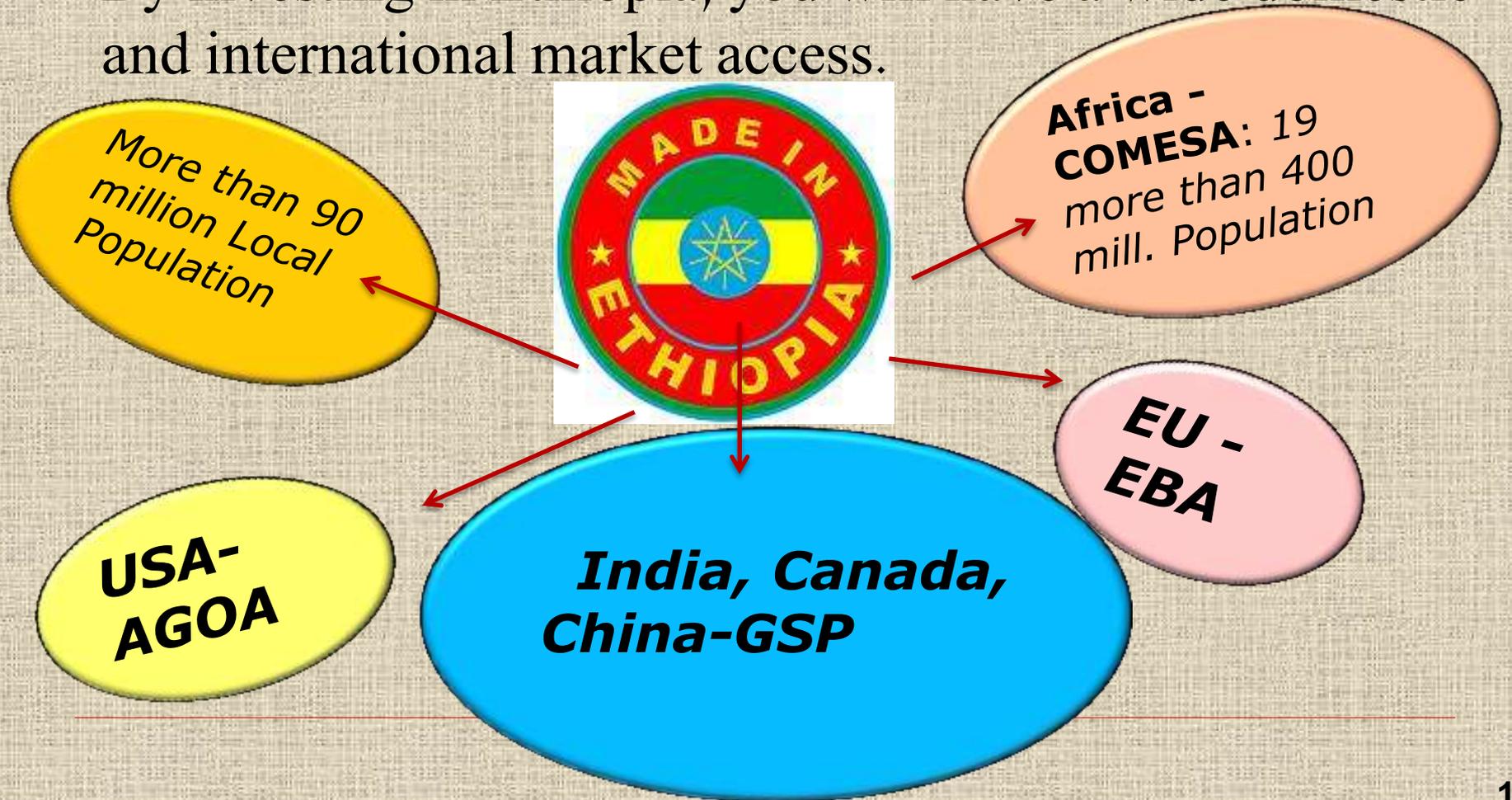


Competitive incentive packages
-Tax holiday
-duty free, etc.,



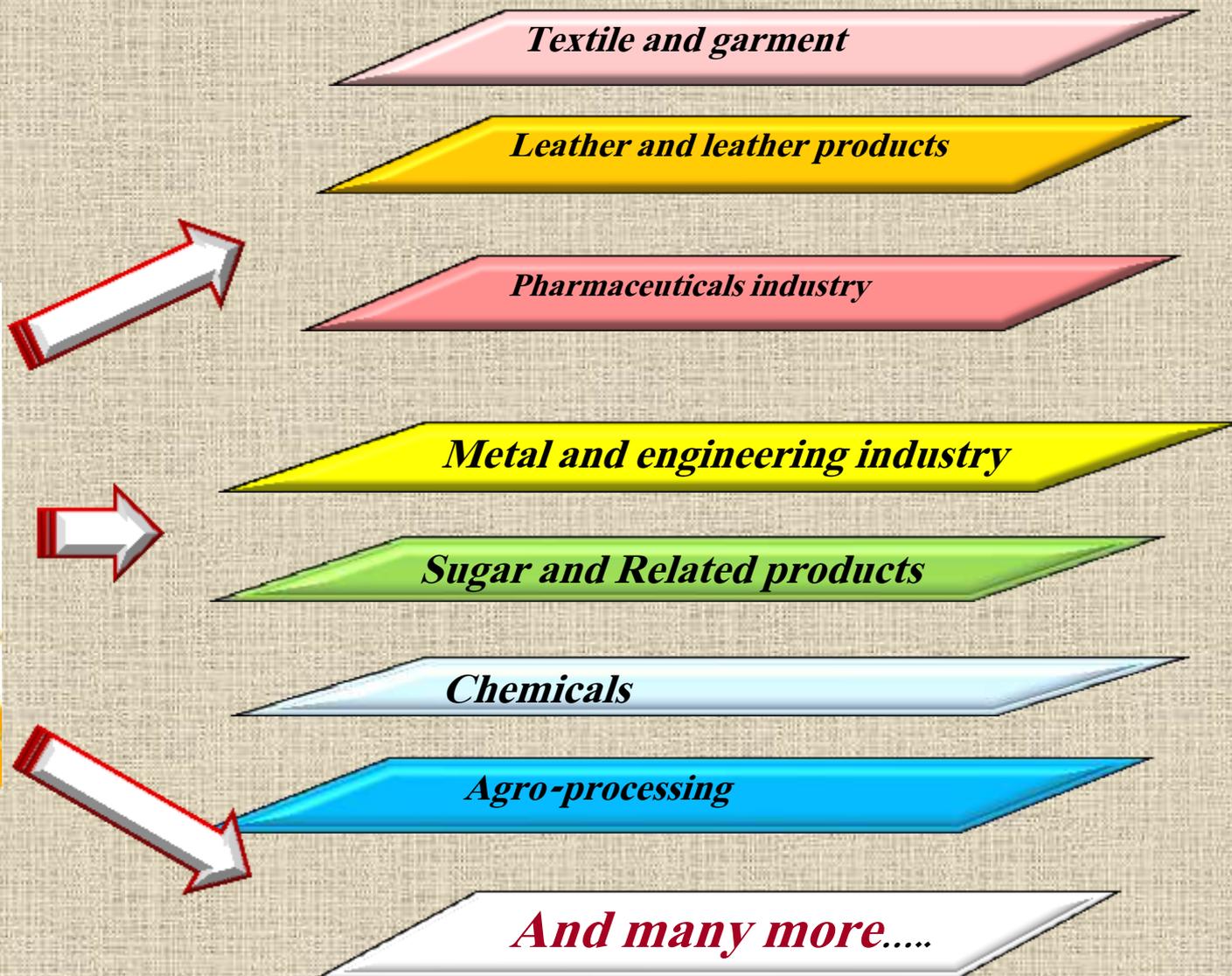
Reason 9: *Access to a wide market*

- ✓ By investing in Ethiopia, you will have a wide domestic and international market access.



