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F.D.R.E.

MINISTRY OF
FOREIGN
AFFAIRS



BUSINESS DIPLOMACY UPDATE

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The Ministry of Foreign Affairs of the FDRE is committed to promote sustainable investments that contribute to inclusive economic growth, with job creation, knowledge transfer and capacity building. It works in coordination with F.D.R.E. missions and foreign representations in Addis Ababa.

This biweekly bulletin is prepared in view of informing the public and the diplomatic community on investment, trade, technology transfer and tourism activities undertaken by the Ministry of Foreign Affairs as well as the opportunities in those sectors.

INVESTMENT POLICY UNDERGOING REFORMS UNDER NEW EIC LEADERSHIP



Mr. Abebe Abebayehu is Commissioner of the Ethiopian Investment Commission.

How do you describe Ethiopia's performance in attracting FDI in the 2017/2018 fiscal year?

Foreign investment flows to Ethiopia has shown continued increase in the past decade; in the 2017/18 fiscal year, Ethiopia registered an FDI inflow in excess of \$3.7 billion. This is a great leap compared to the investment flow that stood at half a billion USD in 2005/6 and stagnated well below USD 1.2 billion in 2010/11. In less than five years, therefore, the net FDI inflow has quadrupled. During the 2017/18 fiscal year, more than 275 investors with planned investment capital of \$5 billion acquired investment permits. The combined reading of these trends shows that Ethiopia is on the right path to becoming Africa's prime investment destination. The country's accomplishment in attracting productive foreign direct investment is mainly attributed to key policy interventions and promotions as well as crucial support frameworks tendered by a host of international institutions - including the World Bank and United Nations Conference on Trade and Development (UNCTAD). UNCTAD's Investment Report in 2017 shows that Ethiopia has become an investment hotspot in Africa; while FDI flows to the rest of the continent continued to decline, Ethiopia attracted more FDI than ever before. With a record growth in FDI flow, the country has become one of the largest recipients of FDI in the continent and the second largest LDC host economy.

As testimony to such achievements, the country received world-wide recognitions from various international development agencies including the UNCTAD and World Bank Group (WBG). In November of last year, UNCTAD awarded Ethiopia its esteemed annual award for promoting investment in Sustainable Development Goals (SDGs). Similarly, the World Bank Group recognized Ethiopia bestowing its 'Star Reformer Award' for outstanding performance in investment policy reform and

"Ethiopia's diplomatic missions need to play more proactive role to understand, promote and implement targeted investment recruitment strategy. This entails adopting various measures aimed at transforming diplomatic missions from their current passive state to active investment promotion agencies."

promotion. In addition, the Ethiopian Investment Commission received the 2018 AIM investment award as the "best investment promotion agency in East Africa". Such remarkable outcome is achieved through the various investment-enhancing measures adopted over the years - including the development of industrial parks across the country as well as the implementation of targeted investor recruitment strategies. In addition, the comprehensive investment climate reforms carried out by the Government of Ethiopia enabled both domestic and foreign entrepreneurs to continuously invest in the country.

Would you please explain where the investors come from and their focus investment areas?

FDI flow into Ethiopia largely concentrates in the manufacturing sector - with investors from Asian and European countries playing the leading role. A significant part of such investment has been made within the framework of facilities availed by Ethiopia's newly inaugurated industrial parks. The manufacturing sector stands out as the top recipient - now leading for consecutive years and receiving more than 75 percent of the total capital outlays. This is followed by the services and agriculture sectors. Focusing on specific sectors, Ethiopia has been successful in attracting greenfield FDI in the textile and garment, food and beverages, and chemicals and pharmaceuticals sectors. The textile and garment industry received the larger share of the overall investment in the manufacturing sector. Ethiopia obtained a sizable portion of the overall FDI inflow to the East African region mainly because of the conducive opportunities availed in the sector. During the 2016/17 fiscal year, Ethiopia was the second largest recipient of FDI in textile and apparel globally. In the years ahead, Ethiopia is also projected to become one of the major textile and garment producers and industry players in the world.

