

# MONTHLY PRESS REVIEW

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BY EAGATE FOREIGN TRADE AUXILIARY PLC

## Qatari delegation to explore business opportunities in Ethiopia

Qatari Former Prime Minister Sheikh Hamad Bin-Jassim Bin-Jaber Al Thani said that he would strive to explore business opportunities to engage Qatari investors in Ethiopia. After holding talks with Prime Minister Hailemariam Dessalegn at his office here yesterday, the Ex-Premier who led a Qatari delegation told journalists that he came to Ethiopia to explore the investment climate in the country.

"There is ample opportunity in Ethiopia to invest so we hope that we can consolidate the tie between the two countries in the business sector," Sheikh Hamad Bin-Jassim added.

He discussed with the premier ways of strengthening business and investment ties between the two countries thereby engaging the private sector, according to special envoy to the Premier Ambassador Berhane Gebrekiristos. Inviting investors to explore opportunities in the areas of large scale farming, railway, power, among others, Sheikh Hamad Bin-Jassim expressed his readiness to do his level best to maintain relations between the countries. They as well agreed to work in ensuring peace and stability in the Horn of Africa and gulf countries for sustainable development.

Prime Minister Hailemariam told the Qatari former official that his country's is keen to strengthen the two countries relations in the areas of business and investment as well as peace and stability. *[Source: The Ethiopian Herald, April 15, 2016]*



### Hawassa Industry

.03

Generous incentives are in place for local investors looking to get involved in the Hawassa Industrial Park.



### Business Investment Climate

.05

A half day joint workshop to discuss on the quality



### Ethiopia, Somaliland sign accord to boost use of Berbera Port

Ethiopia signed a deal to boost trade through Somaliland's Berbera Port amid congestion at a facility in neighboring Djibouti officials said. Tariff have been revised and a committee established as part of the agreement signed on March 31, Sharmarke Jama, an economy and trade advisor for the Foreign Ministry in the semi-autonomous Somali region said.

[Source: *The Daily Monitor*, April 6, 2016]

### EEP, Indian company sign deal to construct power station

Ethiopian Electric Power (EEP) signed a contract agreement with Larsen and Toubro Limited for the design, supply and construction of Akaki II, Debrezeit II, Modjo, and Ginchi 400 kilovolt and 230 kilovolt substations on a turnkey basis.[...]

[Source: *The Reporter*, April 02, 2016]

### Dangote to expand investment in Ethiopia

The richest African business tycoon, Aliko Dangote, is set to boost his investment in Ethiopia, it was learnt. Dangote Industries has decided to undertake a massive expansion project at the existing plant. [...] Mesfin, head sales and marketing said Dangote Cement Ethiopia is set to build a second cement manufacturing plant with an installed capacity of 2.5 million tons at a cost of 600 million dollars [...]. [Source: *The Reporter*, April 02, 2016]

### Private Equity investment

[...] Focusing on opportunities and challenges of Private Equity and Alternative Financial Sources for the Private Sector, recently a luncheon program was organized by Addis Ababa Chamber of Commerce and Sectoral Associations with a view to deepening the awareness of the business communities.

[Source: *The Ethiopian Herald*,

# Stella Trade Join Ethiopia's Gold Extractors

The extraction license is a first for Stella, as well as the host region, Gambella

Stella Trade and Industry PLC has joined the league of four gold extractors operating in Ethiopia, after securing a large-scale gold mining license. This is a first for the company, as well as the host region of Gambella.

While more than 80 companies are in the process of exploration, only four have obtained extraction licenses, according to this year's publication by Ethiopia Extractive Industries Transparency Initiative (EITI).

Established a decade ago with a 50.2 million Br capital from its Ethiopian and Kenyan founders, Stella secured a gold extraction license in late March, two years after commencing exploration.

The report by the Transparency Initiative indicates that Ethiopia has a reserve potential close to 200,000 tons of gold minerals. Gambella is among the highest contributors of gold, standing third with 14pc, while Oromia and Tigray take 40pc and 27pc of the supply portion, respectively.