Reason 10: *Comparative advantages*

✓ *Ethiopia offers a comparative advantage in different sectors.*



Summary: Investment Opportunities



1. AGRICULTURE

Food crops

Beverage Crops

Horticulture

Cotton

Sugar processing

Rubber & Palm tree

Bio-Fuel Production

Spices



LIVESTOCK

Apiculture

Aquaculture

Forestry & related activities



Summary: Investment Opportunities



2. MANUFACTURING

Textile & Apparel

Leather & leather products

Pharmaceuticals industry

Metal & Engineering industry

Chemicals industry

Paper & paper products industry

Non-metallic mineral products industry

Building materials

Agro-processing



Summary: Investment Opportunities

Investment
opportunities

3. ICT

4. MINING

5. ENERGY

6. TOURISM

7. AIR TRANSPORT

8. CONSTRUCTION

9. HEALTH

10. EDUCATION



Multinational companies investing in Ethiopia



SAB Miller is one of the world's leading brewers and bottlers of Coca-Cola products with more than 200 beer brands and some 70,000 employees in over 75 countries.



Diageo is the world's leading premium drinks business with an outstanding collection of beverage alcohol spirits. In Ethiopia, it is increasing local barley sourcing through contract farming agreements with smallholder farmers and they have also acquired the Ethiopian beverage company Meta Beer.



Allana Potash is a Canadian, publicly traded corporation that focuses on the acquisition and development of potash assets. The company's flagship project is the Dallol Potash Project in Ethiopia's Danakil Depression with 1.298 billion tonnes of measured and indicated potash.



Nyota Minerals Limited is a gold exploration and development company focused on the development of their flagship project Tulu Kapi and also the exploration of Western Ethiopia.

Multinational companies investing in Ethiopia ...



Ayka Textile is a vertically integrated textile manufacturer covering spinning, knitting, dyeing & sewing facilities located in Turkey with a subsidiary in Ethiopia (Ayka Addis Group) since 2010.



Stratex is an exploration and development company focused on gold and high-value base metals in Turkey, East & West Africa. It has discovered more than 2.2 million ounces of gold and 7.9 million ounces of silver.



Headquartered in Toronto, Canada, Vale's Base Metals business sets standards of excellence in mining, processing and the marketing of metal products. It employs over 12,000 people all over the world.



HEINEKEN owns and manages one of the world's leading portfolios of beer brands and is one of the world's leading brewers in terms of sales volume and profitability. In Ethiopia, Heineken has signed an MOU to source 20,000 MT of malt barley locally over the next four years and has acquired Harar and Bedele Beer.

Multinational companies investing in Ethiopia ...



BHP Billiton is a leading global resources company. Their purpose is to create long-term shareholder value through the discovery & acquisition, development and marketing of natural resources.

Tiger Brands



Tiger Brands Limited is one of the largest manufacturers and marketers of fast moving consumer goods (FMCG) products in Southern Africa. In Ethiopia it owns 51% of a JV with East Africa Holdings. Their 2,000 employees are engaged in the production of FMCG (flour, biscuits, supplementary food, pasta, soap, detergent, etc.).

The logo for Karuturi, featuring a stylized white mountain range silhouette above the word "KARUTURI" in white, uppercase, sans-serif font, all set against a dark green rectangular background.

KARUTURI

Karuturi Global is a world leader in production of cut roses with an area of over 292 hectares and with operations spread across Ethiopia, Kenya and India. In Ethiopia they are engaged in floriculture in the Zuhay and Gambella areas.



Gold is Ethiopia's main mineral export and has been mined there since ancient times, primarily as alluvial or free gold. At present Ethiopia has a single large-scale gold mine, the Midroc Gold Mine at Lega Dembi, which is an operating open pit mine in Ethiopia.

CHALLENGES



Challenge in business is
inevitable !

- ✓ Foreign investors may face different challenges ;
 - ✓ *1. Access to Credit:* access to finance could take longer time than usual.



CHALLENGES

2. *Raw material supply:* though not often, foreign investors may face challenge in getting a sustained supply of raw materials.

3. *Bureaucratic system:* sometimes the bureaucratic procedure may take a longer time and may challenge foreign investors.

4. *Cost of transportation:* being a land - surrounded country has its own challenges in the sense of cost of transportation and logistics.



❖ *However, the government is taking major steps to alleviate these challenges – infrastructure, dry port, etc.,*

Remarks

Ethiopia, which is the land of investment opportunities,

Where FDI & Small hold farming are reconciled

Is it easy?

With firm stand & clear policy

Thank you!