How do you describe the contribution of these investment projects in bringing foreign currency and in enhancing technology and knowledge transfer?

Ethiopia's Second Growth and Transformation Plan envisaged, among others, the promotion of foreign investment and the development of new industrial parks as key compo-

nents augmenting export trade, import substitution and increased generation of foreign currency earnings. Ethiopia has identified industrial parks investment in strategic locations and sectors as a crucial generator of jobs, accelerator of increased and diversified exports, as means for greater transfer of technology, and stimulator of socially and environmentally responsible urban development. While a lot remains to be done in improving the country's export performance, such concentrated efforts are already bearing fruit - the most recent example being the significant boosting of national performance in utilizing preferential market access opportunities such as the African Growth and Opportunity Act (AGOA). In the past year alone, Ethiopia registered the largest increase in the East Africa region under the framework of AGOA exports to the US - with an astounding 62 percent upsurge. Another very notable trend in FDI's sectoral composition in Ethiopia is the radical growth of investment in horticulture and floriculture. Ten years ago, Ethiopia was hardly known as exporter of cut flowers. Within the last decade alone, Ethiopia transformed from zero commercial production of cut flowers to becoming the second largest exporter of the product in Africa - only after Kenya, and the sixth in the world. Ethiopia's supply to global flower market grew by more than 292.1% in recent years to contribute to



PM Abye presenting the Doing Business Reform program to various stakeholders

more than 9% of the world market share.

Such achievements notwithstanding, in recent years, the country has not only failed short of meeting the export targets, a declining trend has also been witnessed in export growth trajectory. This awkward development needs to be arrested as a matter of urgency by significantly improving export performance. This naturally requires a fresh look at fundamentals that engender the predicament and the proactive participation of all stakeholders in proffering solutions.

Continued on page 2 & 4>>>

In this edition:

MOFA -FOREIGN CHAMBER OF COMMERCE CONSULTATIVE MEETING 2

MOFA -FOREIGN CHAMBER OF COMMERCE CONSULTATIVE MEETING 2

ETHIOPIA'S P.M SPECIAL ADVISOR H.E. DR. ARKEBE OQUBAY HELD DISCUSSION WITH CNTAC OFFICIALS IN BEIJING 3

THE EMBASSY OF ETHIOPIA IN JAKARTA HELD A BUSINESS DISCUSSION 3

ETHIOPIA'S TOURISM POTENTIAL AND DESTINATIONS EXHIBITED ON A FORUM HELD IN SHENYANG CITY, LIAONING PROVINCE - CHINA 3

BUSINESS FORUM HELD IN TIZIOUZOUJ, ALGERIA 3

ETHIOPIA'S AGRI - BUSINESS INVESTMENT POTENTIAL HIGHLIGHTED ON CHINESE AGRICULTURAL INVESTMENT WORKSHOP IN SHIJIAZHUANG CITY, HEBEI PROVINCE-CHINA 4

MINISTRY OF FOREIGN AFFAIRS HELD ROUND TABLE DISCUSSIONS WITH ECONOMIC AND COMMERCIAL COUNSELORS



Foreign Direct Investment Promotion and Technology Transfer Directorate General organized a half-day round table discussion with Economic and Commercial Counselors of residential Embassies in Addis Ababa on January 9, 2019 at the Ministry of Foreign Affairs. Permanent Secretary for the Economic Diplomacy Affairs, Ambassador Dewano Kedir noted during the meeting that the government would continue to work to create a conducive environment and a favorable business climate in line with its policy objectives of promoting Ethiopia as a favorable destination for investment and tourism. Ambassador Dewano Kedir, in his opening remarks indicated that the purpose of the meeting was to look into the challenges that the foreign investors are facing in Ethiopia and working closely with embassies in alleviating the obstacles, as well as exchanging views on possible areas of further cooperation in 2019 and strengthening relations with their respective countries. He stated that, the year witnessed a more robust engagement by the Foreign Ministry at both the bilateral and multilateral levels to help realize the Government's vision of economic development.