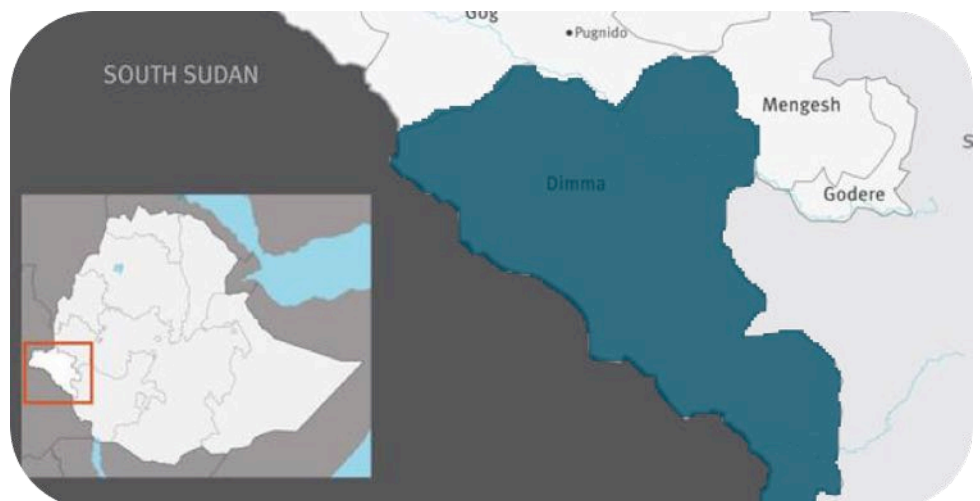
The Ministry of Mines has seven types of licensing, out of which large-scale mining licenses take precedence over those with up to a 10-year validity period, plus the renewal potential for another five.

Stella's exploration license is categorized as large-scale mining license and has up to 20 years of validity, with a renewal potential of ten years. Its extraction license, while also categorized under large-scale mining, is valid for just 10 years.

Before the 2013/14 fiscal year, the Ministry had given an exploration license for 187,810sqkm of land throughout Ethiopia.

Stella aspires to extract a little over 400kg of gold in just the first six years, dedicating 7pc as a royalty fee to the state[...].

[Source: *Fortune*, April 10, 2016]





BY EAGATE FOREIGN TRADE AUXILIARY PLC

## Incentives galore for local investors at Hawassa Industry Park

Generous incentives are in place for local investors looking to get involved in the Hawassa Industry Park. Arkebe Oqubay (PhD), special advisor of the Prime Minister and Board Chairman of the Industrial Parks Development Corporation (IPDC) stated that a new government policy specifically for industry parks will be introduced as such facilities are erected across the country.

He stated that the new policy that shall get acceptance by the local investors will be amended by the government in the couple of weeks.

According to the draft policy tabled on Friday April 22 at a meeting held at Sheraton Addis, the government is willing to offer attractive incentives to local investors intending to fully engage in the export market.

There are three central aspects to the incentives on the table, namely: investment and working capital incentives offered to investors joining the industry park at Hawassa, 275km south of Addis Ababa; training and technical support for local investors and ensuring that local manufactures produce inputs needed for export products.

The offer on the table for local investors includes access to capital up to 85 percent of the project's costs, delivered in two schemes.

Arkebe said that the government will offer loans allocated for machinery, more specifically "75 or 85 percent of costs will be loaned by the government and the balance will be covered by the investor to procure machinery."

At the Hawassa industrial park, working areas range from 5,500 to 11, 000 meters square. The government will undertake an economic feasibility study for the level of investment needed for both spaces. The study will be undertaken under the consultancy of foreign firms, engaged in development of the park, upon which the production layout of the more experienced foreign firms will later be emulated by local investors.

Arkebe said specifications for adequate machinery will be made clear and a vendor will be secured from a selection of four or five prominent international suppliers. Investors who prefer to procure their own machinery may be allowed to do so, given competitive prices are provided.

### Continued - Incentives galore for local investors at Hawassa Industry Park

A joint committee with members from banks, Ethiopian Investment Commission (EIC), Ethiopian Textile Garment Manufacturers Association, Textile Industry Development Institute, IPDC and Ministry of Industry will overlook the process and select the potential investors.

“Initially Development Bank of Ethiopia was engaged in this scheme but in due process Commercial Bank of Ethiopia will also facilitate the working capital,” the PM’s Special Advisor added.

