

Aklilu Shiketa

Minister counselor at the
Ethiopian Embassy in Brazil

Dynamic and continuously improving: Ethiopia's investment operating environment

With 80 million people, Ethiopia is the second most populous country in Sub-Saharan Africa. Covering 1.14 million km², Ethiopia's land area is larger than the land area of France and Spain together. Its economy has been growing at an unprecedented 11 percent annual average for the last seven years. Between 2003 and 2009 Ethiopia's GDP expanded five fold. The November 2010 edition of *The Economist* forecast that Ethiopia would be one of the world's five fastest-growing economies in the years that followed. With a double-digit growth rate, the forecast has come true. Ethiopia has made significant strides in reducing rural poverty, improving life expectancy, raising educational levels, and expanding infrastructure such as roads and hydropower plants.

Ethiopia's remarkable growth has been attributed to a number of reform measures. Better regulatory and institutional frameworks such as streamlined business registration requirements, have helped enhance investor confidence. Large investments in infrastructure have boosted domestic demand and helped realize the economy's productive potential. The introduction of a range of special incentives and policy instruments helped exports grow at an average annual rate of 22 percent between 2004 and 2009, thus boosting the country's foreign exchange reserves.

According to the World Bank's 2010 Doing Business ranking, Ethiopia holds a position (107) better than that of other fast-growing economies such as India (133), Russia (120), and even Brazil (129). At number 89, only China exceeds Ethiopia among the BRIC countries.

The dynamic and continuously improving investment operating environment in the country enabled it to attract direct investments from across the globe, including China, India, Saudi Arabia, Turkey, France, The Netherlands, United Kingdom, and Canada. The sectors in which investments from the above mentioned countries are made include textiles, breweries, infrastructure development, agro-processing, floriculture, leather, livestock, crops, and mining.

Though some Brazilian companies have begun exploiting opportunities in Ethiopia, they are yet to implement their ideas. Given their extensive experience in Africa, their technological and financial capacity and, most important, the convergence of what Ethiopia offers and what Brazilian business needs, they are conspicuously absent from the list of foreign investors in Ethiopia.

Indeed, one should not be present somewhere just for the sake of being there. The multi-billion infrastructure development plan, which includes the construction of railways and hydropower plants, the ambitious plan to expand the country's sugar sector by a staggering 350 percent, the allocation of three million hectares of land for agricultural investment, and the country's geographic proximity to the Middle East, Europe, and Asia, should be the right reasons for Brazilian companies to be in Ethiopia. ★

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