The Ministry as part of the reform is organizing itself and this meeting is just an introduction to work very closely with embassies for the future.

Ambassador Dewano said in pursuit of the foreign policy objective of ensuring economic diplomacy, the Ministry had supported national efforts which diversified and increased Ethiopia's export base, drew in foreign investments, promoted tourism and hospitality among others. He added that "the re-establishment of the Business Diplomacy Directorate General in to two entities (FDI Promotion & Technology Transfer DG and Foreign Trade & Tourism Promotion DG) in the Ministry had been instrumental in this pursuit".

In a consultative discussion, Commercial representatives thanked the Ministry for organizing the interactive session with the Diplomatic Corps and hoped that such interaction would be organized more frequently to enhance the exchange of views. They also raised some concerns such as issues related with peace and stability, forex, electricity & water supply, tax , land, infrastructure etc.

They added that they will continue to work with the government in this regard, to attract more business and investment from their country and this platform is a great beginning to work together in the near future.

Close and regular contacts with Embassies make Ethiopia's promotion system work fine and the government administration is able to address adequately a growing demand from foreign investors," pointed out Ambassador Dewano.

MOFA –FOREIGN CHAMBER OF COMMERCE CONSULTATIVE MEETING



On January 11, 2019, the Ministry of Foreign Affairs held a roundtable discussions with stakeholders. Organized by FDI Promotion & Technology Transfer Directorate General , the meeting brought together representatives of four Foreign Chambers of Commerce and Business Associations in Ethiopia, who over the past year have actively cooperated with the Ministry of Foreign Affairs in promoting Ethiopian economy around the world.

Representatives of foreign companies were familiarized with actions of the Government directed to improvement of conditions for the foreign investors in the country and also future plans in carrying out reforms called to create favorable business climate in Ethiopia

In his address, Permanent Secretary for Economic Diplomacy, Ambassador Dewano stressed the priority importance of economic diplomacy

within Ethiopia's foreign policy and encouraged the deepening of active dialogue between MoFA and foreign chambers of commerce, business associations.

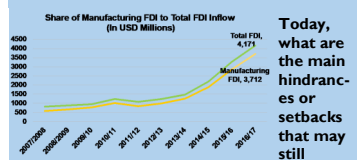
The Ministry of Foreign Affairs and representatives of the foreign business community in Ethiopia had the opportunity to address the concrete issues that may still deter a potential investor from investing in Ethiopia and the ways to attract foreign investors to our country.

The meeting serves as an exclusive platform for foreign investors in Ethiopia to directly get acquainted with leading sector ministries and learn firsthand information from government institutions, with the aim of fostering mutually beneficial business opportunities.

The Ministry of Foreign Affairs promised to organize similar round table discussions on a regular basis to underscore Ethiopia's economic potential as a basis for economic engagement with foreign investors.

INVESTMENT POLICY ...

>>> Continued from page 1



Today, what are the main hindrances or setbacks that may still deter a potential investor from investing in Ethiopia? What measures are put in place to guarantee investment?

Despite the commendable advances in economic growth and investment inflows, investors (as well as domestic enterprises) face several challenges; this is particularly evident in the area of access to finance, the provision of efficient logistics services and other business facilities such as easy and timely connection to utilities (including electricity). The same issues hinder the overall growth of the private sector. Therefore, addressing Ethiopia's overall doing business environment is an urgent priority. To counter these challenges, the Ethiopian government has demonstrated strong political commitment at the highest level to drive several reforms and improve the country's investment and business environment. The sense of urgency in tackling regulatory and administrative barriers for the growth of investment is at its highest. The sweeping political reforms which Prime Minister Dr. Abiy's new administration unleashed will go a long way in creating a stable and sustainable democratic order - a vital undertaking to enhance overall economic growth.

Do you think that current issues and ongoing challenges (such as security, foreign currency, tax, compensation, electric & water supply etc.) in Ethiopia to affect investor appetite?