#### INVESTMENT IN SKILLED LABOR

Recognizing that the availability of credit is not the only solution to challenges in the industrial sector, Arkebe said that the government will offer training and technical support to local investors. The government is willing to cover the major share of training costs for the local investors’ labor force, and firmly believe that such investment is crucial to maintain quality production to meet the export market, according to Arkebe.

“The government will cover 85 percent of the training for labor who will train in and out of the country in the first year and it will continue every year with the cost cover decreasing gradually to 75 percent, 50 percent and 25 percent over four years,” Arkebe stated. In the stated period, the private sector will be responsible for keeping up investment into up skilling their employees and in return employees will have to commit to their positions for the duration of the four-year period.

In addition to adding skills to local labor, the government is also willing to subsidize the costs of hiring expatriate professional staff in the first four years. The current estimate for the number of expat staff needed stands at 1,000. Similar to the training scheme, 85 percent of costs for the expatriate staff will be covered by the government in the first year and 75 percent, 50 percent and 25 percent over the remaining three years, respectively.

#### SECURING A MARKET FOR LOCAL INVESTORS

Local manufacturers with 100 percent export products will have a level of guarantee in the market – they will supply their products to foreign-based companies operating in the industrial park.

Arkebe explained that the nine foreign companies investing in the Hawassa Industry Park have agreed to supply their products to the Phillips-Van Heusen Corporation, commonly referred to as PVH Corp, which is an American clothing company which owns brands such as Tommy Hilfiger, Calvin Klein, IZOD and Arrow among others.

The government expects local manufacturers who would receive incentives to produce up to 75 percent of the production in the first year and 85 percent and 100 percent over the next consecutive two years. “If they cannot go as per the plan they will not be allowed to work at the park,” he added. He said that the government demands extraordinary and decisive measure from the private sector to improve their business and come up with the capacity of foreign based companies.

Fitsum Arega, Director General of EIC, said that the companies will never pay customs duty for machineries and accessories for an unlimited period of time. He said that the industries are also free from any income tax for ten years. “Sales inside the park between manufacturers are also free from any government charges,” he added. Arkebe encouraged private sector actors to buy the bid document floated by IPDC to be part of the investors at the Hawassa Industry Park. He said that the government has allocated up to 20 percent of the total space available for local investors at the facility. Currently 10 prominent manufacturers in the textile sector have already secured their shades at the facility and are expected to commence exporting early July. [...] *[Source: Capital, April 24, 2016]*



### GERD's capacity to enjoy 100's of MWs more

The Grand Ethiopian Renaissance Dam (GERD), the under construction iconic hydroelectric project, is under revision to generate more power Capital Learnt.

The project celebrating five years’ anniversary of the commencement of the construction, is under study to increase the generation capacity in hundreds of megawatts, from the currently targeted production capacity of 6,000 MW. Initially GERD was designed to produce 5, 270 MW and was later revised to 6,000 MW. [...]

*[Source: Capital, April 3, 2016]*



### S&P affirms Ethiopia's B/B ratings

Standard & Poor’s Ratings Services (S&P) affirmed its 'B/B' long-and short-term foreign and local currency sovereign credit ratings on the Federal Democratic Republic of Ethiopia, with a stable outlook. [...]

Ethiopia has led the continent in economic growth over the past four years, averaging over 10 per cent year-on-year, albeit from a low base. Normally supported the government investments and large infrastructure projects, it could meet challenges sin the years ahead. [...]

*[Source: The Daily Monitor, April 25, 2016]*

## Reforming trade across borders to improve business, investment climate

Lately, the Ethiopian Investment Commission (EIC) and the Ethiopian Revenue and Customs Authority (ERCA) organized a half day joint workshop to discuss on the quality and efficiency of Ethiopia's trade regulatory system ranging against with the basic parameters of the World Bank's Doing Business Report 2016.

In fact, the World Bank report measures the regulations that enhance business activity and those that constrain it. The study presents a detailed analysis of costs, requirements and procedures in all 10 methodology indicators such as Starting a Business; Dealing with Construction Permit; Getting Electricity; Registering Property; Getting Credit; Protecting Minority Investors; Paying taxes; Trading across borders; Enforcing contracts; Resolving insolvency 1 across 189 countries.

It has become an indispensable means for private sector development, and also to propel regulatory reforms in developing countries. As it has been released for public, countries are ranked from 1 to 189 by ease of doing business focusing on regulations relevant to the life cycle of businesses.

According to the report, Ethiopia ranks 146th out of 189 globally and 20th among 48 Sub Saharan African countries. Based on the 10 indicators used for measuring the countries' Doing Business suitability, Ethiopia ranks particularly below par in the area of starting a business (176th), getting credit (167th), trading across borders (166th), and protecting minority investors (166th).

In this regard, Senior Analyst with EIC Saron Lakew opposed

that the World Bank's Doing Business contest does not directly measures the macroeconomic conditions or the underlying strength of institutions, quality of infrastructure services, and the economy's proximity to large markets. As she noted, the status of training and skills of the labor force, transparency of public procurement, prevalence of bribery and corruption, security of property from theft and looting were not considered for competition.

Commissioner Fitsum Arega also said that though the efficient service delivery expected from EIC and ERCA needs more improvement, there has been a significant change to make the nation an enviable place of doing business. Recognizing the fact that trade can promote faster growth and development and higher income per capital in an economy, the Ethiopian government showed its commitment to improve the country's trade system from time to time.

Fitsum ascertained that EIC has been engaged in preparing conducive investment climate for the private sector to improve the country's ranking on 'Ease of Doing Business.' Consequently, the Commission has been working closely with various stakeholders to achieve the industrialization goals through providing a favorable investment and business climate that could compete with regional and international businesses. Approaching the solution, Saron explained that the government has also planned to place Ethiopia in a better rank than its current 104th position in Logistics Performance Index (LPI). Currently, logistics cost is 30 per cent of GDP and the goal is to reduce to less than 22 per cent by 2020. In addition, port dwell time will be reduced from 40 days to 3 days [...]. *[Source: The Ethiopian*

## Any Card, Any ATM

ATM usage has been made much more efficient and Ethiopia is catching up with technology that is decades old elsewhere in the developed world. After years of anticipation, and months of piloting, ET Switch's ATM interconnection became operational on Wednesday, April 20, 2016. That day, any ATM cardholder could walk up to any ATM machine owned by any bank and access their account. Card holders can now check their balance or withdraw funds. The savvy few who heard the good news made use of the convenience while those further from the grapevine had to walk the usual extra mile to retrieve their money. The banks with strategically located ATMs got to collect commissions for use of their machines, and ET Switch also got a slice of the pie, deducted from the unaware user. But ET Switch's wary approach, that gave rise to a silent opening, a soft-launch if you will, meant that few knew about the operation. Those in the dark included the bankers who assumed it was still being piloted. [...]

*[Source: Fortune, April 24, 2016]*



# Ethiopian celebrates 70th anniversary



The Ethiopian Airlines, which is connecting Ethiopia and Africa with the rest of the world, started to celebrate its 70th anniversary yesterday.

Speaking at the event, CEO Tewolde Gebremariam said that the success of the Airlines is due to the highly dedication and commitment of Ethiopian family--the former and the current staff.

According to him, besides serving Ethiopia to the rest of the world, the Airlines is also at the forefront in serving the continent for the past 70 years.

"The result of such a long journey of dedicated service has now culminated in connecting 51 cities in Africa with the major

trading centers of the world in five continents and 41 cities around the world." [...] According to him, the billions of dollars that the Airlines invested in its modern fleet, aviation infrastructure, human resource development and operating systems are a testimony that shows Ethiopian is positioned in a solid foundation to scale up the growth in its vision 2025.

Tewolde also said: "The fast, profitable and sustainable growth we have registered in the last ten years has made the Airlines the largest, most profitable and fastest growing on the continent".

[Source: *The Ethiopian Herald*, April 9, 2016]



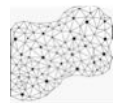
East Africa Gate (EAGate) is a dynamic French/Ethiopian business partnership founded by Ms. Tigist Getachew Araya and Mr. Olivier Poujade. The two partners graduated from Toulouse University (France) and together combine more than 15 years of experience in emerging markets in the legal, financial and business strategy fields ([www.eastafricagate.com](http://www.eastafricagate.com)). EAGate has rapidly become a reference for accurate business information and tailored investment solutions in the Horn of Africa.

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UNDERSTAND



NETWORK



ACT



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