These concerns are legitimate and we would take appropriate measures to address the challenges. We are in constant dialogue with the respective regional authorities to provide required levels of safety and protection to investors and their investments. What we witnessed a year or so ago where the public expressed its anger and disappointment by damaging investments is now contained; the public is now demanding for more investments and employment opportunities to come to the respective localities. In terms of the broader investment climate issues, Prime Minister Abiy has already launched a national initiative to address the binding constraints affecting growth of the private sector. There is, therefore, full drive on the part of each relevant agency to take reform measures in identified areas.

Which measures is the government taking to improve Ethiopia's position in the World Bank's annual "Doing Business" rankings?

The government's commitment in improving the investment and business environment is expressed by its recent initiative coordinated by the Prime Minister's Office; this would significantly improve the doing business environment in Ethiopia. The reform efforts will mainly focus on addressing business related regulatory and administrative constraints that hinder full participation of the private sector. To track such reform efforts, the annual World Bank Ease of Doing Business (DB Report) is used as a benchmark tool to measure distance or deviations from best practices. The report serves as a standard instrument to measure the quality of Ethiopia's investment climate by providing comparisons across countries and over time which in turn helps highlight areas for reform. The Ethiopian Doing Business Initiative, recently launched by Prime Minister Dr. Abiy, will address about 10 key areas of reform that affect the business environment in the country. These include: starting a business, getting credit, dealing with construction permit, registering property, getting electricity, protection of minority investors and easing insolvency proceedings.

Continued on page 4 >>>



ETHIOPIA'S P.M SPECIAL ADVISOR H.E. DR. ARKEBE OQUBAY HELD DISCUSSION WITH CNTAC OFFICIALS IN BEIJING



A delegation led by H.E. Dr. Arkebe Oqubay, Special Advisor to the Prime Minister of the Federal Democratic Republic of Ethiopia held discussion with China National

Textile and Apparel Council (CNTAC), officials during his visit to Beijing, on December 14, 2018. During the discussion, H.E. Dr. Arkebe appreciated and encouraged member companies of CNTAC to invest more in Ethiopia. He also noted that Ethiopia is currently undergoing massive economic and political reforms which are going in the right track with unanimous support. Furthermore, Dr. Arkebe said that, by 2020 Ethiopia will have 30 Industrial parks with more port access due to the recent peace restoration with its neighboring Eritrea.

CNTAC's president, Mr. Sun Ruizhe on his part said that the textile industry played a great role in China's 40 years of opening up and Ethiopia is the council's number one choice and destination for Chinese textile enterprises under the go global initiative. Finally, Mr. Ruizhe extended an invitation to Ethiopia to attend and take part in the upcoming Hong Kong "Prime Sourcing Forum" in April 2019 and reaffirmed CNTAC's commitment to continue working with Ethiopia for a better economic cooperation.

Source: Beijing Mission

THE EMBASSY OF ETHIOPIA IN JAKARTA HELD A BUSINESS DISCUSSION



The Embassy of Ethiopia in Jakarta held a business discussion with the Director of Electronic and Telematic Industry, Ministry of Industry of the Republic of Indonesia and officials of Polytron company under Djarum holdings, a multi-sector manufacturing company.

Polytron Indonesia is a company engaged in manufacturing of various electronics such as Television, Mobile Phones, DVD Players, Multimedia Players and accessories and home appliances such as Refrigerators, Washing machines, Air conditioners and the like. The Ambassador explained Ethiopia's investment and business opportunities, incentive packages and market opportunities in the different sectors to and invited the Polytron company officials to visit Ethiopia for business assessment. The business development department of the Polytron company expressed the interest of the company to expand and consider Ethiopia as an investment destination. The company promised to continue discussions with its sister companies to visit Ethiopia for possible business assessment. The

director for Electronic and Telematic Industry department at the Ministry of Industry of Indonesia encourages and assists manufacturing companies in the electronics sector, including provision of new technology which the companies lack.

Source: Jakarta Mission

ETHIOPIA'S TOURISM POTENTIAL AND DESTINATIONS EXHIBITED ON A FORUM HELD IN SHENYANG CITY, LIAONING PROVINCE - CHINA



Ethiopia Embassy in Beijing in collaboration with Ethiopian Airlines organized a Tourism Promotion Forum aimed at promoting Ethiopia's tourism potential and destinations in the beautiful city of Shenyang, Capital of Liaoning Province in China, on Dec. 26, 2018. The Forum attracted more than 60 attendants from major tour operators, travel agents, destination promoters, tourism journalists, and government officials from

Liaoning Provincial Commission of Tourism Development and Shenyang Tourism Commission.

Mr. Wang Xiaojing, Deputy Party Secretary of Liaoning Provincial Commission of Tourism Development, on his opening remark noted that Ethiopia is one of the African countries that have been designated "Approved Destination Status" for Chinese tourists by the Chinese government and that the Forum would serve as a platform to explore Ethiopia as a new tourism destination for Chinese tourists and tourism stakeholders.

The Ethiopian Embassy in Beijing presented Ethiopia's diverse tourism attractions, mainly focusing on its immense geographical and cultural heritages, rich history, spectacular biological diversity, and was able to portray why Ethiopia was dubbed as the "land of Origins". Ethiopian Airlines also promoted its services to potential customers and its flight destinations from and to Ethiopia across the globe including its local flight destinations.

The Forum emphasized on the complementarities of the immense tourism attractions of Ethiopia and the great tourism potential of Liaoning Province in generating tourists in the out-bound tourism market, and was concluded with the celebration of Ethiopian Traditional Coffee ceremony.

In related news, at the sidelines of the Tourism Forum in Shenyang city, the Ethiopian Embassy together with the Ethiopian Airlines held three fruitful bilateral discussions with heads of Liaoning Provincial Commission of Tourism Development, Liaoning Comfort International Travel Service Co., Ltd and Shenyang Youth International Travel Service Co., Ltd subsequently and reached on an understanding to promote Ethiopia as a tourist destination for Liaoning tourists.

Source: Beijing Mission

BUSINESS FORUM HELD IN TIZIOUZOU, ALGERIA



The Ethiopian Embassy in collaboration with the Chamber of Commerce of Djurdjura held a business forum in the city of Tizi Ouzou on January 3, 2019. Speaking at the occasion, Mr. Abebe Tadesse, Minister Counselor, thanked the president of the Chamber for hosting this information session on investment, trade and tourism opportunities for Algerian companies and stressed the need to link up the business communities of the two sisterly nations.

Mr. Lakhdar Madjene on his part welcomed the initiative taken by the Ethiopian embassy and invited Algerian to work together with their Ethiopian counterparts. A presentation

was made on the different business opportunities in Ethiopia followed by a networking event. The embassy delegation also visited several industries in Tizi Ouzou in the sidelines of the business forum.

Source: Algiers Mission

MINISTRY OF FOREIGN AFFAIRS

INVESTMENT
PROMOTION AND
TECHNOLOGY
TRANSFER
DIRECTORATE
GENERAL

TEL: +251 115506931

TRADE AND
TOURISM
PROMOTION
DIRECTORATE
GENERAL

TEL: +251 115506931

EMAIL:

bussiness@mfa.gov.et

Follow Us



Design & Editing :
Yonathan Guebremedhin
yonigns@gmail.com

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ETHIOPIA'S AGRI – BUSINESS INVESTMENT POTENTIAL HIGHLIGHTED ON CHINESE AGRI-CULTURAL INVESTMENT WORKSHOP IN SHIJIAZHUANG CITY, HEBEI PROVINCE-CHINA



A workshop focusing on Agri – Business Investment Promotion in Africa was held in Shijiazhuang, Hebei Province on December 21, 2018.

The Workshop was aimed at further promoting investment opportunities and recruiting more potential Chinese investors and companies in

opportunities for Chinese agriculture society with a better understanding of the great potential Ethiopia can offer in agriculture and agro-processing investment sectors.

The workshop was finally concluded with a fruitful site visit and networking events with enterprises and companies in Hebei Province.

Source: Beijing Mission

INVESTMENT POLICY

>>> Continued from page 2

How do you evaluate the role of Ethiopia's diplomatic missions in attracting FDI?
Economic diplomacy is the anchor to Ethiopia's foreign policy. This orientation spurs Ethiopia's diplomatic missions to play a key role in promoting the country as a competitive investment destination. Their locational and diplomatic advantages allow missions to facilitate face-to-face discussions and create strong relationship with individual companies who would be availed with the information required in making informed investment decision. This applies equally to existing investors as part of the aftercare strategy since such companies are viewed as good sources of new investment. Diplomatic missions also play a key role in policy advocacy - channeling the views of investors about the investment climate in Ethiopia; this helps the relevant government agencies - including the Ethiopian Investment Commission - to consider reforms that may be necessary to attract more investments. This being said, we must also admit that there is ample room for improvement in terms of exploiting these advantages to the fullest extent. In particular, Ethiopia's diplomatic missions need to play more proactive role to understand, promote and implement targeted investment recruitment strategy. This entails adopting various measures aimed at transforming diplomatic missions from their current passive state to active investment promotion agencies. Collaborative work amongst institutions has been one of the biggest challenges; lack of coordination between the Ethiopian Investment Commission and regional state trade and investment bureaus has more often frustrated foreign investors.

Is there any institutional or regulatory framework developed by the relevant authorities to address this challenge?

Indeed, regional governments have important role to play in attracting, retaining and leveraging foreign and domestic investments. The quality of services offered by regional institutions, their strategies, actions and institutional predisposition affect business and investment decisions. In terms of investment promotion, the federal government and in particular the Ethiopian Investment Commission have created frameworks for institutional collaboration with regions with a view to supporting, among others, foreign investors in their locational decisions, in defining regional competitive values and promoting the same as well as in terms of creating local level linkages between FDI and local enterprises. Such collaboration between federal and regional government agencies is key in creating a competitive investment climate in Ethiopia. Indeed, the EIC has in particular established formal investment dialogue forums with regional investment bureaus to discuss common grounds for investment promotion, protection and aftercare services. To this end, the EIC leverages expertise and resources availed by various development partners in a bid to increase the capacity of regional investment promotion agencies, to keep them abreast with developments at the federal level and to ensure that regions play proactive role in the development of local clusters. In this regard, a typical example of multi-layered collaborative investment promotion is the successful development of industrial parks in different parts of the country which involved initiatives by the federal government (through the EIC and IPDC), regional governments (including regional agro-processing industrial parks) as well as private industrial parks. These concerted actions have succeeded in creating efficient service delivery platforms such as the one stop services by the EIC, and facilitated access to land, labor, raw materials and other productive services. Still, more work needs to be done in terms of strengthening efficient investment service provision both at the federal and regional levels. The government's commitment in improving the investment and business environment is further expressed in the structural changes EIC has recently undergone. Part of this structural change includes a dedicated unit within EIC which would initiate and propose key reforms that can significantly improve doing business in Ethiopia.

WHY INVEST IN ETHIOPIA? IV. Strong Guarantees and Protections

Private property is protected by the Constitution and the investment law.

A foreign investor has the right to make remittances out of Ethiopia in convertible foreign currency at the prevailing rate of exchange.

Ethiopia is a member of the Multilateral Investment Guarantee Agency (MIGA), a World Bank affiliate which issues guarantee against non-commercial risks in signatory countries, and of the World Intellectual Property Organization (WIPO).

Ethiopia has concluded over 30 bilateral investment promotion and protection agreements, of which 11 are with individual European Union Member States.

Significant other partners include China, India, South Africa, and Russia, and a number of regional economic partners (Israel, Egypt, and Sudan, among others).